22 December 2016

This notice is important and requires your immediate attention.

EDCON HOLDINGS LIMITED ("EDCON")

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AND QUARTERLY REPORT

FOR THE THREE-MONTH PERIOD ENDED 25 JUNE 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 27 June 2015 and the three-month period ended 25 June 2016. Unless the context requires otherwise, references in this notice to (i) “first quarter 2016” and “first quarter 2017” shall mean the 13-week period ended 27 June 2015 and the 13-week period ended 25 June 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, throughout these reports Edgars refers to the Edgars division, which comprises Edgars, Discount refers to the Discount division, which comprises Jet and Jet Mart and the Specialty division comprises of 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 first 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

Highlights

Pertaining to the first quarter 2017 compared to first quarter 2016:

- Supply restricted due to credit risk by large number of trading partners
- Business managed for cash flow
- Clearance of excess inventory which will continue into the second quarter
- Significant vacancies in the office making sales and customer focus limited
- Restructuring to chain profit and loss with a 35% reduction in head office staffing numbers interrupted sales focus
- Transaction with creditors and daily cash management taking up significant time of executive management
- Late warm winter, together with Easter shift
- Retail cash sales decreased by 2.7%
- Retail credit sales decreased by 15.6%
- Gross profit margin decreased 200 basis points (bps) from 38.0% in the first quarter 2016 to 36.0% in the first quarter 2017 mainly as a result of the weaker Rand and increased clearance activity
- Adjusted EBITDA significantly affected by difficult trading conditions, down 53.8%
- Execution of restructuring support agreement with creditors

Introduction

Implementation of New Reporting Structure

Commencing with first quarter 2017, we have fully implemented the previously announced change in our reporting structures which show the realignment of our operational divisions to accomplish the objectives laid out in the new strategic plan. In line with the new strategic plan the Edgars division comprises Edgars, the Discount division comprises Jet and Jet Mart and the Specialty division comprises CNA, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery, Cellular management costs, Legit and our Mono-branded stores. Through-out this report, the comparative divisional results have been restated as necessary to present the information on a comparable basis.

Operating environment in context of levered capital structure

The levered capital structure has had a significant impact on the business and its performance in the quarter. Certain suppliers have limited supply of product to the Group, whilst others have not supplied at all. The high cost of credit insurance, need for extended payment terms and high-focus on short-term cash generation have placed pressure on the cost of goods sold and level of clearance and promotional activity, impacting on the gross profit margin realised. The capital structure has impacted on the businesses ability to retain and attract staff resulting in an excessive amount of vacancies within key merchandising positions within the organisation. The engagement with lenders on resolution of the capital structure has proved to be a significant distraction for management across the business.

Overview of Operational Results

The challenges of the capital structure have been significant for the business. These were exacerbated by a late warm winter being the highest on record and an Easter shift with the Easter period falling in the comparative period in the previous quarter but not in the current quarter. otal retail sales decreased R527 million, or 8.1%, to R5,973 million for the first quarter 2017 from, R6,500 million in the first quarter 2016 as a result of credit sales declining by a further 15.6% compared to the first quarter 2016, while retail cash sales remained relatively flat. Declining credit sales have been affecting Edcon's results since the sale of its trade receivables book in November 2012. The effect of the affordability regulations implemented in September 2015, on the current quarter sales, is estimated to be approximately R189 million. In the first quarter 2017, credit sales contributed 38.6% of total sales, a decrease of 3.4% from 42.0% in the first quarter 2016. The overall trading environment remains subdued with weak economic growth combined with higher inflation, currency weakness, increased interest rates, unemployment and rising food prices continuing to weigh on consumer confidence and the overall macro environment.

Gross profit margin declined 200bps from 38.0% in the first quarter 2016 to 36.0% in the first quarter 2017. The decline in gross margin was the result of an unfavorable trading environment, particularly due to the weaker Rand, which did not allow us to pass through higher input costs in full to our already constrained consumers.

Following the decrease in gross profit of R317 million, adjusted EBITDA for the quarter likewise decreased by R374 million, or 53.8%, to R321 million for the first quarter 2017, from R695 million in the first quarter 2016.
On 14 April 2016, the Group obtained creditor support to defer up to R1.6 billion of certain cash interest payments under its 9.5% Euro and US dollar denominated senior notes due in 2018 and its senior term loan facility to December 2016.

Recent Developments

Changes in Senior Management

On 18 July 2016, the Group made and announced the following Chief Executive appointments: (i) Andrew Levermore was promoted to become Chief Executive of the Edgars division. Bernie Brookes was previously acting in the Chief Executive role. Andrew has more than three decades of retail experience across three continents and has led start-ups as well as country leadership roles of established global retailers and brings a wealth of experience across operations, buying, planning, merchandising and marketing***;*** (ii) Dr. Urin Ferndale, previously our Chief Operating Officer, was appointed as the Chief Executive of the Discount division following the decision by Andrew Williams to return to the United Kingdom for family reasons. Dr Urin Ferndale joined Edcon in 1999 as the Group Human Resources. Dr Urin Ferndale holds a DLitt et Phil from the University of Johannesburg and a BA, BA(Hons) and MA from the University of the Western Cape; (iii) Andy Jury was appointed as the Chief Executive of the Specialty division following the decision by Garth Napier to pursue interests outside Edcon. Previously Andy was the Chief Executive of Strategy and Business Development and has been with the Group since 2008 where he has performed a broad range of roles. He has an MBA from Said Business School and a Bachelor of Business Science (Honours) from the University of Cape Town.

Andrew Thorndike was appointed as the Chief Operations Officer on 18 July 2016, where he continues in his current role managing Group Sourcing, Quality Assurance, Strategic Procurement, Supply Chain Management and Logistics and has taken on the additional responsibility of the management of the property portfolio and operations support previously managed by Dr U. Ferndale. Andrew Thorndike has 23 years' experience as a manager in the development and execution of operational, organisational and strategic improvement and transformation initiatives on an international level, predominantly in retail and consumer packaged goods industries and has a Master's degree in Mining and Energy Technology (Dipl. – Ing).

Trading update

Key operational data

	(unaudited) Retail sales growth (%)				(unaudited) Gross profit margin (%)		
	Q1:FY16 Actual	*Q1:FY17 Actual*	*Q1:FY16LFL*[(1)]	*Q1:FY17 LFL*[(1)]	*Q1:FY16 Actual*	*Q1:FY17 Actual*	*pts change*[(2)]
Edgars	(1.1)	(10.2)	(5.4)	(12.0)	43.0	40.4	(2.6)
Discount	(3.3)	(9.2)	(4.7)	(9.4)	33.9	32.0	1.8
Specialty	2.1	(3.6)	0.4	(7.8)	33.9	33.6	(0.4)
Edgars Zimbabwe[(3)]	17.1	6.9	20.2	6.9	49.3	43.5	(5.8)
Total	(0.9)	(8.1)	(3.6)	(9.8)	38.0	36.0	(2.0)

	Q1:FY16Actual	*Q1:FY17 Actual*	*% change*
Total number of stores	1 527	1 555	1.8
Average retail space ('000 sqm)	1 599	1 618	1.2
Customer credit accounts ('000s)[(4)]	3 371	3 099	(8.1)

(1) Like-for-like sales (same store sales).
(2) Q1:FY17 % change on Q1:FY16.
(3) On a constant currency basis retail sales growth declined 16.7% and LFL growth declined 16.7% in Q1:FY17.
(4) Excludes Edgars Zimbabwe customer credit accounts Q1:FY17 of 174 046 and Q1:FY16 of 168 107.

Edgars

Retail sales in the Edgars division decreased by 10.2% for the first quarter 2017 when compared to the first quarter 2016. Total cash sales weakened, decreasing 4.7% during the first quarter 2017 compared to the first quarter 2016 and credit sales decreased by 15.3% compared to the first quarter 2016. Same-store sales in the first quarter 2017 were 12.0% lower compared to the first quarter 2016.

Average space increased 2.0% when compared to the first quarter 2016. During the first quarter 2017, we opened one Edgars store compared to six stores during the first quarter 2016. During the same time we closed three Edgars stores and one Edgars sales store during the first quarter 2017, bringing the total number of stores in the Edgars division to 203 as at 25 June 2016, down from 206 as at 26 March 2016.

Gross margin was 40.4% for the first quarter 2017, down from the 43.0% in the first quarter 2016 due to the weaker Rand and higher markdown activity.

Discount

The Discount division has been significantly affected by Edcon's declining credit sales. Total sales declined by 9.2% and same store sales declined by 9.4% in the first quarter 2017 compared to the first quarter 2016. Cash sales decreased by 2.4%, while credit sales declined by 20.8%.

Average space remained flat compared to the first quarter 2016. During the period we opened six Jet stores and closed seven Jet stores, bringing the total number of stores in the Discount division to 519 as at 25 June 2016, down from 520 as at 26 March 2016.

In the first quarter of 2017, gross profit margin decreased to 32.0% from 33.9% in the first quarter of 2016 as a result of increased markdown activity and the impact of the weaker Rand.

Specialty

Sales in the Specialty division decreased by 3.6% in the first quarter compared to the first quarter 2016, and same store sales were 7.8% lower for the first quarter 2017 compared to the first quarter 2016. Credit sales decreased 11.9% while cash sales remained relatively flat compared to the first quarter 2016.

Average space increased 2.0% compared to the first quarter 2016. During the period, we opened one Edgars Active store, four Boardmans stores, one Red Square, three Legit, three CNA and eight mono-branded stores and closed one Legit store and two CNA stores bringing the total number of stores in the Specialty division to 780 stores as at 25 June 2016, up from 763 stores as at 26 March 2016.

Gross margin declined to 33.6% for the first quarter 2017 from 33.9% in the first quarter 2016.

African expansion

Sales from countries other than South Africa decreased by 8.1% over the first quarter 2017, and contributed 12.0% (9.6% excluding Zimbabwe) of retail sales for the first quarter 2017, up from 11.4% (9.4% excluding Zimbabwe) in the prior comparative period. The decrease in retail sales is due to the ongoing impact of credit tightening in foreign countries such as Namibia, Botswana, Lesotho and Swaziland implemented in fiscal year 2016. Retail sales in Zambia and Ghana continued to grow. Edcon now has 215 stores outside of South Africa (including 53 in Zimbabwe), which is an increase of two stores from 213 stores as at 26 March 2016.

Credit and financial services

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 as a buyer could not be found at an acceptable price.

On a twelve month rolling basis, credit sales (excluding Zimbabwe) decreased from 41.3% total retail sales in the first quarter 2016 to 38.1% in the first quarter 2017. Excluding Zimbabwe, Edcon had 272 thousand fewer credit customers than the first quarter 2016. The Group continues to be affected by the affordability regulations implemented by the National Credit Regulator in September 2015. The impact of the affordability regulations on the current quarter sales is estimated to be approximately R189 million. Edcon continues rolling out an in-house, National Credit Act compliant credit solution to customers. The in-house trade receivables book grew by approximately R14 million over the quarter to R177 million.

Edcon’s share of the profits from the insurance business increased by 26.1% from the prior comparative period to R203 million for the first quarter 2017, largely due to an increase in premiums and a reduction in claims during the quarter.

Financial review

Summary financial information

Rm	First quarter (unaudited) 2016	2017	% change
Total revenues[(1)]	6 994	6 527	(6.7)
Retail sales	6 500	5 973	(8.1)
Gross profit	2 470	2 153	(12.8)
Gross profit margin (%)	38.0	36.0	(2.0pnt)
Adjusted EBITDA[(2)]	695	321	(53.8)
Capital expenditure	117	149	27.4
Net debt including cash and derivatives	24 193	25 658	6.1
LTM adjusted EBITDA	2 742	2 265	(17.4)
Net debt/LTM adjusted EBITDA	8.8x	11.3x	2.5x

(1) Q1: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 below which reconciles trading profit/loss to adjusted EBITDA.

Revenues

Total revenues declined by R467 million, or 6.7%, from R6,994 million in the first quarter 2016 to R6,527 million in the first quarter 2017 mainly as a result of weaker retail sales as a result of credit sales declining a further 15.6% during the period compared to the prior period, while retail cash sales remained relatively flat. The overall trading environment remained subdued with weak economic growth, combined with higher inflation, currency weakness, increased interest rates, unemployment and rising food prices continuing to weigh on consumer confidence and the overall macro environment. Additionally, income from club fees declined as well as manufacturing sales to third parties.

Retail gross profit

Gross profit margin declined 200bps from 38.0% in the first quarter 2016 to 36.0% in the first quarter 2017. The decline in the gross margin was the result of the unfavorable trading environment, particularly the weaker Rand, in which we could not fully pass through higher input costs to already constrained consumers.

Adjusted EBITDA

The following table reconciles trading profit to adjusted EBITDA:

Rm	First quarter (unaudited) 2016	2017	% change
Trading (loss)/profit[(1)]	420	(263)	(62.6)
Depreciation and amortisation	249	244	
Net asset write off[(2)]	5	5	
Loss/(profit) from brands to be exited[(3)]	(1)	3	
Other non-recurring costs[(4)]	22	332	
Adjusted EBITDA[(1)]	695	321	(53.8)

(1) Q1: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) Relates to assets written off in connection with store conversions, net of related proceeds.
(3) Adjustment to remove the EBITDA gain or loss achieved from certain brands being Express, Geox, Lucky Brand and One Green Elephant which, the Group has strategically agreed to exit.
(4) Relates to costs associated with the corporate and operational overhead reductions of R5 million in Q1:FY16, onerous lease reversals of R11 million in Q1:FY16, transitional project related expenditure of R78 million in Q1:FY17, strategic initiative costs of R246 million (Q1:FY16 R28 million) and a non-recurring of R8 million relating to our strategic partnership with Absa in Q1:FY17.

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 pro-forma adjusted EBITDA, 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 and One Green Elephant. Adjusted EBITDA relating to each of these brands has been restated in the first quarter of 2016 to exclude adjusted EBITDA relating to these brands.

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

	First quarter (unaudited)
Rm	*2016*
Pro-forma adjusted EBITDA previously reported(1)	696
Net income/(loss) from previous card programme(2)	9
Net income from new card programme(3)	(9)
Adjusted EBITDA previously reported(1)	696
Loss/(profit) from brands to be exited(4)	(1)
Adjusted EBITDA(6)	695

(1) Q1: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, dad 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 achieved from certain brands being Express, Geox, Lucky Brand and One Green Elephant which the Group has strategically agreed to exit.
(5) Adjusted EBITDA as reported on page 7.

Costs

	First quarter (unaudited)		
Rm	*2016*	*2017*	*% change*
Store costs(1)	1 583	1 703	7.6
Other operating costs(1)	836	816	(2.4)
Store card credit administration costs(2)	92	100	8.7
Non-recurring costs(3)	22	332	1409.1

(1) Other operating costs as per consolidated financial statements, before costs in notes (2) and (3) below. In Q1:FY16 store costs and other operating costs have been reclassified in line with the new Group structure by R8 million respectively.
(2) Relates to costs associated with the administration of the store credit card funded by Absa or Edcon.
(3) Relates to costs associated with the corporate and operational overhead reductions of R5 million in Q1:FY16, onerous lease reversals of R11 million in Q1:FY16, transitional project related expenditure of R78 million in Q1:FY17, strategic initiative costs of R246 million (Q1:FY16 R28 million) and a non-recurring of R8 milion relating to our strategic partnership with Absa in Q1:FY17.

Total store costs increased by R120 million, or 7.6%, from R1,583 million in the first quarter 2016 to R1,703 million in the first quarter 2017, mainly due to higher rental costs that increased by 10.2%, an increase in manpower costs of 7.7% and higher utility costs which increased 14.9%. Rental costs are a function of space and contractual lease agreements. Efforts to manage rental costs are ongoing. Rental and manpower constituted 59.9% of total costs for the first quarter of 2017.

Other operating costs, excluding non-recurring and store card credit administration costs, decreased by R20 million, or 2.4%, from R836 million in the first quarter 2016 to R816 million in the first quarter 2017.

Income of R84 million from Absa for administering the trade receivables book sold is included in other income.

Depreciation and amortisation

The depreciation and amortisation charge decreased by R5 million, or 2.0%, from R249 million in the first quarter 2016 to R244 million in the first quarter 2017 due to a reduction in the depreciation charge to profit and loss relating to information technology ("IT") capital expenditure which the Group has continuously reduced over the past 3 years.

Net financing costs

	First quarter (unaudited)		
Rm	*2016*	*2017*	*% change*
Interest received	11	15	
Financing costs	(864)	(882)	
Net financing costs	(853)	(867)	1.6

Net financing costs increased by R14 million, or 1.6%, from R853 million in the first quarter 2016 to R867 million in the first quarter 2017. This increase is primarily as a result of higher foreign exchange rates.

Foreign exchange management

Edcon applies a strategy of hedging all committed foreign denominated orders, the impact of which appears below the trading profit line. These forward contracts and some inflation in selling prices have absorbed the impact of a weaker Rand when compared to the same period in the prior year.

	First quarter (unaudited)		
Rm	*2016*	*2017*	% change
Derivative losses	(53)		
Foreign exchange (losses)/gains	(583)	432	
Fair value adjustment for put option	31	-	
Net movement	(605)	432	(71.4)

Edcon manages its foreign exchange risk on liabilities on an ongoing basis. At the end of the first quarter 2017, 28% of the Group's total gross debt is hedged by virtue of it being denominated in local currency, whilst 72%, is unhedged. The foreign exchange positive net movement during the current quarter is as a result of the ZAR appreciating against the EUR from EUR:R17.26 as at 26 March 2016 to EUR:R16.81 as at 25 June 2016 and against the USD from USD:R15.46 to USD:R15.19. The Rand however remained weaker when compared to the first quarter 2016, depreciating against the EUR from EUR:R13.64 to EUR:R16.81 and against the USD from USD:R12.20 to USD:R15.19.

Cash flow

Operating cash inflow before changes in working capital decreased by R566 million from R669 million in the first quarter 2016 to R103 million in the first quarter 2017 mainly due to the weaker trading performance.

Cash outflow from working capital amounted to R135 million in the first quarter 2017, compared to an inflow of R162 million in the first quarter 2016, attributable to:

(i) A net decrease in trade receivables of R62 million in the first quarter 2017 compared to a decrease of R40 million in the first quarter 2016;

(ii) An increase in other receivables and prepayments of R233 million in the first quarter 2017 compared to an increase of R150 million in the first quarter 2016 driven by an amount owing by a third party debtor in first quarter 2017 which can fluctuate between either sundry debtors or sundry creditors of which, the classification is timing dependent;

(iii) An increase in inventory of R163 million in the first quarter 2017 compared to an increase of R37 million in the first quarter 2016 as a result of lower than anticipated retail sales which has increased the inventory levels on hand as at 25 June 2016 ; and

(iv) An increase in trade and other payables of R199 million in the first quarter 2017 compared to an increase of R309 million in the first quarter 2016. The decrease of R110 million mainly as a result reduced purchases in the first quarter 2017 when compared to the first quarter 2016 as a result of the Easter shift to March 2016 in the current calendar year.

Net cash outflow from operating activities of R373 million, decreased by R968 million, compared to an inflow of R595 million in the prior comparative quarter mainly due to weaker trading performance and the negative working driven by an increase in inventories and sundry receivables.

Capital expenditure

	First quarter (unaudited)		
Rm	*2016*	*2017*	*% change*
Edgars	(5)	46	
Expansion	*(18)*	*13*	
Refurbishment	*13*	*33*	
Discount	26	21	
Expansion	*26*	*7*	
Refurbishment	-	*14*	
Specialty	36	35	
Expansion	*32*	*29*	
Refurbishment	*4*	6	
Edgars Zimbabwe	-	23	
IT	57	36	
Other corporate capex	3	20	
	117	181	54.7

(1) The Q1:FY16 comparatives have been re-classified for the changes made to the divisions. The R18 million credit for expansion in the Edgars division relates to landlord contributions received in that quarter in excess of capex spend.

Capital expenditure increased by R64 million to R181 million in the first quarter 2017, from R117 million in the first quarter 2016. In the first quarter 2017, 27 new stores were opened which, combined with store refurbishments, resulted in investments in stores of R102 million excluding Zimbabwe, compared to the first quarter 2016 where 42 new stores were opened resulting in an investment in stores of R57 million, excluding Zimbabwe. The increase in capital expenditure in the first quarter 2017 compared to the prior comparative quarter to mainly due to higher contributions from landlords received in the prior quarter. Edcon invested R36 million in information systems infrastructure in the first quarter 2017 compared to R57 million in the first quarter 2016.

The Group is planning to spend over R600 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 typically occur in October and March, with cash flows from operations, drawings under its various facilities and other initiatives.

Rm(1)	Cash	PIK	First quarter (unaudited) 2016	2017
Super senior debt				
ZAR Revolving credit facility			2 864	
ZAR Super Senior RCF Term Loan due 31 December 2017	*J+5.00%*	*3.00%*		3 297
EUR Super Senior Refinancing Facility due 31 December 2019(2)	*E+4.00%*	*8.00%*		2 075
ZAR Super Senior Hedging Debt due 31 December 2017	*JIBAR*	*8.00%*		675
EUR Super Senior Term Loan due 31 December 2017	*EURIBOR*	*8.00%*		633
ZAR Floating rate notes due 4 April 2016	*J+6.25%*		1 006	
EUR Super Senior PIK notes due 30 June 2019		*8.00%*		1 842
Senior secured debt				
ZAR term loan due 31 December 2017(3)	*J+7.00%*	*3.00%*(4)	4 112	3 020
EUR fixed rate note due 1 March 2018	*9.50%*		8 217	10 244
USD fixed rate note due 1 March 2018	*9.50%*		3 023	3 780
Deferred option premium			1 102	
Lease liabilities			362	319
EUR Senior secured PIK Toggle notes due 30 June 2019	*9.75% (no toggle)*	*12.75% (toggle)*		481
Senior				
EUR fixed rate notes due 30 June 2022(5)		*5.00%*		50
EUR fixed rate notes due 30 June 2019(5)	*13.375%*		5 604	
Other loans(6)			292	304
Gross debt			26 582	**26 720**
Derivatives			(656)	50
Cash and cash equivalents			(1 733)	(1 112)
Net debt			24 193	**25 658**

(1) FX rates at end Q1:FY16 were R12.20 $ and R13.64:€ and at the end of Q1:FY17 were R15.19:$ and R16.81:€.
(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 fiscal year 2016.
(4) Rising to 4.00% from 30 June 2016.
(5) 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.
(6) The portion of this debt relating to Zimbabwe was R229 million in Q1:FY17 and R276 million in Q1:FY16.
(7) At the end of the period R206 million of a Super Senior LC facility were utilised for guarantees and LC's.

The total net debt increased 1.1%, or R279 million, from the end of the fourth quarter 2016 mainly due to currency movements.

On 14 April 2016, the Group obtained creditor support to defer up to R1.6 billion of certain cash interest payments under its 9.5% Euro and US dollar denominated senior notes due in 2018 and its senior term loan facility to December 2016.

As part of its ongoing effort to improve its financial performance, implement its strategic plan and maximise the liquidity position of the Group, through an ongoing process with major creditors to achieve a comprehensive restructuring of the entire capital structure which is expected to include a significant reduction in the current outstanding indebtedness, on 8 July 2016, the Group announced the requisite support from existing bondholders and bank lenders were obtained allowing the Group to access up to R1.5 billion in bridge financing which will be made available by a group of bondholders and bank lenders. The bridge financing was approved by the South African Reserve Bank and is denominated in US dollars and Euros. On 12 July 2016, the Group received the first tranche net amount of R651 million and the second tranche on 24 October 2016 and 25 October 2016 of R574 million and R103 million respectively.

Exercise of put option

Under the ALI group of companies' sale agreement, the non-controlling shareholders have a put option exercisable no sooner than 4 April 2016. On 8 April 2016, the non-controlling shareholders exercised their right to put their interest of 49.9% to Edcon Limited. The fair value of the put option is determined based on an EBITDA multiple, as determined in accordance with the terms and conditions of the contractual arrangement. A gross amount of R57 million including interest of R1 million was paid to the non-controlling interests in three instalments as follows (i) R28 million on 29 July 2016, (ii) R14 million on 31 August 2016 and; (iii) R14 million on 30 September 2016.

Bridge financing of R1.5 billion

On 8 July 2016, the Group secured a combined R1.5 billion in bridge financing denominated in US 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.

Group Executive Changes

On 18 July 2016, the Group announced changes to its executive management under the restructured divisions including; A Levermore, the former Chief Operating Officer of the Edgars division was promoted to Chief Executive taking over from B Brookes who was acting in the Edgars division Chief Executive role. Dr U Ferndale was appointed Chief Executive of the Discount division replacing A Williams. A Jury previously Head of Strategy was promoted to Chief Executive of the Specialty Stores division replacing G Napier.

We have fully implemented the previously announced change in our reporting structures which show the re-alignment of our operational divisions to accomplish the objectives laid out in our new strategic plan. In line with our new strategic plan, the Edgars division now comprises Edgars, the Discount division comprises Jet and Jet Mart and the Specialty division comprises CNA, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery, Legit and our Mono-branded stores.

Sale of Legit business

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 holding company which operates over 200 stores across South Africa, Namibia and Botswana (including the Beaver Canoe and Style chains) and, in which Metier Private Equity is a material shareholder. This 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 requires the satisfaction of certain other customary closing conditions. The sale is expected to be concluded by 28 February 2017.

Agreement with Creditors

On 20 September 2016, certain entities in the Edcon Group and certain of the Edcon Group's creditors, accounting for at least 80% of the outstanding principal amount of the secured debt of the Edcon Group, provided signatures in respect of a lock-up agreement (the "LUA"), pursuant to which the parties to the LUA agreed to the key terms of a proposal concerning the comprehensive restructuring of the Edcon Group's entire capital structure (the "Restructuring").

Such Restructuring involves amongst others, a transfer of control over the Group's operating companies from Edcon (BC) S.A.R.L (being ultimately controlled by Bain Capital) to certain of the Group's existing creditors(the "Control Transfer"), a significant decrease in the outstanding amount of third-party debt of Edcon Limited (a significant indirect subsidiary within the Group), the refinancing of a large portion of the existing third party debt of Edcon Limited in newly established Group companies, and the renegotiation of the terms of third party debt which remain in Edcon Limited. On 13 October 2016, the various conditions precedent to the occurrence of the effective date of the LUA have been satisfied, such that the LUA became binding on all parties thereto.

The LUA contemplates that the Restructuring will be implemented between the Edcon Holdings Limited Group and certain of its creditors (consensually or, where necessary, pursuant to the South African Compromise Proceedings under Section 155 of the South African Companies Act of 2008) and the Control Transfer will be effected under an enforcement of a share pledge over the issued shares held by Edcon Holdings Limited in Edcon Acquisition Proprietary Limited and the transfer of the entire outstanding shares of Edcon Acquisition Proprietary Limited to a newly established holding company ("Parent") which will be a wholly owned subsidiary of two other newly established holding companies ("Holdco 1" and "Holdco 2"), each of which will be incorporated and tax resident in South Africa. The majority of the shares in Holdco 2 will be owned by the holders of the existing 2018 Senior Secured Notes and 2019 Senior Secured PIK Toggle Notes and lenders under the existing ZAR Senior Secured Term Loan (or their respective nominees).

Under the Restructuring, certain of the lenders under the existing ZAR Super Senior RCF Term Loan and LC Facility (note 19.1), will provide a ZAR-denominated R575 million New Revolving Credit Facility. The Restructuring will also amend and restate the Group's existing ZAR Super Senior RCF Term Loan and LC Facility (note 19.1), into a new ZAR-denominated R3,597 million senior secured Converted Revolving Facility (R1,250 million), Term Loan Facility and LC Facility. The Group's existing Super Senior Liquidity Facility will be amended and restated and will comprise the existing EUR Super Senior refinancing facility (note 19.2), available to Edcon Limited (in an original principal amount of €123 million plus accrued and unpaid interest to date).

The New Revolving Credit Facility, Converted Revolving Facility, Term Loan Facility LC Facility and the Super Senior Liquidity Facility will rank *pari passu* amongst each other, and will be secured on a super senior basis by substantially all of the assets of Edcon Limited and its subsidiaries, together with some of the assets of the Parent and will contain LMA-style customary affirmative and negative covenants, which will be adjusted to give Edcon Limited flexibility to operate its day-to-day business activities and will permit Edcon Limited to make certain administrative parent company payments. The covenants will be set at a level reflecting the leverage and liquidity position of the operating companies of the Edcon Limited Group. The New Revolving Credit Facility, Converted Revolving Facility, Term Loan Facility and LC Facility will mature on the earliest to occur of (i) 31 December 2019, (ii) the earliest maturity date of the Super Senior Liquidity Facility, and (iii) three months prior to the maturity date of any other indebtedness of the Edcon Limited Group which benefits from security granted by the Edcon Limited Group's operating companies, and may be extended upon payment of a fee. The Super Senior Liquidity Facility will mature on the earliest of (i) 31 December 2017, (ii) the earliest maturity date of the New Revolving Credit Facility, Converted Revolving Facility, Term Loan Facility and LC Facility, and (iii) three months prior to the maturity date of any other indebtedness of the Edcon Group which benefits from security granted by the Edcon Group's operating companies and may be extended to 31 December 2018 upon meeting certain financial ratios.

The New Revolving Credit Facility, Converted Revolving Facility and Term Loan Facility will bear interest of JIBAR + 5% cash and 3% PIK per annum. The LC Facility will bear interest of JIBAR + 5% cash and 3% PIK per annum. The Super Senior Liquidity Facility will bear interest of EURIBOR (zero floor) + 4% cash (increasing to 9% on and from the maturity extension) and 8% PIK per annum.

Edcon Limited's EUR Super senior term loan, EUR Super Senior PIK notes, ZAR Senior secured term loan, USD 250 million Senior secured fixed rate notes, EUR 317 million Senior secured fixed rate notes, EUR 300 million Senior secured fixed rate notes and EUR Senior secured PIK-Toggle notes will be exchanged for new pay-in-kind debt securities to be issued by Holdco 2 in the Restructuring and refinanced by Holdco 2 whilst the ZAR Super senior hedging debt and facility A3 (plus facility A1, subject to meeting certain leverage ratios) of the bridge facility will be refinanced and exchanged for new pay-in-kind debt securities to be issued by Holdco 1 in the restructuring and refinanced by Holdco 1. The proceeds of the remaining portion of Holdco 1 notes will provide the Group with fresh liquidity. The debt securities to be issued by Holdco 1 and Holdco 2 will be outside the scope of consolidation of the Edcon Limited Group following the completion of the Restructuring and 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 Holdco 1 and Holdco 2).

The Restructuring has been approved by the Competition Commission without conditions and the transaction was referred to the Tribunal and approved on 23 November 2016 and now requires Court Sanction.

Consolidated Financial Statements

Edcon Holdings Limited (“Edcon”)

Consolidated Statement of Financial Position (unaudited)

	2016 25 June Rm	2016 26 March Rm	2015 27 June Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	**3 089**	3 147	3 253
Intangible assets	**10 993**	11 054	16 086
Investment in associates	**1**	6	
Deferred taxation	**126**	127	553
Employee benefit asset	**96**	96	110
Total non-current assets	**14 305**	14 430	20 002
Current assets			
Inventories	**4 875**	4 717	4 437
Trade receivables	**896**	966	458
Sundry receivables and prepayments	**1 169**	912	902
Derivative financial instruments			763
Cash and cash equivalents	**1 112**	1 693	1 733
	8 052	8 288	8 293
Assets classified as held-for-sale			379
Total current assets	**8 052**	8 288	8 672
Total assets	**22 357**	22 718	28 674
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital & share premium	**2 155**	2 155	2 155
Warrants issued	**135**	135	
Other reserves	**77**	66	(9)
Retained loss	**(25 075)**	(24 359)	(17 143)
Shareholder's loan derecognised in equity	**8 311**	8 311	8 311
	(14 397)	(13 692)	(6 686)
Non-controlling interests	**244**	254	149
Total equity	**(14 153)**	(13 438)	(6 537)
Non-current liabilities – shareholder's loan			
Shareholder's loan	**1 007**	982	864
Total equity and shareholder's loan	**(13 146)**	(12 456)	(5 673)
Non-current liabilities – third parties			
Interest-bearing debt	**26 257**	26 503	21 111
Finance lease liability	**290**	305	329
Lease equalisation	**658**	648	591
Onerous lease liability	**143**	145	107
Employee benefit liability	**125**	125	157
Deferred taxation	**103**	108	89
Deferred revenue	**68**	51	45
	27 644	27 885	22 429
Total non-current liabilities	**28 651**	28 867	23 293
Current liabilities			
Interest-bearing debt	**144**	179	4 007
Deferred option premium			1 102
Finance lease liability	**29**	35	33
Current taxation	**29**	68	26
Deferred revenue	**109**	103	78
Option liability	**50**	50	42
Derivative financial instruments			65
Trade and other payables	**7 498**	6 854	6 565
Total current liabilities	**7 859**	7 289	11 918
Total equity and liabilities	**22 357**	22 718	28 674
Total managed capital per IAS 1	**13 574**	14 566	19 807

Consolidated Quarterly Statement of Comprehensive Income (unaudited)

	Note	2016 13 weeks to 25 June Rm	Represented 2015 13 weeks to 27 June Rm
Total revenues	3	**6 527**	6 994
Revenue - retail sales		**5 973**	6 500
Cost of sales		**(3 820)**	(4 030)
Gross profit		**2 153**	2 470
Other income		**336**	322
Store costs		**(1 703)**	(1 583)
Other operating costs		**(1 248)**	(950)
Share of profits of associates and insurance business	4	**199**	161
Trading (loss)/profit		**(263)**	420
Derivative losses			(53)
Foreign exchange gains/(losses)		**432**	(583)
Fair value adjustment for put option		**-**	31
Profit/(loss) before net financing costs		**169**	(185)
Finance income		**15**	11
Profit/(loss) before financing costs		**184**	(174)
Financing costs		**(882)**	(864)
Loss before taxation		**(698)**	(1 038)
Taxation		**(18)**	210
LOSS FOR THE PERIOD		**(716)**	(828)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**1**	11
Gain on cash flow hedges		**-**	34
Other comprehensive income for the period after tax		**1**	45
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(715)**	(783)
Loss for the period attributable to:			
Owners of the parent		**(716)**	(825)
Non-controlling interests		**-**	(3)
		(716)	(828)
Total comprehensive income for the period attributable to:			
Owners of the parent		**(705)**	(786)
Non-controlling interests		**(10)**	3
		(715)	(783)

Consolidated Statement of Changes in Equity (unaudited)

	Share capital, share Premium and warrants Rm	Foreign currency translation reserve Rm	Cash flow hedging reserve Rm	Revalu-ation surplus Rm	Retained loss Rm	Sharehol-der'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)
Loss for the period					(825)		(3)	(828)
Other comprehensive income for the period		5	34				6	45
Total comprehensive income		5	34		(825)		3	(783)
Balance at 27 June 2015	2 155	25	(42)	8	(17 143)	8 311	149	(6 537)
Balance at 26 March 2016	**2 290**	**58**		**8**	**(24 359)**	**8 311**	**254**	**(13 438)**
Loss for the period					**(716)**		**-**	**(716)**
Other comprehensive income for the period		**11**					**(10)**	**1**
Total comprehensive income		**11**			**(716)**		**(10)**	**(715)**
Balance at 25 June 2016	**2 290**	**69**		**8**	**(25 075)**	**8 311**	**244**	**(14 153)**

Consolidated Quarterly Statement of Cash Flows (unaudited)

	2016 13 weeks to 25 June Rm	Represented 2015 13 weeks to 27 June Rm
Cash retained from operating activities		
Loss before taxation from continuing operations	**(698)**	(1 038)
Finance income	**(15)**	(11)
Finance costs	**882**	864
Derivative losses		53
Deferred revenue – loyalty programme	**12**	(1)
Foreign exchange (gains)/losses	**(495)**	580
Fair value adjustment for put option	**-**	(31)
Amortisation of intangible assets	**60**	60
Depreciation	**184**	189
Net loss on disposal of properties, fixtures, equipment and vehicles	**5**	5
Onerous leases	**(13)**	(11)
Fees accrued	**147**	
Other non-cash items	**34**	10
Operating cash inflow before changes in working capital	**103**	669
Working capital movement	**(135)**	162
Increase in inventories	**(163)**	(37)
Decrease in trade accounts receivable	**62**	40
Increase in sundry receivables and prepayments	**(233)**	(150)
Increase in trade and other payables	**199**	309
Cash (outflow)/inflow from operating activities	**(32)**	831
Finance income received	**15**	10
Financing costs paid	**(295)**	(230)
Taxation paid	**(61)**	(16)
Net cash (outflow)/inflow from operating activities	**(373)**	595
Cash utilised in investing activities		
Investment in property, plant and equipment	**(173)**	(170)
Net cash outflow from investing activities	**(173)**	(170)
Cash effects of financing activities		
(Decrease)/increase in current interest-bearing debt	**(34)**	38
Increase/(decrease) in non-current interest-bearing debt	**10**	(6)
Decrease in finance lease liability	**(12)**	(6)
Net cash (outflow)/inflow from financing activities	**(36)**	26
(Decrease)/increase in cash and cash equivalents	**(582)**	451
Cash and cash equivalents at the beginning of the period	**1 693**	1 288
Currency adjustments	**1**	(6)
Cash and cash equivalents at the end of the period	**1 112**	1 733

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 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.

Reclassifications

Consumables were previously reported as part of sundry receivables and prepayments. These are now reported in inventories as from 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 June 2015.

Inventories and sundry receivables and prepayments in the Consolidated Statement of Financial Position have been reclassified with R17 million as at 27 June 2015. The working capital movements for inventories and sundry receivables and prepayments in the Consolidated Statement of Cash Flows for the 13-weeks ended 27 June 2015 have likewise been restated by R2 million.

Restatement and reclassification
Restatement
Edcon Group has undergone a restructure of its divisions which affects the reporting segments. The Edcon Group segments now comprise of the Edgars division, Discount division, Specialty division, Edgars Zimbabwe, Manufacturing division, Credit and Financial Services and Group Services. These reporting structures/segments show the realignment of our operational divisions to accomplish the objectives laid out in the Group's new strategic plan. The Edgars division now comprises Edgars, the Discount division comprises Jet and Jet Mart and the Specialty 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 structure.

1. Basis of preparation *(continued)*

Reclassification
As a result of the restructure of divisions, an amount of R8 million has been reclassified from other operating costs to store costs.

Representation

The Group has ceased to classify the 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. The Group concluded that the carrying amount of these store card portfolios are 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 are 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. The prior comparative periods have not been restated which is in line with the requirements of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

2. Significant movements in the Consolidated Statement of Financial Position

Trade and other payables

Trade and other payables increased by R 644 million from R6 854 million as at 26 March 2016 to R7 498 million as at 25 June 2016.

The increase is attributable to the extending of supplier credit terms during the financial period ending 26 March 2016 and deferral of certain cash interest payments of the listed notes and the senior secured term loan.

3. Basis of accounting

The Consolidated Statement of Financial Position at 25 June 2016 reports share capital, share premium and warrants of R2 290 million (26 March 2016 and 27 June 2015: R2 290 million and R2 155 million respectively) in equity attributable to shareholders and a shareholder's loan recognised in equity of R8,311 million (26 March 2016 and 27 June 2015: R8 311 million) offset by an accumulated retained loss of R25 075 million (26 March 2016: R24 359 million and 27 June 2015: R17 143 million) and a net credit of R77 million (26 March 2016: net credit of R66 million and 27 June 2015: net debit of R9 million) in other reserves, resulting in negative equity attributable to shareholders at 25 June 2016 of R14 397 million (26 March 2016: R13 692 million and 27 June 2015: R6 686 million). After considering non-controlling interests of R244 million (26 March 2016: R254 million and 27 June 2015: R149 million), total equity of the Group is a deficit of R14 153 million (26 March 2016: R13 438 million and 27 June 2015: R6 537 million).

The shareholder's loan of R1 007 million (26 March 2016: R982 million and 27 June 2015: R864 million) has been subordinated to the claims of all the creditors of the Group and the total negative equity and shareholder's loan at 25 June 2016 is R13 146 million (28 March 2016: R12 456 million and 27 June 2015: R5 673 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 Statements 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 of IFRS 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 US 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.

4. Going concern *(continued)*

(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.

(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.

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 introduced during the current financial period, 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 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 13 weeks 25 June Rm	Restated 2015 13 weeks 27 June Rm
2.	**SEGMENTAL RESULTS**		
2.1	**Revenues**		
	Edgars	**2 487**	2 762
	Discount	**2 195**	2 418
	Specialty	**1 272**	1 320
	Edgars Zimbabwe[1]	**200**	175
	Manufacturing	**28**	38
	Credit and Financial Services	**330**	270
	Group Services	**15**	11
		6 527	6 994
2.2	**Retail sales**		
	Edgars	**2 403**	2 675
	Discount	**2 144**	2 361
	Specialty	**1 272**	1 320
	Edgars Zimbabwe[1]	**154**	144
		5 973	6 500
2.3	**Number of stores**		
	Edgars	**203**	207
	Discount	**519**	520
	Specialty	**780**	747
	Edgars Zimbabwe[1]	**53**	53
		1 555	1 527
2.4	**Operating profit before net financing costs**		
	Edgars	**(67)**	134
	Discount	**(48)**	77
	Specialty	**(121)**	(59)
	Edgars Zimbabwe[1]	**8**	5
	Manufacturing	**(8)**	7
	Credit and Financial Services	**309**	277
	Group Services[2]	**96**	(626)
		169	(185)

[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 **13 weeks** **25 June** **Rm**	2015 13 weeks 27 June Rm
3.	**REVENUES**		
	Retail sales	**5 973**	6 500
	Club fees	**139**	146
	Finance charges on trade receivables	**85**	69
	Share of profits from insurance business	**203**	161
	Finance income	**15**	11
	Administration fee	**84**	69
	Manufacturing sales to third parties	**28**	38
		6 527	6 994
4.	**SHARE OF PROFITS OF ASSOCIATES AND INSURANCE BUSINESS**		
	Share of profits from insurance business	**203**	161
	Share of losses from other associates	**(4)**	-
		199	161

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
25 June 2016	
Financial liabilities	
Option liability	**50**
Total financial liabilities	**50**
26 March 2016	
Financial liabilities	
Option liability	50
Total financial liabilities	50
27 June 2015	
Financial assets	
Foreign currency call options	763
Total financial assets	763
Financial liabilities	
Option liability	42
Foreign currency forward contracts	21
Cross currency swaps	44
Total financial liabilities	107

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 are reported at the exchange rate ruling at the reporting date. The market values at 25 June 2016 for the listed notes was R6 137 million (26 March 2016: R6 540 million and 27 June 2015: R10 769 million) and have been determined based on the closing prices of the relevant stock exchange.

6. EVENTS AFTER THE REPORTING DATE

Exercise of put option

Under the ALI group of companies' sale agreement, the non-controlling shareholders have a put option exercisable no sooner than 4 April 2016. On 8 April 2016, the non-controlling shareholders exercised their right to put their interest of 49.9% to Edcon Limited. The fair value of the put option is determined based on an EBITDA multiple, as determined in accordance with the terms and conditions of the contractual arrangement. A gross amount of R57 million including interest of R1 million was paid to the non-controlling interests in three instalments as follows (i) R28 million on 29 July 2016, (ii) R14 million on 31 August 2016 and; (iii) R14 million on 30 September 2016.

Bridge financing of R1.5 billion

On 8 July 2016, the Group secured a combined R1.5 billion in bridge financing denominated in US 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.

Group Executive Changes

On 18 July 2016, the Group announced changes to its executive management under the restructured divisions including; A Levermore, the former Chief Operating Officer of the Edgars division was promoted to Chief Executive taking over from B Brookes who was acting in the Edgars division Chief Executive role. Dr U Ferndale was appointed Chief Executive of the Discount division replacing A Williams. A Jury previously Head of Strategy was promoted to Chief Executive of the Specialty Stores division replacing G Napier.

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

We have fully implemented the previously announced change in our reporting structures which show the re-alignment of our operational divisions to accomplish the objectives laid out in our new strategic plan. In line with our new strategic plan, the Edgars division now comprises Edgars, the Discount division comprises Jet and Jet Mart and the Specialty division comprises CNA, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery, Legit and our Mono-branded stores.

Sale of Legit business

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 holding company which operates over 200 stores across South Africa, Namibia and Botswana (including the Beaver Canoe and Style chains) and, in which Metier Private Equity is a material shareholder. This 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 requires the satisfaction of certain other customary closing conditions. The sale is expected to be concluded by 28 February 2017.

Agreement with Creditors

On 20 September 2016, certain entities in the Edcon Group and certain of the Edcon Group’s creditors, accounting for at least 80% of the outstanding principal amount of the secured debt of the Edcon Group, provided signatures in respect of a lock-up agreement (the “LUA”), pursuant to which the parties to the LUA agreed to the key terms of a proposal concerning the comprehensive restructuring of the Edcon Group’s entire capital structure (the “Restructuring”).

Such Restructuring involves amongst others, a transfer of control over the Group’s operating companies from Edcon (BC) S.A.R.L (being ultimately controlled by Bain Capital) to certain of the Group’s existing creditors(the “Control Transfer”), a significant decrease in the outstanding amount of third-party debt of Edcon Limited (a significant indirect subsidiary within the Group), the refinancing of a large portion of the existing third party debt of Edcon Limited in newly established Group companies, and the renegotiation of the terms of third party debt which remain in Edcon Limited. On 13 October 2016, the various conditions precedent to the occurrence of the effective date of the LUA have been satisfied, such that the LUA became binding on all parties thereto.

The LUA contemplates that the Restructuring will be implemented between the Edcon Holdings Limited Group and certain of its creditors (consensually or, where necessary, pursuant to the South African Compromise Proceedings under Section 155 of the South African Companies Act of 2008) and the Control Transfer will be effected under an enforcement of a share pledge over the issued shares held by Edcon Holdings Limited in Edcon Acquisition Proprietary Limited and the transfer of the entire outstanding shares of Edcon Acquisition Proprietary Limited to a newly established holding company (“Parent”) which will be a wholly owned subsidiary of two other newly established holding companies (“Holdco 1” and “Holdco 2”), each of which will be incorporated and tax resident in South Africa. The majority of the shares in Holdco 2 will be owned by the holders of the existing 2018 Senior Secured Notes and 2019 Senior Secured PIK Toggle Notes and lenders under the existing ZAR Senior Secured Term Loan (or their respective nominees).

Under the Restructuring, certain of the lenders under the existing ZAR Super Senior RCF Term Loan and LC Facility (note 19.1), will provide a ZAR-denominated R575 million New Revolving Credit Facility. The Restructuring will also amend and restate the Group’s existing ZAR Super Senior RCF Term Loan and LC Facility (note 19.1), into a new ZAR-denominated R3,597 million senior secured Converted Revolving Facility (R1,250 million), Term Loan Facility and LC Facility. The Group’s existing Super Senior Liquidity Facility will be amended and restated and will comprise the existing EUR Super Senior refinancing facility (note 19.2), available to Edcon Limited (in an original principal amount of €123 million plus accrued and unpaid interest to date).

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

The New Revolving Credit Facility, Converted Revolving Facility, Term Loan Facility LC Facility and the Super Senior Liquidity Facility will rank *pari passu* amongst each other, and will be secured on a super senior basis by substantially all of the assets of Edcon Limited and its subsidiaries, together with some of the assets of the Parent and will contain LMA-style customary affirmative and negative covenants, which will be adjusted to give Edcon Limited flexibility to operate its day-to-day business activities and will permit Edcon Limited to make certain administrative parent company payments. The covenants will be set at a level reflecting the leverage and liquidity position of the operating companies of the Edcon Limited Group. The New Revolving Credit Facility, Converted Revolving Facility, Term Loan Facility and LC Facility will mature on the earliest to occur of (i) 31 December 2019, (ii) the earliest maturity date of the Super Senior Liquidity Facility, and (iii) three months prior to the maturity date of any other indebtedness of the Edcon Limited Group which benefits from security granted by the Edcon Limited Group's operating companies, and may be extended upon payment of a fee. The Super Senior Liquidity Facility will mature on the earliest of (i) 31 December 2017, (ii) the earliest maturity date of the New Revolving Credit Facility, Converted Revolving Facility, Term Loan Facility and LC Facility, and (iii) three months prior to the maturity date of any other indebtedness of the Edcon Group which benefits from security granted by the Edcon Group's operating companies and may be extended to 31 December 2018 upon meeting certain financial ratios.

The New Revolving Credit Facility, Converted Revolving Facility and Term Loan Facility will bear interest of JIBAR + 5% cash and 3% PIK per annum. The LC Facility will bear interest of JIBAR + 5% cash and 3% PIK per annum. The Super Senior Liquidity Facility will bear interest of EURIBOR (zero floor) + 4% cash (increasing to 9% on and from the maturity extension) and 8% PIK per annum.

Edcon Limited's EUR Super senior term loan, EUR Super Senior PIK notes, ZAR Senior secured term loan, USD 250 million Senior secured fixed rate notes, EUR 317 million Senior secured fixed rate notes, EUR 300 million Senior secured fixed rate notes and EUR Senior secured PIK-Toggle notes will be exchanged for new pay-in-kind debt securities to be issued by Holdco 2 in the Restructuring and refinanced by Holdco 2 whilst the ZAR Super senior hedging debt and facility A3 (plus facility A1, subject to meeting certain leverage ratios) of the bridge facility will be refinanced and exchanged for new pay-in-kind debt securities to be issued by Holdco 1 in the restructuring and refinanced by Holdco 1. The proceeds of the remaining portion of Holdco 1 notes will provide the Group with fresh liquidity. The debt securities to be issued by Holdco 1 and Holdco 2 will be outside the scope of consolidation of the Edcon Limited Group following the completion of the Restructuring and 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 Holdco 1 and Holdco 2).

The Restructuring has been approved by the Competition Commission without conditions and the transaction was referred to the Tribunal and approved on 23 November 2016 and now requires Court Sanction.

Corporate Information

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

Non-executive directors
DM Poler* (Chairman), EB Berk* (resigned 15 December 2016), ZB Ebrahim₸, RB Daniels*, M Osthoff*** (resigned 15 December 2016), TF Mosololi₸ (resigned 15 December 2016), KDM Warburton₸ (appointed 1 February 2016), A Alvarez III*₸ (with effect from 21 April 2016), D Frauman*₸ (appointed 31 May 2016).

Executive directors
BJ Brookes **** (Managing Director and Chief Executive Officer, appointed 30 September 2015), R Vaughan (Chief Financial Officer, appointed 27 July 2016), T Clerckx** (Chief Financial Officer, resigned 22 July 2016), Dr U Ferndale (Chief Executive: Discount division, resigned 15 December 2016).

*USA ** BELGIUM ***GERMAN ****AUSTRALIAN

₸ Independent Non – Executive Director

Group Secretary
CM Vikisi

Registered office
Edgardale, Press Avenue
Crown Mines, Johannesburg, 2092
Telephone: +27 11 495-6000
Fax: +27 11 837-5019
Web site: 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
GLAS Trust Corporation Limited
45 Ludgate Hill
London EC4M 7JU
United Kingdom

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,
Windmill Lane, Dublin 2,
Republic of Ireland
Telephone: + 353 1 900 6991