18 August 2017

This notice is important and requires your immediate attention.

EDCON ACQUISITION PROPRIETARY LIMITED

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AND QUARTERLY REPORT

FOR THE THREE-MONTH PERIOD ENDED 24 JUNE 2017

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 Acquisition Proprietary Limited and its subsidiaries (the "Group") attached hereto, relates to the three-month period ended 25 June 2016 and the three-month period ended 24 June 2017. Unless the context requires otherwise, references in this notice to (i) "first quarter 2017" and "first quarter 2018" shall mean the 13-week period ended 25 June 2016 and the 13-week period ended 24 June 2017, respectively and (ii) "fiscal 2017" and "fiscal 2018" shall mean the 52-week period ended 25 March 2017 and the 53-week period ending 31 March 2018, respectively.

Following the senior management changes announced in the Annual Report of Edcon Acquisition Proprietary Limited for the 52-weeks ended 25 March 2017, the Boardmans and Red Square operations were moved to the Edgars division and the Edgars Active operation was moved to the Jet division. As a result, throughout these reports Edgars refers to the Edgars division, which comprises our Edgars, Red Square and Boardmans operations, Jet refers to the Jet division, which comprises our Jet, Jet Mart and Edgars Active operations, and the Specialty division, comprises our CNA, mono-branded, Edgars Shoe Gallery and Legit operations as well as profits from associates. In connection with this reorganisation of our divisions, we have restated our segmental results for the first quarter 2017 but not our segmental results for fiscal year 2017. As a result of the implementation of this new reporting structure, our divisional results for the first quarter 2018 are not directly comparable with our divisional results for fiscal year 2017. The first quarter 2018 operational results presented include the Legit business for Botswana unless otherwise stated whilst the first quarter 2017 includes the operational results for the Legit business including Legit Botswana and Edgars Shoe Gallery unless otherwise stated.

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 2017, 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 first quarter 2018 compared to the first quarter 2017:

- Trading profit up 165.4% to R89 million from a loss of R136 million
- Pro-forma Adjusted EBITDA increased by 12.7% to R354 million
- Gross profit margin up 60 bps from 38.3% to 38.9%
- Net cash inflow from operating activities increased by R525 million to an inflow of R151 million from an outflow of R374 million
- Retail sales decreased by 7.8% to R5,508 million from R5,973 million impacted by the sale of our Legit business, the exit of non-profitable international brands and the closure of unprofitable stores. Retail sales, excluding Legit, Edgars Shoe Gallery and unprofitable international brands being exited, decreased by 3.8% to R5,484 million whilst like-for-like retail sales decreased by only 1.4%
- Average space decreased by 4.0% and our number of stores decreased 219 mostly impacted by the sale of our Legit business
- The Edgars and Jet division reported a decrease in retail sales of 2.9% and 2.3% respectively whilst the Edgars division increased its like-for-like retail sales by 1.6% and the Jet division had a decrease of only 1.6%
- Strategies implemented are showing encouraging results in merchandise categories such as ladieswear and homeware in both Edgars and Jet and childrenswear, footwear and cosmetics in Edgars
- Store costs decreased by 8.5% on closure of non-profitable stores and the sale of the Legit business
- Other operating costs excluding non-recurring costs decreased by 5.3%

Introduction

Underlying business conditions in South Africa have deteriorated compared to the first quarter 2017 impacting the retail sector during the Group’s first quarter 2018 with lower volume growths combined with input cost inflation thereby impacting profitability within the sector. Our trading environment remains challenging as macro-economic factors continue to weigh on consumers, and the Group faces increased competition from established market participants as well as new market entrants. Underlying consumer demand remains weak on the back of tight credit conditions, low growth in consumer disposable income, political uncertainty and restrictive fiscal policy.

Despite the challenging environment, pro-forma adjusted EBITDA increased by R40 million or, 12.7% from R314 million in the first quarter 2017, to R354 million in the first quarter 2018 our best quarter since the first quarter of fiscal 2016. Retail sales decreased by 7.8% to R5,508 million in the first quarter 2018 from R5,973 million in the first quarter 2017. Excluding retail sales from Edgars Shoe Gallery which we closed in fiscal 2017, our Legit business, which we sold to a third party during fiscal year 2017 including the Legit Botswana business sold in April 2017 and unprofitable brands we are exiting, retail sales decreased by 3.8% from R5,701 million in the first quarter 2017 to R5,484 million in the first quarter 2018. Retail sales were affected by weak consumer demand, fierce price competition through ongoing promotions by competitors to attract customers as well as a warm winter season marginally offset by a shift in Easter from the fourth quarter 2017 to the first quarter 2018. Despite the negative macro-economic influences, our like-for-like retails sales decreased by only 1.4% with positive retail sales growth in certain merchandise categories such as ladieswear and homeware in both Edgars and Jet and childrenswear, footwear and cosmetics in Edgars. Following our revised arrangement with Absa introduced in the third quarter 2017, whereby Absa books approximately 20% of new credit accounts with the balance of new credit accounts being funded by the Group with higher average credit limits offered, our credit sales decreased slower than during the same period in 2017, and decreased by 7.4% (including the Legit business, Edgars Shoe Gallery and the exit of unprofitable international brands) compared to a decrease of 15.6% in the first quarter 2017. Our in-house trade receivables book as at 24 June 2017 was R569 million, an increase of R392 million compared to the R177 million reported as at 25 June 2016 and an increase of R151 million from R418 million as at 25 March 2017. Credit sales contributed 38.8% of total retail sales for the first quarter 2018, an increase of 0.2%, from 38.6% in the first quarter 2017. Cash sales including the

Legit business, Edgars Shoe Gallery and the exit of unprofitable international brands decreased by 8.0% as a result of weaker consumer demand in the first quarter 2018.

The gross profit margin for the first quarter 2018 was 38.9%, up 60 bps from 38.3% in the first quarter 2017. The improvement in the gross profit margin was achieved through improved rebates and settlement discounts negotiated with suppliers as well as a reduction in markdowns. First margins, being the margin before promotional and clearance markdowns decreased when compared to the first quarter 2017 as a result of higher input costs and better entry price points introduced during the second quarter 2017.

The Legit Botswana business was sold effective 30 April 2017 and the Group recognised a gain of R46 million in the first quarter 2018.

Net cash inflow from operating activities increased by R525 million from an outflow of R374 million in the first quarter 2017 to an inflow of R151 million in the current quarter as a result of cost reductions in both store expenses achieved through the closure of non-profitable stores and other operating costs due to advertising cost savings through re-negotiated contracts and cost reductions in Edgars Zimbabwe as well as an increase in cash flows from working capital of R117 million.

Our first quarter 2018 results demonstrate the initial indicators of our turnaround strategy which has improved customer service scores through our net promoter score implemented, an improvement in retail sales performance and the 12.7% increase in pro-forma adjusted EBITDA achieved through continued cost out initiatives. We continue to invest in customer research with testing and feedback mechanisms for all major decisions.Our staff retention has improved with the stabilisation of our Statement of Financial Position following the successful execution of our Agreement with Creditors and Restructuring effective 1 February 2017. The continued rationalisation of international brands has progressed through the closure of free-standing stores and the exit of non-profitable brands and we have improved the stock flow of our existing brands. Our remaining international brands inter alia, La Senza, Accessorise, Inglot, Dune and Lipsy provide a point of difference for the Group, while still being relevant to the South African consumer.

We are coming to the conclusion on our exit of non-profitable international brands, the exit of non-productive space and the clearance of aged inventory such that our inputs and clearance of inventory becomes more akin to a normal retail cycle. The merchandise strategy of rationalising suppliers, rationalising range, introducing fresher inventory and more competitive pricing has resulted in an improving customer franchise and more consistent dealings with our trading partners. Our initiatives are well underway in both our Edgars and Jet divisions and we have just completed the "test and learn" for CNA and Edgars Active (now reported within the Jet division) which includes new business models. We expect that both of these chains will benefit from the revamps to these new models over the next year.

A R1.5 billion investment in information technology ("IT") is underway which is expected to halve our IT expenditure by year 3. This investment will transform our IT infrastructure, including our point of sale, merchandise system, business intelligence and financial systems.

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Trading review

Key operational data

	(unaudited) Retail sales growth (%)				(unaudited) Gross profit margin (%)		
	Q1:FY18 Actual	***Q1:FY17 Actual***	***Q1:FY18 LFL[(1)]***	***Q1:FY17 LFL[(1)]***	***Q1:FY18 Actual***	***Q1:FY17 Actual***	***Pts change[(2)]***
Edgars	(2.9)	(8.5)	1.6	(12.3)	42.4	41.8	0.6
Jet	(2.3)	(8.9)	(1.6)	(8.4)	34.7	34.2	0.5
Specialty[(3)]	(40.5)	(6.9)	(10.6)	(7.0)	38.7	37.9	0.8
Edgars Zimbabwe[(4)]	(14.3)	6.9	(14.3)	6.9	46.2	43.5	2.7
Total	(7.8)	(8.1)	(1.4)	(9.6)	38.9	38.3	0.6

	Q1:FY18 Actual	***Q1:FY17 Actual***	***% change***
Total number of stores	1 336	1 555	(14.1)
Average retail space ('000 sqm)	1 554	1 618	(4.0)
Customer credit accounts ('000s)[(5)]	2 675	3 099	(13.7)

(1) Like-for-like sales (same store sales).
(2) Q1:FY18 % change on Q1:FY17.
(3) Excluding Legit, Edgars Shoe Gallery and non-profitable brands being exited, retail sales growth decreased by 12.7% in Q1:FY18 and a decrease of 5.9% in Q1:FY17. Financial gross profit margin in Q1:FY18 would have been 39.5% and 36.1% in Q1:FY17.
(4) On a constant currency basis retail sales decreased 14.3% and LFL growth was negative 14.3% in Q1:FY18.
(5) Excludes Edgars Zimbabwe customer credit accounts Q1:FY18 of 160 590 and Q1:FY17 of 174 046.

Edgars

Retail sales in the Edgars division decreased by R76 million or, 2.9% from R2,632 million in the first quarter 2017 to R2,556 million in the first quarter 2018. Our Edgars division achieved positive retail sales growth in ladieswear, childrenswear, footwear and cosmetics, whilst menswear, homeware, cellular and active clothing traded down when compared to the first quarter 2017. Edgars cash sales decreased marginally by 0.5% compared to the first quarter 2017 whilst credit sales decreased by 5.5% over the same period. Same store sales increased by 1.6% compared to the first quarter 2017. Our new strategies adopted which focus on rebuilding the Edgars brand, improving the customer experience, focused category management, driving credit and financial services products and change management are starting to show benefits to our customers across certain categories.

Average space remained flat at 765 thousand square meters compared to the first quarter 2017. During the first quarter 2018 we opened 3 Edgars stores and 3 Edgars Cosmetics Emporium stores and closed 5 Edgars stores and 9 Edgars Emporium stores, bringing the total number of stores in the Edgars division to 308.

Gross margin was 42.4% for the first quarter 2018, an increase from 41.8% for the first quarter 2017. The increase is due to supplier discounts received in the first quarter 2018 including a reduction in markdowns in the first quarter 2018 compared to the first quarter 2017.

Jet

Retail sales in the Jet division decreased by R56 million, or 2.3%, from R2,419 million in the first quarter 2017, to R2,363 million in the first quarter 2018. Credit sales improved and only decreased by 1.8% after being significantly impacted in prior financial periods, recording double digit declines subsequent to the sale of trade receivables to Absa in fiscal 2013. The revised arrangement with Absa introduced in the third quarter of fiscal 2017 has positively affected credit sales of the division. Cash sales decreased by 2.6% as a result of weak consumer demand and customers taking up our credit offering. Ladieswear and homeware grew positively compared to the first quarter 2017 whilst the remaining categories including menswear, childrenswear, footwear, cellular and hardlines underperformed compared to first quarter 2017. Same store sales decreased by only 1.6% driven by the Jet division strategic initiatives targeted towards improved sales, gross profit, our credit offering to customers and the empowerment of our people.

Average space decreased by 0.8% to 652 thousand square meters compared to the first quarter 2017. During the quarter, we opened 20 Jet stores and 2 Jet Mart stores and closed 4 Jet stores, 3 Jet Mart and 1 Edgars Active store bringing the total number of stores in the Discount division to 711.

Gross profit margin increased to 34.7% in the first quarter 2018 from 34.2% in the first quarter 2017 due to improved supplier rebates and discounts as well as a reduction in markdown activity.

Specialty

Specialty includes CNA, our mono-branded stores and the Legit Botswana stores for the month of April 2017 for the first quarter 2018. The first quarter 2017 includes the Legit business which the majority thereof was sold in January 2017 and the remaining business in Botswana was sold effective 30 April 2017. In addition, the first quarter 2017 includes the Edgars Shoe Gallery stores which was closed during fiscal 2017.

Total retail sales for the first quarter 2018 was R457 million, a decrease of R311 million, or 40.5% compared to retail sales of R768 million in the first quarter 2017. Excluding Legit, Edgars Shoe Gallery and unprofitable brands being exited such as Lucky Brand, Tom Tailor, River Island, One Green Elephant, Geox, Express and others, retail sales for the first quarter 2018 was R433 million, a decrease of R63 million, or 12.7% compared to the first quarter 2017. Retail sales in CNA decreased by 13.2% whilst the mono-branded stores retail sales decreased by 25.1% (11.1% excluding non-profitable brands being exited).

Average store space decreased by 37.8% to 97 thousand square meters compared to the first quarter 2017 affected by the Legit sale, closure of Edgars Shoe Gallery and the exit of unprofitable international brands. During the quarter, we opened 2 mono-branded stores, sold 10 Legit stores in Botswana and closed 1 CNA and 4 mono-branded stores, bringing the total number of stores for Specialty to 266 representing 195 CNA stores (includes 11 Samsung stores) and 71 mono-branded stores.

Negotiated supplier rebates and discounts contributed to an increase in gross margin of 0.8% from 37.9% in the first quarter 2017 to 38.7% in the first quarter 2018. Excluding Legit, Edgars Shoe Gallery and unprofitable brands being exited, gross margin increased 340bps to 39.5% for first quarter 2018 from 36.1% in first quarter 2017.

Africa

Sales from countries other than South Africa decreased by 11.8% (11.1% excluding Zimbabwe) compared to the first quarter 2017, and contributed 11.4% (9.3% excluding Zimbabwe) of retail sales for the first quarter 2018, down from 12.0% (9.6% excluding Zimbabwe) in the first quarter 2017. All territories except Mozambique reported a decrease in retail sales with Namibia, Swaziland, Lesotho, Zambia and Botswana impacted by the sale of the Legit business. Mozambique and Ghana reported positive growths in their respective local currencies. Edcon now has 183 stores outside of South Africa (including 51 in Zimbabwe).

Credit and financial services

At 24 June 2017, excluding Edgars Zimbabwe, we had 424 thousand fewer credit customers compared to the first quarter 2017 as a result of credit account closures. On a twelve month rolling basis, credit sales (excluding

Zimbabwe) decreased from 38.1% of total retail sales in the first quarter 2017 to 32.8% in the first quarter 2018. Following our revised arrangement with Absa implemented in the third quarter 2017. Edcon's in-house trade receivables book as at 24 June 2017 was R569 million, up R392 million from R177 million as at 25 June 2016 and has increased by R151 million compared to R418 million as at 25 March 2017. Our new arrangement with Absa will take a period of time to drive meaningful new credit customers and number of credit accounts back to acceptable levels.

On 31 January 2017, in connection with the Restructuring, Edcon Acquisition Proprietary Limited acquired the investment in Hollard Business Associates Proprietary Limited ("HBA") from Edcon Holdings Limited as contemplated in the Restructuring Agreement. The table below presents the consolidated share of insurance profits for the current and prior comparative first quarter 2017 as if Edcon Acquisition Proprietary Limited had included the first quarter 2017 share of profits from the insurance business in its Consolidated Statement of Comprehensive Income:

	First quarter (unaudited)		
Profits from insurance business - Rm	***2018***	***2017***	***pts change*** [(1)]
Share of profits from insurance business first quarter 2018 as reported	182		
3 months share of profits from the insurance business first quarter 2017 [(2)]		203	
Share of profits from insurance business	182	203	(10.3)

(1) Q1:FY18 % change on Q1:FY17.

(2) Share of profits from the insurance business for the 3 months ending 25 June 2016 previously included in the Consolidated Statement of Comprehensive Income of Edcon Holdings Limited.

Edcon's share of the profits from the insurance business as presented in the table above, decreased by R21 million, or 10.3%, from R203 million for the first quarter 2017 (as reported in the Consolidated Statement of Comprehensive Income of Edcon Holdings Limited for first quarter 2017) to R182 million as reported in the Consolidated Statement of Comprehensive Income of the Group on page 17 for the first quarter 2018. The decrease is driven by a reduction in insurance premiums of approximately R197 million mainly as a result of the number of credit accounts and insurance policies declining in the first quarter 2018 compared to the first quarter 2017 offset, by R85 million income received through a re-negotiated profit share with Hollard as well as a R100 million reduction in profits attributable to Hollard as the re-insured portfolio payback period was extended with Hollard from 2018 to 2019.

Included in other income on the Statement of Comprehensive Income on page 17 is R118 million in the first quarter 2017 which relates to a brand and administration fee received from Hollard by Edcon Limited, an indirect subsidiary of Edcon Acquisition Proprietary Limited. This fee is not recognised in the first quarter 2018's Consolidated Statement of Comprehensive Income as Edcon Acquisition Proprietary Limited acquired the investment in HBA on 31 January 2017 where after, the Group consolidates its share of the insurance business profits.

Financial review

Summary financial information

Rm	First quarter (unaudited) 2018	2017	% Change(1)
Total revenues	6 048	6 442	(6.1)
Retail sales	5 508	5 973	(7.8)
Gross profit	2 142	2 286	(6.3)
Gross profit margin (%)	38.9	38.3	0.6 pnt
Pro forma adjusted EBITDA(2)	354	314	12.7
Capital expenditure	178	181	(1.7)
Net third party debt including cash and derivatives	4 208	25 609	(83.6)
LTM pro forma adjusted EBITDA	1 423	2 176	(34.6)
Net third party debt/LTM pro forma adjusted EBITDA (times)	3.0x	11.8x	(8.8x)

(1) Q1:FY18 % change on Q1:FY17.

(2) Gross profit is derived from retail sales less cost of sales which excludes advertising costs.

(3) See table on page 9 which reconciles trading profit/loss to adjusted EBITDA and proforma adjusted EBITDA.

Revenues

Total revenues decreased by R394 million, or 6.1%, from R6,442 million in the first quarter 2017 to R6,048 million in the first quarter 2018 due to weaker sales which decreased by R465 million compared to the prior period. Retail sales decreased primarily as a result of underlying consumer demand being weaker on the back of tight credit conditions, low growth in consumer disposable income, political uncertainty and restrictive fiscal policy. Additionally, the Group faced aggressive competition through additional promotional activities on offer by competitors. Credit sales decreased by 7.4% compared to the prior period, while cash sales decreased by 8.0%. Club fees decreased by R27 million as club membership exits across both the Edgars and Jet division were not offset by new club membership drives. The Absa administration fee decreased by R4 million due to a lower number of credit accounts and finance charges on trade receivables declined slightly by R2 million. The decreases in retail sales, club fees, Absa administration fee and finance charges on trade receivables was partially offset by an increase of R24 million from manufacturing sales to third parties as third party retailers re-engineer supply chains to shorten lead time of product, an increase in finance income of R16 million as a result of higher average cash balances and an increase of R64 million on consolidating the share of profits from the insurance business of R182 million in the first quarter 2018 compared to R118 million received as a brand and administration fee in first quarter 2017.

Retail gross profit

Gross profit margin increased by 60 bps from 38.3% in the first quarter 2017 to 38.9% in the first quarter 2018. The increase in the gross profit margin was due to negotiated supplier rebates and discounts as well as a reduction in markdowns albeit higher than anticipated as competitors increased promotional and markdown activity. First margin remains under pressure as input costs increased and further impacted by planned better entry price points introduced across all divisions during fiscal 2017 in the latter part of first quarter 2017.

Pro forma adjusted EBITDA

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

	First quarter (unaudited)		
Rm	***2018***	***2017***	***% Change[(1)]***
Trading profit/(loss)	89	(136)	165.4
Depreciation and amortisation	240	244	
Net asset write off[(2)]	10	5	
EBITDA losses from brands exited[(3)]	3	6	
EBITDA losses/(gains) Edgars Shoes Gallery[(4)]		-	
EBITDA losses/(gains) from the Legit business[(5)]	2	(10)	
Other non-recurring costs[(6)]	10	120	
Adjusted EBITDA	354	229	54.6
Brand and administration fee income from insurance business[(7)]		(118)	
Share of profits from insurance business[(7)]		203	
Pro forma adjusted EBITDA	354	314	12.7

(1) Q1:FY18 % change on Q1:FY17.

(2) Relates to assets written off in connection with the closure of stores, net of related proceeds where applicable.

(3) Adjustment to remove the EBITDA gains or losses achieved from certain brands being exited such as: Express, Geox, Lucky Brand, One Green Elephant, River Island, Tom Tailor and other international brands which the Group has strategically committed to exit.

(4) Adjustment to remove the EBITDA losses or gains from the Edgars Shoe Gallery retail format which the Group closed in fiscal 2017

(5) Adjustment to remove the EBITDA (gains)/losses relating to the Legit business sold.

(6) Non-recurring costs in Q1:FY18 related to a debit of R7 million for employee restructure costs, a R2 million credit for transitional project related expenditure accruals at 25 March 2017, reversed in the first quarter 2018, R4 million expense incurred from a brand penalty fee i and unrecovered costs of R1 million as a result of flood and storm damage. Non-recurring costs in Q1:FY17 relate to transitional costs incurred of R78 million, strategic initiative costs of R34 million (excludes costs of R212 million relating to the Agreement with creditors and the Restructuring) and a non-recurring cost of R8 million relating to our strategic partnership with Absa.

(7) The investment in HBA prior to the Restructuring completed in fiscal 2017 was held by Edcon Holdings Limited which was a related party company of Edcon Acquisition Proprietary Limited and the profits from the insurance business were previously consolidated by Edcon Holdings Limited. Previously Edcon Limited received a brand and administration fee from the insurance business arrangement. On 31 January 2017, in connection with the Restructuring, Edcon Holdings Limited sold its investment in HBA to Edcon Acquisition Proprietary Limited and such investment was consolidated from that date. Pro forma adjusted EBITDA is intended to show adjusted EBITDA as if Edcon Acquisition Proprietary Limited Group had always consolidated the share of profits from the insurance business instead of Edcon Holdings Limited.

The table below reconciles previously reported pro-forma adjusted EBITDA by Edcon Holdings Limited and its consolidated subsidiaries for the first quarter 2017 to pro-forma adjusted EBITDA reported above:

	First quarter (unaudited)
Rm	***2017***
Adjusted EBITDA previously reported[(1)]	321
EBITDA losses from additional brands exited[(2)]	3
EBITDA losses/(gains) from Edgars Shoe Gallery[(3)]	-
EBITDA gains from Legit[(4)]	(10)
Pro forma adjusted EBITDA[(5)]	314

(1) Refer to the Unaudited Condensed Consolidated Financial Statements and Quarterly Report of Edcon Holdings Limited for the three month period ended 25 June 2016.

(2) Relates to EBITDA losses from additional international brands targeted and agreed to exit during fiscal 2017.

(3) Relates to EBIDA losses or gains from the closure during fiscal 2017 of the Edgars Shoe Gallery retail format.

(4) EBITDA gains relate to the Legit retail format which was sold predominantly in fiscal 2017.

(5) Proforma Adjusted EBITDA as reported above.

Costs

Rm	First quarter (unaudited) 2018	2017	% change(1)
Store costs	1 559	1 703	(8.5)
Other operating costs(2)	993	1 049	(5.3)
Non-recurring costs(3)	10	120	(91.7)

(1) Q1:FY18 % change on Q1:FY17.

(2) Other operating costs as per consolidated financial statements, before costs in note (3) below.

(3) Non-recurring costs in Q1:FY18 related to a debit of R7 million for employee restructure costs, a R2 million credit for transitional project related expenditure accruals at 25 March 2017, reversed in the first quarter 2018, R4 million expense incurred from a brand penalty fee incurred and unrecovered costs of R1 million as a result of flood and storm damage. Non-recurring costs in Q1:FY17 relate to transitional costs incurred of R78 million, strategic initiative costs of R34 million (excludes costs of R212 million relating to the Agreement with creditors and the Restructuring) and a non-recurring cost of R8 million relating to our strategic partnership with Absa.

Total store costs decreased by R144 million, or 8.5%, from R1,703 million in the first quarter 2017, to R1,559 million in the first quarter 2018. The decrease in store costs is due to the closure of 27 unprofitable stores in the first quarter 2018 and the sale of the Legit business. Thirty stores were opened during first quarter 2018 of which, 22 were in in the Jet division. These Jet division stores which were opened during the first quarter 2018, are significantly smaller averaging 295 square meters per store. Rental and manpower costs constituted 61.7% of total costs for the first quarter of 2018.

Other operating costs, excluding non-recurring costs, decreased by R56 million, or 5.3%, from R1,049 million in the first quarter 2017 to R993 million in the first quarter 2018. This decrease is largely attributable to renegotiated advertising contracts decreasing advertising costs by R39 million when compared to first quarter 2017 and cost reductions of R37 million was achieved by Edgars Zimbabwe. These cost savings were offset by a R20 million increase in manpower costs in Group Information Technology (“IT”) as the Group embarks on its IT strategy.

Non-recurring costs decreased in the first quarter 2018 to R10 million, from R120 million for the first quarter 2017 as transitional and strategic initiative costs incurred in the first quarter 2017 were not incurred in the first quarter 2018 as transitional projects are largely completed.

Depreciation and amortisation

The depreciation and amortisation charge for the first quarter 2018 decreased by 1.6% to R240 million from R244 million in the first quarter 2017. The depreciation charge to profit and loss decreased by R16 million as non-profitable stores were closed and expansion slowed over the last two fiscal years and the amortisation charge increased by R12 million following management’s re-assessment of the useful lives of the Edgars and Jet brands at the end of fiscal 2017 whereby management concluded that a finite useful life of 20 years more appropriately reflects the period over which management is able to estimate the probability of expected future economic benefits resulting from these brands.

Net financing costs

Rm	First quarter (unaudited) 2018	2017	% change
Interest received	31	15	
Financing costs	(354)	(873)	
Net financing costs	(323)	(858)	(62.3)

Net financing costs decreased by R535 million, or 62.3%, from R858 million in the first quarter 2017 to R323 million in the first quarter 2018. This decrease is as a result of the Agreement with Creditors and Restructuring concluded in fiscal 2017 whereby existing debt of Edcon Holdings Limited and its subsidiaries at that time (other than super senior bank debt outstanding under the ZAR Super Senior RCF Term Loan and LC Facility and the EUR Super Senior Liquidity Facility) was delegated up to New Holdco 1 and New Holdco 2, respectively.

Foreign exchange management

Edcon applies a strategy of hedging 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.

	First quarter (unaudited)		
Rm	***2018***	***2017***	**% change**
Foreign exchange (losses)/gains	(463)	431	
Net movement	(463)	431	(207.4)

Edcon manages its foreign exchange risk on liabilities on an ongoing basis. At the end of the first quarter 2018, 60% of the Group's total gross debt is hedged by virtue of it being denominated in local currency, whilst 40% is unhedged. The net negative exchange movement during the first quarter 2018 is the result of the Rand depreciating against the U.S. dollar from USD:R12.48 as at 25 March 2017 to USD:R12.97 as at 25 June 2017 and likewise the Rand depreciated against the Euro from EUR:R13.45 as at 25 March 2017 to EUR:R14.48 over the same period. The Rand has strengthened when compared to the first quarter 2017, appreciating against the Euro from EUR:R16.81 to EUR:R14.48 and against the U.S dollar from USD:R15.19 to USD:R12.97.

Cash flow

Operating cash inflow before changes in working capital increased by R179 million from R19 million in the first quarter 2017 to R198 million in the first quarter 2018. The increase is mainly due to cost reductions in store expenses and other operating costs, in the first quarter 2018 compared to the first quarter 2017.

The Group reported a working capital inflow of R117 million in the first quarter 2018, compared to an outflow of R52 million in the first quarter 2017, attributable to:

(i) an increase in trade accounts receivable of R157 million as a result of our new arrangement with Absa offset by proceeds received of R39 million relating to the sale of the written down trade receivables book in fiscal 2017, compared to a decrease of R62 million in the first quarter 2017;

(ii) a decrease in sundry receivables and prepayments of R95 million in the first quarter 2018 compared to an increase of R167 million in the first quarter 2017. The increase in cash flow is due to improved collections on amounts owing to the Group;

(iii) no movement on amounts owing to group companies and related parties compared to a cash inflow of R15 million in the first quarter 2017;

(iv) an increase in inventory of R315 million in the first quarter 2018 compared to an increase of R163 million in the first quarter 2017 following a shift in Easter into April 2017; and

(v) an increase in trade and other payables of R455 million in the first quarter 2018 compared to an increase of R201 million in the first quarter 2017. The increase in cash flow is as a result of an increase in inventory purchases as a result of the Easter shift.

Net cash inflow from operating activities increased by R525 million from an outflow of R374 million in the first quarter 2017 to an inflow of R151 million in the current quarter, due to higher cash inflows through cost reductions in both store expenses and other operating costs as well as an increase in cash flows from working capital.

Capital expenditure

	First quarter (unaudited)		
Rm	***2018***	***2017***[(1)]	***% change***
Edgars	66	61	
Expansion	*22*	*24*	
Refurbishment	*44*	*37*	
Jet	34	24	
Expansion	*20*	*9*	
Refurbishment	*14*	*15*	
Specialty	*14*	17	
Expansion	*3*	*16*	
Refurbishment	*11*	*1*	
Edgars Zimbabwe	2	23	
IT	54	36	
Other corporate capex	8	20	
	178	181	(1.7)

(1) Q1:FY17 comparatives have been re-classified for the restructuring of the divisions.

Capital expenditure decreased by R3 million to R178 million in the first quarter 2018, from R181 million in the first quarter 2017. In the first quarter 2018, we opened 30 new stores which, combined with store refurbishments, resulted in investments in stores of R113 million (excluding Zimbabwe), compared to the first quarter 2017 during which we opened 27 new stores, resulting in an investment in stores of R102 million (excluding Zimbabwe). Edcon invested R54 million in information systems infrastructure in the first quarter 2018 compared to R36 million in the first quarter 2017 as the Group continues on its IT strategy to simplify and upgrade the existing IT infrastructure.

The Group has planned total capital expenditure of approximately R600 million for fiscal year 2018.

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.

			First quarter (unaudited)	
Rm[1]	**Cash**	**PIK**	***2018***	***2017***
Super senior debt				
EUR Refinanced Facility A1 due 31 December 2017[2]	*E+4.00%*	*8.00%*	**632**	
EUR Super Senior Facility due 31 December 2017 – Facility A2[2,3]	*E+4.00%*	*8.00%*	**1 972**	2 075
ZAR Super Senior RCF Term Loan due 31 December 2019[4]	*J+5.00%*	*3.00%*	**2 131**	3 297
ZAR Converted revolving credit Facility until 31 December 2019[4,5]	*J+5.00%*	*3.00%*	**1 250**	
ZAR Super Senior Hedging Debt due 31 December 2017[6]	*JIBAR*	*8.00%*		675
EUR Super Senior Term Loan due 31December 2017[6]	*EURIBOR*	*8.00%*		633
EUR Super Senior PIK notes due 30 June 2019[6]		*8.00%*		1 842
Senior secured debt				
ZAR term loan due 31 December 2017[6]	*J+7.00%*	*3.00%*		3 020
EUR fixed rate note due 1 March 2018[6]	*9.50%*			10 244
USD fixed rate note due 1 March 2018[6]	*9.50%*			3 780
Lease liabilities			**302**	319
EUR Senior secured PIK Toggle notes due 30 June 2019[6]	*9.75% (no toggle)*	*12.75% (toggle)*		481
Other loans[7]			**206**	304
Gross third party debt			**6 493**	26 670
Derivatives				50
Cash held in escrow on Legit sale			**(634)**	
Cash and cash equivalents			**(1 651)**	(1 111)
Net third party debt			**4 208**	25 609

(1) FX rates at end Q1:FY17 were R15.19:$ and R16.81:€; and at the end of Q1:FY18 were R12.97:$ and R14.48:€.
(2) The maturities may be extended in exchange for a cash margin uplift from 4.0% to 9.0% if certain leverage conditions are satisfied.
(3) The maturity may be extended to 30 September 2018 or 31 December 2018 if certain leverage conditions are satisfied.
(4) The maturity may be extended to 31 December 2020 if certain refinancing conditions are satisfied.
(5) The total available facility is R1,825 million of which R575 million was undrawn at 24 June 2017.
(6) This debt was restructured or amended as part of the Restructuring.
(7) The portion of this debt relating to Zimbabwe was R137 million in Q1:FY18 and R229 million in Q1:FY17.
(8) At the end of the period R204 million of a Super Senior LC facility were utilised for guarantees and LC's.

The total net third party debt decreased by R21,401 million or 83.6% from R25,609 million as at 25 June 2016 to R4,208 million as at 24 June 2017 as a result of the Agreement with Creditors and the Restructuring effective 1 February 2017.

Net third party debt increased by R348 million compared to that reported as at 25 March 2017 of R3,860 million. The increase is due to the Rand depreciating against the Euro from 25 March 2017 to 24 June 2017 as well as pay-in-kind interest capitalised during the quarter and a decrease in cash and cash equivalents of R136 million following cash investments in property, plant and equipment of R280 million, financing cash outflows of R7 million offset by operating cash inflows of R151 million.

Legit selling price adjustment

The terms of the Legit sale agreement with Retailability Proprietary Limited stipulated that the finalisation of the sales consideration of R637 million was subject to a working capital and cash adjustment which was to be calculated based on an agreed formula. Subsequent to the reporting period this final adjustment was agreed which will result in a R25 million reduction in the sales consideration paid by Retailability Proprietary Limited.

By 1 August 2017, all cash held in escrow from the sale of the Legit business, including interest thereon, was released from the Legit Escrow accounts and will subsequently be recognised in the Group’s cash and cash equivalents.

EDCON ACQUISITION PROPRIETARY LIMITED
("EDCON")

(REGISTRATION NUMBER 2007/000518/07)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED 24 JUNE 2017

Consolidated Statement of Financial Position (unaudited)

	2017 24 June Rm	2017 25 March Rm	2016 25 June Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	**2 955**	2 901	3 089
Intangible assets	**8 695**	8 766	10 993
Investment in associates	**-**	-	1
Deferred taxation	**28**	25	96
Employee benefit asset	**47**	47	123
Total non-current assets	**11 725**	11 739	14 302
Current assets			
Inventories	**4 682**	4 358	4 875
Trade receivables	**1 096**	964	896
Amounts owing by group companies and related parties			11
Sundry receivables and prepayments	**1 313**	1 377	1 034
Cash held in escrow on Legit sale	**634**	584	
Cash and cash equivalents	**1 651**	1 787	1 111
Total current assets	**9 376**	9 070	7 927
Total assets	**21 101**	20 809	22 229
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital	**-**	**-**	**-**
Share premium	**6 856**	6 856	1 968
Other reserves	**11**	10	77
Retained loss	**(7 216)**	(6 511)	(35 147)
Related party loan derecognised to equity			6 398
	(349)	355	(26 704)
Non-controlling interests	**215**	204	244
Total equity	**(134)**	559	(26 460)
Non-current liabilities – shareholder's loan			
Related party loan			9 626
Total equity and shareholder's loan	**(134)**	559	(16 834)
Non-current liabilities – third parties			
Amounts owing to group companies and related parties	**8 044**	7 673	
Interest-bearing debt	**2 194**	2 178	26 207
Finance lease liability	**263**	260	290
Lease equalisation	**691**	689	658
Onerous lease liability	**212**	242	143
Employee benefit liability	**104**	104	125
Deferred taxation	**51**	41	77
Deferred revenue	**64**	65	68
	11 623	11 252	27 568
Total non-current liabilities	**11 623**	11 252	37 194
Current liabilities			
Interest-bearing debt	**3 997**	3 748	144
Finance lease liability	**39**	45	29
Onerous lease liability	**141**	140	51
Current taxation	**6**	39	29
Deferred revenue	**72**	67	109
Option liability			50
Derivative financial instruments – import FECs	**7**	32	5
Amounts owing to group companies and related parties	***3***	3	3 635
Trade and other payables	**5 347**	4 924	7 443
Total current liabilities	**9 612**	8 998	11 495
Total equity and liabilities	**21 101**	20 809	22 229
Total managed capital per IAS 1	**14 403**	14 463	9 836

Consolidated Quarterly Statement of Comprehensive Income (unaudited)

	Note	2017 13 weeks to 24 June Rm	2016 13 weeks to 25 June Rm
Total revenues	3	**6 048**	6 442
Revenue - retail sales		**5 508**	5 973
Cost of sales		**(3 366)**	(3 687)
Gross profit		**2 142**	2 286
Other income		**327**	454
Store costs		**(1 559)**	(1 703)
Other operating costs		**(1 003)**	(1 169)
Share of profits from associates and insurance business	4	**182**	(4)
Trading profit/(loss)		**89**	(136)
Foreign exchange (losses)/gains		**(463)**	431
Fees incurred relating to Restructuring		**(11)**	(212)
Gain on disposal of Legit Botswana business		**46**	
(Loss)/profit before net financing costs		**(339)**	83
Finance income		**31**	15
(Loss)/profit before financing costs		**(308)**	98
Financing costs		**(354)**	(873)
Loss before taxation		**(662)**	(775)
Taxation		**(35)**	(19)
LOSS FOR THE PERIOD		**(697)**	(794)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		**4**	2
Other comprehensive income for the period after tax		**4**	2
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(693)**	(792)
(Loss)/profit for the period attributable to:			
Owners of the parent		**(705)**	(794)
Non-controlling interests		**8**	-
		(693)	(794)
Total comprehensive (loss)/income for the period attributable to:			
Owners of the parent		**(704)**	(782)
Non-controlling interests		**11**	(10)
		(693)	(792)

Consolidated Statement of Changes in Equity (unaudited)

	Share capital Rm	Share Premium Rm	Foreign currency translation reserve Rm	Revaluation surplus Rm	Retained loss Rm	Shareholder's loan Rm	Non-controlling interests Rm	Total equity Rm
Balance at 26 March 2016	-	1 968	57	8	(34 353)	6 398	254	(25 668)
Loss for the period					(794)		-	(794)
Other comprehensive income/(loss) for the period			12				(10)	2
Total comprehensive income/(loss)			12		(794)		(10)	(792)
Balance at 25 June 2016	-	1 968	69	8	(35 147)	6 398	244	(26 460)
Balance at 25 March 2017	**-**	**6 856**	**2**	**8**	**(6 511)**		**204**	**559**
(Loss)/profit for the period					**(705)**		**8**	**(697)**
Other comprehensive income for the period			**1**				**3**	**4**
Total comprehensive income/(loss)			**1**		**(705)**		**11**	**(693)**
Balance at 24 June 2017	**-**	**6 856**	**3**	**8**	**(7 216)**		**215**	**(134)**

Consolidated Quarterly Statement of Cash Flows (unaudited)

	2017 **13 weeks to** **24 June** **Rm**	2016 13 weeks to 25 June Rm
Cash retained from operating activities		
Loss before taxation	**(662)**	(775)
Finance income	**(31)**	(15)
Finance costs	**354**	873
Deferred revenue – loyalty programme	**9**	12
Foreign exchange losses/(gains)	**449**	(493)
Gain on disposal of Legit Botswana business	**(46)**	
Pension fund holiday	**34**	
Amortisation of intangible assets	**72**	60
Depreciation	**168**	184
Net loss on disposal of properties, fixtures, equipment and vehicles	**10**	5
Onerous leases	**(39)**	(13)
Project fees accrued		147
Losses from associates	**-**	4
Share of profits from insurance business	**(117)**	
Other non-cash items	**(3)**	30
Operating cash inflow before changes in working capital	**198**	19
Working capital movement	**117**	(52)
Increase in inventories	**(315)**	(163)
(Increase)/decrease in trade accounts receivable	**(157)**	62
Proceeds from sale of trade accounts receivable	**39**	
Decrease/(increase) in sundry receivables and prepayments	**95**	(167)
Increase in amounts owing to group companies and related parties		15
Increase in trade and other payables	**455**	201
Cash inflow/(outflow) from operating activities	**315**	(33)
Finance income received	**23**	15
Financing costs paid	**(124)**	(295)
Taxation paid	**(63)**	(61)
Net cash inflow/(outflow) from operating activities	**151**	(374)
Cash utilised in investing activities		
Investment in property, plant and equipment	**(280)**	(173)
Net cash outflow from investing activities	**(280)**	(173)
Cash effects of financing activities		
Increase in non-current interest-bearing debt	**5**	10
Decrease in current interest-bearing debt	**(9)**	(34)
Decrease in finance lease liability	**(3)**	(12)
Net cash outflow from financing activities	**(7)**	(36)
Decrease in cash and cash equivalents	**(136)**	(583)
Cash and cash equivalents at the beginning of the period	**1 787**	1 693
Currency adjustments	**-**	1
Cash and cash equivalents at the end of the period	**1 651**	1 111

1.1 Basis of preparation

Edcon Acquisition Proprietary 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 Consolidated and Company Annual Financial Statements of Edcon Acquisition Proprietary Limited for the period ended 25 March 2017 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 25 March 2017 as included in the 2017 Annual Report of Edcon Acquisition Proprietary 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 25 March 2017, as follows:

- Disclosure Initiative – Amendments to IAS 7
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
- Annual Improvements to IFRS.

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

Restatement

Commencing on 28 May 2017, the Group implemented a restructuring of its internal divisions which affected its divisional reporting segments. The Edcon Group segments comprises of the Edgars division, the Jet division, the Specialty division, the Edgars Zimbabwe division, the Manufacturing division, the Credit and Financial Services division and the Group Services division. The Red Square and Boardmans operations were transferred to the Edgars division from the Specialty division and the Edgars Active operations previously included in the Specialty division have been transferred to the Jet division.

The Edgars division now comprises Edgars, Red Square and Boardmans. The Jet division now comprises Jet, Jet Mart and Edgars Active. The Specialty division comprises CNA, Legit (up to the date of disposal) and our mono-branded operations as well as profits from associates. These reporting segments show the realignment of our operational divisions to accomplish the objectives laid out in the Group's strategic plan following senior management changes.

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 first quarter 2018 are not directly comparable to the results for fiscal year 2017.

1.1 Basis of preparation *(continued)*

Going Concern

The Group's financial statements have been prepared on the going concern basis which assumes that the Group will be able to meet the mandatory repayment terms of the Group in the next 12 months.

The Group has recognised a loss after tax of R697 million for the period ended 24 June 2017 (25 June 2016: a loss of R794 million) and as at that date, total liabilities exceeded total assets by R134 million (25 June 2016: R26 460 million). To the extent required to maintain the solvency of the Group in the current financial period, amounts owing to group companies and related parties of R8 044 million, except the loan arising from the USD denominated bridging facilities and refinanced New Holdco 1 PIK A-1 notes (the "PIK A-1 notes loan") are subordinated to the claims of all the creditors of the Group. The PIK A-1 notes loan is subordinated to the claims of the ZAR Super Senior RCF term loan, the Converted revolving credit facility, the EUR Super Senior refinance facility and the Refinanced A1 facility. Management is further considering the potential capitalisation and/or redemption of the intra-group debt to maintain the solvency and liquidity of the Group.

Management takes note of any upcoming maturities in the next 12 months including the EUR Super senior refinancing facility and the Refinanced A1 facility maturing 31 December 2017 respectively.

In assessing the refinancing and repayment of obligations, management has considered future sales growth, margin growth, expected operating costs, refinancing of debt, extension of debt, tax settlements of the Group, the terms of the loans owing to Group companies and related parties including the potential capitialisation and/or redenomination of certain intra-group debt, all guarantors and cross guarantors, the fair value 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 operating budgets. Management monitors cash requirements on an ongoing basis for uncertainties which may arise and takes appropriate action where necessary. For example, economic uncertainties may arise which may affect the Group's ability to meet its objectives in terms of sales growth, credit sales, improvements in gross margins, performance of our own credit book, various working capital initiatives and the timing thereof.

Management anticipates repayment requirements will be met out of operating cash flows or from alternative forms of funding such as asset securitisation, refinancing of debt and drawdowns on credit facilities available to the Group including potential capitalisation and/or redenomination of the intra-group debt to maintain the liquidity and solvency of the Group. In reaching its conclusion, and in mitigation of any uncertainties, management has taken into consideration the facilities available under the Converted revolving credit facility, the provision for extension of the EUR Super senior refinancing facility, the potential capitalisation and/or redenomination of intra-group debt, potential securitisations, the ability to sell permitted non-core assets of the Group including but not limited to trade accounts receivable and various working capital initiatives although, there can be no certainty that such risks will arise or that such mitigants will be successful, nor the timing thereof.

Management acknowledges that uncertainty remains over the ability of the Group to meet its funding requirements and to refinance or repay its obligations as they fall due. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

If for any reason the Group is unable to continue as a going concern, it would have an impact on the Group's ability to realise assets at their recognised values, in particular goodwill and other intangible assets and to extinguish liabilities in the normal course of business at the amounts stated in these financial statements.

1.2 Significant movements in the Consolidated Statement of Financial Position

Inventories

Inventories increased by R324 million from R4 358 million as at 25 March 2017 to R4 682 million as at 24 June 2017. The increase is due to purchases in the first quarter 2018 being higher than the last quarter of fiscal 2017 as Easter shifted into the first quarter of fiscal 2018 and impacted by the lower retail sales as a result of weak consumer demand and increased competition.

Non-current amounts owing to group companies and related parties

Non-current amounts owing to group companies and related parties increased by R371 million from R7 673 million as at 25 March 2017 to R8 044 million as at 24 June 2017. This increase is due to the deterioration in the ZAR: USD and ZAR: EUR exchange rate since 25 March 2017 which increased the obligation related to the Group's foreign denominated amounts owing to group companies and related parties and the Group recognised related unrealised accounting exchange losses in the Statement of Comprehensive Income.

Trade and other payables

Trade and other payables increased by R423 million from R4 924 million as at 25 March 2017 to R5 347 million as at 24 June 2017. The increase is due to an increase in purchases in the first quarter 2018 when compared to the last quarter of fiscal 2017 based on seasonality changes in the business.

	2017 13 weeks to 24 June Rm	2016 13 weeks to 25 June Rm
2. SEGMENTAL RESULTS		
2.1 Revenues		
Edgars	**2 625**	2 716
Jet	**2 406**	2 470
Specialty[1]	**457**	768
Edgars Zimbabwe[2]	**163**	199
Manufacturing	**52**	28
Credit and Financial Services	**314**	246
Group Services	**31**	15
	6 048	6 442
2.2 Retail sales		
Edgars	**2 556**	2 632
Jet	**2 363**	2 419
Specialty[1]	**457**	768
Edgars Zimbabwe[2]	**132**	154
	5 508	5 973
2.3 Number of stores		
Edgars	**308**	306
Jet	**711**	700
Specialty[1]	**266**	496
Edgars Zimbabwe[2]	**51**	53
	1 336	1 555
2.4 Operating (loss)/profit before net financing costs		
Edgars	**(63)**	(33)
Jet	**(37)**	(43)
Specialty[1]	**(67)**	(80)
Edgars Zimbabwe[2]	**18**	8
Manufacturing	**(32)**	(8)
Credit and Financial Services	**268**	140
Group Services[3]	**(426)**	99
	(339)	83

[1] The Specialty division for the 13 weeks to 24 June 2017 comprises of our CNA and mono-branded businesses as well as the Botswana Legit business up until 30 April 2017 and the share of profits from associates. The 13 weeks to 25 June 2016 comprises our CNA, mono-branded, Edgars Shoe Gallery, Legit businesses and the share of profits from associates.
[2] Edgars Zimbabwe is disclosed as a separate segment as the business activities are measured separately.
[3] Included in the allocation to the Group Services segment is foreign exchange gains or losses and non-recurring related expenditure.

	2017 13 weeks to 24 June Rm	2016 13 weeks to 25 June Rm
3. REVENUES		
Retail sales	**5 508**	5 973
Club fees	**112**	139
Finance charges on trade receivables	**83**	85
Share of profits from insurance business	**182**	
Administration fee from insurance business		118
Finance income	**31**	15
Administration fee	**80**	84
Manufacturing sales to third parties	**52**	28
	6 048	6 442
4. SHARE OF PROFITS OF ASSOCIATES AND INSURANCE BUSINESS		
Share of profits from insurance business	**182**	
Share of losses from associates	**-**	(4)
	182	(4)

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 June 2017	
Financial liabilities	
Derivative financial instruments – import FECs	**7**
Total financial assets	**7**
25 March 2017	
Financial liabilities	
Derivative financial instruments – import FECs	32
Total financial liabilities	32
25 June 2016	
Financial liabilities	
Option liability	50
Derivative financial instruments – import FECs	5
Total financial assets	55

5. FINANCIAL INSTRUMENTS *(continued)*

The above instruments, excluding the option liability, were classified as level 1 inputs. The fair value under level 1 is based quoted market prices in active markets.

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 that were issued were initially recognised at fair value and thereafter were 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 and was determined based on the closing prices of the relevant stock exchange.

6. CONTINGENT LIABILITY

The National Credit Regulator ("NCR") referred a complaint to the National Consumer Tribunal ("NCT") in terms of section 140(2) (b) of the National Credit Act, 32 of 2005 ("NCA") wherein the NCR asked for a declaration by the NCT that Edcon had contravened the NCA by requiring the payment of club fees in terms of its credit agreements. The NCT issued a judgement on 24 April 2017, which the Group has appealed to the High Court on 10 May 2017 following consultation with Senior Counsel. At the commencement of the hearing, the parties agreed that the Tribunal will only deal with the merits of the case, and that a separate sanctions hearing process will be instituted following the judgement. The Appeal, as filed, has the effect of staying the Sanctions hearing until the Appeal process has been finalised.

Based on the above, there is a possible obligation which may or may not arise depending on the outcome of the Appeal process.

7. EVENTS AFTER THE REPORTING DATE

Legit selling price adjustment

The terms of the Legit sale agreement with Retailability Proprietary Limited stipulated that the finalisation of the sales consideration of R637 million was subject to a working capital and cash adjustment which was to be calculated based on an agreed formula. Subsequent to the reporting period this final adjustment was agreed which will result in a R25 million reduction in the sales consideration paid by Retailability Proprietary Limited.

By 1 August 2017, all cash held in escrow from the sale of the Legit business, including interest thereon, was released from the Legit Escrow accounts and will subsequently be recognised in the Group's cash and cash equivalents.

Corporate Information

Edcon Acquisition Proprietary Limited
Incorporated in the Republic of South Africa
Registration number 2007/000518/07

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).

*AUSTRALIAN **BELGIAN

Group Secretary
CM Vikisi

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