

## Edgars Stores Limited

## **CONDENSED INTERIM UNAUDITED RESULTS FOR THE 26 WEEKS ENDED 7 JULY 2019**

	2019	2018
	\$ 26 weeks to	\$ 26 weeks to
	07.07.2019	08.07.2018
	unaudited	reviewed
Revenue	62,856,830	32,140,422
Sale of merchandise	60,664,303	31,179,217
Cost of sales	(28,552,697)	(18,257,121)
	(20,332,031)	(10,237,121)
Gross profit	32,111,606	12,922,096
Income from microfinance institution	1,771,451	473,487
Other gains and losses Credit management and debt collection costs	2,704,889 (1,494,672)	(5,343) (1,029,436)
Store expenses	(8,141,908)	(5,872,100)
Depreciation and amortisation	(1,443,237)	(927,147)
Termination benefits Other operating expenses	(173,999) (9,574,623)	(282,990) (5,708,862)
Finance income	4,755,512	3,353,246
Finance costs	(1,079,164)	(297,277)
Profit before tax	19,435,855	2,625,674
Income tax expense	(6,243,847)	(724,619)
Profit for the period	13,192,008	1,901,055
Other consistent in the state of the state o		
Other comprehensive income Revaluation of property, plant and equipment	9,147,432	-
Deferred tax liability arising on revaluation	(2,050,236)	<u>-</u>
Other comprehensive income for the year (net of tax)	7,097,196	-
Total comprehensive income for the period	20,289,204	1,901,055
Earnings per share (cents)		
Basic	4.83	0.74
Diluted Headline	4.74 4.84	0.73 0.74
neaulile	4.04	0.74
CONSOLIDATED STATEMENT OF CASH FLOWS		
For the 26 weeks to 7 July 2019	2040	2010
	2019 \$	2018 \$
	26 weeks to	26 weeks to
	07.07.2019 unaudited	08.07.2018 reviewed
	unauunteu	
Cash flows from operating activities		0.005
Profit before tax Finance income	19,435,855 (4,755,512)	2,625,674 (3,353,246)
Finance costs	1,079,164	297,277
Non cash items  Movements in working capital	3,502,964 (28,795,529)	1,607,969 (4,901,065)
Cash utilised in operations Finance costs paid	(9,533,058) (1,124,648)	(3,723,391) (241,873)
Finance income received	3,712,862	3,308,010
Taxation paid	(4,605,999)	(1,749,664)
Cash outflow from operating activities	(11,550,843)	(2,406,918)
Cash flows from investing activities		
Purchase of property, plant and equipment Proceeds from disposal of property, plant and equipment	(658,211) 2,174	(1,151,091) 13,696
Net cash used in investing activities	(656,037)	(1,137,395)
Cash flows from financing activities		
Cash nows from issue of equity shares	342,186	-
Proceeds from borrowings	10,725,963	3,986,365
Repayment of borrowings Payments of dividend	(1,693,018) (320,124)	(1,088,423) (613,358)
Net cash generated from financing activities	9,055,007	2,284,584
Net increase in cash and cash equivalents	(3,151,873)	(1,259,729)
Cash and cash equivalents at the beginning of the period	6,621,957	2,296,428
Cash and cash equivalents at the end of the period	3,470,084	1,036,699
	3,470,084	1,036,699
Cash and cash equivalents at the end of the period  CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 7 July 2019		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2019 \$	2018 \$
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2019 \$ as at	2018 \$ as at
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2019 \$	2018 \$
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2019 \$ as at 07.07.2019	2018 \$ as at 06.01.2019
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2019 \$ as at 07.07.2019	2018 \$ as at 06.01.2019
CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 7 July 2019  Assets Non-current assets	2019 \$ as at 07.07.2019 unaudited	2018 \$ as at 06.01.2019 audited
Assets Non-current assets Property, plant and equipment	2019 \$ as at 07.07.2019 unaudited	2018 \$ as at 06.01.2019
Assets Non-current assets Property, plant and equipment Right Of Use Asset Intangible assets	2019 \$ as at 07.07.2019 unaudited	2018 \$ as at 06.01.2019 audited 14,525,571 - 1,326,805
Assets Non-current assets Property, plant and equipment Right Of Use Asset Intangible assets Deferred tax asset	2019 \$ as at 07.07.2019 unaudited 23,139,360 6,229,425 2,533,414	2018 \$ as at 06.01.2019 audited 14,525,571 - 1,326,805 25,465
Assets Non-current assets Property, plant and equipment Right Of Use Asset Intangible assets	2019 \$ as at 07.07.2019 unaudited 23,139,360 6,229,425	2018 \$ as at 06.01.2019 audited 14,525,571 - 1,326,805
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Assets Non-current assets Property, plant and equipment Right of Use Asset Interagble assets Deferred tax asset Total non-current assets Inventories Trade and other receivables Cash and drash equivalents Total current assets  Total assets Total assets Inventories Total assets Inventories Total assets Inventories Total current assets  Total assets Inventories Total current liabilities Interest bearing loans and borrowings Interest payables Contract payables Contract payables Contract payables Current liabilities Total current liabilities	2019 \$ as at 07.07.2019 unaudited 23,139,360 6,229,425 2,533,414 - 31,902,199 35,711,201 38,201,907 5,850,229 - 3,470,084 83,233,421 115,135,620 3,457,754 15,253,385 45,862,058 64,573,197 5,634,600 3,058,597 8,504,670 17,197,867 16,926,026 532,301 370,266 336,365 11,705,573 3,494,025 33,364,556 50,562,423	2018 \$ as at 06.01.2019 audited 14,525,571 - 1,326,805 25,465 15,877,841 15,985,570 25,518,658 4,275,580 38,030 6,621,957 52,439,795 68,317,636 405,690 7,767,765 34,606,121 42,779,576 3,653,570 - 4,489,417 8,142,987 11,340,567 384,692 352,622 663,534 4,653,658 - 17,395,073 25,538,060
Assets Non-current assets Property, plant and equipment Right of Die Asset Total non-current assets Property plant and equipment Right of Die Asset Total non-current assets  Current assets Inventories Tode and other receivables Loans and advances to customers Income tax receivable Loans and advances to customers Income tax receivable Cash and cash equivalents Total current assets Total assets Total assets Total assets Non-current assets  Non-current assets  Non-current liabilities Retained earnings Total capital and reserves  Non-current liabilities Interest bearing loans and borrowings Finance Lasse Liability Total on-current liabilities University and the pupules Contract pupules Contract pupules Dividend Payable Current Rapabilities Tract and other pupules Contract pupules Dividend Payable Current Rapabilities Interest Bearing loans and borrowings Finance Lease Liability Total current Rapabilities Interest Bearing loans and borrowings Finance Lease Liability Total current Rapabilities Interest Bearing loans and borrowings Finance Lease Liability Total current Rapabilities Interest Bearing loans and borrowings Finance Lease Liability Total current Rapabilities Interest Bearing loans and borrowings Finance Lease Liability Total current Rapabilities Interest Bearing loans and borrowings Finance Lease Liability Total current Rapabilities Interest Bearing loans and borrowings Finance Lease Liability Total current Rapabilities Interest Bearing loans and borrowings Finance Lease Liability Total current Rapability Total current Rapabilities Interest Bearing Loans and borrowings Finance Lease Liability Total current Rapabilities Interest Bearing Loans and Bear Rapability Interest	2019 \$ as at 07.07.2019 unaudited 23,139,360 6,229,425 2,533,414 - 31,902,199 35,711,201 38,201,907 5,850,229 - 3,470,084 83,233,421 115,135,620 3,457,754 15,253,385 45,862,058 64,573,197 5,634,600 3,058,597 8,504,670 17,197,867 16,926,026 532,301 370,266 336,365 11,705,573 3,494,025 33,364,556 50,562,423	2018 \$ as at 06.01.2019 audited 14,525,571 - 1,326,805 25,465 15,877,841 15,985,570 25,518,658 4,275,580 38,030 6,621,957 52,439,795 68,317,636 405,690 7,767,765 34,606,121 42,779,576 3,653,570 - 4,489,417 8,142,987 11,340,567 384,692 352,622 663,534 4,653,658 - 17,395,073 25,538,060
Assets Non-current assets Property, plant and equipment Right of Use Asset Intrangible assets Deformed tax size Total soft-current assets Total asse	2019 \$ as at 07.07.2019 unaudited 23,139,360 6,229,425 2,533,414 - 31,902,199 35,711,201 38,201,907 5,850,229 - 3,470,084 83,233,421 115,135,620 3,457,754 15,253,385 45,862,058 64,573,197 5,634,600 3,058,597 8,504,670 17,197,867 16,926,026 532,301 370,266 336,365 11,705,573 3,494,025 33,364,556 50,562,423	2018 \$ as at 06.01.2019 audited 14,525,571 - 1,326,805 25,465 15,877,841 15,985,570 25,518,658 4,275,580 38,030 6,621,957 52,439,795 68,317,636 405,690 7,767,765 34,606,121 42,779,576 3,653,570 - 4,489,417 8,142,987 11,340,567 384,692 352,622 663,534 4,653,658 - 17,395,073 25,538,060 68,317,636
Assets Non-current assets Property, plant and equipment Right of Dise Asset Poperty, plant and equipment Right of Dise Asset Poperty and the Asset Polerror da assets Total non-current assets  Current assets Inventories Tade and other receivable Loans and advances to customers Income tax receivable Cash and cash equivalent Total current assets  Total assets  Total assets  Color and sease equivalent Total current assets  Total capital and reserves  Non-current liabilities  Total capital and reserves  Non-current liabilities  Total capital and before payables Contract payables Contract payables Contract payables Contract payables Contract payables Total current liabilities  Total equity and liabilities	2019 \$ as at 07.07.2019 unaudited 23,139,360 6,229,425 2,533,414 	2018 \$ as at 06.01.2019 audited 14,525,571 - 1,326,805 25,465 15,877,841 15,985,570 25,518,658 4,275,580 38,030 6,621,957 52,439,795 68,317,636 405,690 7,767,765 34,606,121 42,779,576 3,653,570 4,489,417 8,142,987 11,340,567 384,692 352,622 663,534 4,653,658 - 17,395,073 25,538,060 68,317,636
Assets Non-current assets Property, plant and equipment Right of Use Asset Intrapible assets Deferred tax asset Intrapible assets Inventions Total non-current assets Inventions Total and sharmers to customers Income tay receivablents Total acurrent assets Total assets  Equity and liabilities  Equity Staued Capital Other reactives Non-current liabilities Interest Exeming State and Sta	2019 \$ as at 07.07.2019 unaudited 23,139,360 6,229,425 2,533,414 - 31,902,199 35,711,201 38,201,907 5,850,229 - 3,470,084 83,233,421 115,135,620 3,457,754 15,253,385 45,862,058 64,573,197 5,634,600 3,058,597 8,504,670 17,197,867 16,926,026 532,301 370,266 336,365 11,705,573 3,494,025 33,364,556 50,562,423 115,135,620	2018 \$ as at 06.01.2019 audited 14,525,571 -1,326,805 25,465 15,985,570 25,518,658 4,275,580 38,030 6,621,957 52,439,795 68,317,636 405,690 7,767,765 34,606,121 42,779,576 3,653,570 -4,489,417 8,142,987 11,340,567 384,692 352,622 663,534 4,653,658 -17,395,073 25,538,060 68,317,636
Assets Non-current assets Inventories Information to customers Informat	2019 \$ as at 07.07.2019 unaudited 23,139,360 6,229,425 2,533,414 	2018 \$ as at 06.01.2019 audited 14,525,571 1,326,805 25,465 15,877,841 15,985,570 25,518,658 4,275,580 38,030 6,621,957 52,439,795 68,317,636 405,690 7,767,765 34,606,121 42,779,576 3,653,570 4,489,417 8,142,987 11,340,567 384,692 352,622 663,534 4,653,658 - 17,395,073 25,538,060 68,317,636
Consolidates statement of a financial position in early July 2015  Assets  Assets  Property plant and equipment Right Of Use Asset Intamplifie assets  Property plant and equipment Right Of Use Asset Intamplifie assets  International Assets  Inventories  Current assets  Inventories  Current assets  Inventories  Current assets  Inventories  In	2019 \$ as at 07.07.2019 unaudited 23,139,360 6,229,425 2,533,414 - 31,902,199 35,711,201 38,201,907 5,850,229 - 3,470,084 83,233,421 115,135,620 3,457,754 15,253,385 45,862,058 64,573,197 5,634,600 3,058,597 8,504,670 17,197,867 16,926,026 532,301 370,266 336,365 11,705,573 3,494,025 33,364,556 50,562,423 115,135,620	2018 \$ as at 06.01.2019 audited 14,525,571 1,326,805 25,465 15,877,841 15,985,570 25,518,658 4,275,580 38,030 6,621,957 52,439,795 68,317,636 405,690 7,767,765 34,606,121 42,779,576 3,653,570 4,489,417 8,142,987 11,340,567 384,692 352,622 663,534 4,653,658 17,395,073 25,538,060 68,317,636

EDGARS STORES
LIMITED

Balance at 08 July 2018

Script dividend

Profit for the year

Balance at 07 July 2019

Balance at 07 January 2019

Total comprehensive Income for the period

Issue of shares for brand purchase transaction

Other comprehensive income for the period

Increase in Club Plus allowances for credit losses

Dividends declared Issue of ordinary shares under employee share option plan







1,008,964

1,008,964

1,008,964

1,627,549

6,486,343

7,097,196

7,097,196

13,583,539



388,423

660,882



1,901,055

31,310,366

42,779,576

(1,547,647) 342,186

1,209,878

20,289,204 13,192,008

7,097,196

64,573,197

27,339,054 (971,946)

1,901,055

34,606,120

(1,547,647)

(388,423)

45,862,058

405,690

405,690

342,186

1,209,878

3,457,754



## Edgars Stores Limited

**CONDENSED INTERIM UNAUDITED RESULTS FOR THE 26 WEEKS ENDED 7 JULY 2019** 

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the 26 weeks to 7 July 2019

The unaudited interim results were prepared in compliance with IAS 34:Interim Financial Reporting and in accordance with Zimbabwe Stock Exchange listing requirements. The Group has applied IFRS 16 -Leases using the modified retrospective approach. The key impact of IFRS 16 is the recognition by lessees of the assets and liabilities for most leases on their balance sheets. Refer to note 13 for a detailed outline of the impact of the implementation of this standard The Directors are ultimately responsible for the preparation of the results and related financial information that fairly present the state of affairs and the results of the Group 2018 2019

Headline earnings Earnings attributable to shareholders 13,192,008 1,901,055 Adjusted for non-recurring items:
Loss on disposal of property, plant and equipment 3,635 41,242 1,904,690

Headline earnings comprise of basic earnings attributable to shareholders of the Company adjusted for profits, losses, and items of a capital nature that do not form part of the ordinary activities of the Group, net of their related tax effects

Capital expenditure Other office equipment, leasehold improvements and vehicles

Authorised and contracted for 533,893

5 Capital Commitments

Authorised but not yet contracted for 6,414,916 2,679,392

All expenditure is to be financed from existing cash resources and the utilisation of authorised borrowing facilities

Future minimum rentals under non-cancellable operating leases are as follows: Within one year 4 012 064 3 098 456 After one year but not more than five years 2,597,715 3,075,320 5,696,171

Interest bearing loans and borrowings

These are secured by a cession of book debts (\$11million) and negative pledges over plant and equipment (\$5million). The weighted average cost of borrowing is 11.29% (2018: 9.09%).

Related party transactions

Related party relationships exist between the Group, fellow subsidiaries and the holding company. All purchasing and selling transactions are concluded at arm's length All intra-group balances, income and expenses, unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation

Borrowings have increased to \$17.3m (December 2018:\$8.3m) as a result of debtors book growth and shorter supplier credit terms for merchandise inputs

Acquisition of property, plant and equipment

Non current interest bearing loans and borrowings 5.634.600 3.653.570 11,705,573 4,653,658

The amount of write-down of inventories recognised in cost of sales is

Amount of stock losses recognised in cost of sales is:

11 Our business operations are cyclical, January-June is winter and July-December is summer. The summer season is our peak period

12

As the Group is on a revaluation model for property, plant and equipment, the fair value of property, plant and equipment was determined by a director's valuation which was carried out by the use of independent valuers

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of the adoption of this new accounting standard are described below

Right of use asset as at 7 January 2019 Effects of new leases and extended lease terms negotiated during the period Effects of long lease tenures reclassified as short term leases during the period Revised right of use asset

Depreciation for the period Right of use asset as at 7 July 2019 Lease liability as at 7 January 2019

Effects of new leases and extended lease terms negotiated during the year Effects of long lease tenures reclassified as short term leases during the period Revised Lease liability Effects of changes in incremental borrowing rates Finance costs for the period Repayments of lease instalments (rentals)

(1,760,951) 5.432.135 (1,119,815) 1,259,256 318.643 6,552,622

5,432,135

2,418,800

6.731.120

(1,119,815)

14,027

1,137,064

14 Brand Purchase

Lease liability as at 7 July 2019

At an Extra Ordinary General Meeting on the 16th of January 2019, the Company's shareholders approved the acquisition of the intellectual property rights to trademarks and brands assigned to Edgars Stores Limited by Edcon Limited for the territory of Zimbabwe (constituting a related party transaction in terms of the ZSE listing requirements) for a consideration of RTGS \$1 500 000 which was settled through the issue of 15 000 000 Edgars Stores Limited ordinary shares. Having satisfed all the conditions precedent the shares were issued on the 20th of March 2019.

15 Script Dividend

The Board declared a final dividend of 0.5 cents per share to shareholders reflected in the company's register on the record date being 3 May 2019, on 2018 profits. Shareholders had an option to receive their dividend wholly in cash or take their dividend entitlement in the form of shares. The offer price to the shareholders was determined by the share price on the date of the year end results announcement (27 March 2019), being RTGS 10cents per share

Results of the offer were as follows Script dividend RTGS 1 209 878

Cash Divided RTGS 337 769 Total RTGS 1 547 647

16 Hyperinflation

Subsequent to the reporting date, inflation statistics (based on the Consumer Price Index statistics as published by the Reserve Bank of Zimbabwe) have continued to exhibit an upward trend. As a result, this has triggered considerations over the applicability of IAS 29 – Hyperinflation ("IAS 29") to the financial results of the Group. IAS 29 considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation which includes but are not limited to the following

(a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power,

(b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

(c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; (d) interest rates, wages and prices are linked to a price index;

(e) the cumulative inflation rate over three years is approaching, or exceeds 100%

On the 11th of October 2019, the Public Accountants and Auditors Board (PAAB) announced that the factors and charecteristics to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29) in Zimbabwe have been met. This pronouncements applies to financial periods ended on or after 1 July 2019.

Consequently, subsequent reporting dates will be subject to significant restatement.

An estimate of the potential financial impact cannot be made at this stage as this is reliant on the determination of an appropriate index at such reporting dates

							Adjustments and	
	Retail- Edgars	Retail- Jet	Manufacturing	Micro Finance	Corporate	Total Segments	Eliminations	Consolidated
26 weeks to 7 July 2019	5				·	ŭ		
Revenue								
External customers	37,573,472	23,035,140	476,767	1,771,451		62,856,830		62,856,830
	37,373,472	23,033,140	3,872,085	1,771,431	_	, ,	(3,872,085)	02,630,630
Inter-segments	-	-	3,872,083	•		3,872,085	(3,872,083)	-
Total revenue	37,573,472	23,035,140	4,348,852	1,771,451		66.728.915	(3.872.085)	62,856,830
Total revenue	37,373,472	23,033,140	4,340,032	1,//1,431		00,720,913	(3,872,083)	02,830,830
Segment profit/(loss)	13,841,191	6,935,099	1,893,090	1,027,796	(5,456,654)	18,240,522	1,195,333	19,435,855
•	, ,		, ,			, ,		
Total assets	49,001,154	25,104,361	7,212,336	6,384,925	37,537,804	125,240,580	(10,104,960)	115,135,620
26 weeks to 8 July 2018								
Revenue								
External customers	19,460,508	12,033,080	173,347	473,487		32,140,422		32,140,422
		12,033,000	,	473,407		, ,	(4 572 447)	32,140,422
Inter-segments			1 ,573,447		-	1,573,447	(1,573,447)	
Total revenue	19,460,508	12,033,080	1,746,794	473,487	-	33,713,869	(1,573,447)	32,140,422
5. (1)	4 405 205	2 042 004	(222 502)	50.400	(2.522.722)	2 502 400	22.404	2 525 574
Segment profit/(loss)	4,406,295	2,012,981	(338,592)	60,199	(3,538,703)	2,602,180	23,494	2 ,625,674
Total assets-as at 06 01 2019	30 597 952	12 605 577	3 520 942	5 349 242	21 113 423	73 187 136	(4.869.500)	68 317 636

## CHAIRMAN'S STATEMENT

FINANCIAL OVERVIEW was supressed, and continues to slow down, due to depressed salaries purchasing power. The business recorded negative unit growth, with only April and May performing positively in unit terms. In June, positive performance was again negatively affected by the introduction of mono currency. Cumulatively, units for the first half declined by 17%. Turnover

Group inventory increased by 123% in value, however, in unit terms the chains were holding less stock than last year.

Profit after tax for the period was \$13.6m, a 594% increase from \$1.9million in the same period last year. The business benefited from a leaner structure, cost inflation that was trailing top line inflation and pre-emptive stocking arrangements. Other gains and losses include exchange gains of \$2.7m (2018:\$60k loss)

RETAIL OPERATIONS Edgars Chain

The chain recorded turnover of \$37.6m (2018:\$19.5m) out of 25 stores (2018:26) an increase of 93%. Units sold for the year were 0.6m (2018:0.8m), a decrease of 25%. The chain's profit to sales ratio increased to 36.8% from 23% in 2018.

Microfinance

T N SIBANDA CHAIRMAN

Total Sales were \$23m (2018:\$12m) out of 25 stores (2018:25) an increase of 91%. Units sold for the year were 0.87m (2018:1.048m), a decrease of 17%. The chain's profit to sales ratio increased to 30% (2018:16.7%). Jet Kadoma was reopened in April 2019

The quality of the Group's debtors book is good with 4.3% of the book over 30 day due and 80.2% being current as at end of June 2019. Total active accounts as at the end of June 2019 were 147 631 (2018: 152 422).

The factory made a profit of \$1.9m (2018:\$0.3m loss). 6% of sales were exports

The microfinance business revenue increased from \$0.5m to \$1.8m, making a profit before tax of \$1m (2018: \$60k). Loans to customers were at \$5.9m (2018: \$4.3m) Financing and Cashflo

Gearing was at 0.27 (2018:0.19). The Group had USD200k foreign liabilities as at the end of June 2019. OUTLOOK

With the investment in merchandise and increased trading space, management is confident that they will deliver profit growth in the second half. DIVIDEND

We plan to open two new Jet stores in Banket and Chegutu as well as re-opening the Edgars Kadoma store before the end of the year

Your Company will not declare an interim dividend as at 7 July 2019 as a result of the tight liquidity in the market and the need to finance growth APPRECIATION I am grateful to Board colleagues, management and staff for their dedication and also to our customers for their loyalty as well as our landlords, bankers and suppliers for their continued support









