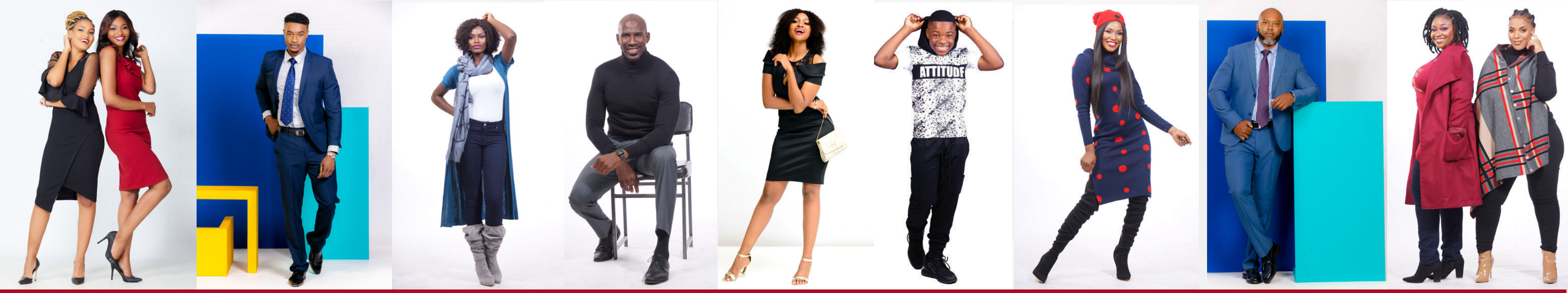
EDGARS STORES LIMITED



Abridged Audited Results for the 53 weeks ended 10 January 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the 53 weeks to 10 January 2021

	Notes	2020 ZWL 53 weeks to 10.01.2021	2019 ZWL 52 weeks to 05.01.2020	2020 ZWL 53 weeks to 10.01.2021	2019 ZWL 52 weeks to 05.01.2020
		Inflation adjusted		* Historical cost	
Revenue		2,067,678,993	2,670,149,890	1,527,140,440	267,001,142
Sale of merchandise		2,032,452,587	2,601,991,246	1,503,110,782	261,906,999
Cost of sales		(1,377,085,281)	(1,642,536,581)	(547,583,572)	(114,764,838)
Gross profit		655,367,306	959,454,665	955,527,210	147,142,161
Income from microfinance institution		30,449,471	55,785,624	20,458,485	4,250,887
Other income		85,562,982	22,273,178	55,659,027	37,483
Credit management and debt collection costs		(59,847,961)	(75,920,885)	(45,798,229)	(10,040,121)
Store expenses		(725,683,327)	(407,476,524)	(292,676,109)	(35,626,636)
Depreciation and amortisation		(123,539,547)	(114,104,504)	(38,967,080)	(9,934,715)
Other operating income and expenses		(357,965,678)	(398,830,274)	(251,095,068)	(40,085,727)
Finance income		279,023,510	202,621,536	177,978,986	21,065,492
Finance costs		(181,398,104)	(57,656,927)	(53,687,399)	(7,418,730)
Net monetary gain / (loss)		247,725,338	(88,583,140)	-	-
(Loss) / profit before tax		(150,306,010)	97,562,749	527,399,823	69,390,094
Income tax expense		(26,227,966)	(17,314,047)	(132,833,687)	(17,788,895)
(Loss) / profit for the period		(176,533,976)	80,248,702	394,566,136	51,601,199
Other comprehensive income					
Gain on revaluation of property, plant and equipment		27,794,756	109,434,289	472,085,951	9,148,651
Deferred tax liability arising on revaluation		(6,870,864)	(18,037,873)	(116,699,647)	(1,861,749)
Other comprehensive income for the year (net of tax)		20,923,892	91,396,416	355,386,304	7,286,902
Total comprehensive (loss) / income for the period		(155,610,084)	171,645,118	749,952,440	58,888,101
Earnings per share (cents)					
Basic		(43.24)	28.57	96.64	18.37
Diluted		(42.78)	28.13	95.61	18.09
Headline	5	(43.18)	32.38	96.58	3.26

*Historical cost amounts are shown as supplementary information. The information does not comply with IAS 29: Financial Reporting for hyperinflationary economies.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 53 weeks to 10 January 2021

	Notes	2020 ZWL 53 weeks to 10.01.2021	2019 ZWL 52 weeks to 05.01.2020	2020 ZWL 53 weeks to 10.01.2021	2019 ZWL 52 weeks to 05.01.2020
		Inflation adjusted		Historical cost	
Cash flows from operating activities					
(Loss) / profit before tax		(150,306,010)	97,562,749	527,399,823	69,390,094
Finance income		(279,023,510)	(202,621,536)	(177,978,986)	(21,065,492)
Finance costs		181,398,104	57,656,927	53,687,399	7,418,730
Non cash items		73,014,033	(32,915,411)	154,598,308	20,019,189
Movements in working capital		131,611,338	(332,983,983)	(466,066,112)	(109,285,967)
Cash (utilised in) / generated from operations		(43,306,045)	(413,301,254)	91,640,432	(33,523,446)
Finance costs paid		(112,208,971)	(55,471,880)	(55,162,172)	15,794,127
Lease interest paid		(71,247,671)	(9,657,639)	(34,844,152)	(6,799,927)
Finance income received		262,097,594	194,780,340	140,320,709	(2,152,928)
Taxation paid		(87,420,273)	(109,977,858)	(63,584,068)	(11,282,822)
Cash (outflow) / inflow from operating activities		(52,085,366)	(393,628,291)	78,370,749	(37,964,996)
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(40,293,928)	(30,726,042)	(36,190,005)	(4,880,951)
Proceeds from disposal of property, plant and equipment		335,548	-	335,548	-
Net cash used in investing activities		(39,958,380)	(30,726,042)	(35,854,457)	(4,880,951)
Cash flows from financing activities					
Proceeds from rights issue		81,532,953	-	69,888,507	-
Proceeds from exercise of share options		455,871	7,229,483	240,522	407,596
Proceeds from borrowings		814,911,740	548,932,466	401,695,886	52,750,000
Repayment of borrowings		(536,923,502)	(290,760,250)	(283,316,865)	(12,894,422)
Payments of dividend		-	(6,394,982)	-	(320,333)
Payments of principal portion of lease liabilities		(52,344,453)	(29,285,209)	(25,599,407)	(6,528,402)
Net cash generated from financing activities		307,632,609	229,721,508	162,908,643	33,414,439
Net increase / (decrease) in cash and cash equivalents		215,588,863	(194,632,825)	205,424,935	(9,431,508)
Cash and cash equivalents at the beginning of the period		(13,079,723)	181,553,107	(2,915,795)	6,515,713
Cash and cash equivalents at the end of the period		202,509,140	(13,079,718)	202,509,140	(2,915,795)
Being:					
Cash and bank balances		96,896,545	39,841,242	96,896,545	8,881,604
Exchange differences		183,793,786	-	183,793,786	-
Bank overdrafts		(78,181,191)	(52,920,960)	(78,181,191)	(11,797,399)
		202,509,140	(13,079,718)	202,509,140	(2,915,795)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 10 January 2021

	Notes	2020 ZWL as at 10.01.2021	2019 ZWL as at 05.01.2020	2020 ZWL as at 10.01.2021	2019 ZWL as at 05.01.2020
		Inflation adjusted		Historical cost	
Assets					
Non-current assets					
Property, plant and equipment	12	594,242,842	496,500,904	531,433,029	25,676,220
Intangible assets		52,884,177	64,640,114	1,936,727	2,234,801
Right of use asset		331,665,732	91,371,862	193,579,574	20,369,062
Total non-current assets		978,792,751	652,512,880	726,949,330	48,280,083
Current assets					
Inventories	10	549,688,772	1,349,488,852	386,034,460	146,382,574
Trade and other receivables		451,702,682	529,021,789	451,702,682	117,284,451
Loans and advances to customers		30,370,053	28,960,254	30,370,053	6,455,962
Income tax receivable		-	837,563	-	186,714
Cash and cash equivalents		280,690,330	39,841,242	280,690,330	8,881,604
Total current assets		1,312,451,837	1,948,149,700	1,148,797,525	279,191,305
Total assets		2,291,244,588	2,600,662,580	1,875,746,855	327,471,388
Equity and liabilities					
Equity					
Issued capital		164,945,848	82,957,024	73,411,672	3,523,164
Other reserves		225,403,676	203,858,356	371,141,103	15,133,370
Retained earnings		861,073,556	1,038,228,960	478,525,677	84,580,970
Total capital and reserves		1,251,423,080	1,325,044,340	923,078,452	103,237,504
Non-current liabilities					
Deferred tax liability		248,588,702	310,168,622	163,964,825	9,011,138
Interest bearing loans and borrowings	9	89,898,046	108,755,266	89,898,046	24,244,255
Lease liabilities	8	150,917,440	44,948,571	150,917,440	10,020,155
Total non-current liabilities		489,404,188	463,872,459	404,780,311	43,275,548
Current liabilities					
Trade and other payables		299,333,777	575,756,464	299,333,777	128,350,444
Contract liabilities		370,059	1,660,016	2,646,944	638,400
Dividend payable		35,539,592	20,776,598	370,059	370,059
Current tax payable		5,176,172	2,863,743	35,539,592	4,631,621
Interest bearing loans and borrowings	9	154,718,725	159,738,569	154,718,725	35,609,702
Lease liabilities	8	55,278,995	50,950,391	55,278,995	11,358,110
Total current liabilities		550,417,320	811,745,781	547,888,092	180,958,336
Total liabilities		1,039,821,508	1,275,618,240	952,668,403	224,233,884
Total equity and liabilities		2,291,244,588	2,600,662,580	1,875,746,855	327,471,388

*Historical cost amounts are shown as supplementary information. The information does not comply with IAS 29: Financial Reporting for hyperinflationary economies.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 53 weeks to 10 January 2021

	Issued capital ZWL	Equity-settled employee benefits reserve ZWL	Revaluation reserve ZWL	Credit reserve ZWL	Retained earnings ZWL	Total ZWL
Balance at 6 January 2019	16,014,174	39,827,761	64,534,121	7,747,016	989,229,816	1,117,352,888
Dividends declared	-	-	-	-	(30,896,516)	(30,896,516)
Issue of ordinary shares under employee share option plan	7,229,483	-	-	-	-	7,229,483
Scrip dividend	24,153,460	-	-	-	-	24,153,460
Issue of shares for brand purchase transaction	35,559,907	-	-	-	-	35,559,907
Total comprehensive income for the period	-	-	91,396,417	-	80,248,701	171,645,118
Profit for the year	-	-	-	-	80,248,701	80,248,701
Other comprehensive income for the period	-	-	91,396,417	-	-	91,396,417
Transfer to credit reserve	-	-	-	353,041	(353,041)	-
Balance at 5 January 2020	82,957,024	39,827,761	155,930,538	8,100,057	1,038,228,960	1,325,044,340
Dividends declared	-	-	-	-	-	-
Issue of ordinary shares under employee share option plan	455,871	-	-	-	-	455,871
Issue of shares under rights issue	81,532,953	-	-	-	-	81,532,953
Total comprehensive income for the period	-	-	20,923,892	-	(176,533,976)	(155,610,084)
Loss for the year	-	-	-	-	(176,533,976)	(176,533,976)
Other comprehensive income for the period	-	-	20,923,892	-	-	20,923,892
Transfer to credit reserve	-	-	-	621,429	(621,429)	-
Balance at 10 January 2021	164,945,848	39,827,761	176,854,430	8,721,486	861,073,555	1,251,423,080

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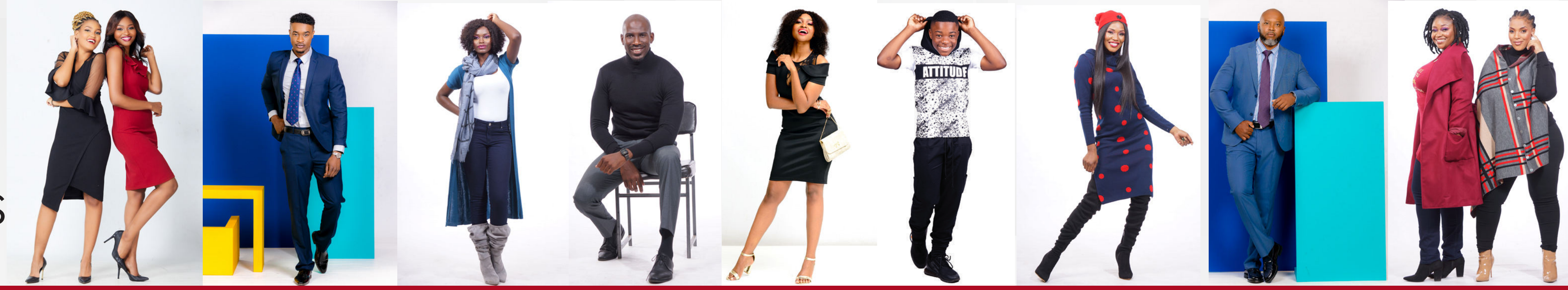


EDGARS STORES LIMITED

Abridged Audited Results for the 53 weeks ended 10 January 2021 (continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the 53 weeks to 10 January 2021

1 Directors responsibility statement

The Board of Directors is responsible for the preparation of the Group's Integrated Report for the 53 weeks ended 10 January 2021 of which these abridged results are an extract of. For the full Integrated Report and Financial Statements the reader can refer to the Zimbabwe Stock Exchange (ZSE) website www.zse.co.zw or the Edgars Stores Limited website www.edgars.co.zw. The Directors would like to emphasise the cautionary on the use of the press release and financial statements contained in the Group Chairman's Statement.

2 Basis of preparation

The principal accounting policies used in the preparation of the financial statements are consistent with those used in prior years. No material new standards were applied in the current year.

The financial statements do not comply with the International Financial Reporting Standards (IFRS) as detailed below:

IAS 21: The Effects of Changes in Foreign Exchange Rates IAS 8: Accounting Polices, Changes in Accounting Estimates and Errors	The Interbank exchange rate and auction exchange rate used by the Group from 5 January to 22 June 2020 and after 23 June 2020 respectively to translate transactions and balances did not meet the definition of a spot exchange rate and closing exchange rate as they were not available for immediate delivery and not always accessible. The government promulgated SI 33 of 2019 which mandated that all assets and liabilities would be translated at 1:1 between the United States dollar and the Zimbabwean dollar. Guidance issued by the Public Accountants and Auditors Board (PAAB) noted that these requirements were not in compliance with IAS 21. The carryover effects of this non-compliance impact the opening balances of these financial statements and remain uncorrected.
IAS 16: Property, plant and equipment IFRS 13: Fair value measurement	Property, plant and equipment were valued using historical US$ denominated inputs which were converted into ZWL at the auction exchange rate and interbank exchange rate in current and prior years. The use of US$ estimated rentals and historical US$ values for similar transactions is not consistent with IFRS 13. Leasehold improvements were not revalued as at 10 January 2021. This also affected prior year balances and the carrryover effect remains uncorrected.

3 Application of IAS 29: Financial Reporting in Hyperinflationary Economies

The group continued to apply IAS 29 during the 53 weeks to 10 January 2021 based on the guidance issued by the PAAB in August 2019. The financial statements have been prepared in accordance with IAS 29 and IFRIC 7 (Applying the Restatement Approach under IAS 29) as if the economy had been hyperinflationary since 1 July 2018. In applying the standard the Group has used the Consumer Price Index (CPI) as issued by the Zimbabwe National Statistic Agency and published by the Reserve Bank of Zimbabwe (RBZ). The following table summarises the inflation adjusted indices used:

Month	CPI	Conversion Factor
December 2020	2,474.51	1.00
December 2019	551.63	4.49
Average 2020	1,579.09	2.04
Average 2019	240.27	14.72

4 Auditor's Statement

These abridged inflation adjusted financial statements should be read in conjunction with the complete set of inflation adjusted consolidated and separate financial statements for the 53 weeks ended 10 January 2021, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe).

The audit opinion is adverse with respect to non-compliance with International Financial Reporting Standards (IFRS) specifically the following: IAS 21: "The Effects of Changes in Foreign Exchange Rates", IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors", IAS 29: "Financial Reporting in Hyperinflationary Economies", IAS 16: "Property, Plant and Equipment" and IFRS 13: "Fair Value Measurement" on the concerns on fair values of Property, plant and equipment in ZWL after application of closing exchange rates to the US$ valuations.

There are no other key audit matters communicated in the audit report.

The Independent Audit Report on the inflation adjusted consolidated and separate financial statements, signed by Mr. David Gwande (PAAB Practicing Certificate Number 132) is available for inspection at the Company's registered office.

5 Headline earnings

	2020	2019	2020	2019
	Inflation adjusted		Historical cost	
Earnings attributable to shareholders	(176,533,976)	80,248,701	394,566,135	51,601,197
Adjusted for non-recurring items:				
(Profit) / loss on disposal of property, plant and equipment	(237,798)	10,698,211	(237,798)	(84,030)
Headline earnings	(176,771,774)	90,946,912	394,328,337	51,517,167

Headline earnings comprise of basic earnings attributable to shareholders of the Group 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.

6 Capital expenditure

	Inflation adjusted		Historical cost	
Computer equipment	4,501,641	4,259,484	4,093,501	769,457
Factory machinery	16,092,300	1,138,680	14,313,221	253,840
Furniture, fittings and leasehold improvements	4,444,207	24,138,401	3,240,831	3,630,154
Vehicles	15,255,780	1,189,477	14,542,452	227,500
Total	40,293,928	30,726,042	36,190,005	4,880,951

7 Future Capital Expenditure

	Inflation adjusted		Historical cost	
Authorised but not yet contracted for	322,744,955	207,919,186	322,744,955	46,350,361

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

8 Lease commitments

	Inflation adjusted		Historical cost	
Future minimum rentals under non-cancellable operating leases are as follows:				
Within one year	128,996,257	66,745,123	128,996,257	14,879,149
After one year but not more than five years	242,581,328	54,007,581	242,581,328	12,039,634
More than 5 years	-	1,206,056	-	268,860
	371,577,585	121,958,760	371,577,585	27,187,643

9 Borrowings

	Inflation adjusted		Historical cost	
Non current interest bearing loans and borrowings	89,898,046	108,755,266	163,964,825	24,244,255
Current interest bearing loans and borrowings	154,718,725	159,738,569	154,718,725	35,609,703
	244,616,771	268,493,835	318,683,550	59,853,958

Borrowings increased as a result of increased working capital investment. This with a view of growing revenue accordingly.

9 Borrowings (continued)

Terms and security

(i) Secured with a Notarial General Covering Bond over moveable assets, cession of fire policies, debtors book of ZWL431 million (2019:ZWL 34.25 million) and an unlimited guarantee from shareholders.

(ii) The weighted average effective interest rate on all the borrowings was 57.67% (2019: 20.47%) per annum.

(iii) Tenures range between 90 days and 3 years.

10 Inventories

	Inflation adjusted		Historical	
Merchandise	487,976,700	1,265,633,871	361,536,713	139,392,138
Raw material, work in progress and consumables	61,712,072	83,854,981	24,497,747	6,990,436
	549,688,772	1,349,488,852	386,034,460	146,382,574
The amount of write-down on inventories recognised in cost of sales is:	8,632,402	-	673,961	-
Amount of reversal of inventory to net realisable value (NRV) is:	(731,264)	(519,774)	(49,681)	(35,313)
Amount of stock losses recognised in cost of sales is:	14,727,046	31,382,974	6,574,274	1,907,464

11 Seasonality of operations

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

12 Revaluation of property, plant and equipment

The Group revalued all property, plant and equipment to their fair value as at 10 January 2021 with the exception of leasehold improvements. The valuation was determined by a director's valuation which was carried out through use of external and independent professional valuers.

13 Impact of Covid 19

The Group lost business during the months of March and April 2020 as well as the last week of 2020 trading period. The business re-opened all physical stores on 3 March 2021. Resumption of normal trading had an immediate positive effect on the Group's cashflow.

14 Segment reporting

	Edgars Stores Retail	Jet Stores Retail	Manufacturing Carousel	Micro Finance Club Plus	Corporate Head Office	Financial services	Segment Totals	Adjustments Eliminations	Consolidated Total
Inflation adjusted									
53 weeks to 10 January 2021									
Revenue									
External customers	1,110,747,654	895,965,375	25,739,558	30,449,471	-	4,776,935	2,067,678,993	-	2,067,678,993
Inter-segments	-	-	259,898,542	-	511,328,492	-	771,227,034	(771,227,034)	-
Finance income	-	-	-	-	-	279,023,510	279,023,510	-	279,023,510
Total revenue	1,110,747,654	895,965,375	285,638,100	30,449,471	511,328,492	283,800,445	3,117,929,537	(771,227,034)	2,346,702,503
							-		-
Total assets	879,727,301	480,715,408	176,471,813	53,260,902	435,163,324	441,409,420	2,466,748,168	(175,503,580)	2,291,244,588
52 weeks to 5 January 2020									
Revenue									
External customers	1,752,300,741	981,237,384	11,785,956	55,785,624	-	-	2,801,109,705	(130,959,815)	2,670,149,890
Inter-segments	-	-	192,407,974	-	308,027,896	-	500,435,870	(500,435,870)	-
Finance income	-	-	-	-	-	202,621,536	202,621,536	-	202,621,536
Total revenue	1,752,300,741	981,237,384	204,193,930	55,785,624	308,027,896	202,621,536	3,504,167,111	(631,395,685)	2,872,771,426
							-		-
Segment profit	422,467,178	192,533,232	56,593,412	4,146,397	-	225,686	675,965,905	(578,403,156)	97,562,749

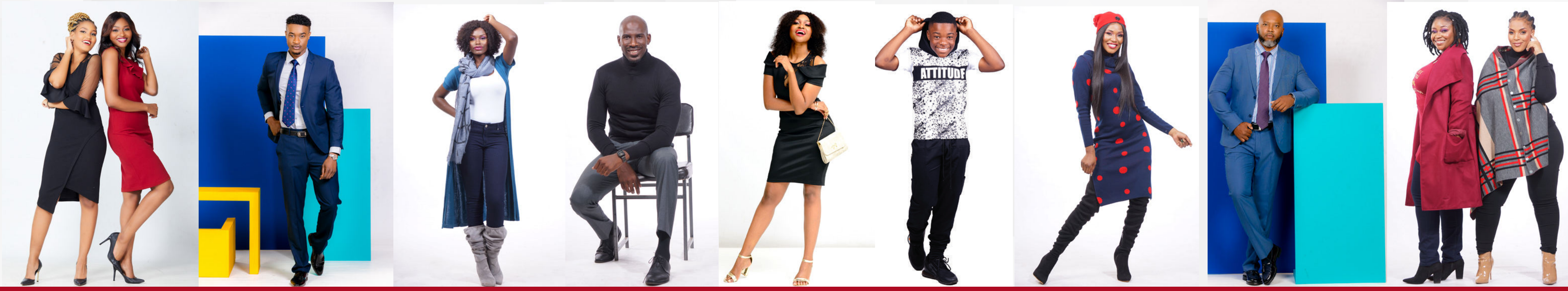
In the current year the group consolidated full divisionalisation of its business units up to balance sheet level. *Certain required information has not been disclosed because it was not accurately tracked and recorded in current and prior years.

	Edgars Stores Retail	Jet Stores Retail	Manufacturing Carousel	Micro Finance Club Plus	Corporate Head Office	Financial services	Segment Totals	Adjustments Eliminations	Consolidated Total
Historical cost									
53 weeks to 10 January 2021									
Revenue									
External customers	822,308,216	663,300,693	17,501,873	20,458,485	-	3,571,173	1,527,140,440	-	1,527,140,440
Inter-segments	-	-	67,620,011	-	153,743,108	-	221,363,119	(221,363,119)	-
Finance income	-	-	-	-	-	177,978,986	177,978,986	-	177,978,986
Total revenue	822,308,216	663,300,693	85,121,884	20,458,485	153,743,108	181,550,159	1,926,482,545	(221,363,119)	1,705,119,426
Segment profit	160,073,953	121,758,108	20,040,435	3,322,169	-	108,169,519	413,364,185	(18,798,048)	394,566,136
Total assets	775,159,506	424,783,310	139,330,464	52,898,753	418,637,929	441,409,420	2,252,219,381	(376,472,526)	1,875,746,855
52 weeks to 5 January 2020									
Revenue									
External customers	175,220,987	98,118,650	1,178,535	4,250,887	-	-	278,769,059	(11,767,917)	267,001,142
Inter-segments	-	-	19,239,800	-	30,801,192	-	50,040,992	(50,040,992)	-
Finance income	-	-	-	-	-	21,065,492	21,065,492	-	21,065,492
Total revenue	175,220,987	98,118,650	20,418,335	4,250,887	30,801,192	21,065,492	349,875,543	(61,808,909)	288,066,634
Segment profit	42,244,527	19,252,325	5,659,048	414,627	-	22,567	67,593,094	1,797,000	69,390,094
Total assets	82,633,077	81,483,797	16,410,750	7,943,938	32,883,603	94,300,669	315,655,834	11,815,554	327,471,388

15 Dividend

No dividend was declared for the year to 10 January 2021 as the Group elected to retain and channel all resources to business growth.

EDGARS STORES LIMITED



Abridged Audited Results for the 53 weeks ended 10 January 2021 (continued)

Directors responsibility for the Integrated Annual Report
The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and sustainability report in accordance with the Zimbabwe Stock Exchange (ZSE) requirements, International Financial Reporting Standards (IFRS) and the Companies and Other Business Entities Act (COBE).

Cautionary – reliance on the inflation adjusted financial statements
The directors have applied due care in applying judgements in the preparation of these financial statements. However there are material and pervasive impacts from the change in functional currency in Zimbabwe on February 2019 that resulted in non-compliance with IAS 21: Effect of Changes in Foreign Exchange Rates and initial application of IAS 29: Financial Reporting in Hyperinflationary Economies. Other impacts have been highlighted in the basis of preparation paragraph of the financial statements and the full audit opinion. This resulted in related qualifications in the audit opinion, which limits the usefulness of the financial statements.

Business overview
Notwithstanding the favourable fiscal and monetary policies maintained during the period, the economic environment remains challenging though it is improving. The improvement is mainly attributable to the introduction of the foreign currency auction system. Operating costs are increasing with occupancy, employment and fuel costs being some of the significant costs that are rising. Management remain focused on recalibrating the business models in response to these price corrections to preserve value and build a strong balance sheet for the business.

Material disruptions stemming from COVID-19 lockdown restrictions had a significant impact on the Group's performance, most significantly in April to May 2020 and in the last week of the 2020 trading period. The business consequently lost 1 million units in sales compared to the 2019 year. This demonstrates the significant impact on business continuity that lockdowns may have in the future.

The company continues to implement and observe WHO approved COVID-19 guidelines throughout its operations to safeguard all stakeholders. With the ongoing roll out of government vaccination programmes we look forward to an easing of business disruptions caused by the pandemic.

Financial performance
Revenue was down 23% to ZWL2.1 billion and profitability down 320% to a loss of ZWL176.5 million in inflation adjusted terms. The decline in performance was due to a combination of two factors;
(a) The business lost sales during the lockdowns as retail of clothing was not classified as an essential service. Units sold declined from 3.4million to 2.4million compared to the same period last year.
(b) As reported last year the business closed the 2019 financial year with a lot of aged stock which when indexed had the unfortunate effect of distorting the value of cost of sales by significantly reducing the gross profit margin. In historic terms revenue and profit were up 472% and 665% to ZWL1.5 billion and ZWL394 million respectively.

Trading in foreign currency since April 2020 has allowed retail chains to improve stock assortments, which in turn has improved the number of feet in our stores. The business introduced an in-store remittance agency, where diaspora remittance beneficiaries collect their money from selected branches. The selected stores have recorded improved foreign currency sales.

Gearing increased to 0.20 in the current year (2019: 0.19). The business did not have any significant foreign liabilities as at 10 January 2021.

Retail performance
The Edgars chain recorded turnover of ZWL1.1 billion (2019: ZWL1.75 billion) out of 26 stores (2019:26). Units sold for the year were 887.7k (2019:1.39m). Total sales for the Jet chain were ZWL896 million (2019: ZWL981 million) out of 27 stores (2019:25). Units sold for the year were 1.28m (2019: 1.80m).

Manufacturing
The factory recorded turnover of ZWL285m (2019: ZWL204m). The sale of face masks and other personal protective equipment contributed significantly to this performance.

Credit management
The gross retail debtors' book closed the period at ZWL431m compared to ZWL423m as at the end of 2019 trading period. The credit environment remained challenged by high inflation, making value preservation very difficult. As expected credit losses increased during lockdown period to 2.2% from 1.1% of the debtors' book at 10 January 2021.
The microfinance loan book, like the retail book, faced similar challenges in value preservation. The loan book closed at ZWL30.3m (2019: ZWL28.9m).

Board membership
Ms. Tjeludo Ndlovu was appointed Group Chief Executive Officer effective 1 July 2020. Tjeludo joined the group in 2013 and had served in various senior management positions in finance and operations prior to her appointment.

Bright Ndlovu was appointed Group Chief Finance Officer effective 1 June 2020. Bright joined the group in 2011 and had previously served as Financial Services Managing Director.

Ms. Happiness Vundla was appointed to the Board effective 3 December 2020. Happiness was previously with EY Chartered Accountants for over 10 years.

Mrs Linda Masterson retired from the board at the end of June 2020, after serving the Group for 32 years. Dr LL Tsumba also retired in December 2020 after 14 years in the Board of Directors. We remain grateful for their wise counsel over the years.

Outlook
Management continues to remodel the business to capitalise on opportunities that arise in the very uncertain operating environment. Available foreign currency will be used to improve on merchandise ranges and assortments to grow turnover whilst at the same time escalating efforts to manage operational costs. We are retooling our manufacturing unit to enhance its capacity to supply our retail chains and cater for external customers and export sales.

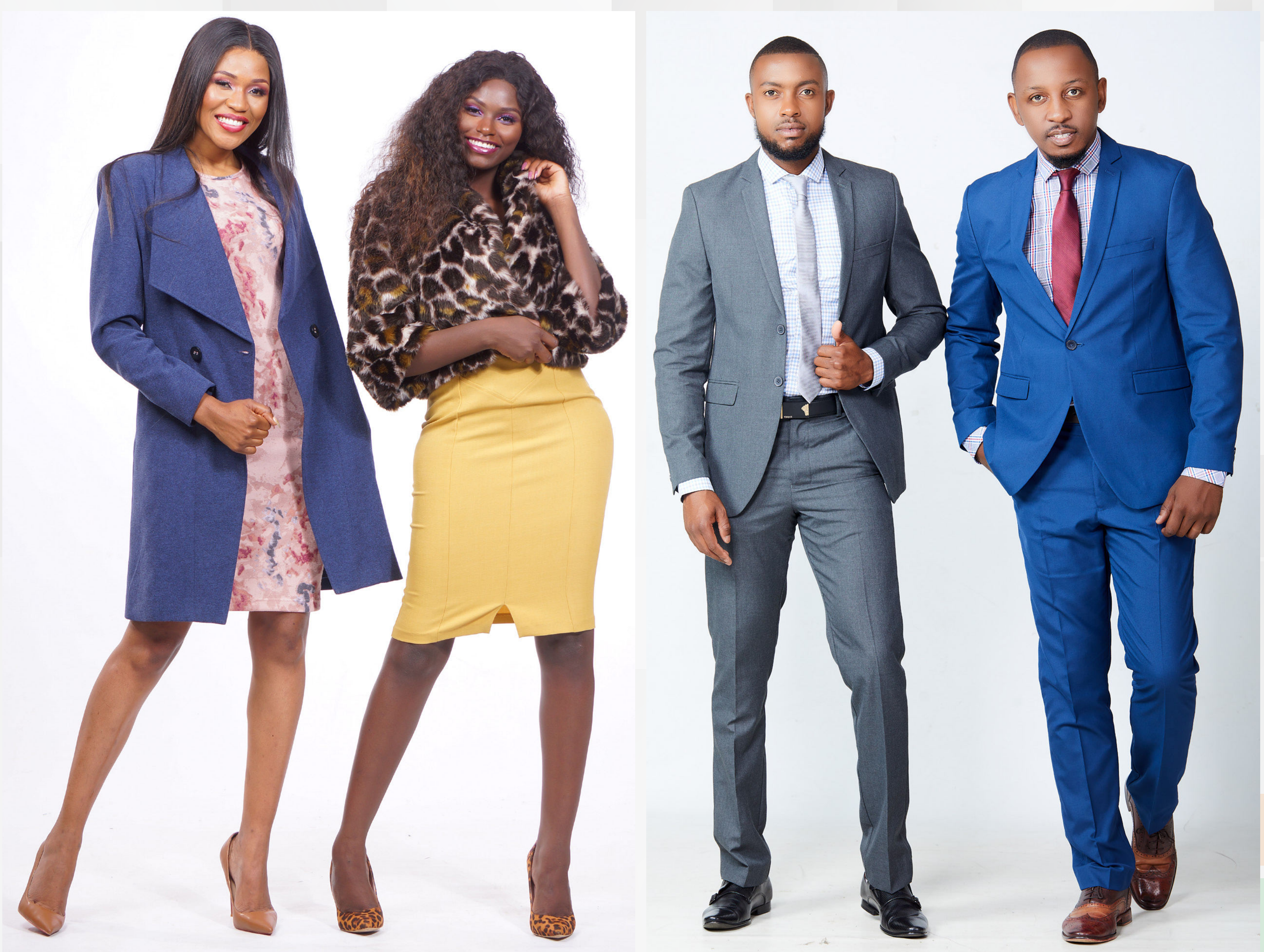
We will be opening two new stores in the first half of 2021 and are looking for compelling locations to grow our footprint. Our online stores are fully operational for both Edgars and Jet, whilst Club Plus microfinance online loans uptake is growing underpinned by robust promotional activities to boost awareness.

Dividend
Regrettably, your company will not declare a dividend for the 53 weeks to 10 January 2021. Cashflows will be channelled to growing the business.

Appreciation
I want to commend fellow board members, shareholders, management and staff for resilience and commitment in the face of the challenging environment. I look forward to continued effort from all during the coming year.

The business extends its deepest condolences to the bereaved family of one of our staff members who succumbed to Covid -19.

T N SIBANDA
CHAIRMAN
31 May 2021



EDGARS Jet CAROUSEL A Division of Edgars Stores Limited clubplus A DIVISION OF EDGARS

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EDGARS STORES LIMITED

Report on the Audit of the Inflation Adjusted Consolidated and Separate Financial Statements

Adverse Opinion
We have audited the inflation adjusted consolidated and separate financial statements of Edgars Stores Limited and its subsidiaries ("the Company and Group"), as set out on pages 34 to 108, which comprise the inflation adjusted consolidated and separate statements of financial position as at 10 January 2021, and the inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statements of changes in equity and the inflation adjusted consolidated and separate statements of cash flows for the 53 weeks then ended, and notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted consolidated and separate financial statements do not present fairly the financial position of the Group and Company as at 10 January 2021, and their financial performance and cash flows for the 53 weeks then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Adverse Opinion

<u>Non-compliance with IFRSs: International Accounting Standard (IAS) 21 - *The Effects of Changes in Foreign Exchange Rates* and IAS 8 - *Accounting Polices, Changes in Accounting Estimates and Errors*</u>
The Group and Company changed their functional and reporting currency from United States Dollars (US$) to Real Time Gross Settlement Dollars (RTGS$) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

We however believe that the change occurred on 1 October 2018 in terms of IAS21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019.

Our audit opinion for the 52 weeks ended 05 January 2020 was therefore modified as management prospectively applied the change in functional currency from US$ to RTGS$ from 23 February 2019, which we disagreed with. The correct approach would have been a retrospective restatement as a prior period error in terms of IAS 8 – *Accounting Polices, Changes in Accounting Estimates and Errors*. The matter continues to impact Retained earnings of ZWL861 073 556 (Company: Retained earnings of ZWL890 327 752) on the inflation adjusted consolidated and separate statements of financial position which still comprise of material amounts from opening balances, as well as cost of sales and income tax expenses on the consolidated and separate statements of profit or loss and other comprehensive income.

<u>Exchange rates used in current year</u>
In the current year, the Group and Company translated foreign denominated transactions and balances to ZWL using the interbank exchange rates for the period 05 January 2020 to 22 June 2020. (This includes the period between March and June 2020 when the exchange rate was fixed at US$1: ZWL25). Subsequent to 23 June 2020, management translated foreign denominated transactions and balances to ZWL using the weighted average auction exchange rates for the period 23 June 2020 to 10 January 2021. The exchange rates used for the translation do not meet the definition of spot exchange rates as per IAS 21, as they were not available for immediate delivery for the first half of the year and not always accessible for the remainder of the year. As a result, all amounts in the inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income are impacted except for income from microfinance institution, other operating income & expenses, finance income and finance costs.

Basis for Adverse Opinion (continued)

<u>Exchange rates used in current year (continued)</u>

In addition, the following elements on the inflation adjusted consolidated and separate statements of financial position are materially misstated:

Group:

- Inventories of ZWL549 688 772;
- ZWL205 919 684 included in Cash and cash equivalents of ZWL280 690 330;
- Deferred tax liabilities of ZWL248 588 702;
- ZWL12 922 937 included in Trade and other payables of ZWL299 333 777;
- ZWL8 692 771 included in Current tax liabilities of ZWL35 539 592.

Company:

- Inventories of ZWL549 545 942;
- ZWL205 900 955 included in Cash and cash equivalents of ZWL277 357 665;
- Deferred tax liabilities of ZWL242 027 756;
- ZWL12 922 937 included in Trade and other payables of ZWL297 963 533;
- ZWL8 692 771 included in Current tax liabilities of ZWL33 981 288.

However, owing to the lack of information on the spot exchange rates available to the Group and Company it is not possible to quantify the impact of this departure from IFRS on the amounts noted above. Our opinion was also modified in respect of this matter in the prior year.

<u>Valuation of Property, plant and equipment (Non-compliance with IFRS 13 – *Fair Value Measurement* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*)</u>

In the prior year, the Group and Company's Properties (Land and buildings) were incorrectly valued as a conversion rate was applied to US$ valuation inputs to calculate the ZWL asset values which we disagreed with. Those incorrect values were brought forward into the current year as opening balances without any adjustments being made in terms of IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*. The correct approach would have been a retrospective restatement as a prior period error in terms of IAS 8. The matter is continuing in the current year.

The Group and Company's Property, plant and equipment which are accounted for on the revaluation model under IAS16- *Property, Plant & Equipment*, are carried at ZWL594 242 842 (05 January 2020: ZWL496 500 904) and ZWL568 377 520 (05 January 2020: ZWL484 644 176) respectively as at 10 January 2021 as described in Note 13 to the financial statements.

These assets were valued by management experts using historical US$ denominated inputs and converted into ZWL at the auction exchange rates both in the prior year and as at 10 January 2021. The implicit investment method was applied for commercial properties and key inputs into the calculations include rentals per square metre and capitalisation rates. Residential properties were valued in terms of the market comparable approach. Plant and Equipment was valued in terms of the Depreciated Replacement Cost approach.

The translation process adopted by management does not meet the fair value measurement principles of the affected items as set out in IFRS 13 "Fair Value Measurement" due to the following considerations: 1) The US$ estimated rentals (used in the implicit investment method) may not be an appropriate proxy for the ZWL amounts in which rentals are settled. 2) While historical US$ amounts based on similar transactions have been used as a starting point in determining comparable values on the market comparable approach, it is noted that market participants take into account different risk factors in determining an appropriate value in ZWL terms which are not necessarily limited to the exchange rates.

Basis for Adverse Opinion (continued)

<u>Valuation of Property, plant and equipment (Non-compliance with IFRS 13 – *Fair Value Measurement* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors)* (continued)</u>

Consequently, Property, Plant and Equipment may be materially misstated, and owing to the lack of information on relevant inputs in ZWL we are unable to determine what adjustments may be necessary to correctly account for these amounts. Our opinion on the prior and current year's consolidated and separate financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Furthermore, the Group and Company's Leasehold Improvements carried at ZWL66 975 707 (05 January 2020: ZWL71 267 320) and ZWL55 224 520 (05 January 2020: ZWL62 820 284) respectively as at 10 January 2021 were not revalued in accordance with the group's accounting policy. Due to the significant changes seen in the current economic environment since the last revaluations in 2018, another revaluation exercise should have been carried out as at period end as is required by IAS 16 – *Property, Plant & Equipment* which states that carrying amounts should approximate fair values. However, as at 10 January 2021, this had not been done by management. Owing to the lack of information on relevant inputs in ZWL we are unable determine the appropriate fair values and therefore cannot quantify the possible impact.

<u>Application of IAS 29 - *Financial Reporting in Hyperinflationary Economies*</u>

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8/ IAS 16/ IFRS 13 as described above. Had the correct base numbers been used, the following account balances on the inflation adjusted consolidated and separate Statements of Financial Position and Statements of Profit or Loss and Other Comprehensive Income would have been materially affected:

Group:

- Inventories of ZWL549 688 772 (05 January 2020: ZWL1 349 488 852);
- Other reserves of ZWL225 403 676 (05 January 2020: ZWL203 858 356);
- Retained earnings of ZWL861 073 556 (05 January 2020: ZWL1 038 228 960);
- Deferred tax liabilities of ZWL248 588 702 (05 January 2020: ZWL310 168 622);
- Sales of merchandise of ZWL2 032 452 587 (05 January 2020: ZWL2 601 991 246);
- Cost of sales of ZWL1 377 085 281 (05 January 2020: ZWL1 642 536 581);
- Other gains and losses of ZWL85 562 982 (05 January 2020: ZWL22 273 178);
- Income tax expense of ZWL26 227 966 (05 January 2020: ZWL17 314 047);
- Gains on revaluation of Property, plant and equipment of ZWL27 794 756 (05 January 2020: ZWL109 434 289).
- Net monetary gain/(loss) of ZWL247 725 338 (05 January 2020: loss - ZWL88 583 140)

Company:

- Inventories of ZWL549 545 942 (05 January 2020: ZWL1 349 231 720);
- Other reserves of ZWL212 394 986 (05 January 2020: ZWL200 654 985);
- Retained earnings of ZWL890 327 752 (05 January 2020: ZWL1 062 881 099);
- Deferred tax liabilities of ZWL242 027 756 (05 January 2020: ZWL310 162 782);
- Sales of merchandise of ZWL2 032 452 587 (05 January 2020: ZWL2 601 991 246);
- Cost of sales of ZWL1 376 970 977 (05 January 2020: ZWL1 642 536 581);
- Other gains and losses of ZWL85 224 679 (05 January 2020: ZWL21 945 795);
- Income tax expense of ZWL21 049 355 (05 January 2020: ZWL40 881 377);
- Gains on revaluation of Property, plant and equipment of ZWL15 595 114 (05 January 2020: ZWL109 434 289).
- Net monetary gain/(loss) of ZWL251 813 241 (05 January 2020: loss - ZWL43 973 879)

Overall Consequential Impacts

As no restatements have been recorded in current year per IAS 8 to correct the above matters, our audit opinion on inflation adjusted consolidated and separate financial statements for the year ended 10 January 2021 is further modified for the following reasons:

- Virtually all corresponding numbers remain misstated on the inflation adjusted consolidated and separate Statements of Financial Position, the inflation adjusted consolidated and separate Statements of Profit or Loss and Other Comprehensive Income, the inflation adjusted consolidated and separate Statements of Cash Flows and the inflation adjusted consolidated and separate Statements of Changes in Equity. This also impacts comparability of the current period's figures.

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INDEPENDENT AUDITOR'S REPORT (continued)
TO THE MEMBERS OF EDGARS STORES LIMITED

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted consolidated and separate financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the *Auditor's Responsibilities for the Audit of the inflation adjusted consolidated and separate financial statements section* of our report. We are independent of the Group and Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters
Except for the matters described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information
The directors are responsible for the other information. The other information comprises the Group Chairman's Report, Group Financial Highlights, Sustainability Report, Corporate Information and all the historical cost information, which is disclosed as supplementary information, but does not include the inflation adjusted consolidated and separate financial statements and our auditor's report thereon. Our opinion on the inflation adjusted consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of inflation adjusted consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Company and Group did not comply with the requirements of IAS 21 – *Effects of Changes in Foreign Exchange Rates*, IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 29 - *Financial Reporting in Hyperinflationary Economies*, IAS 16 – *Property, plant and equipment* and IFRS 13 – *Fair Value Measurement*. We have concluded that the other information is materially misstated for the same reasons.

*Responsibilities of the Directors for the I*nflation adjusted C*onsolidated and Separate Financial Statements*
The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal controls as the directors determine is necessary to enable the preparation of the inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated and separate financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Inflation adjusted Consolidated and Separate Financial Statements
Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these inflation adjusted consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE MEMBERS OF EDGARS STORES LIMITED

Auditor's Responsibilities for the Audit of the Inflation adjusted Consolidated and Separate Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the inflation adjusted consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company and group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated and separate financial statements, including the disclosures, and whether the inflation adjusted consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr David Gwande (PAAB Practicing Certificate Number 132).

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS
BULAWAYO

31 May 2021