EDGARS STORES LIMITED

Abridged Reviewed Results for the 26 weeks ended 11 July 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the 26 weeks to 11 July 2021

	Notes	Inflation adjusted 2021 ZW$ 26 weeks to 11.07.2021	Inflation adjusted 2020 ZW$ 26 weeks to 05.07.2020	* Historical cost 2021 ZW$ 26 weeks to 11.07.2021	* Historical cost 2020 ZW$ 26 weeks to 05.07.2020
Revenue		1,336,911,372	806,307,277	1,271,380,599	230,584,063
Sale of merchandise		1,282,418,986	788,468,722	1,219,647,945	225,592,771
Cost of sales		(691,837,250)	(460,218,092)	(608,940,479)	(79,600,361)
Gross profit		590,581,736	328,250,630	610,707,466	145,992,410
Income from microfinance institution		49,952,365	16,149,161	47,475,147	4,522,741
Other income		12,149,041	69,096,919	9,031,872	33,250,445
Credit management and debt collection costs		(82,124,768)	(20,336,515)	(75,003,017)	(5,772,809)
Store expenses		(325,218,144)	(205,980,628)	(297,015,656)	(58,470,532)
Depreciation and amortisation		(118,529,070)	(80,823,080)	(58,667,939)	(8,500,672)
Other operating income and expenses		(174,535,476)	(110,312,379)	(199,800,347)	(45,755,848)
Finance income		326,212,047	187,622,868	296,025,375	55,601,020
Finance costs		(227,751,876)	(81,607,280)	(157,569,798)	(24,448,273)
Net monetary gain		47,953,385	77,052,454	-	-
Profit before tax		98,689,240	179,112,150	175,183,103	96,418,482
Income tax expense		(33,538,871)	(104,718,343)	(26,888,835)	(21,791,661)
Profit for the period		65,150,369	74,393,807	148,294,268	74,626,821
Other comprehensive income					
Gain on revaluation of property, plant and equipment		-	-	559,226	-
Deferred tax liability arising on revaluation		-	-	(138,241)	-
Other comprehensive income for the year (net of tax)		-	-	420,985	-
Total comprehensive income for the period		65,150,369	74,393,807	148,715,253	74,626,821
Earnings per share (cents)					
Basic		11.36	28.47	25.87	25.65
Diluted		11.30	26.08	25.73	25.20
Headline	5	11.36	28.47	25.87	25.62

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 26 weeks to 11 July 2021

	Notes	Inflation adjusted 2021 ZW$ 26 weeks to 11.07.2021	Inflation adjusted 2020 ZW$ 26 weeks to 05.07.2020	Historical cost 2021 ZW$ 26 weeks to 11.07.2021	Historical cost 2020 ZW$ 26 weeks to 05.07.2020
Cash flows from operating activities					
Profit before tax		98,689,240	179,112,150	175,183,103	96,418,482
Finance income		(326,212,047)	(187,622,868)	(296,025,375)	(55,601,020)
Finance costs		227,751,876	81,607,280	157,569,798	24,448,273
Non cash items		5,747,217	(179,686,485)	131,656,130	65,604,374
Movements in working capital		(704,988,974)	(3,309,610)	(733,570,441)	(76,299,723)
Cash (utilised in) / generated from operations		(699,012,688)	(109,899,533)	(565,186,785)	54,570,386
Finance costs paid		(183,445,992)	(81,607,280)	(153,834,951)	(20,284,113)
Lease interest paid		(49,806,368)	(7,750,347)	(46,421,735)	(2,216,409)
Finance income received		309,201,259	187,622,868	269,993,300	40,519,934
Taxation paid		(34,781,371)	(36,849,158)	(31,874,750)	(13,815,325)
Cash (outflow) / inflow from operating activities		(657,845,160)	(48,483,450)	(527,324,921)	58,774,473
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(25,517,120)	(17,964,151)	(24,871,692)	(3,435,553)
Net cash used in investing activities		(25,517,120)	(17,964,151)	(24,871,692)	(3,435,553)
Cash flows from financing activities					
Proceeds from borrowings		664,647,130	920,103,532	651,728,460	173,733,691
Repayment of borrowings		(233,517,781)	(597,791,828)	(217,648,887)	(113,808,545)
Payments of principal portion of lease liabilities		(31,419,489)	(20,195,412)	(29,284,352)	(5,775,391)
Net cash generated from financing activities		399,709,860	302,116,292	404,795,221	54,149,755
Net (decrease) / increase in cash and cash equivalents		(283,652,420)	235,668,691	(147,401,392)	109,488,675
Cash and cash equivalents at the beginning of the period		338,760,166	(15,442,215)	202,509,139	(2,915,795)
Cash and cash equivalents at the end of the period		55,107,746	220,226,476	55,107,747	106,572,880
Being:					
Cash and bank balances		242,566,728	267,591,161	242,566,729	109,488,675
Bank overdrafts		(187,458,982)	(47,364,685)	(187,458,982)	(2,915,795)
		55,107,746	220,226,476	55,107,747	106,572,880

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 11 July 2021

	Notes	Inflation adjusted 2021 ZW$ as at 11.07.2021	Inflation adjusted 2020 ZW$ as at 10.01.2021	Historical cost 2021 ZW$ as at 11.07.2021	Historical cost 2020 ZW$ as at 10.01.2021
Assets					
Non-current assets					
Property, plant and equipment	12	710,449,191	717,181,114	537,665,203	531,433,028
Intangible assets		51,023,482	63,824,973	2,227,007	1,936,728
Right of use asset		391,395,038	400,281,472	215,563,984	193,579,574
Total non-current assets		1,152,867,711	1,181,287,559	755,456,194	726,949,330
Current assets					
Inventories	10	1,057,143,776	663,409,599	833,525,927	386,034,459
Trade and other receivables		1,008,452,935	545,151,930	1,001,041,928	451,702,682
Loans and advances to customers		74,849,408	36,653,077	74,849,408	30,370,053
Cash and cash equivalents		242,566,728	338,760,166	242,566,728	280,690,330
Total current assets		2,383,012,847	1,583,974,772	2,151,983,991	1,148,797,524
Total assets		3,535,880,558	2,765,262,331	2,907,440,185	1,875,746,854
Equity and liabilities					
Equity					
Issued capital		199,070,210	199,070,210	73,411,672	73,411,672
Other reserves		272,035,686	272,035,686	371,384,522	371,141,102
Retained earnings		1,104,364,725	1,039,214,356	633,442,321	478,525,678
Total capital and reserves		1,575,470,621	1,510,320,252	1,078,238,515	923,078,452
Non-current liabilities					
Deferred tax liability		275,444,281	300,017,281	134,297,012	163,964,825
Interest bearing loans and borrowings	9	168,246,936	108,496,352	168,246,936	89,898,046
Lease liabilities	8	93,565,084	182,139,574	93,565,084	150,917,440
Total non-current liabilities		537,256,301	590,653,207	396,109,032	404,780,311
Current liabilities					
Trade and other payables		586,965,043	361,260,610	586,965,043	299,333,776
Dividend payable		370,059	446,618	370,059	370,059
Current tax payable		61,776,713	42,892,101	61,776,713	35,539,592
Contract liabilities		1,682,879	6,247,030	11,621,880	2,646,945
Interest bearing loans and borrowings	9	619,727,199	186,727,277	619,727,199	154,718,724
Lease liabilities	8	152,631,743	66,715,236	152,631,744	55,278,995
Total current liabilities		1,423,153,636	664,288,872	1,433,092,638	547,888,091
Total liabilities		1,960,409,937	1,254,942,079	1,829,201,670	952,668,402
Total equity and liabilities		3,535,880,558	2,765,262,331	2,907,440,185	1,875,746,854

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 26 weeks to 11 July 2021

	Notes	Issued capital ZW$	Equity-settled employee benefits reserve ZW$	Revaluation reserve ZW$	Credit reserve ZW$	Retained earnings ZW$	Total ZW$
INFLATION ADJUSTED							
Balance at 5 January 2020		100,119,358	48,067,416	188,189,792	9,775,814	1,253,020,072	1,599,172,452
Issue of ordinary shares under employee share option plan		497,023	(497,023)	-	-	-	-
Total comprehensive income for the period		-	-	-	-	74,393,807	74,393,807
Profit for the year		-	-	-	-	74,393,807	74,393,807
Transfer to credit reserve		-	-	-	1,284,145	(1,284,145)	-
Balance at 5 July 2020		100,616,381	47,570,393	188,189,792	11,059,959	1,326,129,734	1,673,566,259
Balance at 10 January 2021		199,070,210	48,067,416	213,442,465	10,525,805	1,039,214,356	1,510,320,252
Total comprehensive income for the period		-	-	-	-	65,150,369	65,150,369
Profit for the year		-	-	-	-	65,150,369	65,150,369
Balance at 11 July 2021		199,070,210	48,067,416	213,442,465	10,525,805	1,104,364,725	1,575,470,621

Directorate: Non Executive Chairman: **T.N Sibanda**, Group Managing Director: **T. N Ndlovu*, C. F Dube, R. Mlotshwa, H. Vundla*, V. Mpofu*** and **M. Hosack** *Executive Directors

EDGARS STORES LIMITED

Abridged Reviewed Results for the 26 weeks ended 11 July 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 Inflation Adjusted Interim Condensed Consolidated Financial Statements for the 26 weeks ended 11 July 2021 of which these abridged results are an extract of. For the full 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 use of the press release and financial statements.

2 Basis of preparation

The Inflation adjusted consolidated financial statements for the 26 weeks ended 11 July 2021 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange (ZSE). 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:

IFRS 13: Fair value measurement and IAS 29: Financial Reporting in Hyperinflationary Economies	In the prior period, the method of determining the value of Property, Plant and Equipment was not an accurate reflection of market dynamics and the risk associated with ZW$ transactions on a willing buyer, willing seller basis. Furthermore, in the prior year, leasehold improvements were not stated at fair value as required by IAS16. IAS 29 par 19 further requires non-monetary assets restated from the date of revaluation (Property, plant and equipment), to thereafter be reduced to their recoverable amount. The ZW$ recoverable amount could not be accurately determined in the current year and prior periods.
IAS 21: The Effects of Changes in Foreign Exchange Rates	The interbank and RBZ auction rates used by the Company and Group during the current and comparative period to translate transactions and balances do not meet the IAS 21 definition of a spot and closing exchange rate as they were not available for immediate delivery and not always accessible.
IFRS 16: Leases	Exchange rate variations in United States dollar leases were incorrectly accounted for as lease modifications in the year to 10 January 2021.
IAS 29: Financial Reporting in Hyperinflationary Economies	The effect of applying IAS 29 based on financial information in the prior and current periods that did not comply with IAS 21, IAS 16 and IFRS 13 as detailed above led to a cumulative mistatement in the hyperinflation adjusted numbers.

3 Application of IAS 29: Financial Reporting in Hyperinflationary Economies

The Group continued to apply IAS 29 during the 26 weeks to 11 July 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
June 2021	2,986	1.00
Average 2021	2,789	1.07
December 2020	2,475	1.21
June 2020	1,445	2.07
Average 2020	918	3.59

4 Auditor's Statement

The inflation adjusted condensed consolidated interim financial results for the 26 weeks ended 11 July 2021 have been reviewed by Deloitte & Touche and a modified review conclusion issued there-on. This conclusion carries an adverse conclusion with respect to:

• Non–compliance with International Financial Reporting Standard 13 "Fair Value Measurements" and IAS 29 "Financial Reporting in Hyperinflationary Economies" in the determination of the value of Property, Plant and Equipment for the current and comparable periods. In the prior period, the method of determining the value of Property, Plant and Equipment was not an accurate reflection of market dynamics and the risk associated with ZW$ transactions on a willing buyer, willing seller basis. Furthermore, in the prior year, leasehold improvements were not stated at fair value as required by IAS16. IAS 29 par 19 further requires non-monetary assets restated from the date of revaluation (Property, plant and equipment), to thereafter be reduced to their recoverable amount. The ZW$ recoverable amount could not be accurately determined in the current year and prior periods.

• Non–compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" on prior year comparatives, and inability to determine the appropriate spot exchange rates to apply to the foreign currency transactions and balances, in the prior and current period.

• Non-compliance with International Financial Reporting Standard 16 "Leases" due to exchange rate variations incorrectly treated as Lease modifications in prior year; and

• Application of International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies". The effect of applying IAS 29 based on financial information in the prior and current periods that did not comply with IAS 21, IAS 16 and IFRS 13.

The financial statements of the Group for the fifty-three weeks ended 10 January 2021 were audited by another auditor who expressed an adverse opinion on those statements on 31 May 2021.

The review conclusion has been made available to management and those charged with the governance of Edgars Stores Limited, and is available for inspection at their registered offices. The engagement partner responsible for this review was Tapiwa Chizana. (PAAB Practicing Certificate Number 0444).

5 Headline earnings per share

	Inflation adjusted		Historical cost	
	ZW$	ZW$	ZW$	ZW$
Earnings attributable to shareholders	65,150,369	74,393,809	148,294,268	74,626,821
Adjusted for non-recurring items:				
(Profit) / loss on disposal of property, plant and equipment	(8,067)	9,465	(8,067)	(84,030)
Headline earnings	65,142,302	74,403,274	148,286,201	74,542,791
	000's	000's	000's	000's
Issued ordinary shares at the beginning of the period	609,741	294,529	609,741	326,991
Effect of treasury shares	(36,475)	(36,475)	(36,475)	(36,475)
Share options exercised	-	3,241	-	443
Weighted average number of ordinary shares used in calculating earnings per share	573,266	261,295	573,266	290,959

Headline earnings consist 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	
	ZW$	ZW$	ZW$	ZW$
Computer equipment	464,522	-	443,359	-
Furniture, fittings and leasehold improvements	25,052,598	17,964,151	24,428,333	3,435,553
Total	25,517,120	17,964,151	24,871,692	3,435,553

Capital expenditure during the half year was channelled towards new stores, namely Jet - (Kwame Krumah - Harare, Mutoko, Hwange) and Edgars Avondale.

7 Future Capital Expenditure

	Inflation adjusted		Historical cost	
	ZW$	ZW$	ZW$	ZW$
Authorised but not yet contracted for	322,744,955	389,515,145	322,744,955	322,744,955

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

8 Lease commitments

	Inflation adjusted		Historical cost	
	ZW$	ZW$	ZW$	ZW$
Future minimum rentals under non-cancellable operating leases are as follows:				
Within one year	155,151,584	14,232,294	155,151,584	6,887,349
After one year but not more than five years	354,964,976	24,879,183	354,964,976	12,039,634
More than 5 years	5,514,561	555,583	5,514,561	268,860
	515,631,121	39,667,060	515,631,121	19,195,843

9 Borrowings

	Inflation adjusted		Historical cost	
	ZW$	ZW$	ZW$	ZW$
Non current interest bearing loans and borrowings	168,246,936	108,496,352	168,246,936	89,898,046
Current interest bearing loans and borrowings	619,727,199	186,727,277	619,727,199	154,718,724
	787,974,135	295,223,629	787,974,135	244,616,770

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

Terms and security

(i) Secured with a Notarial General Covering Bond over moveable assets, cession of fire policies, debtors book, an unlimited guarantee from shareholders and Edgars Industrial Park deeds.

(ii) The weighted average effective interest rate on all the borrowings is 44.4% (2020: 43.0%) per annum.

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

10 Inventories

	Inflation adjusted		Historical	
	ZW$	ZW$	ZW$	ZW$
Merchandise	869,676,732	588,930,398	780,726,727	361,536,713
Raw material, work in progress and consumables	187,467,044	74,479,201	52,799,200	24,497,746
	1,057,143,776	663,409,599	833,525,927	386,034,459
The amount of write-down on inventories recognised in cost of sales is:	(4,146,486)	(9,341,211)	654,732	673,961
Amount of reversal of inventory to net realisable value (NRV) is:	(882,550)	(519,774)	(49,681)	(49,681)
Amount of stock losses recognised in cost of sales is:	14,904,749	31,382,974	13,118,844	6,574,274

12 Revaluation of property, plant and equipment

The Group did not revalue property, plant and equipment as at 11 July 2021. The last valuation was carried out at 10 January 2021 through a directors valuation involving external and independent professional valuers.

13 Impact of Covid 19 and Going Concern

The business resumed normal trading hours up to 7pm in September. Sales are slowly recovering off the low base experienced over July and August. Despite losses in the January, February and June trading months the business is profitable overall with inflation adjusted and historic profits of ZW$65m and ZW$148m respectively. Merchandise assortments and our credit book remain healthy despite the challenging environment. Management looks forward to better trading conditions in October to December which is traditionally our busiest and most profitable period.

The ability of the group to continue as a going concern is subject to continued generation of positive cashflows. To evaluate the health of the cashflows management has prepared cashflow forecasts for the next twelve months and reviewed significant inputs such as profitability, cash generation capacity, ability to obtain financing and the impact of Covid-19 on the business. Forecasting is now updated regularly in response to ongoing uncertainty

The directors have assessed that key to continued profitability and positive cashflows is stability of exchange rates, availability of foreign currency from trading and minimal disruptions from Covid-19 related lockdowns. Based on the assessment undertaken the directors consider it appropriate to adopt the going concern basis for these financial results.

14 Segment reporting

	Edgars Stores Retail ZW$	Jet Stores Retail ZW$	Manufacturing Carousel ZW$	Micro Finance Club Plus ZW$	Corporate Head Office ZW$	Financial services ZW$	Segment Totals ZW$	Adjustments Eliminations ZW$	Consolidated Total ZW$
Inflation adjusted									
26 weeks to 11 July 2021									
Revenue									
External customers	790,345,885	611,031,806	8,324,748	49,952,365	-	4,540,022	1,464,194,826	(127,283,454)	1,336,911,372
Inter-segments	-	-	73,611,792	-	174,979,033	-	248,590,825	(248,590,825)	-
Finance income	-	-	-	-	-	326,212,047	326,212,047	-	326,212,047
Total revenue	790,345,885	611,031,806	81,936,540	49,952,365	174,979,033	330,752,069	2,038,997,698	(375,874,279)	1,663,123,419
							-		-
Segment profit / (loss)	957,379	(1,660,672)	3,179,823	4,018,644	9,950,508	50,140,200	66,585,882	(1,435,513)	65,150,369
Total assets	1,293,536,698	871,082,567	210,044,708	130,320,021	455,649,182	797,174,281	3,757,807,457	(221,926,899)	3,535,880,558
26 weeks to 5 July 2020									
Revenue									
External customers	401,448,220	344,419,789	14,683,634	16,896,006	2,082,484	-	779,530,133	26,777,144	806,307,277
Inter-segments	-	-	26,426,575	-	120,262,127	18,815,165	165,503,867	(165,503,867)	-
Finance income	-	-	-	-	-	187,622,868	187,622,868	-	187,622,868
Total revenue	401,448,220	344,419,789	41,110,209	16,896,006	122,344,611	206,438,033	1,132,656,868	(138,726,723)	993,930,145
							-		-
Segment profit	65,058,059	75,496,489	15,833,323	1,697,874	644,783	89,004,149	247,734,678	3,713,389	179,112,150
Total assets	506,079,610	300,416,229	72,789,241	32,336,741	321,240,980	307,965,245	1,540,828,046	(558,112,833)	2,625,916,084

	Edgars Stores Retail ZW$	Jet Stores Retail ZW$	Manufacturing Carousel ZW$	Micro Finance Club Plus ZW$	Corporate Head Office ZW$	Financial services ZW$	Segment Totals ZW$	Adjustments Eliminations ZW$	Consolidated Total ZW$
Historical cost									
26 weeks to 11 July 2021									
Revenue									
External customers	751,793,328	581,226,072	7,703,194	47,475,147	-	4,257,507	1,392,455,248	(121,074,649)	1,271,380,599
Inter-segments	-	-	84,267,461	-	200,308,110	-	284,575,571	(284,575,571)	-
Finance income	-	-	-	-	-	296,025,375	296,025,375	-	296,025,375
Total revenue	751,793,328	581,226,072	91,970,655	47,475,147	200,308,110	300,282,882	1,973,056,194	(405,650,220)	1,567,405,974
Segment profit	2,179,171	(3,779,996)	7,237,866	9,147,177	22,649,193	114,128,355	151,561,766	(3,267,498)	148,294,268
Total assets	1,063,633,376	716,263,012	172,712,968	107,157,937	374,665,580	655,490,620	3,089,923,494	(182,483,311)	2,907,440,183
26 weeks to 5 July 2020									
Revenue									
External customers	175,220,987	98,118,650	4,123,923	4,522,741	-	-	281,986,300	(51,402,237)	230,584,063
Inter-segments	-	-	7,557,351	-	30,801,192	-	38,358,543	(38,358,543)	-
Finance income	-	-	-	-	-	55,601,020	55,601,020	-	55,601,020
Total revenue	175,220,987	98,118,650	11,681,274	4,522,741	30,801,192	55,601,020	375,945,863	(89,760,780)	286,185,083
Segment profit	42,244,527	19,252,325	5,659,048	711,162	-	22,567	67,889,630	6,737,192	74,626,821
Total assets	82,633,077	81,483,797	36,258,995	11,262,895	32,883,603	94,300,669	338,823,035	98,933,961	437,756,997

15 Dividend

No dividend was declared for the half year to 11 July 2021.

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EDGARS STORES LIMITED

Abridged Reviewed Results for the 26 weeks ended 11 July 2021 (continued)

16 Chairman's Statement

The statement is prepared on the basis of inflation adjusted numbers.

CAUTIONARY- RELIANCE ON THE INFLATION ADJUSTED REVIEWED FINANCIAL STATEMENTS

The Directors have exercised 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: Effects 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 this press release as read in conjunction with the full half-year review opinion. This resulted in related qualifications in the half-year review opinion, which limits the usefulness of the financial statements.

TRADING ENVIRONMENT

The trading environment for the first six months was significantly impacted by the Covid-19 lockdowns in January, February and the last two weeks of June. The Company is not designated as an essential service provider and as a result lost close to seven trading weeks due to store closures and reduced trading hours. Limited social, educational and economic activity during the period also meant that demand for clothing over this period was lower than normal. As at the end of June turnover was significantly behind target.

Notwithstanding the challenging environment, positive business sentiment, stable interest and exchange rates, and a lag in inflation ensured that our financial services business units continued to perform and remain profitable over the period, ably sustaining operations.

GROUP PERFORMANCE

Unit sales – cumulative units sold were 945 000 as at end of Quarter 2, which was 2% below last year (2020: 963,000 units).
Gross margins - gross profit margin improved from 42% to 46% in inflation adjusted terms compared to the same period last year. This was driven by fresh inventory assortments and increased imports.

The impact of lockdowns on trading was such that it necessitated the increase in borrowings in order for the business to service ongoing commitments such as occupancy and utility costs, as well as ensuring that our employees were remunerated on time. The increased borrowings were at an average interest rate of 44.4% per annum (2020: 43% per annum).

At the end of June the company had US$190,000 in foreign liabilities which it is able to service from existing resources.

New stores - Jet Nkwame Nkrumah (Harare) and Jet Mutoko opened in April and August 2021 respectively. In October we are looking forward to the opening of Edgars Avondale, and Jet Hwange stores.

Edgars Chain - unit sales of 344,249 were down 6% (2020: 366,720). Credit sales constituted 68.1% of total sales compared to 64.7% for Quarter 1. Stocks closed at 13.7 weeks cover (2020: 17.2 weeks).

Jet Chain - unit sales of 526,691 were up 1% (2020: 523,034). Credit sales made up 46.5% of the total sales up from 40.9% at the end of Quarter 1. Stocks closed at 15.7 weeks cover (2020: 18.3 weeks cover).

Financial Services

Finance income was up 249% year-on-year and 6.6% up in Quarter 2 relative to Quarter 1. This was despite the fact that interest rates were reviewed downwards over the period.

The debtors' book increased from ZW$519m in June 2020 to ZW$639m in June 2021. The book performance remains healthy, with 86.3% (2020: 67.4%) of book being current, compared to 84.9% in Quarter 1. Active accounts at 37.4%, while stable throughout the year, declined relative to prior year (June 2020: 44.6%). Collections were good at 36.7% of the book, compared to 39.8% in Quarter 1.

Carousel Manufacturing

Unit sales declined to 74,021 from 121,093 units in 2020 resulting in lower efficiencies relative to last year. The factory secured its first export sales to the region in this quarter and management continues exploring export markets for more opportunities.

Club Plus - Micro Finance

The loan book increased by 150.4% to ZW$76m compared to ZW$30.5m last year. Interest income was up 85% from Quarter 1 and 209% year on year in inflation adjusted terms. The quality of the book remains good with over 80% of the book current.

COVID 19

The business has continued to learn from and adjust to the effects of the Covid-19 pandemic which present an ongoing risk. We joined the Ministry of Health's efforts to encourage vaccination through the rollout of a staff vaccination drive and vaccination discounts for staff and customers respectively. We are proud to note that as of end of August 2021 over 66% of our staff have been fully vaccinated.

DIRECTORATE

Happiness Vundla was appointed Chief Finance Officer effective 1 September 2021 after Bright Ndlovu retired from the Board and as Chief Finance Officer (CFO) effective 31 August 2021. The Board, management and staff would like to welcome Ms Vundla on her new role, and to thank Mr Ndlovu for his contributions over the years.

OUTLOOK

The effects of Covid-19 are difficult to predict in the outlook period. It is hoped that the ongoing COVID-19 vaccination programme being spearheaded by The Government of Zimbabwe will result in the achievement of herd immunity thereby making it unnecessary for Government to resort to lockdowns in the future.

Since the relaxing of lockdowns, trading in the chains has seen significant improvement with an increase in customer footfall. We hope that this momentum will be maintained going forward. Traditionally the last quarter of the year contributes 35%-40% of annual turnover. Management is confident that the profit forecast will be met.

We are looking to increase our geographic footprint through the opening of new stores as and when the opportunity presents itself.

APPRECIATION

On behalf of the Board of Directors I would like to thank our stakeholders – customers, suppliers and employees for their commitment and support through the first half of the year.

T N SIBANDA
CHAIRMAN
19 October 2021

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

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Report on Review of Interim Financial Information
To the Shareholders of Edgars Stores Limited

Introduction

We have reviewed the accompanying inflation adjusted interim condensed consolidated and company statement of financial position of Edgars Stores Limited and its subsidiaries ("the Group") as of 11 July 2021 and the inflation adjusted interim condensed consolidated and company statement of comprehensive income, inflation adjusted interim condensed consolidated and company statement of changes in equity and inflation adjusted interim condensed consolidated and company statement of cash flows for the twenty six weeks then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the interim financial information

The directors are responsible for the preparation and presentation of this inflation adjusted interim condensed consolidated and company financial information in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent reviewer's responsibility

Our responsibility is to express a conclusion on this inflation adjusted interim condensed consolidated and company financial information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRES2410). ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the inflation adjusted interim condensed consolidated and company financial information, taken as a whole, are not prepared in accordance with the applicable financial framework. This Standard also requires us to comply with relevant ethical requirements.

A review of inflation adjusted interim condensed consolidated and company financial information in accordance with ISRE 2410 is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and other within the entity, as appropriate, and applying analytical and other review procedures, and evaluates the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on this inflation adjusted interim condensed consolidated and company financial information.

Basis for adverse conclusion

1. <u>Non-compliance with IFRS 13 "Fair Value Measurements" (IFRS 13) and IAS 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) in the determination of the value of Property, Plant and Equipment for the current and comparable periods</u>

   In the prior period, the Group engaged professional valuers to perform a fair valuation of Property, Plant and Equipment. The fair values were determined in USD, and subsequently translated to the ZW$ equivalent fair values using the closing USD/ZW$ auction exchange rate as at 10 January 2021. The Group's Leasehold Improvements were however not revalued in prior year in accordance with the group's accounting policy.

   IFRS 13 defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at a measurement date. In the prior period, we found the assumptions and methods used by the professional valuers to determine the USD valuations reasonable. However, we were unable to obtain sufficient appropriate evidence to support the appropriateness of the application of the ZW$/USD auction exchange rate in the determination of the final ZW$ fair valuations presented for the prior and current periods.

MAKING AN IMPACT THAT MATTERS since 1845

1. <u>Non-compliance with IFRS 13 "Fair Value Measurements" (IFRS 13) and IAS 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) in the determination of the value of Property, Plant and Equipment for the current and comparable periods</u> (continued)

IFRS 13 requires:

- a fair value to be determined using the assumptions that market participants would use when pricing the asset, assuming market participants act in their economic best interests; and
- fair value to reflect the price that would be received to sell the asset in an orderly transaction in the principal market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

In the prior period, the auditors were therefore unable to obtain sufficient appropriate audit evidence to support the appropriateness of simply applying the closing ZW$/USD auction exchange rate in determining the ZW$ fair value of Property, Plant and Equipment, without any further adjustments to reflect how the economic conditions within the country as at that measurement date would impact the assumptions that market participants would use in pricing the items of Property, Plant and Equipment in ZW$. Such matters include, but are not limited to:

- the correlation of the responsiveness of ZW$ valuations of Property, Plant and Equipment to the auction exchange rate and related underlying USD values; and
- the extent to which supply and demand for the items of Property, Plant and Equipment reflects the implications on market dynamics of the auction exchange rate.

The method of determining the value of the Property, Plant and Equipment in the prior period was reasonable, in US Dollars but was not an accurate reflection of market dynamics and the risk associated with ZW$ transactions on a willing buyer, willing seller basis.

In the current period, as set out in note 12, the Group did not perform a valuation of its Property, Plant and Equipment as at 11 July 2021. These assets have been restated in accordance with the mathematical principles of IAS 29 "Financial Reporting in Hyperinflationary Economies". However IAS 29 par 19 requires non-monetary assets restated from the date of revaluation to, thereafter, be reduced to their recoverable amount. The ZW$ recoverable amount could not be accurately determined in the current year and prior periods.

We were therefore unable to accurately determine the value of depreciation, deferred taxation, Property, Plant and Equipment as well as revaluation gain in the current and prior periods.

2. <u>Impact of incorrect date of application of International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21) on comparative financial information and inability to determine the appropriate spot exchange rates to apply to the foreign currency transactions and balances, in the prior and current periods.</u>

The Group did not comply with IAS 21 in the prior financial periods, as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19"). Had the assessment required by IAS 21 occurred in the correct period from 1 October 2018, the adjustments that were recognised in the 2019 period would have been materially different. Therefore, the departure from the requirements of IAS 21 were pervasive in the prior periods. The misstatement in the historic comparative financial information impacted the determination of the inflation adjusted amount as is required in the application of IAS 29 in prior years. The financial effects on the inflation adjusted interim condensed consolidated financial statements of this departure was not determined. Our conclusion on the current period's financial results is modified because of the possible effects of the matter on the retained income of the current period's financial results.

Furthermore, the Group was unable to determine the appropriate spot exchange rates to apply to the foreign currency transactions and balances. The lack of exchangeability is a departure from IAS 21 and is pervasive in the prior and current periods. The misstatement in the historic current and comparative information impacted the determination the inflation adjusted amounts as required by IAS 29. The financial effects on the inflation adjusted interim condensed consolidated and company financial statements, of this departure, was not determined. Our conclusion on the current period's financial results is modified because of the possible effects of the matter on the current period financial results and the comparability of the current period's financial results with that of the prior period.

3. <u>Non -compliance with International Financial Reporting Standard 16 "Leases" (IFRS 16) due to exchange rate variations incorrectly treated as Lease modifications in prior year</u>

In the prior period, the Group's lessors revised their lease agreements to US dollars instead of ZW$ due to the instability in the local currency (ZW$) and its continuous loss in value when compared to most foreign currencies. As a result, rentals in the new agreements were pegged in USD but payable in ZW$ at the ruling RBZ auction rate between ZW$: USD when these rentals fell due. The entity incorrectly treated all changes in rentals prompted by exchange rate variations as lease modifications as per IFRS 16. This then resulted in the remeasurement of the lease liabilities and consequently a change in the valuation of the Right of Use Assets on a monthly basis. The Group should have computed the lease liability and Right of Use Asset in USD and thereafter translated these to ZW$ applying the requirements of IAS 21 resulting in the recognition of exchange differences in profit and loss. The treatment of the USD leases by the Group in prior period was therefore not in compliance with the requirements of IFRS 16.

4. <u>Application of IAS 29 – "Financial Reporting in Hyperinflationary Economies". the effect of applying IAS 29 based on financial information in the prior and current periods that did not comply with IAS 21, IAS 16, and IFRS 13.</u>

Furthermore, notwithstanding that the mathematical principles of IAS 29 were applied correctly, it was noted that its application was based on current and prior periods' financial information which was not in compliance with IAS 21 / IAS 16/ IFRS 13 as described above. Had the correct base numbers been used, most elements of the inflation adjusted financial information would have been materially misstated.

Other Matter
The inflation adjusted interim condensed consolidated and company financial statements of the Group for the 53 weeks ended 10 January 2021 were audited by another auditor who expressed an adverse opinion on those statements on 31 May 2021. The reasons for the modification related to the Non-compliance with International Accounting Standard (IAS) 21 - The Effects of Changes in Foreign Exchange Rates and IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors, Exchange rates used in prior year, 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) and Application of IAS 29 - Financial Reporting in Hyperinflationary Economies. It was not practicable to quantify the financial effects on the financial statements

Adverse Conclusion
Due to the significance of the matters described in the Basis for Adverse Conclusion paragraph, we conclude that the accompanying inflation adjusted interim condensed Consolidated and Company financial information is not prepared, in all material respects, in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

Deloitte & Touche

DELOITTE & TOUCHE
REGISTERED AUDITOR

PER: TAPIWA CHIZANA
PARTNER
REGISTERED AUDITOR
PAAB PRACTICE CERTIFICATE NUMBER: 0444

19 OCTOBER 2021