EDGARS STORES LIMITED

Condensed Audited Results for the 52 weeks ended 9 January 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the 52 weeks to 9 January 2022

	Notes	2022 ZWL$ 52 weeks to 09.01.2022 Inflation adjusted	2021 ZWL$ 53 weeks to 10.01.2021	2022 ZWL$ 52 weeks to 09.01.2022 * Historical cost	2021 ZWL$ 53 weeks to 10.01.2021
			** Restated		** Restated
Revenue		6,887,296,692	3,771,795,069	5,731,273,425	1,705,035,879
Sale of merchandise	5	5,562,485,729	3,266,907,014	4,647,929,630	1,503,110,782
Cost of sales		(2,667,384,566)	(2,213,488,075)	(2,209,600,469)	(547,583,572)
Gross profit (on sale of merchandise)		2,895,101,163	1,053,418,939	2,438,329,161	955,527,210
Revenue from microfinance institutions and debtors accounts	5	1,309,864,170	497,209,664	1,070,955,091	198,353,924
Other revenue	5	14,946,793	7,678,311	12,388,704	3,571,173
Other operating income		37,978,770	-	31,669,269	-
Other operating expenses		(1,096,143,160)	(773,155,676)	(925,408,814)	(289,835,068)
Movement in credit losses		(33,440,422)	(7,683,832)	(33,440,422)	(4,465,197)
Store expenses		(1,155,762,632)	(1,166,442,930)	(781,973,969)	(292,676,109)
Trading profit / (loss)		1,972,544,682	(388,975,524)	1,812,519,020	570,475,933
Other operating (losses)/gains		(512,638,611)	89,552,784	(436,397,335)	51,206,829
Financial services expenses		(264,561,398)	(96,197,926)	(217,021,621)	(45,798,229)
Finance income		19,594,012	228,485	5,119,103	83,547
Operating profit/ (loss)		1,214,938,685	(395,392,181)	1,164,219,167	575,968,080
Finance costs		(578,509,069)	(293,251,892)	(460,279,215)	(53,840,600)
Net monetary (loss)/gain		(46,357,889)	398,186,728	-	-
Profit/(loss) before taxation		590,071,727	(290,457,345)	703,939,952	522,127,480
Taxation		(31,217,953)	(31,665,018)	6,911,460	(132,516,410)
Profit/(loss) for the period		558,853,774	(322,122,363)	710,851,412	389,611,070
Other Comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of property,plant and equipment		(122,225,686)	44,676,506	223,218,023	472,085,951
Deferred tax liability arising on impairment/ (revaluation) gain		30,214,190	(11,044,032)	(55,178,970)	(116,699,647)
Total items that will not be reclassified to profit or loss		(92,011,496)	33,632,474	168,039,053	355,386,304
Other comprehensive income for the year net of taxation		(92,011,496)	33,632,474	168,039,053	355,386,304
Total comprehensive income/(loss) for the period		466,842,278	(288,489,889)	878,890,465	744,997,374
Earnings per share (cents)					
Basic		97.49	(78.89)	124.00	95.42
Diluted		96.97	(78.89)	123.35	94.41

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

** The above restatement relates to the incorrect classification of revenue in the prior year, the mixed presentation of expenses as function and nature instead of a single presentation of function and the IFRS16 restatement and the change in the loss per share.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the 52 weeks to 9 January 2022

	Notes	2022 ZWL$ 52 weeks to 09.01.2022 Inflation adjusted	2021 ZWL$ 53 weeks to 10.01.2021	2022 ZWL$ 53 weeks to 09.01.2022 * Historical cost	2021 ZWL$ 52 weeks to 10.01.2021
Cash flows from operating activities			** Restated		** Restated
Profit / (loss) before tax		590,071,727	(290,457,345)	703,939,952	522,127,480
Adjustments for:					
Finance income		(1,329,458,182)	(448,494,527)	(1,076,074,194)	(177,978,986)
Finance costs		578,509,069	293,251,892	460,279,215	53,840,600
Non cash items		204,516,465	162,911,563	(49,102,121)	159,552,941
Changes in working capital:					
Inventories		(978,327,664)	733,891,337	(885,848,652)	(246,900,121)
Trade and other receivables		(1,218,105,511)	128,391,140	(1,456,437,759)	(315,851,554)
Loans and advances to customers		(107,285,111)	(2,269,697)	(121,211,528)	(24,110,247)
Trade and other payables		527,974,923	(652,181,358)	709,781,823	118,787,264
Contract liabilities		34,702,054	3,716,934	28,844,146	2,008,545
Cash (used) / generated in operations		(1,697,402,230)	(71,240,061)	(1,685,829,118)	91,475,922
Tax paid		(161,845,200)	(140,516,884)	(161,846,022)	(63,266,360)
Finance income received		1,142,259,141	421,288,287	1,263,273,235	140,320,709
Finance costs paid		(320,576,631)	(177,052,702)	(228,949,604)	(55,315,371)
Lease interest paid		(137,877,597)	(116,199,190)	(111,274,770)	(34,844,152)
Net cash from operating activities		(1,175,442,517)	(83,720,550)	(924,626,279)	78,370,748
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(120,583,775)	(64,767,325)	(106,523,428)	(36,190,005)
Proceeds from disposal of PPE		1,609,577	539,351	1,606,900	335,548
Net cash used in investing activities		(118,974,198)	(64,227,974)	(104,916,528)	(35,854,457)
Cash flows from financing activities					
Proceeds from rights issue		-	131,053,771	-	69,888,507
Proceeds from exercise of share options		-	732,754	-	240,522
Proceeds from borrowings		3,486,854,686	1,309,866,167	3,486,854,686	401,695,886
Repayment of borrowings		(2,203,643,346)	(863,035,707)	(2,370,015,595)	(283,316,885)
Payments of principal portion of lease liabilities		(94,854,308)	(84,136,999)	(70,357,620)	(25,599,407)
Net cash generated from financing activities		1,188,357,032	494,479,986	1,046,481,471	162,908,643
Total cash movement for the year		(106,059,683)	346,531,462	16,938,663	205,424,934
Cash and cash equivalents at the beginning of the period		325,507,485	(21,023,978)	202,509,139	(2,915,795)
Cash and cash equivalents at the end of the period		219,447,802	325,507,484	219,447,802	202,509,139
Comprised of:					
Bank and cash balances		448,839,177	451,173,727	448,839,177	280,690,330
Bank overdraft		(229,391,375)	(125,666,243)	(229,391,375)	(78,811,191)
		219,447,802	325,507,484	219,447,802	202,509,139

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 9 January 2022

	Notes	2022 ZWL$ as at 09.01.2022 Inflation adjusted	2021 ZWL$ as at 10.01.2021	2022 ZWL$ as at 09.01.2022 * Historical cost	2021 ZWL$ as at 10.01.2021
Assets			** Restated		** Restated
Non-current assets					
Property, plant and equipment	11	744,156,192	955,169,198	739,661,982	531,433,029
Right of use asset		466,333,994	487,456,642	259,406,142	190,301,662
Intangible asset		71,963,830	85,004,537	1,732,648	1,936,727
Total non-current assets		1,282,454,016	1,527,630,377	1,000,800,772	723,671,418
Current assets					
Inventories	10	1,826,887,739	883,554,240	1,271,883,112	386,034,460
Loans and advances to customers		151,581,581	48,815,968	151,581,581	30,370,053
Trade and other receivables		1,908,458,141	726,054,161	1,908,140,441	451,702,682
Current tax receivable		5,207,704	-	5,207,682	-
Cash and cash equivalents		448,839,177	451,173,727	448,839,177	280,690,330
Total current assets		4,340,974,342	2,109,598,096	3,785,651,993	1,148,797,525
Total assets		5,623,428,358	3,637,228,473	4,786,452,765	1,872,468,943
Equity and liabilities					
Equity					
Share capital		265,129,308	265,129,308	73,411,672	73,411,672
Reserves		269,727,743	362,307,519	551,200,508	371,141,103
Retained earnings		1,905,121,196	1,345,699,142	1,171,420,044	473,570,611
Total capital and reserves		2,439,978,247	1,973,135,969	1,796,032,224	918,123,386
Non-current liabilities					
Borrowings	9	-	144,499,585	-	89,898,046
Lease liabilities	8	175,905,577	242,580,440	175,905,577	150,917,440
Deffered tax		271,958,850	389,081,398	90,685,040	163,647,548
Total non-current liabilities		447,864,427	776,161,423	266,590,617	404,463,034
Current liabilities					
Trade and other payables		1,009,115,600	481,140,677	1,009,115,600	299,333,777
Borrowings	9	1,512,602,715	248,690,519	1,512,602,715	154,718,725
Lease liabilities		170,250,460	92,059,691	170,250,460	57,273,426
Current tax payable		-	57,125,338	-	35,539,592
Dividend payable		594,822	594,822	370,059	370,059
Contract Liabilities		43,022,087	8,320,033	31,491,090	2,646,944
Total current liabilities		2,735,585,684	887,931,080	2,723,829,924	549,882,523
Total liabilities		3,183,450,111	1,664,092,503	2,990,420,541	954,345,557
Total equity and liabilities		5,623,428,358	3,637,228,472	4,786,452,765	1,872,468,943

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

**The above restatement relates to an error that arose in the treatment of US$ leases and impacted the right of use asset, lease liability, retained earnings and deferred tax liability.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 52 weeks to 9 January 2022

	Issued capital ZWL$	Revaluation Reserve ZWL$	Credit Reserve ZWL$	Equity Settled Reserve ZWL$	Total reserves ZWL$	Retained earnings ZWL$	Total ZWL$
Balance at 5 January 2020	133,342,783	250,638,353	13,019,804	64,018,021	327,676,178	1,668,819,973	2,129,838,934
Loss for the year	-	-	-	-	-	(283,755,738)	(283,755,738)
Other comprehensive income	-	33,632,474	-	-	33,632,474	-	33,632,474
Total comprehensive loss for the year	-	33,632,474	-	-	33,632,474	(283,755,738)	(250,123,264)
Issue of ordinary shares under employee share option plan	732,754	-	-	-	-	-	732,754
Issue of shares under share option plan	131,053,771	-	-	-	-	-	131,053,771
Transfer to credit reserve	-	-	998,867		998,867	(998,867)	-
Total contributions by and distributions to owners of company recognised directly in equity	131,786,525	-	998,867	-	998,867	(998,867)	131,786,525
Opening balance as previously reported	265,129,308	284,270,827	14,018,671	64,018,021	362,307,519	1,384,065,368	2,011,502,195
Prior year adjustments *	-	-	-	-	-	(38,366,226)	(38,366,266)
Balance at 10 January 2021 (restated)	265,129,308	284,270,827	14,018,671	64,018,021	362,307,519	1,345,699,142	1,973,135,969
Profit for the year	-	-	-	-	-	558,853,774	558,853,774
Other comprehensive loss	-	(92,011,496)	-	-	(92,011,496)	-	(92,011,496)
Total comprehensive income for the year	-	(92,011,496)	-	-	(92,011,496)	558,853,774	466,842,278
Transfer from credit reserve	-	-	(568,280)	-	(568,280)	568,280	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	(568,280)	-	(568,280)	568,280	-
Balance at 09 January 2022	265,129,308	192,259,331	13,450,391	64,018,021	269,727,743	1,905,121,196	2,439,978,247

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EDGARS STORES LIMITED

Condensed Audited Results for the 52 weeks ended 9 January 2022 (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the 52 weeks to 9 January 2022

1 Directors responsibility statement

The Board of Directors is responsible for the preparation of the Inflation Adjusted Condensed Consolidated Financial Statements for the 52 weeks ended 09 January 2022 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.

2 Basis of preparation

The Inflation adjusted condensed consolidated financial statements for the 52 weeks ended 09 January 2022 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange (ZSE) requirements. 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	The Interbank rate and RBZ auction rates used by the company in the prior period did not meet the definition of a spot and closing rate as they were not available for immediate delivery and not always accessible.
IAS 16: Property, plant and equipment	Property, plant and equipment were valued using historical US$ denominated inputs which were converted into ZWL at the auction and interbank rates in the current and prior years. The use of US$ estimated rentals and historical US$ values for similar transactions is not consistent with IFRS 13.

3 Application of IAS 29: Financial Reporting in Hyperinflationary Economies

The Group continued to apply IAS 29 during the 52 weeks to 09 January 2022 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 restatement 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
9 January 2022	3,977.46	1.0000
10 January 2021	2,474.51	1.6074
5 January 2020	551.63	7.2104
6 January 2019	88.81	44.7876

4 Auditor's Statement

The abridged financial results should be read in conjunction with the complete set of audited financial statements for the 52 weeks ended 09 January 2022. The financial statements were audited by Deloitte & Touche Chartered Accountants (Zimbabwe).

The audit opinion issued is adverse with respect to non-compliance with International Financial Reporting Standards (IFRS) pertaining to: International Accounting Standard (IAS) 21: "The Effects of Changes in Foreign Exchange Rates" and IFRS 13: "Fair Value Measurement" with respect to the valuation of Property, plant and equipment in ZWL after applying closing exchange rates to the US$ valuations.

The key audit matters communicated in the audit report are with respect to

• Valuation of Property, Plant and Equipment

The inflation adjusted consolidated financial statements of the Group for the 52 weeks ended 10 January 2021 were audited by another auditor who expressed an adverse opinion on those statements on 31 May 2021.

The Independent Auditors Report on the inflation adjusted condensed consolidated financial statements, signed by Mr. Tapiwa Chizana (PAAB Practicing Certificate Number 0444) is available for inspection at the Company's registered office.

5 Revenue

	2022	2021	2022	2021
	Inflation adjusted		Historical cost	
Sale of merchandise		Restated		Restated
Retail sales	5,523,405,690	3,225,533,974	4,617,104,875	1,485,608,909
Manufacturing sales to third parties- local sales	33,377,342	41,373,040	25,726,476	17,501,873
Manufacturing sales to third parties-export sales	5,702,697	-	5,098,279	-
	5,562,485,729	3,266,907,014	4,647,929,630	1,503,110,782
Other revenue				
Revenue from microfinance institution and debtors accounts	1,309,864,170	497,209,664	1,070,955,091	197,671,374
Commission	9,642,993	4,208,402	7,856,282	2,045,296
Edgars Club subscriptions	5,303,800	3,469,989	4,532,422	2,208,427
	1,324,810,963	504,888,055	1,083,343,795	201,925,097
Total Revenue	6,887,296,692	3,771,795,069	5,731,273,425	1,705,035,879

6 Capital expenditure

	Inflation adjusted		Historical cost	
Computer equipment	35,288,473	7,235,811	29,149,206	4,093,501
Factory machinery	7,218,594	45,810	5,825,923	28,500
Furniture, fittings and leasehold improvements	70,954,292	32,963,993	64,755,154	17,525,551
Vehicles	7,122,416	24,521,711	6,793,145	14,542,452
Total	120,583,775	64,767,325	106,523,428	36,190,004

Capital expenditure during the period was channeled towards new stores, namely Jet - (Kwame Krumah - Harare, Mutoko, Hwange and Murehwa) and Edgars Avondale.

7 Future Capital Expenditure

	Inflation adjusted		Historical cost	
Authorised but not yet contracted for	584,040,860	518,771,146	584,040,860	518,771,146

All expenditure is to be financed from existing cash resources and 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	170,250,460	92,059,691	170,250,460	57,273,426
After one year but not more than five years	175,905,577	242,580,440	175,905,577	150,917,440
More than 5 years	-	-	-	-
	346,156,037	334,640,131	346,156,037	208,190,866

9 Borrowings

	Inflation adjusted		Historical cost	
Non current interest bearing loans and borrowings	-	144,499,585	-	89,898,046
Current interest bearing loans and borrowings	1,512,602,715	248,690,519	1,512,602,715	154,718,725
	1,512,602,715	393,190,104	1,512,602,715	244,616,771

Terms and security

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

(ii) The weighted average effective interest rate on all the borrowings is 41.28% (2020: 57.67%) per annum.

(iii) Tenures range between 3 months and 12 months.

10 Inventories

	Inflation adjusted		Historical	
Merchandise	1,614,939,647	722,123,479	1,163,436,759	325,060,240
Raw material, work in progress and consumables	246,942,257	161,130,761	135,701,141	61,648,181
	1,861,881,904	883,254,240	12,991,390	386,708,421
Inventories (write-downs)	(34,994,165)	-	(27,254,785)	(673,961)
Total	1,826,887,739	883,254,240	1,271,883,112	386,034,460

11 Revaluation of property, plant and equipment

The Group revalued property, plant and equipment as at 09 January 2022. The was carried out through a directors valuation involving external and independent professional valuers.

12 Impact of Covid 19

The business resumed normal trading hours in the second half of the reporting period which resulted in a recovery of sales from the previous low base experienced in the first half of the year as a result of Covid induced lockdowns.The business is profitable overally on both an inflation adjusted and historical basis. Merchandise assortments and our credit book remain healthy despite the challenging environment. The Group continues to expand its geographic footprint, having opened 5 new stores in the year under review. Management believes that the Group is a going concern for the next twelve months.

13 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									
52 weeks to 09 January 2022									
Revenue									
External customers	3,013,243,660	2,510,162,031	39,080,039	-	-	14,946,793	5,577,432,522	-	5,577,432,522
Inter-segments	-	-	311,099,239	-	630,126,049	-	941,225,288	(941,225,288)	-
Finance income	15,496,075	38,027,467	-	228,787,382	9,162,176	1,018,391,070	1,309,864,170	-	1,309,864,170
Total revenue	3,028,739,734	2,548,189,498	350,179,278	228,787,382	639,288,226	1,033,337,864	7,828,521,981	(941,225,288)	6,887,296,692
							-		
Segment profit	199,473,499	151,308,260	38,672,112	55,029,361	2,352,572	462,931,466	909,767,270	305,171,415	1,214,938,685
									-
Total assets	2,090,576,787	1,408,868,341	263,000,396	227,834,590	1,192,285,489	530,737,130	5,713,302,733	(89,874,375)	5,623,428,358
53 weeks to 10 January 2021									
Revenue									
External customers	1,575,956,500	1,440,196,124	41,373,040	34,801,404	-	7,678,311	3,772,892,180	-	3,065,203,976
Inter-segments	-	-	108,690,500	-	247,122,339	-	355,812,839	(355,812,839)	-
Finance income	210,478,462	-	-	-	-	462,408,339	707,688,205	-	707,688,205
Total revenue	1,786,434,962	1,440,196,124	150,063,541	34,801,404	247,122,339	470,086,650	4,128,705,020	(355,812,839)	3,772,892,181
							-		
Segment profit /(loss)	(4,713,681)	32,302,967	(15,416,799)	(2,555,693)	-	(83,213,149)	(365,176,728)	(30,215,453)	(103,811,809)
Total assets	1,862,906,566	682,784,721	223,955,861	85,027,965	672,906,810	709,509,063	4,242,359,806	605,131,332	3,631,959,653

	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									
52 weeks to 09 January 2022									
Revenue									
External customers	2,518,819,507	2,098,285,370	30,824,756	-	-	-	4,660,318,337	-	4,660,318,336
Inter-segments	-	-	241,087,445	-	488,318,389	12,388,705	729,405,834	(729,405,834)	-
Finance income	12,008,737	29,469,518	-	177,299,583	7,100,261	845,076,991	1,070,955,091	-	1,070,955,091
Total revenue	2,530,828,244	2,127,754,889	271,912,200	173,283,650	495,418,650	857,465,695	6,460,679,261	(729,405,834)	5,731,273,425
Segment profit/(loss)	805,574,538	617,475,024	64,199,306	69,789,772	48,127,778	622,479,379	2,227,645,797	(415,126,777)	1,812,519,020
Total assets	1,735,400,573	1,266,956,050	283,923,212	227,834,590	1,090,693,514	530,737,130	5,135,545,069	(349,092,304)	4,786,452,765
53 weeks to 10 January 2021									
Revenue									
External customers	773,811,741	729,299,042	17,501,873	-	-	3,571,173	1,524,201,431	-	1,524,201,431
Inter-segments	-	-	67,620,011	-	153,743,108	-	221,363,119	(221,363,119)	-
Finance income	130,945,721	-	-	-	-	28,237,605	180,834,448	-	180,834,448
Total revenue	904,757,462	729,299,042	85,121,884	21,651,122	153,743,108	31,826,380	1,926,398,998	(221,363,119)	1,705,035,879
Segment profit /(loss)	263,105,972	200,128,033	20,040,435	3,322,169	-	108,169,519	413,364,184	(18,798,048)	595,968,080
Total assets	771,881,596	424,783,310	139,330,464	52,898,753	418,637,929	441,409,420	2,252,219,382	(376,472,526)	1,872,468,943

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

EDGARS STORES LIMITED

Condensed Audited Results for the 52 weeks ended 9 January 2022 (continued)

14 Restatements

14.1 IFRS 16 'Leases' Restatements

The Company leases all of its trading premises, office space and distribution centres under operating leases of between 2 to 5 years. These typically have renewal options of between 3 to 5 years. Over 90% of the leases on trading space have clauses that determine a portion of the rental, based on turnover between 3% and 6% and are treated as contingent rentals. Sublease arrangements are operating lease arrangements where space which is excess to requirements has been sublet to third parties The discount rate applied to discount lease obligations is the incremental cost of borrowing for the Company which ranges from between 2.3% to 3.75% per month. Lease modifications consist of increases in fixed monthly rentals and increases in the lease term. During the current year, the group treated USD lease rental changes (as a result of variations in the exchange rate between ZW$ and USD) as lease modifications contrary to the provisions of IFRS 16 and IAS 21 .The closing balance of the lease liability was not determined in accordance with IAS 21, which requires monetary items denominated in a foreign currency to be translated at year-end using the closing rate. Instead of determining the closing balance of the lease liability in USD and translating the balance to ZWL at the reporting date, Edgars calculated the closing balance by discounting the lease payments, assumed to be equal to the last ZWL lease payment made, over the remaining lease term. This resulted in the restatement of the right of use asset which decreased by ZW$45,653,510 and the resulting depreciation charge for the right of use asset decreased by ZW$797,133. The lease liability balance increased by ZW$3,205,790, the finance costs increased by ZW$ 1,677,692, net monetary loss decreased by ZW$47,172,712.

14.2 IAS1 Restatements

Statement of comprehensive income

The statement of comprehensive income presented for the 53 weeks ending 10 January 2021 erroneously presented items of income and expense as a hybrid of function and nature. The statement of comprehensive income has been restated to present items of income and expense by their nature as IAS 1 Presentation of Financial Statements requires that these items be presented by either their function or by their nature. In addition the entity reclassified its revenue which was split between revenue from the sale of merchandise, Revenue from microfinance institutions and debtors accounts and other revenue(refer to note 21). The comparatives have accordingly been resrated to reflect such disclosure. The above restatement has had no impact on the net loss before tax reported in the comparative year.

15 Subsequent events

A national announcement on measures to Restore Confidence, Preserve Value and Restore Macroeconomic Stability was made on the 7th May 2022. Included in the measures were the following: a. contiuation of multi-currency system, b. willing buyer willing seller foreign exchange rate system, c. differential intermediate money transfer tax, d. foreign currency cash withdrawal levy and e. suspension of lending by banks amongst other measures. As a predominantly credit business the suspension of lending (although temporary) had negative effects on our operations, chief amongst being the suspension of lending through our Micro-Finance Business in line with directives from the Regulatory authority. Following lifting of this temporary suspension we have returned to normal trading.

16. Chairman's Statement

Directors responsibility for the Integrated Annual Report

The Directors of Edgars Stores Limited are responsible for the preparation and fair presentation of the Group's consolidated financial statements. This press release represents an extract thereof. The audited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange listing requirements.

The principal accounting policies of the Group are consistent with those applied in the previous annual financial statements.

Cautionary – reliance on these hyperinflation adjusted financial statements

The Directors would like to advise users to exercise caution on their use of these financial statements due to the material and pervasive impact of the technicalities brought about by the change in functional currency in Zimbabwe at the beginning of 2019 and its consequent impact on the usefulness of the financial statements for subsequent reporting periods. This was further compounded by the adoption of International Accounting Standard (IAS) 29 'Financial Reporting in Hyperinflationary Economies'.

Whilst the Directors have exercised reasonable due care in applying judgements that were deemed to be appropriate in the preparation of these financial statements, certain distortions may arise due to the various economic factors that may affect the relevance and reliability of the financial information presented in economies such as Zimbabwe, that are experiencing hyperinflation.

Operating environment and overview

Throughout the financial reporting period of 2021, the operating environment remained volatile. The Group continued to trade under challenging socio-economic conditions and effects of various regulatory pronouncements. Although relatively stable over the reporting period under review, inflation and exchange rate movements continue to have a significant impact on the Group's operations.

Operating costs are increasing, with occupancy, employment, intermediated transaction tax and fuel costs being some of the significant costs that continue to rise. Management remains focused on recalibrating the business models in response to these price corrections to preserve value and build a strong balance sheet for the business.

Financial performance (based on inflation-adjusted results)

Notwithstanding the challenges in the operating environment, the Group managed to close 2021 with an improved performance over the year. The Group reported Revenue of ZWL6.9billion which is 82.5% up from that achieved in 2020 of ZWL3.7billion. Profit before tax of ZWL590million was a significant improvement from the prior period loss of ZWL290million. This is a demonstration of the various initiatives implemented by Management to ensure fresher stock was available in our stores. The Group achieved a basic earnings per share of 97.49 cents 2020: (78.89 cents).

Total Group units sold increased by 4.1% from 2.4million to 2.5million compared to the same period last year. 2021 saw our Manufacturing concern, Carousel, recording its first export sale to Botswana, bearing testament of Management's initiatives to continuously explore alternative markets.

Trading in foreign currency since April 2020 has allowed our retail chains to improve stock assortments, which in turn has increased traffic in our stores. While a sizable portion of our cash sales are in foreign currency, we believe that this proportion can be increased through favourable and consistent application of regulatory policies around trading in foreign currency.

Gearing increased to 0.5 in the current year from a prior year of 0.3. Funding was channelled towards growing the debtors' book as well as store expansion initiatives. At the end of the reporting period, the company had USD241k foreign liabilities which it will be able to service from existing resources.

Retail performance

Total retail merchandise revenue amounted to ZWL5.56billion representing a 70.1% increase from prior year. The split between credit and cash sales was 61.2% (2020: 43.5 %) and 38.8 %(2020: 56.5 %).

The Edgars chain recorded turnover of ZWL3billion up 73.7% from the prior year of ZW1.7billion, at 956k units sold were up 8.2% from 887.7k in the comparative period. The split between credit and cash sales was 69.1% (2020: 53 %) and 31.2% (2020: 47 .1%). We opened a new store in Avondale in October 2021. Stock covers closed at 20.5 weeks (2020:19.2weeks).

Total sales for the Jet chain were ZWL2.5billion up 78.6% from ZWL1.4billion achieved in the comparative period. The split between credit and cash sales was 45.5% (2020: 28.1 %) and 54.5 %(2020: 71.9 %). Total Units sold for the period were up 13% from 1.28m to 1.48m. The Chain increased its store count to 31 stores from 27 stores in the comparative period. Stock covers closed at 16.2 weeks (2020:16.9 weeks).

Financial services

The gross retail debtors' book closed the period at ZWL1.54 billion up 257.2% from ZWL431million in the comparative period. Active account growth increased to 128k from 120k, this 6.5% growth is attributed to various account drive initiatives. The asset quality remains solid with 84.6 %(2020: 83.3%) of our retail debtors' book in current status. Expected credit losses (ECLs) as at end of December 2021 were 2.3% of the book compared to 1.1% as at end of December 2020, although this shows Management's prudent application of the related credit loss accounting standards, the 'deterioration' is below the industry benchmark of 5.0%.

Club Plus Microfinance

The loan book closed at ZWL151 million (2020: ZWL30.3m) representing a 399% increase from prior year. Asset quality remains positive with over 80% of the book being in current. Improved efficiencies in loan approval and disbursement processes have resulted in increased turnaround. We have seen an increase on the uptake of loan applications through our online platforms i.e. the mobile app, this has provided our customers with added convenience.

Carousel Manufacturing

The Manufacturing Division recorded turnover of ZWL334million up 127.2% over prior year. However total units sold were down 42.1% to 165k (2020:286k). Demand in prior period was largely driven by Covid - 19 PPE such as the manufacturing of masks. Management has been actively seeking alternative markets, which has seen the division securing and delivering on its first export sales order in the period. Investment in various re-tooling and machinists training is ongoing which will see the division expanding on its product offering as well as improved efficiencies.

Effect of COVID-19

Material disruptions stemming from Covid-19 lockdown restrictions had a significant impact on the Group's performance, most significantly in January and February 2021 where the business lost over 7 trading weeks of sales. In the other limited lockdown months from March to August 2021 (which includes our peak winter season) we effectively traded at 60% of our normal trading hours.

Covid -19 brought about supply chain challenges such as shortages of shipping containers and port space. This had a resultant negative effect of delaying shipment and arrival of imported merchandise and an increase in shipping costs. There was also an impact on production and delivery of local merchandise due to delays in receiving imported fabrics and trims.

The effect of Covid-19 brought about new ways of doing business which has become the 'new norm'. This is characterised by improved engagement with customers across social media platforms and has seen the setting up of online stores and convenient payment platforms.

The Group continues to implement and observe WHO approved Covid-19 guidelines throughout its operations to safeguard all stakeholders. Implementation of an effective staff vaccination program has seen over 97% of our staff being vaccinated. This, along with the various vaccination programs implemented by the Government will go a long way in ensuring the safety of our staff and our customers.

Board membership

Ms Happiness Vundla was appointed Group Chief Finance Officer effective 01 September 2021 after Mr Bright Ndlovu left the Group.

Mr Vusumuzi Mpofu took early retirement at the end of January 2022 after serving the Group for 21 years.

Mr Christo Claassen, a seasoned retail specialist, joined the Board with effect from 1 March 2022.

Outlook

Management continues to remodel the business to capitalise on opportunities that arise in the very uncertain operating environment. Cost containment remains a focus area so as to ensure long term viability of the business.

The Group seeks to expand its geographic footprint through the opening of new stores in strategic locations. Smart merchandise procurement remains a key focus area to ensure that target margins are achieved without compromising the merchandise quality. We will continue to transform our customer experience through updating our stores to world class standards, offering widened merchandise ranges at affordable prices and flexible credit terms.

Dividend

Regrettably, your Group will not declare a dividend for the 52 weeks to 09 January 2022. The position will be reviewed having assessed the performance in the current year.

Appreciation

I wish 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.

T N SIBANDA
CHAIRMAN
25 July 2022

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Directorate: Non-Executive Chairman: **T.N Sibanda**, Group Chief Executive Officer : **T.Ndlovu***; Directors: **C.F.Dube, R.Mlotshwa, M.Hosack, C Claassen, H.Vundla*** *Executive

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF EDGARS GROUP LIMITED

Introduction

We have audited the accompanying inflation adjusted consolidated and separate financial statements of Edgars Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 12 to 73 which comprise the inflation adjusted consolidated and separate statement of financial position for the 52 weeks ending 9 January 2022, the inflation adjusted consolidated and separate statement of comprehensive income, the inflation adjusted consolidated and separate statement of changes in equity, and the inflation adjusted consolidated and separate statement of cash flows for the year then ended, and the notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the inflation adjusted consolidated and separate financial statements do not present fairly, the financial position of the Group for the 52 weeks ending 9 January 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act and Other Business Entities Act of Zimbabwe (Chapter 24:31).

Basis for Adverse Opinion

Non-compliance with IFRS 13 "Fair Value Measurements" (IFRS 13) in the determination of the value of Property, Plant and Equipment for the current and comparable years

As set out in note 1.5 and note 2 to the inflation adjusted consolidated and separate financial statements, the Group performed a revaluation of Property, Plant and Equipment for the 52 weeks ending 9 January 2022. The Group engaged professional valuers to determine fair values in USDs, and management subsequently determined the ZWL equivalent fair values by translating those USD valuations using an estimated exchange rate for the 52 weeks ending 9 January 2022. In addition, the Group's Leasehold Improvements were 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 current and 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$/USD blended exchange rate in the determination of the final ZW$ fair valuations presented for the prior and current years. Consequently, the Group did not disclose the unobservable significant inputs applied in the determination of fair value as is required by IFRS 13.

IFRS 13 further 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

Non-compliance with IFRS 13 "Fair Value Measurements" (IFRS 13) in the determination of the value of Property, Plant and Equipment for the current and comparable periods (continued)

We were therefore unable to obtain sufficient appropriate evidence to support the appropriateness of simply applying the closing ZW$/USD blended exchange rate in determining the ZW$ 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 blended 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 blended exchange rate.

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

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 years.

The Group did not comply with IAS 21 in the prior financial years, 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 years.

Furthermore, the Group applied exchange rates that did not meet the definition of spot exchange rates in accordance with IAS 21, as they were not available for immediate delivery during the comparative and current years. The financial effects on the inflation adjusted consolidated and separate financial statements, of this departure on retained income in the prior year, was not determined. Our opinion on the current year's financial information is modified because of the possible effects of the matter in the current year and the comparability of the current years' financial information with that of the prior year.

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

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Adverse Opinion section, we have determined the matters below to be the key audit matters to be communicated in our report.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Valuation of Property, Plant and Property and Equipment</td></tr>
<tr><td>As detailed in note 2, the valuation of Property, Plant and Equipment, comprises 13% (2021:26%) of the Group's total assets amounting to approximately ZWL 744 million and ZWL 955 million respectively. This has been considered to be an area where significant judgements were applied.

In determining the value of Property, Plant and Equipment the directors make use of independent external valuers who in turn involve the use of judgements.

The determination of the value of Property, Plant and Equipment was considered to be a matter of most significance during the current year audit due to the following
• Use of unobservable information such as:
o Replacement costs
o Comparable market information
o Estimated exchange rates
• The current economic environment is extremely volatile given the valuation intricacies impacting property in the Zimbabwean market. Valuations undertaken in US dollars have corroborative sales evidence.</td><td>We performed the following audit procedures
• We assessed the competence, capabilities, objectivity, and independence of the directors' independent valuers, and assessed their qualifications.
• We made enquiries of the directors' independent external valuers to obtain an understanding of the valuation techniques and judgements adopted.
• We assessed the work performed by the independent external valuers in valuing Property, Plant and Equipment by performing the following:
o Reviewed the valuation methods used and assessed whether they are appropriate and consistent with the reporting requirements
o Evaluated the principles and integrity of the models used, in accordance with generally accepted valuation methodology within the economic environment, in consultation with the auditor's property valuation expert.
o Assessed the competence and qualifications of management's expert; and
o Challenged the assumptions and methodology applied by management's expert through the use of the auditor's property expert.
o Assessed the inputs in the valuation model for accuracy and completeness;
o Evaluated the consolidation and separate financial statement disclosures for appropriateness and adequacy.

Based on the audit procedures performed the Property, Plant and Equipment values were determined not to be in compliance with IFRS 13 "Fair value measurements".</td></tr>
</table>

Other Matter

The inflation adjusted consolidated and separate 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 non-compliance with International Accounting Standard (IAS) 21 “The Effects of Changes in Foreign Exchange Rates”, IAS 8 “Accounting Polices, Changes in Accounting Estimates and Errors”, IFRS 13 “Fair Value Measurement” and IAS 29 “Financial Reporting in Hyperinflationary Economies”.

Other Information

The directors are responsible for the other information. The other information comprises the Directors’ Report, as required by the Companies and Other Business Entities Act (Chapter 24:31), the historic cost financial information and related notes, which we obtained prior to the date of this auditor’s report. The other information 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 the 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 on the other information that we obtained prior to the date of this auditor’s report, 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, we have concluded that the other information is materially misstated for the same reasons with respect to the amounts or disclosures items in the Directors’ Report and historical financial information, at the reporting date.

Responsibilities of the directors for the inflation adjusted consolidated 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 (IFRS) and the requirements of the Companies and Other Business Entities Act of Zimbabwe (Chapter 24:31) and relevant statutory instruments and for such internal control as the directors determine is necessary to enable the preparation of 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 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 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.

Auditor's responsibilities for the audit of the inflation adjusted consolidated 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 control 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's internal control.
- 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 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 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 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 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 control that we identify during our audit.

We also provide those charged with governance 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.

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.

Deloitte & Touche

DELOITTE & TOUCHE
CHARTERED ACCOUNTANTS (ZIMBABWE)

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

25 JULY 2022