EDGARS STORES LIMITED

Short-Form Financial Announcement

Issued in terms of Practice Note 13 of the Zimbabwe Stock Exchange

This short form financial announcement is the responsibility of the Directors' and is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decisions by investors/shareholders should be based on consideration of the full announcement.

A copy of the full announcement has been shared with shareholders using the latest email addresses supplied by the shareholder, and is available upon request,and for inspection at the Company's registered office or via email to corpserve@escrowgroup.org. The full announcement is also available on the Zimbabwe Stock Exchange website www.zse.co.zw and the Company website www.edgars.co.zw

Financial Highlights

	Inflation adjusted			Historical		
	52 weeks ended 08 January 2023 Audited	52 weeks ended 09 January 2022 Audited	% Change 2023 vs 2022	52 weeks ended 08 January 2023 Supplementary	52 weeks ended 09 January 2022 Supplementary	% Change 2023 vs 2022
Revenue	35,924,064,749	23,675,762,649	52%	24,046,227,856	5,731,273,425	320%
Operating profit	7,918,251,340	4,109,115,379	93%	7,511,324,197	1,159,100,064	548%
Profit for the period	194,448,269	1,921,115,050	-90%	3,341,377,203	710,851,412	370%
Total assets	20,914,412,209	19,331,090,419	8%	16,466,614,190	4,786,452,765	244%
Total equity	8,582,114,495	8,387,666,229	2%	5,137,409,427	1,796,032,224	186%
Basic earnings per share (ZWL $ cents)	33.92	335.12	-90%	582.87	25.87	2153%
Diluted earnings per share (ZWL $ cents)	33.74	333.35	-90%	579.80	25.73	2153%

Dividend

No dividend was declared for the full year to 08 January 2023. Directors will reassess this position in the current year.

Auditor's Statement

The short-form financial announcement should be read in conjunction with the abridged set of the Audited Group inflation-adjusted financial statements for the year ended 08 January 2023.
The abridged Group inflation-adjusted financial statements for the year ended 08 January 2023 have been audited by the Group's external auditors, Deloitte &Touche, who have issued an adverse opinion.
The audit opinion on the Group condensed inflation adjusted financial statements from which this short form financial announcement is extracted is available for inspection at the Company's registered office.
The Engagement Partner responsible for the review was Mr Tapiwa Chizana (PAAB Practicing Certificate Number 0444).

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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*, S.Mushosho** *Executive

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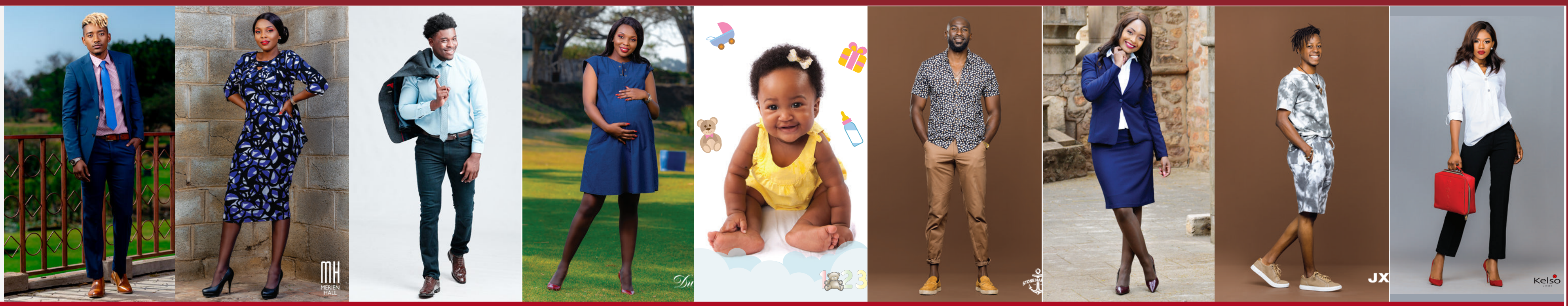
EDGARS STORES LIMITED



Abridged Audited Results for the 52 weeks ended 08 January 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the 52 weeks to 08 January 2023

	Notes	2023 ZW$ 52 weeks to 08.01.2023	2022 ZW$ 53 weeks to 09.01.2022	2023 ZW$ 52 weeks to 08.01.2023	2022 ZW$ 53 weeks to 09.01.2022
		Inflation adjusted		* Historical cost	
Revenue	5	**35,924,064,749**	**23,675,762,649**	**24,046,227,856**	**5,731,273,425**
Sale of merchandise		26,163,668,276	19,121,594,110	17,739,993,527	4,647,929,630
Cost of sales		(13,884,135,489)	(9,169,397,908)	(6,406,338,726)	(2,209,600,469)
Gross profit		**12,279,532,787**	**9,952,196,202**	**11,333,654,801**	**2,438,329,161**
Revenue from Micro Finance and other debtor accounts		9,660,985,212	4,502,787,462	6,243,010,355	1,070,955,091
Other Revenue		99,411,261	51,381,077	63,223,974	12,388,704
Other income		77,191,217	96,854,620	59,396,045	31,669,269
Other expenses		(4,713,360,050)	(3,768,100,381)	(468,805,094)	(925,408,814)
Movement in credit loss allowance		(562,012,624)	(81,253,601)	(441,263,186)	(33,440,422)
Selling expenses		(5,968,210,266)	(3,973,048,204)	(6,579,589,426)	(781,973,969)
Financial Services expenses		(3,186,487,394)	(909,455,937)	(2,150,358,402)	(217,021,621)
Trading Profit		**7,687,050,143**	**5,871,361,238**	**8,059,269,067**	**1,595,497,399**
(Loss)/ Profit from disposal of Property, plant and equipment		-	(6,160,005)	-	2,116,204
Net foreign exchange gains/(losses)		231,201,197	(1,756,085,854)	(547,944,870)	(438,513,539)
Operating Profit		**7,918,251,340**	**4,109,115,379**	**7,511,324,197**	**1,159,100,064**
Finance income		-	67,356,352	-	5,119,103
Finance costs		(4,321,861,379)	(1,988,682,065)	(3,410,371,948)	(460,279,215)
Net Monetary loss		(1,683,399,464)	(159,359,819)	-	-
Profit before tax		**1,912,990,497**	**2,028,429,847**	**4,100,952,249**	**703,939,952**
Income tax (expense) / credit		(1,718,542,228)	(107,314,797)	(759,575,046)	6,911,460
Profit for the period		**194,448,269**	**1,921,115,050**	**3,341,377,203**	**710,851,412**
(Impairment) / Other comprehensive income					
Gain on revaluation of property, plant and equipment		-	(420,162,868)	-	223,218,023
Deferred tax liability arising on revaluation		-	103,864,262	-	(55,178,970)
Other comprehensive (loss) / income for the year (net of tax)		-	(316,298,606)	-	168,039,053
Total comprehensive income for the period		194,448,269	1,604,816,444	3,341,377,203	878,890,465
Earnings per share (cents)					
Basic	6	33.92	335.12	582.87	25.87
Diluted		33.74	333.35	579.80	25.73
Headline		33.92	336.19	582.87	123.63

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the 52 weeks ended 08 January 2023

	Notes	2023 ZW$ 52 weeks to 08.01.2023	2022 ZW$ 53 weeks to 09.01.2022	2023 ZW$ 52 weeks to 08.01.2023	2022 ZW$ 53 weeks to 09.01.2022
		Inflation adjusted		Historical cost	
Cash flows from operating activities					
Profit before tax		1,912,990,499	2,028,429,847	4,100,952,249	703,939,952
Finance income		(9,660,985,212)	(4,570,143,814)	(6,243,010,355)	(1,076,074,194)
Finance costs		4,321,861,379	1,988,682,065	3,410,371,948	460,279,215
Non cash items		(1,985,743,176)	(1,236,853,932)	5,107,006,932	12,336,621
Decrease/(Increase) in inventories		2,220,540,232	(3,363,094,976)	(1,283,356,805)	(885,848,652)
(Increase) in trade and other receivables		(2,147,146,454)	(4,187,358,009)	(6,799,519,375)	(1,456,437,759)
(Increase) in loans and advances to customers		(176,901,213)	(368,803,166)	(546,396,289)	(121,211,528)
Increase in trade and other payables		62,026,921	1,814,965,947	2,521,845,868	709,781,823
Increase/(decrease) in contract liabilities		38,302,843	119,291,738	(23,956,003)	28,844,146
Cash generated/(utilized) in operations		(5,415,054,181)	(5,773,546,080)	243,938,170	(1,624,390,376)
Finance costs paid		(3,663,151,604)	(1,102,013,833)	(3,333,312,091)	(228,949,604)
Lease interest paid		(701,500,610)	(473,967,858)	(596,051,381)	(111,274,770)
Finance income received		9,067,260,649	3,926,628,620	5,357,134,251	1,263,273,235
Taxation paid		(987,219,709)	(556,358,861)	(873,839,843)	(161,846,022)
Cash (outflow) / inflow from operating activities		(1,699,665,455)	(3,979,258,012)	797,869,106	(863,187,537)
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(811,549,565)	(414,518,637)	(598,012,718)	(106,523,428)
Proceeds from disposal of property, plant and equipment		-	5,533,080	-	1,606,900
Loans advanced to subsidiaries		-	-	-	-
Net cash used in investing activities		(811,549,565)	(408,985,557)	(598,012,718)	(104,916,528)
Cash flows from financing activities					
Proceeds from borrowings		19,205,171,306	11,986,407,386	10,574,981,198	3,486,854,686
Repayment of borrowings		(14,178,106,466)	(7,575,241,660)	(7,806,918,611)	(2,370,015,595)
Payments of principal portion of lease liabilities		(780,862,161)	(326,071,053)	(698,005,625)	(70,357,623)
Net cash generated from financing activities		4,246,202,679	4,085,094,673	2,070,056,962	1,046,481,468
Net increase / (decrease) in cash and cash equivalents		1,734,987,659	(303,148,896)	2,269,913,348	78,377,403
Effect of exchange rate fluctuations on cash held		(1,067,639,607)	(61,438,740)	(1,067,639,605)	(61,438,740)
Cash and cash equivalents at the beginning of the period		754,373,495	1,118,964,131	219,447,802	202,509,139
Cash and cash equivalents at the end of the period		1,421,721,547	754,376,495	1,421,721,547	219,447,802
Being:					
Cash and bank balances		2,292,256,766	1,542,929,004	2,292,256,766	448,839,177
Bank overdrafts		(870,535,219)	(788,555,509)	(870,535,219)	(229,391,375)
		1,421,721,547	754,373,495	1,421,721,547	219,447,802

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 08 January 2023

	Notes	2023 ZW$ as at 08.01.2023	2022 ZW$ as at 09.01.2022	2023 ZW$ as at 08.01.2023	2022 ZW$ as at 09.01.2022
		Inflation adjusted		* Historical cost	
Assets					
Non-current assets					
Property, plant and equipment	12	2,425,054,880	2,558,110,412	1,049,886,231	739,661,982
Intangible assets		234,658,642	247,382,774	1,731,080	1,732,648
Right of use asset		2,445,071,001	1,603,069,165	884,926,748	259,406,142
Deferred tax asset		52,166,418		276,935,761	
Total non-current assets		5,156,950,941	4,408,562,351	2,213,479,820	1,000,800,772
Current assets					
Inventories	11	4,059,566,816	6,280,107,048	2,555,239,917	1,271,883,112
Trade and other receivables		8,707,659,816	6,560,513,362	8,707,659,817	1,908,140,441
Income tax receivable		-	17,901,997	-	5,207,682
Loans and advances to customers		697,977,870	521,076,657	697,977,870	151,581,581
Bank and cash balances		2,292,256,766	1,542,929,004	2,292,256,766	448,839,177
Total current assets		15,757,461,268	14,922,528,068	14,253,134,370	3,785,651,993
Total assets		20,914,412,209	19,331,090,419	16,466,614,190	4,786,452,765
Equity and liabilities					
Equity					
Issued capital		911,408,184	911,408,184	73,411,672	73,411,672
Other reserves		927,215,758	927,215,758	551,200,508	551,200,508
Retained earnings		6,743,490,553	6,549,042,287	4,512,797,247	1,171,420,044
Total capital and reserves		8,582,114,495	8,387,666,229	5,137,409,427	1,796,032,224
Non-current liabilities					
Deferred tax liability		822,757,822	934,885,409	-	90,685,040
Interest bearing loans and borrowings	10	68,550,893	-	68,550,893	-
Lease liabilities	9	-	604,692,795	-	175,905,576
Total non-current liabilities		891,308,715	1,539,578,204	68,550,893	266,590,616
Current liabilities					
Trade and other payables		3,530,961,468	3,468,934,547	3,530,961,468	1,009,115,600
Dividend payable		2,044,759	2,044,759	370,059	370,059
Current tax payable		335,171,271	-	335,171,271	-
Contract liabilities		186,195,516	147,892,673	7,535,087	31,491,090
Interest bearing loans and borrowings	10	4,853,258,253	5,199,721,235	4,853,258,253	1,512,602,715
Lease liabilities	9	2,533,357,732	585,252,772	2,533,357,732	170,250,461
Total current liabilities		11,440,988,999	9,403,845,986	11,260,653,870	2,723,829,925
Total liabilities		12,332,297,714	10,943,424,190	11,329,204,763	2,990,420,541
Total equity and liabilities		20,914,412,209	19,331,090,419	16,466,614,190	4,786,452,765

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 52 weeks to 08 January 2023

	Issued capital ZW$	Equity-settled employee benefits reserve ZW$	Revaluation reserve ZW$	Credit reserve ZW$	Total Reserves	Retained earnings ZW$	Total ZW$
INFLATION ADJUSTED							
Balance at 10 January 2021	911,408,184	220,068,270	977,209,046	48,190,566	2,156,876,066	4,757,861,409	6,914,737,475
Profit for the year	-	-	-	-	-	1,921,115,050	1,921,115,050
Other comprehensive loss	-	-	(316,298,606)	-	(316,298,606)	-	(316,298,606)
Total comprehensive income for the period	-	-	(316,298,606)	-	(316,298,606)	1,921,115,050	1,604,816,444
Transfer to credit reserve	-	-	-	(1,953,518)	(1,953,518)	1,953,518	-
Total contributions by and distributions to owners of company recognised directly in equity	-	-	-	(1,953,518)	(1,953,518)	1,953,518	-
IFRS 16 Adjustment	-	-	-	-	-	(131,887,693)	(131,887,693)
Balance at 9 January 2022	911,408,184	220,068,270	660,910,440	46,237,048	1,838,623,942	6,549,042,284	8,387,666,226
Balance at 9 January 2022	911,408,184	220,068,270	660,910,440	46,237,048	1,838,623,942	6,549,042,284	8,387,666,226
Total comprehensive income for the period					-	194,448,269	194,448,269
Profit for the year	-	-	-	-	-	194,448,269	194,448,269
Other comprehensive income for the period	-	-	-	-		-	-
Transfer to credit reserve	-	-	-	-	-	-	-
Balance at 08 January 2023	911,408,184	220,068,270	660,910,440	46,237,048	1,838,623,942	6,743,490,553	8,582,114,495

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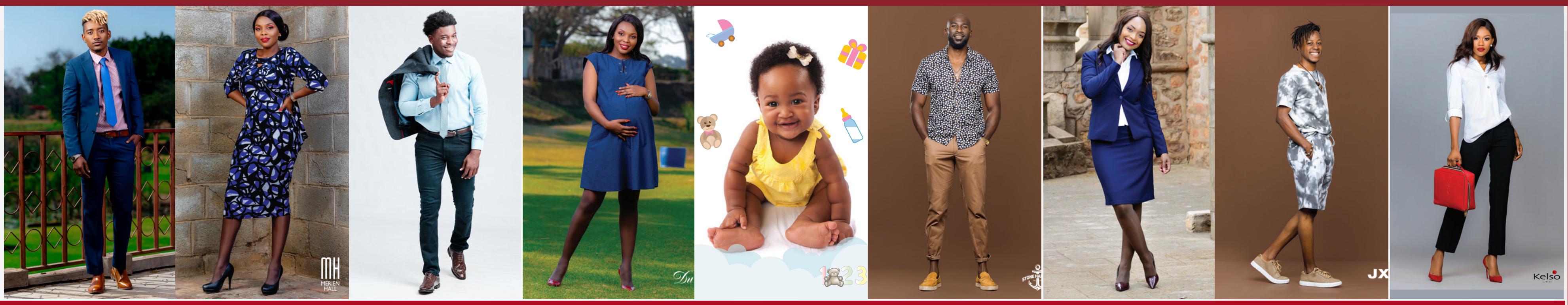

Abridged Audited Results for the 52 weeks ended 08 January 2023 (continued)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the 52 weeks to 08 January 2023

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 08 January 2023 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 due to the continued level of inflation prevailing in the country.

2 Basis of preparation

The Inflation adjusted condensed consolidated financial statements for the 52 weeks ended 08 January 2023 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 exchange rates used by the 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.

3 Application of IAS 29: Financial Reporting in Hyperinflationary Economies

The Group continued to apply IAS 29 during the 52 weeks to 08 January 2023 based on the guidance issued by the PAAB in August 2019. The financial statements have been prepared in accordance with IAS 29 and IFRIC 7 (Applying the Restatement Approach under IAS 29) as if the economy had been hyperinflationary since 1 July 2018. In applying the standard the Group has used the Consumer Price Index (CPI) as issued by the Zimbabwe National Statistic Agency and published by the Reserve Bank of Zimbabwe (RBZ). The following table summarises the inflation adjusted indices used:

Month	CPI	Conversion Factor
December 2022	13,673	1.00
June 2022	8,707	1.57
Average 2022	9,199	1.82
December 2021	3,977	3.44
June 2021	2,986	4.58
Average 2021	3,135	4.44

4 Auditor's Statement

These inflation adjusted condensed consolidated financial results for the 52 weeks ended 08 January 2023 have been audited by Deloitte & Touche and an adverse opinion issued there-on. The adverse opinion is with respect to:

• Non–compliance with International Financial Reporting Standard 13 "Fair Value Measurements" (IFRS 13) and International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) in the determination of the value of Property, Plant and Equipment. The method of determining the fair value of Property, Plant and Equipment as at 9 January 2022 was not an accurate reflection of market dynamics and the risk associated with ZW$ transactions on a willing buyer, willing seller basis. 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 and prior years.
• 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.

The financial statements of the Group for the fifty-two weeks ended 08 January 2023 were audited by Deloitte & Touche who expressed an adverse opinion on those statements on 08 May 2023.

The audit opinion 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 audit was Tapiwa Chizana. (PAAB Practicing Certificate Number 0444).

5 Revenue

	Inflation adjusted 2023 ZW$	Inflation adjusted 2022 ZW$	Historical cost 2023 ZW$	Historical cost 2022 ZW$
Sale of merchandise				
Retail sales	24,800,939,753	18,987,252,616	17,539,193,643	4,617,104,875
Manufacturing sales to third parties - local sales	1,362,728,523	114,737,910	200,799,884	25,726,476
Manufacturing sales to third parties- export sales	-	19,603,584	-	5,098,279
	26,163,668,276	**19,121,594,110**	**17,739,993,527**	**4,647,929,630**
Other revenue				
Revenue from Micro Finance and other debtor accounts	9,660,985,212	4,502,787,462	6,243,010,355	1,070,955,091
Commission	56,659,031	33,148,741	40,375,829	7,856,282
Edgars Club subscriptions	42,752,230	18,232,336	22,848,144	4,532,422
	9,760,396,473	**4,554,168,539**	**6,306,234,329**	**1,083,343,795**
Total Revenue	**35,924,064,749**	**23,675,762,649**	**24,046,227,856**	**5,731,273,425**

6 Headline earnings per share

	Inflation adjusted 2023 ZW$	Inflation adjusted 2022 ZW$	Historical cost 2023 ZW$	Historical cost 2022 ZW$
Earnings attributable to shareholders	194,448,269	1,921,115,050	3,341,377,203	710,851,412
Adjusted for non-recurring items:				
Loss / (Profit) on disposal of property, plant and equipment	-	6,160,005	-	(2,116,204)
Headline earnings	194,448,269	1,927,275,055	3,341,377,203	708,735,208
	000's	000's	000's	000's
Issued ordinary shares at the beginning of the period	573,267	573,267	573,267	573,267
Effect of treasury shares	-	-	-	-
Weighted average number of ordinary shares used in calculating earnings per share	573,267	573,267	573,266	573,276

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.

7 Capital expenditure

	Inflation adjusted 2023 ZW$	Inflation adjusted 2022 ZW$	Historical cost 2023 ZW$	Historical cost 2022 ZW$
Computer equipment	79,561,679	121,307,611	50,831,623	29,149,206
Furniture, fittings and leasehold improvements	731,987,886	293,211,025	547,181,095	77,374,222
Total	811,549,565	414,518,637	598,012,718	106,523,428

Capital expenditure during the full year was channelled towards new stores, namely Jet - (Gutu , Avondale, First Street, Norton, and Madokero) and the revamp of the Edgars Masvingo store.

8 Future Capital Expenditure

	Inflation adjusted 2023 ZW$	Inflation adjusted 2022 ZW$	Historical cost 2023 ZW$	Historical cost 2022 ZW$
Authorised but not yet contracted for	5,671,555,106	2,007,698,143	5,671,555,106	584,040,860

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

9 Lease commitments

	Inflation adjusted 2023 ZW$	Inflation adjusted 2022 ZW$	Historical cost 2023 ZW$	Historical cost 2022 ZW$
Future minimum rentals under non-cancellable operating leases are as follows:				
Within one year	2,533,357,732	648,158,530	2,533,357,732	188,549,791
After one year but not more than five years	-	1,845,565,230	-	536,876,277
More than 5 years	-	23,046,735	-	6,704,312
	2,533,357,732	2,516,770,495	2,533,357,732	732,130,380

10 Borrowings

	Inflation adjusted 2023 ZW$	Inflation adjusted 2022 ZW$	Historical cost 2023 ZW$	Historical cost 2022 ZW$
Non current interest bearing loans and borrowings	68,550,893	-	68,550,893	-
Current interest bearing loans and borrowings	4,853,258,253	5,199,721,235	4,853,258,253	1,512,602,715
	4,921,809,146	5,199,721,235	4,921,809,146	1,512,602,715

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 105.85% (2022: 41.28%) per annum.

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

11 Inventories

	Inflation adjusted 2023	Inflation adjusted 2022	Historical cost 2023	Historical cost 2022
Merchandise	18,031,801,324	5,775,146,734	2,443,585,814	1,234,505,865
Raw material, work in progress and consumables	1,363,385,492	625,256,212	253,793,060	64,632,036
	19,395,186,816	6,400,402,946	2,697,378,874	1,299,137,901
Inventory obsolescence	(15,335,620,001)	(120,295,899)	(142,138,957)	(27,254,789)
	4,059,566,816	6,280,107,048	2,555,239,917	1,271,883,112
The amount of write-down on inventories recognised in cost of sales is:	(15,335,620,001)	(120,295,899)	(142,138,957)	(654,732)
Amount of reversal of inventory to net realisable value (NRV) is:	(11,177,689,827)	(170,785)	(137,435,870)	(49,681)
Amount of stock losses recognised in cost of sales is:	(136,633,204)	(45,097,323)	(75,234,609)	(13,118,844)

12 Revaluation of property, plant and equipment

The Group did not revalue property, plant and equipment as at 08 January 2023. The last valuation was carried out at 09 January 2022 through a directors valuation involving certain inputs provided by external and independent professional valuers.

13 Going concern

Merchandise assortments and our credit book remain healthy despite the challenging environment. Management looks forward to better trading conditions in the year ahead despite a looming presidential and paliarmentary election.

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 and the ability to obtain financing. 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									
52 weeks to 08 January 2023									
Revenue									
External customers	14,603,778,831	11,688,929,071	-	-	-	-	26,292,707,902	(1,491,768,149)	24,800,939,753
Manufacturing sales to 3rd parties-local sales	-	-	1,362,728,523	-	-	-	1,362,728,523	-	1,362,728,523
Manufacturing sales to 3rd parties-export sales	-	-	-	-	-	-	-	-	-
Other revenue-Hospital cash plan and insurance	-	-	-	-	-	56,659,031	56,659,031	-	56,659,031
Other revenue-Commission Club Subscriptions	-	-	-	-	-	42,752,230	42,752,230	-	42,752,230
Inter-segments	-	-	1,073,045,140	-	-	-	1,073,045,140	(1,073,045,140)	-
Revenue from Micro Finance and debtor accounts	-	-	-	2,197,593,574	-	7,463,391,638	9,660,985,212	-	9,660,985,212
Total revenue	14,603,778,831	11,688,929,071	2,435,773,663	2,197,593,574	-	7,562,802,899	38,488,878,038	(2,564,813,289)	35,924,064,749
Segment profit / (loss)	3,944,088,975	2,919,977,482	407,053,212	1,162,099,785	79,055,884	5,822,791,808	14,335,067,146	(6,416,815,806)	7,918,251,340
Total assets	9,905,775,740	7,941,887,921	756,355,626	1,029,679,748	212,627,240	13,132,421,041	32,978,747,315	(12,064,335,106)	20,914,412,209
52 weeks to 09 January 2022									
Revenue									
External customers	10,358,322,705	8,628,929,911	-	-	-	-	18,987,252,616	-	18,987,252,616
Manufacturing sales to 3rd parties-local sales	-	-	114,737,910	-	-	-	114,737,910	-	114,737,910
Manufacturing sales to 3rd parties-export sales	-	-	19,603,585	-	-	-	19,603,585	-	19,603,585
Other revenue-Hospital cash plan and insurance	-	-	-	-	-	18,232,336	18,232,336	-	18,232,336
Other revenue-Commission Club Subscriptions	-	-	-	-	-	33,148,741	33,148,741	-	33,148,741
Inter-segments	-	-	1,069,434,362	-	2,166,120,532	-	3,235,554,894	(3,235,554,894)	-
Revenue from Micro Finance and debtor accounts	53,269,288	130,723,174	-	786,479,223	31,495,885	3,500,819,891	4,502,787,461	-	4,502,787,461
Total revenue	10,411,591,993	8,759,653,085	1,203,775,857	786,479,223	2,197,616,417	3,552,200,968	26,911,317,543	(3,235,554,894)	23,675,762,649
Segment profit	685,709,855	520,137,089	132,939,205	189,168,864	8,087,199	1,591,372,638	3,127,414,850	981,700,529	4,109,115,379
Total assets	7,186,564,195	4,843,124,079	904,089,838	783,203,907	4,098,599,480	1,824,461,306	19,640,042,805	(308,952,386)	19,331,090,419

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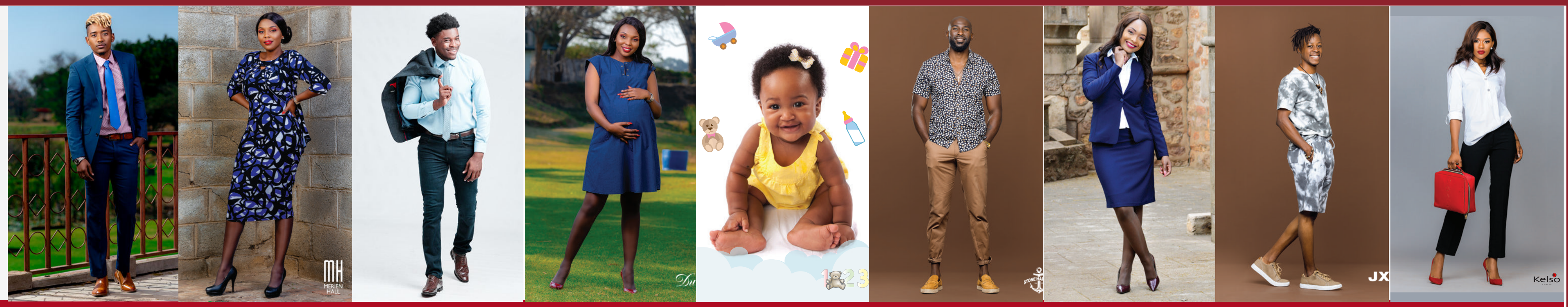
EDGARS STORES LIMITED



Abridged Audited Results for the 52 weeks ended 08 January 2023 (continued)

	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									
52 weeks to 08 January 2023									
Revenue									
External customers	10,092,910,002	8,450,168,604	-	-	-	-	18,543,078,606	(1,003,884,963)	17,539,193,643
Manufacturing sales to 3rd parties-local sales	-	-	200,799,884	-	-	-	200,799,884	-	200,799,884
Manufacturing sales to 3rd parties-export sales	-	-	-	-	-	-	-	-	-
Other revenue-Hospital cash plan and insurance	-	-	-	-	-	40,375,829	40,375,829	-	40,375,829
Other revenue-Commission Club Subscriptions	-	-	-	-	-	22,848,144	22,848,144	-	22,848,144
Inter-segments	-	-	-	-	-	-	-	-	-
Revenue from Micro Finance and debtor accounts	-	-	-	949,960,733	-	5,293,049,622	6,243,010,355	-	6,243,010,355
Total revenue	10,092,910,002	8,450,168,604	200,799,884	949,960,733	-	5,356,273,596	25,050,112,818	(1,003,884,963)	24,046,227,856
Segment profit / (loss)	2,673,831,858	2,029,554,263	256,722,632	309,511,701	50,721,843	3,308,359,183	8,628,701,481	(1,117,377,283)	7,511,324,198
Total assets	7,799,147,580	6,252,913,207	595,504,007	802,399,892	167,408,517	10,339,593,028	25,956,966,230	(9,490,352,041)	16,466,614,190
52 weeks to 09 January 2022									
Revenue									
External customers	2,518,819,507	2 ,098,285,368	-	-	-	-	4,617,104,875	-	4,617,104,875
Manufacturing sales to 3rd parties-local sales	-	-	25,726,476	-	-	-	25,726,476	-	25,726,476
Manufacturing sales to 3rd parties-export sales	-	-	5,098,279	-	-	-	5,098,279	-	5,098,279
Other revenue-Hospital cash plan and insurance	-	-	-	-	-	7,856,282	7,856,282	-	7,856,282
Other revenue-Commission Club Subscriptions	-	-	-	-	-	4,532,422	4,532,422	-	4,532,422
Inter-segments	-	-	241,087,445	-	-	-	241,087,445	(241,087,445)	-
Revenue from Micro Finance and debtor accounts	-	-	-	1,070,955,091	-	-	1,070,955,091	-	1,070,955,091
Total revenue	2,518,819,507	2,098,285,368	271,912,200	1,070,955,091	-	12,388,704	5,972,360,870	(241,087,445)	5,731,273,425
Segment profit	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

15 Dividend

No dividend was declared for the full year to 08 January 2023.

16 Chairman's report

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. 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 ending 08 January 2023, the operating environment has remained volatile in comparison to the prior year. Despite the relaxation of COVID-19 restrictions, the impact of the lockdowns experienced in the prior period continued to affect the business operations. Arising out of the Covid lockdowns in 2021, the business lost 7 trading weeks, this included the winter season. As a result, there was a build - up of aged merchandise, which due to lack of desirability had slower than planned stock turn levels. The Board took a conscious decision to markdown inventory to its most realistic realisable value. This markdown has been recognised in the profit and loss and resultantly both retail chains have not been profitable. The markdown was implemented mostly during November 'Black Friday' trading and into December high season. Prior to this, forward weeks cover stood at: Edgars (16.4 weeks) and Jet (19.3 weeks). At the end of the reporting period the chains closed at 11.0 weeks and 13.7 weeks respectively.

The first half of the year saw a marked volatility in the availability of the foreign currency on the official platforms resulting in a widening gap between the official rate and the alternative market. A series of policy interventions was instituted in May 2022 and July 2022, with the effect of slowing down the rate of inflation and reduction of the gap between the official rate and alternative market. Whilst the interventions, particularly in respect of money supply and ZWL$ interest rates, achieved their desired objectives, they also brought an increased cost of borrowing for the business. This saw the finance costs rising threefold against a drop in credit sales flowing from reduced consumer demand.

The Russia-Ukraine war as well as the Suez Canal blockage resulted in disruption of global supply chains and increase in energy costs.

The business has benefited from the convenience of the multi-currency trading environment with roll out of the USD credit to mitigate value erosion.

Operating costs grew 65% over prior year, with occupancy, employment, intermediated transaction tax and fuel costs being the lines that contributed most significantly to the increased overhead. 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 the period with an improved performance over the year. The Group reported Revenue of ZWL35.9billion which is 51.7% up from that achieved in 2022 of ZWL23.7billion. The growth in real terms is attributed to volume recovery, resilient cost-based pricing, ongoing cost management as well as initiatives implemented by Management to ensure fresher stock availability in our stores, regardless of the supply chain challenges. Profit before tax of ZWL1.9billion was a decline of 5.7% from the prior period of ZWL2.0billion. Profit for the year was weighed down by higher finance costs emanating from the revision of the minimum lending rates to 200% as promulgated by the Reserve Bank of Zimbabwe. The result was the finance costs of ZWL$4.3billion, a growth of 117% on prior year of ZWL$1.9billion. The business was not able to recover these costs from our customers. Unlike FMCG, with speciality retail that Edgars is in, merchandise has to be ordered and paid for 6 months before it is received. Further to that, merchandise is then sold on a 6 month basis and clearly interest rates as alluded to above are not suitable for this type of business. The Group achieved basic earnings per share of 13.2 cents (2022: 335.12 cents).

Total Group units sold increased by 13.1% from 2.4million to 2.7million compared to the same period last year.

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 reduced to 0.58 in the current year from a prior year of 0.62. Funding was channelled towards growing the debtors' book as well as store expansion initiatives. At the end of the reporting period, the company had USD134k foreign liabilities which it will be able to service from existing resources.

Retail performance

Total retail merchandise revenue amounted to ZWL26.2billion representing a 36.8% increase from prior year. The split between credit and cash sales for the ZWL was 48.8% (2022: 61.2 %) and 51.2% (2022: 38.8 %) while the USD sales had credit sales contribution of 71% and cash sales of 29.0%.

The Edgars chain recorded turnover of ZWL14.6billion up 41.6% from prior year of ZW10.3billion, and the 1.16m units sold were up 21.1% from 956k in the comparative period. The split between credit and cash sales for ZWL was 54.5% (2022: 69.1 %) and 45.5% (2022: 31.2%) while the USD sales had credit sales of 71.6% and cash sales of 28.4%. We revamped our Masvingo store in November 2022. Stock covers closed at 11 weeks (2022:20.5weeks).

Total sales for the Jet chain were ZWL11.7billion up 35.58% from ZWL8.6billion achieved in the comparative period. The split between credit and cash sales for ZWL was 43.1% (2022: 45.5 %) and 56.9% (2022: 54.5 %) while the USD sales had credit sales of 70.3% and cash sales of 29.7%. Total units sold for the period were up 7.9% from 1.44m to 1.56m. The Chain increased its store count to 36 stores from 31 stores in the comparative period. Stock covers closed at 13.7 weeks (2022:16.2 weeks).

Jet achieved the second spot on the Marketers Association of Zimbabwe's Superbrand awards thanks to our aggressive digital marketing campaigns. The focus of the entire year's communications was to boost awareness of our fresh merchandise, engage customers, and cultivate a base of loyal customers.

Financial services

The gross retail debtors' book closed the period at ZWL8.2billion up 24.0% from ZWL6.56billion in the comparative period with the USD debtors book ending the year at USD6.6million while the ZWL book closed the year at ZWL2.5billion. Active account growth for the USD book grew to 64k accounts attributed to various account drive initiatives. The asset quality as at 08 January 2023 was 90.4% for the USD book and at 61.5% for the ZWL book (2022: 84.6%) in current status. Expected credit losses (ECLs) as at 08 January 2023 were 4.0% of the book compared to 1.9% as at 09 January 2022, although this reflects Management's prudent application of the related credit loss accounting standards, the 'deterioration' was fuelled by the increase in ZWL interest rates in July 2022 in line with Reserve Bank of Zimbabwe Government directives.

Club Plus Microfinance

The loan book closed at ZWL698million (2022: ZWL521m) representing a 34% increase from prior year. Asset quality remains positive with over 82% of the USD book being in current while the ZWL book was 54.5% in current with effect of the 200% interest rate adjustment still being felt. 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 digital platforms, which has provided our customers with added convenience .

Carousel Manufacturing

The Manufacturing Division recorded a turnover of ZWL2.4billion up 102% over prior year. Total units sold were down 12.66% to 141k (2022:161k). Revenue was adversely affected by depressed sales in the retail space. Management pursued alternative markets mostly in the local corporate wear sector and beyond our borders. This initiative resulted in an increase in sales contribution from the open market which accounted for 39% of total sales.

Effect of COVID-19

The Group will continue to implement best practice protocols to ensure the safety of its employees, customers, suppliers and all other stakeholders. Covid -19 brought about significant disruptions to international supply chains resulting in longer lead times and delays in shipping of imported merchandise, and challenges such as shortages of shipping containers and port space. 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, including the setting up of online stores and convenient payment platforms.

Board membership

On 01 March and 16 June 2022 respectively, the Group welcomed Mr Christo Claassen, CA (SA), a seasoned retail specialist, who joined as a Non-Executive Director and Mr Sevious Mushosho, CA (Z), seconded by Sub-Sahara Capital Group.

The Group bade farewell to its longest serving stalwart, Mr Raymond Mlotshwa, who retired from the Board with effect from 01 December 2022. On behalf of management, staff and the Board of Directors, I wish to convey the Group's appreciation for the years of dedicated service to the Group.

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 and optimal inventory planning remain key focus areas 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.

The recovery of the business is premised on the back of improved access to foreign currency through domestic sales to cover import requirements, a stable exchange rate and slower inflation.

On the currency front, the environment has remained turbid marked by the sharp depreciation of the local currency. Some measure of macro-economic instability has been noticed with increase in cost of basic commodities. The authorities need to step in and implement various measures to help stabilise the foreign exchange market and tame inflation.

Dividend

Regrettably, the Company will not declare a dividend for the 52 weeks to 08 January 2023. The position will be reviewed having assessed performance in the current year.

Appreciation

I wish to record my appreciation to Management and staff for their great effort in sustaining the business in a difficult operating environment. I also thank my fellow directors for their wise counsel and our customers, suppliers, and stakeholders for their ongoing support.

T N SIBANDA
CHAIRMAN
08 May 2023

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATE FINANCIAL STATEMENTS. TO THE SHAREHOLDERS OF EDGARS STORES LIMITED

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the accompanying inflation adjusted consolidated and separate financial statements of Edgars Stores Limited (The "Company") and its subsidiaries (the "Group"), which comprise the inflation adjusted consolidated and separate statement of financial position for the 52 weeks ending 08 January 2023, the inflation adjusted consolidated and separate statement of comprehensive income, the inflation adjusted consolidated and separate statement of changes in equity and inflation adjusted consolidated and separate statement of cash flows for the year then ended, and 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 8 January 2023, 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 International Financial Reporting Standard 13 "Fair Value Measurements" (IFRS 13) and International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) in the determination of the value of Property, Plant and Equipment.

The method of determining the fair value of Property, Plant and Equipment as at 9 January 2022 was not an accurate reflection of market dynamics and the risk associated with ZW$ transactions on a willing buyer, willing seller basis. As detailed in note 1.5 and 2, in the prior year the Group engaged professional valuers to determine fair values in USDs, and management subsequently determined the ZW$ equivalent fair values by translating those USD valuations using an estimated exchange rate.

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 year, 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 year. The Group did not disclose the unobservable significant inputs applied in the determination of fair value as is required by IFRS 13.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATE FINANCIAL STATEMENTS. TO THE SHAREHOLDERS OF EDGARS STORES LIMITED

Report on the Audit of the Financial Statements

Basis for Adverse Opinion (continued)

Non–compliance with International Financial Reporting Standard 13 "Fair Value Measurements" (IFRS 13) and International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) in the determination of the value of Property, Plant and Equipment (continued)

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

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.

Non–compliance with International Financial Reporting Standard 13 "Fair Value Measurements" (IFRS 13) and International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) in the determination of the value of Property, Plant and Equipment (continued)

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 and prior years.

Non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21) on comparative and current year financial information.

During the comparative and current year, 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 year. The financial effects on the inflation adjusted consolidated and separate financial statements, of this departure in the comparative and current year, was not determined. Our opinion on the current year's financial information is modified because of the possible effects of the matter on the current year information and 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 and Separate 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 qualified opinion.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATE FINANCIAL STATEMENTS. TO THE SHAREHOLDERS OF EDGARS STORES LIMITED

Report on the Audit of the Financial Statements

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 matter described in the *Basis for Adverse Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in the audit
Determination of Expected Credit Losses (ECL)	
As at 8 January 2023, Gross Trade receivables amounted to ZW$ 8 192 562 968 (2022: ZW$6 636 488 990) against which an expected credit loss of ZW$375 623 640 (2022: ZW$120 865 323) was recognized. As detailed in note 1.8.1.4, the group's trade receivables financial assets are assessed for impairment based on the forward-looking ECL approach. The Group measures ECL by projecting the probability of default, exposure at default, timing of when loss is likely to occur, and loss given default. The ECL is calculated by multiplying these components together. In determining the ECL, management make use of independent external experts and apply significant judgements and assumptions. To respond to the increased estimation uncertainty included in the ECL model calculation, and the dynamic economic environment the independent experts recalibrated the ECL Model. Due to the size of the balance, the complexity and the judgement inherent in the calculation of the related ECL allowance, and the significant amount of time and specialist resources focused on this matter, the ECL on Trade Receivables has been identified to be a Key Audit Matter.	We performed the following audit procedures: • We assessed the competence, capabilities, objectivity, and independence of the management's independent experts, and assessed their qualifications. • We engaged the auditor's expert to evaluate the reasonability of the ECL determined by management's experts, and assessed the competence, capabilities, objectivity, and independence of the auditor's expert. • The auditor's expert procedures included, but were not limited to the following: - An assessment of the model methodology against the requirements of IFRS 9, - An assessment of the appropriateness of forward-looking macro-economic information, and - Recalculated the ECL based on supporting schedules to evaluate the accuracy of the determined ECL. • We tested the design and implementation of controls with respect to the process of determining the ECL. • We evaluated the completeness of the data in the ECL model by reconciling the data used in the model to the debtor's source data. • We assessed the disclosures in the annual financial statements relating to the expected credit losses on trade receivables in terms of the disclosure requirements of IFRS 9: Financial Instruments and IFRS 7: Financial Instruments disclosures. Based on the audit procedures performed, the ECL determined was reasonable, and the disclosures in the inflation adjusted consolidated and separate financial statements were appropriate, as required by IFRS.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATE FINANCIAL STATEMENTS. TO THE SHAREHOLDERS OF EDGARS STORES LIMITED

Report on the Audit of the Financial Statements

Key Audit Matters

Key Audit Matter	How the matter was addressed in the audit
Valuation of inventory	
The Group holds significant inventories and records allowance for identified obsolete inventories. Gross Inventory on hand at year end amounted to ZW$ 19 397 918 065 (2022: ZW$ 6 400 402 946) followed by the recognition of an Inventory obsolescence provision of ZW$ 15 335 620 001 (2022: ZW$ 120 295 898). The Group categorised its inventories which comprises mainly of finished goods, into different brackets. Each ageing bracket is subject to different allowances, which are based on historical sales, inventory ageing, allowance patterns as well as developments in the Zimbabwe economy insofar as they impact sales of finished goods. The Group carries inventory at the lower of cost or net realisable value. The cost of inventory is determined using the weighted average cost method. The net realisable value determination contains significant assumptions as the method is impacted by the timing of markdowns, which could impact the gross margin. Judgement by management is also required in the application thereof, as far as it relates to gross margin percentages and markdowns. The valuation of inventory was determined to be a key audit matter in the audit of the Group as a result of the significance of the balance, the complex nature of the calculations and the level of judgement applied by management in determining the valuation and the appropriate level of obsolescence required in the current year.	Our IT specialists performed specific procedures to test the automated controls pertaining to the accuracy of the inventory ageing. The accuracy and completeness of the purchase data in the system was assessed through the testing of relevant automated and manual controls in the procurement process, as well as substantive procedures. We performed the following audit procedures with the assistance of our data analytics specialists: • Based on the above procedures evaluated the extent to which the weighted average product ("WAC") cost approximated the cost as required by IAS 2; • Tested the underlying purchases and relevant controls with respect to the establishment of the WAC; • Assessed markdowns pre- and post- year end to ensure that there was no unfair bias in the valuation of inventory, and that the inventory obsolescence was reasonable; • Challenged the management assumptions emanating from the trigger points and events during the year, that would have informed their judgement with respect to the assumptions underlying the inventory obsolescence provision. • Performed retrospective procedures to assess the adequacy of the previous year's Inventory obsolescence provision, based on the judgements applied by the Directors based on the information available, at that point in time. • Considered whether the provision for obsolete inventory, built into the WAC valuation method of inventory, adequately covered the risk of overstatement of inventory; • Considered the adequacy of the disclosures in the inflation adjusted consolidated and separate financial statements as required by IFRS. Based on the procedures performed we determined the assumptions used in the application of the WAC to be reasonable. The Directors' judgements supporting the inventory provision were determined to be reasonable, and the disclosures in the inflation adjusted consolidated and separate financial statements were appropriate , as required by IFRS.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATE FINANCIAL STATEMENTS. TO THE SHAREHOLDERS OF EDGARS STORES LIMITED

Report on the Audit of the Financial Statements

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 Supplementary Information (Historical Financial Statements), 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.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATE FINANCIAL STATEMENTS. TO THE SHAREHOLDERS OF EDGARS STORES LIMITED

Report on the Audit of the Financial Statements

Auditor's responsibilities for the audit of the inflation adjusted consolidated and separate financial statements (continued)

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

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal 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 and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 and separate 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.

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATE FINANCIAL STATEMENTS. TO THE SHAREHOLDERS OF EDGARS STORES LIMITED

Report on the Audit of the Financial Statements

Report on other legal and regulatory matters

In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows:

Section 193(1)(a)
Because of the significance of the matter described in the Basis for Adverse Opinion section of our report, the inflation adjusted consolidated and separate financial statements of the Group are not properly drawn up in accordance with the Act and do not give a true and fair view of the state of the Group's affairs at the date of its financial statements.

Section 193(2)
We have no matters to report in respect of the Section 193(2) requirements of the Act, in addition to those already addressed in the Basis for Adverse Opinion section of our report.

Deloitte & Touche

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Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Tapiwa Chizana
Partner
Registered Auditor
PAAB Practice Certificate Number: 0444

8 May 2023