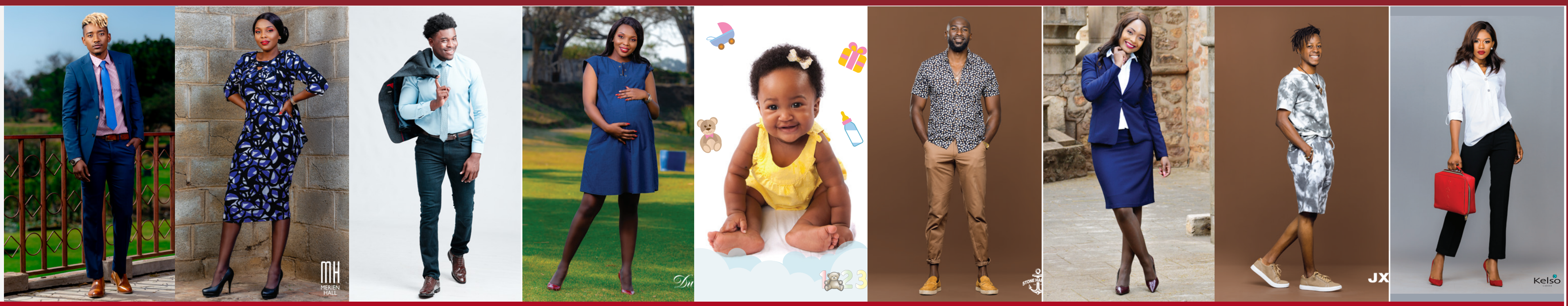
EDGARS STORES LIMITED



# 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) | 764,484,288 | 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 ZW$ | 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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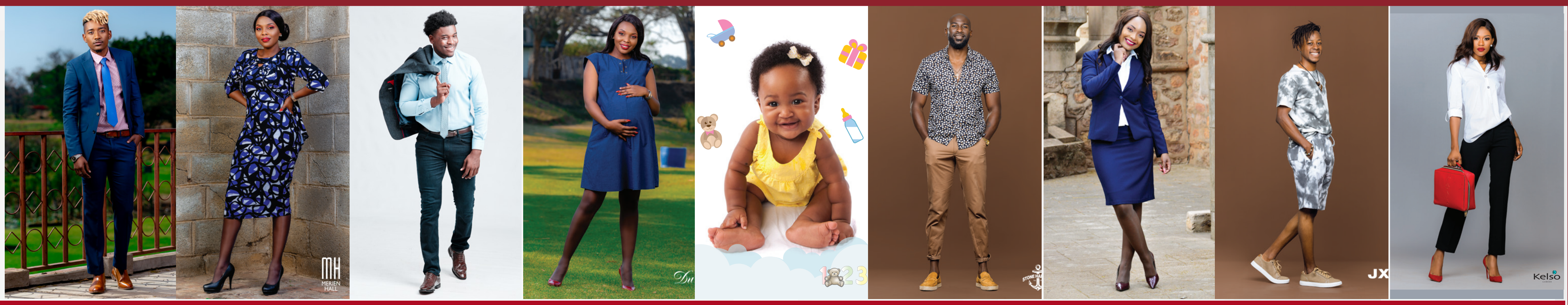
EDGARS STORES LIMITED




# 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 | | Historical cost | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | ZW$ | ZW$ | ZW$ | 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**

| | | | | |
|---|---|---|---|---|
| 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 | | Historical cost | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | ZW$ | ZW$ | ZW$ | 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 | | Historical cost | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | ZW$ | ZW$ | ZW$ | 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 | | Historical cost | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | ZW$ | ZW$ | ZW$ | 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 | | Historical cost | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | ZW$ | ZW$ | ZW$ | 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 | | Historical cost | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | ZW$ | ZW$ | ZW$ | ZW$ |
| 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 paliamentary 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 uncertainity.

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 | Jet Stores Retail | Manufacturing Carousel | Micro Finance Club Plus | Corporate Head Office | Financial services | Segment Totals | Adjustments Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|---|---|---|
| | ZW$ | ZW$ | ZW$ | ZW$ | ZW$ | ZW$ | ZW$ | ZW$ | 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 |

EDGARS STORES LIMITED

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

| | Edgars Stores Retail | Jet Stores Retail | Manufacturing Carousel | Micro Finance Club Plus | Corporate Head Office | Financial services | Segment Totals | Adjustments Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|---|---|---|
| | ZW$ | ZW$ | ZW$ | ZW$ | ZW$ | ZW$ | ZW$ | ZW$ | 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, replacement 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**