



Edgars Stores Limited

ABRIDGED AUDITED RESULTS FOR THE 52 WEEKS ENDED 7 JANUARY 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the 52 weeks to 7 January 2018		
	2017 \$ 52 weeks to 07.01.2018 audited	2016 \$ 52 weeks to 08.01.2017 audited
Revenue	64,106,544	52,123,970
Sale of merchandise	62,882,028	50,329,626
Revenue from microfinance institution	91,853	-
Cost of sales	(35,952,145)	(28,767,402)
Gross profit	27,021,736	21,562,224
Other gains and losses	(116,885)	(137,292)
Credit management and debt collection costs	(2,513,224)	(5,530,155)
Store expenses	(11,472,573)	(11,913,954)
Depreciation and amortisation	(1,793,389)	(1,658,898)
Termination benefits	(16,442)	(1,216,960)
Other operating income and expenses	(11,840,846)	(9,335,843)
Finance income	7,699,950	10,264,287
Finance costs	(1,088,513)	(1,682,346)
Profit before tax	5,879,814	351,063
Income tax (expense)/credit	(1,777,187)	197,100
Profit for the period	4,102,627	548,163
Other comprehensive income:	-	-
Total comprehensive income for the period	4,102,627	548,163
Earnings per share (cents)	1.59	0.21
Basic	1.59	0.21
Diluted	1.58	0.22
Headline		

CONSOLIDATED STATEMENT OF CASH FLOWS For the 52 weeks to 7 January 2018		
	2017 \$ 53 weeks to 07.01.2018 audited	2016 \$ 52 weeks to 08.01.2017 audited
Cash flows from operating activities		
Profit before tax	5,879,814	351,063
Finance income	(7,699,950)	(10,264,287)
Finance costs	1,088,513	1,682,346
Non cash items	3,859,291	3,627,075
Movements in working capital	340,077	7,596,912
Cash generated from operations	3,467,745	2,993,109
Finance costs paid	(1,148,353)	(1,540,214)
Finance income received	7,699,950	10,264,287
Taxation paid	(1,703,004)	(1,491,627)
Cash inflow from operating activities	8,316,338	10,225,555
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,245,978)	(749,096)
Purchase of intangible asset	-	(1,384,417)
Proceeds from disposal of property, plant and equipment	58,537	15,884
Net cash used in investing activities	(1,187,441)	(2,117,629)
Cash flows from financing activities		
Proceeds from issue of equity shares	14,352	13,250
Proceeds from borrowings	4,500,000	1,500,000
Repayment of borrowings	(11,090,065)	(8,411,977)
Net cash used in financing activities	(6,575,713)	(6,898,727)
Net increase in cash and cash equivalents	553,184	1,209,199
Cash and cash equivalents at the beginning of the period	1,743,244	534,045
Cash and cash equivalents at the end of the period	2,296,428	1,743,244

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 7 January 2018		
	2017 \$ as at 07.01.2018 audited	2016 \$ as at 08.01.2017 audited
Assets		
Non-current assets		
Property, plant and equipment	7,199,567	7,171,869
Intangible assets	1,959,254	2,581,375
Total non-current assets	9,158,821	9,753,244
Current assets		
Inventories	14,144,671	11,517,123
Trade and other receivables	24,116,455	24,808,996
Loans and advances to customers	643,573	-
Income tax receivable	55,142	-
Cash and cash equivalents	2,296,428	1,743,244
Total current assets	41,256,269	38,069,363
Total assets	50,415,090	47,822,607
Equity and liabilities		
Equity		
Issued capital	405,690	391,338
Other reserves	2,636,513	2,631,783
Retained earnings	28,122,575	24,019,948
Total capital and reserves	31,164,778	27,043,069
Non-current liabilities		
Interest bearing loans and borrowings	2,289,011	321,923
Deferred tax liability	3,087,563	2,481,496
Total non-current liabilities	5,376,574	2,803,419
Current liabilities		
Trade and other payables	11,497,718	6,566,206
Current tax payable	-	476,742
Interest bearing loans and borrowings	2,376,020	10,933,171
Total current liabilities	13,873,738	17,976,119
Total liabilities	19,250,312	20,779,538
Total equity and liabilities	50,415,090	47,822,607

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 52 weeks to 7 January 2018					
	Issued capital	Equity-settled employee benefits reserve	Revaluation reserve	Retained earnings	Total
Balance at 9 January 2016	\$ 378,088	\$ 976,353	\$ 1,627,549	\$ 23,471,785	\$ 26,453,775
Total comprehensive income for the period	-	-	-	548,163	548,163
Exercise of share options	13,250	-	-	-	13,250
Share based payment expense	-	27,881	-	-	27,881
Balance at 8 January 2017	391,338	1,004,234	1,627,549	24,019,948	27,043,069
Total comprehensive income for the period	-	-	-	4,102,627	4,102,627
Exercise of share options	14,352	-	-	-	14,352
Share based payment expense	-	4,730	-	-	4,730
Balance at 7 January 2018	405,690	1,008,964	1,627,549	28,122,575	31,164,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the 52 weeks to 7 January 2018

- The Group's financial statements, of which these abridged results are an extract, were prepared in accordance with International Financial Reporting Standards (IFRS).
- The Directors are ultimately responsible for the preparation of the final results and related financial information that fairly present the state of affairs and the results of the Group.
- Auditor's Statement**
These financial results should be read in conjunction with the complete set of financial statements for the 52 weeks ended 7 January 2018, which have been audited by Ernst & Young Chartered Accountants (Zimbabwe) who have issued an unmodified opinion thereon and have included a section of the key audit matters in their report. The key audit matters were on recoverability of accounts receivable and inventory existence. The auditor's report on the Group and Company financial statements, (from which these results were extracted) is available for inspection at the company's registered office.

	2017 \$	2016 \$
4 Headline earnings		
Earnings attributable to shareholders	4,102,627	548,163
Adjusted for non-recurring items:		
(Loss)/profit on disposal of property, plant and equipment	(38,163)	30,153
Headline earnings	<u>4,064,464</u>	<u>578,316</u>

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

	2017 \$	2016 \$
5 Capital expenditure		
Computer equipment	161,622	1,921,337
Other equipment and vehicles	1,084,356	212,176
Acquisition of property, plant and equipment and intangible asset	<u>1,245,978</u>	<u>2,133,513</u>

	2017 \$	2016 \$
6 Capital Commitments		
Authorised and contracted for	700,000	-
Authorised but not yet contracted for	3,647,714	2,985,510
	<u>4,347,714</u>	<u>2,985,510</u>

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

	2017 \$	2016 \$
7 Lease commitments		
There are no finance lease commitments		
Future minimum rentals under non-cancellable operating leases are as follows:		
Within one year	3,242,108	3,061,183
After one year but not more than five years	2,534,269	4,722,082
	<u>5,776,377</u>	<u>7,783,265</u>

8 Interest bearing loans and borrowings
These are secured by a cession of book debts (\$6million) and negative pledges over plant and equipment (\$2million). The weighted average cost of borrowing is 9.35% (2016: 10%).

9 Related party transactions
Related party relationships exist between the group, fellow subsidiaries and the holding company. All purchasing and selling transactions are concluded at arm's length. All intra-group balances, income and expenses, unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation.
**The manufacturing loss for the year of \$1 is after an impairment of inter-company receivable of \$0.6m. This is a consequence of the divisionalisation of Carousel (Private) Limited

	Retail- Edgars	Retail- Jet	Manufacturing	Microfinance	Corporate	Total Segments	Adjustments and Eliminations	Consolidated
10 Segment Reporting								
52 weeks to 7 January 2018								
Revenue								
External customers	39,579,066	24,068,687	366,938	91,853	-	64,106,544	-	64,106,544
Inter-segments	-	-	3,197,274	-	-	3,197,274	(3,197,274)	-
Total revenue from retail sales	<u>39,579,066</u>	<u>24,068,687</u>	<u>3,564,212</u>	<u>91,853</u>	<u>-</u>	<u>67,303,818</u>	<u>(3,197,274)</u>	<u>64,106,544</u>
Segment profit/(loss)	9,626,292	5,028,181	(1) **	(106,485)	(8,482,792)	6,065,195	(185,381)	5,879,814
Total assets	30,177,489	10,803,462	3,707,011	917,529	9,503,087	55,108,578	(4,693,488)	50,415,090
52 weeks to 8 January 2017								
Revenue								
External customers	33,967,753	17,719,171	437,046	-	-	52,123,970	-	52,123,970
Inter-segments	-	-	3,358,352	-	-	3,358,352	(3,358,352)	-
Total revenue from retail sales	<u>33,967,753</u>	<u>17,719,171</u>	<u>3,795,398</u>	<u>-</u>	<u>-</u>	<u>55,482,322</u>	<u>(3,358,352)</u>	<u>52,123,970</u>
Segment profit/(loss)	6,210,725	2,390,927	596,241	-	(8,866,794)	331,099	19,965	351,063
Total assets	28,904,782	8,203,469	5,715,597	-	11,764,352	54,588,201	(6,765,594)	47,822,607

CHAIRMAN'S STATEMENT

Improvements in merchandise assortments, customer service, promotions, revamps and the new political dispensation together with utilisation of excess RTGS balances resulted in improved consumer confidence which contributed to a stronger second half sales. Sales of merchandise for the year at \$62.9m were 25% above 2016 (\$50.3m). Group margins were maintained at 43%. Credit management and debt collection costs continued to be well controlled and resulted in savings of \$3m on last year (55%). Other operating income and expenses were impacted by increases in software and computer costs, bonus payments and a reduction in commission and other income. The decrease in finance income is due to the reduced debtors book and arrears levels.

Retail Operations
Edgars Chain: Total sales were \$39.6m (2016: \$33.9m) and sales per square metre were \$1 784 (2016: \$1 467) out of 26 stores (2016: 27). Units sold for the year were 1.9m (2016: 1.7m), an increase of 11.8%. The Edgars Stanley House (Harare) and Gweru branches were revamped and the Rusape branch was converted to a Jet store. No new stores were opened during the year. Chain profitability improved to 24% up from 18% in 2016.
Jet Chain: Total sales were \$24m (2016: \$17.7m) and sales per square metre were \$2 602 (2016: \$1 990) out of 25 stores (2016: 24). Units sold for the year were 2.5m (2016: 2.1m), an increase of 19%, and the chain's profitability increased to 21% (2016: 13%).

Credit Management
Edgars Chain debtors were \$17.7m (2016: \$18.7m), after an allowance for credit losses of \$1.3m (2016: \$1.8m). Net write-offs for the period averaged 6.9% (2016: 7.9%) of lagged credit sales, and 0.3% of lagged debtors (2016: 0.8%).
Jet Chain debtors were at \$5.1m (2016: \$4.4m), after an allowance for credit losses of \$0.4m (2016: \$0.4m). Net write-offs for the period averaged 5.5% (2016: 6.1%) of lagged credit sales, and 0.5% of lagged debtors (2016: 1%).

With effect from 2018, IFRS 9 (Financial Instruments) will become effective. This will not have a significant impact on the allowance for expected credit losses.

Manufacturing
The factory made a trading loss for the year of \$0.6m (2016: \$0.4m). Performance was affected by supply chain constraints due to the severely restricted allocation of foreign currency for fabric.

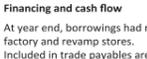
Microfinance
This operation, which offers small loans to consumers, traded for only the last 4 months of the year. At year end \$643k had been advanced.

Financing and cash flow
At year end, borrowings had reduced to \$4.6m, from \$11.2m and gearing was 0.08 (2016: 0.35). We expect borrowings to increase in the short term to finance growth of the microfinance business and fund capital expenditure to retool the factory and revamp stores.
Included in trade payables are foreign liabilities. Every effort is being made to liquidate these liabilities as and when foreign currency becomes available.

Outlook
The limited allocation of foreign currency to the clothing sector is of grave concern to the Board and management. Numerous measures are being pursued to mitigate this risk which will dampen growth prospects. We are currently adequately stocked in most departments and the sales and profit performance in 2018 is ahead of last year. Much focus will be given to development of our staff in 2018.

Dividend
The Board has declared a final dividend of US 0.33 cents per share payable in respect of all ordinary shares of the Company. This final dividend is in respect of the financial year ended 7 January 2018 and will be payable in full to all the shareholders of the Company registered at close of business on the 27th of April 2018. The payment of this dividend will take place on or about the 11th of May 2018. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of the 24th of April 2018 and ex-dividend as from the 25th of April 2018.

Appreciation
I am grateful to board colleagues, management and staff for their dedication. I am also grateful to our customers for their loyalty and our landlords, bankers and suppliers for their continued support.


T.N. Sibanda
Chairman

OWN YOUR LOOK

Edgars

JET MORE STYLE
EVEN
LESS PRICE

Carousel
(PVT) LTD

Directorate: Non Executive Chairman: T.N. Sibanda, Group Managing Director: L. Masterson*, C. F. Dube, R. Mlotshwa, L.L. Tumba, V. Mpfu*, J. B. Galloway*, Z. Vella*, U. Ferndale *Executive