



# Edgars Stores Limited

## AUDITED FINAL RESULTS FOR THE 53 WEEKS TO 10 JANUARY 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
For the 53 weeks to 10 January 2015		
	2014	2013
	\$	\$
	53 weeks to 10.01.2015 audited	52 weeks to 04.01.2014 audited
Revenue	73 036 678	64 823 709
Sale of merchandise	72 071 863	64 761 574
Cost of sales	(38 651 078)	(33 734 141)
Gross profit	33 420 785	31 027 432
Other (losses) and gains	(27 679)	139 794
Debt collection costs	(3 788 491)	(2 740 556)
Store expenses	(13 285 782)	(11 840 943)
Depreciation	(993 794)	(892 445)
Other operating expenses	(11 029 373)	(10 779 872)
Trading profit	4 295 666	4 913 410
Finance income	5 123 429	2 766 779
Finance costs	(1 943 703)	(1 734 876)
Profit before tax	7 475 393	5 945 314
Income tax expense	(2 291 588)	(1 707 126)
Profit for the period	5 183 805	4 238 188
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	5 183 805	4 238 188
<b>Earnings per share (cents)</b>		
Basic	2.02	1.68
Diluted	1.93	1.63
Headline	2.03	1.69

CONSOLIDATED STATEMENT OF CASH FLOWS		
For the 53 weeks to 10 January 2015		
	2014	2013
	\$	\$
	53 weeks to 10.01.2015 audited	52 weeks to 04.01.2014 audited
Cash flows from operating activities		
Trading profit	4 295 666	4 913 410
Non cash items	2 631 412	2 236 376
Movements in working capital	(11 479 812)	(3 498 796)
Cash (used in) generated from operations	(4 552 734)	3 650 990
Finance costs paid	(1 945 223)	(1 692 426)
Finance income received	5 123 429	2 766 779
Taxation paid	(856 728)	(1 116 062)
Cash (outflow)/ inflow from operating activities	(2 231 256)	3 609 283
Cash flows from investing activities		
Purchase of property, plant and equipment	(1 750 102)	(2 665 034)
Proceeds from disposal of property, plant and equipment	340	28 390
Purchase consideration on business combination	-	(79 997)
Net cash used in investing activities	(1 749 762)	(2 715 641)
Cash flows from financing activities		
Proceeds from issue of equity shares	101 288	97 003
Proceeds from borrowings	14 016 247	2 165 542
Repayment of borrowings	(10 194 116)	(6 997 631)
Net cash generated from/ (used in) financing activities	3 923 419	(4 735 086)
Net decrease in cash and cash equivalents	(57 598)	(3 841 444)
Cash and cash equivalents at the beginning of the period	906 329	4 747 774
Cash and cash equivalents at the end of the period	848 731	906 330

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
as at 10 January 2015		
	2014	2013
	\$	\$
	as at 10.01.2015 audited	as at 04.01.2014 audited
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7 872 382	7 124 993
Deferred tax asset	94 210	334 210
Intangible assets	111 667	151 667
Total non-current assets	8 078 259	7 610 870
<b>Current assets</b>		
Inventories	11 688 589	11 208 534
Trade and other receivables	34 315 693	23 679 486
Current tax	-	6 960
Cash and bank balances	848 731	906 329
Total current assets	46 853 013	35 801 309
Total assets	54 931 272	43 412 179
<b>Equity and liabilities</b>		
<b>Equity</b>		
Issued capital	352 472	251 183
Reserves	21 567 604	16 210 130
Total capital and reserves	21 920 076	16 461 313
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	11 527 946	10 877 348
Deferred tax liability	3 948 646	3 107 710
Total non-current liabilities	15 476 592	13 985 058
<b>Current liabilities</b>		
Trade and other payables	8 373 553	7 323 253
Current tax liabilities	346 963	-
Interest bearing loans and borrowings	8 814 088	5 642 555
Total current liabilities	17 534 604	12 965 808
Total liabilities	33 011 196	26 950 866
Total equity and liabilities	54 931 272	43 412 179

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY						
For the 53 weeks to 10 January 2015						
	Issued capital	Equity-settled employee benefits reserve	Revaluation reserve	Change in functional currency reserve	Retained earnings	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 5 January 2013</b>	154 181	339 141	1 022 569	928 907	9 321 011	11 765 807
Comprehensive income for the period	-	-	-	-	4 238 188	4 238 188
Transfer on disposal	-	-	-	(178 244)	178 244	-
Exercise of share options	97 003	-	-	-	-	97 003
Recognition of share based payments	-	360 313	-	-	-	360 313
<b>Balance at 4 January 2014</b>	251 184	699 454	1 022 569	750 663	13 737 443	16 461 312
Comprehensive income for the period	-	-	-	-	5 183 805	5 183 806
Exercise of share options	101 288	-	-	-	-	101 288
Recognition of share based payments	-	173 670	-	-	-	173 670
<b>Balance at 10 January 2015</b>	352 472	873 124	1 022 569	750 663	18 921 248	21 920 076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS								
For the 53 weeks to 10 January 2015								
1	The same accounting policies and methods of computation are followed in the final results as compared with the most recent annual financial statements.							
2	The Group manages its retail operations on a 52-week retail calendar basis and as a result, a 53rd week is required approximately every six years for realignment. The financial position and results for the 53 weeks to 10 January 2015 are therefore not entirely comparable to the 52 weeks to 4 January 2014.							
3	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.							
4	The results presented herein have been audited by the group's external Auditors, Ernst & Young, who issued an unqualified opinion on them.							
5	<b>Headline earnings</b>				2014	2013		
	Earnings attributable to shareholders				\$	\$		
	Adjusted for non-recurring items:							
	Loss on disposal of property, plant and equipment				5 183 805	4 238 188		
	Headline earnings				8 466	16 899		
					5 192 271	4 255 087		
6	<b>Capital expenditure</b>							
	Acquisition of property, plant and equipment				1 750 102	2 665 034		
7	<b>Capital Commitments</b>							
	Authorised and contracted for				1 295 630	167 564		
	Authorised but not yet contracted for				1 704 370	2 627 261		
					3 000 000	2 794 825		
	All expenditure is to be financed from existing cash resources and the utilisation of authorised borrowing facilities.							
8	<b>Lease commitments</b>							
	There are no finance lease commitments							
	Future minimum rentals under non-cancellable operating leases are as follows:							
	Within one year				3 331 287	2 909 560		
	After one year but not more than five years				2 823 785	3 588 147		
					6 155 072	6 497 707		
9	<b>Interest bearing loans and borrowings</b>							
	These are secured by a guarantee from the holding company (\$ 10.8m) and cession of book debts. The weighted average cost of borrowing is 11%.							
	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 in full.							
		Retail- Edgars	Retail- Jet	Manufacturing	Corporate	Total Segments	Adjustments and Eliminations	Consolidated
	53 weeks to 10 January 2015							
	Sale of merchandise							
	External customers	56 065 943	15 594 114	411 806	-	72 071 863	-	72 071 863
	Inter-segments	-	-	7 233 467	-	7 233 467	(7 233 467)	-
	Total revenue	56 065 943	15 594 114	7 645 273	-	79 305 330	(7 233 467)	72 071 863
	Results							
	Segment trading profit/(loss)	9 206 187	680 596	409 667	(5 868 325)	4 428 125	(132 459)	4 295 666
	Total assets	41 123 692	5 080 537	4 921 373	8 719 258	59 844 860	(4 913 588)	54 931 272
	52 weeks to 4 January 2014							
	Sale of merchandise							
	External customers	51 379 957	12 997 635	383 982	-	64 761 574	-	64 761 574
	Inter-segments	-	-	5 387 200	-	5 387 200	(5 387 200)	-
	Total revenue	51 379 957	12 997 635	5 771 182	-	70 148 774	(5 387 200)	64 761 574
	Results							
	Segment trading profit/(loss)	9 860 768	522 527	341 905	(5 811 790)	4 913 410	-	4 913 410
	Total assets	31 388 455	3 873 776	4 879 824	8 362 530	48 504 585	(5 092 406)	43 412 179

### CHAIRMAN'S STATEMENT

The Group achieved satisfactory results which were largely due to the Group's focus on offering our customers various credit options, improved assortments and superior customer service. In the Edgars chain these initiatives were underpinned by the re-launch of the Club which incorporated the Hospital Cash Plan. Of importance was the successful management of the resultant growth in the debtors' book. Productivity improved across the board but markdowns were high due to the need to clear aged stock. Although this drove the top line, it impacted negatively on operating profit. Through the success of these customer centric strategic initiatives launched in the first half, the Group realised a 12.7% growth in revenue for the 53 week period (10.4% on a 52 week basis). Profit after Tax grew by 22.3% to \$5.2million (2013; \$4.2million). After opening 4 stores in the first half, no new stores were opened in the second half of the year.

### Retail Operations

In the Edgars chain, launch of The Club and extended credit, in the form of a 12 months to pay option for our customers, drove the commendable 9.1% top line growth. At the end of December, The Club had a membership of 87 000. Profitability of the chain decreased by 6.6%, mainly due to the additional discounts offered to customers during the year. We will continue to focus on cost control, account growth and customer service. The Jet chain contributed 21.6% to the Group's turnover (2013: 20.0%). Management efforts to improve pricing and product assortment paid off. The chain's turnover increased by 20.0% with like for like growth at 2.4%. Profitability improved by 30.3%. Stock management also improved, with the chain's closing stock cover being 12.1 weeks, down from 18.5 weeks at the end of 2013.

### Credit Management

Crucially, the growth in debtors was well managed and there was no deterioration in the quality of the book. In 2015, given the declining economy and company closures, some slight deterioration is expected. But, importantly, the quality of the book will remain good. By year end we had 168 763 (2013: 142 796) active accounts. Average gross handovers for the period amounted to 0.4% of lagged debtors and 1.9% of lagged credit sales. Recoveries averaged 42.1% (2013: 34.6%) of bad debts handed over. Total trade debtors were \$33.2 million, net of an allowance for doubtful debtors of 2.0% (2013: 2.0%), which we believe is more than adequate. Interest bearing debtors balances amounted to \$18.8million.

### Manufacturing

Carousel had another successful year in 2014. The factory generated a profit before tax of \$409 667 (2013: \$341 905). Productivity and unit sales increased by 24.4% and 15.0% respectively, driven by the focus on menswear through the in house brand 'QUOTE'. Ladies' and childrens' ranges also experienced good growths over 2013. We are confident that we have captured the men's market for smart casual wear and this line will continue to be a great contributor in 2015 as the brand becomes better known in the market.

### Financing and cash flow

The Group's borrowings were \$20.3million (2013: \$16.5million) and gearing improved marginally from 1.00 to 0.94. Net of interest bearing debtors, gearing stood at zero. We do not foresee a significant change in the level of gearing in the short term as our debtors book will continue to grow.

### Capital expenditure

Investments were made in the following during the year:

New stores	\$911 000
Information technology	\$376 000
Factory plant and equipment	\$252 000
Other equipment	\$211 000

Steady progress has been made in the upgrade of our information systems which we expect to complete by the end of 2015 at an estimated cost of \$2million.

### Outlook

Our vision is to be the leading retailer of clothing and footwear. We will continue to focus on offering our customers more value and wider choice, applying tighter cost control and transforming our business processes. We anticipate the momentum gained in the last year to benefit us going forward.

### Dividend

As additional working capital is required to fund the forecast growth in debtors and the upgrade of our information systems, no dividend will be declared.

### Appreciation

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

TN Sibanda  
Chairman  
12 March 2015

OWN YOUR LOOK



Edgars

Jet MORE STYLE  
EVEN  
LESS PRICE

Carousel  
(PVT) LTD