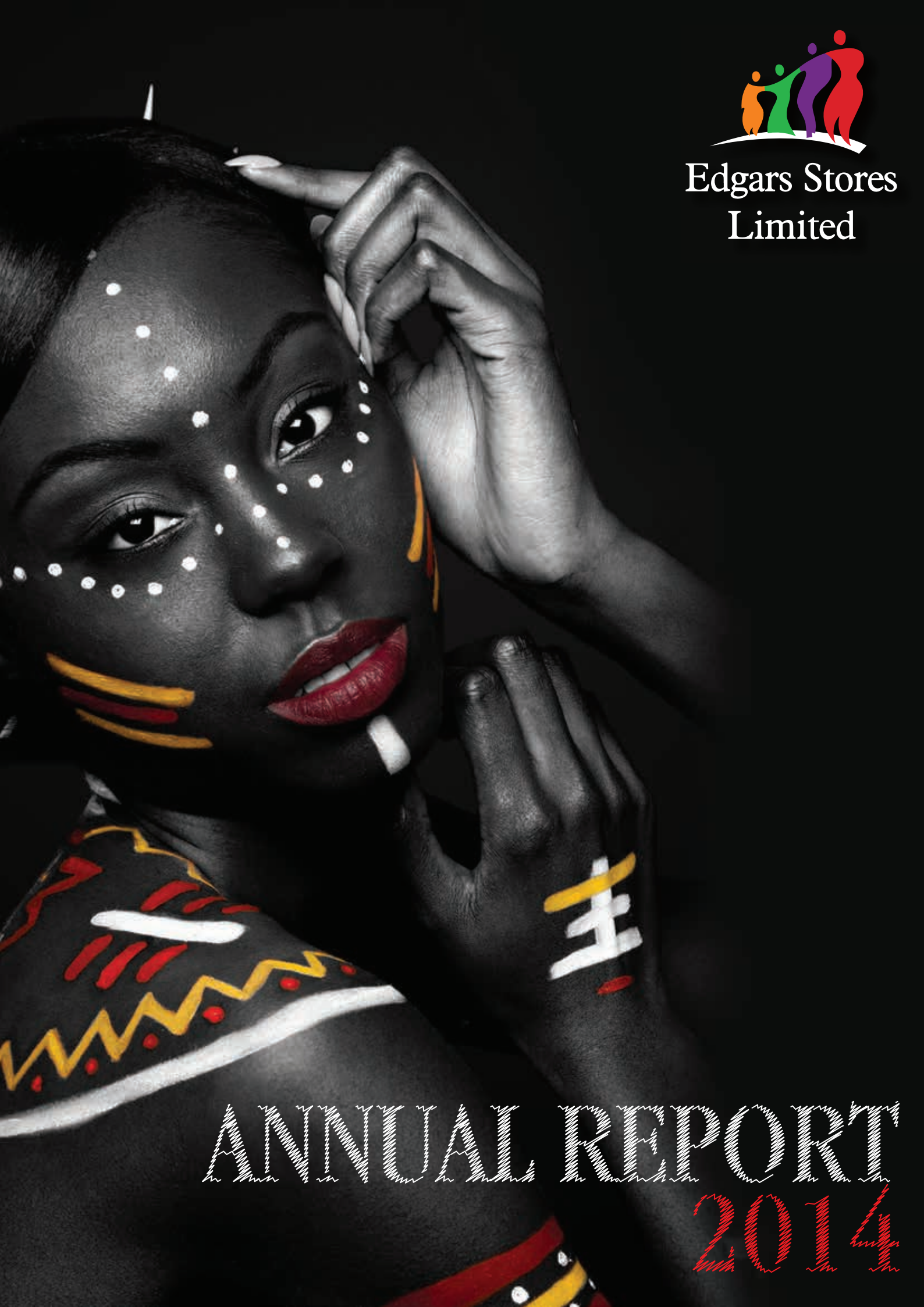




Edgars Stores  
Limited



ANNUAL REPORT  
2014



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# Our Business

## Overview

Edgars Stores Limited is a limited company incorporated and domiciled in Zimbabwe whose shares are publicly traded. Our core business is the retailing of clothing, footwear, textiles and accessories. Through our credit and cash stores we aim to supply our customers with value for money by providing quality merchandise for the family at competitive prices. We are Zimbabwe's market leaders in this field and it is our resolve to remain so

## Strategic Business Units

Our Group is organized into two strategic business units: retailing and manufacturing.

## Retailing

We retail our products through the following established brands:

**Edgars:** providing quality, fashion and convenient shopping at competitive prices to the whole family in the middle to upper-income groups. The brand offers fashion merchandise, with no compromise on quality, at competitive prices for the whole family. We offer competitive credit to our customers. Our pleasant, convenient stores offer our customers a superior shopping experience.

**Jet:** this brand provides quality, value and commercial fashion with compelling opening price points at very competitive prices to the whole family in the lower to middle income group. Our stores offer pleasant, economical shopping environments, laid out for self service; with assisted service available if needed.



## Manufacturing

Carousel (Private) Limited is our manufacturing business unit. Situated in Bulawayo, it produces a wide range of denim, ladies, children's and gents casual wear that it supplies to our retail divisions as well as to other retailers.

## Our Business Philosophy

Our business is retailing. Through credit and cash stores we aim to supply quality products. We aim to be Zimbabwe's undisputed market leader in the clothing and footwear retail business offering quality, value and superior customer service in pleasant shopping environments. Retailing is people-oriented and our existence and continued success is dependent on our ability to satisfy our customers' needs and value expectations.

We endeavour to appeal to a broad spectrum of consumers, catering in a professional manner to their needs. Our staff delivers a wide selection of quality products that are competitively priced with courtesy and professionalism.

Our goal is to earn our shareholders optimum returns on invested capital through steady profit growth and astute asset management. We are committed to honesty and integrity in all relationships with suppliers of goods and services. We are demanding, but fair, and evaluate our suppliers on the basis of quality, price and service. We recognise our role in society and support worthwhile projects, particularly of a charitable, educational or conservation nature.

## Management Philosophy

Participative management lies at the heart of this strategy, which relies on the building of employee partnerships at every level to foster mutual trust and to encourage people to think always about how they can do things better. The demands of our business are such that success will only come from the dedication of our employees. The Group will continue to have its operating decisions made at the appropriate operating levels of the business.





## Mission Statement

The Edgars Group's mission is to create and enhance stakeholder value. We will deal with our stakeholders as follows:

### Customers

We will be the retailer of choice providing memorable shopping experiences.

### Investors

We will deliver economic value through sustained real earnings growth achieved through deliberate market dominance of Zimbabwe's clothing and footwear retail sector.

### Employees

We want to be regarded as the preferred equal opportunity employer offering competitive working conditions that help us attract, develop and retain creative, skilled people who are highly motivated.

### Suppliers

We aim to achieve synergies through win-win partnerships based on honesty and integrity.

### Community

We will be a socially responsible and caring corporate citizen committed to the highest standards of professionalism and ethical behaviour.



# Group Financial Highlights

	10 January 2015 53 weeks \$000	4 January 2014 52 weeks \$000	Change %
<b>Group Summary</b>			
Retail sales revenue	72,072	64,762	11
Earnings attributable to ordinary shareholders	5,184	4,238	22
Cash inflow from operating activities	(2,231)	3,609	(162)
Total assets	54,931	43,412	27
Market capitalisation	24,620	34,961	(30)
<b>Ordinary share performance (cents per share)</b>			
Earnings			
Basic	2.02	1.68	21
Diluted	1.93	1.63	18
Net equity	4.09	5.65	(28)
Market price	8.40	12.00	(30)
<b>Financial statistics</b>			
Trading profit as % of retail sales	6.0	7.6	(21)
Return on ordinary shareholders equity	23.6	25.7	(8)
<b>Liquidity ratios</b>			
Current ratio	2.7	2.8	(4)
Borrowing times covered by stock and debtors	2.3	2.1	7





# Corporate Board

## Executive Directors

**Linda Masterson\*** (59) FCIS  
Group Managing Director  
Joined the company in 1988  
Appointed to the Board in 1991  
Appointed Group Managing Director in April 2010

**Vusumuzi Mpofu** (47) ACMA, FCIS,  
RP Acc (Z)  
Group Operations Director  
Joined the company in 2000  
Appointed to the Board in 2008

**Zebhediah Vella** (57) BA Hons.  
Accountancy and Economics  
Group Manufacturing Director  
Joined the company in 1989  
Appointed to the Board in 1999

**James B. Galloway** (55) CA(Z)  
Group Finance Director & Company Secretary  
Joined the company in 2011  
Appointed to the Board in 2012

## Non-Executive Directors

**Themba N. Sibanda** • (60)  
B.Acc (Z), CA (Z)  
Chairman  
Appointed to the Board in 2003

**Canaan F. Dube\*** • (58)  
LLB (Hons), LLB, MBA  
Appointed to the Board in 2004

**Dr. Leonard L. Tsumba\*** • (71)  
Phd, M.A, BSBA  
Appointed to the Board in 2006

**Raymond Mlotshwa** (64) BA  
Joined the company in 1981  
Appointed to the Board in 1998  
Appointed Group Managing Director in September 1999  
Retired in March 2010  
Appointed non-executive director in April 2010

**Deborah Millar\*** • (46) Bcomm (Hons) CA(SA)  
Appointed to the Board in 2014

•Member of the Remuneration Committee \*Member of the Audit Committee





# Group 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

A woman with short dark hair, smiling, stands in a savanna landscape. She is wearing a sleeveless, knee-length dress with a vibrant, multi-colored pattern featuring large blue and yellow flowers, and a black belt. She has her right hand on her hip and is wearing several colorful beaded bracelets. Behind her, a large elephant's head and trunk are visible, partially obscured by a dark red banner at the top of the page. The background shows tall green grass and trees under a bright sky.

# Corporate Governance Report

The Board of Directors accepts accountability for the transparent governance of Edgars Stores Limited. Governance of the Group is managed and monitored by a unitary Board of Directors, assisted by committees of the Board. The Directors believe that they have applied and complied with the principles incorporated in the principles for Corporate Governance in Zimbabwe – Manual of Best Practice, Code of Corporate Practices and Conduct as set out in the King Report. The Board's responsibilities are well defined and adhered to. The Board's primary responsibilities, based on a predetermined assessment of materiality include amongst others:



- evaluating and reviewing the Group's strategic direction;
- identifying, considering and reviewing key risk areas and relevant responses as well as key performance indicators;
- monitoring investment decisions;
- considering significant financial matters;
- reviewing the performance of executive management against business plans, budgets and industry standards;
- monitoring the stewardship of the Group;
- ensuring that a comprehensive system of policies and procedures is operational;
- ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and the Group's internal governing documents and codes of conduct;
- and evaluating on a regular basis economic, political, social and legal issues, as well as any other relevant external matters that may influence or affect the development of the business or the interests of the share owners and, if appropriate taking external expert advice.

It should be noted that, when terminology such as “ensure” or “review” are used to describe the duties of the Board or its Committees, it does not mean the Board or Committee Members actually get involved in the detailed activities. Rather, members of the Board or Committee rely on reports from management and the internal and external auditors and then obtain their own desired levels of comfort and assurance through query and discussion.

## The Board

The size of the Board is dictated by the Articles of Association, which permit a maximum of twelve directors. Currently the Board is chaired by an independent non-executive director, Mr. TN. Sibanda, and consists of four executive and five non-executive directors.

The names and credentials of the directors in office at 31 December 2014 are detailed on page 8. Non-executive directors introduce an independent view to matters under consideration and add to the breadth and depth of experience of the Board. All the non-executive directors are considered to be independent in character and judgment. Adequate directors' and officers' insurance cover has been purchased by the company to meet any material claims against directors. No claims under the relevant policy were lodged during the year under review.

Board meetings are held at least quarterly and whenever else circumstances necessitate. Directors are invited to add items to the agendas for Board meetings. Details of meetings held during the 2014 financial year and attendance at each are contained below.

## Attendance at Corporate Board Meetings: 2014

Board Attendance	March 2014	May 2014	September 2014	December 2014
T N Sibanda*	✓	✓	✓	✓
C F Dube*	✓	✓	✓	✓
L L Tsumba*	✓	✓	✓	✓
R Mlotshwa*	✓	✓	✓	✓
D Millar*	n/a	n/a	✓	✓
L Masterson	✓	✓	✓	✓
Z Vella	✓	✓	✓	✓
V Mpofu	✓	✓	✓	✓
J B Galloway	✓	✓	✓	✓

Key: \*Non-Executive Director ✓ - attended n/a- not applicable

## Board Committees

Specific responsibilities have been delegated to board committees with defined terms of reference. The current board committees are:

### Audit Committee

The Audit Committee continuously evaluates the Group's exposure and response to significant risk, reviews the appropriateness and adequacy of the systems of internal financial and operational control; reviews and evaluates accounting policies and financial information issued to the public, ensures effective communication between directors, management, internal and external auditors, reviews the performance of the internal and external auditors, recommends the appointment of the external auditors and determines their fees.

The Audit Committee comprises three non-executive directors whose details are provided on page 8. Mr. C. Dube chairs the Committee and the other members are Dr. L.L. Tsumba and Ms. D. Millar. The Group Managing Director and Group Finance Director are required to attend all meetings of the Committee as invitees. The External Auditors and Head of Group Internal Audit also attend the meetings.

### Remuneration Committee

This Committee's function is to approve a broad remuneration strategy for the Group and to ensure that directors and senior executives are adequately remunerated for their contribution to operating and financial performance, in terms of base pay as well as short and long-term incentives. Attendance at board committee meetings was as follows:



### Attendance at Audit Committee Meetings

Audit	March 2014	May 2014	September 2014	December 2014
C F Dube*	✓	•	✓	✓
L L Tsumba*	✓	•	✓	✓
D Millar*	n/a	•	✓	✓
L Masterson	✓	•	✓	✓

### Attendance at Remuneration Committee Meetings

Remuneration	March 2014	May 2014	September 2014	December 2014
T N Sibanda*	✓	•	✓	•
C F Dube*	✓	•	✓	•
L L Tsumba*	✓	•	✓	•
D Millar*	n/a	•	✓	•

Key: \*Non-Executive Director    ✓ - attended    n/a- not applicable    • – no meeting

## Accountability and Audit

The Board of Directors is responsible for the Group's system of internal control. Responsibility for the adequacy, extent and operations of these systems is delegated to the executive directors. To fulfill this responsibility, management maintains accounting records and has developed, and continues to maintain, appropriate systems of internal control. The Directors report that the Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability of its assets and to detect and minimize fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations.

The systems of internal control are based on established organisational structures together with written policies and procedures, including budgetary and forecasting disciplines and the comparison of actual results against these budgets and forecasts. The Directors have satisfied themselves that these systems and procedures are implemented, maintained and monitored by appropriately trained personnel with suitable segregation of authority, duties and reporting lines and, where appropriate, by the comprehensive use of advanced computer hardware and software technologies. Directors and employees are required to maintain the highest ethical standards as outlined in the Group's Code of Ethics, to ensure that business practices are conducted in a manner which in all reasonable circumstances is above reproach. The effectiveness of the systems of internal control in operation is monitored continually through reviews and reports from senior executives and the internal and external auditors.

## Internal Audit

The Edgars Group Internal Audit operates in terms of the Audit Committee's approved charter to provide management with an independent, objective consultancy and assurance service that reviews matters relating to control, risk management, corporate governance and operational efficiency. The committee's responsibility is to independently assess and appraise the systems of internal control and the policies and procedures of the Group, in order to monitor how adequate and effective they are in ensuring the achievement of organisational objectives, the relevance, reliability and integrity of management and financial information, whether resources are being used economically, effectively and efficiently, the safeguarding of assets, compliance with relevant policies, procedures, laws and regulations; and prevention of waste, extravagance and fraud.

The Internal Audit Department reports fundamentally directly to the Audit Committee and administratively to the Group Financial Director. Significant reports are copied to the Group Managing Director as well as to the Chairman of the Audit Committee and there is regular two-way communication between the Group Managing Director and the Head of Group Internal Audit.

All Edgars business operations and support functions are subject to an internal audit. The Audit Committee approves the annual audit plans, which are based on an annual Group Risk Assessment. Internal audits are conducted according to the professional standards of the Institute of Internal Auditors. The Group Internal Audit also facilitates the management of risk in order to maintain a high profile of the Group's risk management process without assuming responsibility for risk management; this being the responsibility of the Board. Group Internal Audit also conducts independent investigations in cases of fraud. Edgars is a member of Tip-Offs Anonymous, a hotline managed by Deloitte, which allows tip-off callers' confidentiality and anonymity on reporting matters.

## External Audit

The External Auditors provide an independent assessment of the Group's systems of internal financial control and express an independent opinion on the Group Financial Statements. An external audit offers reasonable but not absolute assurance on financial results.

Collaboration exists between internal and external auditors to ensure better audit coverage.

The Audit Committee reviews the external auditor's audit plan, without infringing on their independence and rights, to ensure that areas of significant concern are covered. In addition, the Audit Committee reviews ongoing ratios between fees for audit versus those for other professional services rendered by external auditors.

## Employee Relationships

The Group has its operating decisions made at the appropriate levels. Participative management lies at the heart of this strategy, which relies on the building of employee partnerships at every level to foster mutual trust and encourages people to always think about how they can improve things. We strive to liberate initiative and energy in our people, as they are the ones who make the difference in our performance.

## Employment Equity

The Group has employment policies, which we believe are appropriate to the business and the market in which we trade. They are designed to attract, motivate and retain quality staff at all levels. Equal employment opportunities are offered without discrimination.



## Public Shareowners

The principles of balanced reporting, understandability, openness and substance over form are the foundation for communication to the public and shareowners. Positive and negative aspects of both financial and non-financial information are provided. Edgars meets regularly with institutional shareowners and investment analysts and makes presentations to investors and analysts bi-annually, after the release of results.

## Ethical Behaviour

The Group's Core Values are:

- Superior customer service
- Integrity
- People
- Performance and
- Professionalism

The Code of Ethics clearly outlines the Group's Vision, Mission, Values and Code of Conduct. All employees including senior management, executives and directors, are expected to act in line with the Code of Ethics at all times. Failure to do so results in disciplinary action. Employees with access to confidential information are prohibited from disclosing it to outsiders and from trading in Edgars shares during the closed periods around year end and half-year reporting, until 48 hours after the results are published, as well as during any periods when the Group has issued a cautionary trading statement to shareowners.

## Financial Reporting

The Group Financial Statements for the 53 weeks to 10 January 2015 incorporate the results for the fifty-three weeks ended 10 January 2015. In preparing these Financial Statements, the same accounting principles and methods of computation are applied as in prior periods.

No event material to the understanding of this report has occurred between the financial year-end and the date of this report.

## Directors' Responsibilities

The Directors are ultimately responsible for the preparation of the Group Financial Statements and related financial information that fairly present the state of affairs and the results of the Group.

## Auditors' Responsibilities

The external auditors are responsible for independently auditing and reporting on these Group Financial Statements in conformity with International Standards on Auditing.

These financial statements have been approved by the Board of Directors and are signed on their behalf by:

T N Sibanda



Non-Executive Chairman

L Masterson



Group Managing Director

On 5 March 2015



# I GOT PAID \$2,400 FOR BEING ADMITTED IN HOSPITAL

**“**I was involved in a near fatal car accident. Edgars Hospital Cash Plan paid me out \$100 a day for the 26 days I was in hospital. The \$2,400 payout enabled me to pay school fees and my rent. While my medical aid took care of my hospital bills the Hospital Cash Plan helped me take care of everything else.

**My benefits as an Edgars Club member:**

- Free cover on the Edgars Hospital Cash Plan and I can add as many dependants as I want
- Exclusive monthly in-store discounts
- Access to over \$3,000 in monthly prizes
- Access to over \$10,000 in monthly education bursaries
- Free Edgars Club magazine

All the above for just \$3 a month.

Visit your nearest Edgars Branch for details or sms info to 0782 780 780”

Tariro Nengomasha, Teacher

**NEED TO KNOW!**  
**BENEFITS OF THE  
EDGARS HOSPITAL CASH  
PLAN:** \* \$100 A DAY UPON  
HOSPITALISATION  
\* \$200 ACCOUNT CREDIT  
RELIEF FOR 7 DAYS SPENT IN  
HOSPITAL  
\* 100% DEBT RELIEF  
UPON DEATH

Edgars  
**club**



The Edgars Club, which was officially re-launched on April 1 2014 following a several year hiatus, is targeted at Edgars Account holders across its branch network.

The Club is a loyalty program that allows subscribing Edgars account holders to access various value adding products and services specifically designed to give Club members added benefit as compared to non-subscribers. At the time of re-introducing The Club in April 2014, the membership base was at 75,000. This has grown progressively over the past 8 months and closed off the year at approximately 85,500 members. The benefits Club members enjoy range from in-store discounts, insurance products and partnership programme discounts. To top it off, The Edgars Club is packaged through a trendy and fashionable, handbag sized Club magazine that features the lifestyle aspects of our customers, talking through health and wellness issues, finance, home living, real life issues and, of course, FASHION!

With each issue of the Club magazine, we give away just over \$2,000 worth of clothing vouchers and cash through promotions. The most prominent promotion of all is the Cash Challenge competition, in which 3 members win \$1,000 cash and have the opportunity to donate 10 times their winnings to a rural school of their choice.

During 2014, a total \$50 000 was donated to 15 schools and even more will be donated in the coming year towards educational bursaries and school development programs. Schools use these funds for various projects including, fencing, drilling of boreholes, purchase and installation of water tanks, purchase of school furniture and building materials to name a few. What makes these contributions unique is that they are made on behalf of Edgars Club members as part of the Edgars Corporate Social Responsibility programme of giving back to the communities around us.





# Independent Auditor's Report





## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDGARS STORES LIMITED**

We have audited the accompanying consolidated and company financial statements of Edgars Stores Limited as set out on pages 22 to 71, which comprise the statements of financial position as at 10 January 2015, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the 53 weeks then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

### **Directors' responsibility for the financial statements**

The Directors' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) and the relevant statutory instruments (SI 33/99 and SI 62/96) and for such internal controls as the directors' determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

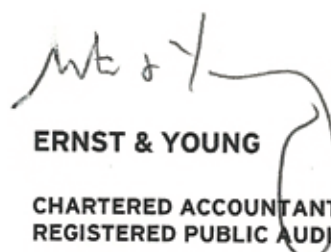
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the financial position of Edgars Stores Limited as at 10 January 2015, its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

### **Report on other legal and regulatory requirements**

In our opinion, the consolidated and company financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/96).

  
**ERNST & YOUNG**  
**CHARTERED ACCOUNTANTS (ZIMBABWE)**  
**REGISTERED PUBLIC AUDITORS**  
**BULAWAYO**  
20 MARCH 2015



# Consolidated Statement of Comprehensive Income

for the 53 weeks to 10 January 2015

Group				Company	
53 weeks to 10	52 weeks to 4		Notes	53 weeks to 10	52 weeks to 4
January 2015	January 2014			January 2015	January 2014
\$	\$			\$	\$
73,036,678	64,823,709	Revenue	6	72,624,872	64,439,727
72,071,863	64,761,574	Sales of merchandise	6	71,660,057	64,377,591
(38,651,078)	(33,734,141)	Cost of sales		(40,139,836)	(34,994,958)
33,420,785	31,027,432	Gross profit		31,520,222	29,382,633
(27,679)	139,794	Other gains and losses	7	(25,321)	137,632
(3,788,491)	(2,740,556)	Debt collection costs		(3,788,491)	(2,740,556)
(13,285,782)	(11,840,943)	Store expenses		(13,285,782)	(11,840,943)
(12,023,167)	(11,672,317)	Other operating expenses		(10,399,365)	(10,362,901)
4,295,666	4,913,410	Trading profit	8	4,021,262	4,575,865
5,123,429	2,766,779	Finance income	8	5,123,429	2,766,754
(1,943,703)	(1,734,876)	Finance costs	8	(1,891,210)	(1,685,891)
7,475,393	5,945,314	Profit before tax		7,253,482	5,656,729
(2,291,588)	(1,707,126)	Income tax expense	10	(2,051,588)	(1,467,693)
5,183,805	4,238,188	Profit for the year		5,201,894	4,189,036
5,183,805	4,238,188	Total comprehensive income for the year		5,201,894	4,189,036
		Earnings per ordinary share	11		
2.02	1.68	Basic (cents per share)		2.03	1.66
1.93	1.63	Diluted (cents per share)		1.94	1.61

# Consolidated Statement of Financial Position

at 10 January 2015

Group		Notes	Company	
10 January 2015	4 January 2014		10 January 2015	4 January 2014
\$	\$		\$	\$
<b>Assets</b>				
<b>Non-current assets</b>				
-	-		4,635,858	4,872,566
7,872,382	7,124,993	13	6,949,273	6,415,222
94,210	334,210	14	-	-
111,667	151,667	15	111,667	151,667
8,078,259	7,610,870		11,696,798	11,439,455
<b>Current assets</b>				
11,688,589	11,208,534	16	8,419,525	7,908,984
34,315,693	23,679,486	17	34,006,046	23,407,024
-	6,960	20	-	6,960
848,731	906,326		801,119	866,699
46,853,013	35,801,306		43,226,690	32,189,666
54,931,272	43,412,176		54,923,488	43,629,122
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
352,472	251,184	18	352,472	251,184
2,646,355	2,472,685	18	2,033,518	1,859,847
18,921,247	13,737,442		20,134,080	14,932,187
21,920,074	16,461,311		22,520,070	17,043,218
<b>Non-current liabilities</b>				
3,948,647	3,107,710	14	3,948,647	3,107,710
11,527,946	10,877,348	21	11,402,946	10,800,000
15,476,593	13,985,058		15,351,593	13,907,710
<b>Current liabilities</b>				
8,373,554	7,323,253	19	8,221,209	7,155,140
346,963	-	20	346,963	-
8,814,088	5,642,555	21	8,483,653	5,523,054
17,534,604	12,965,808		17,051,825	12,678,195
33,011,198	26,950,866		32,403,418	26,585,904
54,931,272	43,412,176		54,923,488	43,629,122
4.09	2.76		7.97	6.03
0.89	0.95		0.85	0.91
(0.68)	(0.49)		(0.66)	(0.47)



# Consolidated Statement of Changes in Equity

for the 53 weeks to 10 January 2015

	Issued capital and premium	Equity- settled employee benefits reserve	Revaluation reserve	Change in functional currency reserve	Retained earnings	Total
	\$	\$	\$	\$	\$	\$
<b>Group</b>						
<b>Balance at 5 January 2013</b>	154,181	339,141	1,022,569	928,906	9,321,010	11,765,807
Release in respect of property, plant & equipment disposed	-	-	-	(178,244)	178,244	-
Total comprehensive income for the period	-	-	-	-	4,238,188	4,238,188
Profit for the period	-	-	-	-	4,238,188	4,238,188
Other comprehensive income	-	-	-	-	-	-
Issue of ordinary shares under employee share option plan	97,003	-	-	-	-	97,003
Recognition of share-based payments	-	360,314	-	-	-	360,314
<b>Balance at 4 January 2014</b>	251,184	699,455	1,022,569	750,662	13,737,442	16,461,312
Total comprehensive income for the period	-	-	-	-	5,183,805	5,183,805
Profit for the period	-	-	-	-	5,183,805	5,183,805
Other comprehensive income	-	-	-	-	-	-
Issue of ordinary shares under employee share option plan	101,288	-	-	-	-	101,288
Recognition of share-based payments	-	173,669	-	-	-	173,669
<b>Balance at 10 January 2015</b>	352,472	873,124	1,022,569	750,662	18,921,247	21,920,074
<b>Company</b>						
<b>Balance at 5 January 2013</b>	154,181	339,141	824,676	420,932	10,657,936	12,396,866
Transfer on disposal of property and plant & equipment	-	-	-	(85,215)	85,215	-
Total comprehensive income for the period	-	-	-	-	4,189,037	4,189,037
Profit for the period	-	-	-	-	4,189,037	4,189,037
Other comprehensive income	-	-	-	-	-	-
Issue of ordinary shares under employee share option plan	97,003	-	-	-	-	97,003
Recognition of share-based payments	-	360,314	-	-	-	360,314
<b>Balance at 4 January 2014</b>	251,184	699,455	824,676	335,717	14,932,187	17,043,219
Release in respect of property, plant and equipment disposed	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	5,201,894	5,201,894
Profit for the period	-	-	-	-	5,201,894	5,201,894
Other comprehensive income	-	-	-	-	-	-
Issue of ordinary shares under employee share option plan	101,288	-	-	-	-	101,288
Recognition of share-based payments	-	173,669	-	-	-	173,669
<b>Balance at 10 January 2015</b>	352,472	873,124	824,676	335,717	20,134,080	22,520,070

# Consolidated Statement of Cash Flows

for the 53 weeks to 10 January 2015

Group		Notes	Company	
53 weeks to 10 January 2015	52 weeks to 4 January 2014		53 weeks to 10 January 2015	52 weeks to 4 January 2014
\$	\$		\$	\$
Cash flows from operating activities				
4,295,666	4,913,410		4,021,262	4,575,865
Trading profit				
Adjusted for:				
2,631,412	2,236,376	12.1	2,575,981	2,080,239
Non cash items				
(11,479,812)	(3,498,796)	12.2	(11,226,542)	(3,862,279)
Movements in working capital				
(4,552,734)	3,650,990		(4,629,299)	2,793,825
Cash (utilised in)/ generated from operations				
5,123,429	2,766,779		5,123,429	2,766,754
Finance income received				
(1,945,223)	(1,692,426)		(1,892,597)	(1,643,443)
Finance costs paid				
(856,728)	(1,116,062)	12.3	(856,728)	(1,116,062)
Taxation paid				
(2,231,255)	3,609,281		(2,255,194)	2,801,075
Cash (outflow) /inflow from operating activities				
Cash flows from investing activities				
(1,750,102)	(2,665,034)		(1,475,560)	(2,362,411)
Payments for property, plant and equipment				
340	28,390		340	11,062
Proceeds from disposal of property, plant and equipment				
-	(78,997)	5	-	(78,997)
Purchase consideration on business combination				
(1,749,761)	(2,715,641)		(1,475,220)	(2,430,346)
Net cash used in investing activities				
Cash flows from financing activities				
101,288	97,003		101,288	97,003
Proceeds from issue of equity shares				
14,016,247	2,165,542		13,516,247	2,165,542
Proceeds from borrowings				
(10,194,116)	(6,997,631)		(9,952,702)	(6,500,000)
Repayment of borrowings				
3,923,420	(4,735,087)		3,664,833	(4,237,456)
Net cash flows generated from/(used in) financing activities				
(57,596)	(3,841,447)		(65,580)	(3,866,726)
Net decrease in cash and cash equivalents				
906,327	4,747,774		866,699	4,733,424
Cash and cash equivalents at the beginning of the period				
848,732	906,327		801,119	866,699
Cash and cash equivalents at the end of the period				



# Notes to the Consolidated Financial Statements

For the 53 weeks to 10 January 2015

## 1. Corporate Information

Edgars Stores Limited (the Group) is a limited company incorporated and domiciled in Zimbabwe and whose shares are publicly traded. The Group manufactures clothing, which it distributes and sells together with footwear, textiles and accessories through a network of stores in Zimbabwe.

The Group has always managed its retail operations on a 52-week retail calendar in line with the industry. The previous year's consolidated financial statements presented the period as the year ended 31 December 2013 instead of the 52 weeks to 4 January 2014. The period covered by the consolidated financial statements has been correctly disclosed in the current period.

As a result of using the 52-week retail calendar, a 53rd week reporting period 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.

The consolidated financial statements of the Group for the 53 weeks to 10 January 2015 were authorized for issue in accordance with a resolution of the directors on 5 March 2015.

The Group's results are consolidated into Edcon Holdings (Pty) Ltd (South Africa). Information on other related party relationships of the Group is provided in Note 28.

## 2. Financial Reporting

### 2.1 Basis of Preparation

The consolidated financial statements are prepared in accordance with the going concern and historical cost bases except where otherwise indicated.

The accounting policies are applied consistently throughout the Group. The consolidated financial statements are presented in United States Dollar (USD) and all values are rounded to the nearest dollar except where otherwise stated.

### Statement of compliance

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standards Board (IASB).

### 2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Edgars Stores Limited and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of Comprehensive income and statement of financial position from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.3 Summary of significant accounting policies

### 2.3.1 Foreign currency translation

The Group's consolidated financial statements are presented in United States Dollars, which is the Group's functional currency. It is the currency of the primary economic environment in which the Group operates. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

### 2.3.2 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms,



economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is,







from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The distinction of whether an acquired set of assets and activities constitute a business purchase or an asset acquisition may require judgment. In making this judgment, management considers if the acquired set of assets and activities constitute an integrated set of activities and assets, capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to owners.

### 2.3.3 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, including discounts, rebates and excluding value-added taxes and duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

### Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

## Commission income

Funeral and hospital insurance providers are charged a commission on collection of premiums on their behalf. Commission income is recognised as revenue when the premium is collected.

## Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

## Subscriptions

Revenue from subscriptions is recognised when a customer has accepted the terms and conditions applicable to the benefits of membership as offered by the Group.

### 2.3.4 Taxes

#### Current income tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date in Zimbabwe. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit and loss.

## Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.



The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit and loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

### Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT) except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.







#### 2.3.5. Pensions and other post-employment benefits

The Group pension scheme is a defined contribution scheme. The cost of retirement benefit is determined by the level of contribution made in terms of the rules. Employer contributions are recognised in profit or loss as they fall due. The Group also participates in the National Social Security Authority pension scheme as required by legislation. The cost of retirement benefit applicable to the National Social Security Authority Scheme is determined by the systematic recognition of legislated contributions and is recognised in profit or loss.

#### 2.3.6. Share-based payment transactions

##### Equity-settled transactions

The cost of equity-settled transactions with employees for awards granted is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 9.4.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. Further details are given in note 11.

##### Cash settled transactions

The cost of cash settled transactions with employees for awards granted is measured at the fair value of the liability. Until the liability is settled, the Group re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in value recognised in profit or loss for the period.

### 2.3.7 Financial instruments – initial recognition and subsequent measurement

#### a) Financial assets

##### i) Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs except in the case of financial assets classified as at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables.

At the reporting date there were no held-to-maturity investments, available-for-sale financial assets, derivatives or hedging instruments.

##### ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

##### iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### iv) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event')



## Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. The interest income is recorded as part of finance income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expenses in the statement of comprehensive income.

## b) Financial liabilities

### i) Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft and loans and borrowings.

### ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

## Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of comprehensive income.

### iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.



### c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 2.3.8 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in other capital reserves.

### 2.3.9 Property, plant and equipment

Items of property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses recognized after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

All repair and maintenance costs are recognised in profit or loss as incurred.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the remaining estimated useful life of the asset. The useful lives of each category are as follows:

Buildings 40 years  
Furniture 5-10 years  
Fixtures and fittings 5-10 years  
Computer equipment 5-10 years  
Computer software 5-10 years  
Plant and machinery 5-10 years  
Leasehold Improvements - the lease period or shorter periods as may be determined  
Motor vehicles 5-7 years

An item of property, plant and equipment and any significant part initially recognized is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively, if appropriate. Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

### 2.3.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit and loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

### 2.3.11 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

### Group as a lessee

Operating leases are leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals are expensed as incurred.

### Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### 2.3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.3.13 Inventories

Inventories are valued at the lower of cost and net realisable value on a FIFO basis. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials - average purchase cost

Finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Merchandise - average cost

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### 2.3.14 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above. Overdrafts are disclosed under borrowings and do not form part of cash and cash equivalents.

#### 2.3.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

#### 2.3.16 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-current asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in those expenses categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in assumption used to determine the asset's recoverable amount since the last impairment loss was recognised.



The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount in which case the reversal is treated as a revaluation increase.

### 2.3.17 Fair value measurement

The Group measures non-financial assets such as property, plant and equipment at fair value at reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.







All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 2.3.18 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading



- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 2.4 Changes in accounting policies and disclosures

### New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments to IFRS. The nature and the impact of each new standard and amendments is described below:

#### *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

#### *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

#### *IAS 36 Impairment of Assets-Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36*

The amendments to IAS 36 Impairment of Assets clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments remove the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant. In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique.

The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

#### *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group did not have derivatives during the current or prior periods.

#### *IFRIC 21 Levies*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37

Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

### *Annual Improvements 2010-2012 Cycle*

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 had no impact on the Group as these principles were already applied.

### *Annual Improvements 2011-2013 Cycle*

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

## **3. Significant accounting judgments, estimates and assumptions**

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. However, uncertainty about these

assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

### **3.1 Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### **3.1.1 Consolidation of structured entities**

The Group has consolidated in the group results of the Edgars Employee Share Trust Company and the Zimedgroup Employee Trust which have a shareholding in the Company. The substance of the relationship between the company and these entities has been assessed and judgment made that they are controlled entities.

### **3.2 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group.

#### **3.2.1 Revaluation of property, plant and equipment**

Land, buildings, plant and equipment are stated at revaluation less accumulated depreciation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ from its carrying amount.

Refer note 13 for the carrying amount of property, plant and equipment and the estimates and assumptions used to determine the carrying amount of property, plant and equipment.





### 3.2.2 Useful lives and residual values of property, plant and equipment

Property, plant and equipment is depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed at each reporting date and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, the remaining useful life of the asset and projected disposal values. Refer accounting policy note 2.3.9 for more information on the useful lives of property, plant and equipment.

### 3.2.3 Share based payment transactions

The Group measures the cost of equity-based transactions with employees by reference to the fair value of the equity instruments issued. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.4.

### 3.2.4 Taxes

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and interpretations of tax regulations by the responsible tax authority. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

Further details on deferred taxes are disclosed in Note 14.

### 3.2.5 Specific provision for impairment of trade receivables

The Group calculates this provision as being the trade receivables in arrears at the reporting date. The figure is arrived at after taking into consideration the performance of the debtors' book and has proved adequate based on past experience. Further details are provided in note 17.

### 3.3 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below.

This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

#### *IFRS 9 Financial Instruments – classification and measurement*

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 – Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The classification and measurement requirements address specific application issues arising in IFRS 9 (2009) that were raised by preparers, mainly from the financial services industry. The expected credit loss model addresses concerns expressed following the financial crisis that entities recorded losses too late under IAS 39. IFRS 9 stipulates that financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial





asset's contractual cash flow characteristics. Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018, but early adoption is permitted. The Group is currently assessing the impact of IFRS 9.

#### ***IFRS 15 – Revenue from Contracts with Customers***

The IASB and FASB have issued their joint revenue recognition standard, IFRS 15 Revenue from Contracts with Customers, which replaces all existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The standard is effective for annual periods beginning on or after 1 January 2017, but early adoption is permitted under IFRS. The Group is still assessing the impact of the standard on its contracts with customers.

#### ***IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation***

The IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets prohibiting

the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The amendments are effective prospectively. The amendment becomes effective for annual periods beginning on or after 1 January 2016 and will not have any impact on the Group as depreciation is not based on revenue methods.

#### ***IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28***

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments are effective for annual periods beginning on or after 1 January 2016 and must be applied prospectively. The amendments are not expected to affect the Group as it does not have investments in joint ventures and associates.

#### ***IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11***

The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business to apply, to the extent of its share, all of the principles in IFRS 3, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation. Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business; previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

The amendments are applied prospectively and are effective for annual periods beginning on or after 1 January 2016. The Group will consider the amendments when it enters into transactions where the amendments are applicable.

#### *Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments are effective for annual periods beginning on or after 1 January 2016 and are not expected to affect the Group as no Companies within the Group meet the definition of an investment entity.







### ***IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19***

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

The amendments are effective for annual periods beginning on or after 1 July 2014 and are not expected to affect the Group as it does not have defined benefit schemes.

### ***IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27***

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:

- At cost
  - In accordance with IAS 39
- Or
- Using the equity method

The entity must apply the same accounting for each category of investments.

The amendments must be applied retrospectively and are effective for year ends beginning on or after 1 January 2016. The parent entity will consider the amendment when it becomes effective.

### *IAS 1 Disclosure Initiative – Amendments to IAS 1*

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify The materiality requirements in IAS 1 that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated.

- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

The amendments are effective for annual periods beginning on or after 1 January 2016 and early application are encouraged.

### *2010- 2012 annual cycle of improvements (issued December 2013)*

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs. The changes are effective from 1 July 2014 either prospectively or retrospectively. A summary of applicable amendments is described below:

### *IFRS 2 Share based payment (Amendments to definitions relating to vesting conditions)*

Performance conditions and service conditions are defined in order to clarify various issues. The issues relate to performance conditions which must contain a service condition and a performance target which must be met while the counterparty renders service. The amendment also clarifies that a performance target may relate to the operations of an entity or to those of an entity in the same group. The amendment is not expected to have a material impact on the Group financial statements as the current share based payments scheme does not have a performance condition.

### *IFRS 3 Business Combinations - Scope for joint ventures*

The amendment clarifies that joint arrangements are outside the scope of IFRS 3, not just joint ventures, and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. Amendment will be considered by the Group when it becomes effective to the extent applicable.

### *IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination*

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment will not affect the Group as it does not have any contingent consideration paid or payable under a business combination.



### *IFRS 8 Operating Segments - Aggregation of operating segments and reconciliation of the total of the reportable segment assets to the entity's total assets.*

Operating segments may be combined/ aggregated if they are consistent with the core principle of the standard, if the segments have similar economic characteristics and if they are similar in other qualitative respects. If they are combined, the entity must disclose the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The amendment will not have a material impact on the Group financial statements as no segments are combined.

Reconciliation of the total of the reportable segment assets to the entity's total assets. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The amendment will not have a material impact on the Group financial statements as the entity already provides the required reconciliation.

### *IFRS 13 Fair value measurement – Portfolio exception*

The amendment clarifies that the portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is not expected to affect the Group as the Group does not have financial assets, financial liabilities and other contracts that meet this criteria.

### *IAS 16 Property, plant and equipment and IAS 38 Impairment - Revaluation method-proportionate restatement of accumulated depreciation*

The amendment clarifies that revaluation can be performed by adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying amount and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment also clarified that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount of the asset (i.e., gross carrying amount – accumulated depreciation/amortisation = carrying amount).

The amendment to IAS 16.35(b) and IAS 38.80(b) clarifies that the accumulated depreciation/amortisation is eliminated so that the gross carrying amount and carrying amount equal the market value. The Group revalues its property, plant and equipment and will consider the amendment when it becomes effective.

### *IAS 24 Related party disclosures - Key management personnel*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures.

In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment will not affect the Group as it has no management entity providing key management services to the Group.

*IAS 40 Investment property - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying investment property or owner occupied property - Amendment to IAS 40.*

The description of ancillary services in IAS 40 differentiates between investment property and owner occupied property. IFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination. The amendment will not affect the Group as it has no investment properties.

*2012 – 2014 Annual improvement cycle (issued September 2014)*

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle, which contains five amendments to four standards, excluding consequential amendments. The amendments are effective for annual periods beginning on or after 1 January 2016. Below is a list of those amendments.

*IFRS 7 – Servicing Contracts*

Paragraphs 42A - H of IFRS 7 require an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The Group will consider the amendment, where applicable, when it becomes effective.







### *IFRS 7 – Applicability of the offsetting disclosures to condensed interim financial statements.*

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment, paragraph 44R of IFRS 7 states that “[A]n entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

The amendment removes the phrase ‘and interim periods within those annual periods’ from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose ‘an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period’. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity’s condensed interim financial report.

The Group will consider the amendments in preparing its interim financial statements when they become effective.

IAS 34 Disclosure of information ‘elsewhere in the interim financial report IAS 34 requires entities to disclose information in the notes to the interim financial statements ‘if not disclosed elsewhere in the interim financial report’. However, it is unclear what the Board means by ‘elsewhere in the interim financial report’.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The Group will consider the amendments, when they become effective, when preparing its interim financial report.

#### *IAS 19 – Discount rate Regional market rates*

IAS 19 requires an entity to recognise a post-employment benefit obligation for its defined benefit plans. This obligation must be discounted using market rates on high quality corporate bonds or using government bond rates if a deep market for high quality corporate bonds does not exist. Some entities thought that the assessment of a deep market was based at a country level (e.g., Greece) while others thought it was based at a currency level (e.g., the euro).

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted. The amendment will not affect the Group as the Group does not have defined benefit pension schemes.

#### *IFRS 5 – Changes in methods of disposal*

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.

The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

The Group will consider the amendment, if applicable, when it becomes effective.

## 4. Segment Information

### 4.1 Reportable segments

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments as follows:

Edgars Chain

Jet Chain

Manufacturing (consisting of Carousel Manufacturing)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.



## 4.2 Segment revenues and results

10 January 2015	Edgars	Jet	Corporate	Manufacturing	Total Segments	Adjustments & Eliminations	Consolidated
<b>Revenue</b>							
External customers	57,030,758	15,594,114	-	411,806	73,036,678	-	73,036,678
Inter-segments	-	-	-	7,233,467	7,233,467	(7,233,467)	-
Total revenue	57,030,758	15,594,114	-	7,645,273	80,270,145	(7,233,467)	73,036,678
<b>Results</b>							
Depreciation & Amortisation	(394,449)	(221,384)	(316,723)	(61,237)	(993,794)	-	(993,794)
Taxation expense	-	-	(2,051,588)	(240,000)	(2,291,588)	-	(2,291,588)
Finance cost	-	-	(1,891,210)	(52,493)	(1,943,703)	-	(1,943,703)
Finance Income	-	-	5,123,429	-	5,123,429	-	5,123,429
<b>Segmental trading profit (Loss)</b>	9,206,188	680,597	(5,861,160)	270,041	4,295,666	-	4,295,666
<b>Total assets</b>	41,123,692	5,080,537	8,719,259	4,921,373	59,844,861	(4,913,588)	54,931,272
<b>Total liabilities</b>	(2,435,186)	(465,873)	(31,011,357)	(5,346,980)	(39,259,397)	4,913,588	(34,345,809)

4 January 2014	Edgars	Jet	Corporate	Manufacturing	Total Segments	Adjustments & Eliminations	Consolidated
<b>Revenue</b>							
External customers	51,442,092	12,997,635	-	383,982	64,823,709	-	64,823,709
Inter-segments	-	-	-	5,387,200	5,387,200	(5,387,200)	-
Total revenue	51,442,092	12,997,635	-	5,771,182	70,210,909	(5,387,200)	64,823,709
<b>Results</b>							
Depreciation & Amortisation	(268,247)	(110,053)	(400,157)	(153,988)	(932,445)	-	(932,445)
Taxation expense	-	-	(1,467,693)	(239,433)	(1,707,126)	-	(1,707,126)
Finance cost	-	-	(1,685,891)	(48,985)	(1,734,876)	-	(1,734,876)
Finance Income	-	-	2,766,754	25	2,766,779	-	2,766,779
<b>Segmental trading profit (Loss)</b>	9,860,768	522,527	(5,811,790)	341,905	4,913,410	-	4,913,410
<b>Total assets</b>	31,388,455	3,873,776	8,362,533	4,879,824	48,504,588	(5,092,409)	43,412,179
<b>Total liabilities</b>	(2,896,018)	(488,671)	(23,235,971)	(5,422,614)	(32,043,275)	5,092,409	(26,950,866)

**5 Business combinations**

Acquisitions in November 2013

Acquisition of the assets of Catt's Beaute Bulawayo

On 1 November 2013, the Group acquired the assets of Catt's Beaute Bulawayo. The Group acquired this cash generating unit as it enabled the establishment of an Edgars branch at the Bradfield Zonkizizwe Shopping Complex, thereby increasing the customer base for cosmetics and jewellery.

No interest in Catt's Beaute equity was acquired.

**Assets acquired and liabilities assumed**

The fair values of the identifiable assets of Catt's Beaute as at the date of acquisition were:

**52 weeks ended 4  
January 2014**  
\$

**Assets**

Property, plant and equipment	33,997
Inventories	114,679

Total identifiable assets	148,676
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**Liabilities**

Trade payables	(114,679)
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Total identifiable assets	33,997
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Goodwill acquired	45,000
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Purchase consideration transferred (cashflow on acquisition)	78,997
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**Revenue and profit or loss of acquired since acquisition date:**

53 weeks ended 10 January 2015	8 weeks ended 4 January 2014
\$	\$

Revenue	385,867	22,329
Store trading profit	55,761	2,880



	Group		Company	
	53 weeks to 10	52 weeks to 4	53 weeks to 10	52 weeks to 4
	January 2015	January 2014	January 2015	January 2014
	\$	\$	\$	\$
<b>6 Revenue</b>				
The following is an analysis of the Group's revenue for the year (excluding investment revenue)				
Sale of merchandise	72,071,863	64,761,574	71,660,057	64,377,591
Retail sales	71,660,057	64,377,591	71,660,057	64,377,591
Manufacturing sales to third parties - local sales	411,806	383,982	-	-
Edgars Club subscriptions	727,174	-	727,174	-
Hospital Cash Plan and funeral insurance commission	237,641	62,136	237,641	62,136
	<b>73,036,678</b>	<b>64,823,709</b>	<b>72,624,872</b>	<b>64,439,727</b>
<b>7 Other gains and losses</b>				
Loss on disposal of plant & equipment	8,466	16,899	8,466	20,355
Net foreign exchange losses/ (gains)	19,213	(156,693)	16,855	(157,987)
	<b>27,679</b>	<b>(139,794)</b>	<b>25,321</b>	<b>(137,632)</b>
<b>8 Trading profit / (loss)</b>				
Trading profit / (loss) for the period has been arrived at after charging (crediting):				
<b>8.1 Auditors remuneration :</b>				
Audit Fees	75,712	114,268	75,712	114,268
Fees for consulting & other services	2,850	50,593	2,850	50,593
	<b>78,562</b>	<b>164,861</b>	<b>78,562</b>	<b>164,861</b>
<b>8.2 Depreciation expense</b>				
Depreciation of property, plant and equipment	<b>993,794</b>	<b>892,445</b>	<b>932,457</b>	<b>738,457</b>
<b>8.3 Amortisation expense</b>				
Amortisation of intangible assets	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>	<b>40,000</b>

	Group		Company	
	53 weeks to 10 January 2015 \$	52 weeks to 4 January 2014 \$	53 weeks to 10 January 2015 \$	52 weeks to 4 January 2014 \$
<b>8.4 Operating lease expenses :</b>				
Land and buildings :				
Minimum lease payments	4,053,102	3,699,550	4,053,102	3,699,550
Contingent rents	427,642	324,948	427,642	324,948
Sublease receipts	(123,935)	(98,435)	(257,507)	(232,007)
	<b>4,356,809</b>	<b>3,926,063</b>	<b>4,223,237</b>	<b>3,792,491</b>
Disclosures on leases have been provided in Note 23				
<b>8.5 Fees payable</b>				
Managerial, technical, administrative and secretarial fees paid outside the Group	353,095	371,751	343,743	366,190
Outsourcing of IT	131,351	97,511	131,351	97,511
	<b>484,446</b>	<b>469,262</b>	<b>475,094</b>	<b>463,700</b>
<b>8.6 Finance income</b>				
Debtors interest charges	1,842,945	-	1,842,945	-
Late payment charges	3,274,472	2,730,575	3,274,472	2,730,575
Finance income from short term deposits	6,012	36,205	6,012	36,180
	<b>5,123,429</b>	<b>2,766,779</b>	<b>5,123,429</b>	<b>2,766,754</b>
<b>8.7 Finance costs</b>				
Interest on debt and borrowings	<b>1,943,703</b>	<b>1,734,876</b>	<b>1,891,210</b>	<b>1,685,891</b>
<b>9 Directors and employees</b>				
<b>9.1 Employees</b>				
The Group employed 868 (2013- 854) permanent employees of which 571 (2013- 537) were employed in retailing and 297 (2013- 317) in the manufacturing division.				
The aggregate remuneration and associated cost of permanent and casual employees including directors was:				
Salaries and wages	12,804,852	11,279,344	12,012,476	10,761,682
Pension contributions	1,082,926	977,577	891,164	812,997
Medical aid contributions	453,413	412,514	393,796	359,154
	<b>14,341,191</b>	<b>12,669,434</b>	<b>13,297,436</b>	<b>11,933,834</b>
Permanent employees of the Group belong to various medical aid schemes run by independent medical aid societies.				
<b>9.2 Directors' emoluments</b>				
Non executive directors :				
- Fees	73,588	89,369	73,588	89,369
Executive directors :				
- Remuneration	937,599	890,453	937,599	890,453
- Retirement and medical aid benefits	96,408	107,525	96,408	107,525
	<b>1,107,595</b>	<b>1,087,347</b>	<b>1,107,595</b>	<b>1,087,347</b>



	Group		Company	
	53 weeks to 10 January 2015 \$	52 weeks to 4 January 2014 \$	53 weeks to 10 January 2015 \$	52 weeks to 4 January 2014 \$

**9.3 Pension funds**

The Group's operating companies and all employees contribute to both of the following pension funds :

**Edgars Pension Fund**

The Edgars Pension Fund is a defined contribution fund and provides pensions and other associated benefits for all employees on the permanent staff of the group, their spouses and dependents. Member contributions to the fund are set at 5% whilst the employer rate is set at 15% of monthly pensionable salaries, less the amount of the employer's contributions to the National Social Security Authority. Employer contributions are charged against trading profit. The Fund is governed by legislation in the Pension and Provident Funds Act, Chapter 24:09

**National Social Security Authority Scheme**

The Group's obligations under the scheme are limited to specific contributions legislated from time to time and as promulgated under the National Social Security Authority Act, Chapter 17:04. These are 3.5% of pensionable monthly emoluments for each employee up to a maximum salary of \$700 per month.

Contributions to the above aforementioned funds charged against trading profit:

Edgars Pension Fund	826,206	797,143	695,964	677,671
National Social Security Authority	256,720	180,434	195,200	135,327
	<b>1,082,926</b>	<b>977,577</b>	<b>891,164</b>	<b>812,997</b>

**9.4 Equity-settled share-based payments****Employee share option scheme**

The Group has an ownership-based compensation scheme for executives and senior employees. The following shares have been set aside for this plan, as approved by shareholders at previous annual general meetings.

Resolution date:	Shares set aside:
29 May 2007	15,000,000
10 June 2010	16,000,000
	<b>31,000,000</b>

Directors were authorised to grant options from shares set aside at their discretion.

Each employee share option converts into one ordinary share of Edgars Stores Limited on exercise. The options carry neither rights to dividends nor voting rights. Options must be exercised within 10 years of grant date but can only be exercised from the 2nd anniversary upon which a third can be exercised every year thereafter. Share options vest in full during the fourth year after grant date. The exercise price is determined as the mid-market price on the date the options were granted. The option is exercisable provided that the participant has remained in the Group's employ until the option vests. An exception is made where termination of employment is as a result of death or retirement. In such an event, options may be taken up and must be paid for within twelve months of such an event. In the event of a resignation, options which have vested may be taken up and paid for before expiration of notice period being served. Share options granted and forfeited can be granted at the directors' discretion in subsequent periods.

The following share-based payment arrangements were in existence during the current and prior years:

**Share options granted**

		Number	Grant Date	Expiry Date	Exercise price cents
Option series					
1	Issued 29 June 2007	4,300,000	29/06/2007	28/06/2017	1.40
2	Issued 10 June 2008	5,350,000	10/06/2008	09/06/2018	0.30
3	Issued 9 July 2009	4,300,000	09/07/2009	08/07/2019	3.50
4	Issued 20 March 2010	1,050,000	20/03/2010	19/03/2020	3.50
5	Issued 11 June 2010	4,150,000	11/06/2010	10/06/2020	3.00
6	Issued 29 March 2011	4,233,333	29/03/2011	28/03/2021	8.80
7	Issued 14 March 2012	4,655,500	14/03/2012	13/03/2022	8.50
8	Issued 15 March 2013	4,550,000	15/03/2013	15/03/2023	12.19

There have been no cancellations or modifications to any of the plans during 2014 and 2013.

The fair value at grant date was determined by applying the Black Scholes Option Pricing Model. Options granted prior to the change in functional currency were treated as if the grant date was the change in functional currency date. The vesting period was determined as being that period remaining until vesting conditions have been met.

	29 June 2007	10 June 2008	9 July 2009	20 March 2010	11 June 2010	29 March 2011	14 March 2012	15 March 2013
	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7	Series 8
Weighted average fair value of options granted (cents)	0.74	0.22	3.47	3.47	2.98	7.22	1.87	6.67

The following key assumptions were made:

Expected Volatility	260.0%	260.0%	260.0%	260.0%	260.0%	127.30%	15%	42%
Risk Free Interest Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	3.0%	17.0%
Expected Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected Life (years)	2.416	3.416	4.000	4.000	4.000	4.000	4.000	4.000

**Movements in the year**

The following table illustrates movement in the number (No.) of share options during the year:

	2014 No.	2014 WAEP Usc	2013 No.	2013 WAEP Usc
Outstanding at the beginning of the period	18,198,169	7.90	17,343,502	5.60
Granted during the period	-	-	4,550,000	12.19
Exercised during the period	(1,756,667)	5.80	(3,695,333)	2.60
Outstanding at the end of the period	16,441,502	8.10	18,198,169	7.90
Exercisable at the end of the period	7,869,820	-	5,664,557	-

The expense recognised for employee services in this period was \$175 302 (2013- \$360 314 ). The equity-settled employee benefits reserve has been credited. Volatility was estimated using the movement in the Edgars share on the Zimbabwe Stock Exchange during the period. It is the Group policy that employees who have access to price sensitive information should not deal in shares or exercise share options for the periods from half-year and year-end to forty-eight hours after publication of the results respectively and during any closed periods during which the company is trading under a cautionary announcement.



	Group		Company	
	53 weeks to 10 January 2015 \$	52 weeks to 4 January 2014 \$	53 weeks to 10 January 2015 \$	52 weeks to 4 January 2014 \$
<b>10 Taxes</b>				
Taxes recognised in profit or loss				
Tax comprises:				
Current tax				
-withholding tax	(2)	(3,489)	(2)	(3,489)
-normal tax	(1,210,649)	(1,362,348)	(1,210,649)	(1,362,348)
Deferred tax relating to the origination and reversal of temporary differences	(1,080,937)	(341,289)	(840,937)	(101,855)
<b>Total tax charge</b>	<b>(2,291,588)</b>	<b>(1,707,126)</b>	<b>(2,051,588)</b>	<b>(1,467,693)</b>

The charge for the year can be reconciled to the accounting profit as follows:

Profit before tax for the year:	7,475,393	5,945,314	7,253,482	5,656,729
Tax calculated at 25.75% ( inclusive of AIDS levy)	(1,924,914)	(1,530,918)	(1,867,772)	(1,456,607)
Effect of revenue exempt from taxation	428	9,323	426	9,316
Effect of expenses which are not tax deductible	(24,413)	(133,289)	(184,242)	(20,401)
Unrecognised deferred tax in respect of manufacturing subsidiary losses	(342,689)	(52,241)	-	-
<b>Tax charge recognised in profit or loss</b>	<b>(2,291,588)</b>	<b>(1,707,126)</b>	<b>(2,051,588)</b>	<b>(1,467,692)</b>

## 11 Earnings per share

<b>11.1 Weighted average number of ordinary shares (basic)</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>
Issued ordinary shares at the beginning of the period	291,341	287,645	291,341	287,645
Effect of treasury shares	(36,475)	(36,475)	(36,475)	(36,475)
Effect of share options exercised	1,173	1,109	1,173	1,109
<b>Weighted average number of ordinary shares used in calculating earnings per share</b>	<b>256,039</b>	<b>252,279</b>	<b>256,039</b>	<b>252,279</b>

<b>11.2 Weighted average number of ordinary shares (diluted)</b>				
Weighted average number of ordinary shares (basic)	256,039	252,279	256,039	252,279
Effect of share options on issue	12,285	7,562	12,285	7,562
<b>Weighted average number of ordinary shares (diluted)</b>	<b>268,324</b>	<b>259,841</b>	<b>268,324</b>	<b>259,841</b>

## 11.3 Attributable basis

Profit attributable to ordinary shareholders	5,183,805	4,238,188	5,201,894	4,189,036
Adjustments to basic earnings	-	-	-	-
<b>Profit adjusted for cost of dilutive instruments</b>	<b>5,183,805</b>	<b>4,238,188</b>	<b>5,201,894</b>	<b>4,189,036</b>
Basic earnings per share (cents)	2.02	1.68	2.03	1.66
Diluted earnings per share (cents)	1.93	1.63	1.94	1.61

	Group		Company	
	53 weeks to 10 January 2015 \$	52 weeks to 4 January 2014 \$	53 weeks to 10 January 2015 \$	52 weeks to 4 January 2014 \$
<b>12 Cash flow</b>				
<b>12.1 Non-cash items</b>				
Share based payment	175,302	360,314	175,302	360,314
Depreciation	993,794	892,445	932,457	738,457
Inventory write-down	1,251,364	790,959	1,251,364	790,959
Amortisation of intangible asset	40,000	40,000	40,000	40,000
Net loss on disposal of property, plant and equipment (note 7 )	8,466	16,899	8,466	20,355
Provision for doubtful debts	162,486	135,760	168,392	130,155
	<b>2,631,412</b>	<b>2,236,376</b>	<b>2,575,981</b>	<b>2,080,239</b>
<b>12.2 Working capital requirements</b>				
Increase in inventories	(1,731,418)	(2,433,976)	(1,761,905)	(1,797,437)
Increase in accounts receivable	(10,798,694)	(471,100)	(10,767,414)	(609,015)
Increase/ (decrease) in accounts payable	1,050,300	(593,719)	1,066,068	(966,702)
Net movement in balances with group companies	-	-	236,708	(489,124)
	<b>(11,479,812)</b>	<b>(3,498,796)</b>	<b>(11,226,542)</b>	<b>(3,862,279)</b>
<b>12.3 Taxation paid</b>				
Taxation prepayment at the beginning of the year	6,960	256,736	6,960	256,736
Current taxation provided (note 10 )	(1,210,651)	(1,365,838)	(1,210,651)	(1,365,838)
Taxation liability / prepayment at the end of the year	346,963	(6,960)	346,963	(6,960)
	<b>(856,728)</b>	<b>(1,116,062)</b>	<b>(856,728)</b>	<b>(1,116,062)</b>
<b>13 Property, plant and equipment</b>				
Cost	8,103,021	6,422,538	7,420,118	6,014,173
Valuation	2,845,101	2,845,101	1,953,419	1,953,419
Accumulated depreciation and impairment	(3,075,740)	(2,142,646)	(2,424,264)	(1,552,370)
	<b>7,872,382</b>	<b>7,124,993</b>	<b>6,949,273</b>	<b>6,415,222</b>

	Group				Company			
	Land & Buildings	Plant & Equipment	Furniture, Fittings & Vehicles	Total	Land & Buildings	Plant & Equipment	Furniture, Fittings & Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost or valuation								
Balance at 5 January 2013	1,312,249	1,409,925	4,090,709	<b>6,812,883</b>	1,312,249	400,400	3,999,853	<b>5,712,501</b>
Additions	-	356,135	2,258,348	<b>2,614,483</b>	-	83,913	2,157,196	<b>2,241,109</b>
Acquisition of a cash generating unit	-	-	33,997	<b>33,997</b>	-	-	114,679	<b>114,679</b>
Disposals	-	(103,782)	(89,942)	<b>(193,724)</b>	-	(12,033)	(88,665)	<b>(100,698)</b>
Balance at 4 January 2014	<b>1,312,249</b>	<b>1,662,278</b>	<b>6,293,112</b>	<b>9,267,639</b>	<b>1,312,249</b>	<b>472,280</b>	<b>6,183,063</b>	<b>7,967,591</b>
Additions	-	206,596	1,543,507	<b>1,750,103</b>	-	23,763	1,451,796	<b>1,475,559</b>
Disposals	-	(11,647)	(57,973)	<b>(69,620)</b>	-	(11,647)	(57,967)	<b>(69,614)</b>
Balance at 10 January 2015	<b>1,312,249</b>	<b>1,857,227</b>	<b>7,778,646</b>	<b>10,948,122</b>	<b>1,312,249</b>	<b>484,396</b>	<b>7,576,892</b>	<b>9,373,536</b>
Accumulated depreciation or impairment								
Balance at 5 January 2013	(32,049)	(545,920)	(828,768)	<b>(1,406,737)</b>	(32,049)	(75,017)	(774,297)	<b>(881,363)</b>
Eliminated on disposals of assets	-	88,493	68,043	<b>156,536</b>	-	2,970	64,480	<b>67,450</b>
Current year expense	(32,257)	(183,028)	(677,160)	<b>(892,445)</b>	(32,257)	(48,870)	(657,330)	<b>(738,457)</b>
Balance at 4 January 2014	<b>(64,306)</b>	<b>(640,455)</b>	<b>(1,437,885)</b>	<b>(2,142,646)</b>	<b>(64,306)</b>	<b>(120,917)</b>	<b>(1,367,147)</b>	<b>(1,552,370)</b>
Eliminated on disposals of assets	-	5,070	55,630	<b>60,700</b>	-	5,070	55,493	<b>60,563</b>
Current year expense	(32,257)	(103,225)	(858,312)	<b>(993,794)</b>	(32,257)	(57,005)	(843,195)	<b>(932,457)</b>
Balance at 10 January 2015	<b>(96,563)</b>	<b>(738,610)</b>	<b>(2,240,567)</b>	<b>(3,075,740)</b>	<b>(96,563)</b>	<b>(172,852)</b>	<b>(2,154,849)</b>	<b>(2,424,264)</b>
Net carrying amount at 10 January 2015	1,215,686	1,118,617	5,538,079	<b>7,872,382</b>	1,215,686	311,544	5,422,043	<b>6,949,273</b>
Net carrying amount at 4 January 2014	<b>1,247,943</b>	<b>1,021,823</b>	<b>4,855,227</b>	<b>7,124,993</b>	<b>1,247,943</b>	<b>351,363</b>	<b>4,815,916</b>	<b>6,415,221</b>

### 13.1 Property plant and equipment carried at fair value

The fair value of property, plant and equipment was determined by a director's valuation. The exercise was carried out with the use of independent valuers and experts as detailed below.

#### Land and buildings

As at 31 December 2011, fair values of the properties was determined by using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. The fair values are based on valuations performed by an accredited and independent valuer.

#### Significant unobservable valuation input:

#### Range

Price per square metre \$0.5 to \$1.5

Significant increases/ (decreases) in estimated price per square metre in isolation would result in a significantly higher/(lower) fair value

#### Plant and machinery

An independent professional valuation of the Group's plant and machinery was performed on 9 January 2010 to determine the fair value. The valuation was done on a depreciated replacement cost basis.

#### Furniture, fittings and vehicles

Office and retail equipment was revalued with the use of a consultant on 5 December 2009 on a depreciated replacement cost basis.

#### Description of valuation techniques used and key inputs to valuation on plant, equipment, furniture, fittings and vehicles:

	Valuation technique	Significant unobservable inputs
Plant, equipment, furniture, fittings and vehicles	Depreciated replacement cost	Gross replacement cost for similar assets Remaining useful life Residual value

Fair value hierarchy disclosures for property, plant and equipment have been provided in Note 22.



	Group		Company	
	53 weeks to 10 January 2015	52 weeks to 4 January 2014	53 weeks to 10 January 2015	52 weeks to 4 January 2014
	\$	\$	\$	\$
<b>13.2</b> If property, plant and equipment were measured using the cost model, the carrying amount would be as follows:				
Cost	8,103,021	6,422,538	7,420,119	6,014,174
Accumulated depreciation	(1,444,788)	(1,145,154)	(980,250)	(794,515)
Net carrying amount	<b>6,658,233</b>	<b>5,277,384</b>	<b>6,439,869</b>	<b>5,219,659</b>

**14 Deferred tax balances**

Group							
<b>Temporary differences</b>	Opening balance at 5 January 2013 \$	Recognised in profit or loss \$	Recognised directly in other comprehensive income \$	Closing balance at 4 January 2014 \$	Recognised in profit or loss \$	Recognised directly in other comprehensive income \$	Closing balance at 10 January 2015 \$
Property, plant and equipment	(761,912)	(80,458)	-	(842,370)	(296,872)	-	(1,139,243)
Provisions	(46,374)	46,509	-	136	(12,042)	-	(11,907)
Section 18 installment allowances	(2,250,456)	(59,843)	-	(2,310,299)	(584,240)	-	(2,894,539)
Other	(79,534)	(1,288)	-	(80,821)	10,300	-	(70,521)
	(3,138,275)	(95,080)	-	(3,233,354)	(882,855)	-	(4,116,209)
<b>Tax losses and credits</b>							
Tax losses	706,064	(246,209)	-	459,855	(198,082)	-	261,773
	(2,432,211)	(341,289)	-	(2,773,499)	(1,080,937)	-	(3,854,436)

Company							
<b>Temporary differences</b>	Opening balance at 5 January 2013 \$	Recognised in profit or loss \$	Recognised directly in other comprehensive income \$	Closing balance at 4 January 2014 \$	Recognised in profit or loss \$	Recognised directly in other comprehensive income \$	Closing balance at 10 January 2015 \$
Property, plant and equipment	(611,193)	(90,670)	-	(701,862)	(255,949)	-	(957,812)
Provisions	3,275	49,970	-	53,245	(12,791)	-	40,454
Section 18 installment allowances	(2,252,108)	(59,868)	-	(2,311,976)	(582,497)	-	(2,894,473)
Other	(145,829)	(1,288)	-	(147,116)	10,300	-	(136,816)
	(3,005,855)	(101,855)	-	(3,107,710)	(840,937)	-	(3,948,647)
<b>Tax losses and credits</b>							
Tax losses	-	-	-	-	-	-	-
	(3,005,855)	(101,855)	-	(3,107,710)	(840,937)	-	(3,948,647)

	Group		Company	
	53 weeks to 10 January 2015	52 weeks to 4 January 2014	53 weeks to 10 January 2015	52 weeks to 4 January 2014
	\$	\$	\$	\$
<b>14 Deferred tax balances (continued)</b>				
Reflected in the statement of financial position as follows:				
Deferred tax asset	94,210	334,210	-	-
Deferred tax liability	(3,948,647)	(3,107,710)	(3,948,647)	(3,107,710)
Deferred tax (liabilities) / assets	(3,854,437)	(2,773,499)	(3,948,647)	(3,107,710)

The deferred tax asset has been recognised to the extent which future taxable income will be available against which the temporary differences can be utilised before expiry.

The existence of future taxable income is supported by:

- Confirmed order book to support forecast sales
- Development of new lines of clothing to attract new customers and improve product mix

Tax losses for which no deferred tax asset has been recognised amount to \$1 197 995 (2013- \$487 942)

		53 weeks to 10 January 2015	52 weeks to 4 January 2014
	expiry date	\$	\$
Tax loss in respect of 2010 year end	31 December 2016	503,538	487,942
Tax loss in respect of 2011 year end	31 December 2017	694,458	-
		1,197,995	487,942

#### 15 Intangible assets

	Company and Group		
	Definite life intangible asset	Goodwill	Total
	\$	\$	\$
Cost at 5 January 2013	160,000	-	160,000
Purchased during year	-	45,000	45,000
Cost at 4 January 2014	160,000	45,000	205,000
Purchased/ acquired during the year	-	-	-
Cost at 10 January 2015	160,000	45,000	205,000
Accumulated amortisation at 5 January 2013	(13,333)	-	(13,333)
Amortisation	(40,000)	-	(40,000)
Accumulated amortisation at 4 January 2014	(53,333)	-	(53,333)
Amortisation	(40,000)	-	(40,000)
Accumulated amortisation at 10 January 2015	(93,333)	-	(93,333)
Carrying amount at 10 January 2015	<b>66,667</b>	<b>45,000</b>	<b>111,667</b>
Carrying amount at 4 January 2014	<b>106,667</b>	<b>45,000</b>	<b>151,667</b>

The intangible asset relates to a restraint of trade and has a useful life of 4 years and as at year end has a remaining amortisation period of 1.67 years (2013- 2.67 years).

#### Impairment testing of goodwill

The Group performed its annual impairment test as at 10 January 2015. There were no indicators of impairment for the CGU.

	Group		Company	
	53 weeks to 10 January 2015	52 weeks to 4 January 2014	53 weeks to 10 January 2015	52 weeks to 4 January 2014
	\$	\$	\$	\$
<b>16 Inventories</b>				
Raw materials	2,275,324	1,758,072	-	-
Work in progress	234,824	161,177	-	-
Goods in transit	166,069	371,816	-	-
Merchandise	8,719,230	8,605,233	8,283,679	7,714,567
Consumable stores	293,142	312,236	135,846	194,416
	<b>11,688,589</b>	<b>11,208,534</b>	<b>8,419,525</b>	<b>7,908,984</b>
Refer note 21.3 for inventories pledged as security for borrowings and loans.				
The amount of write-down of inventories recognised in cost of sales is:	1,251,364	790,959	1,251,364	790,959
The value of inventory sold during the year, included as cost of sales is:	35,545,678	31,028,298	39,078,575	33,925,140
<b>17 Trade and other receivables</b>				
Trade accounts receivable	33,821,503	23,637,261	33,782,206	23,551,960
Less: - Specific provision for impairment of receivables	(674,717)	(512,230)	(675,017)	(506,625)
Other accounts receivable	1,168,907	554,455	898,857	361,689
	<b>34,315,693</b>	<b>23,679,486</b>	<b>34,006,046</b>	<b>23,407,024</b>
The movement in the provision for impairment is as follows:				
Opening balance	(512,230)	(376,470)	(506,625)	(376,470)
Increase in provision	(162,486)	(135,760)	(168,392)	(130,155)
Closing balance	<b>(674,717)</b>	<b>(512,230)</b>	<b>(675,017)</b>	<b>(506,625)</b>

Refer note 21.3 for accounts receivables pledged as security for borrowings and loans.

Credit terms offered to customers vary but do not exceed 12 months. The maximum credit period on sales of goods in 2014 is 390 days (2013 - 210 days). Interest is charged on accounts with payment terms in excess of 6 months to pay. Additional late payment interest is charged at 4% per month on the outstanding balance for customers who default on their repayments. The Group has recognised an impairment against all trade receivables based on the arrears records at the end of the period.

Other accounts receivable consist payments in advance and amounts receivable from staff.



	Group		Company	
	53 weeks to	52 weeks to	53 weeks to	52 weeks to
	10 January	4 January	10 January	4 January
	2015	2014	2015	2014
	\$	\$	\$	\$

**18 Equity****18.1 Share capital**

Authorised ordinary share capital

400 000 000 Ordinary shares of \$0.0001 each

40,000

40,000

40,000

40,000

**18.1.1 Issued ordinary shares and premium**

	Number of shares 000s	Share capital \$	Share premium \$	Issued capital total \$
Balance at 5 January 2013	287,645	28,765	125,417	154,182
Issue of shares under employee share option plan	3,695	370	96,633	97,003
Balance at 4 January 2014	291,340	29,135	222,050	251,184
Issue of shares under employee share option plan	1,757	176	101,112	101,288
Balance at 10 January 2015	293,097	29,311	323,162	352,473

Fully paid ordinary shares, carry one vote per share and carry a right to dividends.

Included in shares are shares held by special purpose entities - Zimedgroup Employee Trust ( 35 950 445 shares ) and Edgars Employee Share Trust Company ( 524 150 shares ).

In relation to the remaining 108 659 367 unissued shares, 100 000 000 are under the control of the Directors for an unlimited period, subject to the limitations contained in section 183 of the Companies Act (Chapter 24:03) and the balance of 8 659 367 are under the control of the shareholders in a general meeting.

**18.2 Other reserves**

Equity-settled employee benefits reserve

Change in functional currency reserve

Revaluation reserve

	Group		Company	
	53 weeks to	52 weeks to	53 weeks to	52 weeks to
	10 January	4 January	10 January	4 January
	2015	2014	2015	2014
	\$	\$	\$	\$
Equity-settled employee benefits reserve	(873,124)	(699,454)	(873,124)	(699,454)
Change in functional currency reserve	(750,661)	(750,661)	(335,717)	(335,717)
Revaluation reserve	(1,022,570)	(1,022,570)	(824,677)	(824,677)
	(2,646,355)	(2,472,685)	(2,033,518)	(1,859,848)

**Nature and purpose of reserves****Revaluation reserve**

The revaluation reserve is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

**Change in functional currency reserve**

This arose as a result of change in functional currency from the Zimbabwe dollar to the United States Dollar. It represents the residual equity in existence as at the date of the change over and has been designated as a non-distributable reserve.

**Equity-settled employee benefits reserve**

The equity-settled employee benefits reserve is used to record the value of equity settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

	Group		Company	
	53 weeks to 10 January 2015 \$	52 weeks to 4 January 2014 \$	53 weeks to 10 January 2015 \$	52 weeks to 4 January 2014 \$
<b>19 Trade and other payables, and provisions</b>				
Trade accounts payable	4,429,410	3,776,573	4,476,316	3,720,076
Sundry accounts payable and accrued expenses	3,944,144	3,546,680	3,744,893	3,435,065
	<u>8,373,553</u>	<u>7,323,253</u>	<u>8,221,209</u>	<u>7,155,140</u>
Trade and other payables are interest-free. Payment terms range from 30 days to 120days.				
<b>20 Current tax (assets)/ liabilities</b>				
Normal tax	346,963	(6,960)	346,963	(6,960)
	<u>346,963</u>	<u>(6,960)</u>	<u>346,963</u>	<u>(6,960)</u>
Disclosed in statement of financial position as follows:				
Under current assets	-	(6,960)	-	(6,960)
Under current liabilities	346,963	-	346,963	-
	<u>346,963</u>	<u>(6,960)</u>	<u>346,963</u>	<u>(6,960)</u>
<b>21 Interest bearing loans and borrowings</b>				
Bank overdrafts	2,325,268	423,054	2,325,268	423,054
Bills discounted	1,000,000	1,500,000	1,000,000	1,500,000
Loans	17,016,766	14,596,849	16,561,331	14,400,000
	<u>20,342,034</u>	<u>16,519,903</u>	<u>19,886,599</u>	<u>16,323,054</u>
Less: Long-term portion of loan disclosed under non-current liabilities	(11,527,946)	(10,877,348)	(11,402,946)	(10,800,000)
Current portion	<u>8,814,088</u>	<u>5,642,555</u>	<u>8,483,653</u>	<u>5,523,054</u>
<b>21.1 Unsecured – at amortised cost</b>				
Bank overdrafts	970,422	378	970,422	378
Bills discounted	-	-	-	-
	<u>970,422</u>	<u>378</u>	<u>970,422</u>	<u>378</u>
<b>21.2 Secured – at amortised cost</b>				
Bank overdrafts	1,354,846	422,676	1,354,846	422,676
Bills discounted	1,000,000	1,500,000	1,000,000	1,500,000
Loans	17,016,766	14,596,849	16,561,331	14,400,000
	<u>19,371,612</u>	<u>16,519,525</u>	<u>18,916,177</u>	<u>16,322,676</u>
	<u>20,342,034</u>	<u>16,519,903</u>	<u>19,886,599</u>	<u>16,323,054</u>

**21.3 Summary of borrowing arrangements**

- (i) Secured with an external guarantee, Notarial General Covering Bond, Negative Pledge over assets and cession of debtors book.
- (ii) The weighted average effective interest rate on all the borrowings is 11.07% (2013 -9.79%) per annum
- (iii) Tenures range between 90 days and 3 years

**22 Fair value measurement**

The following table provides the fair value measurement hierarchy of the Group's assets measured at fair value.

Quantitative disclosures fair value measurement hierarchy for assets as at 10 January 2015:

	Fair value measurement using	
	Significant unobservable inputs (Level 3)	Significant unobservable inputs (Level 3)
	53 weeks to 10 January 2015	52 weeks to 4 January 2014
	\$	\$
Assets measured at fair value:		
Land and buildings	1,215,686	1,247,943
Plant and machinery	1,118,617	1,021,823
Furniture, fittings and vehicles	5,538,079	4,855,227

Disclosure on property plant and equipment carried at fair value has been provided in Note 13.1

**23 Leases**

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	53 weeks to 10 January 2015	52 weeks to 4 January 2014	53 weeks to 10 January 2015	52 weeks to 4 January 2014
	\$	\$	\$	\$
Within one year	3,331,287	2,574,735	3,331,287	2,574,735
After one year but not more than five years	2,823,785	3,311,080	2,823,785	3,311,080
More than five years	-	-	-	-
	6,155,072	5,885,815	6,155,072	5,885,815

**24 Future capital expenditure**

Commitments for capital expenditure not provided for in the financial statements are as follows:

Authorised and contracted for	1,295,630	167,564	95,630	167,564
Authorised but not yet contracted for	1,704,370	2,627,261	1,465,600	2,224,661
	3,000,000	2,794,825	1,561,230	2,392,225

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

**25 Contingent liabilities**

There are no guarantees. There is no litigation, current or pending which is likely to have a material adverse effect on the Group.



**26 Financial risk management, objectives and policies**

Financial risk management is carried out at Group level and covers risks to both the Group and Company.

The Group's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Group's operations. The Group has trade and other receivables and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Treasury, Credit and Audit Committees play a role by continuously evaluating the group's exposure and response to significant risk. Taking an acceptable level of risk is considered core to doing business. The Group therefore analyses, evaluates, accepts and manages risk to achieve an appropriate balance between risk and return, at the same time minimising potential adverse effects to the business.

The Board of Directors reviews and agrees policies for each of the risks, which are summarized below.

**26.1 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk.

Financial instruments affected by market risk include borrowings and deposits. The objective of the treasury committee and financial services department is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. Significant factors in managing the risk include the frequency, volatility and direction of rate of changes, the size of the interest-sensitive position and the basis for re-pricing at rollover dates. The Group's exposure to the risk of changes in market interest rates relates primarily to its medium to long-term debt obligations.

**Interest rate sensitivity analysis**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on interest-bearing debt.

10 January 2015	Adjusted interest	Future Interest at Current Rate	Impact on profit or loss gain/(loss)	Tax Effect	Impact on equity gain/(loss)
<b>All figures in US\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Increase of 2% in interest rates	2,644,464	2,237,624	(406,841)	(104,761)	(302,079)
Decrease of 2% in interest rates	1,830,783	2,237,624	406,841	104,761	302,079

4 January 2014	Adjusted interest	Future Interest at Current Rate	Impact on profit or loss gain/(loss)	Tax Effect	Impact on equity gain/(loss)
<b>All figures in US\$</b>					
Increase of 2% in interest rates	3,287,312	2,675,312	(612,000)	(157,590)	(454,410)
Decrease of 2% in interest rates	2,063,312	2,675,312	612,000	157,590	454,410

**Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency).

The carrying amount of foreign currency denominated monetary assets and liabilities at the reporting date for Group and Company were:

	53 weeks to 10 January 2015	52 weeks to 4 January 2014
	South African Rand	South African Rand
Foreign denominated balances		
<b>Assets</b>		
Cash and cash equivalents	588,633	1,267,376
<b>Liabilities</b>		
Trade payables	(3,718,707)	(4,410,086)
Total net position	(3,130,074)	(3,142,710)
Impact of US\$ strengthening by 10% -gain/(loss) in US\$		
Impact on profit before tax	28,455	33,612
Impact of US\$ weakening by 10% -gain/(loss) in US\$		
Impact on profit before tax	(34,779)	(41,081)
There is no impact on equity.		

## 26.2 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and cash deposits).

- Credit risk relating to cash deposits: The Group deposits cash with banks with high credit scoring. In addition the majority of these banks loaned money to the Group, the borrowed amount exceeding our deposits. The maximum exposure to credit risk is equal to the carrying amounts disclosed in the Statements of Financial Position.

- Credit risk relating to trade receivables: The concentration of credit risk is limited due to the customer base being large and unrelated. Before accepting any new customer, the Group uses a robust credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

Limits and scoring attributed to customers are reviewed regularly. The maximum exposure to credit risk is the carrying amount of the receivables as shown in note 17.

The ageing analysis of trade receivables for Group and Company (Company receivables are not materially different from Group) is as follows:

	Total net \$	Neither past due nor impaired	Past due but not impaired	Past due but not impaired
			<30 days	30+ days
10 January 2015	33,146,786	26,754,522	4,802,653	1,589,611
4 January 2014	23,125,031	18,384,399	3,468,755	1,271,877

Management has reviewed the credit quality of the balances in the "neither past due nor impaired" category and is satisfied that none of the debtors are likely to default. This view is supported by the trends and continuous assessment of key debtors ratios.

**26.3 Liquidity risk**

The Group manages the liquidity risk by ensuring that there is adequate capacity in the form of facilities.

	53 weeks to 10 January 2015	52 weeks to 4 January 2014
	\$	\$
<b>Unutilised banking facilities:</b>		
Total banking and loan facilities	33,100,000	30,600,000
Actual interest bearing debt (note 21)	(20,342,034)	(16,519,903)
Unutilised banking facilities	<b>12,757,966</b>	<b>14,080,097</b>

**Reserve capacity:**

The aggregate amount of the Group's year-end interest - bearing debt is limited to an amount determined in terms of the Company's Articles of Association. This limit is calculated as the aggregate of shareholders' equity, inventories and debtors.

Maximum permissible interest bearing debt	67,924,357	51,349,334
Actual interest bearing debt (note 21)	(20,342,034)	(16,519,903)
	47,582,323	34,829,431
Cash and cash equivalents	848,731	906,326
Unutilised borrowing capacity	48,431,054	35,735,757

The table below summarises the maturity profile of the Group 's financial liabilities based on contractual undiscounted payments

	On demand	less than 3mths	3-12 mths	1-5years	Total
<b>10 January 2015</b>					
Interest bearing loans & borrowings	2,325,268	2,887,639	5,463,104	12,090,684	22,766,696
Trade and other payables	-	8,373,553	-	-	8,373,553
	2,325,268	11,261,192	5,463,104	12,090,684	31,140,249
<b>4 January 2014</b>					
Interest bearing loans & borrowings	423,054	2,751,237	3,635,272	12,353,975	19,163,538
Trade and other payables	-	7,323,253	-	-	7,323,253
	423,054	10,074,490	3,635,272	12,353,975	26,486,791

**26.4 Fair value of financial instruments**

The estimated net fair values have been determined as at 10 January 2015, using available market information and appropriate valuation methodologies, and are not necessarily indicative of the amounts that the group could realise in the normal course of business.

Liquid resources and trade accounts receivable:

The carrying amounts reported in the statement of financial position approximate fair values due to their short term nature.

Interest bearing debt:

The carrying amount of interest bearing debt approximates its fair value as the fixed interest rate did not vary significantly from the market rates at year end.



**26.5 Management of Capital**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders or issue new shares.

The Group manages equity and borrowings as capital. The amount of capital as at 10 January 2015 was \$42 262 110 (4 January 2014: \$32 981 214).

The Group monitors capital on the basis of the gearing ratio and level of borrowings and this is calculated as net interest-bearing debt, divided by shareholder's equity. Cash and bank balances are not deducted as they are not interest bearing. During the period, the Group's strategy was to maintain a net gearing ratio of below 1. As at 10 January 2015 the gearing was 0.94 (4 January 2014: 1.0)

**27 Interests of directors in share capital**

The interests, direct and indirect of the directors in office, aggregated as to beneficial interest and non-beneficial interest are as follows :

Directors Name	53 weeks to 10 January 2015	53 weeks to 10 January 2015	52 weeks to 4 January 2014	52 weeks to 4 January 2014
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
R Mlotshwa	4,000	100	4,000	100
C F Dube	-	100	-	100
V Mpofu	5,000	100	5,000	100
L Masterson	1,857,799	100	1,857,799	100
T N Sibanda	-	100	-	100
L L Tumba	-	100	-	100
Z Vella	-	100	-	100
J B Galloway	203,333	-	-	-
Nominees	-	300	-	300
	2,070,132	1,000	1,866,799	1,000

No changes in Directors' shareholdings have occurred between the financial year end and the date of publishing of this annual report.

During the course of the period, no director of the company had any material interest in any contract of significance with the company or any of its subsidiaries which would have given rise to a related conflict of interest.

**28 Related party disclosures (Group & Company)****Compensation of key management personnel of the Group**

	53 weeks to 10 January 2015	52 weeks to 4 January 2014
	\$	\$
Short-term employee benefits	1,580,438	1,450,655
Post-employment pension and medical benefits	187,827	197,469
Share-based payment transactions	175,302	360,314
Total compensation paid to key management personnel	1,943,567	2,008,437

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

For further details on share options granted to key management personnel, refer to note 9.4.

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.

Intercompany balances have no fixed repayment terms and are interest free.

#### **Transactions and balances between Edgars and Carousel Manufacturing**

##### **Transactions**

Purchases	7,233,467	5,378,200
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##### **Balances**

Inter company loan	4,635,858	4,872,566
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#### **Transactions and balances between the Group and Edcon Holdings (Pty) Ltd**

##### **Transactions**

Franchise fees	277,665	190,487
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##### **Balances**

Accrual for franchise fees	277,665	190,487
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Edcon Holdings (Pty) Ltd has provided a guarantee on the Company loan (note 21).

#### **29 Report of the directors**

This is contained in the Chairman's Report and Corporate Governance Report.

#### **30 Going Concern assumption**

The Directors have assessed the ability of the company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

#### **31 Events after the reporting period**

There were no significant events after the reporting date and at the time of approval of the financial statements.

# Analysis of Ordinary Shares

## SHAREHOLDING ANALYSIS

## MEMBER ANALYSIS

VOLUME	SHARES	%	HOLDERS	%
1-5000	1 082 583	0.37%	874	70%
5001-10000	660 081	0.23%	92	7%
10001-25000	1 644 824	0.56%	102	8%
25001-50000	1 605 943	0.55%	43	3%
50001-100001	2 599 022	0.89%	36	3%
100001-200000	3 631 010	1.24%	28	2%
200001-500000	11 254 923	3.84%	39	3%
500001-1000000	10 867 938	3.71%	16	1%
1000001 and Above	259 750 880	88.62%	26	2%
<b>TOTAL</b>	<b>293 097 204</b>	<b>100.00%</b>	<b>1256</b>	<b>100%</b>

Company /Group	No. of Shareholders	No. of Shares Held	% of Shareholding
Bellfield Limited	1	112 138 510	38.26
Nominee Companies	48	14 028 061	4.79
Pension Funds	110	41 000 802	13.99
Zimedgroup Employee Trust	1	35 950 445	12.27
Investment & Other Corporate Bodies	199	67 700 123	23.10
Insurance Companies	6	15 520 883	5.30
Individuals	891	6 758 380	2.31
<b>TOTALS</b>	<b>1 256</b>	<b>293 097 204</b>	<b>100%</b>





# Shareholders Financial Calendar

## Financial Year Ending 10 January 2015

Interim Results for the Half Year ending 5 July 2014	Published	September 2014
Analysts Briefing and Announcement of Results		18 March 2015
Notice to Shareholders	Published	April 2015
Annual Report including Annual Financial Statements		May 2015
Annual General Meeting		28 May 2015

## Financial Year Ending 9 January 2016

Interim Results for the Half Year ending 11 July 2015	Published	September 2015
Analysts Briefing and Announcement of Interim Results		17 September 2015
Analysts Briefing and Announcement of Results for Financial Year 2015	Published	March 2016
Annual Report including Annual Financial Statements		May 2016
Annual General Meeting		June 2016

# Notice to Members

Notice is hereby given that the 66th Annual General Meeting of members will be held at Edgars Training Auditorium, 1st Floor LAPF House, 8th Avenue/ Jason Moyo Street, Bulawayo, 28 May 2015 at 09.30 hours. Following is the Agenda for the meeting:-

## Ordinary Business

1. To approve minutes of the Annual General Meeting held on 29 May 2014.
2. To receive and adopt the annual financial statements and reports of the directors and auditors for the financial year ending 10 January 2015.  
*NB: The full annual report can be viewed online at [www.edgars.co.zw](http://www.edgars.co.zw)*
3. To appoint directors in accordance with the provisions of the company's Articles of Association.
  - 3.1 T N Sibanda, Z Vella & J B Galloway retire by rotation and being eligible they offer themselves for re-election.
  - 3.2 Ms. D. Millar having been appointed as a Director subsequent to the last Annual General Meeting of the Company, and who in terms of the Articles of Association of the Company is now required to retire from the Board at this Annual General Meeting and being eligible, offers herself for re-election.
4. To approve the remuneration of the directors.
5. To appoint auditors for the ensuing year and to approve their remuneration for the past year.
6. To consider and, if deemed fit, pass with or without modification the following Special Resolution:

## Special Resolution

"That the company hereby approves, as a general approval contemplated in sections 78 and 79 of the Companies Act Chapter 24:03, as amended ("the Act"), the acquisition by the company from time to time of issued ordinary shares in the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine but, subject to the Articles of Association of the company, the provisions of the Act and the Listing Requirements of the Zimbabwe Stock Exchange ("ZSE") as presently constituted and which may be amended from time to time, and:

- a. any such acquisition of ordinary shares shall be implemented on the open market on the ZSE;
- b. this general authority shall only be valid until the company's next Annual General Meeting, provided that it shall not extend beyond fifteen [15] months from the date of passing of this special resolution;
- c. a paid press announcement will be published as soon as the company has acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition pursuant to which the 3% (three percent) threshold is reached, which announcement shall contain full details of such acquisitions;

- d. acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 10% (ten percent) of the company's issued ordinary share capital from the date of the grant of this general authority;
- e. in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum and minimum price at which such ordinary shares may be acquired will be 5% (five percent) above or below the respective weighted average of the market price at which such ordinary shares are traded on the ZSE, as determined over the five [5] business days immediately preceding the date of repurchase of such ordinary shares by the company."

The reason for the special resolution is to grant the company a general authority in terms of the Act for the acquisition by the company of shares issued by it, which authority shall be valid until the earlier of the next Annual General Meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond fifteen [15] months from the date of this Annual General Meeting. The passing and registration of this special resolution will have the effect of authorising the company to acquire shares issued by the company.

Although the ZSE Listing Requirements allow a company to repurchase up to 20% (twenty percent) of its issued share capital in any one financial year, the directors are only seeking authority to repurchase up to 10% (ten percent) of issued share capital in this financial year, being 29 309 720 ordinary shares.

## Statement by the Board of Directors of the Company

Pursuant to and in terms of the Listing Requirements of the ZSE, the directors of the company state that:

- a. the intention of the directors of the company is to utilise this authority at a future date provided that the cash resources of the company are in excess of its requirements. In this regard, the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and will ensure that any such utilisation is in the interest of shareholders;
- b. following the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the company will ensure that:
  - the company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for the next twelve [12] months;
  - the consolidated assets of the company and its subsidiaries, will be in excess of the consolidated liabilities of the company and its subsidiaries;
  - the issued share capital and reserves of the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries for the next twelve [12] months; and
  - the working capital available to the company and its subsidiaries will be sufficient for the Group's requirements for the next twelve [12] months.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on his/her behalf. Such proxy need not be a member of the company. The instrument appointing a proxy shall be deposited at the registered office of the company at least 48 hours before the meeting.

By order of the Board

**12 March 2015**  
**Group Secretary**



# Form of Proxy

## EDGARS STORES LIMITED ("the company") FORM OF PROXY

For use by members at the Annual General Meeting of the company to be held on 28 May 2015 at 09.30 hours

I/We \_\_\_\_\_

being the holder/s of ordinary shares in the company, appoint (see Note 1) \_\_\_\_\_

1 \_\_\_\_\_ or failing him/her \_\_\_\_\_

2 \_\_\_\_\_ or failing him/her \_\_\_\_\_

3 the chairman of the Annual General Meeting:

as my/our proxy to act for me/us at the Annual General Meeting, which will be held at the Edgars Training Auditorium, 1st Floor LAPF House, 8th Avenue/ Jason Moyo Street, Bulawayo on Thursday, 28 May 2015 at 09.30 hours for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, to vote for or against the resolutions with or without modification, and/or to abstain from voting thereon in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instruction (see Note 2).

Each member is entitled to appoint one or more proxies (whether a member/s of the company or not) to attend, speak and to vote at the meeting in his/her stead.

	For No of votes Poll	Against No of votes Poll	Abstain No of votes Poll
<b>Ordinary Resolution No 1</b> (Approval of minutes of the AGM of 29 May 2014)			
<b>Ordinary Resolution No 2</b> (Receipt and adoption of the annual financial statements for the year ending 10 January 2015)			
<b>Ordinary Resolution No 3</b> (Election of Directors as a single resolution)			
<b>Alternatively: Ordinary Resolution No 3</b> (Election of Directors)			
<b>Ordinary Resolution No 4</b> (Approval of the remuneration of directors)			
<b>Ordinary Resolution No 5</b> (Appointment of auditors & approval of their remuneration)			
<b>Special Resolution</b> (General Authorisation - Share Buy Back)			

(NOTE: ON A POLL, A MEMBER IS ENTITLED TO ONE VOTE FOR EACH SHARE HELD)

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2015

Signature \_\_\_\_\_

(ASSISTED BY ME WHERE APPLICABLE)

Instructions overleaf

## Instructions for Signing and Lodging this Proxy

### Notes:

1. Each member is entitled to appoint one or more proxies (who need not be a member(s) of the company) to attend, speak and vote (either on a poll or by show of hands) in place of that member at the Annual General Meeting.
2. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the spaces provided, with or without deleting the words "the chairman of the Annual General Meeting". All deletions must be individually initialled by the member, failing which they will not have been validly effected. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting shall be entitled to act as proxy to the exclusion of the persons whose names follow.
3. Voting instructions for each of the resolutions must be completed by filling the number of votes (one per ordinary share) under the "For", "Against" or "Abstain" headings on the Proxy Form. If no instructions are filled in on the Proxy Form, the chairman of the Annual General Meeting, if the chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.
4. A member or his/her proxy is entitled but not obliged to vote in respect of the ordinary shares held by the member. The total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the member.
5. If this form has been signed by a person in a representative capacity, the document authorising that person to sign must be attached, unless previously recorded by the company's transfer secretaries or waived by the chairman of the Annual General Meeting.
6. The chairman of the Annual General Meeting may accept or reject any form of proxy that is completed and/or received other than in accordance with these instructions and notes.
7. Any alterations or corrections to this form of proxy have to be initialed by the signatory (/ies).
8. The completion and lodging of this form of proxy does not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person to the exclusion of any proxy appointed by the member.
9. Forms of proxy have to be lodged with or posted to the Group Secretary, Edgars Stores Limited, Cnr 9th Avenue/ Herbert Chitepo Street, Bulawayo, or the Transfer Secretaries, Corpserve (Private) Limited, at Cnr Kwame Nkrumah Avenue/1st Street, P O Box 2208, Harare and to be received by not later than 09.30 hours on 26 May 2015.
10. This proxy form is to be completed only by those members who either still hold shares in a certificated form, or whose shares are recorded in their own name in electronic form in the sub register.



## Corporate Information





### **Edgars Stores Limited**

Incorporated in the Republic of Zimbabwe

Company registration number 379/1948

#### **Registered office**

Edgars Head Office

Cnr Ninth Avenue / Herbert Chitepo Street

Telephone: 263-9-881626/35

Fax: 263-9-68443

E-mail: [info@edgars.co.zw](mailto:info@edgars.co.zw)

Website: [www.edgars.co.zw](http://www.edgars.co.zw)

#### **Postal address**

P O Box 894, Bulawayo, Zimbabwe

#### **Company Secretary**

James Blair Galloway

#### **Transfer Secretaries**

Corpserve (Pvt) Ltd

4th Floor ZB Centre

Cnr Kwame Nkrumah Avenue/ 1st Street

P O Box 2208, Harare, Zimbabwe

Telephone: 263-4-750711/2

#### **Auditors**

Ernst & Young Chartered Accountants Zimbabwe

Derry House

Cnr Fife Street/6th Avenue

P O Box 437, Bulawayo, Zimbabwe

Telephone: 263-9-76111

#### **Legal Advisors**

Coghlan & Welsh Legal Practitioners

Barclays Bank Building

8th Avenue, P O Box 22, Bulawayo, Zimbabwe

Telephone: 263-9-888371/8

#### **Bankers**

Barclays Bank Zimbabwe Limited

Cnr Main Street/8th Avenue

P O Box 702, Bulawayo, Zimbabwe

Telephone: 263-9-881121/7

#### **Co-ordination: Group Finance**

#### **Design and production: Charisma**

E-mail: [info@charismaagency.net](mailto:info@charismaagency.net)

Website: [www.charismaagency.net](http://www.charismaagency.net)

These results can be viewed on the internet at: [www.edgars.co.zw](http://www.edgars.co.zw)



Edgars Stores  
Limited