



Edgars Stores Limited

AUDITED FINAL RESULTS FOR THE 52 WEEKS TO 4 JANUARY 2014

Retail sales up 8% to \$64.8m

Profit after tax up 12% to \$4.2m

Finance costs down 36% to \$1.7m

Cash generated from operations up to \$3.6m

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the 52 weeks to 4 January 2014

	2013 52 Weeks to 04.01.14 \$ audited	2012 52 Weeks to 05.01.13 \$ audited
Revenue	67,749,408	62,576,258
Sales of merchandise	64,761,574	60,165,194
Cost of sales	(33,734,141)	(31,786,056)
Gross profit	31,027,432	28,379,138
Other gains and losses	139,794	40,077
Debt collection costs	(9,981)	(440,199)
Late payment charges	2,730,575	2,142,266
Debt collection costs	(2,740,556)	(2,582,465)
Store expenses	(11,840,943)	(10,023,470)
Depreciation	(892,445)	(648,163)
Other operating expenses	(10,779,872)	(9,361,082)
Trading profit	7,643,985	7,946,301
Finance income	36,205	53,585
Finance costs	(1,734,876)	(2,705,059)
Profit before tax	5,945,314	5,294,828
Income tax expense	(1,707,126)	(1,497,237)
Profit for the year	4,238,188	3,797,591
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the year	4,238,188	3,797,591
Earnings per share (cents)		
Basic	1.68	1.53
Diluted	1.63	1.48
Headline	1.67	1.57

CONSOLIDATED STATEMENT OF CASH FLOWS For the 52 weeks to 4 January 2014

	2013 52 weeks to 04.01.2014 \$ audited	2012 52 weeks to 05.01.2013 \$ audited
Cash flows from operating activities		
Trading profit	7,643,985	7,946,301
Non cash items	2,236,376	1,708,440
Movements in working capital	(3,498,796)	(5,003,878)
Interest paid	6,381,566	4,650,863
Taxation paid	(1,692,428)	(2,553,766)
	(1,116,062)	(1,002,933)
Cash inflow from operating activities	3,573,076	1,094,164
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,665,034)	(2,188,927)
Proceeds from disposal of property, plant and equipment	28,390	215,464
Purchase of intangible assets	-	(160,000)
Purchase consideration on business combination	(78,997)	-
Interest received	36,205	48,166
Net cash used in investing activities	(2,679,435)	(2,085,297)
Cash flows from financing activities		
Proceeds from issue of equity shares	97,003	74,356
Proceeds from borrowings	2,165,542	43,296,681
Repayment of borrowings	(6,997,631)	(37,948,693)
Net cash (used in) / generated from financing activities	(4,735,086)	5,422,344
Net (decrease)/increase in cash and cash equivalents	(3,841,445)	4,431,211
Cash and cash equivalents at the beginning of the year	4,747,774	316,562
Cash and cash equivalents at the end of the year	906,329	4,747,774

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 4 January 2014

	2013 as at 04.01.2014 \$ audited	2012 as at 05.01.2013 \$ audited
Assets		
Non-current assets		
Property, plant and equipment	7,124,993	5,406,146
Deferred tax asset	334,210	573,644
Intangible assets	151,667	146,667
Total non-current assets	7,610,871	6,126,456
Current assets		
Inventories	11,208,534	9,565,517
Trade and other receivables	23,679,486	23,344,145
Current tax	6,960	256,736
Cash and bank balances	906,329	4,747,774
Total current assets	35,801,309	37,914,171
Total assets	43,412,179	44,040,627
Equity and liabilities		
Equity		
Issued capital	251,183	154,180
Reserves	16,210,130	11,611,627
Total capital and reserves	16,461,313	11,765,807
Non-current liabilities		
Interest bearing loans and borrowings	10,877,348	14,321,139
Deferred tax liability	3,107,710	3,005,855
Total non-current liabilities	13,985,058	17,326,994
Current liabilities		
Trade and other payables	7,323,253	7,916,972
Interest bearing loans and borrowings	5,642,555	7,030,854
Total current liabilities	12,965,808	14,947,826
Total liabilities	26,950,866	32,274,820
Total equity and liabilities	43,412,179	44,040,627
Net equity per share (cents)	5.65	4.09
Gearing	1.00	1.81

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 52 weeks to 4 January 2014

	Issued capital	Equity-settled employee benefits reserve	Revaluation reserve	Change in functional currency reserve	Retained earnings	Total
Balance at 7 January 2012	79,825	237,089	1,022,569	928,907	5,523,420	7,791,808
Comprehensive income for the period	-	-	-	-	3,797,591	3,797,591
Exercise of share options	74,356	-	-	-	-	74,356
Recognition of share based payments	-	102,052	-	-	-	102,052
Balance at 5 January 2013	154,181	339,141	1,022,569	928,907	9,321,011	11,765,807
Comprehensive income for the period	-	-	-	-	4,238,188	4,238,188
Transfer on disposal	-	-	-	(178,244)	178,244	-
Exercise of share options	97,003	-	-	-	-	97,003
Recognition of share based payments	-	360,315	-	-	-	360,315
Balance at 4 January 2014	251,184	699,455	1,022,569	750,663	13,737,444	16,461,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the 52 weeks to 4 January 2014

- The same accounting policies and methods of computation are followed in the final results as compared with the most recent annual financial statements.
- The Directors are ultimately responsible for the preparation of the final results and related financial information that fairly present the state of affairs and the results of the Group.
- The results presented herein have been audited by the group's external Auditors, Ernst & Young, who issued an unqualified opinion on them.

	2013 \$	2012 \$
Headline earnings	4,238,188	3,797,591
Earnings attributable to shareholders	-	-
Adjusted for non-recurring items:	-	-
(Loss) / profit on disposal of property, plant and equipment	(16,899)	100,219
Headline earnings	4,221,289	3,897,810
- Capital expenditure**
Acquisition of property, plant and equipment

	2013	2012
Authorised and contracted for	167,564	257,439
Authorised but not yet contracted for	2,627,261	4,664,526
	2,794,825	4,921,965
- Capital Commitments**
All expenditure is to be financed from existing cash resources and the utilisation of authorised borrowing facilities.
- Lease commitments**
There are no finance lease commitments
Future minimum rentals under non-cancellable operating leases are as follows:

	2013	2012
Within one year	2,574,735	2,585,589
After one year but not more than five years	3,311,080	3,750,462
More than five years	-	-
	5,885,815	6,336,050
- Related party relationships exist between the group, fellow subsidiaries and the holding company. All purchasing and selling transactions are concluded at arm's length. All intra-group balances, income and expenses, unrealised gains and losses resulting from intra-group transactions are eliminated in full.

	Retail- Edgars	Retail- Jet	Manufacturing	Corporate	Total Segments	Adjustments and Eliminations	Consolidated
Saturday, January 04, 2014							
Revenue							
External customers	51,379,957	12,997,635	383,982	-	64,761,574	-	64,761,574
Inter-segments	-	-	5,387,200	-	5,387,200	(5,387,200)	-
Total revenue	51,379,957	12,997,635	5,771,182	-	70,148,774	(5,387,200)	64,761,574
Results							
Segment trading profit/(loss)	10,693,002	522,527	376,680	(3,948,224)	7,643,985	-	7,643,985
Total assets	31,388,455	3,873,776	4,879,824	8,362,530	48,504,585	(5,092,406)	43,412,179
Saturday, January 05, 2013							
Revenue							
External customers	48,796,626	11,113,255	255,312	-	60,165,194	-	60,165,194
Inter-segments	-	-	4,242,705	-	4,242,705	(4,242,705)	-
Total revenue	48,796,626	11,113,255	4,498,017	-	64,407,899	(4,242,705)	60,165,194
Results							
Segment trading profit/(loss)	9,759,325	869,224	(280,525)	(2,401,723)	7,946,301	-	7,946,301
Total assets	30,490,290	2,414,901	4,654,833	13,733,030	51,293,054	(7,252,427)	44,040,627

COMMENTARY

The group's footprint was increased through the opening of 9 new outlets during the year to close the year with 49 stores. The performance of our business is largely dependent upon the level of formal sector employment. These factors, against a background of a shrinking economy, negatively impacted our December sales which were lower than expected. This resulted in us not achieving the budget as anticipated in our promise made at mid-year. Profit after tax of \$4 238 188 is 12% above last year.

The group has benefited immensely from the long term cheaper finance which was facilitated at shareholder level.

RETAIL OPERATIONS

The Edgars chain grew sales by 5% to \$51.4m (2012:\$48.8m). This represents 80% of group retail sales (2012:81%) of which 72% were credit sales (2012:71%). At year end, the chain traded out of 26 outlets (2012:24) with a gross trading area of 26 572 m² (2012:26020 m²). The trading density was \$2 459 (2012:\$ 2 378). Chain trading profitability was 21% (2012:20%).

The Jet chain results were below expectations. Sales increased by 17% to \$13m (2012:\$11.1m) but the chain profit decreased by 40% to \$522 527 from \$869 224. This decrease in profit is partly attributable to startup costs associated with the opening of new branches. The chain traded out of 23 outlets at year end, having opened another 4 stores since July (1 Kariba, 3 Harare). The gross trading area at year end was 11 125 m² (2012: 8 337 m²). Trading density was \$1 436 (2012:\$1 607). The immediate focus in this chain is on cost control and product assortment improvement in terms of range and price.

MANUFACTURING

Profit for the year before interest and tax was \$376 680 versus a loss in 2012 of \$280 525, a significant turnaround of \$657 205.

CREDIT MANAGEMENT

The number of debtors accounts grew to 197 932 (2012:181 581), an increase of 9%. Average handovers were 0.3% and 1.4% of lagged debtors and credit sales respectively. Provision for doubtful debts was 2.2% (2012:1.64%) of total debtors which stood at \$23 551 537 at year end. We are happy with the quality and performance of our book.

CAPITAL EXPENDITURE

\$1.8m was spent on new stores and refurbishments. The major capital expenditure project in the coming year is an upgrade of our IT systems, which form the backbone of our business, to a fully integrated system which will enable us to better serve and interact with our customers, suppliers, bankers and other stakeholders.

OUTLOOK

The main focus is on improving our customers' shopping experience. Through various initiatives that we are currently finalising, we will be giving our customers more value and wider choice. Greater leverage is being placed on partners for sourcing merchandise which will lead to greater desirability of assortments, more fashion and less price. While the outlook for 2014 appears difficult, we will continue to seek and exploit opportunities to achieve profitable growth for the group in the medium term. We have identified opportunities to make this happen.

DIVIDEND

The company is still not in a position to declare a dividend. There is a backlog of capital expenditure projects to be embarked on and the level of debt is still too high.

APPRECIATION

I am grateful to fellow board members, management, staff and other key stakeholders for their efforts and support of the business.

T N Sibanda
Chairman

Edgars

Jet
GOOD LIFE

Carousel
(PVT) LTD

DIRECTORATE: Non Executive Chairman: T. N. SIBANDA • Group Managing Director: *L. MASTERTON, • Directors: C. F. DUBE, Dr L. L. TSUMBA, R. MLOTSHWA, *V. MPOFU, *Z. VELLA, *J. B. GALLOWAY *Executive