



# Edgars Stores Limited

UNAUDITED INTERIM RESULTS FOR THE 26 WEEKS ENDED 5 JULY 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the 26 weeks to 5 July 2014		
	2014 \$ 05.07.2014 unaudited	2013 \$ 06.07.2013 unaudited
Revenue	31,619,183	28,694,924
Sales of merchandise	29,497,625	27,191,407
Cost of sales	(15,488,660)	(14,216,199)
Gross profit	14,008,966	12,975,207
Other losses	(21,728)	(7,238)
Debt collection costs	(1,710,779)	(1,164,530)
Store expenses	(6,072,669)	(5,439,353)
Depreciation	(484,404)	(424,392)
Other operating expenses	(5,022,260)	(4,857,832)
Trading profit	697,126	1,081,863
Finance income	1,825,370	1,407,593
Finance costs	(908,409)	(877,170)
Profit before tax	1,614,087	1,612,286
Income tax expense	(568,764)	(515,110)
Profit for the period	1,045,323	1,097,177
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	1,045,323	1,097,177
<b>Earnings per share (cents)</b>		
Basic	0.41	0.44
Diluted	0.40	0.42
Headline	0.41	0.44

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the 26 weeks to 5 July 2014		
	2014 26 weeks to 05.07.2014 \$ audited	2013 26 weeks to 06.07.2013 \$ audited
Cash flows from operating activities		
Trading profit	697,126	1,081,863
Non cash items	1,135,619	902,738
Movements in working capital	(2,253,201)	(909,005)
Cash (used in)/ generated from operations	(420,457)	1,075,597
Finance costs paid	(968,030)	(898,066)
Finance income received	1,825,370	1,407,593
Taxation paid	(137,685)	(417,663)
Cash inflow from operating activities	299,199	1,167,462
Cash flows from investing activities		
Payments for property, plant and equipment	(768,608)	(1,234,780)
Proceeds from disposal of property, plant and equipment	30	18,470
Net cash used in investing activities	(768,578)	(1,216,310)
Cash flows from financing activities		
Proceeds from issue of equity shares	98,388	47,641
Proceeds from borrowings	5,568,174	897,003
Repayment of borrowings	(5,357,899)	(5,094,212)
Net cash generated from/ (used in) financing activities	308,663	(4,149,568)
Net decrease in cash and cash equivalents	(160,715)	(4,198,417)
Cash and cash equivalents at the beginning of the half year	906,329	4,747,774
Cash and cash equivalents at the end of the half year	745,613	549,357

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION For the 26 weeks to 5 July 2014			
	2014 as at 05.07.2014 \$ unaudited	2013 as at 06.07.2013 \$ unaudited	2013 as at 04.01.2014 \$ audited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7,413,315	6,234,792	7,124,993
Deferred tax asset	214,210	454,210	334,210
Intangible assets	131,667	126,667	151,667
Total non-current assets	7,759,192	6,815,669	7,610,871
<b>Current assets</b>			
Inventories	13,110,182	11,622,210	11,208,534
Trade and other receivables	22,707,233	19,050,065	23,679,486
Current tax	-	365,354	6,960
Cash and bank balances	745,613	549,357	906,329
Total current assets	36,563,029	31,586,986	35,801,309
Total assets	44,322,221	38,402,655	43,412,179
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	349,571	201,822	251,183
Reserves	17,375,452	12,868,804	16,210,130
Total capital and reserves	17,725,023	13,070,626	16,461,313
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	9,259,268	12,763,829	10,877,348
Deferred tax liability	3,407,051	3,092,487	3,107,710
Total non-current liabilities	12,666,319	15,856,316	13,985,058
<b>Current liabilities</b>			
Trade and other payables	6,455,190	5,084,757	7,323,253
Current tax liabilities	4,777	-	-
Interest bearing loans and borrowings	7,470,911	4,390,956	5,642,555
Total current liabilities	13,930,878	9,475,712	12,965,808
Total liabilities	26,597,197	25,332,029	26,950,866
Total equity and liabilities	44,322,221	38,402,655	43,412,179
Net equity per share (cents)	6.93	4.51	5.65
Gearing (gross)	0.94	1.31	1.00

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 26 weeks to 5 July 2014						
	Issued capital	Equity-settled employee benefits reserve	Revaluation reserve	Change in functional currency reserve	Retained earnings	Total
<b>Balance at 5 January 2013</b>	154,181	339,141	1,022,569	928,907	9,321,011	11,765,807
Comprehensive income for the period	-	-	-	-	4,238,188	4,238,188
Transfer on disposal	-	-	-	(178,244)	178,244	-
Exercise of share options	97,003	-	-	-	-	97,003
Recognition of share based payments	-	360,315	-	-	-	360,315
<b>Balance at 4 January 2014</b>	251,183	699,455	1,022,569	750,663	13,737,443	16,461,313
Comprehensive income for the period	-	-	-	-	1,045,323	1,045,323
Exercise of share options	98,388	-	-	-	-	98,388
Recognition of share based payments	-	120,000	-	-	-	120,000
<b>Balance at 5 July 2014</b>	349,571	819,455	1,022,569	750,663	14,782,766	17,725,023

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the 26 weeks to 5 July 2014						
1	The same accounting policies and methods of computation per the most recent annual financial statements were used.					
2	The interim financial report is in compliance with IAS34					
3	The Directors are responsible for the preparation of the Interim Financial Report and related financial information which has not been audited.					
4	<b>Headline earnings</b>				2014 \$	2013 \$
	Earnings attributable to shareholders				1,045,323	1,097,177
	Adjusted for non-recurring items:					
	Loss on disposal of property, plant and equipment				409	12,927
	Headline earnings				1,045,732	1,110,103
5	<b>Capital expenditure</b>					
	Acquisition of property, plant and equipment				768,608	1,234,780
6	<b>Capital Commitments</b>					
	Authorised and contracted for				184,714	349,298
	Authorised but not yet contracted for				2,227,864	3,337,887
					2,412,578	3,687,185
	All expenditure is to be financed from existing cash resources and the utilisation of authorised borrowing facilities.					
7	<b>Lease commitments</b>					
	There are no finance lease commitments					
	Future minimum rentals under non-cancellable operating leases are as follows:					
	Within one year				3,059,313	2,909,560
	After one year but not more than five years				3,438,623	3,588,148
					6,497,937	6,497,707
8	<b>Related party transactions and balances</b>					
	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
2014						Adjustments and Eliminations
Sales of merchandise						Consolidated
External customers	23,765,228	5,555,950	176,447	-	29,497,625	29,497,625
Inter-segments	-	-	2,715,760	-	2,715,760	(2,715,760)
Total	23,765,228	5,555,950	2,892,207	-	32,213,385	(2,715,760)
Results						
Segment trading profit/(loss)	4,088,316	103,086	264,148	(3,713,782)	741,768	(44,643)
Total assets	32,976,984	3,935,909	5,636,584	6,939,190	49,488,667	(5,166,446)
2013						
Sales of merchandise						
External customers	22,122,966	4,946,029	122,412	-	27,191,407	27,191,407
Inter-segments	-	-	2,238,283	-	2,238,283	(2,238,283)
Total	22,122,966	4,946,029	2,360,695	-	29,429,690	(2,238,283)
Results						
Segment trading profit/(loss)	4,527,151	230,443	118,901	(3,794,632)	1,047,370	34,493
Total assets	35,414,515	3,496,320	6,750,458	1,673,088	47,334,381	(8,931,727)
9	<b>Subsequent events</b>					
	There were no significant events after the reporting date and at the time of approval of the financial statements.					

**CHAIRMAN'S STATEMENT**  
Through strategic initiatives such as re-launching The Club and offering extended payment terms to Edgars chain customers in the form of a 12 month to pay (12MTP) account, the Group managed to recover from the weak first quarter performance, which was a direct consequence of the ongoing tough liquidity environment. The Group's Profit before Tax for the 26 weeks' trading was \$1.6million.

**Retail operations**  
In the Edgars chain new stores were opened in Victoria Falls and downtown Harare, bringing the total number of Edgars branches to 28 (2013; 24). The chain's turnover increased by 7.4% (like-for-like, 3%) while profits declined by 9.7%. July trading was strong and cost control efforts started bearing fruit resulting in improved profitability. 89.9% of the chain's sales in the first half were credit sales (2013; 89.4%) and stock cover was 11.7 weeks (2013; 11.6 weeks).

The Jet chain contributed 18.8% to the Group's turnover (2013; 18.2%). Total turnover for the 25 stores (2013; 18), was 12.3% above last year (like-for-like; -18.0%). July trading was more buoyant and both profitability and old store growth rates improved. The chain has been seriously affected by price-based competition from the informal sector and unbalanced assortments arising from the rapid expansion last year. Concerted efforts to improve pricing and product assortment are underway and we expect a turnaround for the chain in the last quarter. Closing stock cover was 12 weeks, which is a solid improvement from the 16.7 weeks last year.

**Credit Management**  
Our combined debtors book had 203 728 (2013- 188 447) accounts at the end of June; of which 71.3% were active (2013 - 72.5%). Our provision for doubtful debts of \$517 020 represents 2.3% of gross balances (2013; 2.0%). Average handovers for the period amounted to 0.4% of lagged debtors and 1.6% of lagged credit sales. Recoveries from handovers averaged 34.6% of debts handed over. We are confident of the adequacy of our provision for doubtful debts.

**Manufacturing**  
The factory continues to improve its performance, having contributed \$264 148 to the Group's Profit before Interest and Tax (PBIT). Production volumes increased to 170 197 units, an increase of 35% from 126 221 units in the first half of 2013. We are committed to supporting the local clothing manufacturing industry and will continue to retool this business unit to improve productivity and enable it to compete regionally.

**Capital expenditure**  
A total of \$768 608 was spent on  
• New stores (\$585 115),  
• information and communication technology equipment and software (\$78 556),  
• other equipment (\$39 274) and  
• motor vehicles (\$65 663).

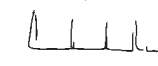
Our Enterprise Resource Planning (ERP) renewal project has gained momentum and the bulk of capital expenditure in the second half of the year will be directed towards this project.

**Financing**  
The 12MTP credit option in the Edgars chain will lead to improved overall debtors' statistics, less bad and overdue debt, a growth in the debtors' book, an increase in interest income and slightly reduced cash inflows. We are confident of our ability to continue to fund the needs of the business. Overall, our borrowings have decreased as at the half year end.

**Dividend**  
No interim dividend has been declared as the Group has still not reached the desired level of gearing.

**Outlook**  
Our main focus remains on improving our customers' shopping experience through providing more value and wider choice. The ERP implementation is planned to lead to improved productivity, merchandise planning and customer service. We will continue to be innovative to minimise the negative impact of the challenging operating environment. Trading has picked up since April and we expect to see positive bottom line growth for the year.

**Appreciation**  
I am grateful to board colleagues, management and staff for their steadfast efforts in this tough operating environment, our customers for their loyalty and our landlords, bankers and suppliers for their continued support.

  
T N Sibanda - Chairman  
11 September 2014

