Edgars Stores Limited

AUDITED RESULTS FOR THE 52 WEEKS TO 9 JANUARY 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 52 weeks to 9 January 2016

	2015 $ 52 weeks to 09.01.2016 audited	2014 $ 53 weeks to 10.01.2015 audited
Revenue	63,902,246	73,036,678
Sale of merchandise	62,272,355	72,071,863
Cost of sales	(33,603,198)	(38,651,078)
Gross profit	28,669,157	33,420,785
Other losses	(69,314)	(27,679)
Credit management and debt collection costs	(6,104,432)	(3,788,491)
Store expenses	(12,620,890)	(13,285,782)
Depreciation and amortisation	(1,213,094)	(993,794)
Other operating expenses	(10,364,816)	(11,029,373)
Finance income	10,511,127	5,123,429
Finance costs	(2,735,219)	(1,943,703)
Profit before tax	6,072,519	7,475,393
Income tax expense	(2,108,486)	(2,291,588)
Profit for the period	3,964,033	5,183,805
Other comprehensive income for the period net of tax	604,981	-
Total comprehensive income for the period	4,569,014	5,183,805
Earnings per share (cents)		
Basic		
Diluted	1.54	2.02
Headline	1.51	1.93
	1.58	2.03

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 52 weeks to 9 January 2016

	2015 52 weeks to 09.01.2016 $ audited	2014 53 weeks to 10.01.2015 $ audited
Cash flows from operating activities		
Profit before tax	6,072,519	7,475,393
Finance income	(10,511,127)	(5,123,429)
Finance costs	2,735,219	1,943,703
Non cash items	3,851,230	2,631,413
Movements in working capital	(3,998,318)	(11,479,812)
Cash used in operations	(1,850,477)	(4,552,733)
Finance costs paid	(2,764,977)	(1,945,223)
Finance income received	10,511,127	5,123,429
Taxation paid	(1,793,382)	(856,728)
Cash inflow/ (outflow) from operating activities	4,102,291	(2,231,255)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,151,532)	(1,750,102)
Proceeds from disposal of property, plant and equipment	26,031	340
Net cash used in investing activities	(2,125,501)	(1,749,761)
Cash flows from financing activities		
Proceeds from issue of equity shares	25,617	101,288
Proceeds from borrowings	13,629,661	14,016,247
Repayment of borrowings	(15,946,754)	(10,194,116)
Net cash (used in)/ generated from financing activities	(2,291,476)	3,923,420
Net decrease in cash and cash equivalents	(314,686)	(57,596)
Cash and cash equivalents at the beginning of the period	848,731	906,327
Cash and cash equivalents at the end of the period	534,045	848,731

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 9 January 2016

	2015 as at 09.01.2016 $ audited	2014 as at 10.01.2015 $ audited
Assets		
Non-current assets		
Property, plant and equipment	9,519,089	7,872,382
Deferred tax asset	-	94,210
Intangible assets	26,667	111,667
Total non-current assets	9,545,756	8,078,259
Current assets		
Inventories	12,802,184	11,688,589
Trade and other receivables	32,344,417	34,315,693
Cash and cash equivalents	534,045	848,731
Total current assets	45,680,646	46,853,013
Total assets	55,226,402	54,931,272
Equity and liabilities		
Equity		
Issued capital	378,089	352,472
Reserves	26,239,845	21,567,604
Total capital and reserves	26,617,934	21,920,076
Non-current liabilities		
Interest bearing loans and borrowings	6,859,007	11,527,946
Deferred tax liability	3,845,922	3,948,646
Total non-current liabilities	10,704,929	15,476,592
Current liabilities		
Trade and other payables	5,879,633	8,373,553
Current tax liabilities	857,972	346,963
Interest bearing loans and borrowings	11,165,934	8,814,088
Total current liabilities	17,903,539	17,534,604
Total liabilities	28,608,469	33,011,196
Total equity and liabilities	55,226,402	54,931,272

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 52 weeks to 9 January 2016

	Issued capital	Equity-settled employee benefits reserve	Revaluation reserve	Change in functional currency reserve	Retained earnings	Total
	$	$	$	$	$	$
Balance at 4 January 2014	251,184	699,454	1,022,569	750,662	13,737,442	16,461,311
Comprehensive income for the period	-	-	-	-	5,183,805	5,183,805
Exercise of share options	101,288	-	-	-	-	101,288
Share based payment expense	-	173,670	-	-	-	173,670
Balance at 10 January 2015	352,472	873,124	1,022,569	750,662	18,921,247	21,920,074
Comprehensive income for the period	-	-	604,981	-	3,964,033	4,569,014
Exercise of share options	25,617	-	-	-	-	25,617
Share based payment expense	-	103,229	-	-	-	103,229
Transfer to distributable reserve				(750,662)	750,662	-
Balance at 9 January 2016	378,089	976,353	1,627,550	-	23,635,942	26,617,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the 52 weeks to 9 January 2016

1 The Group's financial statements, of which these abridged results are an extract, were prepared in accordance with International Financial Reporting Standards. The Group manages its retail operations on a 52-week retail calendar basis and as a result, a 53rd week is required approximately every six years for realignment. The financial position and results for the 52 weeks to 9 January 2016 are therefore not entirely comparable to the 53 weeks to 10 January 2015.

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

3 **Auditor's Statement**
The results presented herein have been audited by the Group's external auditors, Ernst & Young, who issued an unqualified opinion thereon. These financial results should be read in conjuction with the complete set of financial statements for the 52 weeks ended 9 January 2016. The auditor's report for these financial results is available for inspection at the Company's registered office.

		2015 $	2014 $
4	**Headline earnings**		
	Earnings attributable to shareholders	3,964,033	5,183,805
	Adjusted for non-recurring items:		
	Loss on disposal of property, plant and equipment	58,464	8,466
	Impairment of goodwill	45,000	-
	Headline earnings	4,067,497	5,192,271
5	**Other Comprehensive Income**		
	Revaluation of property, plant and equipment	792,372	-
	Deferred Tax on revaluation	(187,391)	-
		604,981	-

An independent professional valuation of the Group's property, plant and machinery, furniture, fixtures, office and computer equipment and vehicles was performed on 31 December 2015 to determine the fair value.

		2015	2014
6	**Capital expenditure**		
	Acquisition of property, plant and equipment	2,151,532	1,750,102
7	**Capital Commitments**		
	Authorised and contracted for	743,097	1,295,630
	Authorised but not yet contracted for	1,891,472	1,704,370
		2,634,569	3,000,000

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

		2015	2014
8	**Lease commitments**		
	There are no finance lease commitments		
	Future minimum rentals under operating leases are as follows:		
	Within one year	3,549,201	3,331,287
	After one year but not more than five years	6,005,860	2,823,785
		9,555,061	6,155,072

9 **Transfer from Change in Functional Currency Reserve to Retained earnings**
The Directors of the company resolved to transfer to distributable reserves the remaining balance in the Change in Functional Currency Reserve which arose as a result of change in functional currency from the Zimbabwe dollar to the United States Dollar. It represented the residual equity in existence as at the date of the change over. This transfer has taken place through the Statement of Changes in Equity and has no effect on profitability.

Interest bearing loans and borrowings
10 These are secured by a guarantee from the holding company ($ 7.2m), cession of book debts ($6m) and negative pledges over plant and equipment $2.4m. The weighted average cost of borrowing is 11% (2014: 11%)

Related Party transactions
11 Related party relationships exist between the group, fellow subsidiaries and the holding company. All purchasing and selling transactions are concluded at arm's length. All intra-group balances, income and expenses, unrealised gains and losses resulting from intra-group transactions are eliminated in full.

	Retail- Edgars	Retail- Jet	Manufacturing	Corporate	Total Segments	Adjustments and Eliminations	Consolidated
52 weeks to 9 January 2016							
Sale of merchandise							
External customers	42,681,641	19,134,735	455,979	-	62,272,355	-	62,272,355
Inter-segments	-	-	4,978,731	-	4,978,731	(4,978,731)	-
Total revenue from retail sales	42,681,641	19,134,735	5,434,710	-	67,251,086	(4,978,731)	62,272,355
Segment profit	2,620,336	1,457,378	103,403	1,746,324	5,927,441	145,078	6,072,519
Total assets	36,715,533	9,033,470	4,887,284	9,956,972	60,593,259	(5,366,857)	55,226,402
53 weeks to 10 January 2015							
Sale of merchandise					-		
External customers	56,065,943	15,594,114	411,806	-	72,071,863	-	72,071,863
Inter-segments	-	-	7,233,467	-	7,233,467	(7,233,467)	-
Total revenue from retail sales	56,065,943	15,594,114	7,645,273	-	79,305,330	(7,233,467)	72,071,863
Segment profit	9,206,187	680,596	409,667	(2,688,598)	7,607,852	(132,459)	7,475,392
Total assets	41,123,692	5,080,537	4,921,373	8,719,258	59,844,860	(4,913,587)	54,931,272

CHAIRMAN'S STATEMENT

The Group performed relatively well given the sharp decline in the operating environment and economy as a whole. However, the Group was not entirely spared, and saw a marked reduction in consumer confidence reflecting in turnover, which trend became more pronounced in the fourth quarter following retrenchments. Delayed payment of workers resulted in Christmas trading being extremely subdued and sales in that quarter were 23% below prior year.
Inclusive of the gain on revaluation of assets, Total Comprehensive Income was 12% down on last year from a 13% decline in top line; while Profit for the Period reduced to $4million.

Retail Operations
The decline in turnover was mainly attributable to a drop in Edgars Chain sales which were down 24% from 2014.This was from the high base of extended credit having been launched in the previous year and so we expected reduced turnover. Even so, the Chain performed below expectations.
The Jet Chain's turnover increased by 23% to $19.1million (2014: $15.6million), contributing 31% to consolidated Group turnover (2014: 22%). Profitability in the Chain also improved to 7.5% of sales (2014: 4.3%), on the back of credit and the benefits of scale. Given the macro economic environment, the discount chain is the natural choice for cash strapped customers.
Due to the poor Christmas trading, both chains ended the year overstocked, which is being addressed and has improved since year end.

Credit Management
Despite the deterioration in disposable incomes, customers have been paying, albeit not as timely as in the past. Total gross write offs for the year amounted to $2.2million, which equates to 4.1% of lagged credit sales and 0.6% of lagged debtors(2014:1.9% and 0.4% respectively). At year end total trade debtors were $31.1million net of provisions for doubtful debt of 6% (2014: 2%).
Cost reduction initiatives in managing the debtors' book and collections are intensifying.

Manufacturing
As a result of being highly dependent on group retail, the factory's own production sales decreased by 10%.It is through exports, where volumes are larger, that the factory will hopefully realise meaningful productivity. Unfortunately, the combination of a high cost base and the strengthening United States Dollar led to exports being uncompetitively priced. The unit is continuing with its productivity improvement exercise and measures to right size are being implemented. Exports, at marginal profitability, are being pursued, in line with national goals.

Financing and cash flow
Through conservative cash management, borrowings were reduced from $20.3million to $18million. Resultantly, gearing reduced to 66% (2014: 100%).

Capital expenditure
Spend to date was in respect of:

Information technology	$1 646 000
Factory plant and equipment	$ 28 000
Other equipment	$ 478 000

Our priority remains the IT upgrade project which is now at an advanced stage. We have already identified process improvement opportunities through the project activities to date, and foresee significant cost savings post implementation.

Outlook
We do not forecast an improvement in the short term, but are gearing the organisation for a leaner, and more productive future, by remaining committed to reducing costs and increasing productivity. There will be some business reorganisation costs in achieving this which will impact 2016 profit but ensure that we are well placed for 2017 and beyond. Focus is on continuing to better provide customers with the value they are seeking, improving product pipeline logistics, merchandise assortments and differentiation between the two retail chains.

Dividend
In the current context, your company will not declare a dividend.

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

TN Sibanda
Chairman

Edgars Jet Carousel (PVT) LTD

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

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