Edgars Stores Limited

UNAUDITED INTERIM RESULTS FOR THE 26 WEEKS ENDED 11 JULY 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the 26 weeks to 11 July 2015

	2015 26 weeks to 11.07.2015 $ unaudited	2014 26 weeks to 05.07.2014 $ unaudited
Revenue	30,019,876	29,866,827
Sale of merchandise	29,268,372	29,497,626
Cost of sales	(15,515,698)	(15,488,660)
Gross profit	13,752,673	14,008,966
Other losses	(68,788)	(21,728)
Debt collection costs	(3,108,681)	(1,710,779)
Store expenses	(6,335,769)	(6,072,669)
Depreciation	(556,857)	(484,404)
Other operating expenses	(5,464,418)	(5,022,260)
Trading (loss)/ profit	(1,781,840)	697,126
Finance income	4,991,461	1,825,370
Finance costs	(1,300,824)	(908,409)
Profit before tax	1,908,796	1,614,087
Income tax expense	(727,487)	(568,764)
Profit for the period	1,181,309	1,045,323
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	1,181,309	1,045,323
Earnings per share (cents)		
Basic	0.46	0.44
Diluted	0.45	0.42
Headline	0.48	0.44

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the 26 weeks to 11 July 2015

	2015 26 weeks to 11.07.2015 $ unaudited	2014 26 weeks to 05.07.2014 $ unaudited
Cash flows from operating activities		
Trading (loss)/ profit	(1,781,840)	697,126
Non cash items	2,346,426	1,135,619
Movements in working capital	(4,942,933)	(2,253,201)
Cash used in operations	(4,378,347)	(420,457)
Finance costs paid	(1,355,281)	(968,030)
Finance income received	4,991,461	1,825,370
Taxation paid	(855,196)	(137,685)
Cash (outflow)/ inflow from operating activities	(1,597,364)	299,199
Cash flows from investing activities		
Payments for plant and equipment	(1,441,994)	(768,608)
Proceeds from disposal of plant and equipment	279	30
Net cash used in investing activities	(1,441,715)	(768,578)
Cash flows from financing activities		
Proceeds from issue of equity shares	21,217	98,388
Proceeds from borrowings	10,868,111	5,568,174
Repayment of borrowings	(8,037,699)	(5,357,899)
Net cash generated from financing activities	2,851,629	308,663
Net decrease in cash and cash equivalents	(187,450)	(160,715)
Cash and cash equivalents at the beginning of the half year	848,731	906,329
Cash and cash equivalents at the end of the half year	661,281	745,613

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 11 July 2015

	2015 as at 11.07.2015 $ unaudited	2014 as at 05.07.2014 $ unaudited	2014 as at 10.01.2015 $ audited
Assets			
Non-current assets			
Property, plant and equipment	8,711,023	7,413,315	7,872,382
Deferred tax asset	-	214,210	94,210
Intangible assets	91,667	131,667	111,667
Total non-current assets	8,802,690	7,759,192	8,078,259
Current assets			
Inventories	15,225,663	13,110,182	11,688,589
Trade and other receivables	31,376,086	22,707,233	34,315,693
Cash and bank balances	661,281	745,613	848,731
Total current assets	47,263,030	36,563,029	46,853,013
Total assets	56,065,720	44,322,221	54,931,272
Equity and liabilities			
Equity			
Issued capital	373,687	349,571	352,472
Reserves	22,868,914	17,375,452	21,567,604
Total capital and reserves	23,242,601	17,725,023	21,920,076
Non-current liabilities			
Interest bearing loans and borrowings	10,688,521	9,259,268	11,527,946
Deferred tax liability	4,040,892	3,407,051	3,948,646
Total non-current liabilities	14,729,413	12,666,319	15,476,592
Current liabilities			
Trade and other payables	5,549,877	6,455,190	8,373,553
Current tax liabilities	32,797	4,777	346,963
Interest bearing loans and borrowings	12,511,030	7,470,911	8,814,088
Total current liabilities	18,093,704	13,930,878	17,534,604
Total liabilities	32,823,118	26,597,197	33,011,196
Total equity and liabilities	56,065,720	44,322,221	54,931,272
Net equity per share (cents)	9.05	6.93	7.48
Gearing (gross)	1.00	0.94	0.93

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 26 weeks to 11 July 2015

	Issued capital	Equity-settled employee benefits reserve	Revaluation reserve	Change in functional currency reserve	Retained earnings	Total
	$	$	$	$	$	$
Balance at 4 January 2014	251,183	699,455	1,022,569	750,663	13,737,443	16,461,313
Comprehensive income for the period	-	-	-	-	5,183,805	5,183,805
Exercise of share options	101,288	-	-	-	-	101,288
Recognition of share based payments	-	173,670	-	-	-	173,670
Balance at 10 January 2015	352,471	873,125	1,022,569	750,663	18,921,248	21,920,076
Comprehensive income for the period	-	-	-	-	1,181,309	1,181,309
Exercise of share options	21,217	-	-	-	-	21,217
Recognition of share based payments	-	120,000	-	-	-	120,000
Balance at 11 July 2015	373,687	993,125	1,022,569	750,663	20,102,557	23,242,601

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the 26 weeks to 11 July 2015

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.

		2015 $	2014 $
4	**Headline earnings**		
	Earnings attributable to shareholders	1,181,309	1,045,323
	Adjusted for non-recurring items:		
	Loss/ (profit) on disposal of plant and equipment	54,329	(409)
	Headline earnings	1,235,638	1,045,732
5	**Capital expenditure**		
	Acquisition of plant and equipment	1,441,994	768,608
6	**Capital Commitments**		
	Authorised and contracted for	633,874	184,714
	Authorised but not yet contracted for	924,132	2,227,864
		1,558,006	2,412,578
	All expenditure is to be financed from existing cash resources and the utilisation of authorised borrowing facilities.		
7	**Lease commitments**		
	There are no finance lease commitments		
	Future minimum rentals under non-cancellable operating leases are as follows:		
	Within one year	1,709,836	3,059,313
	After one year but not more than five years	4,520,745	3,438,623
		6,230,581	6,497,937

8 **Interest bearing loans and borrowings**
These are secured by a guarantee from the holding company ($9m) and cession of book debts. The weighted average cost of borrowing is 12%.

9 **Related party transactions and balances**
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
2015							
Sale of merchandise							
External customers	21,096,458	7,943,229	228,685	-	29,268,372	-	29,268,372
Inter-segments	-	-	2,574,367	-	2,574,367	(2,574,367)	-
Total	21,096,458	7,943,229	2,803,052	-	31,842,738	(2,574,367)	29,268,372
Results							
Segment trading profit/(loss)	1,660,305	577,516	61,470	(4,116,488)	(1,817,197)	35,357	(1,781,840)
Total assets	39,486,347	7,830,817	5,382,013	8,852,755	61,551,931	(5,486,2120	56,065,720
2014							
Sale of merchandise							
External customers	23,765,228	5,555,950	176,448	-	29,497,626	-	29,497,626
Inter-segments	-	-	2,715,760	-	2,715,760	(2,715,760)	-
Total revenue	23,765,228	5,555,950	2,892,208	-	32,213,386	(2,715,760)	29,497,626
Results							
Segment trading profit/(loss)	4,088,316	103,086	264,148	(3,713,782)	741,768	(44,642)	697,126
Total assets	32,976,984	3,935,909	5,636,584	6,939,190	49,488,667	(5,166,446)	44,322,221

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

CHAIRMAN'S STATEMENT

Fast declining economic fundamentals, combined with low disposable incomes and heightening job insecurity have undermined consumer confidence and demand. The strengthening United States Dollar vis a vis the Rand has brought to the fore the need to focus on cost containment. Retailers had to resort to various promotions to stimulate consumer spending. Despite a negative sales growth of 1%, Profit after Tax grew to $1.2million, 13% ahead of the same period in 2014.

Retail Operations

The Edgars Chain was not spared from the effects of the declining economy and the high base of 2014 when the 12 months to pay offering boosted turnover. As expected from the test carried out in 2014, there was some loss of market share to Jet, as some cash strapped customers favoured the value offerings of the discount chain. Sales decreased by 11.2% from 2014 (4.6% on 2013) and profitability decreased to 8% of sales (2014: 17%).

The Jet Chain's contribution to Group turnover increased to 27.1% (2014: 18.8%), with an increase of 43% over 2014. This was achieved through the granting of credit facilities to customers throughout the chain. Until mid-April 2015, Jet was offering credit only in test stores that were mostly in outlying centers. The success of this chain was built on credit and the benefits of scale.

Credit Management

The growth in debtors continues to be well managed. As anticipated, there has been a slight deterioration in the quality of the book and we have taken defensive measures to safeguard against further avoidable deterioration.
Total trade debtors were $29.8million net of provisions for doubtful debt of 6% (2014: 2%) which provision was increased as a conservative reaction to the deteriorating trading environment. 10% of the debtors book related to Jet customers. While an increase in bad debt was anticipated, the quality of the book remains excellent with average gross handovers at 0.5% (2014: 0.4%) of lagged debtors and 2.7% of lagged credit sales. Bad debt recoveries averaged 28.7% (2014: 32.6%) of handovers, leaving net bad debt at 0.4% of lagged debtors and 1.9% of lagged credit sales.

Manufacturing

Factory sales decreased by 3% and profitability reduced to $61 000 from the $264 000 achieved last year. The unit has embarked on a productivity improvement exercise and a modest export program is being developed.

Financing and cash flow

Gross borrowings grew on the expanded debtors book and were $23.2million at the half year (2014: $16.7million). We anticipate that gearing will be maintained at the current level of around 1:1 throughout the year. Net of interest bearing debtors gearing remained at zero.

Capital expenditure

Spend to date was in respect of:

Information technology	$1 146 020
Factory plant and equipment	$ 24 373
Other equipment	$ 271 601

Our IT upgrade project is now anticipated to take longer than initially planned. Significant cost savings will be realised after implementation as a result of increased efficiency and availability of information for improved decision making.

Outlook

Increased productivity and deep cost cutting initiatives have been formulated and are currently being implemented. Focus is on streamlining business processes and improving efficiencies.

Dividend

In the current context, your company has not declared 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

OWN YOUR LOOK Edgars Jet MORE STYLE EVEN LESS PRICE Carousel (PVT) LTD

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