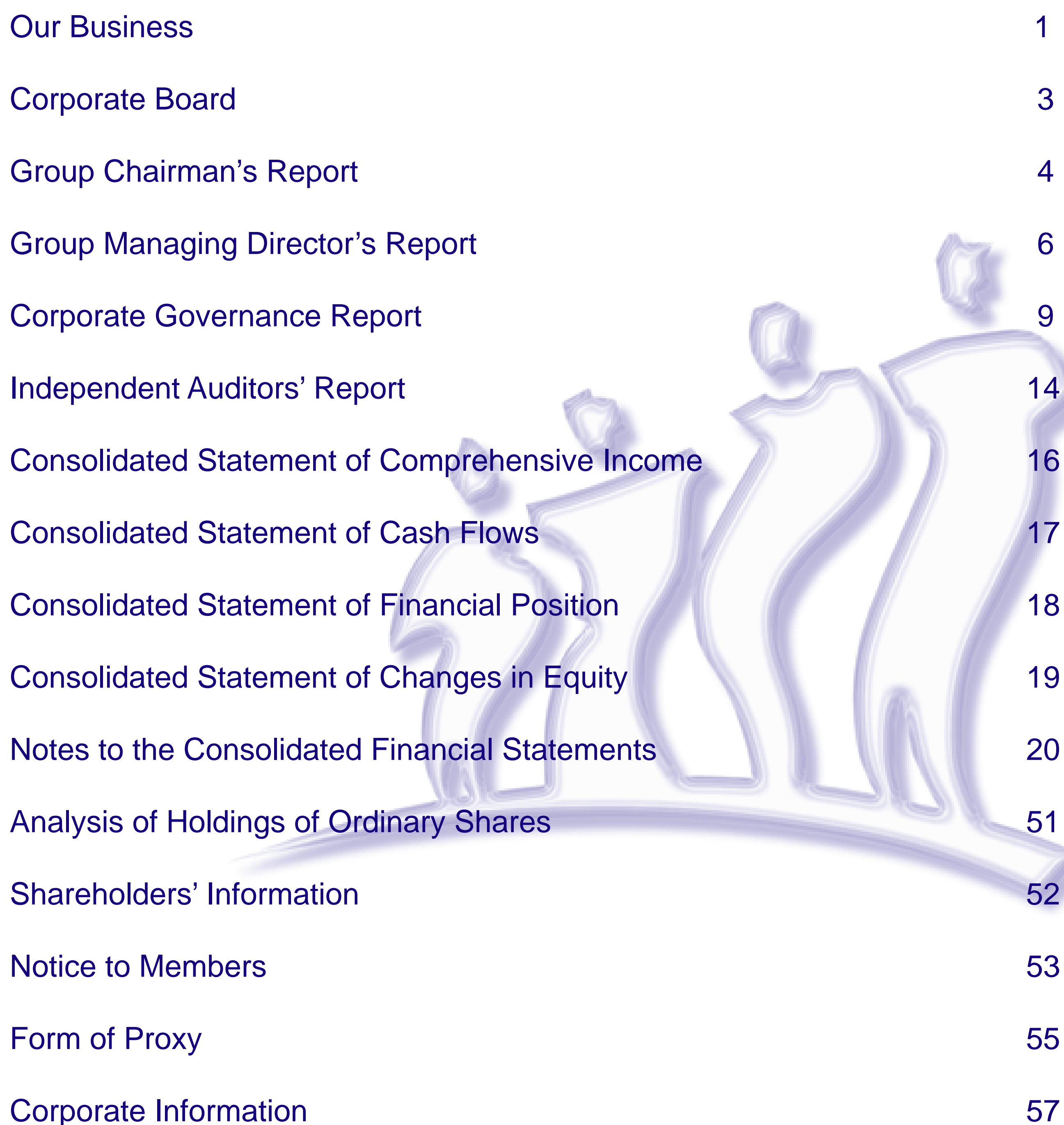
Edgars Stores Limited

Annual Report 2009

Contents

	Page
Our Business	1
Corporate Board	3
Group Chairman's Report	4
Group Managing Director's Report	6
Corporate Governance Report	9
Independent Auditors' Report	14
Consolidated Statement of Comprehensive Income	16
Consolidated Statement of Cash Flows	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Notes to the Consolidated Financial Statements	20
Analysis of Holdings of Ordinary Shares	51
Shareholders' Information	52
Notice to Members	53
Form of Proxy	55
Corporate Information	57



Our Business

Overview

Edgars Stores Limited is a limited Company incorporated and domiciled in Zimbabwe and 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: leading in classical and commercial fashion clothing offered to the middle to upper income groups.

It has the best of national brands for the entire family. Customers are offered service of the highest standards, together with credit facilities in prestigious life style shopping environments.

Express Mart: this brand combines Express clothing as well as items sold by general dealers: white goods, kitchenware, hardware and a variety of other goods. It aims to be the number one retailer of core commercial classic and contemporary merchandise for the family. It caters for the lower to middle income group who wish to buy quality merchandise at affordable prices. Shopping facilities are offered in compact but pleasant shopping environments.

Manufacturing

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

Distribution

Merchandise is distributed to the various outlets through distribution centres that are located in Bulawayo and Harare.

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 world class 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 endeavor to appeal to a broad spectrum of consumers, catering in a professional manner to their needs. Our staff with courtesy and professionalism delivers a wide selection of quality products that are competitively priced. We believe in the free enterprise system. 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 or conservation nature.

Our Business (continued)

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:

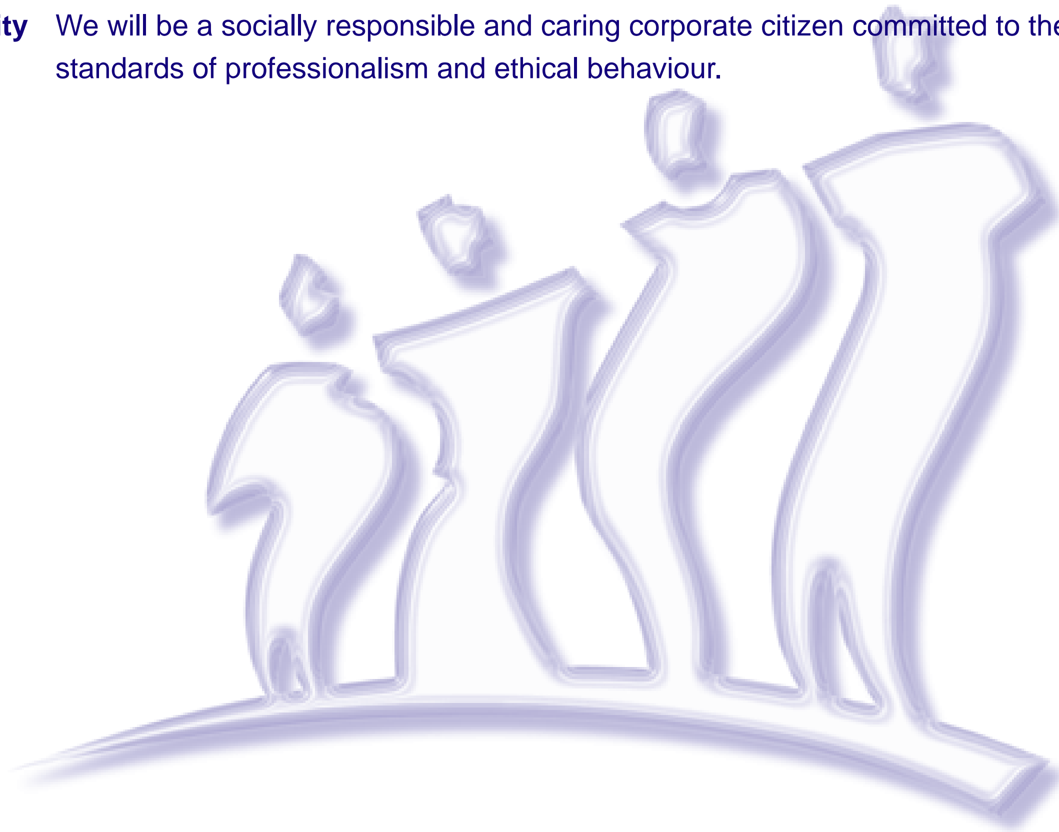
Customers We will be the retailer of choice providing memorable shopping experiences that exceed individual needs and expectations.

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

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

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.



Corporate Board

Executive Directors

Raymond Mlotshwa (59) BA
Group Managing Director
Joined the company in 1981
Appointed to the board in 1998
Appointed Group Managing Director
in September 1999. Retired 31 March
2010. Appointed non-executive director
on 1 April 2010

Linda Masterson (54) FCIS
Executive Director – Corporate Services
Joined the company in 1988
Appointed to the board in 1991
Appointed Group Managing Director
on 1 April 2010

Vusumuzi Mpofu (42) ACMA, FCIS,
RP Acc (Z)
Executive Director- Finance
Joined the company in 2000
Appointed to the board in 2008

Zebhediah Vella (52) BA Hons.
Accountancy and Economics
Executive Director –Manufacturing
Joined the company in 1989
Appointed to the board in 1999

Shepherd Ndlovu (58) BA Hons
Executive Director –Personnel
Joined the company in 1990
Appointed to the board in 1995

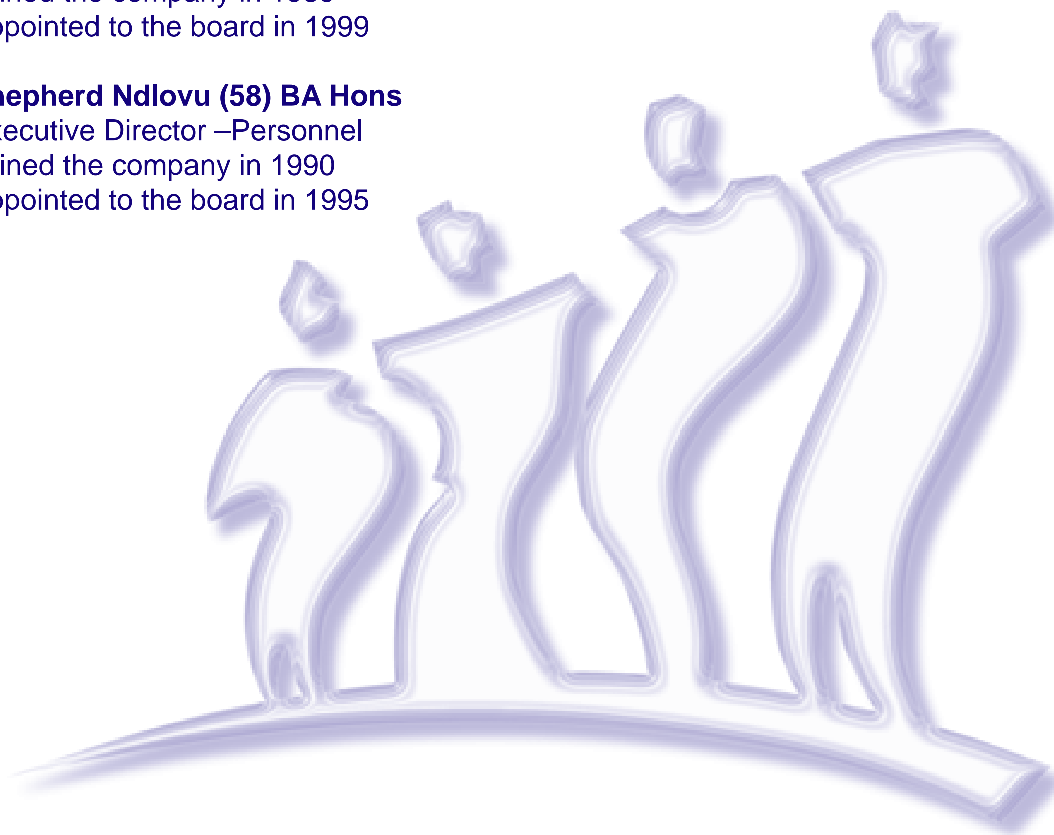
Non- Executive Directors

Themba N Sibanda • (55)
B.Acc (Z), CA(Z).
Chairman.
Appointed to the Board in 2003

Mark R Bower (54)
B Comm, B Compt. Hons. CA (SA)
Appointed to the board in 1991
Resigned December 2008

Canaan F Dube* • (53)
LLB (Hons), LLB,MBA
Appointed to the Board in 2004

Dr. Leonard L Tsumba* • (66)
Phd, M.A, BSBA
Appointed to the Board in 2006



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

Group Chairman's Report

General Remarks

The period under review began in the fourth quarter of 2008 when hyperinflation was at its height. Results for that period are immaterial in as far as the final results reported are concerned.

The first quarter of 2009 saw the establishment of the Government of National Unity and the first serious efforts to stabilize the economy. The beleaguered local currency was abandoned and the country moved on to the multi-currency regime.

The latter move necessitated the re-structuring of businesses in order to be in line with the new economic order.

Major Constraints

Stock carried over from the abandoned FOLIWARS (Foreign Exchange Licensed Warehouses and Retail Shops) period was not only tired and stale; it was also overpriced. There was therefore an urgent need to mark down and clear the old stock, and then re-stock the stores fully with fresh and competitively priced merchandise.

The number of stores from which the group was trading was now too high for the volume of business projected in the short to medium term. There was therefore a need to close or re-configure some of the locations. This became even more important because of rising occupancy costs as both landlords and service providers were pushing their rates up.

The new order also saw a big move towards importation of clothing and other products. This was because imported goods were better priced and often of better quality than local products. Demand from our chains to the factory thus weakened undermining our manufacturing plant, Carousel.

As stores were being reduced and the factory suffering from competition it meant the group was suddenly seriously overstaffed. In order to mitigate the wage and salary overhead, reduced working hours were agreed with workers representatives and a voluntary retrenchment scheme was put in place.

In October 2007 the group was forced to suspend credit because of hyperinflation. Following the stabilisation of the economy early last year many non-branded and open-air retailers rushed into the market with cheap goods. In order for us to re-capture market share it became necessary to re-introduce credit. This required extra funding.

The biggest challenge for this period was that of funding. Over time hyperinflation and price controls had totally decimated our working capital. Unfortunately the financial institutions had not fared better either. During most of 2009 there were hardly any long-term facilities available in the market, and the group was forced into short-term borrowings that were expensive in terms of establishment and drawdown fees. At the end of December the group was in a net borrowed position of $4,3 million at an average cost of 38% per annum.

Results

The group traded at a profit only in the last three months of the period under review. Unfortunately this was not sufficient to absorb the losses of the earlier months that were first reported at the interims.

The Edgars chain performed weakly for most of the year because of poor stock levels. However as merchandise availability and variety improved during the year, so did performance. The fewer remaining stores became more productive and profitable.

The Express Mart chain, although better stocked than Edgars, struggled for most of the year because of stiff competition in the cash market. Margins were kept low in an environment where the cost of trading had risen markedly in the new multi-currency regime.

Credit was successfully re-introduced in April. Collections have been good and arrears performance more than satisfactory. Altogether 38 000 accounts had been opened by end of year. At its peak, in prior years, the Edgars chain had more than 200 000 active accounts.

The factory traded at a loss due to reduced throughput. This business is being re-structured so that it can manufacture and trade at the same time.

Group Chairman's Report (continued)

Appreciation

The hyperinflation years saw a flight of skills from Zimbabwe to South Africa and overseas. I wish to recognise the loyalty of those who chose to stay with us and have given a tremendous boost to the recovery process within the group. They have been key to resuscitating the business.

Raymond Mlotshwa, who has been the Group Managing Director since 1999, retires on 31 March 2010. Ray has been a steady and inspiring hand at the helm of the group and his fortitude and calm demeanor have helped the group stay the course through the very challenging circumstances of the recent past. He goes with our gratitude and best wishes for a happy retirement. He has accepted to stay on the board as a non-executive director.

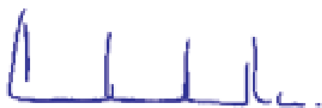
Linda Masterson, who joined the group as the Financial Director in 1988 and has also served in other executive positions, takes over as Group Managing Director. Her wide-ranging experience and business-mindedness make her well placed to lead the group's recovery.

Outlook

During 2009 management efforts were concentrated on re-building the business by downsizing, re-stocking the stores and resuscitating credit.

In 2010 focus will be on managing the business for profitability. This should be achieved from improved store productivity, healthier margins and higher stock turn.

Competitively priced long-term money will be pursued from all angles.



T. N. Sibanda
Non – Executive Chairman

3 March 2010

Group Managing Director's Report

Overview

In his statement in the Annual Report of 1996 our group chairman had this to say, "For Zimbabwe to realise its very considerable potential for recovery and expansion, and to meet the growing needs of its population, we will need new sources of investment capital. Because the amounts required far exceed the country's total savings, imagination and a more positive attitude towards foreign investors will have to be much more marked." If it was true then it is more so now and even more urgent in the aftermath of the unprecedented hyperinflation of the last few years to 2009.

Following the signing of the Global Political Agreement in 2008, and the formation of the inclusive government early in 2009 the country had high hopes for a new beginning. The international community was sceptical from the start: 'the devil is in the detail' they said. As it turned out it was not so much in the detail but in the consummation.

Hyperinflation was effectively and rapidly reigned in by the abandonment of the beleaguered Zimbabwe dollar and the introduction of the multi-currency regime. The US dollar, the SA rand, the Botswana pula and the British pound became the official currencies of the country. The quasi-fiscal activities of the Reserve Bank were stopped immediately and government spending was swiftly cut back to manageable proportions. Economic and fiscal stability were achieved in a very short space of time.

But the good news ended there. On the political front there was endless internecine fighting over certain key issues that would have ushered in a new dispensation. The Global Political Agreement was only partially implemented and this undermined the chances of international acceptance and support. The continued disruptions on commercial farms and the unclear indigenisation policies further dashed any lingering hopes for foreign assistance and investment.

This was the environment in 2009. The country set itself on the path to recovery but since then the steps, albeit in the right direction have been rather unsure, unclear, tentative and agonisingly slow.

Strategy

The group realities at the beginning of the period under review were dire. Following the decimation of our working capital during the period of price controls and hyperinflation it was like starting from scratch. There were no assets "to sweat". There was no cash in the bank, no stocks in the stores and no debtors to pursue. Instead we had oversized stores to pay rent for, maintain and stock, huge staff overheads and impoverished suppliers who were not only unwilling but also unable to supply stock on extended terms. With the advent of the multi-currency regime charges from service providers, utilities and landlords were very high and unreasonable. The road ahead was very long and steep.

Coming out of a period of almost total destruction of the economy for the clothing retail market was evidently going to be very difficult. Economic activity was low, unemployment was rife (estimated at more than 80%) and, for those in formal employment, salaries were a pittance. The way forward was clearly cut out for us: -

- Reduce the number of stores
- Reduce the staff overhead
- Re-stock the few remaining stores
- Re-introduce credit

Financing

The first hurdle right from the beginning of the year was how to finance the various activities within the group. The banks were equally undercapitalised. There were no long-term facilities and the group had to rely on short-term (30 day) expensive money. Whilst the interest rates were low, most banks capitalised on establishment and drawdown fees.

By year-end group net borrowings were $4.3 million on a simple average cost of borrowing of 38%. Only about one third of this was for six months to one year and the rest was on a 30-day average.

Store Rationalisation

At the end of March 2009 group occupancy costs, for stores, were 53% of turnover. Clearly the situation was untenable. An urgent review was done on the basis of the desirability of the location and the affordability of the rentals.

Group Managing Director's Report (continued)

During hyperinflation most landlords had been reluctant to re-new expired leases because of the need to agree rentals on a monthly basis. So at the beginning of 2009 it was relatively easy to negotiate out of a lease. Unfortunately, it was also easy for landlords to get rid of struggling tenants. What made matters worse for clothing retailers was that the supermarket retail recovered first and attracted new entrants who offered prospective landlords very high rentals. So the clothing retailer with huge stores in desirable locations was under siege.

Eventually the group closed eight Edgars and twelve Express stores, remaining with a total complement of thirty-four stores. Of these closures four (three in Harare and one in Bulawayo) were forced because of disagreements with the landlords.

The group has remained with enough space and key locations to re-build its business on a more productive basis in terms of trading density.

Staffing

As at March 2009 the salary overhead was 55% of turnover. Urgent steps needed to be taken to reduce it. Unfortunately in Zimbabwe a staff rationalisation exercise must be negotiated at Works Council and ratified by the relevant government ministry.

In January Works Council agreed to move on to reduced working days of up to 50%. This had the effect of halving the wage bill. At the same time unpaid leave of up to twelve months was re-launched and encouraged for non-key staff. At the end of March however, it was obvious that more drastic action was needed.

Works Council discussed, but was not able to agree on compulsory retrenchment. The workers demanded packages that were clearly unaffordable. In the end management were forced to fall back on a voluntary retrenchment scheme. Whilst it was not a resounding success it has steadily reduced numbers in a controlled fashion. We have thus retained key staff in all the departments to support the business into the future.

Re-stocking the stores

Towards the end of 2008 government started allowing some retailers to trade in foreign currency. However, they levied the sales and purchases and additionally required that a special licence fee be paid for each store in return for the "favour". As a result the opening stocks in 2009 were very highly priced and were very slow selling.

With the new liberalised multi-currency regime early in 2009, it was time to promote the sale of tired, pricey merchandise from stores, and re-stock competitively.

With very meagre resources we began to re-stock in order to boost sales and recapture market share. Our measure of success was that in March monthly sales were only 16 000 units but by December these had increased to 362 000 units.

Financing the stock was a major challenge and sourcing it was equally difficult. Manufacturing capacity in the country has reduced and that which still exists is facing tough competition from imports.

Credit

In April, credit which had been suspended since 2007 was re-introduced. While we struggled to finance it we had no option but to re-launch it in order to recapture market share.

The clothing retail landscape has changed over the years. There are two developments that have made competition intense.

First is the development of downtown small shops selling cheap goods at ultra low prices. Secondly we have seen the resurgence of the open-air informal markets in addition to the well-established flea markets. Most of the goods sold are imported and, because most of these importers evade customs duties, they are able to price competitively against the formal sector. Credit is the most effective weapon against them.

With economic activity being low, salaries are understandably low as well. Thus most gainfully employed people in the formal sector can only afford buying clothes only on credit. During the eight months from April to December we opened 38 000 accounts.

Group Managing Director's Report (continued)

Other Developments

The labour relations climate remained positive throughout the period under review. The Works Council meetings were both constructive and responsive to the new socio-economic order in the country.

Our factory will continue to play a key role in the supply of merchandise to our stores. Whilst it cannot compete against the highly productive world markets it can still supply niche products to the chain. It will also expand its role from manufacturing only, to trading as well.

Our social responsibility vehicle, the Edgars Foundation Trust has been inactive over the last three years. It was financed from profits, and will thus remain in quarantine until we return to profitability.

Outlook

The group has re-built its business over the past twelve months. Admittedly it is much smaller, but so is the economy. This coming year should see a consolidation of the current business and a return to profitability.

Appreciation

I have been at the helm of the group since 1 July 1999 and will be passing on the baton to Linda Masterson on 31 March 2010.

As I bow out I would like to thank all my fellow directors that I have worked with on the board for their support, guidance and encouragement.

The various shareholders, banks, suppliers, landlords and staff at all levels that played key supporting roles throughout my stewardship.

The fact that the group survived the 'Unnecessary Decade' is a tribute to all our efforts.

Raymond Mlotshwa
Group Managing Director

3 March 2010

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 behaviours 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 five executive and three non-executive directors. The names and credentials of the directors in office during the period are detailed on page 3. 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 2009 financial period and attendance at each are shown below.

Board Attendance	Dec 2008	Mar 2009	Jun 2009	Aug 2009	Nov 2009
T N Sibanda*	✓	✓	✓	✓	✓
M R Bower*	●	n/a	n/a	n/a	n/a
C F Dube*	✓	✓	✓	✓	✓
L L Tsumba*	✓	✓	✓	✓	✓
R Mlotshwa	✓	✓	✓	✓	✓
L Masterson	✓	✓	✓	✓	✓
S Ndlovu	✓	✓	✓	✓	✓
Z Vella	✓	✓	✓	✓	✓
V Mpofu	✓	✓	✓	✓	✓

Key:
- * Non-Executive Director
- ✓ Attended
- \- No Meeting
- x Did Not Attend
- ● Resigned

Corporate Governance Report (continued)

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 two non-executive directors whose details are provided on page 3. Mr. C. Dube chairs the Committee and the other member is Dr. L.L. Tsumba. 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:

Audit Committee	Dec 2008	Mar 2009	Jun 2009	Aug 2009	Nov 2009
M R Bower*	●	n/a	n/a	n/a	n/a
C F Dube*	✓	-	✓	-	✓
L L Tsumba*	✓	-	✓	-	✓

Remuneration Committee	Dec 2008	Mar 2009	Jun 2009	Aug 2009	Nov 2009
M R Bower*	●	n/a	n/a	n/a	n/a
T N Sibanda*	✓	✓	✓	-	✓
C F Dube*	✓	x	✓	-	✓
L L Tsumba*	✓	✓	✓	-	✓

Key:
- * Non-Executive Director
- ✓ Attended
- - No Meeting
- x Did Not Attend
- ● Resigned

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 minimise fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations.

Corporate Governance Report (continued)

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 function's responsibility is independently to 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 directly to the Audit Committee but is the responsibility of the Group Financial Director on day-to-day matters. 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 Auditor's. 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 review's 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 ratio's between fees for audit versus those for other professional services rendered by external auditors.

Employee Relationships

The Group will have 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.

Corporate Governance Report (continued)

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 does 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 15month period to 31 December 2009 incorporate the results for the sixty-six weeks ended 9 January 2010. In preparing these Financial Statements, the same accounting principles and methods of computation are applied as in prior periods, except for the changes set out in note 2.3. No comparative information has been presented in this report as the Directors believe these will be misleading. No event material to the understanding of this report has occurred between the financial year-end and the date of this report.

The uncertainties in the adverse Zimbabwean economic environment prior to introduction of trading in multiple currencies resulted in limitations in financial reporting.

The inflation indices applicable to the Zimbabwe Dollar during the period prior to formalisation of multi-currency trading were not published from 31 July 2008. Estimates by economists, of Zimbabwe Dollar inflation in the period post 31 July 2008 were wide-ranging and extremely high (percentages in excess of hundreds of trillions to quadrillions, in some cases). It was impossible to reliably measure inflation in Zimbabwe during this period because the rate of change of inflation on a daily basis was extremely high. Any attempt to measure inflation was subject to various limitations because reliable and timely price data was not available. The inability to reliably measure inflation was also exacerbated by the existence of multiple exchange rates, the use of foreign currency for some transactions and the existence of multiple pricing criteria for similar products based on the mode of settlement.

However, on 29 January 2009 the Monetary and Fiscal authorities authorised the use of multiple foreign currencies for trading in Zimbabwe. This resulted in a change in the functional currency for most entities reporting in Zimbabwe. In accordance with the requirements of International Financial Reporting Standards, entities are required to convert their financial statements into the new functional currency at the date of changeover. The Group was not able to convert its Zimbabwe Dollar transactions incurred prior to the formalisation of multi-currency trading into the new functional currency for reasons explained in Note 2.

As a result of these uncertainties and inherent limitations, the directors advise caution on the use of the statement of comprehensive income, and the statement of cash flows for decision-making purposes. The Directors, however, believe that the statement of financial position fairly presents the assets and liabilities of the Group and therefore fairly presents the shareholder's equity.

Corporate Governance Report (continued)

Going Concern

The group reported an accumulated retained loss of $2,154,610. 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. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the company to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

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

The financial statements have not been prepared in conformity with IFRS, promulgated by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB as well as International Accounting Standards and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions (IFRS's), due to non compliance with the following:

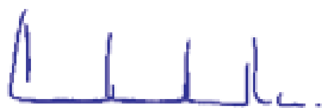
- IAS 1 – Presentation of Financial Statements;
- IAS 21 – The Effects of Changes in Foreign Exchange Rates;
- IAS 29 – Financial Reporting in Hyperinflationary Economies

The effects of these departures have not been quantified but, having regard to their nature, are considered to be material and pervasive to the financial statements. The exceptions arise from the circumstances which have given rise to a change in the company's functional currency from the Zimbabwe dollar to the United States dollar, as more fully explained in note 2.

As a result of the inability of most entities reporting in Zimbabwe to report fully in terms of IFRS, the PAAB, the ZAPB and the ZSE issued recommendations that assisted preparers of financial statements in converting their financial statements from Zimbabwe dollars into their new functional currency in a manner that is consistent with the principles of International Financial Reporting Standards, in as far as is practicable, in the Zimbabwean economic environment, at the date of the change of the functional currency. These recommendations were also made in order to achieve a fair measure of market comparability and consistency for regulatory oversight and in the interest of various stakeholders, such as investors and who have an interest in high quality financial information. The PAAB, the ZAPB and the ZSE recommended that all entities reporting in Zimbabwe adopt this Financial Reporting Guidance for converting their financial statements into the entity's new functional currency at the date of change over. Although it is not a legal requirement to apply the Financial Reporting Guidance, the directors, in line with their fiduciary responsibilities to prepare financial statements that fairly present the state of affairs and performance of the Group have adopted these recommendations as it is the best possible manner in which they can present financial statements that are as fair as is practical under the circumstances prevailing.

As suggested in the Financial Reporting Guidance, assets and liabilities carried at fair value were valued at the date of change of the functional currency and carried at their fair values in the new functional currency. Non-monetary assets and liabilities were valued at their deemed cost. Equity was recognised as the residual of the Group's net assets and will be treated as a non-distributable reserve.

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



T. N. Sibanda
Non-Executive Chairman

R Mlotshwa
Group Managing Director

3 March 2010

The **Public Accountants and Auditors Board ("PAAB")** is a body established by statute under the Public Accountants and Auditors Act [Chapter 27:12], as a regulatory body for the accountancy profession in Zimbabwe. The **Zimbabwe Accounting Practices Board ("ZAPB")** is a technical sub-committee of the PAAB. The body enjoys statutory recognition as the national accounting standards setting advisory authority. It includes representatives of users preparers and auditors of financial statements. The **Zimbabwe Stock Exchange ("ZSE")** is a licensed securities exchange under the Securities Act.

ERNST & YOUNG

Chartered Accountants (Zimbabwe)
Derry House
Cnr Fife Street/6th Avenue
P.O. Box 437
Bulawayo

Tel: +263 9 76111
Fax: +263 9 72359

Independent Auditors' Report

To the members of Edgars Stores Limited

We have audited the accompanying financial statements of Edgars Stores Limited as set out on pages 16 to 50, which comprise the statement of financial position at 31 December 2009, and the statement of comprehensive income, the statement of changes in equity, and statement of cash flows for the 15 months then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Group's 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). This responsibility also includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 auditors' judgement, 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 auditors consider internal control 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 management, 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.

Basis for adverse opinion on all comparative information; the statement of comprehensive income and statement of cash flows.

Non-compliance with International Accounting Standard ('IAS') 29 (Financial Reporting in Hyperinflationary Economies) and International Accounting Standard ('IAS') 21 (The Effects of Foreign Exchange Rates)

The Group operated under a hyperinflationary economy in the prior year. The entity changed its functional currency to United States Dollars with effect from 1 January 2009. All comparative information, the statement of comprehensive income, and the statement of cash flows have not been prepared in conformity with International Financial Reporting Standards in that the requirements of IAS 29 and IAS 21 have not been complied with in converting the financial information during the period of hyperinflation into an applicable measurement base at the date of reporting for the following reasons:

- the inability to reliably measure inflation because of the interaction of multiple economic factors which were pervasive to the Zimbabwean economic environment as explained in note 2; and
- the inability to adjust items that are recorded in the currency of a hyperinflationary economy (i.e. the Zimbabwe dollar) into a unit of measure that is current at the remeasurement date as more fully explained in note 2.

Non-compliance with IAS 1: Presentation of financial statements

The Directors have not presented any comparative information as required by IAS 1 because they believe the information will be misleading for reasons stated in note 2.

Adverse opinion on non-compliance with International Financial Reporting Standards on all comparative information, the statement of comprehensive income, and the statement of cash flows.

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, all the comparative information, the statement of comprehensive income and the statement of cash flows do not give a true and fair view of the results of the Group's operations and cash flows for the period ended 31 December 2009 in accordance with International Financial Reporting Standards.

Unqualified opinion on the statement of financial position

In our opinion, the statement of financial position, in all material respects, gives a true and fair view of the financial position of Edgars Stores Limited at 31 December 2009 in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have not been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03) and Statutory Instruments (SI 33/99 and SI 62/96) due to the inability to comply with IAS 1 and IAS 21.

In our opinion, the Group has complied, in all material respects with the Financial Reporting Guidance. This guidance was issued jointly by the Public Accountants and Auditors Board, The Zimbabwe Stock Exchange and the Zimbabwe Accounting Practices Board to assist preparers of financial statements in converting their financial statements from Zimbabwe Dollars into their new functional currency in a manner that is consistent with the principles of IFRS, in as far as practicable, in the Zimbabwean economic environment, at the date of the change in functional currency.

Emphasis of matter

Without further qualifying our opinion, we draw your attention to Note 30, which along with other matters indicates that the Group is operating in an uncertain economic environment.

Going concern assumption

The operations of the Group, have been significantly affected, and may continue to be affected for the foreseeable future, by the adverse effects of the country's unstable economic environment which has resulted in a significant downturn in economic activity. The ability of the Group to continue operating as a going concern, in such an environment, is subject to continual assessment by management.

Chartered Accountants (Zimbabwe)

Bulawayo
3 May 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 15 months ended 31 December 2009

	Note	2009
		$
Revenue	6	11,129,670
Sale of merchandise	6	11,031,612
Cost of sales		(8,180,147)
Gross profit		2,851,465
Other gains and losses	7	(46,662)
Debt collection costs	8	(263,262)
Store expenses		(3,279,062)
Other operating expenses		(1,592,386)
Trading loss	9	(2,329,906)
Interest received		7,518
Finance costs paid		(633,744)
		(2,956,133)
Income tax reversal	11	801,523
Loss for the year		(2,154,610)
Other comprehensive income		
Revaluation of property, plant and equipment		1,245,031
Deferred tax liability arising on revaluation		(312,207)
Other comprehensive income for the year, net of tax		932,824
Total comprehensive loss for the year		(1,221,786)
Loss per ordinary share	12	
Basic (cents per share)		(0.89)
Diluted (cents per share)		(0.84)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 15 months ended 31 December 2009

	Note	2009 $
Cash flows from operating activities		
Trading loss		(2,329,906)
Adjusted for:		
Non cash items	13.1	454,692
Movements in working capital	13.2	(1,783,270)
Cash utilised in operations		(3,658,484)
Finance costs paid		(633,744)
Taxation paid	13.3	(14)
Cash outflow from operating activities		(4,292,242)
Cash flows from investing activities		
Payments for property, plant and equipment		(43,823)
Proceeds from disposal of property, plant and equipment		34,377
Interest received		7,518
Net cash used in investing activities		(1,928)
Cash flows from financing activities		
Proceeds from issue of equity shares		5,601
Proceeds from borrowings		4,658,101
Net cash flows from financing activities		4,663,702
Net increase in cash and cash equivalents		369,531
Cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year		369,531

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2009

	Note	2009
		$
Assets		
Non-current assets		
Property, plant and equipment	14	2,828,027
Deferred tax asset	15	37,196
Total non-current assets		2,865,223
Current assets		
Inventories	16	4,204,878
Trade and other receivables	17	2,782,024
Cash and bank balances		369,531
Total current assets		7,356,433
Assets classified as held for sale	18	47,094
Total assets		10,268,750
Equity and liabilities		
Capital and reserves		
Issued capital	19	5,601
Reserves	20	4,711,855
Accumulated loss		(2,154,610)
Total capital and reserves		2,562,846
Current liabilities		
Trade and other payables	21	2,977,803
Provisions	21	70,000
Interest bearing loans and borrowings	22	4,658,101
Total current liabilities		7,705,903
Total equity and liabilities		10,268,750
Net equity per share (cents)		0.92
Gearing:		
-Gross		1.67
-Net		0.59

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 15 months ended 31 December 2009

	Issued capital and premium $	Equity-settled employee benefits reserve $	Revaluation reserve $	Change in functional currency reserve $	Accumulated loss $	Total $
Balance at 1 October 2008	-	-	-	-	-	-
Change in functional currency reserve	-	-	-	3,723,002	-	3,723,002
Total comprehensive income for the period	-	-	932,824	-	(2,154,610)	(1,221,786)
Issue of ordinary shares under employee share option plan	5,601	-	-	-	-	5,601
Recognition of share-based payments	-	56,029	-	-	-	56,029
Balance at 31 December 2009	5,601	56,029	932,824	3,723,002	(2,154,610)	2,562,846

Notes to the Consolidated Financial Statements
15 months to 31 December 2009

1. Corporate Information

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

The consolidated financial statements of the Group for the 15month period ended 31 December 2009 were authorized for issue in accordance with a resolution of the directors on 3 March 2010.

The Group changed its financial year-end from September to December in order to align its year-end to the tax authorities year-end. This resulted in the current reporting period being extended to 15months.

2. Basis of Preparation

The consolidated financial statements are presented in United States Dollars and all values are rounded to the nearest dollar ($), except where otherwise indicated.

Limitations

Uncertainties that existed in the adverse Zimbabwean economic environment prior to introduction of trading in multiple currencies resulted in limitations in financial reporting. The inflation indices applicable to the Zimbabwe Dollar during the period prior to formalisation of multi-currency trading were not published from 31 July 2008. Estimates by economists, of Zimbabwe Dollar inflation in the period post 31 July 2008 were wide-ranging and extremely high (percentages in excess of hundreds of trillions to quadrillions, in some cases). It was impossible to reliably measure inflation in Zimbabwe during this period because the rate of change of inflation on a daily basis was extremely high. Any attempt to measure inflation was subject to various limitations because reliable and timely price data was not available. The inability to reliably measure inflation was also exacerbated by the existence of multiple exchange rates, the use of foreign currency for some transactions and the existence of multiple pricing criteria for similar products based on the mode of settlement.

Change in functional currency

On 29 January 2009 the Monetary and Fiscal authorities authorised the use of multiple foreign currencies for trading in Zimbabwe. This resulted in a change in the functional currency for most entities reporting in Zimbabwe and for the Group. In accordance with the requirements of International Financial Reporting Standards, entities are required to convert their financial statements into the new functional currency at the date of changeover. The Group's functional currency changed from Zimbabwe dollars to United States dollars as at 1 January 2009. The Group has chosen to report all its transactions in United States dollars ($) because it is the functional currency applicable to all current transactions and all values are rounded to the nearest dollar ($), except where otherwise indicated.

Basis of conversion at change in functional currency

The limitations noted above resulted in the inability of most entities reporting in Zimbabwe to report fully in terms of IFRS. As a result the PAAB, the ZAPB and the ZSE issued recommendations that assisted preparers of financial statements in converting their financial statements from Zimbabwe dollars into their new functional currency in a manner that is consistent with the principles of International Financial Reporting Standards, in as far as is practicable, in the Zimbabwean economic environment, at the date of the change of the functional currency. These recommendations were also made in order to achieve a fair measure of market comparability and consistency for regulatory oversight and in the interest of various stakeholders, such as investors who have an interest in high quality financial information. The PAAB, the ZAPB and the ZSE recommended that all entities reporting in Zimbabwe adopt this Financial Reporting Guidance for converting their financial statements into the entity's new functional currency at the date of change over. Although it is not a legal requirement to apply the Financial Reporting Guidance, the directors, in line with their fiduciary responsibilities to prepare financial statements that fairly present the state of affairs and performance of the Company have adopted these recommendations as it is the best possible manner in which they can present financial statements that are as fair as is practical under the circumstances prevailing.

As suggested in the Financial Reporting Guidance, assets and liabilities carried at fair value were valued at the date of change of the functional currency and carried at their fair values in the new functional currency. Non-monetary assets and liabilities were valued at their deemed cost. Equity was recognised as the residual of the Company's net assets and will be treated as a non-distributable reserve.

Conversion of Zimbabwe dollar transactions

The Zimbabwe dollar transactions that existed during the 3-month period from October 2008 to December 2008 were converted into United States dollars at the following rates:

October 2008 - Z$ 12 per $1
November 2008 - Z$ 96 129 per $1
December 2008 - Z$ 35 000 per $1

This conversion is not compliant with IAS 21 (The Effects of Foreign Exchange Rates), which requires that transactions in the currency of a hyperinflationary economy be adjusted to a unit of measure current at the measurement date before conversion to an alternative currency. This could not be done as a result of the limitations stated above. The directors consider the results of the converted Zimbabwe dollar transactions immaterial to the overall results.

Comparatives

The Directors have not presented comparative information because they believe that it will be misleading. Due to the prevailing economic environment in the previous year as described in the limitations above, it is not possible to convert financial statements into United States dollars in a manner consistent with IAS 21 and IAS 29.

Other

For transactions occurring after the date of change in functional currency, the consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Key estimates and assumptions made by the directors in preparing these financial statements are described in note 3.

2.1 Statement of Compliance

The financial statements have not been prepared in conformity with IFRS, promulgated by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB as well as International Accounting Standards and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions (IFRS's), due to non compliance with the following:

- IAS 1 – Presentation of Financial Statements – no comparatives have been shown as explained in note 2;
- IAS 21 – The Effects of Changes in Foreign Exchange Rates- as explained in note 2;
- IAS 29 – Financial Reporting in Hyperinflationary Economies – due to limitations described in note 2.

The effects of these departures have not been quantified but, having regard to their nature, are considered to be material and pervasive to the financial statements. The exceptions arise from the circumstances, which have given rise to a change in the company's functional currency from the Zimbabwe dollar to the United States dollar as described in note 1.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the company and it's subsidiaries as at 31 December 2009.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without change of control, is accounted for as an equity transaction.
Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the company 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.

2.3 Changes in accounting policies and disclosures

The accounting policies and disclosures adopted are consistent with those of the previous financial year except as stated below.

The Group has adopted the following new and amended IFRS and IFRIC Interpretations in these financial statements:

Early adopted in 2009

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009: IFRS 3 (Revised) introduces changes in the accounting for business combinations occurring after this date.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

Adopted in 2009

IFRS 2 Share-based Payment (Revised) effective 1 January 2009: The IASB issued an amendment to IFRS 2, which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amended) effective 1 January 2009: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

IFRS 7 Financial Instruments effective 1 January 2009: These amendments expand disclosures in respect of fair value measurements and liquidity risks.

IFRS 8 Operating Segments effective 1 January 2009: IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed. It also clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information.

IAS 1 Presentation of Financial Statements (Revised) effective 1 January 2009: IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

IAS 16 Property, Plant and Equipment (Amended) effective 1 January 2009: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 18 Revenue (Amended) effective 1 January 2009: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The Group assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

IAS 23 Borrowing Costs (Revised) effective 1 January 2009: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

IAS 36 Impairments of Assets (Amended) effective 1 January 2009: Disclosure of estimates used in the determination of recoverable amounts now required.

Standards, amendments and interpretations in issue not yet effective and not relevant

Not effective at reporting date

IAS 28 Investments in Associates effective periods beginning or after 1 July 2009.
IAS 31 Interest in Joint Ventures effective periods beginning or after 1 July 2009.
IAS 39 Eligible Hedged Items effective periods beginning or after 1 July 2009.
IFRIC 17 Distribution of Non-Cash Assets to Owners effective periods beginning or after 1 July 2009.

Effective in 2009, but not relevant

IFRS 1 and IAS 27 Amendment effective 1 January 2009 – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate.
IAS 32 and IAS 1 amendment effective 1 January 2009 - Puttable Financial Instruments and Obligations Arising on Liquidation.
IFRIC 9 and IAS 39 Amendment effective 1 July 2008- Embedded derivatives.
IFRIC 13 effective 1 July 2008 – Customer Loyalty Programs.
IFRIC 15 effective 1 January 2009 – Agreements for the Construction of Real Estate.
IFRIC 16 effective 1 October 2008 – Hedges of a Net Investment in a Foreign Operation.
IFRIC 18 Transfers of Assets from Customers effective periods beginning or after 1 July 2009.

2.4 Summary of significant accounting policies

2.4.1 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 are taken to the statement of comprehensive income. 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.

2.4.2 Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell and are no longer depreciated.

2.4.3 Revenue

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, excluding discounts, rebates and value-added taxes or 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 it's revenue arrangements.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest received is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

2.4.4 Taxes

Current 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 recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

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 utilised 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 outside profit or loss is recognised in other comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset when they 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 recognised 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.

2.4.5 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 charged in the profit and loss as they fall due. The Group also participates in the National Social Security Authority as required by legislation. The cost of retirement benefit applicable to the National Social Security Authority Scheme, which is a defined benefit fund, is determined by the systematic recognition of legislated contributions.

The Group has also agreed to provide certain additional post employment healthcare benefits to executives. Benefits are unfunded. Costs are actuarially calculated and are charged against trading profit when incurred.

2.4.6 Share-based payment transactions

Senior employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (‘equity-settled 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 10.5.

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 loss per share (further details are given in note 12).

2.4.7 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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. At the reporting date there were no held-to-maturity investments or derivatives designated as hedging instruments.

All financial assets are recognised initially at fair value plus directly attributable transaction costs.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables and unquoted financial instruments.

ii) Subsequent measurement

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

iii) 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.

iv) 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.
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.

v) 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') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

vi) 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.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised 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 in the statement of comprehensive income.

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 effective interest rate.

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, plus directly attributable transaction costs.

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

ii) Subsequent measurement

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

iii) 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) amortisation 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 amortisation is included in finance cost in the statement of comprehensive income.

iv) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

v) 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 the statement of comprehensive income.

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.

d) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 26.5.

2.4.8 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the statement of comprehensive income 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.

2.4.9 Property, plant and equipment

Plant and equipment is stated at fair value less accumulated depreciation and/or accumulated impairment losses recognised after the date of the revaluation, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised 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 credited to the assets 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 the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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	10 years

Computer equipment	5 years
Computer software	5 years
Plant and machinery	10 years
Leasehold Improvements	The lease period or shorter periods as may be determined
Motor vehicles	5 years

2.4.10 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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The Group has no finance lease arrangements in the current period.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

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.

2.4.11 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.

2.4.12 Inventories

Inventories are valued at the lower of cost and net realisable value.

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.

2.4.13 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 cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above. Overdrafts are disclosed under borrowings.

2.4.14 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 statement of comprehensive income net of any reimbursement.

3. Significant accounting judgments, estimates and assumptions

3.1 Judgments

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.

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 recognized in the consolidated financial statements:

3.1.1 Consolidation of special purpose entities

The Group has consolidated the group results of the Edgars Employee Share Trust Company and the Zimedgroup Employee Trust. 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.

3.2.1 Revaluation of property, plant and equipment

Property, 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. Professional valuers carried out revaluation of property, plant and equipment. A professional valuation of land and buildings and plant and machinery was carried out on 9 January 2010. Land and buildings were valued using an open market value basis. Plant and machinery were valued using the depreciated replacement cost basis. Surpluses arising were credited to the revaluation reserve, and where applicable, net of deferred taxes and included in shareholders equity in the statement of financial position.

Property, plant and equipment is depreciated over its useful life taking into account residual values where appropriate. The actual 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 life of the asset and projected disposal values. See note 14.

3.2.2 Post employment benefit obligations

Post employment benefits are provided for certain existing and former employees. Actuarial valuations are used to determine the value of the benefits. The actuarial valuations are based on assumptions, which include employee turnover, the discount rate, life expectancy, healthcare costs and rates of increase in compensation costs. See note 21.

3.2.3 Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. 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 10.5.

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 taxes are disclosed in Note 11.

3.2.5 Provision for impairment of debtors

The Group calculated this provision at 2% of the trade receivables balance. This was based on the arrears information at the end of the period. Further details are provided in note 17.

4. Definitions

Capital employed:
Capital and reserves and interest bearing debt.

Cash and cash equivalents:
Comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash.

Cash generated from trading:
Trading profit adjusted for all non-cash items, which have been charged or credited therein.

Cost of sales:
Cost of inventory sold, including distribution costs, markdowns, stock losses, promotional costs and early settlement discounts.

Current ratio:
Current assets divided by current liabilities. Current liabilities include short-term borrowings and interest free liabilities.

Dividend cover:
Earnings per ordinary share divided by dividends per ordinary share.

Dividend yield:
Dividends per ordinary share divided by the closing share price on the Zimbabwe Stock Exchange.

Earnings per ordinary share:

Attributable earnings basis:
Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

Diluted earnings basis:
Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year, increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of dilutive options , and adjusted for the cost of share based payments , being the fair value of services rendered.

Earnings yield:
Earnings per ordinary share divided by the closing price on the Zimbabwe Stock Exchange.

Gearing ratios:

Gross:
Interest bearing debt, reduced by cash and short term deposits, divided by shareholders' funds.

Net:
Interest bearing debt, reduced by interest bearing debtors, cash and short-term deposits, divided by shareholders' funds.

Financing cost cover:
Operating profit divided by net financing costs.

Net assets:

Total assets less all interest free liabilities.

Net asset turn:
Retail sales divided by the closing net assets.

Net equity per ordinary share:
Capital and reserves divided by the number of ordinary shares in issue at the year end.

Price earnings ratio:
The closing share price on the Zimbabwe Stock Exchange divided by earnings per ordinary share.

Retail sales:
Includes merchandise, airtime sales and manufacturing sales to third parties net of VAT.

Return on ordinary shareholders' equity:

Earnings attributable to shareholders as a percentage of average ordinary shareholder's equity.

Revenue
Comprises sale of merchandise, debtors' late payment charges and funeral insurance premium.

Weighted average number of ordinary shares in issue:

The number of ordinary shares in issue at the beginning of the year, excluding treasury shares, increased by shares issued during the year, and decreased by share repurchases on a time basis for the period during which they participated in the income of the Group. In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation is deemed to be from the date of issue.

5. Segment Information

5.1 Adoption of IFRS 8 Operating Segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009.

5.2 Reportable segments

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

Edgars Chain
Express Mart Chain
Carousel (Manufacturing Division)

No operating segments have been aggregated to form the above reportable operating segments. 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.

However, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

5.3 Segments revenues and results

Overleaf is an analysis of the Group's revenue and results from continuing operations by reportable segment.

Segmental Information	**2009**
	$
Retail Sales	
Edgars	7,949,619
Express Mart	2,935,511
Manufacturing Division - Gross	2,131,085
- Consolidation Adjustment	(1,984,603)
Consolidated	11,031,612
Trading Profit / (Loss)	
Edgars	522,112
Express Mart	(184,818)
Manufacturing Division	(717,918)
Corporate Division & Consolidation Adjustment	(1,949,282)
Consolidated	(2,329,906)

Number of Permanent Employees	**Statistics**
Edgars	226
Express Mart	100
Manufacturing Division	328
Corporate Division	237
Consolidated	891
Number of Stores	
Edgars	21
Express Mart	13
Consolidated	34
Unit Sales	
Edgars	695,111
Express Mart	457,585
Carousel	352,288
Consolidated	1,504,984

1. Inter-segment revenues are eliminated on consolidation.
2. Profit for each operating segment does not include finance income and finance costs. Segment operating profit does include profit from inter-segment sales.

	2009 $
6 Revenue	
The following is an analysis of the Group's revenue for the year (excluding investment revenue)	
Sale of merchandise	11,031,612
Retail sales	10,863,915
Airtime sales	21,215
Manufacturing sales to third parties - local	115,182
- export	31,301
Debtors income	19,445
Funeral insurance	78,613
	11,129,670
7 Other gains and losses	
Loss on disposal of property, plant &equipment	(33,429)
Net foreign exchange gains/(losses)	(13,233)
	(46,662)
8 Debt collection costs	
Late payment charges	19,445
	19,445
Debt collection costs	(313,468)
Funeral insurance scheme profit	30,761
	(263,262)
9 Trading loss	
Trading loss has been arrived at after charging / (crediting):	
9.1 Auditors remuneration:	
Audit fees	23,600
Fees for consulting & other services	-
	23,600
9.2 Depreciation expense	
Depreciation of property, plant and equipment	158,367

	2009 $
9.3 Operating lease expenses:	
Land and buildings:	
Minimum lease payments	1,152,793
Contingent rents	48,984
Sublease payments	(30,541)
	1,171,236
9.4 Fees payable	
Managerial, technical, administrative and secretarial fees paid outside the group	133,501
Outsourcing of IT	84,854
	218,355

10 Directors and employees

10.1 Employees

The group employed 891 (2008: 1,173) permanent employees of which 563 (2008: 748) were employed in retailing and 328 (2008: 425) in the manufacturing division.

The aggregate remuneration and associated cost of permanent and casual employees including directors was:

	2009 $
Salaries and wages	2,966,023
Pension contributions	302,970
Medical aid contributions	93,495
	3,362,488

Included in salaries and wages is $172,975 relating to the voluntary retrenchment scheme. Permanent employees of the group belong to various defined benefit medical aid schemes run by independent medical aid societies.

10.2 Directors' emoluments

	2009 $
Non executive directors :	
- Fees	24,376
Executive directors :	
- Remuneration	102,664
- Retirement and medical aid benefits	89,585
	216,625

	2009
	$

10.3 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 Security Authority Act, Chapter 17:04. Presently these are 4% of pensionable monthly emoluments for each employee.

Contributions to the above aforementioned funds charged against trading loss

	2009 $
Edgars Pension Fund	211,653
National Social Security Authority	91,317
	302,970

10.4 Post-retirement medical aid

The cost of providing post-retirement medical aid contributions has been determined in accordance with IAS 19. The Group's liability in this respect is re-determined on an annual basis and the movement is charged against trading loss .

	2009 $
Post-retirement medical aid charge to trading loss for the period (note 21)	70,000

10.5 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

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 any time from the date of vesting. 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.

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

Shares set aside 29 May 2007

	Option series	Number	Grant Date	Expiry Date	Exercise price cents
1	Issued 29 June 2007	3,900,000	29/6/2007	28/6/2017	1.4
2	Issued 10 June 2008	5,350,000	10/6/2008	09/6/2018	0.3
3	Issued 9 July 2009	4,300,000	09/7/2009	08/7/2019	3.5

Total options exercisable	13,550,000
Options excercised	400,000
Shares set aside per 29/5/2007	15,000,000
Options still available including options forfeited	1,050,000

2009
$

10.5 Equity-settled share-based payments
Employee share option scheme (continued)

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 Series 1	10 June 2008 Series 2	9 July 2009 Series 3	Total $
Weighted average fair value of options granted (cents)	1.70	2.29	2.36	
The following key assumptions were made:				
Expected Volatility	90.0%	90.0%	90.0%	
Risk free interest rate	6.0%	6.0%	6.0%	
Expected Dividend Yield	0.0%	0.0%	0.0%	
Expected Life (years)	4.000	3.416	2.416	
Resultant charge to trading loss	15,216	28,116	12,697	56,029

The expense recognised for employee services in this period was $56,029. The equity-settled employee benefits reserve has been credited. Volatility was estimated using the movement in the Edgars share on the Zimbabwe Stock Exchange in the month of February 2009. It is the Group policy that employees who have access to price sensitive information should not deal in shares or exercise share options of the Group 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.

		2009 $
11 Taxes		
11.1 Taxes recognised in profit or loss		
Tax reversal comprises:		
Current tax in respect of the current period	-normal	-
	-withholding tax	(14)
Deferred tax relating to the origination and reversal of temporary differences		801,537
Total tax reversal		801,523

The reversal for the year can be reconciled to the accounting loss as follows:

Loss for the period	(2,956,133)
Tax calculated at 30.9% (inclusive of AIDS levy)	(913,445)
Effect of revenue exempt from taxation	(6,903)
Effect of expenses which are not deductible	72,054
Effects of concessions and other allowances	3,732
Effect on deferred tax balances due to the change in the tax rate from 30.9% to 25.75% (effective 1 January 2010)	43,039
Tax reversal recognised in loss	(801,523)

12 Loss per share

The weighted average number of shares used in calculating the loss per share statistics is:	242,000,445 shares
Effect of dilution: share options	7,698,750 shares
The weighted average number of shares used in calculating the diluted loss per share statistics is:	249,699,195 shares

12.1 Attributable basis

Loss attributable to ordinary shareholders	(2,154,610)
Cost of equity-settled share based payments charged to loss	56,029
Loss adjusted for cost of dilutive instruments	(2,098,582)
Basic loss per share (cents)	(0.89)
Diluted loss per share (cents)	(0.84)

	2009 $
13 Cash flow	
13.1 Non-cash items	
Share based payment (note 10.5)	56,029
Depreciation (note 9.2)	158,367
Inventory write-down	86,725
Net loss on disposal of fixed assets (note 7)	33,429
Increase in provisions	70,000
Provision for doubtful debts	50,142
	454,692
13.2 Working capital requirements	
Increase in inventories	(1,928,906)
Increase in accounts receivable	(2,832,166)
Increase in trade and other payables	2,977,803
	(1,783,270)
13.3 Taxation paid	
Taxation liability at the beginning of the period	-
Current taxation provided (note 11.1)	14
Taxation liability at the end of the period	-
	(14)
14 Property, plant and equipment	
Cost or valuation	2,860,124
Accumulated depreciation and impairment	(32,097)
	2,828,027
Freehold land	86,330
Buildings	965,000
Plant and equipment	953,862
Furniture, fittings and vehicles	822,835
	2,828,027

2009
$

14 Property, plant and equipment (continued)

	Land & Buildings	Plant & Equipment	Furniture Fittings & Vehicles	Total
	$	$	$	$
Cost or valuation				
Opening Balance	-	-	-	-
Deemed cost	946,935	702,813	36,422	1,686,170
Additions	-	-	43,823	43,823
Disposals	-	(67,806)	-	(67,806)
Reclassified as held for sale	(47,094)	-	-	(47,094)
Revaluation increase	151,489	321,326	772,216	1,245,031
Balance at 31 December 2009	1,051,330	956,333	852,461	2,860,124
Accumulated depreciation or impairment				
Opening balance	-	-	-	-
Depreciation on deemed cost	(12,355)	(38,853)	-	(51,208)
Eliminated on revaluation	41,426	135,987	65	177,478
Depreciation expense	(29,071)	(99,605)	(29,691)	(158,367)
Balance at 31 December 2009	-	(2,471)	(29,626)	(32,097)
Net carrying amount	1,051,330	953,862	822,835	2,828,027

14.1 Property plant and equipment carried at fair value

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

Land and buildings

An independent professional valuation of the Group's land and buildings was performed on 9 January 2010 to determine the fair value of the land and buildings. The valuation was done on an open market value basis.

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 of the plant and machinery. 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.

14.2 Assets pledged as security

Freehold land and buildings with a carrying amount of $858 000 have been pledged to secure borrowings of the Group (see note 22). The freehold land and buildings have been pledged as security for bank loans under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

	2009
	$

15 Deferred tax asset

Temporary differences	Opening balance	Recognised in profit or loss	Recognised directly in equity	Closing balance
Property, plant and equipment	-	34,875	(764,341)	(729,466)
Provisions	-	(6,206)	-	(6,206)
General provision for impairment of receivables	-	(232,904)	-	(232,904)
	-	(204,235)	(764,341)	(968,576)
Unused tax losses and credits				
Tax losses	-	1,005,772	-	1,005,772
	-	801,537	(764,341)	37,196

Deferred tax balances are presented in the statement of financial position as follows:

Deferred tax asset	37,196

16 Inventories

Raw materials	964,206
Work in progress	59,464
Goods in transit	70,970
Merchandise	2,890,488
Consumable stores	219,749
	4,204,878

The cost of inventories recognised as an expense during the period in respect of operations was $ 8,180,147

17 Trade and other receivables

Trade accounts receivable	2,534,475
Less: - Specific provision for impairment of receivables	(56,565)
Other accounts receivable including payments in advance	304,115
	2,782,024

Movement in the provision for impairment of receivables

Opening balance	-
Increase in provision	(56,565)
Closing balance	(56,565)

The average credit period on sales of goods is 90 days. No interest is charged on trade receivables as long as the installment due is paid. Late payment interest is charged at 3% per month on the outstanding balance. The Group has recognised an impairment against all trade receivables based on the arrears information at the end of the period.

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.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

	2009
	$
18 Assets classified as held for sale	
Buildings	47,094

In September 2009 the Group decided to dispose of former store managers houses in small towns. Potential buyers have been identified. There was no difference between the carrying amount and the fair value less costs to sell.

19 Share capital and premium

19.1 Authorised ordinary share capital

400 000 000 Ordinary shares	-

19.2 Issued ordinary shares and premium

	Number of shares 000s	Share capital $	Share premium $
Balance at beginning of period	278,342	-	-
Issue of shares under employee share option plan	400	-	5,601
Balance at end of period	278,742	-	5,601

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

Shares currently have a nominal value in Zimbabwe dollars. A nominal value in United States dollars is expected to be approved at the next shareholders meeting.

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 121,258,293 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 21,258,293 are under the control of the company in a general meeting.

20 Other reserves

Equity-settled employee benefits reserve	56,029
Change in functional currency reserve	3,723,002
Revaluation reserve	932,824
	4,711,855

		2009
		$
21	**Trade and other payables, and provisions**	
	Trade accounts payable	1,853,795
	Sundry accounts payable and accrued expenses	1,124,008
		2,977,803

Provisions

Post-retirement medical aid provision

The cost of providing post-retirement medical aid contributions has been determined in accordance with IAS 19. The value of the group's liability for the past service element of these contributions as at 31 December 2009 was $70 000 . The group's liability in this respect is re-determined on an annual basis and the movement in the amount is charged against trading profit .

Valuation assumptions

Post retirement medical obligation valuation assumptions and sensitivity

Net discount rate	1%
Normal Retirement Age	60years
Pre-retirement mortality	56-62
Post-retirement mortality	55
Contribution rates -per member	$40

The unfunded liability in the balance sheet is as follows:

Opening balance	-
Actuarial loss	70,000
Liability at the end of the period	70,000

The valuation results are extremely sensitive to the assumption used.The value of the liability could turn out to be overstated or understated depending on the extent on which actuarial experience differs from the above assumptions.

	Central assumption 2009 $	Decrease 1% 2009 $	Increase 1% 2009 $
Active members	70,000	83,222	59,560
Accrued liability - % change	-	19%	15%

Aggregate trade and other payables, and provisions	3,047,803

		2009
		$
22	**Interest bearing loans and borrowings**	
	Bank overdrafts	568,705
	Bills discounted	4,089,396
		4,658,101
22.1	**Unsecured – at amortised cost**	
	Bank overdrafts	69,469
	Bills of exchange (i)	2,731,876
		2,801,345
22.2	**Secured – at amortised cost**	
	Bank overdrafts (ii)	499,236
	Bank loans (iii)	1,357,520
		1,856,756
		4,658,101

22.3 Summary of borrowing arrangements

(i) Bills of exchange with a variable interest rate were issued in 2009. The current weighted average effective interest rate on the bills is 38.94% per annum
(ii) Secured by a mortgage over the Group's freehold land and buildings. The weighted average effective interest rate on the bank loans is 15.21% per annum
(iii) Secured by a Notorial General Covering Bond and Negative Pledge over assets. The weighted average effective interest rate on the loans is 42.42% per annum
(iv) Tenors range between 30 days and 1 year

23 Leases

The group leases land and buildings under operating leases.
It is not possible to disclose minimum lease payments as most of the Group's leases are under discussion with landlords. Given the fluctutations in the market estimations may be misleading.

There are no finance leases in operation.

24 Future capital expenditure

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

	2009 $
Authorised and contracted for	92,750

All the 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 Management of Capital

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy captial 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 dividend payment to shareholders or return capital to shareholders or issue new shares.

The group monitors capital on the basis of the gearing ratio and level of borrowings and this is calculated as net interest-bearing debt, reduced by cash and cash equivalents, divided by shareholder's equity. During 2009, the group's strategy was to maintain a net gearing ratio of below 1. As at 31 December 2009 the net gearing ratio is 0,59.

26.1 Financial risk management

The groups 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 arrive directly from its operations.

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

The group's senior managemnet oversees the management of these risks. The Treasury and Audit commitees both 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.

26.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes market prices. Market prices comprise three types of risk: interest rate risk, currency risk, commodity risk and other price risk, such as equity risk. Financial instruments affected by market risk include borrowings and deposits.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's medium to long-term debt obligations. Currently the group risks in this area are minimal as the bulk of borrowings are short term and at a fixed rate of interest.

Foreign currency risk

Foreign currency risk is risk that the fair value or 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 expenses 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 were:

26.2 Market risk (continued)

Foreign denominated balances	South African Rand	Botswana Pula	British Pound
Assets			
Cash and cash equivalents	946,011	82,316	3,944
Liabilities			
Borrowings	(1,607,000)	-	-
Total net position	(660,989)	82,316	3,944
Impact of US$ strengthening by 10% -Gain/(loss) in US$	8,012	(1,151)	(588)

Price risk

The Group is not exposed to significant price risk. No listed investments are held and commodity price risk is minimal.

26.3 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 shown in the carrying amounts in the Statement 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 shown in note 17.

26.4 Liquidity risk

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

Unutilised banking facilities:	
Total banking and loan facilities	9,250,000
Actual interest bearing debt (note 22)	(4,658,101)
Unutilised banking facilities	4,591,899

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 amount is calculated as the aggregate of shareholders' equity, inventories & debtors in respect of interest bearing debt of up to 90 days.

Maximum permissible interest bearing debt	9,549,749
Actual interest bearing debt (note 22)	(4,658,101)
	4,891,648
Cash and cash equivalents	369,531
Unutilised borrowing capacity	5,261,179

26.4 Liquidity risk (continued)

Sustainable liabilities:

The unutilised liability capacity is based on the estimated capacity of each asset investment to sustain liabilities.

	Liability capacity	2009 $
Fixed and long term assets	50%	1,432,611
Inventories	75%	3,153,658
Accounts receivable	66%	1,836,136
Cash and cash equivalents	100%	369,531
		6,791,937
Interest free liabilities		2,977,803
Permissible interest bearing debt at end of year		9,769,740
Actual interest bearing debt (note 22)		4,658,101
Unutilised liability capacity		5,111,639

26.5 Fair value of financial instruments

The estimated net fair values have been determined as at 31 December 2009, 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, trade accounts receivable, investments and loans:
The carrying amounts reported in the balance sheet approximate fair values.

Interest bearing debt:
The carrying amount of interest bearing debt approximates its fair value.

27 Interests of directors in share capital

The interests, direct and indirect of the directors in office at 31 December 2009 and at the date of this report, aggregated as to beneficial interest and non-beneficial interest are as follows:

Director's Name	Beneficial	Non-beneficial
R Mlotshwa	1,504,000	100
C F Dube	1,500	100
V Mpofu	-	100
L Masterson	1,057,799	100
S Ndlovu	300,000	100
T N Sibanda	-	100
L L Tsumba	-	100
Z Vella	250,000	100
Nominees	-	300
	3,113,299	1,100

No changes in Directors' shareholdings have occurred between the financial year end and 3 March 2010. During the course of the period, none of the directors 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 transactions

Related party relationships exist between the group, fellow subsidiaries and the holding company. All purchasing and selling transactions are concluded at arm's length.

29 Report of the directors

It 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. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the company to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

Analysis of Ordinary Shares Held at 9 January 2010

	Member Analysis		Shareholding Analysis	
Size of Holding	Number of Members	% of Total Shareholders	Number of Shares	% of Total Shareholders
1 – 1000	418	33.41	170 027	0.06
1 001 - 2 000	316	25.26	368 848	0.13
2 001 - 5 000	160	12.79	595 812	0.21
5 001 - 10 000	94	7.51	668 828	0.24
10 001 - 100 000	179	14.31	5 320 271	1.91
Over 100 000	84	6.71	271 617 921	97.44
	1 251	100.00	278 741 707	100.00

	Number of shareholders	Number of Shares held	% of holding
Bellfield Limited	1	112,138,510	40,23
Nominee Companies	45	37,820,743	13.57
Pension Funds	16	12,132,094	4.35
Zimedgroup Employee Trust	1	35,950,445	12.90
Investment and other Corporate Bodies	216	13,490,421	4.84
Insurance Companies	6	46,591,304	16.71
Individuals	550	17,258,165	6.19
Employee Shares	416	3,360,025	1.21
Totals	1 251	278,741,707	100.0

Shareholders Financial Calendar 2008-2011

Financial Year Ending 9 January 2010

Interim results for the 6 month period ending 4 April 2009	Published	June 2009
Trading update and profit warning for the year ending 9 January 2010	Published	January 2010
Analysts briefing and announcement of results		March 2010
Press announcement		March 2010
Notice to Shareholders		April 2010
Annual Report		May 2010
Annual Financial Statements	Published	June 2010
Annual General Meeting		June 2010

Financial Year Ending 1 January 2011

Interim results for the 6 month period ending 3 July 2010		September 2010
Analysts briefing & announcement of interim results		September 2010
Trading update for Financial Year 2010		January 2011
Analysts briefing and announcement of results for Financial Year 2010		March 2011
Annual General Meeting		June 2011

Notice To Members

Notice is hereby given that the 61st Annual General Meeting of members will be held at the Edgars Auditorium, 1st Floor LAPF House, 8th Avenue/Jason Moyo Street, Bulawayo on 10 June 2010 at 09.00 hours for the following purposes: -

Ordinary Business

1. To approve minutes of the Annual General Meeting held on 4 March 2009.

2. To receive and adopt the annual financial statements and the reports of the directors and auditors for the financial year ended 09 January 2010.

3. To appoint directors in accordance with the provisions of the company's Articles of Association.

3.1 Dr L L Tsumba and Mr S Ndlovu retire by rotation. Being eligible, they will offer themselves for re-election.

3.2 Mr Mlotshwa, Group Managing Director from 1999, retired from service on 31 March 2010. He has accepted to stay on the Board as a non-executive director.

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, to pass with or without modification the following Special Resolutions.

Special Resolution No. 1

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 Listings 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 15 (fifteen) 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 25% (twenty 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 5 (five) 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 15 (fifteen) 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% of its issued share capital in any one financial year, the directors are only seeking authority to repurchase up to 10% of issued share capital in this financial year, being 27 874 171 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 12 (twelve) 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 12 (twelve) months; and
- the working capital available to the company and its subsidiaries will be sufficient for the group's requirements for the next 12 (twelve) months.

Special Resolution No. 2

The Employees Share Option Scheme 2007 be clarified and amended in terms of Clause 9 of the Scheme as follows:-

Clause 2.1 The definition of "Share" be amended by its deletion and substitution of "an ordinary share having such nominal value as is then current" ;

1.2 By the addition at the end of Clause 6.1 of:-

Clause 6.1.1 "The directors shall be entitled to fix the price in any currency then being legally used in Zimbabwe, such power having retrospective effect to the 1st of February 2009. The Directors shall also be entitled to amend the price of those options previously granted, where the price was fixed in Zimbabwe dollars, to such currency then being legally used in Zimbabwe, so that the amended price in the currency used, fairly replaces the Zimbabwe dollar price. Any dispute in this regard shall be resolved in terms of Clause 8".

Special Resolution No. 3

That as the scheme, discussed in Resolution No. 2, reached the end of its life on 31 March 2010, the shareholders hereby approve the new Employees Share Option Scheme 2010 ["the 2010 scheme"]. The document giving effect to the 2010 scheme is attached. For purposes of identification, the scheme document will be initialed by the Chairman at this meeting.

The directors be and are hereby authorised to do everything which they, in their opinion, consider necessary for the establishment of the scheme and for carrying it into effect.

Special Resolution No. 4

That the authorised share capital of the company be re-denominated from 400 000 000 ordinary shares of Z$0,00 to 400 000 000 ordinary shares of US$0,0001 each and that the Directors transfer US$27 874 from capital reserves to fund the re-denomination.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on his 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

3 March 2010
Group Secretary

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

for use by members at the annual general meeting of the company to be held on Thursday, 10 June 2010 at 09.00 hours.

I/We____

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

1 ____ or failing him

2 ____ or failing him

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 Auditorium, 1st Floor LAPF House, 8th Avenue, Jason Moyo Street, Bulawayo on Thursday, 10 June 2010 at 09.00 hours for the purpose of considering, and if deemed fit, passing with and/or without modification, the resolutions to be proposed thereat and at each adjournment thereof, to vote for or against the resolutions with and/or without modification, and/or to abstain from voting thereon in respect of the ordinary shares in the issued 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 stead.

	For **No of votes** **Poll**	**Against** **No of votes** **Poll**	**Abstain** **No of votes** **Poll**
Ordinary Resolution No 1 *(Approve minutes of the AGM of 04 March 2009)*			
Ordinary Resolution No 2 *(Receipt and adoption of the annual financial statements for the year ended 09 January 2010)*			
Ordinary Resolution No 3 *(Election of Directors as a single resolution)*			
Alternatively: Ordinary Resolution No 3 *(Election of Directors) –*			
Ordinary Resolution No 4 *(Approve the remuneration of directors)*			
Ordinary Resolution No 5 *(Appoint auditors and approve their remuneration)*			
Special Resolutions *(Number 1 to 4)*			

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

Signed at ______________________________ on ____ 2010

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 space provided, with or without deleting the words "the chairman of the annual general meeting". All deletions must be individually initialed 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.

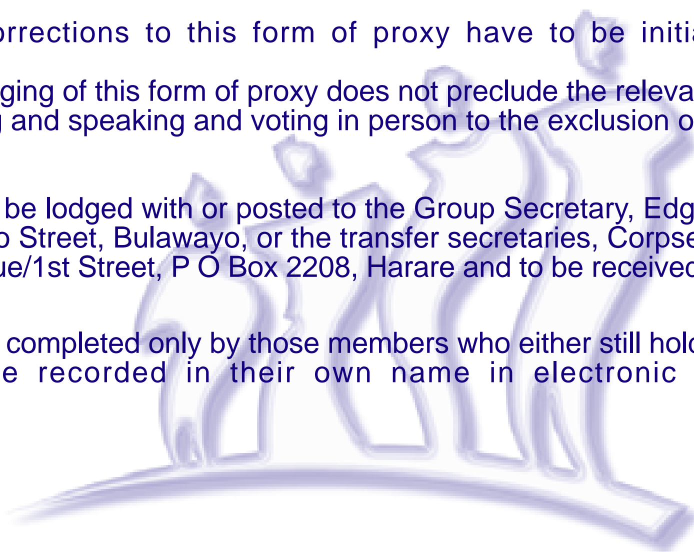
6. The chairman of the annual general meeting may reject or accept any form of proxy that is completed and/or received other than in accordance with these instructions and notes.

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 12.00 hours on 8 June 2010.

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
Website: http://www.edgars.co.zw

Postal address
P O Box 894, Bulawayo, Zimbabwe

Company Secretary
Vusumuzi Mpofu

Transfer Secretaries
Corpserve (Pvt) Ltd
4th Floor Intermarket Centre
Cnr Kwame Nkrumah Avenue/ 1st Street
P O Box 2208, Harare, Zimbabwe
Telephone: 263-4-750711/2

Auditors
Ernst & Young
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/8thAvenue
P O Box 702, Bulawayo, Zimbabwe
Telephone: 263-9-881121/7

Standard Chartered Bank Zimbabwe
84 Fife Street
P O Box 587,Bulawayo,Zimbabwe
Telephone: 263-9-76211/20

Stanbic Bank Zimbabwe Limited
Cnr Main Street/8th Avenue
P O Box 1778,Bulawayo,Zimbabwe
Telephone: 263-9-61380

Co-ordination: Group Finance
Design and production: Group Marketing

These results can be viewed on the Internet at: **http://www.edgars.co.zw**