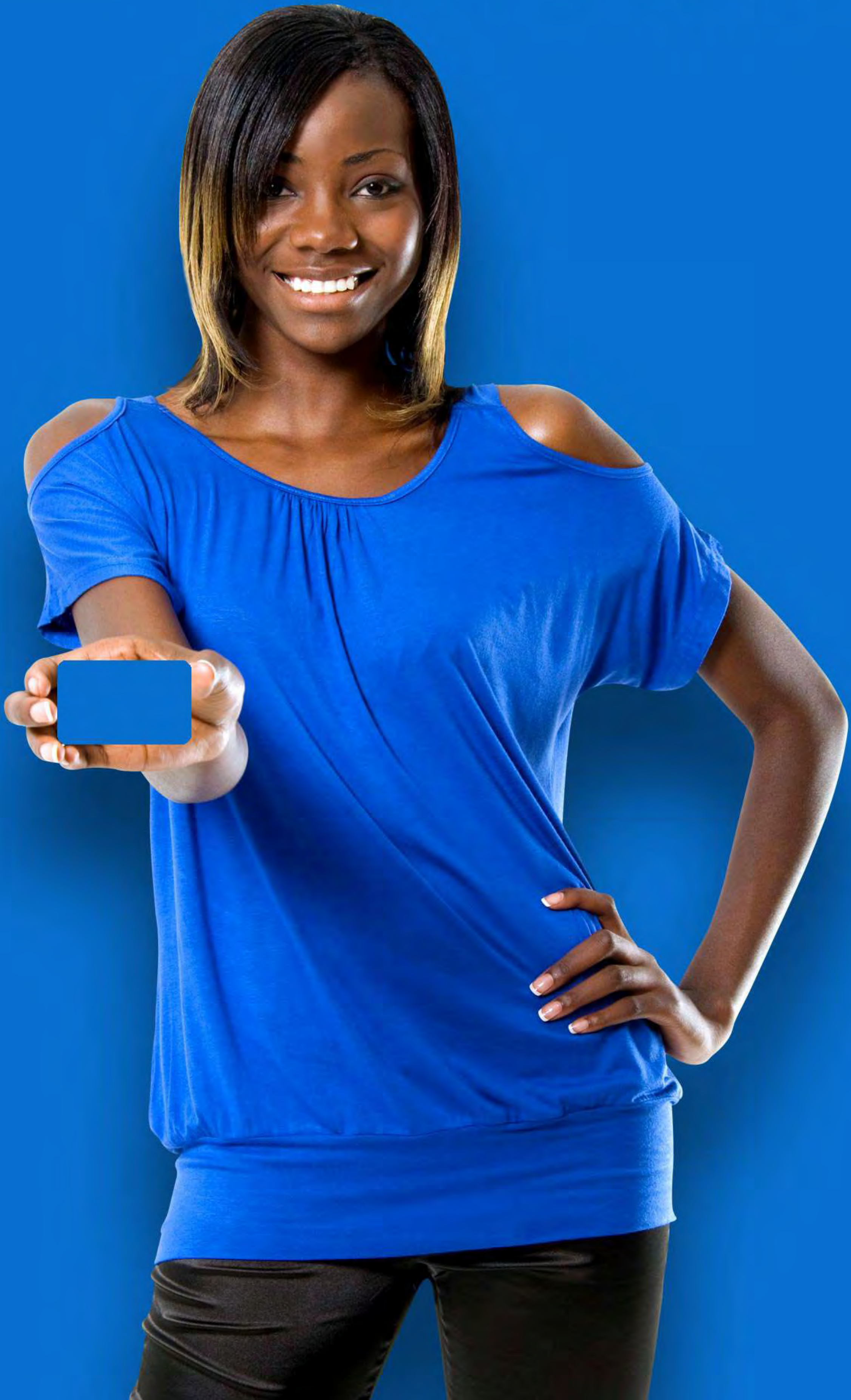
Edgars Stores Limited

Annual Report 2010



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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: providing quality, fashion and convenient shopping at competitive prices to the whole family in the middle to upper-income groups. The brand offers fashion merchandise, with no compromise on quality, at competitive prices for the whole family. We offer competitive credit to our customers. Our pleasant, convenient stores offer our customers a superior shopping experience.

ExpressMart: this brand combines Express clothing as well as items sold by general dealers:- white goods, kitchenware, hardware and a variety of other goods. It provides quality, value and commercial fashion with compelling opening price points at very competitive prices to the whole family in the lower to middle income group. Our stores offer pleasant, economical shopping environments, laid out for self service; with assisted service available if needed.

Manufacturing

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

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 pleasant 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 deliver a wide selection of quality products that are competitively priced with courtesy and professionalism.

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.

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.

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

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.

Group Financial Highlights

	2010	2009	Change
	52 weeks	66 weeks	%
	$m	$m	
Group Summary			
Retail sales revenue	35.5	11.0	222
Earnings attributable to ordinary shareholders	1.5	(2.2)	170
Cash outflow from operating activities	(11.1)	(4.3)	159
Total assets	26.6	10.3	157
Market capitalisation	13.9	11.1	25
Ordinary Share Performance (cents per share)			
Earnings			
Basic	0.62	(0.89)	170
Diluted	0.62	(0.84)	174
Net equity	1.48	0.92	61
Market price	5.00	4.00	25
Financial statistics			
Trading profit as % retail sales	11.9	(21.1)	156
Return on ordinary shareholders equity	36.5	(84.1)	143
Liquidity ratios			
Borrowing times covered by stock and debtors	1.5	1.5	(1)

Outlook

Over the last year, cotton prices increased by 160% and wool prices rose 44%. The focus going forward will be smart buying to minimize the impact on our customers. Growing market share, while managing costs and working capital, continues to be our key strategic focus.

A new look Edgars store was opened in the up-market shopping center, Sam Levy's Village in Borrowdale, Harare as part of a low cost store expansion and revamp project for rollout in 2011.

We anticipate continued positive growth in 2011 albeit at a slower rate.

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Corporate Board

Executive Directors

Linda Masterson (55) FCIS
Group Managing Director
Joined the company in 1988
Appointed to the board in 1991
Appointed Group Managing Director in April 2010

Vusumuzi Mpofu (43) ACMA, FCIS, RP Acc (Z)
Group Finance Director & Company Secretary
Joined the company in 2000
Appointed to the board in 2008

Zebhediah Vella (53) BA Hons. Accountancy and Economics
Group Manufacturing & Operations Director
Joined the company in 1989
Appointed to the board in 1999

Shepherd Ndlovu (59) BA Hons
Group Human Resources Director
Joined the company in 1990
Appointed to the board in 1995

Non- Executive

Themba N. Sibanda • (56) B.Acc (Z), C.A. (Z)
Chairman
Appointed to the Board in 2003

Canaan F. Dube* • (54) LLB (Hons), LLB, MBA
Appointed to the Board in 2004.

Dr. Leonard. L.Tsumba* • (67) Phd, M.A, BSBA
Appointed to the Board in 2006.

Raymond Mlotshwa (60) BA
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 in April 2010

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

Group Chairman's Report

A successful marketing program and enhanced product offering underpinned the consistently positive growth that continued from the first half. Credit retail was highly competitive and various initiatives that included an aggressive account drive and the introduction of high street brands led to a satisfactory performance.

Financial Performance

Edgars Chain was the growth vehicle with unit sales growing by 201% on the back of strong credit expansion. Margins improved from 48% to 53%. Chain trading profit increased 1 740% while expenses remained tightly controlled.

The ExpressMart Chain, which operates in the cash sector, had a unit growth of 81% and margins remained tight in the face of stiff competition from cheap imports in an environment of low disposable incomes.

The manufacturing unit incurred a loss. The improvement in productivity, whilst commendable, was not enough to reverse the losses but will bear fruit in 2011. Fabric covers are adequate and focus remains on being an efficient, high quality producer.

Overall group trading profit improved by 280% to $4,2 million but was negatively affected by the high financing costs.

Credit Management

The quality of the credit book continued to improve. During the year, accounts grew by 186% from 38 773 to 111 199. The active book at year-end was 91%. The collection rate and all other key indicators remain satisfactory. Bad and doubtful debts are fully provided for while actual handovers for the year were 0.68% of lagged debtors. The Edgars VIP account was successfully launched and plans are at an advanced stage for other credit related products.

Appreciation

On behalf of the board I wish to congratulate the management and staff of Edgars for a sterling performance.

Outlook

Over the last year, cotton prices increased by 160% and wool prices rose 44%. The focus going forward will be smart buying to minimize the impact on our customers. Growing market share, while managing costs and working capital, continues to be our key strategic focus.

A new look Edgars store was opened in the up-market shopping center, Sam Levy's Village in Borrowdale, Harare as part of a low cost store expansion and revamp project for rollout in 2011.

We anticipate continued positive growth in 2011 albeit at a slower rate.

By order of the board.

TN Sibanda
Non-Executive Chairman
17 March 2011

Group Managing Director's Report

Overview

Despite the environment being dogged by low disposable incomes, higher wage demands, liquidity constraints, retrenchments, and high utility bills, there was a general recovery in the Zimbabwean economy. The civil servant bonus added to the positive sentiment and this resulted in a satisfactory performance for the year

The Government of National Unity (GNU) created some measure of political stability albeit fragile. The political scene was not void of the usual politicking and disagreements, and this dampened economic activity particularly in the first quarter.

The floods in Pakistan and North Eastern China during the year resulted in cotton prices increasing by 160% and wool rose 44%. Prices of garments are expected to rise by between 20 to 30% in the second half. The rise in locally manufactured garment prices will not be immediate due to significant stocks of fabric at old prices.

The inefficiencies that existed in the hyperinflation period became apparent when the economy dollarised. We began the year with a brought forward loss of $2,1million and borrowings at a rate of 38% per annum.

Strategy

Our strategy was: cheaper financing + productivity + standards = profitability. In other words:

- We could not continue to fund the business with expensive borrowings and needed to obtain cheaper financing.
- We needed to increase the top line through credit growth while reducing staff numbers through a voluntary retrenchment scheme and eliminate unproductive expenditure.
- After a long period of "survival" there were things we had become accustomed to which our customers, who had been forced to shop abroad, no longer found acceptable. We needed to improve our standards. The housekeeping in the stores and training of store staff would improve our customer shopping experience. Merchandising standards were another area that required improvement. Higher end brands were introduced into our stores to further service customer requirements.

Financing

When the year began the market was illiquid and it looked like our plans to reduce rates on borrowings would be an uphill task. Undeterred, we aggressively negotiated with financiers and pursued all angles. As rates began to decrease, we received good news – a two-year $3million guarantee from Edcon, for which we are very grateful. With it we secured borrowings from a local bank at low rates. By year-end rates on borrowings had more than halved to 18,2% and we expect them to reduce further in 2011.

The tenors on our borrowings also improved, with 75% of year-end borrowings being in the 90days to 1-year period.

Staffing

The Group has continued to enjoy harmonious industrial relations, with staff morale high and employees generally feeling positive about the Group's turn-around strategies. We have retained all key management staff.

The voluntary retrenchment exercise, which began in 2009, saw us reaching optimum staffing levels in 2010. Permanent staff levels were reduced by 319 at a cost of $544 927.

The Group has in place and is further developing performance-based systems to align staff activities to the overall strategy. Training continues to be a key focus.

As part of measures to improve standards a Brand and Marketing Executive was appointed.

Operations

Excellent results were achieved by operations particularly in account growth, housekeeping and merchandising. Our top 3 stores had minor revamps and are looking cleaner, brighter and better organised. We will continue the program with the rest of the stores in 2011. We also revisited our merchandising principles with assistance from the newly launched brand division and Edcon. In addition, advertising and marketing was aggressive especially during the festive season.

The Edgars Chain turnover grew on the back of credit by 277% and achieved gross margins of 53%. The chain trading profit was 28%. Credit sales were 85% of chain sales. Units in the ExpressMart chain increased 81%.

Manufacturing made a loss during the period but with measures put in place in 2010 is expected to break even in 2011.

Credit

At the beginning of the period our credit offering was a 25% deposit with the balance payable over three months. In May we saw it necessary to drop the deposit requirement and saw a 136% upsurge in unit sales. In August we extended terms to six months to pay (in five installments), a move that, whilst in the pipeline, was implemented earlier than planned due to competition. The credit business in Zimbabwe has remained competitive because, with salaries remaining on the low side, most gainfully employed people can only afford to buy clothing on credit.

In order to increase our accounts we had to embark on an aggressive account drive. This was achieved through a successful staff driven initiative called Zvakanaka Siyaphambili. Well done to all staff that participated in this. As a result the number of accounts grew from 38 773 last year to 111,199 at year-end.

In November the VIP account program was launched. Though in the early stages, this program, together with the launch of up-market brands like D66 and Charter Club is expected to increase market share in the up-market segment.

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Social responsibility

Our focus areas for social responsibility were mainly in sport and education in schools. Over $4,000 in the form of discount vouchers and trophies were donated to schools, colleges and universities. A few vouchers and small cash donations were also made to support charitable functions. Soccer balls and netballs were donated to schools in all provinces in tandem with teacher account opening initiatives.

Clothing and blankets of varying amounts were donated to under-privileged individuals and various charity organizations during the period under review.

Outlook

We expect 2011 to show a much lower month on month growth in units and accounts but there will still be some market share to be gained from new account growth and new stores will provide further growth opportunity as we expand again into some of the areas relinquished in 2008.

Appreciation

2010 was enjoyable for most of our Edgars employees despite the heavy workload that was, by and large, cheerfully assumed. A period of recovery is always more enjoyable than a period of stagnation or contraction. 2011 will require continued exceptional effort and I have no doubt that the willingness will remain strong while a strongly motivational environment is maintained.

I wish to congratulate the management and staff of Edgars for their outstanding performance and thank them for their enthusiastic support.

I would like to thank my fellow board members for their guidance and encouragement.

I also extend my gratitude to the shareholders, financiers, suppliers and landlords that have supported our efforts.

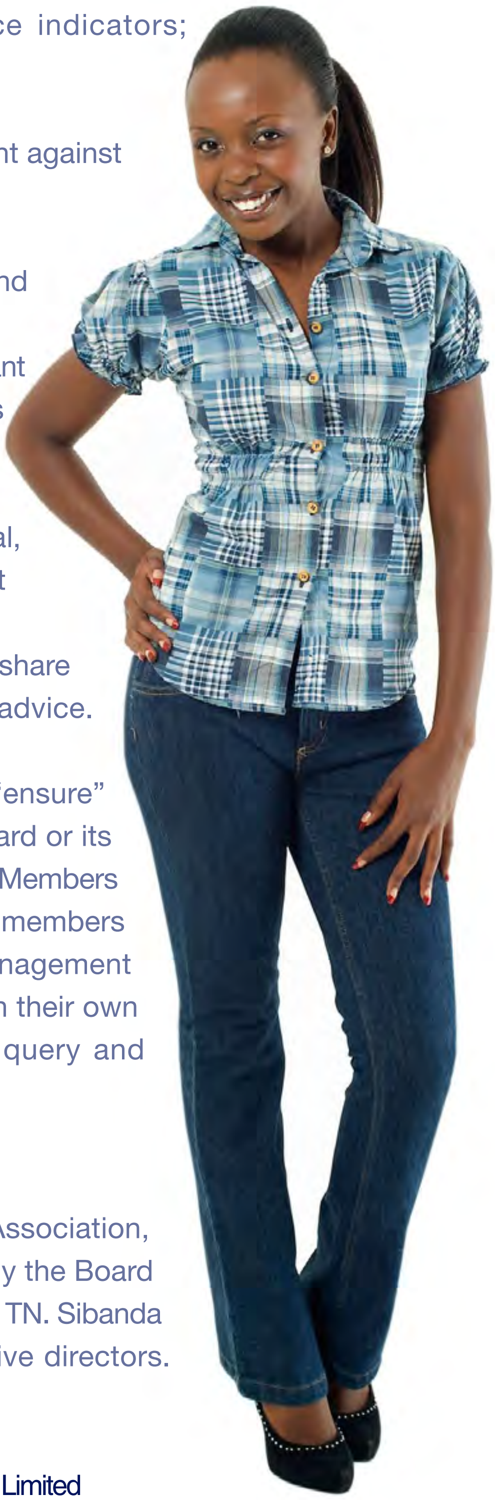
Linda Masterson

Group Managing Director
17 March 2011

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 four executive and four non-executive directors.

The names and credentials of the directors in office at 31 December 2010 are detailed on page 4. 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 2010 financial period and attendance at each are contained below.

Board Attendance	March 2010	Jun 2010	Sept 2010	Dec 2010
T.N. Sibanda*	✓	✓	✓	✓
C.F. Dube*	✓	✓	✓	✓
L.L. Tsumba*	✓	✓	✓	✓
R. Mlotshwa*	✓	✓	✓	✓
L. Masterson	✓	✓	✓	✓
S. Ndlovu	✓	✓	✓	✓
Z. Vella	✓	✓	✓	✓
V. Mpofu	✓	✓	✓	✓

Key: *Non-Executive Director ✓ attended x did not attend

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 4. 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	March 2010	Jun 2010	Sept 2010	Dec 2010
C.F Dube*	✓	-	✓	✓
L L Tsumba*	✓	-	✓	✓

Remuneration Committee	March 2010	Jun 2010	Sept 2010	Dec 2010
TN Sibanda*	-	✓	-	-
CF Dube*	-	✓	-	-
LL Tsumba*	-	✓	-	-

*Non-Executive Director - no meeting ✓ attended x did not attend

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.

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

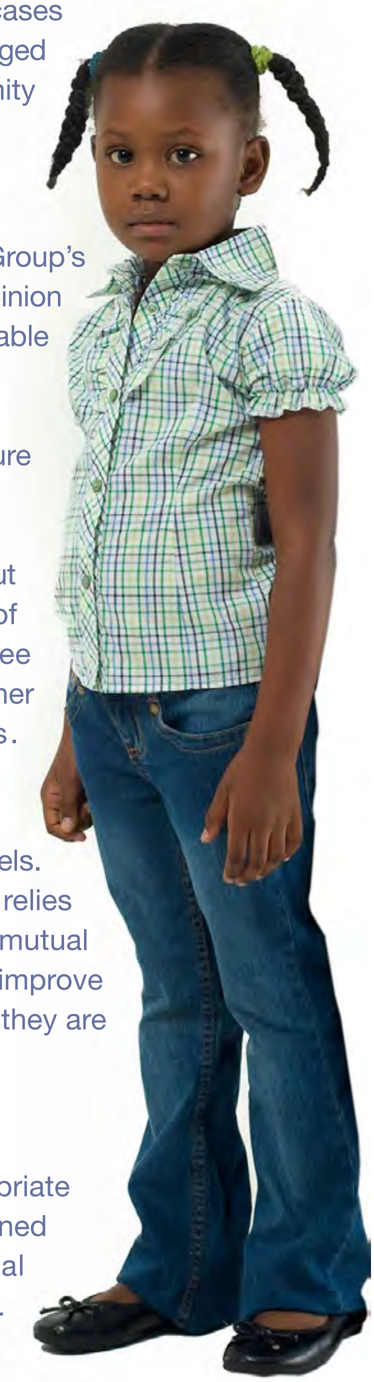
The Edgars Group Internal Audit operates in terms of the Audit Committee's approved charter to provide management with an independent, objective consultancy and assurance service that reviews matters relating to control, risk management, corporate governance and operational efficiency. The committee's responsibility is to independently 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

GIRLS 7-16 Years

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 Auditors. 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 reviews 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 ratios between fees for audit versus those for other professional services rendered by external auditors.

Employee Relationships

The Group has 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.

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 makes presentations to investors and analysts bi-annually, after the release of results.

Ethical Behaviour

The Group's Core Values are:

- **S**uperior customer service
- **I**ntegrity
- **P**eople
- **P**erformance and
- **P**rofessionalism

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 year ended 31 December 2010 incorporate the results for the fifty-two weeks ended 8 January 2011.

In preparing these Financial Statements, the same accounting principles and methods of computation are applied as in prior periods.

No event material to the understanding of this report has occurred between the financial year-end and the date of this report.

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.

Auditors' Responsibilities

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

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

T. N. Sibanda	**L Masterson**
Non-Executive Chairman	**Group Managing Director**

On 16 May 2011

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

Tel: +263 9 76111

Independent Auditor's Report

To the Members of Edgars Stores Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Edgars Stores Limited as set out on pages 16 to 55, which comprise the consolidated statement of financial position at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The Group's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) and the relevant statutory instruments (SI 33/99 and SI 62/96). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated 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 controls. 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

An adverse audit opinion was issued on the consolidated financial performance and consolidated cash flows relating to the prior year due to Non-compliance with International Accounting Standard ('IAS') 1 (Presentation of Financial Statements), International Accounting Standard ('IAS') 29 (Financial Reporting in Hyperinflationary Economies) and International Accounting Standard ('IAS') 21 (The Effects of Changes in Foreign Exchange Rates) for the reasons stated in Note 2 to the financial statements.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph above, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Edgars Stores Limited at 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the consolidated financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/96).

Ernst & Young

ERNST & YOUNG

Chartered Accountants (Zimbabwe)
Bulawayo
20 May 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Notes	2010 12 months $	2009 15 months $
Revenue	6	36,071,500	11,129,670
Sale of merchandise	6	35,476,342	11,031,612
Cost of sales		(18,240,200)	(8,180,147)
Gross profit		17,236,142	2,851,465
Other gains and losses	7	18,867	(46,662)
Debt collection costs	8	(835,969)	(263,262)
Store expenses		(6,850,683)	(3,279,062)
Other operating expenses		(5,363,874)	(1,592,386)
Trading profit / (loss)	9	4,204,483	(2,329,906)
Finance income		6,575	7,518
Finance cost paid		(2,054,442)	(633,744)
Profit / (loss) before tax		2,156,616	(2,956,133)
Income tax (expense) / credit	11	(648,179)	801,523
Profit / (loss) for the year		1,508,437	(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 income / (loss) for the year		1,508,437	(1,221,786)
Earnings / (loss) per ordinary share	12		
Basic (cents per share)		0.62	(0.89)
Diluted (cents per share)		0.62	(0.84)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Notes	2010 12 months $	2009 15 months $
Cash flows from operating activities			
Trading profit / (loss)		4,204,483	(2,329,906)
Adjusted for:			
Non cash items	13.1	851,100	454,692
Movements in working capital	13.2	(14,098,058)	(1,783,270)
Cash utilised in operations		(9,042,475)	(3,658,484)
Finance cost paid		(2,054,442)	(633,744)
Taxation paid	13.3	(287)	(14)
Cash outflow from operating activities		(11,097,204)	(4,292,242)
Cash flows from investing activities			
Purchases of property, plant and equipment		(310,150)	(43,823)
Proceeds from disposal of property, plant and equipment		118,288	34,377
Finance income		6,575	7,518
Net cash used in investing activities		(185,287)	(1,928)
Cash flows from financing activities			
Proceeds from issue of equity shares		933	5,601
Proceeds from borrowings		44,206,310	11,301,546
Repayment of borrowings		(33,166,442)	(6,643,445)
Net cash flows from financing activities		11,040,802	4,663,702
Net (decrease) / increase in cash and cash equivalents		(241,690)	369,531
Cash and cash equivalents at the beginning of the period		369,531	-
Cash and cash equivalents at the end of the period		127,841	369,531

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2010

	Notes	2010	2009
		$	$
Assets			
Non-current assets			
Property, plant and equipment	14	2,640,734	2,828,027
Deferred tax asset	15	388,901	131,937
Total non-current assets		3,029,635	2,959,964
Current assets			
Inventories	16	7,535,031	4,204,878
Trade and other receivables	17	15,893,266	2,782,024
Cash and bank balances		127,841	369,531
Total current assets		23,556,138	7,356,433
Assets classified as held for sale	18	46,746	47,093
Total assets		26,632,519	10,363,490
Equity and liabilities			
Equity			
Issued capital	19	34,408	5,601
Reserves	20	1,910,708	4,711,855
Retained Earnings		2,183,688	(2,154,610)
Total equity		4,128,804	2,562,846
Non-current liabilities			
Deferred tax liabilities	15	998,496	94,740
Current liabilities			
Trade and other payables	21	5,752,524	2,977,803
Provisions	21	53,625	70,000
Current tax liabilities	22	1,100	-
Interest bearing loans and borrowings	23	15,697,970	4,658,101
Total current liabilities		21,505,219	7,705,904
Total liabilities		22,503,715	7,800,644
Total equity and liabilities		26,632,519	10,363,490
Net equity per share (cents)		1.48	0.92
Gearing:			
-Gross		3.77	1.67
-Net		(0.08)	0.59

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Issued capital and premium $	Equity-settled employee benefits reserve $	Revaluation reserve $	Change in functional currency reserve $	Retained earnings/ (accumulated loss) $	Total $
Balance at 1 October 2008	-	-	-	-	-	-
Change in functional currency reserve	-	-	-	3,723,002	-	3,723,002
Total comprehensive loss 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
Release in respect of inventories realised	-	-	-	(2,762,861)	2,762,861	-
Release in respect of revalued assets disposed	-	-	(67,000)	-	67,000	-
Total comprehensive income for the year	-	-	-	-	1,508,437	1,508,437
Issue of ordinary shares under employee share option plan	933	-	-	-	-	933
Recognition of share-based payments	-	56,588	-	-	-	56,588
Shares restated	27,874	-	-	(27,874)	-	-
Balance at 31 December 2010	34,408	112,617	865,824	932,267	2,183,688	4,128,804

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. Corporate Information

Edgars Stores Limited (the Group) is a limited 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 year ended 31 December 2010 were authorized for issue in accordance with a resolution of the directors on 16 May 2011.

In the prior year, 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 prior reporting period being extended to 15 months.

2. Financial Reporting

2.1 Limitations in financial reporting

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

The Group operated under a hyperinflationary economy in the prior period. The entity changed its functional currency to United States dollars with effect from 1 January 2009. The comparative 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 were not complied with in that period in converting the financial information into the new functional currency 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 and:
- the inability to adjust items that were recorded in Zimbabwe dollar into United States dollars at the date of change of functional currency

Therefore the information for prior periods cannot be compared to the current year's financial information because it is not measured on the same basis of accounting, as compliance with these standards is considered material and pervasive to the comparative information.

As a result of these uncertainties and inherent limitations, the Directors advise caution on the use of the comparative statement of comprehensive income, and the comparative statement of cash flows for decision-making purposes.

Approval was given for all entities to trade in foreign currency on 29 January 2009. This means that by the time the Group reported on 31 December 2009 all its assets and liabilities were denominated in a stable foreign currency. For this reason the Director's believe that the comparative statement of financial position is a fair reflection of the financial position of the Group as at 31 December 2009. Therefore the Directors have presented comparative information for the statement of financial position.

2.2 Non-compliance with IAS 29 (Financial Reporting in Hyperinflationary Economies) & IAS 21 (The Effects of Changes in Foreign Exchange Rates) in respect of the measurement of the comparative statement of comprehensive income, and statement of cash flows

The Group's functional currency changed during the previous financial period (1 October 2008 to 31 December 2009) from Zimbabwe dollars to United States dollars. The group has chosen to report all its transactions in United States dollars because it is the functional currency applicable to all current transactions.

The Group was not able to comply with the requirements of IAS 21 because this standard requires that all transactions that are in the currency of a hyperinflationary economy to be adjusted to a unit of measure current at the measurement date before conversion to an alternative presentation currency. The group was not able to adjust its Zimbabwe dollar transactions in the previous period to comply with IAS 29 as more fully explained in note 2.1.

Transactions that were previously reported in Zimbabwe dollars in prior periods are required to be converted into United States dollars in order to present the prior year financial information in a similar currency of presentation to the functional currency applicable for the current financial year. Due to the macroeconomic environment prevailing in the previous year, the comparative information relating to financial performance and cash flows disclosed may be misleading. The Directors advise caution in using the comparative information presented in the statement of comprehensive income and statement of cash flows.

2.3 Basis of Preparation

The basis of preparation for the financial statements is International Financial Reporting Standards (IFRS).

Statement of Compliance

The financial statements have 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) except in the prior year due to non compliance with the following:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

IAS 21 – The Effects of Changes in Foreign Exchange Rates;
IAS 29 – Financial Reporting in Hyperinflationary Economies.
The effects of these departures were not quantified but, having regard to their nature, are considered to be material and pervasive to the financial statements.

These exceptions arise from the circumstances which gave rise to a change in the Group functional currency from the Zimbabwe dollar to the United States dollar, as more fully explained in note 2.1.

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

Other

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets in the prior year. 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.

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and it's subsidiaries as at 31 December 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group 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, unrealised 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 Group 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.

2.5. Changes in accounting policies and disclosures

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

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

Effective in 2010, but not relevant

IFRS 2 Share-based payment effective periods beginning or after 1 January 2010

IFRS 3 Business combinations (Revised) effective periods beginning or after 1 July 2009

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 Financial Instruments: Recognition and measurement- 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

IFRIC 18 Transfers of Assets from Customers effective to all transfers from 1 July 2009

Improvement to IFRSs (May 2008)

Improvement to IFRSs (April 2009)

Issued, but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[1]
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[2]
IFRS 9	Financial Instruments[3]
IAS 24 (revised in 2009)	Related Party Disclosures[4]
Amendments to IAS 32	Classification of Rights Issues[5]
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[1]

Improvements to IFRSs issued in 2010

[1] Effective for annual periods beginning on or after 1 July 2010.
[2] Effective for annual periods beginning on or after 1 July 2011.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2011.
[5] Effective for annual periods beginning on or after 1 February 2010.
[6] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2010

2.6. Summary of significant accounting policies
2.6.1. 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.

2.6.2. 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.

2.6.3. 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 or receivable, 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 its revenue arrangements.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

2.6.4. 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 is recognised in correlation to underlying transactions either in other comprehensive income, profit and loss or directly in equity.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

Deferred tax relating to items is recognised in correlation to underlying transactions either in other comprehensive income, profit and loss or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and deferred taxes 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.

2.6.5. 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.

2.6.6. Share-based payment 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 earnings per share (further details are given in note 12).

2.6.7 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.

All financial assets are recognised initially at fair value plus directly attributable transaction costs unless it is classified at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

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

At the reporting date there were no held-to-maturity investments, available-for-sale financial assets, derivatives or hedging 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 in other operating expenses.

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. The interest income is recorded as part of finance income 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 to other operating expenses in the statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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 and financial guarantee contracts.

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) 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 27.5.

2.6.8 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.

2.6.9 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.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, 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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

2.6.10 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.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.6.11 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.

2.6.12 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.

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

2.6.14 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.

2.6.15 Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and it's value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in those expenses categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In the case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in assumption used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount in which case the reversal is treated as a revaluation increase.

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 recognised 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.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group.

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 in 2009.

Surpluses arising are 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

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 Specific provision for impairment of trade receivables

The Group calculates this provision as being the trade receivables in arrears at the reporting date. The figure is arrived at after taking into consideration the performance of the debtors' book and has proved adequate based on past experience. 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:

Basic:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

Diluted:
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 trade receivables, 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:
Equity 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 retail sales, airtime sales, manufacturing sales, 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 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:

Retail (consisting of Edgars Chain and Express Mart Chain)
Manufacturing (consisting of Carousel)

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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

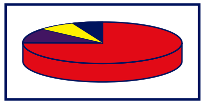
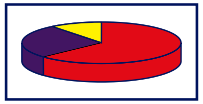
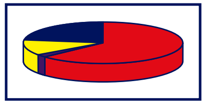
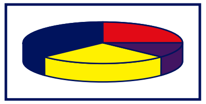
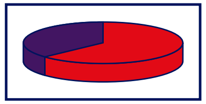
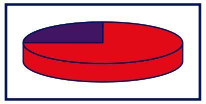
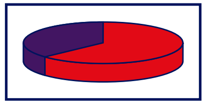
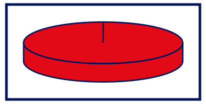
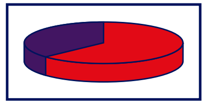
5.2 Segments revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

Segment Information

31 December 2010	Retail	Manufacturing	Total Segments	Adjustments and eliminations	Consolidated
Revenue					
External customers	35,278,291	198,051	35,476,342	-	35,476,342
Inter-segment	-	2,466,145	2,466,145	(2,466,145)	-
Total revenue	35,278,291	2,664,196	37,942,487	(2,466,145)	35,476,342
Results					
Depreciation & amortisation	(269,687)	(173,476)	(443,163)	-	(443,163)
Taxation (expense)/credit	(1,131,821)	483,642	(648,179)	-	(648,179)
Finance cost	(2,016,148)	(955,900)	(2,972,048)	917,606	(2,054,442)
Finance income	93,465	716	924,181	(917,606)	6,575
Segment profit/(loss)	8,528,535	(1,410,470)	7,118,065	(2,913,582)	4,204,483
Total assets	28,662,231	5,993,043	34,655,274	(8,022,755)	26,632,519
Total liabilities	(24,886,074)	(5,640,396)	(30,526,470)	8,022,755	(22,503,715)
31 December 2009					
Revenue					
External customers	10,885,130	146,482	11,031,612	-	11,031,612
Inter-segment	-	1,984,603	1,984,603	(1,984,603)	-
Total revenue	10,885,130	2,131,085	13,016,215	(1,984,603)	11,031,612
Results					
Depreciation & amortisation	(61,234)	(97,133)	(158,367)	-	(158,367)
Taxation (expense)/credit	613,318	188,205	801,523	-	801,523
Finance cost	(633,744)	-	(633,744)	-	(633,744)
Finance income	7,031	487	7,518	-	7,518
Segment profit/(loss)	337,294	(717,918)	(380,624)	(1,949,282)	(2,329,906)
Total assets	8,651,993	2,565,473	11,217,467	(853,977)	10,363,490
Total liabilities	(7,830,396)	(802,359)	(8,632,755)	832,111	(7,800,644)

SEGMENTAL ANALYSIS

	Net Turnover $			Units			Trading Profit $			Number of Permanent Employees			Retail sales per Permanent Retail Employees $s			Gross Trading Area M2 (000s)			Retail Sales per square metre $			Number of Accounts 000s			Number of Stores		
	2010	2009	%	2010	2009	%	2010	2009	%	2010	2009	%	2010	2009	%	2010	2009	%	2010	2009	%	2010	2009	%	2010	2009	%
Edgars	29,942,985	7,949,619	277	2,089,095	695,111	201	8,328,625	522,112	1,495	179	226	(21)	167,279	35,175	376	26	26	-	1,157	307	277	111	39	187	21	21	-
expressMart	5,335,306	2,935,511	82	826,987	457,585	81	199,910	(184,818)	(208)	55	100	(45)	97,006	29,355	230	8	8	-	651	358	82				12	13	(8)
Carousel	2,664,196	2,131,085	25	348,140	352,288	(1)	(1,410,470)	(717,918)	96	258	328	(21)															
Corporate & consolidation adjustments	(2,466,145)	(1,984,603)	24				(2,913,582)	(1,949,282)	49	242	237	2															
Edgars Group	35,476,342	11,031,612	222	3,264,222	1,504,984	116	4,204,483	(2,329,906)	(281)	734	891	(18)	150,762	12,381	1,118	34	34	-	1,041	324	222	111	39	187	33	34	(3)

	2010 12 months $	2009 15 months $
6. Revenue		
The following is an analysis of the Group's revenue for the year (excluding investment revenue)		
Sale of merchandise	35,476,342	11,031,612
Retail sales	35,233,258	10,863,915
Airtime sales	45,033	21,215
Manufacturing sales to third parties - local sales	198,051	115,182
- export sales	-	31,301
Late payment charges	532,297	19,445
Funeral insurance	62,861	78,613
	36,071,500	11,129,670
7. Other gains and losses		
Gain / (loss) on disposal of property, plant &equipment	63,662	(33,429)
Net foreign exchange losses	(44,795)	(13,233)
	18,867	(46,662)
8. Debt collection costs		
Late payment charges	532,297	19,445
Debt collection costs	(1,372,185)	(313,468)
Funeral insurance scheme profit	3,919	30,761
	(835,969)	(263,262)

9. Trading profit/ (loss)

Trading profit/ (loss) for the year has been arrived at after charging / (crediting):

	2010	2009
9.1 Audit remuneration		
Audit fees	95,386	23,600
Fees for consulting & other services	-	-
	95,386	23,600
9.2 Depreciation expense		
Depreciation of property, plant and equipment	443,163	158,367

	2010 12 months $	2009 15 months $
9.3 Operating lease expenses		
Land and buildings:		
Minimum lease payments	1,727,405	1,152,793
Contingent rents	418,443	48,984
Sublease payments	(107,914)	(30,541)
	2,037,934	1,171,236
9.4 Fees payable		
Managerial, technical, administrative and secretarial fees paid outside the group	294,884	133,501
Outsourcing of IT	147,045	84,854
	441,929	218,355

10. Directors and employees

10.1 Employees

The group employed 734 (2009: 891) permanent employees of which 476 (2009: 563) were employed in retailing and 258 (2009: 328) in the manufacturing division.

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

	2010	2009
Salaries and wages	4,900,794	2,966,023
Pension contributions	413,114	302,970
Medical aid contributions	281,485	93,495
	5,595,393	3,362,488

Included in salaries and wages is $544,927 (2009 - $172,975) relating to the voluntary retrenchment scheme. The retrenchment exercise was concluded on 2 November 2010, Permanent employees of the group belong to various medical aid schemes run by independent medical aid societies.

10.2 Director's emoluments

		2010	2009
Non executive directors:	- Fees	40,877	24,376
Executive directors:	- Remuneration	177,686	102,664
	- Retirement and medical aid benefits	17,638	89,585
		236,201	216,625

	2010 12 months $	2009 15 months $

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 dependants. 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 Social Security Authority Act, Chapter 17:04. Since May 2010 these are 3% of pensionable monthly emoluments for each employee up to a maximum salary of $200 per month. From January to April 2010 they were 4% of pensionable salary.

Contributions to the above aforementioned funds charged against trading profit/(loss):

	2010	2009
Edgars Pension Fund	327,747	211,653
National Social Security Authority	85,367	91,317
	413,114	302,970

10.4. Post-retirement medical aid

	2010	2009
Post-retirement medical aid net movement charged to trading profit / (loss) (note 21)	(16,375)	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:**	**Shares set aside:**
29 May 2007	15,000,000	15,000,000
10 June 2010	16,000,000	-
	31,000,000	15,000,000

10.5 Equity-settled share-based payments

Employee share option scheme (continued)

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 from the second anniversary upon which a third can be exercised every year thereafter. 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 years:

Shares set aside

Option Series	Number	Grant Date	Expiry Date	Exercise Price Cents
1 Issued 29 June 2007	4,300,000	29/6/2007	28/6/2017	1.40
2 Issued 10 June 2008	5,350,000	10/6/2008	09/6/2018	0.30
3 Issued 9 July 2009	4,300,000	09/7/2009	08/7/2019	3.50
4 Issued 20 March 2010	1,050,000	20/3/2010	19/3/2020	3.50
5 Issued 11 June 2010	4,150,000	11/6/2010	10/6/2020	3.00

There have been no cancellations or modifications to any of the plans during 2010 and 2009. 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	20 March 2010 Series 4	11 June 2010 Series 5
Weighted average fair value of options granted (cents)	0.74	0.22	3.47	3.47	2.98
The following key assumptions were made:					
Expected volatility	260%	260%	260%	260%	260%
Risk free interest rate	6.0%	6.0%	6.0%	6.0%	6.0%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Expected life (years)	2.416	3.416	4.000	4.000	4.000

	2010 12 months $	2009 15 months $

10.5 Equity-settled share-based payments

Employee share option scheme (continued)

Movements in the year

The following table illustrates the number (No.) of and movements in, share options during the year:

	No.	No.
Outstanding at 1 January	13,550,000	9,650,000
Granted during the year	5,200,000	4,300,000
Forfeited during the year	(383,333)	-
Exercised during the year	(66,667)	(400,000)
Outstanding at 31 December	18,300,000	13,550,000
Exercisable at 31 December	4,166,667	1,300,000

The expense recognised for employee services in this period was $56,588 (2009-$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 during the period. It is the Group policy that employees who have access to price sensitive information should not deal in shares or exercise share options 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.

11. Taxes recognised in profit or loss

	2010	2009
Tax comprises:		
Current tax in respect of the current year-withholding tax	(287)	(14)
-capital gains tax	(1,100)	-
Deferred tax relating to origination and reversal of temporary differences	(646,792)	801,537
Total tax (expense) / credit	(648,179)	801,523

The (expense) / credit for the year can be reconciled to the accounting loss as follows:

	2010	2009
Profit / (loss) for the year	2,156,616	(2,956,133)
Tax calculated at 25.75% (2009 - 30.9%) inclusive of AIDS levy	(555,329)	913,445
Effect of revenue exempt from taxation	1,876	6,903
Effect of expenses which are not deductible	(72,529)	(72,054)
Effect 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)
Effect on change in capital gains tax rate from 20% to 5% (effective 1 January 2010)	(22,198)	-
Tax (expense) / credit recognised in profit or loss	(648,179)	801,523

	2010 12 months $	2009 15 months $
12. Profit / (loss) per share	**000s**	**000s**
12.1. Weighted average number of ordinary shares (basic)		
Issued ordinary shares at the begining of the period	278,742	278,342
Effect of treasury shares	(36,475)	(36,475)
Effect of share options exercised	22	133
Weighted average number of ordinary shares (basic)	242,289	242,000
12.2. Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	242,289	242,000
Effect of share options on issue	9,891	7,699
Weighted average number of ordinary shares (diluted)	252,181	249,699
12.3. Attributable basis		
Profit / (loss) attributable to ordinary shareholders	1,508,437	(2,154,610)
Cost of equity-settled share based payments charged to profit / (loss)	56,588	56,029
Profit / (loss) adjusted for cost of dilutive instruments	1,565,025	(2,098,582)
Basic earnings / (loss) per share (cents)	0.62	(0.89)
Diluted earnings / (loss) per share (cents)	0.62	(0.84)
13. Cash flow		
13.1. Non-cash items		
Share based payment	56,588	56,029
Depreciation	443,163	158,367
Inventory write-down	329,320	86,725
Net (profit) / loss on disposal of fixed assets (note 7)	(63,662)	33,429
(Decrease) / Increase in provisions	(16,375)	70,000
Provision for doubtful debts	102,065	50,142
	851,100	454,692
13.2. Working capital requirements		
Increase in inventories	(3,659,474)	(1,928,906)
Increase in accounts receivable	(13,213,307)	(2,832,166)
Increase in accounts payable	2,774,722	2,977,803
	(14,098,058)	(1,783,270)
13.3. Taxation paid		
Taxation liability at the beginning of the year	-	-
Current taxation provided (note 11)	(1,387)	(14)
Taxation liability at the end of the year	1,100	-
	(287)	(14)

	2010	2009
	$	$
14. Property, Plant and Equipment		
Cost	1,925,240	1,615,093
Valuation	1,174,730	1,245,031
Total cost or valuation	3,099,970	2,860,124
Accumulated depreciation and impairment	(459,236)	(32,097)
	2,640,734	2,828,027
Freehold land	85,830	86,330
Buildings	929,058	965,000
Plant and equipment	815,077	953,862
Furniture, fittings and vehicles	810,769	822,835
	2,640,734	2,828,027

	Land & Buildings	Plant & Equipment	Furniture, Fittings & Vehicles	Total
	$	$	$	$
Cost or valuation				
Opening balance 1 October 2009	-	-	-	-
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
Additions	-	47,392	262,755	310,147
Disposals	-	(14,000)	(44,801)	(58,801)
Reclassified as held for sale	(11,500)	-	-	(11,500)
Balance at 31 December 2010	1,039,830	989,725	1,070,415	3,099,970
Accumulated depreciation or impairment				
Opening balance 1 October 2009	-	-	-	-
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)
Eliminated on disposal of assets	-	2,095	13,642	15,737
Eliminated on reclassification as held for sale	287	-	-	287
Depreciation expense	(25,229)	(174,272)	(243,662)	(443,163)
Balance at 31 December 2010	(24,942)	(174,648)	(259,646)	(459,236)
Net carrying amount 2010	1,014,888	815,077	810,770	2,640,734
Net carrying amount 2009	1,051,330	953,862	822,835	2,828,027

14.1 Property , plant and equipment carried at fair value

In 2009, the fair value of property, plant and equipment was determined by the Directors' valuation. 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 determined 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 determined 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 use of a consultant on 5 December 2009 on depreciated replacement cost basis

If property, plant and equipment were measured using the cost model, the carrying amount would be as follows:

	2010	2009
Cost	1,925,140	1,615,093
Accumulated depreciation	(220,068)	(93,815)
Net carrying amount	1,705,072	1,521,278

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 23). 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 as security for other borrowings or to sell them to another entity.

15. Deferred tax balances

2010 ($)	Opening balance	Recognised in profit or loss	Recognised directly in equity	Closing balance
Temporary differences				
Property, plant and equipment	(729,466)	127,668	-	(601,798)
Provisions	(6,206)	(20,659)	-	(26,865)
Section 18 allowances	(232,904)	(1,293,835)	-	(1,526,739)
Other	-	(91,309)	-	(91,309)
	(968,576)	(1,278,135)	-	(2,246,711)
Unused tax losses and credits				
Tax losses	1,005,773	631,344		1,637,116
	37,197	(646,791)	-	(609,595)
2009 ($)				
Temporary differences				
Property, plant and equipment	-	34,875	(764,341)	(729,466)
Provisions	-	(6,206)	-	(6,206)
Section 18 allowances	-	(232,904)	-	(232,904)
	-	(204,235)	(764,341)	(968,576)
Unused tax losses and credits				
Tax losses	-	1,005,772	-	1,005,773
	-	801,537	(764,341)	37,197

	2010 $	2009 $
Reflected in the statement of financial position as follows:		
Deferred tax asset	388,901	131,937
Deferred tax liability	(998,496)	(94,740)
Deferred tax (liability)/ asset net	(609,595)	37,197

16. Inventories

Raw materials	1,122,370	964,206
Work in progress	68,289	59,464
Goods in transit	214,741	70,970
Merchandise	5,859,591	2,890,488
Consumable stores	270,040	219,749
	7,535,031	4,204,878

The cost of inventories recognised as an expense during the period in respect of operations was $20, 539,192 (2009-$8,180,147)

17. Accounts receivable

Trade acounts receivable	15,108,841	2,534,475
Less: - Specific provision for impairment of receivables	(158,630)	(56,565)
Other accounts receivable including payments in advance	943,055	304,115
	15,893,266	2,782,024

The movement in the provision for impairment is as follows:		
Opening balance	(56,565)	-
Charge for the year	(102,065)	(56,565)
Closing balance	(158,630)	(56,565)

The average credit on period sales of goods is 180 days (2009-90 days). No interest is charged on trade receivables as long the instalment due is paid. Late payment interest is charged at 4% per month on the outstanding balance. The Group has recognised an impairment against all trade receivables based on the arrears records at the end of the period.

Before accepting any new customer, the Group uses a robust credit scoring system to assess the potential customers credit quality and defines credit limits by customer. Limits and scoring attributed to customer 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.

18. Assets classified as held-for-sale

Buildings	46,746	47,093

	2010	2009
	$	$

In September 2009 and January 2010 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. Three of the properties classified as held for sale in the previous year were not disposed of during 2010. However the circumstances are beyond the entity's control. The entity is still commited to the sale of the assets, therefore they will continue to be classified as held for sale.

19. Share capital and premium

19.1 Authorised ordinary share capital

	2010	2009
400,000,000 Ordinary shares of $0.0001 each	40,000	-

19.2 Issued ordinary shares and premium

	Number of shares 000s	Share capital $	Share premium $	Total $
Balance 1 October 2008	278,342	-	-	-
Issue of shares under employee share option plan	400	-	5,601	5,601
Balance 31 December 2009	278,742	-	5,601	5,601
Share redenomination	-	27,874	-	27,874
Issue of shares under employee share option plan	67	7	926	933
Balance 31 December 2010	278,808	27,881	6,527	34,408

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

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 121,191,626 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 21,191,626 are under the control of the company in a general meeting.

20. Other reserves

	2010	2009
Equity-settled employee benefits reserve	112,617	56,029
Change in functional currency reserve	932,267	3,723,002
Revaluation reserve	865,824	932,824
	1,910,708	4,711,855

20.1 Revaluation reserve

	2010	2009
Balance at beginning of year	932,824	-
Increase arising on revaluation of PPE (note 14)	-	1,245,031
Deferred tax liability arising on revaluation	-	(312,207)
Transfer relating to assets disposed	(67,000)	-
Balance at end of year	865,824	932,824

	2010	2009
	$	$
21. Trade and other payables, and provisions		
Trade account payable	3,253,624	1,853,795
Sundry accounts payable and accrued expenses	2,498,901	1,124,008
	5,752,524	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 2010 was $53 625 (2009 - $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

	2010	2009
Net discount rate	5%	1%
Normal Retirement Age	55 years	60 years
Pre-retirement mortality	A67-70	56-62
Post-retirement mortality	A67-70	55
Contribution rates per member	From $66 to $76	$40

The unfunded liability in the statement of financial position is as follows:

	2010	2009
Opening balance	70,000	-
Actuarial (gain) / loss	(16,375)	70,000
Liability at the end of the period	53,625	70,000

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

	Central assumption	Decrease 1%	Increase 1%
	$	$	$
Members	53,625	59,309	48,801
Accrued liability - % change	-	11%	(9%)

	2010	2009
22. Current tax liabilities		
Capital gains tax payable	1,100	-
23 Short term interest bearing debt		
Bank overdrafts	2,209,375	568,705
Bills discounted	13,488,595	4,089,397
	15,697,970	4,658,101

	2010 $	2009 $
23.1 Unsecured - at amortised cost		
Bank overdrafts	1,416,626	69,469
Bills discounted (i)	5,107,000	2,731,876
	6,523,626	2,801,345
23.2 Secured - at amortised cost		
Bank overdrafts (ii)	792,749	499,236
Bills discounted (iii)	8,381,595	1,357,520
	9,174,344	1,856,756
	15,697,970	4,658,101

23.3 Summary of borrowing arrangements

(i) Bills of exchange with a variable interest rate were issued in 2010. The current weighted average effective interest rate on the bills is 18.23% (2009-38.94%) per annum.

(ii) Secured by a mortgage over the Group's freehold land and buildings. The weighted average effective interest rate on the bank overdrafts is 20.28% (2009-15.21%) per annum.

(iii) Secured by a mortgage over the Notorial General Covering Bond and Negative Pledge over assets. The weighted average effective interest rate on the bills is 23.09% (2009 - 42.42%) per annum.

(iv) Tenors range between 30 days and 1 year.

	2010 $	2009 $
24. Leases		
Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:		
Within one year	2,479,620	-
After one year but not more than five years	2,098,304	-
More than five years	20,625	-
	4,598,549	-
25. Future capital expenditure		
Commitments for capital expenditure not provided for in the financial statements are as follows:		
Authorised and contracted for	61,266	92,750
Authorised but not yet contracted	2,291,171	-
	2,352,437	92,750

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

26. Contingent liabilities

There are no guarantees. There is no litigation, current or pending which is likely to have a materially adverse effect on the group.

27. Management of Capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital 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 capital structure, the Group may 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 2010, the Group's strategy was to maintain a net gearing ratio of below 1. As at 31 December 2010 the net gearing was -0.08.

27.1. Financial risk management

The Group's 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 derive directly from its operations.

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

The Group's senior management oversees the management of these risks. The Treasury and Audit Committees 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.

27.2. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include borrowings and deposits. The objective of the treasury committee and financial services is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. Significant factors in managing the risk include the frequency, volatility and direction of rate of changes, the size of the interest-sensitive position and the basis for re-pricing at rollover dates. The Group's exposure to the risk of changes in market interest rates relates primarily to its 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.

27.2. Market risk (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value of 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 expense 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:

	South African Rand	Botswana Pula
Foreign denominated balances		
Assets		
Cash and cash equivalents	44,128	2,108
Liabilities		
Trade payables	(2,754,316)	-
Total net position	(2,710,188)	2,108
Impact of US$ strengthening by 10%		
- Gain / (loss) in US$	36,205	(29)
Impact on profit and equity- increase/(decrease) in US$	26,882	(21)

Price risk

Price risk is the probability of loss occurring from adverse movement in the market price. The Group is not exposed to significant price risk. No listed investments are held and commodity price risk is minimal.

27.3. 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 Statements 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.

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total net $	Neither past due nor impaired	Past due but not impaired	
			<30 days	30-60 days
2010	14,950,211	12,802,258	1,924,130	223,823
2009	2,477,910	2,162,228	302,946	12,736

	2010 $	2009 $

27.4 Liquidity risk

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

Unutilised banking facilities:

	2010 $	2009 $
Total banking and loan facilities	24,435,000	9,250,000
Actual interest bearing debt (note 23)	(15,697,970)	(4,658,101)
Unutilised banking facilities	8,737,030	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 and debtors in respect of interest bearing debt.

	2010 $	2009 $
Maximum permissible interest bearing debt	27,557,100	9,549,749
Actual interest bearing debt (note 23)	(15,697,970)	(4,658,101)
	11,859,130	4,891,648
Cash and cash equivalents	127,841	369,531
Unutilised borrowing capacity	11,986,971	5,261,179

Sustainable liabilities

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

	Liability capacity	2010 $	2009 $
Fixed and long term assets	50%	1,320,367	1,432,611
Inventories	75%	5,651,274	3,153,658
Accounts receivable	66%	10,489,556	1,836,136
Cash and cash equivalents	100%	127,841	369,531
		17,589,038	6,791,937
Interest free liabilities		5,752,524	2,977,803
Permissible interest bearing debt at end of year		23,341,562	9,769,740
Actual interest bearing debt (note 23)		(15,697,970)	(4,658,101)
Unutilised liability capacity		7,643,592	5,111,639

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments

2010	**On demand**	**less than 3mths**	**3-12 mths**	**Total**
Interest bearing loans and borrowings	2,209,374	4,214,000	9,274,596	15,697,970
Trade and other payables	-	5,752,524	-	5,752,524
	2,209,374	9,966,524	9,274,596	21,450,494
2009				
Interest bearing loans and borrowings	568,704	4,089,397	-	4,658,101
Trade and other payables	-	2,977,803	-	2,977,803
	568,704	7,067,200	-	7,635,904

27.5 Fair value of financial instruments

The estimated net fair values have been determined as at 31 December 2010, 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 statement of financial position approximate fair values.

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

28. Interests of directors in share capital

The interests, direct and indirect of the directors in office at 31 December 2010 and at the date of this report, aggregated as to beneficial interest and non-beneficial interest are as follows:

Directors name	Beneficial	Non-beneficial
R Mlotshwa	1,504,000	100
CF Dube	1,500	100
V Mpofu	-	100
L Masterson	1,057,799	100
S Ndlovu	300,000	100
TN Sibanda	-	100
LL Tsumba	-	100
Z Vella	250,000	100
Nominees	-	300
	3,113,299	1,100

No changes in the Directors' shareholdings have occurred between the financial year end and 16 May 2011. During the course of the period, no director 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.

29. 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. All intra-group balances, income and expenses, unrealised gains and loses resulting from intra-group transactions are eliminated in full.

30. Report of the directors

This is contained in the Chairman's Report and Corporate Governance Report.

31. 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.

Analysis of Ordinary Shares Held at 08 January 2011

	Members Analysis		Shareholding Analysis	
Size of Holding	Number of Members	% of Total Shareholders	Number of Shares	% of Total Shareholders
1-1,000	432	34.31	173,299	0.06
1,001-2,000	315	25.02	368,385	0.13
2,001-5,000	155	12.31	577,101	0.21
5,001-10,000	98	7.78	688,859	0.25
10,001-100,000	177	14.06	5,125,974	1.84
Over 100,000	82	6.51	271,874,756	97.51
TOTALS	**1,259**	**100.00**	**278,808,374**	**100.00**

	Numbers of Shareholders	Number of Shares Held	% of Holding
Bellfield Limited	1	112,138,510	40.22
Nominee Companies	169	99,666,427	35.75
Pension Funds	49	7,267,636	2.61
Zimedgroup Employee Trust	1	35,950,445	12.89
Investment and other Corporate Bodies	70	9,931,585	3.56
Insurance companies	5	3,907,160	1.40
Individuals	627	6,684,002	2.40
Employee Shares	337	3,262,609	1.17
Total	**1,259**	**278,808,374**	**100.00**

Shareholders Financial Calendar 2010-2012

Financial Year Ending 08 January 2011

Interim Results for the 25 weeks ending 3 July 2010	Published	September 2010
Trading Update and Profit Warning for the year ending 8 January 2011	Published	January 2011
Analysts Briefing and Announcement of Results		March 2011
Press Announcement		March 2011
Notice to Shareholders		April 2011
Annual Report		May 2011
Annual Financial Statements	Published	June 2011
Annual General Meeting		June 2011

Financial Year Ending 07 January 2012

Interim Results for the Half Year ending 9 July 2011	Published	September 2011
Analysts Briefing and Announcement of Interim Results		September 2011
Trading Update for Financial Year 2011		January 2012
Analysts Briefing and Announcement of Results for financial year 2011		March 2012
Annual General Meeting		June 2012

Notice To Members

Notice is hereby given that the 62nd Annual General Meeting of members will be held in the **Edgars Training Auditorium, 1st Floor LAPF House, 8th Avenue/Jason Moyo Street, Bulawayo** on Thursday, 16 June 2011 at 09.00 hours. Following is the Agenda for the meeting:-

Ordinary Business

1. To approve minutes of the Annual General Meeting held on 10 June 2010.

2. To receive and adopt the annual financial statements and the reports of the directors and auditors for the financial year ending 08 January 2011.

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

3.1 Mr C F Dube and Mr V Mpofu retire by rotation. Being eligible they will offer themselves for re-election.

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, pass with or without modification the following Special Resolution.

Special Resolution

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 Listing 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."

Notice To Members

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 27 880 837 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.

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

17 March 2011
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, 16 June 2011 at 0900 hours.

I/We ____

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

1 ____ or failing him/her

2 ____ or failing him/her

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 Training Auditorium, 1st Floor LAPF House, 8th Avenue, Jason Moyo Street, Bulawayo** on Thursday, 16 June 2011 at 09.00 hours for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, to vote for or against the resolutions with or without modification, and/or to abstain from voting thereon in respect of the ordinary shares in the issued share 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/her stead.

	For No of votes Poll	Against No of votes Poll	Abstain No of votes Poll
Ordinary Resolution No. 1 (Approval of minutes of the AGM of 10 June 2010)			
Ordinary Resolution No. 2 (Receipt and adoption of the annual financial statements for the year ending 08 January 2011)			
Ordinary Resolution No. 3 (Election of Directors as a single resolution)			
Alternatively: Ordinary Resolution No. 3 (Election of Directors)			
Ordinary Resolution No. 4 (Approval of the remuneration of directors)			
Ordinary Resolution No. 5 (Appointment of auditors & approval of their remuneration)			
Special Resolution (General Authorisation - Share Buy Back)			

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

Signed at ____________________ on ______________________________ 2011

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 spaces 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 14 June 2011.

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 ZB 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/8th Avenue
P O Box 702, Bulawayo, Zimbabwe
Telephone: 263-9-881121/7

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