Edgars Stores Limited

ANNUAL REPORT 2012

CONTENTS

Edgars - Borrowdale

Overview

Edgars Stores Limited is a limited company incorporated and domiciled in Zimbabwe 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.

Jet: combines 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 business unit. 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.

STONE HARBOUR
ESTABLISHED 1997

GROUP FINANCIAL HIGHLIGHTS

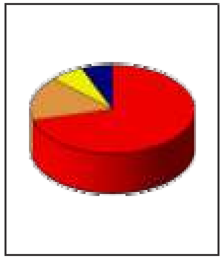
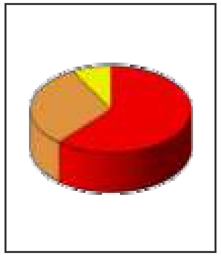
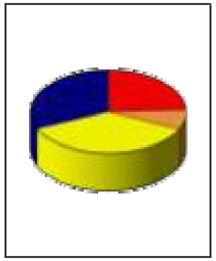
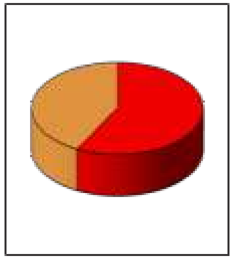
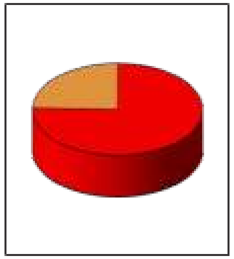
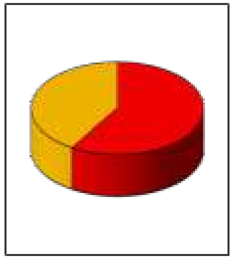
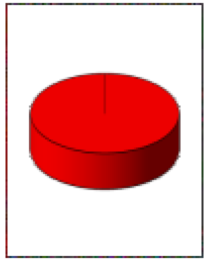
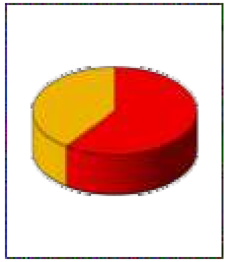
	2012 $000	2011 $000	Change %
Group Summary			
Retail sales revenue	60 165	51 079	18
Earnings attributable to ordinary shareholders	3 798	3 336	14
Total assets	44 041	33 254	32
Market capitalisation	23 012	26 859	(14)
Ordinary share performance (cents per share)			
Earnings			
Basic	1.53	1.37	12
Diluted	1.50	1.37	10
Net equity	4.09	2.76	48
Market price	8.00	9.50	(16)
Financial statistics			
Trading profit as % of retail sales	13.2	14.6	(10)
Return on ordinary shareholders equity	32.3	42.8	(25)
Liquidity ratios			
Current ratio	2.56	1.33	92
Borrowing times covered by stock and debtors	1.5	1.8	(15)

Prospects

Our focus areas are to continue improving the customer experience, merchandise assortments, cost control and factory profitability while developing and motivating our people. We are confident that the business will continue to grow and that profitability will improve.

Edgars - Borrowdale

SEGMENTAL ANALYSIS

	Net Turnover $			Units			Number of Permanent Employees			# Retail sales per Permanent Retail Employee $'s			Gross Trading Area m^2 (000s)			Retail Sales per square metre $			Number of Accounts 000's			Number of Stores		
	2012	2011	%	**2012**	2011	%	**2012**	2011	%	**2012**	2011	%	**2012**	2011	%	**2012**	2011	%	**2012**	2011	%	**2012**	2011	%
Edgars	**48 796 626**	43 409 161	12	**2 656 477**	2 579 568	3	**192**	184	4	**254 149**	235 919	8	**26**	25	4	**1 909**	1 762	8	**182**	159	14	**24**	23	4
JeL	**11 113 255**	7 311 220	52	**1 344 203**	962 689	40	**60**	52	15	**185 221**	140 600	32	**8**	8	8	**1 333**	944	41				**16**	13	23
Carousel	**4 498 017**	3 138 529	43	**343 214**	329 624	4	**287**	290	(1)															
Corporate Divisions & consolidation adjustments	**(4 242 705)**	(2 779 449)	53				**250**	251	(0)															
Edgars Group	**60 165 193**	51 079 462	18	**4 343 894**	3 871 881	11	**789**	777	2	**237 738**	214 917	11	**34**	32	5	**1 775**	1 578	13	**182**	159	14	**40**	36	11

Executive Directors

Linda Masterson * (57) FCIS
Group Managing Director
Joined the company in 1988
Appointed to the Board in 1991
Appointed Group Managing Director
in April 2010

Vusumuzi Mpofu (45) ACMA,
FCIS, RP Acc (Z)
Group Operations Director
Joined the company in 2000
Appointed to the Board in 2008

Zebhediah Vella (55) BA Hons.
Accountancy and Economics
Group Manufacturing Director
Joined the company in 1989
Appointed to the Board in 1999

Shepherd Ndlovu (61) BA Hons
Group Human Resources Director
Appointed to the Board in 1995
Resigned from the Board
in September 2012

James B. Galloway (53) C.A.(Z)
Group Finance Director
& Company Secretary
Joined the company in 2011
Appointed to the Board in 2012

Non-Executive

Themba N. Sibanda • (58)
B.Acc (Z), C.A. (Z)
Chairman
Appointed to the Board in 2003

Canaan F. Dube *• (56)
LLB (Hons), LLB, MBA
Appointed to the Board in 2004

Dr. Leonard L. Tsumba *• (69)
Phd, M.A., BSBA
Appointed to the board in 2006

Raymond Mlotshwa (62) BA
Joined the Company in 1981
Appointed to the board in 1998
Appointed Groups Managing
Director
in September 1999
Retired in March 2010
Appointed Non-executive Director
In April 2010

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

Aggressive account drives, marketing, finalization of re-branding Express Mart Stores to Jet as well as the opening of additional outlets led to the Group realizing an 18% increase in turnover, above that which was promised at half year. At $23.3m, trade receivables were 19.7% up on prior year and the number of debtors grew from 158 901 to 181 581. In December we concluded a medium term guaranteed loan for $18m, repayable over 5 years. This will reduce borrowing costs in 2013 and going forward.

Retail Operations

The Edgars chain grew sales by 12% to $48,8m (FY2011 $43.4m). This represents 81% of group retail sales (FY2011:86%) of which 73% were credit sales. On 17 December a new store was opened in Bulawayo, increasing the number of outlets to 24. Store trading profitability was at 22% (FY2011:23%) while unit sales grew by 3%.

The Jet Chain achieved sales of $11,1m (FY2011:$7.3m) a growth of 52%. Four new stores were opened in the period (Karoi, Bulawayo, Chinhoyi and Kadoma) bringing the total number of outlets to 16. The chain achieved a store trading profit of 11.2% (FY2011:11.9%) and unit sales grew 39.6%

Manufacturing

The factory incurred a loss of $417 906 (FY2011:$565 793) which was an improvement of $147 887. Equipment has been purchased to enhance quality and production efficiencies. Efforts to attract additional customers and improve product mix will continue. The unit will be profitable in 2013.

Credit Management

Average handovers were 0.3% and 1.6% of lagged debtors and credit sales respectively. Provision for doubtful debts was 1.64% of total debtors.

Capital Expenditure

The bulk of the capital expenditure was for new stores and refurbishments, with the balance spent on IT systems, vehicles and other plant and equipment.

Outlook

Our focus areas this year are to continue improving the customer experience, merchandise assortments, cost control and factory profitability while developing and motivating our people. We are confident that the business will continue to grow and that profitability will improve.

Dividend

The Board is conscious of the need for the payment of dividends. This will be done when our recovery is complete in terms of gearing.

Appreciation

I am grateful to board colleagues, management, staff and other stakeholders for their unwavering efforts and support of the business.

T.N Sibanda
CHAIRMAN
13 March 2013

The Board of Directors accepts accountability for the transparent governance of Edgars Stores Limited. Governance of the Group is managed and monitored by a unitary Board of Directors, assisted by committees of the Board. The Directors believe that they have applied and complied with the principles incorporated in the principles for Corporate Governance in Zimbabwe – Manual of Best Practice, Code of Corporate Practices and Conduct as set out in the King Report. The Board's responsibilities are well defined and adhered to. The Board's primary responsibilities, based on a predetermined assessment of materiality include amongst others:

- evaluating and reviewing the Group's strategic direction;
- identifying, considering and reviewing key risk areas and relevant responses as well as key performance indicators;
- monitoring investment decisions;
- considering significant financial matters;
- reviewing the performance of executive management against business plans, budgets and industry standards;
- monitoring the stewardship of the Group;
- ensuring that a comprehensive system of policies and procedures is operational;
- ensuring ethical behaviours and compliance with relevant laws and regulations, audit and accounting principles and the Group's internal governing documents and codes of conduct;
- and evaluating on a regular basis economic, political, social and legal issues, as well as any other relevant external matters that may influence or affect the development of the business or the interests of the share owners and, if appropriate taking external expert advice.

It should be noted that, when terminology such as “ensure” or “review” are used to describe the duties of the Board or its Committees, it does not mean the Board or Committee Members actually get involved in the detailed activities. Rather members of the Board or Committee rely on reports from management and the internal and external auditors and then obtain their own desired levels of comfort and assurance through query and discussion.

The Board

The size of the Board is dictated by the Articles of Association, which permit a maximum of twelve directors. Currently the Board is chaired by an independent non-executive director, Mr. TN. Sibanda, and consists of five executive and four non-executive directors.

The names and credentials of the directors in office at 31 December 2012 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 2012 financial period and attendance at each are contained below.

Board Attendance	March 2012	June 2012	Sept 2012	Nov 2012
T.N. Sibanda*	✓	✓	✓	✓
C.F. Dube*	✓	✓	✓	✓
L.L. Tsumba*	✓	✓	✓	✓
R. Mlotshwa*	✓	✓	✓	✓
L. Masterson	✓	✓	✓	✓
S. Ndlovu	✓	×	✓	×
Z. Vella	✓	✓	✓	✓
V. Mpofu	✓	✓	✓	✓
B Galloway	×	✓	✓	✓

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 members are Dr. L.L. Tsumba and the Group Managing Director. The Group Finance Director is required to attend all meetings of the Committee as an invitee. 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 2012	June 2012	Sept 2012	Nov 2012
C.F. Dube*	✓	•	✓	✓
L.L. Tsumba*	✓	•	✓	✓
L.Masterson	✓		✓	✓

Remuneration Committee	March 2012	June 2012	Sept 2012	Nov 2012
T.N. Sibanda*	✓	•	✓	•
C.F. Dube*	✓	•	✓	•
L.L. 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 minimize 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 safeguarding of assets, compliance with relevant policies, procedures, laws and regulations; and prevention of waste, extravagance and fraud.

The Internal Audit Department reports functionally directly to the Audit Committee and administratively to the Group Financial Director. 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.

Edgars - L. Takawira Bulawayo

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:

Superior customer service
Integrity
People
Performance and
Professionalism

The Code of Ethics clearly outlines the Group's Vision, Mission, Values and Code of Conduct. All employees including senior management, executives and directors, are expected to act in line with the Code of Ethics at all times. Failure to do so results in disciplinary action. Employees with access to confidential information are prohibited from disclosing it to outsiders and from trading in Edgars shares during the closed periods around year end and half-year reporting, until 48 hours after the results are published, as well as during any periods when the Group has issued a cautionary trading statement to shareowners.

Financial Reporting

The Group Financial Statements for the year ended 31 December 2012 incorporate the results for the fifty-two weeks ended 5 January 2013. 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 7 March 2013

ERNST & YOUNG
Quality In Everything We Do

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

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Fax: +263 9 72359

Independent Auditor's Report

To the Members of Edgars Stores Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated and company financial statements of Edgars Stores Limited as set out on pages 13 to 47, which comprise the statements of financial position as at 31 December 2012, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) and the relevant statutory instruments (SI 33/99 and SI 62/96) and for such internal controls as the directors' determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the financial position of Edgars Stores Limited as at 31 December 2012, its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

ERNST & YOUNG
Chartered Accountants (Zimbabwe)
Registered Public Auditors
BULAWAYO
13 MARCH 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

GROUP 2012 $	GROUP 2011 $		Notes	COMPANY 2012 $	COMPANY 2011 $
62 576 258	52 966 011	Revenue	6	62 320 946	52 606 931
60 165 194	51 079 462	Sale of merchandise	6	59 909 882	50 720 382
(31 786 056)	(26 536 106)	Cost of sales		(32 401 672)	(26 217 692)
28 379 138	24 543 356	Gross profit		27 508 210	24 502 690
40 077	(42 088)	Other gains and losses	7	46 808	(43 621)
(974 670)	(1 170 177)	Debt collection costs	8	(974 670)	(1 170 177)
(10 593 571)	(9 496 165)	Store expenses		(10 593 571)	(9 496 165)
(8 904 673)	(6 374 394)	Other operating expenses		(7 670 012)	(5 581 594)
7 946 302	7 460 532	Trading profit	9	8 316 765	8 211 133
53 585	7 933	Finance income	9	53 551	7 868
(2 705 059)	(2 842 824)	Finance costs	9	(2 657 581)	(2 842 824)
5 294 828	4 625 641	Profit before tax		5 712 736	5 376 177
(1 497 237)	(1 289 270)	Income tax expense	11	(1 497 237)	(1 474 011)
3 797 591	3 336 371	Profit for the year		4 215 498	3 902 166
		Other comprehensive income:			
-	165 120	Revaluation of property, plant and equipment		-	165 120
-	(8 375)	Deferred tax liability arising on revaluation		-	(8 375)
-	156 745	Other comprehensive income for the year (net of tax)		-	156 745
3 797 591	3 493 116	Total comprehensive income for the year		4 215 498	4 058 911
		Earnings per ordinary share	12		
1.53	1.37	Basic (cents per share)		1.70	1.60
1.50	1.37	Diluted (cents per share)		1.67	1.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

GROUP 2012 $	GROUP 2011 $		Notes	COMPANY 2012 $	COMPANY 2011 $
		ASSETS			
		Non-current assets			
-	-	Interest in subsidiaries		4 383 442	9 030 152
5 406 146	3 988 512	Property, plant and equipment	14	4 831 139	3 415 737
573 644	573 644	Deferred tax asset	15	-	-
146 667	-	Intangible asset	16	146 667	-
6 126 457	4 562 156	Total non-current assets		9 361 248	12 445 889
		Current assets			
9 565 517	8 850 253	Inventories	17	6 902 505	6 035 140
23 344 145	19 514 557	Trade and other receivables	18	22 928 163	19 364 492
256 736	-	Taxation	22	256 736	-
4 747 774	316 562	Cash and bank balances		4 733 424	309 672
37 914 171	28 681 371	Total current assets		34 820 828	25 709 304
-	10 227	Assets classified as held for sale	19	-	10 227
44 040 628	33 253 753	**TOTAL ASSETS**		44 182 076	38 165 420
		EQUITY AND LIABILITIES			
		Equity			
154 181	79 825	Issued capital	20	154 181	79 825
2 290 617	2 188 565	Other reserves	20	1 584 749	1 482 697
9 321 010	5 523 419	Retained earnings		10 657 936	6 442 438
11 765 808	7 791 809	Total equity		12 396 866	8 004 959
		Non-current liabilities			
3 005 855	2 366 770	Deferred tax liabilities	15	3 005 855	2 366 771
14 321 139	1 501 930	Long term loans	23	14 155 458	1 501 930
17 326 994	3 868 700	Total non-current liabilities		17 161 313	3 868 701
		Current liabilities			
7 916 972	7 255 580	Trade and other payables	21	8 121 842	11 954 097
-	75 306	Provisions	21	-	75 306
-	111 955	Current tax liabilities	22	-	111 955
7 030 854	14 150 403	Interest bearing loans and borrowings	23	6 502 054	14 150 403
14 947 826	21 593 244	Total current liabilities		14 623 897	26 291 760
32 274 820	25 461 944	Total liabilities		31 785 209	30 160 461
44 040 628	33 253 753	**TOTAL EQUITY AND LIABILITIES**		44 182 076	38 165 420
4.09	2.76	Net equity per share (cents)		4.38	2.83
		Gearing:			
1.41	1.97	- Gross		1.28	1.92
(0.57)	(0.54)	- Net		(0.56)	(0.50)

For the year ended 31 December 2012

	Issued capital and premium $	Equity-settled employee benefits reserve $	Revaluation reserve $	Change in functional currency reserve $	Retained earnings $	Total $
Group						
Balance 1 January 2011	34 408	112 617	865 824	932 267	2 183 688	4 128 804
Release in respect of property, plant and equipment disposed		-	-	(3 360)	3 360	-
Total comprehensive income for the period	-	-	156 745	-	3 336 371	3 493 116
Profit for the period	-	-	-	-	3 336 371	3 336 371
Other comprehensive income	-	-	156 745	-	-	156 745
Issue of ordinary shares under employee share option plan	45 417	-	-	-	-	45 417
Recognition of share-based payments	-	124 472	-	-	-	124 472
Balance at 31 December 2011	79 825	237 089	1 022 569	928 907	5 523 419	7 791 809
Release in respect of property, plant and equipment disposed	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-		3 797 591	3 797 591
Issue of ordinary shares under employee share option plan	74 356	-	-	-	-	74 356
Recognition of share-based payments	-	102 052	-	-	-	102 052
Balance at 31 December 2012	154 181	339 141	1 022 569	928 907	9 321 010	11 765 808
Company						
Balance 1 January 2011	34 408	112 617	667 931	420 932	2 540 272	3 776 160
Total comprehensive income for the period	-	-	156 745	-	3 902 166	4 058 911
Profit for the period	-	-	-	-	3 902 166	3 902 166
Other comprehensive income	-	-	156 745	-	-	156 745
Issue of ordinary shares under employee share option plan	45 417	-	-	-	-	45 417
Recognition of share-based payments	-	124 472	-	-	-	124 472
Balance at 31 December 2011	79 825	237 089	824 676	420 932	6 442 438	8 004 960
Total comprehensive income for the period	-	-	-	-	4 215 498	4 215 498
Issue of ordinary shares under employee share option plan	74 356	-	-	-	-	74 356
Recognition of share-based payments	-	102 052	-	-	-	102 052
Balance at 31 December 2012	154 181	339 141	824 676	420 932	10 657 936	12 396 866

For the year ended 31 December 2012

GROUP 2012 $	GROUP 2011 $		Notes	COMPANY 2012 $	COMPANY 2011 $
		Cash flows from operating activities			
7 946 302	7 460 532	Trading profit		8 316 765	8 211 133
		Adjusted for:			
1 708 440	1 584 574	Non cash items	**13.1**	1 535 039	1 410 899
(5 003 878)	(4 493 737)	Movements in working capital	**13.2**	(5 045 889)	(5 090 225)
4 650 863	4 551 369	Cash generated from operations		4 805 915	4 531 807
(2 553 766)	(2 842 824)	Finance costs paid		(2 506 288)	(2 842 824)
(1 002 933)	(3 258)	Taxation paid	**13.3**	(1 002 933)	(3 258)
1 094 164	1 705 287	Cash inflow from operating activities		1 296 694	1 685 724
		Cash flows from investing activities			
(2 188 927)	(1 693 672)	Payments for property, plant and equipment		(2 007 997)	(1 669 758)
215 464	170 478	Proceeds from disposal of property, plant and equipment		215 464	170 476
(160 000)	-	Payments for purchase of intangible assets		(160 000)	-
48 166	7 933	Finance income received		48 166	7 868
(2 085 297)	(1 515 261)	Net cash used in investing activities		(1 904 367)	(1 491 414)
		Cash flows from financing activities			
74 356	45 417	Proceeds from issue of equity shares		74 356	45 417
43 296 681	42 851 986	Proceeds from borrowings		42 296 681	42 853 370
(37 948 693)	(42 897 624)	Repayment of borrowings		(37 339 614)	(42 897 624)
5 422 344	(221)	Net cash flows from/ (used in) financing activities		5 031 423	1 163
4 431 212	189 804	**Net increase in cash and cash equivalents**		4 423 752	195 473
-	(1 083)	Net foreign exchange difference		-	(1 083)
316 562	127 840	Cash and cash equivalents at the beginning of the period		309 672	115 282
4 747 774	316 562	Cash and cash equivalents at the end of the period		4 733 424	309 672

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 2012 were authorized for issue in accordance with a resolution of the directors on 7 March 2013.

2. Financial Reporting

2.1 Basis of Preparation

The consolidated financial statements are prepared in accordance with the going concern and historical cost bases except where otherwise indicated. The accounting policies are applied consistently throughout the Group. The consolidated financial statements are presented in United States Dollar (USD) and all values are rounded to the nearest dollar except where otherwise stated

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Statement of compliance

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standards Board (IASB).

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012. 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.

2.3 Summary of significant accounting policies

2.3.1. Foreign currency translation

The 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 arising on settlement or translation of monetary items are recognised in profit or loss. 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.

2.3.2. 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.

2.3.3. Revenue recognition

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, including discounts, rebates and excluding value-added taxes and 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. The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

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.

Commission income

Funeral insurance providers are charged a commission on collection of premiums on their behalf. Commission income is recognised as revenue when the premium is collected.

Interest income

For all financial instruments measured at amortised cost, 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.

2.3.4. Taxes

Current income tax

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 recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit and loss.

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 utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit and loss.

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 recognized 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.

2.3.5. 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 recognised in profit or loss as they fall due. The Group also participates in the National Social Security Authority pension scheme as required by legislation.

The cost of retirement benefit applicable to the National Social Security Authority Scheme 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.

2.3.6. 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

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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).

2.3.7 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 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 except in the case of financial assets classified as 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.
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:

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.

iii) 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; or

- 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.

iv) 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.

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. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or contimues to be , recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.
The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. The interest income is recorded as part of finance income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized 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.

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, net of directly attributable transaction costs.

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

ii) Subsequent measurement

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

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

iii) 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 profit or loss.

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 27.4.

2.3.8 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised 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.

2.3.9 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 expensed 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 recognised in other comprehensive income and credited to the 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 profit or loss, in which case the increase is recognised in the profit or loss. A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Furniture, fittings and vehicles are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. All repair and maintenance costs are recognised in profit or loss as incurred.

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 5-10 years
Computer equipment 5-10 years
Computer software 5-10 years
Plant and machinery 5-10 years
Leasehold improvements. The lease period or shorter periods as may be determined
Motor vehicles 5-7 years.

An item of property, plant and equipment and any significant part initially recognized 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 profit or loss 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.

2.3.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or

method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit and loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

2.3.11 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

Operating leases are leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals are expensed as incurred.

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.

2.3.12 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.

2.3.13 Inventories

Inventories are valued at the lower of cost and net realisable value on a FIFO basis. 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.

2.3.14 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 and do not form part of cash and cash equivalents.

2.3.15 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 profit or loss net of any reimbursement.

2.3.16 Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that a non-current asset may be impaired. If any indication exists 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 its 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 projected future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss 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 this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 profit or loss 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

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.

3.1 Judgments

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.

3.1.2 Revenue measurement

Revenue from the sale of goods is measured at the consideration received or receivable , without discounting the cash receipts, even though the inflow of cash and cash equivalents on credit sales is deferred. Management is of the view that that it is difficult to accurately determine the imputed rate of interest to use in discounting the future cash receipts due to the following factors:

- Management believes that there is no similar instrument of an issuer with a similar credit rating to that of the company,
- The credit sales price and cash sales price are equal.

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

Land, buildings, 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 a revaluation of property in 2011.

3.2.2 Useful lives and residual values of property, plant and equipment

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

3.2.3 Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.5.

3.2.4 Taxes

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and interpretations of tax regulations by the responsible tax authority.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. Further details on taxes are disclosed in Note 15.

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 18.

3.3 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below.

This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 19 Post employee benefits (Amendment)

The amendments are effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in OCI when they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income/ expense. All other changes in the net

defined benefit asset/ liability are recognised in OCI with no subsequent recycling to profit or loss.

- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

- Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Liabilities.

- The distinction between short-term and other long-term employee benefits will be based on expected timing of settlement rather than the employee's entitlement to the benefits.

  The changes in defined benefit plans will have no impact on the Group as the post-retirement medical aid plan was discontinued in the current year and there are no other defined benefit plans. The Group is currently assessing the full impact of the remaining amendments (termination benefits and definitions of short-term and long-term employee benefits).

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and does not impact the accounting in the company's separate financial statements.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the group as the group does not have any investments in associates or joint ventures.

IAS 32 Financial Instruments: Presentation (Amendment) – Offsetting Financial Assets and Financial Liabilities

The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts" (IAS 32.42(a)). This means that the right of set-off:

- must not be contingent on a future event; and

- must be legally enforceable in all of the following circumstances:
- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendment is effective for annual periods beginning on or after 1 January 2014 and the Group is still in the process of determining how it will impact its statement of financial position or performance.

IFRS 7 Financial Instruments: Disclosures (Amendment) – Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendment amends the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment is effective for annual periods beginning on or after 1 January 2013 and the Group is still in the process of determining how it will impact the note disclosures upon adoption.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 32. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in 2013. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities.

The Group is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Group at the date of adoption, and it is not practical to quantify the effect.

Financial assets

All financial assets are measured at fair value at initial recognition. Debt instruments may, if the Fair Value Option (FVO) is not invoked, be subsequently measured at amortised cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows
And

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.
All other debt instruments are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. However, entities have an irrevocable choice to recognise fair value changes in OCI by instrument for all other equity financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model with a new definition of control that applies to all entities.
Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)

- Exposure, or rights, to variable returns from its involvement with the investee
And

- The ability to use its power over the investee to affect the amount of the investor's returns
IFRS 10 also provides a number of clarifications on applying this new definition of control, including

the following key points:

- An investor is any party that potentially controls an investee; such party need not hold an equity investment to be considered an investor.

- An investor may have control over an investee even when it has less than a majority of the voting rights of that investee (sometimes referred to as de facto control).

- Exposure to risks and rewards is an indicator of control, but does not in itself constitute control.

- When decision-making rights have been delegated or are being held for the benefit of others, it is necessary to assess whether a decision-maker is a principal or an agent to determine whether it has control.

- Consolidation is required until such time as control ceases, even if control is temporary.

The changes will require management to make significant judgement to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a Group. This standard becomes effective for annual periods beginning on or after 1 January 2013 and the Group is still busy assessing the impact upon adoption of this new standard.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 and SIC-13. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The reference to 'control' in 'joint control' refers to the definition of 'control' in IFRS 10.

IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

Joint operation — An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. Joint operations are accounted for by showing the party's interest in the assets, liabilities, revenues and expenses, and/or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any.

Joint venture — An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method.

The option to account for joint ventures (as newly defined) using proportionate consolidation has been removed. Under this new classification, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Group as it is not party to any joint arrangements.

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 includes all the disclosures that were previously required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities as well as a number of new disclosures. An entity is now required to disclose the judgements made to determine whether it controls another entity. IFRS 12 will be effective for the Group 1 January 2013 and the impact of adopting this new standard is still being assessed.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for all fair value measurement (financial and non-financial assets and liabilities) when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS as well as providing clarification on certain areas.

There are also consequential amendments to other standards to delete specific requirements for determining fair value. The Group will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the Group 1 January 2013.

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.

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 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 two reportable segments as follows:

Retail (consisting of Edgars Chain and Jet Chain)
Manufacturing (consisting of Carousel)

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 Segment revenues and results

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

5.2 Segment revenues and results

2012

	Retail	Manufacturing	Total Segments	Adjustments & eliminations	Consolidated
Revenue					
External customers	59 909 881	255 312	60 165 193	-	60 165 193
Inter-segments	-	4 242 705	4 242 705	(4 242 705)	-
	59 909 881	4 498 017	64 407 898	(4 242 705)	60 165 193
Results					
Depreciation & amortisation	(468 703)	(179 460)	(648 163)	-	(648 163)
Tax expense	(1 497 237)	-	(1 497 237)	-	(1 497 237)
Finance cost	(2 657 581)	(47 478)	(2 705 059)	-	(2 705 059)
Finance Income	53 551	34	53 585	-	53 585
Segment trading profit/ (loss)	8 316 765	(370 463)	7 946 302	-	7 946 302
Total assets	44 182 073	4 654 834	48 836 907	(4 796 280)	44 040 627
Total liabilities	(31 785 212)	(5 285 888)	(37 071 100)	4 796 280	(32 274 820)
Capital expenditure	1 794 464	394 463	2 188 927	-	2 188 927

2011

	Retail	Manufacturing	Total Segments	Adjustments & eliminations	Consolidated
Revenue					
External customers	50 720 382	359 081	51 079 462		51 079 462
Inter-segments		2 464 670	2 464 670	(2 464 670)	-
	50 720 382	2 823 751	53 544 132	(2 464 670)	51 079 462
Results					
Depreciation & amortisation	(284 384)	(173 675)	(458 059)	-	(458 059)
Taxation (expense)/ credit	(1 474 011)	184 741	(1 289 270)	-	(1 289 270)
Finance cost	(2 842 824)	-	(2 842 824)	-	(2 842 824)
Finance income	7 868	64	7 933	-	7 933
Segment trading profit/ (loss)	12 147 320	(690 684)	11 456 636	(3 996 104)	7 460 532
Total assets	38 165 420	9 104 406	47 269 826	(14 016 073)	33 253 753
Total liabilities	(30 160 460)	(9 317 556)	(39 478 017)	14 016 073	(25 461 944)
Capital expenditure	1 669 758	23 914	1 693 672	-	1 693 672

		GROUP 2012 $	GROUP 2011 $	COMPANY 2012 $	COMPANY 2011 $
6	**Revenue**				
	The following is an analysis of the Group's revenue for the year (excluding investment revenue)				
	Sale of merchandise	60 165 194	51 079 462	59 909 882	50 720 382
	Retail sales	59 909 882	50 714 133	59 909 882	50 714 133
	Airtime sales	-	6 249	-	6 249
	Manufacturing sales to third parties				
	local sales	255 312	359 081	-	-
	export sales	-	-	-	-
	Late payment charges	2 142 266	1 721 504	2 142 266	1 721 504
	Funeral Insurance commission	268 798	165 045	268 798	165 045
		62 576 258	52 966 011	62 320 946	52 606 93
7	**Other gains and losses**				
	Gain on disposal of property, plant & equipment	100 219	79 919	100 219	79 919
	Net foreign exchange losses	(60 142)	(122 006)	(53 411)	(123 539)
		40 077	(42 088)	46 808	(43 621)
8	**Debt collection costs**				
	Late payment charges	2 142 266	1 721 504	2 142 266	1 721 504
	Debt collection costs	(3 116 936)	(2 891 681)	(3 116 936)	(2 891 681)
		(974 670)	(1 170 177)	(974 670)	(1 170 177)
9	**Trading profit**				
	Trading profit for the period has been arrived at after charging (crediting):				
9.1	**Auditors remuneration:**				
	Audit Fees	177 063	136 159	177 063	115 659
		177 063	136 159	177 063	115 659
9.2	**Amortisation expense**				
	Amortisation of intangible assets	13 333	-	13 333	-
9.3	**Depreciation expense**				
	Depreciation of property, plant and equipment	648 163	458 059	468 340	284 384
9.4	**Operating lease expenses:**				
	Land and buildings :				
	Minimum lease payments	3 186 327	2 391 204	3 186 327	2 391 204
	Contingent rents	370 066	596 915	370 066	596 915
	Sublease receipts	(94 855)	(80 212)	(228 427)	(213 784)
		3 461 538	2 907 908	3 327 966	2 774 336
9.5	**Fees payable**				
	Managerial, technical, administrative and secretarial fees paid outside the group	296 501	284 996	291 262	233 036
	Outsourcing of IT	100 754	215 792	100 754	215 792
		397 255	500 789	392 016	448 828
9.6	**Finance income**				
	Finance income from short term deposits	53 585	7 933	53 551	7 868
9.7	**Finance costs**				
	Interest on debt and borrowings	2 705 059	2 842 824	2 657 581	2 842 824

	GROUP		COMPANY	
	2012 $	2011 $	2012 $	2011 $

10 Directors and employees

10.1 Employees

The Group employed 789 (2011-777) permanent employees of which 502 (2011 - 487) were employed in retailing and 287(2011-290) in the manufacturing division.

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

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Salaries and wages	9 300 808	6 801 094	8 904 260	6 428 124
Pension contributions	831 149	593 729	682 390	473 343
Medical aid contributions	323 897	415 857	268 541	365 308
	10 455 854	7 810 680	9 855 192	7 266 776

10.2 Directors' emoluments

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Non executive directors :				
- Fees	78 225	63 551	78 225	63 551
Executive directors :-				
Remuneration	822 438	343 250	822 438	343 250
- Retirement and medical aid benefits	106 033	83 883	106 033	83 883
	1 006 696	490 684	1 006 696	490 684

10.3 Pension funds

The Group's operating companies and all employees contribute to both of the following pension funds

Edgars Pension Fund

The Edgars Pension Fund is a defined contribution fund and provides pensions and other associated benefits for all employees on the permanent staff of the Group, their spouses and dependents. Member contributions to the fund are set at 5% whilst the employer rate is set at 15% of monthly pensionable salaries, less the amount of the employer's contributions to the National Social Security Authority. Employer contributions are charged against trading profit. The Fund is governed by legislation in the Pension and Provident Funds Act, Chapter 24:09

National Social Security Authority Scheme

The Group's obligations under the scheme are limited to specific contributions legislated from time to time and as promulgated under the National Social Security Authority Act, Chapter 17:04. These are 3% of pensionable monthly emoluments for each employee up to a maximum salary of $200 per month.

Contributions to the aforementioned funds charged against trading profit:

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Edgars Pension Fund	738 013	509 664	621 773	414 849
National Social Security Authority	93 136	84 065	60 617	58 494
	831 149	593 729	682 390	473 343

10.4 Post-retirement medical aid

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Post-retirement medical aid net movement charged to trading profit/ (loss) (note 21)	(75 306)	21 681	(75 306)	21 681

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
May 2007	15 000 000
June 2010	16 000 000
	31 000 000

Directors were authorised to grant options from shares set aside at their discretion.
Each employee share option converts into one ordinary share of Edgars Stores Limited on exercise. The options carry neither rights to dividends nor voting rights. Options must be exercised within 10 years of grant date but can only be exercised from the 2nd 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		Number	Grant Date	Expiry Date	Exercise price cents
Option series					
1	Issued 29 June 2007	4 300 000	29/06/2007	28/6/2017	1.40
2	Issued 10 June 2008	5 350 000	10/06/2008	09/6/2018	0.30
3	Issued 9 July 2009	4 300 000	09/07/2009	08/7/2019	3.50
4	Issued 20 March 2010	1 050 000	20/03/2010	19/3/2020	3.50
5	Issued 11 June 2010	4 150 000	11/06/2010	10/6/2020	3.00
6	Issued 29 March 2011	4 233 333	29/03/2011	28/3/2021	8.80
7	Issued 14 March 2012	4 655 500	14/03/2012	13/3/2022	8.50

There have been no cancellations or modifications to any of the plans during 2012 and 2011.

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	29 March 2011 Series 6	14 March 2012 Series 7
Weighted average fair value of options granted (cents)	0.74	0.22	3.47	3.47	2.98	7.22	1.87
The following key assumptions were made:							
Expected Volatility	260.0%	260.0%	260.0%	260.0%	260.0%	127.30%	15%
Risk free interest rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	3.0%
Expected Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected Life (years)	2.416	3.416	4.000	4.000	4.000	4.000	4.000

10.5 Equity-settled share-based payments
Employee share option scheme

	2012 No	2011 No
Outstanding at 1 January	18 366 670	18 300 000
Granted during the year	4 655 500	4 233 333
Forfeited during the year	(758 334)	(250 001)
Exercised during the year	(4 920 334)	(3 916 662)
Expired during the year	-	-
Outstanding at 31 December	17 343 502	18 366 670
Exercisable at 31 December	5 276 335	4 783 338

The expense recognised for employee services in this period was $102 052 (2011-$124 471). 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

	GROUP		COMPANY	
	2012 $	2011 $	2012 $	2011 $
11 Taxes				
Taxes recognised in profit or loss				
Current tax in respect of the current year:				
-withholding tax	(1 337)	(283)	(1 337)	(283)
-capital gains tax reversed/ (expense)	625	(7 000)	625	(7 000)
-normal tax	(857 441)	(106 830)	(857 441)	(106 830)
Deferred tax	(639 085)	(1 175 155)	(639 085)	(1 359 898)
Total tax charge	(1 497 237)	(1 289 269)	(1 497 237)	(1 474 011)
The charge for the year can be reconciled to the accounting profit as follows:				
Profit for the period:	5 294 828	4 625 641	5 712 736	5 376 177
Tax calculated at 25.75% (inclusive of AIDS levy)	(1 363 418)	(1 191 102)	(1 471 029)	(1 384 365)
Effect of revenue exempt from taxation	13 798	2 437	13 789	2 026
Effect of expenses which are not deductible	(108 173)	(100 604)	(39 997)	(91 672)
Unrecognised deferred tax in respect of manufacturing losses	(39 444)	-	-	-
Tax charge recognised in profit or loss	(1 497 237)	(1 289 269)	(1 497 237)	(1 474 011)

	GROUP		COMPANY	
	2012	2011	2012	2011
12 Earnings per share	**000's**	**000's**	**000's**	**000's**
12.1 Weighted average number of ordinary shares (basic)				
Issued ordinary shares at the beginning of the period	282 725	278 808	282 725	278 808
Effect of treasury shares	(36 475)	(36 475)	(36 475)	(36 475)
Effect of share options excercised	1 502	1 392	1 502	1 392
Weighted average number of ordinary shares used in calculating earnings per share	247 752	243 725	247 752	243 725
12.2 Weighted average number of ordinary shares (diluted)				
Weighted average number of ordinary shares (basic)	247 752	243 725	247 752	243 725
Effect of share options on issue	8 353	10 035	8 353	10 035
Weighted average number of ordinary shares (diluted)	256 106	253 760	256 106	253 760
	$	**$**	**$**	**$**
12.3 Attributable basis				
Profit attributable to ordinary shareholders	3 797 591	3 336 371	4 215 498	3 902 166
Cost of equity-settled share based payments related to future years	53 713	143 942	53 713	143 942
Profit adjusted for cost of dilutive instruments	3 851 304	3 480 313	4 269 211	4 046 108
Basic earnings per share (cents)	1.53	1.37	1.70	1.60
Diluted earnings per share (cents)	1.50	1.37	1.67	1.59
13 Cash flow				
13.1 Non-cash items				
Share based payments	102 052	124 472	102 052	124 472
Depreciation	648 163	458 059	468 340	284 384
Inventory write-down	1 124 934	837 923	1 124 934	837 923
Amortisation of intangible asset	13 333	-	13 333	-
Net profit on disposal of property, plant and equipment (note 7)	(100 219)	(79 919)	(100 219)	(79 919)
(Decrease) / Increase in provisions	(75 306)	21 681	(75 306)	21 681
Provision for doubtful debts	(4 518)	222 358	1 905	222 358
	1 708 440	1 584 574	1 535 039	1 410 899
13.2 Working capital requirements				
Increase in inventories	(1 840 198)	(2 153 144)	(1 992 301)	(1 641 960)
Increase in accounts receivable	(3 825 070)	(3 843 649)	(3 868 043)	(3 779 875)
Increase / (decrease) in accounts payable	661 390	1 503 056	(3 832 255)	3 817 832
Net movement in balances with group companies	-	-	4 646 710	(3 486 222)
	(5 003 878)	(4 493 737)	(5 045 889)	(5 090 225)
13.3 Taxation paid				
Taxation liability at the beginning of the year	111 955	(1 100)	111 955	(1 100)
Current taxation provided (note 11)	(858 153)	(114 113)	(858 153)	(114 113)
Taxation liability at the end of the year	(256 736)	111 955	(256 736)	111 955
	(1 002 933)	(3 258)	(1 002 933)	(3 258)
14 Property, plant and equipment				
Cost	3 967 782	2 008 891	3 759 084	1 982 247
Valuation	2 845 101	2 845 101	1 953 419	1 953 419
Accumulated depreciation and impairment	(1 406 737)	(865 480)	(881 364)	(519 930)
	5 406 146	3 988 512	4 831 139	3 415 737

14

	GROUP				COMPANY			
	Land & Buildings	**Plant & Equipment**	**Furniture Fittings & Vehicles**	**Total**	**Land & Buildings**	**Plant & Equipment**	**Furniture Fittings Vehicles**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Cost or valuation								
Balance at 1 January 2011	1 039 830	989 725	1 070 415	3 099 970	1 039 830	161 787	1 003 941	2 205 558
Additions	190 000	61 004	1 442 668	1 693 672	190 000	46 030	1 433 729	1 669 759
Disposals	-	(1 490)	(330)	(1 820)	-	(1 490)	(330)	(1 820)
Revaluation increase	117 270	-	-	117 270	117 270	-	-	117 270
Reclassified as held for sale	(55 100)	-	-	(55 100)	(55 100)	-	-	(55 100)
Balance at 31 December 2011	1 292 000	1 049 239	2 512 753	4 853 992	1 292 000	206 327	2 437 340	3 935 666
Additions	20 249	361 613	1 807 065	2 188 927	20 249	195 000	1 792 748	2 007 997
Disposals	-	(927)	(229 109)	(230 036)	-	(927)	(230 235)	(231 162)
Balance at 31 December 2012	1 312 249	1 409 925	4 090 709	6 812 883	1 312 249	400 400	3 999 853	5 712 501
Accumulated depreciation or impairment								
Balance at 1 January 2011	(24 942)	(174 648)	(259 646)	(459 236)	(24 942)	(19 003)	(243 415)	(287 360)
Eliminated on disposals of assets	-	-	1 675	1 675	-	-	1 676	1 676
Eliminated on reclassification as held for sale	2 287	-	-	2 287	2 287	-	-	2 287
Eliminated on revaluation	47 852	-	-	47 852	47 852	-	-	47 852
Current year expense	(25 197)	(177 200)	(255 661)	(458 058)	(25 197)	(22 949)	(236 238)	(284 384)
Balance at 31 December 2011	-	(351 848)	(513 632)	(865 480)	-	(41 952)	(477 977)	(519 929)
Eliminated on disposals of assets	-	756	106 150	106 906	-	756	106 150	106 906
Current year expense	(32 049)	(194 828)	(421 286)	(648 163)	(32 049)	(33 821)	(402 470)	(468 340)
Balance at 31 December 2012	(32 049)	(545 920)	(828 768)	(1 406 737)	(32 049)	(75 017)	(774 297)	(881 363)
Net carrying amount 31 December 2012	1 280 200	864 005	3 261 941	5 406 146	1 280 200	325 383	3 225 556	4 831 139
Net carrying amount 31 December 2011	1 292 000	697 391	1 999 121	3 988 512	1 292 000	164 375	1 959 363	3 415 737

14.1 Property plant and equipment carried at fair value

The fair value of property, plant and equipment was determined by a 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 31 December 2011 to determine their fair value. The valuation was done on an open market value basis.

Plant and machinery

An independent professional valuation of the Group's plant and machinery was performed on 9 January 2010 to determine the fair value. The valuation was done on a depreciated replacement cost basis.

Furniture, fittings and vehicles

Office and retail equipment was revalued with the use of a consultant on 5 December 2009 on a depreciated replacement cost basis.

14.2 Property, plant and equipment was revalued with the use of a consultant on 5 December 2009 on a replacement cost basis.

	GROUP		COMPANY	
	2012	**2011**	**2012**	**2011**
Cost	3 967 782	2 008 891	3 759 084	1 982 248
Accumulated depreciation	(707 465)	(358 190)	(496 602)	(261 869)
Net carrying amount	3 260 317	1 650 701	3 262 482	1 720 379

15 Deferred tax balances

GROUP

	Opening balance January 2011	Recognised in profit or loss	Recognised directly in other comprehensive	Closing balance 31 December 2011	Recognised in profit or loss	Recognised directly in other comprehensive	Closing balance 31 Dec 2012
Temporary differences							
Property, plant and equipment	(601 798)	(18 221)	(8 375)	(628 394)	(133 518)	-	(761 912)
Provisions	(26 865)	4 220	-	(22 645)	(23 729)	-	(46 373)
Section 18 installment allowances	(1 526 739)	(196 618)	-	(1 723 357)	(527 099)	-	(2 250 455)
Other	(91 309)	(33 486)	-	(124 795)	45 261	-	(79 533)
	(2 246 711)	(244 104)	(8 375)	(2 499 190)	(639 085)	-	(3 138 274)
Tax losses and credits							
Tax losses	1 637 117	(931 053)	-	706 064	-	-	706 064
	(609 594)	(1 175 157)	(8 375)	(1 793 126)	(639 085)	-	(2 432 210)

COMPANY

	Opening balance January 2011	Recognised in profit or loss	Recognised directly in other comprehensive	Closing balance 31 December 2011	Recognised in profit or loss	Recognised directly in other comprehensive	Closing balance 31 Dec 2012
Temporary differences							
Property, plant and equipment	(416 272)	(61 402)	-	(477 674)	(133 518)	-	(611 193)
Provisions	22 784	4 219	-	27 003	(23 729)	-	3 275
Section 18 installment allowances	(1 528 392)	(196 618)	-	(1 725 010)	(527 099)	-	(2 252 108)
Other	(146 318)	(36 397)	(8 375)	(191 090)	45 261	-	(145 829)
	(2 068 198)	(290 198)	(8 375)	(2 366 771)	(639 085)	-	(3 005 855)
Tax losses and credits							
Tax losses	1 069 702	(1 069 702)	-	-	-	-	-
	(998 496)	(1 359 900)	(8 375)	(2 366 771)	(639 085)	-	(3 005 855)

	GROUP 2012 $	GROUP 2011 $	COMPANY 2012 $	COMPANY 2011 $
15 Deferred tax balances (continued)				
Reflected in the statement of financial position as follows:				
Deferred tax asset	573 644	573 644	-	-
Deferred tax liability	(3 005 855)	(2 366 770)	(3 005 855)	(2 366 771)
Deferred tax (liabilities) / assets	(2 432 211)	(1 793 126)	(3 005 855)	(2 366 771)

A deferred tax asset was recognised in the manufacturing business unit as directors have reason to believe that the asset will reverse in the foreseeable future and taxable profit will be available, based on forecasted results, against which the temporary differences can be utilised before expiry. This is supported by:
- Confirmed order book to support forecast sales
- Funding was obtained in the current year which enabled purchase of machinery which will have the effect of reducing costs and increasing production efficiencies
- Development of newlines of clothing to attract new customers and improve product mix

16 Intangible assets

	GROUP 2012 $	GROUP 2011 $	COMPANY 2012 $	COMPANY 2011 $
Cost at 1 January 2012	-	-	-	-
Purchased during year 2012	160 000	-	160 000	-
Cost at 31 December 2012	160 000	-	160 000	-
Acumulated amortisation at 1 January 2012		-	-	-
-				
Amortisation	(13 333)	-	(13 333)	-
Acumulated amortisation at 31 December 2012	(13 333)	-	(13 333)	-
Carrying amount at 31 December 2012	146 667	-	146 667	-

The intangible asset relates to a restraint of trade and has a useful life of 4 years and as at year end has a remaining amortisation period of 3.67 years.

17 Inventories

	GROUP 2012 $	GROUP 2011 $	COMPANY 2012 $	COMPANY 2011 $
Raw materials	1 467 267	1 349 668	-	-
Work in progress	88 473	82 278	-	-
Goods in transit	324 462	277 637	-	-
Merchandise	7 308 350	6 808 609	6 631 810	5 805 718
Consumable stores	376 965	332 061	270 695	229 421
	9 565 517	8 850 253	6 902 505	6 035 140

Refer note 23.3 for inventories pledged as security for borrowings and loans. The amount of write-down of inventories recognised as an expense in the Group is $1 124 934 (2011 - $837 923), which is recognised in cost of sales

	GROUP 2012 $	GROUP 2011 $	COMPANY 2012 $	COMPANY 2011 $
18 Trade and other receivables				
Trade accounts receivable	22 838 799	18 667 746	22 823 943	18 601 862
Less: - Specific provision for impairment of receivables	(376 470)	(380 988)	(376 470)	(374 565)
Other accounts receivable	881 816	1 227 799	480 690	1 137 196
	23 344 145	19 514 557	22 928 164	19 364 492
The movement in the provision for impairment is as follows:				
Opening balance	(380 988)	(158 630)	(374 565)	152 207
Decrease / (increase) in provision	4 518	(222 358)	(1 905)	222 358
Closing balance	(376 470)	(380 988)	(376 470)	(374 565)

Refer note 23.3 for accounts receivables pledged as security for borrowings and loans. The average credit period on sales of goods is 210 days (2011 210 days). No interest is charged on trade receivables as long as the installment 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 customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Other accounts receivable consist payments in advance and amounts receivable from staff.

	GROUP 2012 $	GROUP 2011 $	COMPANY 2012 $	COMPANY 2011 $
19 Assets classified as held-for-sale				
Buildings	-	10 227	-	10 227

In the prior year, the Group decided to dispose of former store manager's houses in small towns. The sale was reversed in 2012.

20 EQUITY

20.1 SHARE CAPITAL

	GROUP 2012 $	GROUP 2011 $	COMPANY 2012 $	COMPANY 2011 $
Authorised ordinary share capital 400 000 000 ordinary shares of $0.0001 each	40 000	40 000	40 000	40 000

20.1.1 Issued ordinary shares and premium	Number of shares 000s	Share capital $	Share premium $	Issued capital total $
Balance at 1 January 2011	278 808	27 881	6 527	34 408
Issue of shares under employee share option plan	3 917	392	45 026	45 417
Balance at 31 December 2011	282 725	28 273	51 553	79 825
Issue of shares under employee share option plan	4 920	492	73 864	74 356
Balance at 31 December 2012	287 645	28 765	125 417	154 181

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 112 354 700 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 12 354 700 are under the control of the shareholders in a general meeting.

	GROUP		COMPANY	
	2012 $	2011 $	2012 $	2011 $
20.2 Other reserves				
Equity-settled employee benefits reserve	(339 141)	(237 089)	(339 141)	(237 089)
Change in functional currency reserve	(928 907)	(928 907)	(420 932)	(420 932)
Revaluation reserve	(1 022 569)	(1 022 569)	(824 677)	(824 676)
	(2 290 617)	(2 188 565)	(1 584 749)	(1 482 697)

Nature and purpose of reserves

Revaluation reserve

The revaluation reserve is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

Change in functional currency reserve

This arose as a result of change in functional currency from the Zimbabwe Dollar to the United States Dollar. It represents the residual equity in existence as at the date of the change over and

Equity -settled employee benefits reserve

The equity-settled employee benefits reserve is used to record the value of equity settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration.

	GROUP 2012 $	GROUP 2011 $	COMPANY 2012 $	COMPANY 2011 $
20.2.1 Revaluation reserve				
Balance at beginning of year	1 022 569	865 824	824 676	667 931
Increase arising on revaluation of property, plant and equipment (note 14)	-	165 120	-	165 120
Deferred tax liability arising on revaluation	-	(8 375)	-	(8 375)
Transfer relating to assets disposed	-	-	-	-
Balance at end of year	1 022 569	1 022 569	824 676	824 676
21 Trade and other payables, and provisions				
Trade accounts payable	4 654 470	3 628 128	5 052 315	8 441 907
Sundry accounts payable and accrued expenses	3 262 502	3 627 452	3 069 527	3 512 190
	7 916 972	7 255 580	8 121 842	11 954 097

Trade and other payables are interest-free. Payment terms range from 30 days to 120 days.

Provisions

Post-retirement medical aid provision

In prior years, the cost of providing post-retirement medical aid contributions was determined in accordance with IAS19. The value of the Group's liability for the past service element of these contributions as at 31 December 2011 was $75,306. The Group decided to discontinue this benefit and the reversal of prior provisions was recognised as part of trading profit .

	GROUP 2012 $	GROUP 2011 $	COMPANY 2012 $	COMPANY 2011 $
22 Current tax liabilities				
Normal tax	(256 736)	106 830	(256 736)	106 830
Capital gains tax	-	5 125	-	5 125
	(256 736)	111 955	(256 736)	111 955
Disclosed in statement of financial position as follows:				
Under current assets	(256 736)	-	(256 736)	-
Under current liabilities	-	111 955	-	111 955
	(256 736)	111 955	(256 736)	111 955

		GROUP		COMPANY	
		2012 $	2011 $	2012 $	2011 $
23	**Interest bearing loans and borrowings**				
	Bank overdrafts	2 055	1 399 869	2 055	1 399 869
	Bills discounted	2 900 000	10 152 000	2 900 000	10 152 000
	Loans	18 449 938	4 100 462	17 755 458	4 100 462
		21 351 993	15 652 332	20 657 512	15 652 332
	Long-term portion of loans disclosed under non-current liabilities	(14 321 139)	(1 501 930)	(14 155 458)	(1 501 930)
	Current portion	7 030 854	14 150 402	6 502 054	14 150 402
23.1	**Unsecured – at amortised cost**				
	Bank overdrafts	2 055	926 073	2 055	926 073
	Bills discounted	2 900 000	1 152 000	2 900 000	1 152 000
		2 902 055	2 078 073	2 902 055	2 078 073
23.2	**Secured – at amortised cost**				
	Bank overdrafts	-	473 796	-	473 796
	Bills discounted	-	9 000 000	-	9 000 000
	Loans	18 449 938	4 100 462	17 755 458	4 100 462
		18 449 938	13 574 259	17 755 458	13 574 259
		21 351 993	15 652 332	20 657 512	15 652 332

23.3 Summary of borrowing arrangements

(i) Secured with an external guarantee, Notorial General Covering Bond and Negative Pledge over assets and cession of debtors book.
(ii)The weighted average effective interest rate on all the borrowings is 10.17% (2011-14.55%) per annum
(iii) Tenures range between 90 days and 5 years

24 Leases

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Within one year	2 585 589	2 255 462	2 585 589	2 255 462
After one year but not more than five years	3 750 462	3 526 542	3 750 462	3 526 542
More than five years	-	-	-	-
	6 336 050	5 782 004	6 336 050	5 782 004

25 Future capital expenditure

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

	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Authorised and contracted for	257 439	176 107	257 439	169 652
Authorised but not yet contracted for	4 664 526	5 376 261	4 686 886	5 000 000
	4 921 965	5 552 368	4 944 325	5 169 652

All expenditure is to be financed from existing 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 material adverse effect on the Group.

27 Financial risk management, objectives and policies

Financial risk management is carried out at Group level

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 there fore 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.

27.1 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 department 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 roll over 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's risks in this area are minimal as the bulk of interest bearing loans and borrowings are medium term and at a fixed rate of interest which is in line with the current trend in interest rates in the current economic environment.

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 for group and company were:

	2012 South African Rand	**2011 South African Rand**	**2011 Botswana Pula**
Foreign denominated balances			
Assets			
Cash and cash equivalents	125 354	227 488	8 662
Liabilities			
Trade payables	(1 146 205)	(2 332 434)	-
Total net position	(1 020 852)	(2 104 946)	8 662
Impact of US$ strengthening by 10% - gain/(loss) in US$			
Impact on profit before tax	10 918	23 920	(105)
Impact of US$ weakening by 10% - gain/(loss) in US$			
Impact on profit before tax	(13 344)	(29 235)	128

There is no impact on equity.

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.

27.2 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 equal to the carrying amounts disclosed in the Statement of Financial Position.

•Credit risk relating to trade receivables: The concentration of credit risk is limited due to the customer base being large and unrelated. Before accepting any new customer, the Group uses a robust credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. The maximum exposure to credit risk is shown in note 18.

As at 31 December, the ageing analysis of trade receivables for Group and Company is as follows:

	Total net $	Neither past due nor impaired	Past due but not impaired <30 days	Past due but not impaired 30+ days
2012	22 462 329	18 688 658	2 852 716	920 955
2011	18 286 758	14 185 371	3 238 547	862 840

Management has reviewed the credit quality of the balances in the "neither past due nor impaired" category and is satisfied that none of the debtors are likely to default. This view is supported by the trends and continuous assessment of key debtors ratios.

27.3 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.

	2012 $	2011 $
Un-utilised banking facilities:		
Total banking and loan facilities	34 600 000	33 700 000
Actual interest bearing debt (note 23)	(21 351 993)	(15 652 332)
Un-utilised banking facilities	13 248 007	18 047 669

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.

	2012 $	2011 $
Maximum permissible interest bearing debt	44 675 470	27 557 100
Actual interest bearing debt (note 23)	(21 351 993)	(15 652 332)
	23 323 477	11 904 769
Cash and cash equivalents	4 747 774	316 562
Unutilised borrowing capacity	28 071 251	12 221 330

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

	On demand	< 3mths	3-12 mths	1-5years	Total
2012					
Interest bearing loans and borrowings	2 055	3 212 461	4 962 675	17 029 239	25 206 430
Trade and other payables	-	7 916 972	-	-	7 916 972
	2 055	11 129 433	4 962 675	17 029 239	33 123 403
2011					
Interest bearing loans and borrowings	1 399 870	392 760	12 812 859	1 501 930	16 107 420
Trade and other payables	-	7 255 580	-	-	7 255 580
	1 399 870	7 648 341	12 812 859	1 501 930	23 363 000

27.4 Fair value of financial instruments

The estimated net fair values have been determined as at 31 December 2012, using available marketing 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 due to their short term nature.

Interest bearing debt:
The carrying amount of interest bearing debt approximates its fair value as the funding was only received in December 2012, therefore the fixed interest rate did not vary significantly at year end. The rate is in line with current economic trends.

27.5 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 suport 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 manages equity and borrowings as capital. The amount of capital as at 31 December 2012 was $ 33 117 801(2011 : $23 444 142).

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 2012, the Group's strategy was to maintain a net gearing ratio of below 1. As at 31 December 2012 the net gearing was -0.57 (2011: -0.54)

28 Interests of directors in share capital

The interests, direct and indirect of the Directors in office at 31 December 2012 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	4 000	100
C F Dube	1 500	100
V Mpofu	-	100
L Masterson	757 799	100
S Ndlovu	-	100
T N Sibanda	-	100
L L Tsumba	-	100
Z Vella	-	100
Nominees	-	300
	763 299	1 100

No changes in Directors' shareholdings have occurred between the financial year end and 19 April 2013. 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.

	2012 $	2011 $
29 Related party disclosures (Group & Company)		
Compensation of key management personnel of the Group		
Short-term employee benefits	1 401 021	965 193
Post-employment pension and medical benefits	149 559	185 343
Share-based payment transactions	102 052	124 472
Total compensation paid to key management personnel	1 652 632	1 275 008

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Related party relationships exist between the Group, fellow subsidiaries and the holding company. All purchasing and selling transactions are concluded at arm's length. All intra-group balances, income and expenses, unrealised gains and losses resulting from intra-group transactions are eliminated in full. Inter-company balances have no fixed repayment terms and are interest free. For inter-company transactions between Edgars and Carousel Manufacturing, refer to note 5 (Segment information).

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.

32 Events after the reporting period

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

ANALYSIS OF ORDINARY SHARES

	SHAREHOLDING ANALYSIS		MEMBER ANALYSIS	
VOLUME	No. of shares	%	No. of holders	%
1-5000	1 089 964	0.38%	885	70.29%
5001-10000	637 837	0.22%	90	7.15%
10001-25000	1 791 472	0.62%	112	8.90%
25001-50000	1 515 674	0.53%	42	3.34%
50001-100001	2 928 753	1.02%	39	3.10%
100001-200000	4 629 465	1.61%	32	2.54%
200001-500000	9 856 385	3.43%	33	2.62%
500001-1000000	4 355 211	1.52%	7	0.56%
1000001 and Above	260 440 609	90.67%	19	1.51%
TOTAL	287 645 370	100%	1 259	100%

Company /Group	No. of Shareholders	No. of Shares Held	% of Shareholding
Bellfield Limited	1	112 138 510	39.08%
Nominee Companies	56	66 870 955	23.28%
Pension Funds	85	19 764 356	6.88%
Zimedgroup Employee Trust	1	35 950 445	12.53%
Investment & Other Corporate Bodies	148	25 393 767	8.83%
Insurance Companies	9	19 994 900	6.96%
Individuals	959	7 532 437	2.62%
TOTAL	1 259	287 645 370	100%

Financial Year Ending 5 January 2013

Interim Results for the 26 weeks ending 7 July	Published	September 2012
Analysts Briefing and Announcement of Results		13 March 2013
Notice to Shareholders		May 2013
Annual Report including Annual Financial Statements	Published	May 2013
Annual General Meeting		29 May 2013

Financial Year Ending 4 January 2014

Interim Results for the Half Year ending 6 July 2013	Published	September 2013
Analysts Briefing and Announcement of Interim Results		September 2013
Trading Update for Financial Year 2013		January 2014
Analysts Briefing and Announcement of Results for Financial Year 2013		March 2014
Annual General Meeting		June 2014

Notice to Members

Notice is hereby given that the 64th Annual General Meeting of members will be held at Edgars Training Auditorium, 1st Floor LAPF House, 8th Avenue/ Jason Moyo Street, Bulawayo , 29 May 2013 at 09.30 hours. Following is the Agenda for the meeting:-

Ordinary Business

1. To approve minutes of the Annual General Meeting held on 6 June 2012.

2. To receive and adopt the annual financial statements and reports of the directors and auditors for the financial year ending 05 January 2013.

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

3.1 Mr. R Mlotshwa and Dr. LL Tsumba 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 fifteen [15] 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 5% (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 five [5] business days immediately preceding the date of repurchase of such ordinary shares by the company."

The reason for the *special resolution* is to grant the company a general authority in terms of the Act for the acquisition by the company of shares issued by it, which authority shall be valid until the earlier of the next Annual General Meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond fifteen [15] 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% (twenty percent) of its issued share capital in any one financial year, the directors are only seeking authority to repurchase up to 10% (ten percent) of issued share capital in this financial year, being 28 764 537 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 twelve [12] 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 twelve [12] months; and
- the working capital available to the company and its subsidiaries will be sufficient for the group's requirements for the next twelve [12] 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

7 March 2013
Group Secretary

FORM OF PROXY

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

For use by members at the Annual General Meeting of the company to be held on Wednesday, 29 May 2013 at 09.30 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 Wednesday, 29 May 2013 at 09.30 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 6 June 2012)*			
Ordinary Resolution No 2 *(Receipt and adoption of the annual financial statements for the year ending 05 January 2013)*			
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 ______________________ 2013

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 initialled 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 accept or reject 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 ***09.30 hours*** on ***27 May 2013***.

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 Chartered Accountants Zimbabwe
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

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

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