



Edgars Stores Limited

UNAUDITED INTERIM RESULTS FOR THE 26 WEEKS ENDED 6 JULY 2013

Retail sales up 13% to \$27m • Profit after tax up 17% to \$1.1m • Finance costs down 33% to \$877k • Cash inflow from operations up by \$1.08m

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks to 6 July 2013

| | 2013 26 weeks to 06.07.2013 \$ unaudited | 2012 26 weeks to 07.07.2012 \$ unaudited |
|---|--|--|
| Revenue | 28,694,924 | 25,239,234 |
| Sales of merchandise | 27,191,407 | 24,068,549 |
| Cost of sales | (14,216,199) | (12,706,424) |
| Gross profit | 12,975,207 | 11,362,125 |
| Other (losses) and gains | (7,238) | 94,178 |
| Debt collection credit / (costs) | 208,522 | (186,946) |
| Late payment charges | (1,373,052) | (1,037,524) |
| Debt collection costs | 1,164,530 | 1,224,470 |
| Store expenses | (5,439,353) | (4,520,443) |
| Depreciation | (424,392) | (294,715) |
| Other operating expenses | (4,857,832) | (3,812,900) |
| Trading profit | 2,454,915 | 2,641,299 |
| Finance income | 34,541 | 1,274 |
| Finance costs | (877,170) | (1,315,423) |
| Profit before tax | 1,612,287 | 1,327,150 |
| Income tax expense | (515,110) | (390,156) |
| Profit for the period | 1,097,177 | 936,995 |
| Other comprehensive income for the period, net of tax | - | - |
| Total comprehensive income for the period | 1,097,177 | 936,995 |
| Earnings per share (cents) | | |
| Basic | 0.44 | 0.38 |
| Diluted | 0.42 | 0.37 |
| Headline | 0.44 | 0.33 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks to 6 July 2013

| | 2013 26 weeks to 06.07.2013 \$ unaudited | 2012 26 weeks to 07.07.2012 \$ unaudited |
|--|--|--|
| Cash flows from operating activities | | |
| Trading profit | 2,454,915 | 2,641,299 |
| Non cash items | 902,738 | 766,245 |
| Movements in working capital | (909,005) | (1,546,250) |
| Cash generated from operations | 2,448,649 | 1,861,294 |
| Interest paid | (898,066) | (1,315,423) |
| Taxation paid | (417,663) | (496,795) |
| Cash inflow from operating activities | 1,132,920 | 49,075 |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (1,234,780) | (572,725) |
| Proceeds from disposal of property, plant and equipment | 18,470 | 213,464 |
| Finance income received | 34,541 | 1,274 |
| Net cash used in investing activities | (1,181,769) | (357,987) |
| Cash flows from financing activities | | |
| Proceeds from issue of equity shares | 47,641 | 3,514 |
| Proceeds from borrowings | 897,003 | 15,312,532 |
| Repayment of borrowings | (5,094,212) | (15,021,197) |
| Net cash (used in)/ generated from financing activities | (4,149,568) | 294,849 |
| Net decrease in cash and cash equivalents | (4,198,417) | (14,062) |
| Net foreign exchange difference | - | - |
| Cash and cash equivalents at the beginning of the period | 4,747,774 | 316,562 |
| Cash and cash equivalents at the end of the period | 549,357 | 302,500 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 6 July 2013

| | 2013 as at 06.07.2013 \$ unaudited | 2012 as at 07.07.2012 \$ unaudited | 2012 as at 05.01.2013 \$ audited |
|---------------------------------------|--|--|--|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6,234,792 | 4,293,976 | 5,406,146 |
| Deferred tax asset | 454,210 | 573,642 | 573,644 |
| Intangible asset | 126,667 | - | 146,667 |
| Total non-current assets | 6,815,669 | 4,867,618 | 6,126,456 |
| Current assets | | | |
| Inventories | 11,622,210 | 10,046,575 | 9,565,517 |
| Trade and other receivables | 19,050,065 | 17,554,529 | 23,344,145 |
| Cash and bank balances | 549,357 | 302,500 | 4,747,774 |
| Total current assets | 31,221,632 | 27,903,604 | 37,657,436 |
| Total assets | 38,037,301 | 32,771,222 | 43,783,892 |
| Equity and liabilities | | | |
| Equity | | | |
| Issued capital | 201,822 | 83,338 | 154,180 |
| Reserves | 12,868,804 | 8,726,755 | 11,611,627 |
| Total capital and reserves | 13,070,626 | 8,810,093 | 11,765,807 |
| Non-current liabilities | | | |
| Interest bearing loans and borrowings | 12,763,829 | - | 14,321,139 |
| Deferred tax liability | 3,092,487 | 2,548,436 | 3,005,855 |
| Total non-current liabilities | 15,856,316 | 2,548,436 | 17,326,994 |
| Current liabilities | | | |
| Trade and other payables | 5,084,757 | 5,469,026 | 7,916,972 |
| Current tax liabilities | (365,354) | - | (256,736) |
| Interest bearing loans and borrowings | 4,390,956 | 15,943,667 | 7,030,854 |
| Total current liabilities | 9,110,359 | 21,412,692 | 14,691,091 |
| Total liabilities | 24,966,675 | 23,961,128 | 32,018,084 |
| Total equity and liabilities | 38,037,301 | 32,771,222 | 43,783,892 |
| Net equity per share (cents) | 4.51 | 3.11 | 4.09 |
| Gearing | 1.31 | 1.81 | 1.81 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks to 6 July 2013

| | Issued capital | Equity-settled employee benefits reserve | Revaluation reserve | Change in functional currency reserve | Retained earnings | Total |
|---|----------------|--|---------------------|---------------------------------------|-------------------|------------|
| Balance at 7 January 2012 | 79,825 | 237,089 | 1,022,569 | 928,907 | 5,523,420 | 7,791,810 |
| 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 5 January 2013 | 154,181 | 339,141 | 1,022,569 | 928,907 | 9,321,011 | 11,765,808 |
| Comprehensive income for the period | - | - | - | - | 1,097,177 | 1,097,177 |
| Issue of ordinary shares under employee share option plan | 47,641 | - | - | - | - | 47,641 |
| Recognition of share based payments | - | 160,000 | - | - | - | 160,000 |
| Balance at 6 July 2013 | 201,822 | 499,141 | 1,022,569 | 928,907 | 10,418,188 | 13,070,625 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks to 6 July 2013

- The same accounting policies and methods of computation per the most recent annual financial statements were used.
 - The interim financial report is in compliance with IAS34
 - The Directors are responsible for the preparation of the Interim Financial Report and related financial information which has not been audited.
- | | 2013
\$ | 2012
\$ |
|---|------------|------------|
| 4 Headline earnings | | |
| Earnings attributable to shareholders | 1,097,177 | 936,995 |
| Adjusted for non-recurring items: | | |
| Loss/ (profit) on disposal of property, plant and equipment | 12,927 | (112,690) |
| Headline earnings | 1,110,104 | 824,305 |
| 5 Capital expenditure | | |
| Acquisition of property, plant and equipment | 1,234,780 | 572,725 |
| 6 Capital Commitments | | |
| Authorised and contracted for | 349,298 | 81,479 |
| Authorised but not yet contracted for | 3,337,887 | 2,345,796 |
| | 3,687,185 | 2,427,275 |
- All expenditure is to be financed from existing cash resources and the utilisation of authorised borrowing facilities.
- Lease commitments**
There are no finance lease commitments
Future minimum rentals under non-cancellable operating leases are as follows:
Within one year 2,909,560 2,441,516
After one year but not more than five years 3,588,148 3,457,563
6,497,708 5,899,079

| | Saturday, July 06, 2013 | Retail-Edgars | Retail-Jet | Manufacturing | Corporate | Total Segments | Adjustments and Eliminations | Consolidated |
|--------------------------------|-------------------------|---------------|------------|---------------|------------|----------------|------------------------------|--------------|
| Revenue | | | | | | | | |
| External customers | 22,122,966 | 4,946,029 | 122,412 | - | 27,191,407 | - | 27,191,407 | |
| Inter-segments | - | - | 2,238,283 | - | 2,238,283 | (2,238,283) | - | |
| Total revenue | 22,122,966 | 4,946,029 | 2,360,695 | - | 29,429,690 | (2,238,283) | 27,191,407 | |
| Results | | | | | | | | |
| Segment trading profit/(loss) | 4,987,816 | 230,443 | 118,901 | (2,882,245) | 2,420,422 | 34,493 | 2,454,915 | |
| Total assets | 35,414,515 | 3,496,320 | 6,750,458 | 1,307,734 | 46,969,027 | (8,931,727) | 38,037,301 | |
| Saturday, July 07, 2012 | | | | | | | | |
| Revenue | | | | | | | | |
| External customers | 19,809,830 | 4,168,140 | 90,579 | - | 24,068,549 | - | 24,068,549 | |
| Inter-segments | - | - | 2,360,738 | - | 2,360,738 | (2,360,738) | - | |
| Total revenue | 19,809,830 | 4,168,140 | 2,451,317 | - | 26,429,287 | (2,360,738) | 24,068,549 | |
| Results | | | | | | | | |
| Segment trading profit/(loss) | 4,025,520 | 451,754 | (141,664) | (1,694,311) | 2,641,299 | - | 2,641,299 | |
| Total assets | 39,046,368 | 2,521,321 | 10,923,716 | 919,559 | 53,410,964 | (20,816,094) | 32,594,870 | |

COMMENTARY

The conclusion of the medium term guaranteed loan in December 2012, coupled with improvement in our merchandise assortments and increased factory profitability have contributed towards the group realising a 17% increase in after tax profit.

Retail operations

Unit sales within the Edgars chain grew by 4.4%, while store trading profitability increased by 23.9%. Turnover for the period was \$22.1m. During the six months to June 2013, the chain traded out of 24 outlets (2012- 23). Our Westgate and Marondera branches were revamped, and we opened an additional branch in Chipinge at the end of July.

Growth in the Jet chain's turnover amounted to 18.7%. The chain's sales made up 18.2% of group turnover (2012- 17.4%). Store trading profit within the chain is poorer this year at 4.7% against 10.8% last year. 2 New stores were opened in June in Gokwe and Harare, bringing the total number of Jet stores to 18 (2012- 14). Jet Chipinge was opened in July and there are plans to open more stores before the Christmas trading season. We expect profitability within the chain to improve by year end as the newly opened stores begin to make a contribution and customers become more aware of the brand.

We successfully launched a Jet Thank You card in June, which will lead to a deeper knowledge of our Jet customer to our mutual benefit.

Manufacturing

The factory's recovery resulted in a profit before interest and tax of \$118 901 (2012- \$141 664 loss). New Men's and Boys' Casual ranges have been successfully introduced.

Credit Management

At \$18.8m, trade receivables were 14.7% up on last year, with the number of accounts being 188 447- of which 72.5% were active (2012- 74%). Average handovers for the period amounted to 1.2% and 0.3% of lagged credit sales and lagged debtors respectively. Our provision for doubtful debts is 2% of total debtors.

Capital expenditure

The bulk of capital expenditure was incurred on new stores and refurbishments of existing stores. Improvements were also made to factory plant and equipment as well as IT systems and hardware.

Outlook

It is too early to determine with certainty the direction in which the economy will move. We will focus on marketing to increase brand awareness of Jet as well as expanding its footprint through opening new stores. We will intensify efforts to improve product offerings and value within both retail chains while implementing tighter cost control across the board. Through these initiatives the group will realise the desired growth in profit by year end.

Dividend

The company is still not in a position to pay a dividend.

Appreciation

I am grateful to board colleagues, management and staff for their unwavering efforts, our customers for their continued patronage and our landlords and suppliers for their valued support.

T N Sibanda

CHAIRMAN

