



Condensed Reviewed Results for the 26 weeks ended 10 July 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the 26 weeks ended 10 July 2022

		2022	2021	2022	2021
		ZW\$	ZW\$	ZW\$	ZW\$
		26 weeks to	26 weeks to	26 weeks to	26 weeks to
		10.07.2022	11.07.2021	10.07.2022	11.07.2021
	Notes	Inflation adjusted		* Historical cost	
Revenue		10,331,837,106	4,818,668,565	7,010,361,977	1,567,397,604
Sale of merchandise	5	7,972,892,239	3,739,053,974	5,484,644,748	1,219,647,945
Cost of sales		(1,998,303,846)	(2,017,138,586)	(2,084,458,182)	(608,940,479)
Gross profit		5,974,588,393	1,721,915,388	3,400,186,566	610,707,466
Revenue from micro-finance and other debtor accounts	5	2,324,246,504	1,066,377,587	1,504,518,435	343,492,152
Other revenue	5	34,698,364	13,237,004	21,198,795	4,257,507
Other operating income		45,965,365	20,652,493	32,439,317	8,108,733
Other operating expenses		(1,471,947,318)	(196,662,074)	(846,234,025)	(159,165,519)
Movement in credit loss allowance		(40,095,200)	(2,720,512)	(20,275,782)	(5,169,670)
Store expenses		(2,910,470,516)	(1,542,052,808)	(1,967,427,059)	(478,183,882)
Trading profit		3,956,985,592	1,080,747,078	2,124,406,247	324,046,787
Other operating gains		724,967,502	35,422,058	531,911,536	9,031,872
Financial services expenses		(361,846,707)	(334,580,212)	(248,452,761)	(334,127)
Finance income		-	30,377,105	-	8,370
Operating profit		4,320,106,387	811,966,029	2,407,865,022	332,752,902
Finance costs		(731,653,367)	(664,039,262)	(464,650,387)	(157,569,798)
Net monetary (loss)/gain		(738,152,533)	139,814,130	-	-
Profit before tax		2,850,300,487	287,740,897	1,943,214,635	175,183,104
Income tax expense		(1,634,573,174)	(97,786,801)	(892,214,616)	(26,888,835)
Profit for the period		1,215,727,313	189,954,096	1,051,000,019	148,294,269
Other comprehensive income					
Gain on revaluation of property, plant and equipment		-	-	-	559,226
Deferred tax liability arising on revaluation		-	-	-	(138,241)
Other comprehensive income for the year (net of tax)		-	-	-	420,985
Total comprehensive income for the period		1,215,727,313	189,954,096	1,051,000,019	148,715,254
Earnings per share (cents)					
Basic		212.07	33.14	183.34	25.87
Diluted		210.95	32.96	182.37	25.73
*Historical cost amounts are shown as supplementary information. The information does not comply with IAS 29: Financial Reporting in hyperinflationary economies.					

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the 26 weeks ended 10 July 2022

		2022	2021	2022	2021
		ZW\$	ZW\$	ZW\$	ZW\$
		26 weeks to	26 weeks to	26 weeks to	26 weeks to
		10.07.2022	11.07.2021	10.07.2022	11.07.2021
	Notes	Inflation adjusted		Historical cost	
Cash flows from operating activities					
Profit before tax		2,850,300,485	287,740,898	1,943,214,634	175,183,103
Adjusted for:					
Finance income		-	(30,377,105)	-	(8,370)
Finance costs		731,653,367	664,039,262	464,650,387	157,569,798
Non cash items		(1,446,456,239)	(903,978,448)	314,992,934	(164,360,875)
Movements in working capital		(1,995,271,207)	(2,055,484,092)	(1,260,711,780)	(733,570,441)
Cash generated from/(utilised in) operations		140,226,406	(2,038,059,485)	1,462,146,175	(565,186,785)
Finance costs paid		(588,177,799)	(534,859,881)	(415,328,224)	(153,834,951)
Lease interest paid		(58,197,533)	(145,216,735)	(63,918,073)	(46,421,735)
Finance income received		181,917,040	901,515,190	(605,427,477)	269,993,300
Taxation paid		(271,367,343)	(101,409,464)	(153,222,020)	(31,874,750)
Cash (outflow) / inflow from operating activities		(595,599,229)	(1,918,030,375)	224,250,381	(527,324,921)
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(227,149,825)	(74,398,372)	(159,378,132)	(24,871,692)
Net cash used in investing activities		(227,149,825)	(74,398,372)	(159,378,132)	(24,871,692)
Cash flows from financing activities					
Proceeds from borrowings		2,529,905,290	1,937,862,368	1,559,191,898	651,728,460
Repayment of borrowings		(2,217,476,239)	(680,850,483)	(1,366,640,482)	(217,648,887)
Payments of principal portion of lease liabilities		(46,841,560)	(91,607,475)	(51,445,862)	(29,284,352)
Net cash generated from financing activities		265,587,491	1,165,404,410	141,105,554	404,795,221
Net (decrease) / increase in cash and cash equivalents		(557,161,563)	(827 024 337)	205,977,803	(147,401,392)
Cash and cash equivalents at the beginning of the period		982,587,168	987,697,905	219,447,802	202,509,139
Cash and cash equivalents at the end of the period		425,425,605	160,673,568	425,425,605	55,107,745
Being:					
Cash and bank balances		984,444,915	707,233,827	984,444,915	242,566,728
Bank overdrafts		(559,019,310)	(546,560,259)	(559,019,310)	(187,458,983)
		425,425,605	160,673,568	425,425,605	55,107,745

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 10 July 2022

		2022	2021	2022	2021
		ZW\$	ZW\$	ZW\$	ZW\$
		as at	as at	as at	as at
		10.07.2022	09.01.2022	10.07.2022	09.01.2022
	Notes	Inflation adjusted		* Historical cost	
Assets					
Non-current assets					
Property, plant and equipment	11	1,563,979,512	1,629,087,572	763,979,675	739,661,982
Intangible assets		137,848,693	157,541,363	1,613,758	1,732,648
Right of use asset		925,749,728	1,020,886,371	210,129,801	259,406,142
Total non-current assets		2,627,577,933	2,807,515,306	975,723,234	1,000,800,772
Current assets					
Inventories	10	5,415,418,516	3,999,375,592	2,139,827,766	1,271,883,112
Trade and other receivables		4,570,732,896	4,177,947,416	4,570,732,897	1,908,140,441
Income tax receivable		-	11,400,571	-	5,207,682
Loans and advances to customers		253,222,524	331,838,494	253,222,523	151,581,581
Cash and cash equivalents		984,444,914	982,587,168	984,444,915	448,839,177
Total current assets		11,223,818,850	9,503,149,241	7,948,228,101	3,785,651,993
Total assets		13,851,396,783	12,310,664,547	8,923,951,335	4,786,452,767
Equity and liabilities					
Equity					
Issued capital		580,414,253	580,414,253	73,411,672	73,411,672
Other reserves		590,481,029	590,481,029	551,200,508	551,200,508
Retained earnings		5,386,369,574	4,170,642,262	2,222,420,063	1,171,420,044
Total capital and reserves		6,557,264,856	5,341,537,544	2,847,032,243	1,796,032,224
Non-current liabilities					
Deferred tax liability		1,384,578,516	595,365,311	224,562,637	90,685,040
Interest bearing loans and borrowings	9	-	-	-	-
Lease liabilities	8	-	385,087,959	-	175,905,577
Total non-current liabilities		1,384,578,516	980,453,270	224,562,637	266,590,617
Current liabilities					
Trade and other payables		2,764,114,823	2,209,129,885	2,764,114,820	1,009,115,599
Dividend payable		1,302,169	1,302,169	370,059	370,059
Current tax payable		697,345,632	-	697,345,632	-
Contract liabilities		117,979,542	94,182,845	61,714,697	31,491,090
Interest bearing loans and borrowings	9	2,034,782,066	3,311,350,911	2,034,782,066	1,512,602,715
Lease liabilities	8	294,029,179	372,707,923	294,029,181	170,250,461
Total current liabilities		5,909,553,411	5,988,673,733	5,852,356,455	2,723,829,924
Total liabilities		7,294,131,927	6,969,127,003	6,076,919,092	2,990,420,541
Total equity and liabilities		13,851,396,783	12,310,664,547	8,923,951,335	4,786,452,765
*Historical cost amounts are shown as supplementary information. The information does not comply with IAS 29: Financial Reporting in hyperinflationary economies.					

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 26 weeks ended 10 July 2022

	Issued capital	Equity-settled employee benefits reserve	Revaluation reserve	Credit reserve	Retained earnings	Total
	ZW\$	ZW\$	ZW\$	ZW\$	ZW\$	ZW\$
Balance at 10 January 2021	580,414,253	140,146,603	622,318,374	30,689,311	3,029,960,261	4,403,528,802
Prior period adjustment	-	-	-	-	(83,990,354)	(83,990,354)
Total comprehensive income for the period	-	-	-	-	189,954,096	189,954,096
Profit for the year	-	-	-	-	189,954,096	189,954,096
Other comprehensive income for the period	-	-	-	-	-	-
Transfer to credit reserve	-	-	-	-	-	-
Balance at 11 July 2021	580,414,253	140,146,603	622,318,374	30,689,314	3,135,924,003	4,509,492,547
Balance at 9 January 2022	580,414,253	140,146,603	420,889,176	29,445,250	4,170,642,261	5,341,537,543
Total comprehensive income for the period	-	-	-	-	1,215,727,313	1,215,727,313
Profit for the year	-	-	-	-	1,215,727,313	1,215,727,313
Balance at 10 July 2022	580,414,253	140,146,603	420,889,176	29,445,250	5,386,369,574	6,557,264,856



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Condensed Reviewed Results for the 26 weeks ended 10 July 2022 (continued)

14 Chairman's report

Directors responsibility for the Integrated Annual Report

The Directors of Edgars Stores Limited are responsible for the preparation and fair presentation of the Group's consolidated financial statements. The reviewed interim consolidated condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange listing requirements.

The principal accounting policies of the Group are consistent with those applied in the previous annual financial statements.

Cautionary – reliance on these hyperinflation adjusted financial statements

The Directors would like to advise users to exercise caution on their use of these financial statements due to the material and pervasive impact of the technicalities brought about by the change in functional currency in Zimbabwe at the beginning of 2019 and its consequent impact on the usefulness of the financial statements for subsequent reporting periods. This was further compounded by the adoption of International Accounting Standard (IAS) 29 'Financial Reporting in Hyperinflationary Economies'. Whilst the Directors have exercised reasonable due care in applying judgements that were deemed to be appropriate in the preparation of these financial statements, certain distortions may arise due to the various economic factors that may affect the relevance and reliability of the financial information presented in economies such as Zimbabwe, that are experiencing hyperinflation.

Operating environment and overview

Throughout the half year financial reporting period of 2022, the operating environment remained relatively stable compared to the prior period. This is largely on account of the relaxation of COVID-19 restrictions and the resultant increase in economic activity. There was a marked volatility in the availability of foreign currency on the official platforms resulting in a widening gap between the official rate and the alternative market. The depreciation of the local currency and prevalence of multiple exchange rates and high inflation had a significant impact on the Zimbabwean economy and resultantly the Group's operations.

The Russia-Ukraine war that started early in the year resulted in disruption of global supply chains and increase in energy costs. Operating costs are increasing, specifically occupancy, employment, intermediated transaction tax and fuel costs. Management remains focused on recalibrating the business models in response to these price corrections to preserve value and build a strong balance sheet for the business.

Financial performance (based on inflation-adjusted results)

Notwithstanding the challenges in the operating environment, the Group managed to close 2022 Half Year with an improved performance over the prior year. The Group reported Revenue of ZWL10.33billion which is 114% up from that achieved in 2021 of ZWL4.82billion. Profit before tax of ZWL2.85billion was 891% up from ZWL\$287million achieved in the prior year. The growth in real terms is attributed to volume recovery, replacement cost based pricing, ongoing cost management practice as well as initiatives implemented by Management to ensure fresher stock availability in our stores, regardless of the supply chain challenges. The Group achieved a basic earnings per share of 212.07 cents 2021: (33.14 cents).

Total Group units sold increased by 35% from 0.94million to 1.27million compared to the same period last year. Trading in foreign currency since April 2020 has allowed our retail chains to improve stock assortments, which in turn has increased traffic in our stores. Whilst a sizable portion of our cash sales are in foreign currency, we believe that further relaxation of foreign currency trading will go a long way in increasing our USD generation to fund imports. Gearing reduced to 0.14 in the current year from a prior year of 0.21. Funding was channelled towards growing the debtors' book as well as store expansion initiatives. At the end of the reporting period, the company had USD262k foreign liabilities which it will be able to service from existing resources.

Retail performance

Total retail merchandise revenue amounted to ZWL7.97billion representing a 124% increase from prior year. The split between credit and cash sales was 53.8% (2021: 52.2%) and 46.2 % (2021: 47.8 %).

The Edgars chain recorded turnover of ZWL4.74billion up 116% from prior year of ZWL2.19billion, the 532k units sold were up 55% from 344k in the comparative period. The split between credit and cash sales was 55.7% (2021: 68.1%) and 44.3% (2021: 31.9%). We relocated to a bigger space in Borrowdale in February 2022. Stock covers closed at 21.8 weeks (2021:13.7weeks).

Total sales for the Jet chain were ZWL3.41billion up 101% from ZWL1.69billion achieved in the comparative period. The split between credit and cash sales was 51.1% (2021: 46.5%) and 48.9% (2021: 53.5%). Total Units sold for the period were up 28% from 526k to 674k. The 3 new stores opened in the period include Jet First Street, Avondale and Gutu. Stock covers closed at 18.68 weeks (2021:15.7 weeks).

Both chains experienced low stock turn largely as a result of global supply chain disruptions which delayed receipt of merchandise. The deterioration in customers' disposable incomes owing to the high inflation suppressed demand and also led to missed sales.

Financial services

The gross retail debtors' book closed the period at ZWL2.80 billion up 345% from ZWL629million in the comparative period. Active account growth increased to 128k from 120k, this 6.5% growth is attributed to various account drive initiatives. The asset quality remains solid with 84.5 % (2021: 86.3%) of our retail debtors' book in current status. Expected credit losses (ECLs) as at end of June 2022 were 1.7% of the book which remained flat compared to same period last year.

Club Plus Microfinance

The loan book closed at ZWL299 million (2021: ZWL76.1m) representing a 293% increase from prior year. Asset quality remains positive with over 74.5% of the book being in current. Improved efficiencies in loan approval and disbursement processes have resulted in increased turnaround. The business unit obtained relevant regulatory approvals to disburse loans in USD.

Carousel Manufacturing

The Manufacturing Division recorded turnover of ZWL309.8million up 237% over prior year. However total units sold were down 7% to 68.9k (2021:74k). Demand in prior period was largely driven by Covid - 19 PPE such as the manufacturing of masks. Management is actively pursuing alternative regional markets. Investment in various re-tooling (commissioned a denim laser machine in the period) and machinists training is ongoing which will see the division expanding on its product offering as well as improved efficiencies.

Effect of COVID-19

The Group will continue to implement best practice protocols to ensure the safety of its employees, customers, suppliers and all other stakeholders. Covid -19 brought about significant disruptions to international supply chains resulting in longer lead times and delays in shipping of imported merchandise, and challenges such as shortages of shipping containers and port space. There was also an impact on production and delivery of local merchandise due to delays in receiving imported fabrics and trims. The effect of Covid-19 brought about new ways of doing business which has become the 'new norm'. This is characterised by improved engagement with customers across social media platforms and has seen the setting up of online stores and convenient payment platforms.

Board membership

Mr Sevious Mushosho, CA(Z), joined the Board with effect from 16 June 2022.

Outlook

Management continues to remodel the business to capitalise on opportunities that arise in the very uncertain operating environment. Cost containment remains a focus area so as to ensure long term viability of the business. The Group seeks to expand its geographic footprint through the opening of new stores in strategic locations. Smart merchandise procurement remains a key focus area to ensure that target margins are achieved without compromising the merchandise quality. We will continue to transform our customer experience through revamping our stores to world class standards, offering widened merchandise ranges at affordable prices and flexible credit terms.

The recovery to the business is premised on the back of improved access to foreign currency through domestic sales to cover import requirements, a stable exchange rate and slower inflation.

Smart merchandise procurement remains a key focus area to ensure that investment in inventory is kept at optimal levels. This is in order to improve stock turns, and that target margins are achieved without compromising merchandise quality and sales volumes.

Some measure of macro-economic stability is being noticed following the relaxation of the use of the foreign currency for domestic transactions as well as other various measures which, if successful, will help stabilise the foreign exchange market and start to tame inflation.

Dividend

Regrettably, your Group will not declare a dividend for the 26 weeks to 10 July 2022. The position will be reviewed having assessed performance in the current year.

Appreciation

I wish to record my appreciation to management and staff for their great effort in sustaining the business in a difficult operating environment. I also thank my fellow directors for their wise counsel and our customers, consumers, suppliers and stakeholders for their ongoing support



T N SIBANDA
CHAIRMAN
10 October 2022



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