



# Edgars Stores Limited

## Financial Results for the 25 weeks ended 3 July 2010

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the 25 weeks to 3 July 2010

	2010 25 weeks to 03.07.2010 \$ unaudited	2009 26 weeks to 04.07.2009 \$ unaudited
Revenue	10,255,398	1,475,083
Retail sales	10,077,920	1,421,770
Loss before depreciation	(28,196)	(1,656,028)
Depreciation	(221,381)	(75,514)
Trading loss	(249,577)	(1,731,542)
Interest received	3,774	84
Interest paid	(900,635)	(53,957)
Loss before taxation	(1,146,438)	(1,785,415)
Taxation	528,716	276,396
Loss for the period	(617,722)	(1,509,019)
Other comprehensive income		
Changes in revaluation reserve	(40,665)	-
Comprehensive loss for the period	(658,387)	(1,509,019)
Shares		
- shares in issue	278,741,707	278,341,707
- used in calculating basic earnings per share	242,267,112	241,867,112
- used in calculating diluted earnings per share	250,542,529	249,350,862
Loss per share (cents)		
Basic	(0,25)	(0,62)
Diluted	(0,24)	(0,60)

### CONSOLIDATED STATEMENT OF CASHFLOWS For the 25 weeks to 3 July 2010

	2010 25 weeks to 03.07.2010 \$ unaudited	2009 26 weeks to 04.07.2009 \$ unaudited
Cash utilised for operating activities		
Trading loss	(249,577)	(1,731,542)
Non cash items	248,871	89,630
Movement in working capital	(2,330,461)	721,331
Cash utilised in operations	(2,331,167)	(920,581)
Financing costs paid	(900,635)	(53,876)
Taxation paid	(38)	(8,700)
Cash outflow from operating activities	(3,231,840)	(983,157)
Cash flows from investing activities		
Payment for property, plant and equipment	(79,834)	(25,605)
Proceeds from disposal of property, plant and equipment	23,282	2,505
Interest received	3,774	84
Net cash utilised in investing activities	(52,778)	(23,016)
Cash flows from financing activities		
Proceeds from borrowing	3,751,430	1,266,137
Net cash flows from financing activities	3,751,430	1,266,137
Net increase in cash and cash equivalents	466,812	259,964
Cash and cash equivalents at the beginning of the period	369,531	80,571
Cash and cash equivalents at the end of the period	836,343	340,535

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 3 July 2010

	2010 as at 03.07.2010 \$ unaudited	2009 as at 04.07.2009 \$ unaudited	2009 as at 09.01.2010 \$ audited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,672,143	1,693,951	2,828,027
Deferred tax asset	525,286	-	37,196
Total non-current assets	3,197,429	1,693,951	2,865,223
<b>Current assets</b>			
Inventories	4,596,659	2,644,133	4,204,878
Trade and other receivables	4,252,409	320,624	2,782,024
Cash and bank balances	836,343	340,535	369,531
Total current assets	9,685,411	3,305,292	7,356,433
Assets classified as held for sale	35,535	-	47,094
Total assets	12,918,375	4,999,243	10,268,750
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Issued capital	33,474	1	5,601
Reserves	1,895,864	2,430,754	2,557,245
Total capital and reserves	1,929,338	2,430,755	2,562,846
<b>Non-current liabilities</b>			
Deferred taxation	-	149,157	-
<b>Current liabilities</b>			
Trade and other payables	2,579,506	1,153,190	3,047,803
Current tax liabilities	-	4	-
Borrowings	8,409,531	1,266,137	4,658,101
Total current liabilities	10,989,037	2,419,331	7,705,904
Total liabilities	10,989,037	2,568,488	7,705,904
Total equity and liabilities	12,918,375	4,999,243	10,268,750
Net equity per share (cents)	0,69	0,87	0,92

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 25 weeks to 3 July 2010

	Issued capital	Equity-settled employee benefits reserve	Non-distributable reserves	Distributable reserves	Total
Balance at 9 January 2010	5,601	56,029	4,655,826	(2,154,610)	2,562,846
Release in respect of inventories realised	-	-	(2,762,861)	2,762,861	-
Total comprehensive income for the period	-	-	(40,665)	(617,722)	(658,387)
Restatement of issued capital	27,873	-	(27,873)	-	-
Recognition of share based payments	-	24,879	-	-	24,879
Balance at 3 July 2010	33,474	80,908	1,824,427	(9,471)	1,929,338

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the 25 weeks to 3 July 2010

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.

	2010 \$	2009 \$
Capital Commitments		
Authorised and contracted for	73 002	-

## COMMENTARY

#### CUSTOMER FOCUS

The Edgars brand is a household name and, over the years, our customers have associated us with wide CFTA assortments, caring customer service and superior shopping destinations. These attributes, as with all retailers, have deteriorated somewhat over recent years but your company has worked relentlessly to bring this much coveted standing back with our Zimbabwean customers. In terms of merchandise assortments, even though a lot remains to be done, Edgars is now competitively positioned. We have also made a start in improving shopping environments and restoring standards in customer service. Going forward, the shopping public can continue to expect more from us.

#### OPERATING ENVIRONMENT

There have been no significant changes in the economic environment since we updated shareholders at the AGM. Disposable incomes remained depressed and demands for higher wages and rentals continue. While the company has managed to source adequate lines of credit to fund its operations, financing of working capital remains difficult but we did bring down our average cost of borrowing from 38% at year end to 18% currently; with slightly longer tenors being secured while gearing levels remain high this ratio will progressively improve over the year ahead.

#### FINANCIAL PERFORMANCE

The Edgars chain performed well with unit sales growing 607% over the same period last year. This growth was largely on the back of credit initiatives.

New accounts grew from 38,000 in December to 62,000 at the end of the reporting period, Accounts growth continues to be strong with a further 12,000 accounts opened in July and August.

The debtors book performed well with over 86% of balances current. Collections improved to a peak of 49.6% in May while averaging 37.4% a month.

The Express Mart chain, which operates in the more competitive cash market, achieved a unit growth of 372% in the period. We opened the year overstocked but are currently properly stocked with assortments now fresh and more competitively priced. Turnover has tracked upwards in recent months.

Efficiencies and productivity at the factory improved significantly from May / June and the second half should see a reversal of losses incurred in the first.

Overall, as advised at the AGM, turnover was below break even for the first 4 months and this mitigated against a profitable first half. Major expenses were salaries, occupancy costs and the financing of working capital. Included in expenditure is an amount of approximately \$176,000 in respect of voluntary retrenchments. We are nearing ideal staffing levels consistent with current operations.

We are pleased to report that your company saw a significant turnaround in May through various initiatives that were put in place to grow market share and improve productivity. As a result, the second quarter was profitable and the group has continued to operate profitably since May through August.

#### APPRECIATION

I would like to pay tribute to my fellow board members for their support and to executives, management and staff for their exceptional efforts to bring about a strong recovery.

#### OUTLOOK

The remainder of the year to December will reflect the turnaround and the income statement will show the benefits of the lower cost of borrowings and improved turnover performance reported above. On current trends we should report a profit for the year that will represent a fair return on shareholders' equity.

While capital expenditure remains constrained, the second half of the year will see some improvement in shopping environments and wider merchandise assortments. Overall we aim to provide our customers with a more pleasurable shopping experience as we consolidate our position as the market leader in the CFTA credit retailing business.

**TN SIBANDA**  
**NON - EXECUTIVE CHAIRMAN**  
09 September 2010

