



# Edgars Stores Limited

HALF YEAR RESULTS FOR THE 26 WEEKS ENDED 9 JULY 2011

**Retail sales up 94% to \$19,6m**  
**No of debtors accounts increase 113% to 133 598**  
**Trade & other receivables up 230% to \$14,0m**

**Earnings up 180%**  
**Unit Sales up 54% to 1,4m**  
**Trading profit up 1 028% to \$2,3m**

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks to 9 July 2011

	2011 26 weeks to 09.07.2011 \$ unaudited	2010 25 weeks to 03.07.2010 \$ unaudited
Revenue	20,548,093	10,255,398
Retail sales	19,582,624	10,077,920
Profit / (Loss) before depreciation	2,529,185	(28,196)
Depreciation	(212,506)	(221,381)
Trading Profit / (Loss)	2,316,679	(249,577)
Interest received	4,448	3,774
Interest paid	(1,624,957)	(900,635)
Profit / (Loss) before taxation	696,170	(1,146,438)
Taxation	(200,343)	528,716
Profit / (Loss) for the period	495,827	(617,722)
Other comprehensive income		
Changes in revaluation reserve	-	(40,665)
Total comprehensive income / (loss) for the period	495,827	(658,387)
Shares		
- shares in issue	279,425,040	278,741,707
- used in calculating basic earnings per share	242,581,001	242,267,112
- used in calculating diluted earnings per share	252,714,773	250,542,529
Earnings / (Loss) per share (cents)		
Basic	0.20	(0.25)
Diluted	0.21	(0.24)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks to 9 July 2011

	Issued capital	Reserves	Retained Earnings	Total
Balance at 9 January 2010	5,601	4,711,855	(2,154,610)	2,562,846
Release in respect of inventories realised	-	(2,762,861)	2,762,861	-
Release in respect of revalued assets disposed	-	(67,000)	67,000	-
Comprehensive income for the period	-	-	1,508,437	1,508,437
Issue of ordinary shares under employee share option plan	932	-	-	932
Recognition of share-based payments	-	56,589	-	56,589
Share capital restated	27,874	(27,874)	-	-
Balance at 8 January 2011	34,407	1,910,709	2,183,688	4,128,804
Release in respect of revalued assets disposed	-	(3,360)	3,360	-
Comprehensive income for the period	-	-	495,827	495,827
Issue of ordinary shares under employee share option plan	4,417	-	-	4,417
Recognition of share-based payments	-	45,000	-	45,000
Balance at 9 July 2011	38,824	1,952,349	2,682,875	4,674,048

## CONSOLIDATED STATEMENT OF CASHFLOWS

For the 26 weeks to 9 July 2011

	2011 26 weeks to 09.07.2011 \$ unaudited	2010 25 weeks to 03.07.2010 \$ unaudited
Cash flows from operating activities		
Trading Profit/ (Loss)	2,316,679	(249,577)
Non cash items	825,575	248,870
Movement in working capital	(1,853,576)	(2,330,461)
Cash generated from / (utilised in) operations	1,288,678	(2,331,168)
Interest paid	(1,624,957)	(900,635)
Taxation paid	(1,847)	(38)
Cash outflow from operating activities	(338,126)	(3,231,840)
Cash flows from investing activities		
Payment for property, plant and equipment	(385,966)	(79,834)
Proceeds from disposal of property, plant and equipment	7,669	23,282
Interest received	4,448	3,774
Net cash utilised in investing activities	(373,849)	(52,778)
Cash flows from financing activities		
Proceeds from issue of equity shares	4,418	-
Proceeds from borrowings and loans	1,052,836	3,751,430
Net cash generated from financing activities	1,057,254	3,751,430
Net increase in cash and cash equivalents	345,279	466,812
Cash and cash equivalents at the beginning of the period	127,841	369,531
Cash and cash equivalents at the end of the period	473,120	836,343

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks to 9 July 2011

	2011 \$	2010 \$
Capital Commitments		
Authorised and contracted for	373,596	73,002
Authorised but not yet contracted for consisting of:	1,255,027	-
Existing store revamps	327,034	-
New stores	61,183	-
IT requirements	709,074	-
Other	157,736	-
	1,628,623	73,002

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

## COMMENTARY

The account growth achieved by the Edgars Chain last year provided a larger sales platform which, together with wider merchandise assortments and improved productivity, resulted in increased profitability for the first half of the year.

### Financial Performance

The Edgars Chain achieved an 111.4% growth in turnover with margins improving to 52.7% compared to 51% last year.

The Express Chain, which faces stiff competition from both formal and informal traders, achieved a growth of 26.2%. While this growth is modest against the results in the credit chain, it was well above inflation and GDP growth, indicating a slight improvement in market share.

Improvement in productivity in the manufacturing unit has been slow but steady, with a 33.5% improvement from prior year. Measures taken are now starting to take effect and the second half (and beyond) should produce a profit though it will not erase the first half losses.

Overall, group trading profit improved by 1028% to \$2,3million. While borrowings did not grow significantly from the year end, financing costs again had a large impact on earnings after tax which grew by 180%. The average cost of borrowing improved to 14.6% in June from 18.2% at year end.

In August we opened a state-of-the-art Edgars store in Joina City, Harare and plans are in place to open more stores this year. We will continue to improve assortments in both chains and a strategic plan is being executed that will boost the turnaround in Express and improve its critical mass.

### Credit Management

The number of debtors accounts grew to 133 598 from 111 199 at year end. The debt collection rate averaged 25% for the period peaking at 29% in June. Bad and doubtful debts are fully provided and handovers for the period remained low. We will continue to monitor and evaluate credit-worthiness in the face of increased competition from financial institutions.

### Appreciation

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

### Outlook

Inventory and cash management together with expense control will be areas of key focus.

With account growth in line with budget, performance is projected to be close to our initial forecast of around 40% growth on the top line and upwards of 140% increase in earnings. Year end results will, as always, depend on festive season trading.

By order of the board.

TN Sibanda  
 Non-Executive Chairman  
 07 September 2011

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 9 July 2011

	2011 as at 09.07.2011 \$ unaudited	2010 as at 09.07.2010 \$ unaudited	2010 as at 08.01.2011 \$ audited
Assets			
Non-current assets			
Property, plant and equipment	2,807,078	2,672,143	2,640,734
Deferred tax asset	452,945	525,286	388,901
Total non-current assets	3,260,023	3,197,429	3,029,635
Current assets			
Inventories	8,741,210	4,596,659	7,535,031
Trade and other receivables	14,049,565	4,252,409	15,893,267
Cash and bank balances	473,120	836,343	127,841
Total current assets	23,263,895	9,685,411	23,556,139
Assets classified as held for sale	57,476	35,535	46,746
Total assets	26,581,394	12,918,375	26,632,520
Equity and liabilities			
Capital and reserves			
Issued capital	38,824	33,474	34,407
Reserves	4,635,224	1,895,864	4,094,397
Total capital and reserves	4,674,048	1,929,338	4,128,804
Non-current liabilities			
Deferred taxation liability	1,262,138	-	998,496
Loans	2,958,938	-	-
Total non-current liabilities	4,221,076	-	998,496
Current liabilities			
Trade and other payables	3,894,403	2,579,506	5,806,150
Current tax liabilities	-	-	1,100
Borrowings	13,791,867	8,409,531	15,697,970
Total current liabilities	17,686,270	10,989,037	21,505,220
Total liabilities	21,907,346	10,989,037	22,503,716
Total equity and liabilities	26,581,394	12,918,375	26,632,520
Net equity per share (cents)	1.67	0.69	1.48

