



# Edgars Stores Limited

UNAUDITED INTERIM RESULTS FOR THE 26 WEEKS TO 7 JULY 2012

•Retail sales up 22% to \$24m •Profit before tax up 91% to \$1,3m •Earnings up 90% to 0.38 cents •No of debtors accounts increase 27% to 169 717

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the 26 weeks to 7 July 2012

	07.07.2012 \$ unaudited	09.07.2011 \$ unaudited
Revenue	25,239,234	20,548,093
Retail sales	24,068,549	19,582,624
Profit before depreciation	2,936,014	2,529,185
Depreciation	(294,715)	(212,506)
Trading profit	2,641,299	2,316,679
Finance income	1,274	4,448
Finance costs	(1,315,423)	(1,624,957)
Profit before taxation	1,327,150	696,170
Taxation	(390,156)	(200,344)
Profit for the period	936,995	495,827
Other comprehensive income	-	-
Total comprehensive income for the period	936,995	495,827
<b>Earnings per share (cents)</b>		
Basic	0.38	0.20
Diluted	0.37	0.21
Headline	0.33	0.20

## CONSOLIDATED STATEMENT OF CASHFLOWS For the 26 weeks to 7 July 2012

	07.07.2012 \$ unaudited	09.07.2011 \$ unaudited
<b>Cash flows from operating activities</b>		
Trading profit	2,641,299	2,316,679
Adjusted for:		
Non cash items	766,245	825,575
Movements in working capital	(1,546,250)	(1,853,576)
Cash generated in operations	1,861,294	1,288,678
Finance cost paid	(1,315,423)	(1,624,957)
Taxation paid	(496,795)	(1,847)
Cash inflow/ (outflow) from operating activities	49,075	(338,126)
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(572,725)	(385,966)
Proceeds from disposal of property, plant and equipment	213,464	7,669
Finance income	1,274	4,448
Net cash used in investing activities	(357,987)	(373,849)
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity shares	3,514	4,418
Proceeds from borrowings and loans	15,312,532	26,625,019
Repayment of borrowings and loans	(15,021,197)	(25,572,183)
Net cash flows from financing activities	294,849	1,057,254
Net change in cash and cash equivalents	(14,063)	345,279
Cash and cash equivalents at the beginning of the period	316,562	127,841
Cash and cash equivalents at the end of the period	302,500	473,120

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 7 July 2012

	2012 as at 07.07.2012 \$ unaudited	2011 as at 09.07.2011 \$ unaudited	2011 as at 07.01.2012 \$ audited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4,293,976	2,807,078	3,988,512
Deferred tax asset	573,642	452,945	573,644
Total non-current assets	4,867,618	3,260,023	4,562,156
<b>Current assets</b>			
Inventories	10,046,575	8,741,210	8,850,252
Trade and other receivables	17,554,529	14,049,565	19,514,556
Cash and bank balances	302,500	473,120	316,562
Total current assets	27,903,604	23,263,895	28,681,370
Assets classified as held for sale	-	57,476	10,227
Total assets	32,771,222	26,581,394	33,253,753
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	83,338	38,824	79,825
Reserves	8,726,755	4,635,224	7,711,985
Total equity	8,810,093	4,674,048	7,791,810
<b>Non-current liabilities</b>			
Deferred tax liability	2,548,436	1,262,138	2,366,770
Interest bearing loans and borrowings	-	2,958,938	1,501,930
Total non-current liabilities	2,548,436	4,221,076	3,868,700
<b>Current liabilities</b>			
Trade and other payables	5,469,026	3,894,403	7,330,886
Current tax liabilities	-	-	111,955
Interest bearing loans and borrowings	15,943,667	13,791,867	14,150,402
Total current liabilities	21,412,693	17,686,270	21,593,243
Total liabilities	23,961,129	21,907,346	25,461,943
Total equity and liabilities	32,771,222	26,581,394	33,253,753
Net equity per share (cents)	3.11	1.67	2.76

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 26 weeks to 7 July 2012

	Issued capital	Reserves	Retained earnings	Total
<b>Balance at 8 January 2011</b>	34,408	1,910,708	2,183,688	4,128,804
Release in respect of revalued assets disposed	-	(3,360)	3,360	-
Comprehensive income for the period	-	156,745	3,336,372	3,493,117
Issue of ordinary shares under employee share option plan	45,417	-	-	45,417
Recognition of share-based payments	-	124,472	-	124,472
<b>Balance at 7 January 2012</b>	79,825	2,188,565	5,523,420	7,791,810
Comprehensive income for the period	-	-	936,995	936,995
Issue of ordinary shares under employee share option plan	3,513	-	-	3,513
Recognition of share-based payments	-	77,775	-	77,775
<b>Balance as at 7 July 2012</b>	83,338	2,266,340	6,460,415	8,810,093

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the 26 weeks to 7 July 2012

- The same accounting policies and methods of computation per the annual financial statements were used.
- The interim financial report is in compliance with IAS 34.

	2012 \$	2011 \$
Headline earnings		
Earnings attributable to shareholders	936,995	495,827
Adjusted for non-recurring items: Profit on disposal of property, plant and equipment	(112,690)	(7,219)
Headline earnings	824,305	488,608
- Capital expenditure**  
Acquisition of property, plant and equipment

	572,725	385,966
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- Capital Commitments**  
Authorised and contracted for

	81,479	373,596
Authorised but not yet contracted for - store revamps	2,345,796	1,255,027
	2,427,275	1,628,623

All expenditure is to be financed from existing cash resources and the utilisation of authorised borrowing facilities.
- Lease commitments**  
Future minimum rentals under non-cancellable operating leases are as follows:

Within one year	2,441,516	2,255,462
After one year but not more than five years	3,457,563	3,526,542
	5,899,079	5,782,004

	Retail	Manufacturing	Total Segments	Adjustments & Eliminations	Consolidated
<b>07 July, 2012</b>					
Revenue					
External customers	23,977,970	90,579	24,068,549	-	24,068,549
Inter-segments	-	2,360,738	2,360,738	(2,360,738)	-
Total revenue	23,977,970	2,451,317	26,429,287	(2,360,738)	24,068,549
Segment profit/(loss)	2,782,748	(141,449)	2,641,299	-	2,641,299
Total assets	39,825,203	10,923,716	50,748,919	(17,977,697)	32,771,222
<b>09 July, 2011</b>					
Revenue					
External customers	19,417,965	164,659	19,582,624	-	19,582,624
Inter-segments	-	1,316,635	1,316,635	(1,316,635)	-
Total revenue	19,417,965	1,481,294	20,899,259	(1,316,635)	19,582,624
Segment profit/(loss)	2,522,182	(205,503)	2,316,679	-	2,316,679
Total assets	30,029,695	7,517,051	37,546,746	(10,965,352)	26,581,394

## COMMENTARY

There has been nothing to stimulate economic growth or attract meaningful foreign direct investment in the last 6 months. Agricultural performance was below expectation because of the drought. Whilst liquidity improved, available funding remained expensive and short term. Financial institutions continued to increase lending to individuals employed in the formal sector. Some large organizations delayed salary payments and the slowdown in GDP growth has reduced disposable incomes. Suitable, affordable sites have been difficult to secure. These factors negatively impacted sales growth but the group did achieve budget.

### Retail Operations

The Edgars chain continued to trade out of 23 stores. Turnover grew by 16.9% to \$19.8 million being 83% (FY2011: 81%) of the total revenue figure. Credit sales were 89% of chain and 74% of group retail sales (FY2011: 89% and 76% respectively). Unit sales were up on last year by 2.8%.

In the Jet chain, we relocated the Mutare store, opened an additional site in Bulawayo, whilst the Express store in Harare was closed and the space merged into Edgars. In the period after the half year cut off, we opened a store in Chinoyi bringing Jet up to 14 stores. Turnover of \$4.1 million was achieved reflecting a growth of 68.2%, being 17% (FY2011: 14%) of total revenue. Unit sales grew by 48.7%.

### Manufacturing

The unit incurred a loss of \$141 424 for 6 months, which was better than last year by 31.2%. Units sold increased by 20%. Efforts are being made to obtain additional customers and enhance productivity by increasing the product mix.

### Credit Management

The number of debtors accounts grew to 169 717 from 158 901 at year end which was slightly below expectation and active accounts stood at only 74% at the end of June (FY2011: 81%). Average handovers were 0.4% and 1.4% of lagged debtors and credit sales respectively, which is in line with FY2011 year end. Amounts past due have risen and we therefore expect bad debts to be higher in the second half. However, these will be more than covered by our provisions which are at 2% of current debtors.

### Capital Expenditure

The capital expenditure of \$572 725 was incurred as follows: New stores - \$270 213, IT Systems and Hardware \$86 296, Plant, Equipment and Other - \$108 647, Vehicles - \$107 569.

### Borrowings

Negotiations for cheaper, longer term funding have reached an advanced stage.

### Outlook

We will continue to pursue growth opportunities whilst remaining focused on inventory and cash management as well as cost containment. We expect to continue to grow turnover over last year albeit at a slower pace. Profit after tax growth is expected to be higher than sales growth.

### Appreciation

We are grateful to management, staff and other key stakeholders for their unwavering effort and support to the business.

### Governance

The Directors are responsible for the preparation of the Interim Financial Report and related financial information which has not been audited or reviewed.

Edgars

Jet  
GOODLIFE

Carousel  
(PVT) LTD

T. N. Sibanda - Chairman