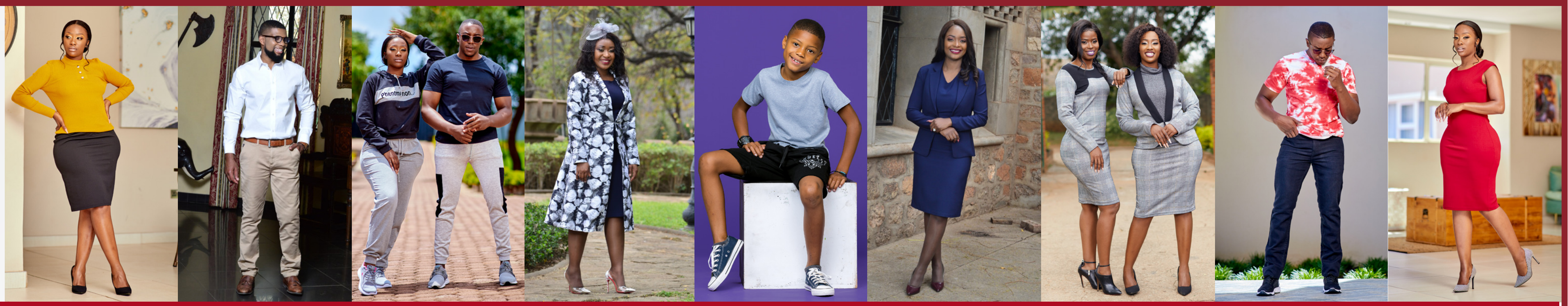
EDGARS STORES LIMITED



Abridged Reviewed Results for the 26 weeks ended 09 July 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the 26 weeks ended 09 July 2023

	Notes	2023 ZWL$ 26 weeks to 09.07.2023 Historical Reviewed	2022 ZWL$ 26 weeks to 10.07.2022 Inflation Adjusted Reviewed
Sale of merchandise	5	32,091,866,676	39,108,103,150
Cost of sales		(7,096,522,908)	(9,801,947,723)
Gross profit		**24,995,343,768**	**29,306,155,427**
Revenue from Micro Finance and other debtor accounts		7,147,316,172	11,400,740,070
Other Revenue		75,080,065	170,200,118
Other operating income		144,450,418	225,466,265
Other operating expenses		(22,516,927,683)	(7,220,098,531)
Movement in credit loss allowance		(1,054,264,373)	(196,672,320)
Selling expenses - store expenses		(13,274,371,542)	(14,276,247,284)
Financial Services expenses		(3,651,694,650)	(1,774,906,510)
Net foreign exchange gains		15,349,764,537	3,556,062,593
Operating Profit before finance costs and monetary loss		**7,214,696,712**	**21,190,699,828**
Finance costs		(2,994,499,968)	(3,588,857,658)
Net Monetary loss		-	(3,620,736,937)
Profit before tax		**4,220,196,744**	**13,981,105,233**
Income tax expense		(5,757,700,529)	(8,017,800,114)
(Loss)/ profit for the period		**(1,537,503,785)**	**5,963,305,119**
Other comprehensive income			
Gain on revaluation of property, plant and equipment		30,308,438,819	-
Deferred tax liability arising on revaluation		(7,492,246,076)	-
Other comprehensive income for the period net of tax		22,816,192,743	-
Total comprehensive income for the period		21,278,688,958	5,963,305,119
(Loss)/Earnings per share (cents)			
Basic	6	(268.20)	1,040.23
Diluted		(266.79)	1,034.75

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS For the 26 weeks ended 09 July 2023

	Notes	2023 ZWL$ 26 weeks to 09.07.2023 Historical Reviewed	2022 ZWL$ 26 weeks to 10.07.2022 Inflation Adjusted Reviewed
Cash flows from operating activities			
Profit before tax		4,220,196,744	13,981,105,233
Finance income		(7,147,316,172)	(11,400,740,070)
Finance costs		2,994,499,968	3,588,857,658
Non cash items		23,525,816,275	4,766,726,470
Increase in inventories		1,171,009,551	(10,459,554,042)
Increase in accounts receivable		(23,254,719,754)	(2,916,422,993)
(Increase)/decrease in loans and advances to customers		(960,549,918)	373,922,600
Increase in accounts payable		11,074,671,783	2,546,077,022
(Decrease)/iIncrease in contract payables		(349,937,286)	668,905,190
Cash generated in operations		11,273,671,191	1,148,877,068
Finance costs paid		(3,024,834,388)	(2,885,090,799)
Lease interest paid		(255,078,921)	(285,466,687)
Finance income received		8,412,538,235	892,327,418
Taxation paid		(1,542,982,082)	(1,331,093,124)
Cash inflow/(outflow) from operating activities		14,863,314,035	(2,460,446,124)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(94,492,892)	(1,114,200,284)
Net cash used in investing activities		(94,492,892)	(1,114,200,284)
Cash flows from financing activities			
Proceeds from borrowings		11,768,305,908	12,409,523,933
Repayment of borrowings		(8,009,019,447)	(10,877,017,636)
Payments of principal portion of lease liabilities		(308,869,062)	(229,764,123)
Net cash generated from financing activities		3,450,417,399	1,302,742,174
Net increase/(decrease) in cash and cash equivalents		18,219,238,542	(2,271,904,234)
Effect of exchange rate fluctuations on cash held		(9,567,126,013)	(438,315,992)
Cash and cash equivalents at the beginning of the period		1,421,721,547	4,819,721,522
Cash and cash equivalents at the end of the period		10,073,834,076	2,109,501,296
Being:			
Cash and bank balances		12,198,154,554	4,828,834,019
Bank overdrafts		(2,124,320,478)	(2,719,332,723)
		10,073,834,076	2,109,501,296

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 09 July 2023

	Notes	2023 ZWL$ as at 09.07.2023 Historical Reviewed	2023 ZWL$ as at 08.01.2023 Inflation Adjusted Audited
Assets			
Non-current assets			
Property, plant and equipment	12	34,297,818,106	7,575,260,540
Intangible assets		733,014,483	733,014,483
Right of use asset		7,360,949,988	7,637,785,859
Deferred tax asset		-	162,954,749
Total non-current assets		42,391,782,577	16,109,015,631
Current assets			
Inventories	11	11,510,054,518	12,681,064,070
Trade and other receivables		50,455,255,439	27,200,535,681
Loans and advances to customers		3,140,856,954	2,180,307,035
Income Tax receivable		7,878,887,234	-
Bank and cash balances		12,198,154,554	7,160,432,684
Total current assets		85,183,208,699	49,222,339,470
Total assets		127,574,991,276	65,331,355,101
Equity and liabilities			
Equity			
Issued capital		2,847,009,569	2,847,009,569
Other reserves		25,712,581,192	2,896,388,449
Retained earnings		19,527,461,927	21,064,965,712
Total capital and reserves		48,087,052,688	26,808,363,730
Non-current liabilities			
Deferred tax liability		19,685,208,211	2,570,088,172
Interest bearing loans and borrowings	10	437,037,182	214,135,720
Total non-current liabilities		20,122,245,393	2,784,223,892
Current liabilities			
Trade and other payables		22,104,505,913	11,029,834,125
Dividend payable		6,387,313	6,387,313
Current tax payable		287,039,933	1,046,990,615
Contract liabilities		231,690,599	581,627,885
Interest bearing loans and borrowings	10	27,262,125,578	12,441,023,454
Bank overdrafts		2,124,320,478	2,719,332,723
Lease liabilities	9	7,349,623,381	7,913,571,364
Total current liabilities		59,365,693,195	35,738,767,479
Total liabilities		79,487,938,588	38,522,991,371
Total equity and liabilities		127,574,991,276	65,331,355,101

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 26 weeks ended 09 July 2023

	Issued capital US$	Equity-settled employee benefits reserve US$	Revaluation reserve US$	Credit reserve US$	Retained earnings US$	Total US$
Balance at 9 January 2022	2,847,009,569	687,437,838	2,064,517,722	144,432,889	20,457,558,297	26,200,956,315
Total comprehensive income for the period	-	-	-	-	607,407,415	607,407,415
Profit for the year	-	-	-	-	607,407,415	607,407,415
Balance at 08 January 2023	2,847,009,569	687,437,838	2,064,517,722	144,432,889	21,064,965,712	26,808,363,730
Balance at 08 January 2023	2,847,009,569	687,437,838	2,064,517,722	144,432,889	21,064,965,712	26,808,363,730
Total comprehensive income for the period	-	-	22,816,192,743	-	(1,537,503,785)	21,278,688,958
Loss for the period	-	-	-	-	(1,537,503,785)	(1,537,503,785)
Other comprehensive income for the period	-	-	22,816,192,743	-	-	22,816,192,743
Balance at 09 July 2023	2,847,009,569	687,437,838	24,880,710,465	144,432,889	19,527,461,927	48,087,052,688

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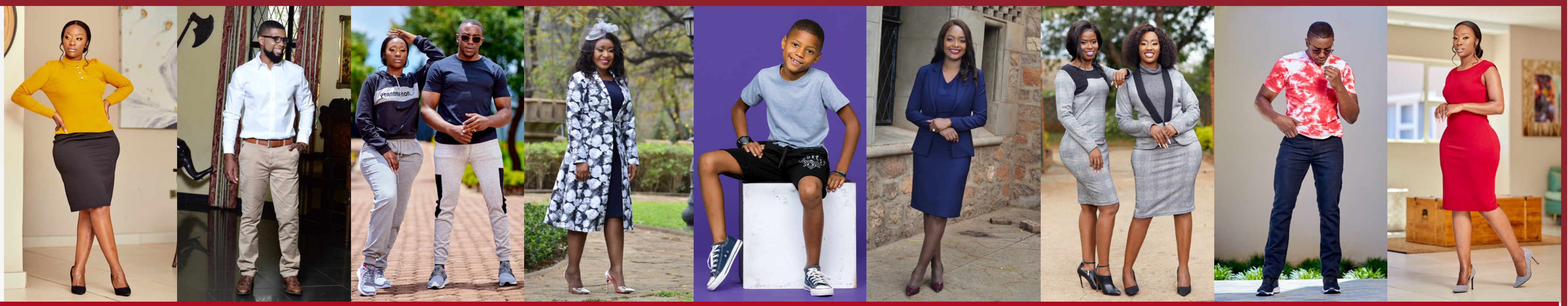
EDGARS STORES LIMITED



Abridged Reviewed Results for the 26 weeks ended 09 July 2023 (Continued)

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the 26 weeks to 09 July 2023

1 Directors responsibility statement

The Board of Directors is responsible for the preparation of the Interim Condensed Consolidated Financial Statements for the 26 weeks ended 09 July 2023. For the Interim Condensed Consolidated Financial Statements the reader can refer to the Zimbabwe Stock Exchange (ZSE) website www.zse.co.zw or the Edgars Stores Limited website www.edgars.co.zw.

2 Basis of preparation

These interim condensed consolidated financial statements for the 26 weeks ended 09 July 2023 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange (ZSE). The principal accounting policies used in the preparation of the financial statements are consistent with those used in prior years.

The interim condensed consolidated financial statements are presented in Zimbabwe Dollars(ZWL). The Group functional currency is the United States Dollar(USD).

The financial statements do not comply with the International Financial Reporting Standards (IFRS) as detailed below:

IAS 21: The Effects of Changes in Foreign Exchange Rates	"The exchange rates used by the Group during the comparative and current period to translate transactions and balances do not meet the IAS 21 definition of a spot and closing exchange rate as they were not available for immediate delivery and not always accessible. The entity has also reported in Zimbabwe dollar as opposed to USD functional currency as per IAS 21 requirements."

3 Determination of functional currency

The Government of Zimbabwe issued statutory instrument "SI" 85 of 2020 which permitted use of free funds for domestic transactions . As a result, the Directors noted a mix of USD and ZWL sales affecting the determination of the functional currency of the Group.

Although the Group assessed that the functional currency had changed to USD, the Group opted to maintain the ZWL as the presentation currency for reporting purposes. The Zimbabwe Dollars prior year inflation adjusted reviewed numbers have been used as comparatives for the statement of comprehensive income and statement of cashflows, while audited prior year inflation numbers have been used on the statement of financial position.

The closing interbank rates used to convert the USD balances are as follows:

Month	Rate
10 July 2022	382.4981
08 January 2023	699.8479
09 July 2023	5,251.064

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the balance sheet date and that corresponding figures for previous periods be stated in the same terms as the latest balance sheet date. The restatement has been calculated by means of conversion factors derived from the consumer price index (CPI) prepared by the Zimbabwe Central Statistical Office up to 31 January 2023.

On the 3rd of March 2023, government issued SI 27 of 2023, which defined the term "rate of inflation" and introduced a new inflation rate measurement method. Consequently, ZIMSTATS stopped reporting ZW$ inflation and CPI figures and only released blended CPI figures. This change created a challenge for the Group, as it had been using the ZW$ CPI for reporting inflation adjusted historical figures.

The use of indices issued by Zimstats made comparability possible for business in Zimbabwe. While it is preferable for all companies using the ZW$ functional currency to use the same index, the standard provides that each business may determine an index for the purpose of compliance with IFRS in the absence of official statistics.

In the absence of a reliable, independently determined index, the Group had to consider various methodologies of determining the appropriate indices for the month of February to June. This included the use of independent experts as well as consideration of the movements in the exchange rates which have a bearing on inflation developments. As an additional step, the Group compared the data used in publications issued by recognised institutions. The Group has concluded that indices used for Hyperinflationary accounting are reasonable. The determination of the indices is a significant area of judgement. The timing of the resolution of the uncertainty regarding the CPI is unknown

The conversion factors used to restate the financial statements are as follows:

Month	Index	Conversion Factor
10 July 2022	8,707.3500	4.91
08 January 2023	13,672.9069	3.12
09 July 2023	42,710.717	1.00

3.1 Hyperinflation

In 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement that factors and characteristics for the application of IAS 29 "Financial Reporting in Hyperinflation Economies " in Zimbabwe were met, and therefore, mandated IAS 29 to be applied in the preparation and presentation of financial statements for entities in Zimbabwe. Hyper-inflation financial reporting is, however applicable to entities whose functional currency is the currency in hyper-inflation.

The condensed consolidated financial statements are based on statutory records mantained under the historical cost conventions and are being reported in the Zimbabwe Dollar (ZWL) currency. The Groups functional currency is the USD, which is not a currency in hyper-inflation and therefore, IAS 29 "Financial Reporting in Hyper-Inflationary Economies" is not applicable to the financial statements of the Group.

3.2 Reporting Currency

'The Group Condensed Interim Financial Statements are presented in Zimbabwe Dollars (ZWL$), which is the Group presentation currency for the period ended 09 July 2023.

The Group subsidiary operates in Zimbabwe and United States Dollar(USD) is its functional and the Zimbabwe Dollar (ZWL) being the presentation currency.

4 Auditor's Statement

This interim condensed consolidated financial information for the twenty-six-week period ended 9 July 2023 has been reviewed by Deloitte & Touche and an adverse review conclusion has been issued thereon. This conclusion carries modifications with respect to:

• Non-compliance with International Accounting Standard 21 – "The Effects of Changes in Foreign Exchange Rates" (IAS 21) for not applying the change in functional currency in the current reporting period. With effect from the beginning of the period, the entity's functional currency changed to USD, however the entity maintained and reported its financial results in Zimbabwe dollar, which constitutes a deviation from IAS 21 requirements.

• Non –compliance with International Accounting Standard 21 – "The Effects of Changes in Foreign Exchange Rates" (IAS 21) on non-application of exchange rates that meet the definition of spot exchange rates in accordance with IAS 21, to the foreign currency transactions and balances, in the prior and current periods.

• Non–compliance with International Financial Reporting Standard 13 "Fair Value Measurements" (IFRS 13) and International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) in the determination of the value of Property, Plant and Equipment in the comparative period. The method of determining the ZWL fair value as at 9 January 2022 was not an accurate reflection of market dynamics and the risk associated with transactions on a willing buyer, willing seller basis. IAS 29 further requires non-monetary assets restated from the date of revaluation to thereafter be reduced to their recoverable amount. The ZWL recoverable amount could not be accurately determined in the prior year.

The review conclusion has been made available to management and those charged with the governance of Edgars Stores Limited, and the conclusion is available for inspection at their registered offices. The engagement partner responsible for this review is Tapiwa Chizana.

5 Revenue

	Historical Cost ZWL$ 09.07.2023	Inflation Adjusted ZWL$ 10.07.2022
Sale of merchandise		
Retail sales	31,918,733,961	36,828,489,822
Manufacturing sales to third parties - local sales	173,132,715	2,279,613,328
	32,091,866,676	**39,108,103,150**
Other revenue		
Revenue from Micro Finance and other debtor accounts	7,147,316,172	11,400,740,070
Commission	67,733,823	73,399,710
Edgars Club subscriptions	7,346,242	96,800,408
	7,222,396,237	**11,570,940,188**
Total Revenue	**39,314,262,913**	**50,679,043,338**

6 Earnings per share

	Historical Cost ZWL$ 09.07.2023	Inflation Adjusted ZWL$ 10.07.2022
(Loss)/earnings attributable to shareholders	(1,537,503,785)	5,963,305,119
Adjusted for non-recurring items:		
Loss / (Profit) on disposal of property, plant and equipment	-	-
Headline (loss)/earnings	(1,537,503,785)	5,963,305,119
	000's	000's
Weighted average number of ordinary shares (diluted)	576,302	576,302
Share options exercised		
Weighted average number of ordinary shares (diluted)	576,302	576,302
	000's	000's
Issued ordinary shares at the beginning of the period	573,267	573,267
Effect of treasury shares	-	-
Weighted average number of ordinary shares used in calculating earnings per share	573,267	573,267
Basic (loss)/earnings per share (cents)	(268.20)	1,040.23
Diluted (loss)/earnings per share (cents)	(266.79)	1,034.75
Headline (loss)/earnings per share (cents)	(268.20)	1,040.23

Headline earnings consist of basic earnings attributable to shareholders of the Group adjusted for profits, losses, and items of a capital nature that do not form part of the ordinary activities of the Group, net of their related tax effects.

7 Capital expenditure

	Historical Cost ZWL$ 09.07.2023	Inflation Adjusted ZWL$ 08.01.2023
Computer equipment	12,299,520	248,530,642
Furniture, fittings and leasehold improvements	82,193,372	2,286,545,758
Total	94,492,892	2,535,076,400

Capital expenditure during the half year was channelled towards equipment replacement

8 Future Capital Expenditure

	Historical Cost ZWL$	Inflation Adjusted ZWL$
Authorised but not yet contracted for	33,015,749,836	1,824,396,518

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

9 Lease commitments

	Historical Cost ZWL$ 09.07.2023	Inflation Adjusted ZWL$ 08.01.2023
Future minimum rentals under non-cancellable operating leases are as follows:		
Within one year	7,349,623,381	7,913,571,364
After one year but not more than five years	-	-
More than 5 years	-	-
	7,349,623,381	7,913,571,364

10 Borrowings

	Historical Cost ZWL$ 09.07.2023	Inflation Adjusted ZWL$ 08.01.2023
Non current interest bearing loans and borrowings	437,037,182	214,135,720
Current interest bearing loans and borrowings	27,262,125,578	12,441,023,454
	27,699,162,760	12,655,159,174

Borrowings increased as a result of increased working capital investment. This with a view to growing revenue accordingly.

Terms and security

(i) Secured with a Notarial General Covering Bond over moveable assets, cession of fire policies, debtors book, an unlimited guarantee from shareholders and Edgars Industrial Park deeds.

(ii) The weighted average effective interest rate on all the ZWL borrowings is 88.76% (2022: 41.28%) per annum and 11.5% for USD borrowings.

(iii) Tenures range between 90 days and 3 years.

11 Inventories

	Historical Cost ZWL$ 09.07.2023	Inflation Adjusted ZWL$ 08.01.2023
Merchandise	10,116,226,547	56,076,313,194
Raw material, work in progress and consumables	1,508,166,409	4,509,364,500
	11,624,392,956	60,585,677,694
Inventory obsolescence	(114,338,438)	(47,904,613,624)
	11,510,054,518	12,681,064,070
The amount of write-down on inventories recognised in cost of sales is:	(114,338,438)	(47,904,613,624)
Amount of write-down of inventory to net realisable value (NRV) is:	(111,583,844)	(34,916,287,202)
Amount of stock losses recognised in cost of sales is:	(106,356,014)	(426,807,709)

12 Property, plant and equipment

Revaluation	Land & Buildings ZWL$	Leasehold Improvements ZWL$	Furniture, fittings & equipment ZWL$	Computer equipment ZWL$	Motor Vehicles ZWL$	Plant & Machinery ZWL$	Work in progress ZWL$	Total ZWL$
Balance at 09 January 2022	1,742,776,624	362,087,741	3,152,216,159	1,042,462,222	786,033,925	779,473,115	130,087,523	7,995,137,309
Additions	-	257,136,130	1,338,473,818	248,530,643	619,759,275	71,176,534	-	2,535,076,400
Balance at 08 January 2023	1,742,776,624	619,223,871	4,490,689,977	1,290,992,865	1,405,793,200	850,649,649	130,087,523	10,530,213,709
Accumulated Depreciation								
Balance at 09 January 2022	-	-	-	-	-	(4,244,808)	-	(4,244,808)
Current year expense	(51,266,398)	(82,674,280)	(873,877,261)	(946,405,140)	(808,925,099)	(187,560,184)	-	(2,950,708,362)
Balance at 08 January 2023	(51,266,398)	(82,674,280)	(873,877,261)	(946,405,140)	(808,925,099)	(191,804,992)	-	(2,954,953,170)
Revaluation								
Balance at 08 January 2023	1,742,776,624	619,223,871	4,490,689,977	1,290,992,865	1,405,793,200	850,649,649	130,087,523	10,530,213,709
Additions	-	318,860	15,357,166	12,299,520	32,523,161	33,994,185	-	94,492,892
Revaluation	7,451,993,972	348,637,947	6,886,335,746	1,896,480,221	1,795,325,608	2,108,987,752	3,185,350,259	23,673,111,505
Balance at 09 July 2023	9,194,770,596	968,180,678	11,392,382,889	3,199,772,606	3,233,641,969	2,993,631,586	3,315,437,782	34,297,818,106
Accumulated Depreciation								
Balance at 09 January 2022	(51,266,398)	(82,674,280)	(873,877,261)	(946,405,140)	(808,925,099)	(191,804,991)	-	(2,954,953,169)
Current period expense	(26,410,092)	(77,191,859)	(756,602,119)	(1,283,605,789)	(1,402,754,885)	(133,809,402)	-	(3,680,374,146)
Revaluation adjustment	77,676,490	159,866,139	1,630,479,380	2,230,010,929	2,211,679,984	325,614,393	-	6,635,327,315
Balance at 09 July 2023	-	-	-	-	-	-	-	-
Net carrying amount at 09 July 2023	9,194,770,596	968,180,678	11,392,382,889	3,199,772,606	3,233,641,969	2,993,631,586	3,315,437,782	34,297,818,106
Net carrying amount at 08 January 2023	1,691,510,226	536,549,591	3,616,812,716	344,587,725	596,868,101	658,844,657	130,087,523	7,575,260,539

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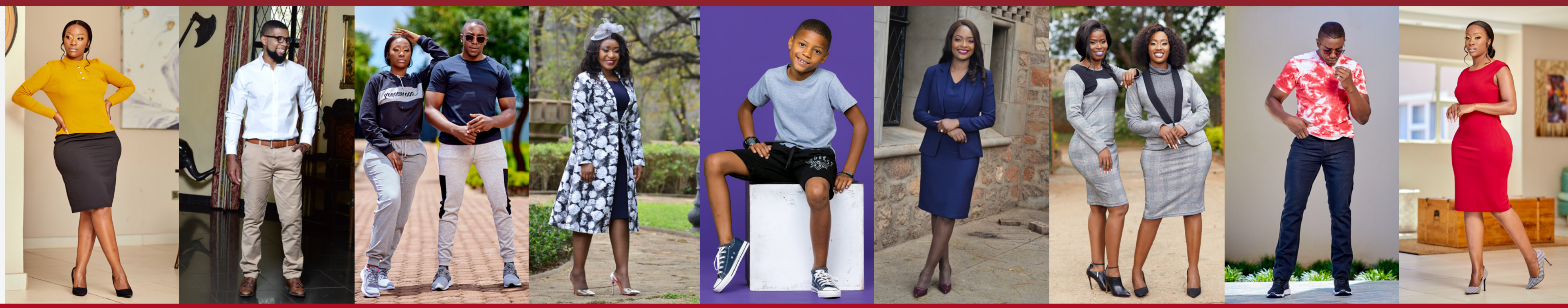

Abridged Reviewed Results for the 26 weeks ended 09 July 2023 (Continued)

The Group revalued property, plant and equipment in June 2023 in USD and translated this valuation at the June closing rate for reporting purposes.

Revaluations are carried out on property, plant and equipment with sufficient regularity to ensure that the carrying value on those properties is not materially different from the market value. The properties were valued by Bard Properties, qualified and independent professional valuers.

The closing asset values as at 09 July 2023 were compared to the valuation reports resulting in a write-up of the assets totalling ZWL$ 32.9 billion (see note above). The inputs used in the revaluation of property, plant and equipment have been classified as level 3 in the fair value hierarchy as they are not based on data readily available from the market.

13 Going concern

Merchandise assortments and our credit book remain healthy despite the challenging environment. Management looks forward to better trading conditions in the year ahead.

The ability of the group to continue as a going concern is subject to generation of positive cashflows. Management has implemented a turnaround strategy focussed on cost containment and improved merchandise procurement practices.To evaluate the health of the cashflows, management has prepared cashflow forecasts for the next twelve months and reviewed significant inputs such as profitability, cash generation capacity and the ability to obtain financing. Forecasting is now updated regularly in response to ongoing uncertainty.

The directors have assessed that key to profitability and positive cashflows is stability of exchange rates and availability of foreign currency from trading.

Based on the assessment undertaken the directors consider it appropriate to adopt the going concern basis for these financial results.

14 Segment reporting

	Edgars Stores Retail ZWL$	Jet Stores Retail ZWL$	Manufacturing Carousel ZWL$	Micro Finance Club Plus ZWL$	Corporate Head Office ZWL$	Financial services ZWL$	Segment TotalS ZWL$	Adjustments Eliminations ZWL$	Consolidated Total ZWL$
26 weeks to 09 July 2023									
Revenue									
External customers	17,894,735,182	14,227,141,915	-	-	-	-	32,121,877,097	(203,143,136)	31,918,733,961
Manufacturing sales to 3rd parties-local sales	-	-	2,403,030,135	-	-	-	2,403,030,135	-	2,403,030,135
Manufacturing sales to 3rd parties-export sales	-	-	-	-	-	-	-	-	-
Other revenue-Hospital cash plan and insurance	-	-	-	-	-	67,733,823	67,733,823	-	67,733,823
Other revenue-Commission Club Subscriptions	-	-	-	-	-	7,346,242	7,346,242	-	7,346,242
Inter-segments	-	-	(2,229,897,420)	-	-	-	(2,229,897,420)	-	(2,229,897,420)
Revenue from Micro Finance and debtor accounts	-	-	-	1,706,362,824	-	5,440,953,348	7,147,316,172	-	7,147,316,172
Total revenue	17,894,735,182	14,227,141,915	173,132,715	1,706,362,824	-	5,516,033,413	39,517,406,049	(203,143,136)	39,314,262,913
							-		
Segment profit / (loss)	3,214,336,150	1,156,311,371	1,498,530,251	332,084,332	63,578,674	17,907,764,308	24,172,605,086	(3,687,473,981)	20,485,131,105
Total assets	31,363,622,504	19,332,266,499	6,907,113,724	5,214,269,062	13,404,912,104	(1,820,111,525)	74,402,072,368	53,172,918,908	127,574,991,276
26 weeks to 10 July 2022									
Revenue									
External customers	23,255,467,452	16,737,856,224	-	-	-	-	39,993,323,676	(3,164,833,854)	36,828,489,822
Manufacturing sales to 3rd parties-local sales	-	-	2,279,613,328	-	-	-	2,279,613,328	-	2,279,613,328
Manufacturing sales to 3rd parties-export sales	-	-	-	-	-	-	-	-	-
Other revenue-Hospital cash plan and insurance	-	-	-	-	-	73,399,710	73,399,710	-	73,399,710
Other revenue-Commission Club Subscriptions	-	-	-	-	-	96,800,408	96,800,408	-	96,800,408
Inter-segments	-	-	(27,781,629)	-	-	-	(27,781,629)	27,781,629	-
Revenue from Micro Finance and debtor accounts	-	-	-	2,099,666,533	-	9,301,073,537	11,400,740,070	-	11,400,740,070
Total revenue	23,255,467,452	16,737,856,224	2,251,831,699	2,099,666,533	-	9,471,273,655	53,816,095,563	(3,137,052,225)	50,679,043,338
							-		
Segment profit / (loss)	6,071,237,167	3,702,332,611	517,360,839	1,031,940,307	(71,688,180)	2,973,516,284	14,224,699,028	6,966,000,800	21,190,699,828
Total assets	28,678,168,225	22,572,492,880	2,741,604,589	3,109,174,921	4,121,570,743	21,596,700,451	82,819,711,809	(17,488,356,708)	65,331,355,101

15 Dividend

No dividend was declared for the half year to 09 July 2023.

16 Chairman's report

Directors' responsibility for the Interim Financial Information

The Directors of Edgars Stores Limited are responsible for the preparation and fair presentation of the Group's interim condensed consolidated financial statements. The reviewed interim condensed consolidated 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 interim condensed 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.

Change in functional currency

As highlighted in the 2022 Annual Report, the Government of Zimbabwe issued Statutory Instrument, SI 85 of 2020, which permitted the use of USD free funds for domestic transactions. As a result, the Directors noted a mix of USD and ZWL sales affecting the determination of the functional currency of the Group. The functional currency of the Group was resolved to have changed to United States Dollars with effect from 09 January 2023.

However the Group presentation currency has been maintained as the Zimbabwe Dollar (ZWL). The entity has opted to present the current year Zimbabwe dollars historical results for the period ended 09 July 2023. The Zimbabwe Dollars prior year inflation adjusted reviewed numbers have been used as comparatives for the statement of comprehensive income and statement of cashflows, while prior year audited inflation numbers have been used on the statement of financial position.

Operating environment and overview

Throughout the financial reporting period ended 09 July 2023, the operating environment was characterised by rapid changes in the policy environment. The first quarter started with some optimism on the back of a slowed inflation coupled with a stable exchange rate. The situation negatively changed towards the end of the period under review with the official exchange rate which was 671 to the USD at the beginning of the year, deteriorating to 5700 at the end of June.

The exchange rate volatility coupled with the fluctuations in market liquidity in both ZWL$ and foreign currency continue to create challenges for the Group as well as the formal sectors of the economy, particularly as it relates to the pricing of goods and trading terms. The fiscal and monetary policy pronouncements made during the period, such as reduction in interest rates to 150% for ZWL loans, reduction in USD transactional tax to 2% from 4% and the 100% retention of domestic foreign currency earnings provided the much-needed additional finance for merchandise procurement. The high interest rates continue to pose a threat to the viability of companies who rely on debt financing for their operations, as well as affecting capital expenditure plans. The economy has noted a general increase in the use of foreign currency for domestic transactions and this has been confirmed by the Central Bank. Consumer demand remains subdued owing to the constrained ZWL$ liquidity.

Operating costs increased substantially during the period under review mainly driven by a significant increase in allowances for credit losses on the ZWL book whose risk was exacerbated by the increase in policy rates in July of last year. Other major cost drivers were the frequent power cuts which resulted in the business using more alternative power options such as generators and the rapidly depreciating ZWL currency which pushed operating costs upwards. Management intensified cost containment measures and recalibrated the business models in response to these price corrections as a way of preserving value and building a strong balance sheet for the business.

Financial performance

Notwithstanding the challenges in the operating environment, the Group closed the period with an improved performance over the prior period. In historical cost terms, the Group reported Revenue of ZWL$39 billion which is 22.43% down from that achieved in 2022 of ZWL$51 billion. Profit before tax of ZWL$4 billion was a decrease of 70% from the prior period of ZWL$14billion. The current year performance is attributed to the introduction of USD credit in July 2022, replacement cost-based pricing, inflationary stock holding gains, realignment of cost structures as well as initiatives implemented by Management to ensure fresher stock availability in our stores, regardless of the supply chain challenges. The significant exchange rate depreciation in April and May had the impact of wiping out consumer disposable income and consequently demand. The Group achieved a basic earnings loss per share of 268 cents, (2022: 1,040 cents).

Total Group units sold decreased by 14.8% from 1.28million to 1.09million compared to the same period last year.
While a sizable portion of our cash sales are in foreign currency, we believe that this proportion can be increased through favourable and consistent application of regulatory policies around trading in foreign currency.

Gearing increased to 0.23 in the current year from a prior year of 0.24. Funding was channelled towards growing the debtors' book as well as merchandise procurement.

Retail performance

Total retail merchandise revenue amounted to ZWL$32billion representing a 18% decrease on prior year. The split between credit and cash sales was 62% (2022:53%) and 38% (2022:47%). A significant portion of the sales are now being realised in USD.

The Edgars chain recorded turnover of ZWL$17.89billion which is down 23% on prior year of ZWL$23.26billion; the 443k units sold were down 17% from 532k in the comparative period. The split between credit and cash sales for ZWL was 64% (2022: 56%) and 36% (2022: 44%) while the USD had credit sales of 73% and cash sales of 27%. Stock covers closed at 15 weeks (2022:25weeks).

Total sales for the Jet chain were ZWL$14.23billion down 15% from ZWL$16.74billion achieved in the comparative period. The split between credit and cash sales for ZWL was 28.4% (2022: 47.6%) and 71.6% (2022: 52.4 %) while the USD had credit sales of 70.3% and cash sales of 29.7%. Total Units sold for the period were down 4.1% from 608.9k to 583.7k. Stock covers closed at 16 weeks (2022:17.4 weeks).

Financial services

The gross retail debtors' book closed the period at ZWL$45.1billion representing a 83% growth on prior year of ZWL$24.7billion This is as a result of introduction of the USD book and Management's focus in growing it. Real USD book closed at USD8.3million. Active accounts growth for the USD grew to 73.6k accounts attributed to new accounts drives as well as account conversion initiatives. The asset quality at 83.4% for the USD book and at 76.5% for the ZWL book (2022: 89.55%) in current status. Expected credit losses (ECLs) as at 09 July 2023 were 2.29% of the book compared to 4.0% as at 08 January 2023, demonstrating Management's prudent application of the related credit loss accounting standards as the 'deterioration' is below the industry benchmark of 5.0%.

Club Plus Microfinance

The loan book closed at ZWL 3billion marking a 50% growth on the comparative period of ZWL 2billion. The business focus for the period was to grow the USD loan book to hedge against the inflationary environment persisting in the economy. Asset quality remains positive with 85.9% of the USD book being in current while the ZWL book was affected by the impact of the policy rates adjustments effected in July last year. Improved efficiencies in loan approval and disbursement processes have resulted in increased turnaround. We have seen an increase on the uptake of loan applications through our online platforms i.e. the mobile app, this has provided our customers with added convenience.

Carousel Manufacturing

The Manufacturing Division recorded a turnover of ZWL$2.40billion up 5% on prior year. Total units sold were down 1.4% to 67.9k (2022:68.9k). Revenue was adversely affected by shortage of skilled machinists in the first quarter, which has since been resolved. The unit has pivoted from open market towards the in-house chains in order to give the group a competitive edge over its competitors. We anticipate a resumption of exports in the following financial year.

Board membership

The Board wishes to advise stakeholders of the departure on 31 October 2023, of the following:

1. **Ms Tjeludo Ndlovu**, the Group Chief Executive Officer of the Group. Ms Ndlovu has been with the Group for 11 years, the last 3 at the helm of the Group. She has led the Group successfully since her appointment in July 2020 at the peak of the COVID 19 pandemic. It is with profound gratitude that the Board thanks Tjeludo for her service to the Group and wishes her well in her new challenge.

2. **Ms Happiness Vundla**, who has served as the Group Chief Finance Officer for the past two years. On behalf of the shareholders, Board of Directors, management and staff, I wish to convey the Group's appreciation for the years of dedicated service to the Group.

Non-Executive Director Appointment

The Board would like to announce the appointment of Mr Mark Robb as Non- Executive Director with effect from 1 November 2023. Mark is a skilled IT professional with over 22 years multinational experience across Fintech, Banking, FMCG, Media, Manufacturing, and Agricultural sectors. He has a B. Com Honours Degree in Information Systems and Management from Rhodes University in South Africa and many other IT qualifications obtained from various Institutions.

The Board congratulates him on his appointment and looks forward to his contribution.

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 updating our stores to world class standards, offering widened merchandise ranges at affordable prices and flexible credit terms.

The operating environment will be impacted by the complex macro-economic factors. The surge in inflation and renewed currency volatility will remain key issues impacting on business performance. The recovery of 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. An emergent risk associated with cuts to oil production by OPEC countries has resulted in an upward review in oil prices, pushing up logistical costs. These will in turn affect the final landed cost of merchandise and fabric.

Dividend

Regrettably, your Group will not declare a dividend for the 26 weeks to 09 July 2023. 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, suppliers, and other stakeholders for their ongoing support.

T N SIBANDA
CHAIRMAN
31 October 2023

EDGARS | Jet | CAROUSEL A Division of Edgars Stores Limited | clubplus A DIVISION OF EDGARS | EDGARS Financial Services

Directorate: Non-Executive Chairman: **T.N Sibanda**, Group Chief Executive Officer : **T.Ndlovu***; Directors: **C.F.Dube, M.Hosack, C Claassen, H.Vundla*, S.Mushosho, M Robb** *Executive

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