



Edgars Stores Limited

UNAUDITED INTERIM RESULTS FOR THE 26 WEEKS ENDED 6 JULY 2013

Retail sales up 13% to \$27m • Profit after tax up 17% to \$1.1m • Finance costs down 33% to \$877k • Cash inflow from operations up by \$1.08m

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks to 6 July 2013

	2013 26 weeks to 06.07.2013 \$ unaudited	2012 26 weeks to 07.07.2012 \$ unaudited
Revenue	28,694,924	25,239,234
Sales of merchandise	27,191,407	24,068,549
Cost of sales	(14,216,199)	(12,706,424)
Gross profit	12,975,207	11,362,125
Other (losses) and gains	(7,238)	94,178
Debt collection credit / (costs)	208,522	(186,946)
Late payment charges	(1,373,052)	(1,037,524)
Debt collection costs	1,164,530	1,224,470
Store expenses	(5,439,353)	(4,520,443)
Depreciation	(424,392)	(294,715)
Other operating expenses	(4,857,832)	(3,812,900)
Trading profit	2,454,915	2,641,299
Finance income	34,541	1,274
Finance costs	(877,170)	(1,315,423)
Profit before tax	1,612,287	1,327,150
Income tax expense	(515,110)	(390,156)
Profit for the period	1,097,177	936,995
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	1,097,177	936,995
Earnings per share (cents)		
Basic	0.44	0.38
Diluted	0.42	0.37
Headline	0.44	0.33

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks to 6 July 2013

	2013 26 weeks to 06.07.2013 \$ unaudited	2012 26 weeks to 07.07.2012 \$ unaudited
Cash flows from operating activities		
Trading profit	2,454,915	2,641,299
Non cash items	902,738	766,245
Movements in working capital	(909,005)	(1,546,250)
Cash generated from operations	2,448,649	1,861,294
Interest paid	(898,066)	(1,315,423)
Taxation paid	(417,663)	(496,795)
Cash inflow from operating activities	1,132,920	49,075
Cash flows from investing activities		
Payments for property, plant and equipment	(1,234,780)	(572,725)
Proceeds from disposal of property, plant and equipment	18,470	213,464
Finance income received	34,541	1,274
Net cash used in investing activities	(1,181,769)	(357,987)
Cash flows from financing activities		
Proceeds from issue of equity shares	47,641	3,514
Proceeds from borrowings	897,003	15,312,532
Repayment of borrowings	(5,094,212)	(15,021,197)
Net cash (used in)/ generated from financing activities	(4,149,568)	294,849
Net decrease in cash and cash equivalents	(4,198,417)	(14,062)
Net foreign exchange difference	-	-
Cash and cash equivalents at the beginning of the period	4,747,774	316,562
Cash and cash equivalents at the end of the period	549,357	302,500

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 6 July 2013

	2013 as at 06.07.2013 \$ unaudited	2012 as at 07.07.2012 \$ unaudited	2012 as at 05.01.2013 \$ audited
Assets			
Non-current assets			
Property, plant and equipment	6,234,792	4,293,976	5,406,146
Deferred tax asset	454,210	573,642	573,644
Intangible asset	126,667	-	146,667
Total non-current assets	6,815,669	4,867,618	6,126,456
Current assets			
Inventories	11,622,210	10,046,575	9,565,517
Trade and other receivables	19,050,065	17,554,529	23,344,145
Cash and bank balances	549,357	302,500	4,747,774
Total current assets	31,221,632	27,903,604	37,657,436
Total assets	38,037,301	32,771,222	43,783,892
Equity and liabilities			
Equity			
Issued capital	201,822	83,338	154,180
Reserves	12,868,804	8,726,755	11,611,627
Total capital and reserves	13,070,626	8,810,093	11,765,807
Non-current liabilities			
Interest bearing loans and borrowings	12,763,829	-	14,321,139
Deferred tax liability	3,092,487	2,548,436	3,005,855
Total non-current liabilities	15,856,316	2,548,436	17,326,994
Current liabilities			
Trade and other payables	5,084,757	5,469,026	7,916,972
Current tax liabilities	(365,354)	-	(256,736)
Interest bearing loans and borrowings	4,390,956	15,943,667	7,030,854
Total current liabilities	9,110,359	21,412,692	14,691,091
Total liabilities	24,966,675	23,961,128	32,018,084
Total equity and liabilities	38,037,301	32,771,222	43,783,892
Net equity per share (cents)	4.51	3.11	4.09
Gearing	1.31	1.81	1.81

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks to 6 July 2013

	Issued capital	Equity-settled employee benefits reserve	Revaluation reserve	Change in functional currency reserve	Retained earnings	Total
Balance at 7 January 2012	79,825	237,089	1,022,569	928,907	5,523,420	7,791,810
Comprehensive income for the period	-	-	-	-	3,797,591	3,797,591
Issue of ordinary shares under employee share option plan	74,356	-	-	-	-	74,356
Recognition of share based payments	-	102,052	-	-	-	102,052
Balance at 5 January 2013	154,181	339,141	1,022,569	928,907	9,321,011	11,765,808
Comprehensive income for the period	-	-	-	-	1,097,177	1,097,177
Issue of ordinary shares under employee share option plan	47,641	-	-	-	-	47,641
Recognition of share based payments	-	160,000	-	-	-	160,000
Balance at 6 July 2013	201,822	499,141	1,022,569	928,907	10,418,188	13,070,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks to 6 July 2013

- The same accounting policies and methods of computation per the most recent annual financial statements were used.
 - The interim financial report is in compliance with IAS34
 - The Directors are responsible for the preparation of the Interim Financial Report and related financial information which has not been audited.
- | | 2013
\$ | 2012
\$ |
|---|------------|------------|
| 4 Headline earnings | | |
| Earnings attributable to shareholders | 1,097,177 | 936,995 |
| Adjusted for non-recurring items: | | |
| Loss/ (profit) on disposal of property, plant and equipment | 12,927 | (112,690) |
| Headline earnings | 1,110,104 | 824,305 |
| 5 Capital expenditure | | |
| Acquisition of property, plant and equipment | 1,234,780 | 572,725 |
| 6 Capital Commitments | | |
| Authorised and contracted for | 349,298 | 81,479 |
| Authorised but not yet contracted for | 3,337,887 | 2,345,796 |
| | 3,687,185 | 2,427,275 |
- All expenditure is to be financed from existing cash resources and the utilisation of authorised borrowing facilities.
- Lease commitments**
There are no finance lease commitments
Future minimum rentals under non-cancellable operating leases are as follows:
Within one year 2,909,560 2,441,516
After one year but not more than five years 3,588,148 3,457,563
6,497,708 5,899,079

	Saturday, July 06, 2013	Retail-Edgars	Retail-Jet	Manufacturing	Corporate	Total Segments	Adjustments and Eliminations	Consolidated
Revenue								
External customers	22,122,966	4,946,029	122,412	-	27,191,407	-	27,191,407	
Inter-segments	-	-	2,238,283	-	2,238,283	(2,238,283)	-	
Total revenue	22,122,966	4,946,029	2,360,695	-	29,429,690	(2,238,283)	27,191,407	
Results								
Segment trading profit/(loss)	4,987,816	230,443	118,901	(2,882,245)	2,420,422	34,493	2,454,915	
Total assets	35,414,515	3,496,320	6,750,458	1,307,734	46,969,027	(8,931,727)	38,037,301	
Saturday, July 07, 2012								
Revenue								
External customers	19,809,830	4,168,140	90,579	-	24,068,549	-	24,068,549	
Inter-segments	-	-	2,360,738	-	2,360,738	(2,360,738)	-	
Total revenue	19,809,830	4,168,140	2,451,317	-	26,429,287	(2,360,738)	24,068,549	
Results								
Segment trading profit/(loss)	4,025,520	451,754	(141,664)	(1,694,311)	2,641,299	-	2,641,299	
Total assets	39,046,368	2,521,321	10,923,716	919,559	53,410,964	(20,816,094)	32,594,870	

COMMENTARY

The conclusion of the medium term guaranteed loan in December 2012, coupled with improvement in our merchandise assortments and increased factory profitability have contributed towards the group realising a 17% increase in after tax profit.

Retail operations

Unit sales within the Edgars chain grew by 4.4%, while store trading profitability increased by 23.9%. Turnover for the period was \$22.1m. During the six months to June 2013, the chain traded out of 24 outlets (2012- 23). Our Westgate and Marondera branches were revamped, and we opened an additional branch in Chipinge at the end of July.

Growth in the Jet chain's turnover amounted to 18.7%. The chain's sales made up 18.2% of group turnover (2012- 17.4%). Store trading profit within the chain is poorer this year at 4.7% against 10.8% last year. 2 New stores were opened in June in Gokwe and Harare, bringing the total number of Jet stores to 18 (2012- 14). Jet Chipinge was opened in July and there are plans to open more stores before the Christmas trading season. We expect profitability within the chain to improve by year end as the newly opened stores begin to make a contribution and customers become more aware of the brand.

We successfully launched a Jet Thank You card in June, which will lead to a deeper knowledge of our Jet customer to our mutual benefit.

Manufacturing

The factory's recovery resulted in a profit before interest and tax of \$118 901 (2012- \$141 664 loss). New Men's and Boys' Casual ranges have been successfully introduced.

Credit Management

At \$18.8m, trade receivables were 14.7% up on last year, with the number of accounts being 188 447- of which 72.5% were active (2012- 74%). Average handovers for the period amounted to 1.2% and 0.3% of lagged credit sales and lagged debtors respectively. Our provision for doubtful debts is 2% of total debtors.

Capital expenditure

The bulk of capital expenditure was incurred on new stores and refurbishments of existing stores. Improvements were also made to factory plant and equipment as well as IT systems and hardware.

Outlook

It is too early to determine with certainty the direction in which the economy will move. We will focus on marketing to increase brand awareness of Jet as well as expanding its footprint through opening new stores. We will intensify efforts to improve product offerings and value within both retail chains while implementing tighter cost control across the board. Through these initiatives the group will realise the desired growth in profit by year end.

Dividend

The company is still not in a position to pay a dividend.

Appreciation

I am grateful to board colleagues, management and staff for their unwavering efforts, our customers for their continued patronage and our landlords and suppliers for their valued support.

T N Sibanda

CHAIRMAN

