TRUWORTHS

AUDITED GROUP RESULTS
FOR THE FULL YEAR ENDED 12 JULY 2020

Directors' Responsibility

The company's directors are responsible for the preparation and fair presentation of the Group's financial statements, of which this press release represents an extract. These audited annual financial statements have been prepared in accordance with International Financial Reporting Standards and in a manner required by the Companies and Other Business Entities Act (Chapter 24:31) (COBE) and the Zimbabwe Stock Exchange (ZSE) Listing Requirements for Audited Annual Financial Statements. The principal accounting policies applied in the preparation of these annual financial statements are consistent with those applied in the previous annual financial statements, except for non-compliance with (IAS) 8 (Accounting Policies, Changes in Accounting Estimates and Errors), (IAS) 21 (Effects of changes in Foreign Exchange Rates) and (IAS) 29 (Financial Reporting in Hyperinflationary Economies). There is no significant impact arising from new and revised IFRS which became effective for reporting periods commencing on or after 1 January 2019, with the exception of IFRS 16 (Leases).

Cautionary statement – Reliance on all financial statements prepared in Zimbabwe for 2019/2020

The directors would like to advise users to exercise caution in the use of these annual financial statements due to the material and pervasive impact of the technicalities brought about by the change in the functional currency in Zimbabwe in February 2019, its consequential impact on the usefulness of the financial statements for 2019/2020 financial periods and the adoption of International Accounting Standard (IAS) 29 (Financial Reporting in Hyperinflationary Economies), effective 1 July 2019.

Whilst the Directors have exercised reasonable due care, and applied judgements that they felt were appropriate in the preparation and presentation of these annual financial statements, certain distortions may arise due to various specific economic factors that may affect the relevance and reliability of information that is presented in economies that are experiencing hyperinflation, as well as technicalities regarding the change in functional and reporting currency.

Adoption of IAS 29 (Financial Reporting in hyperinflationary Economies)

Having assessed the impact of hyperinflation in the economy, the Public Accountants and Auditors Board (PAAB), have advised that the conditions for adopting IAS 29 have been satisfied with effect from 1 July 2019. IAS 29 requires that inflation-adjusted financial statements become the entity's primary financial statements. The Group has complied with this requirement, and this report is therefore based on inflation-adjusted financial statements. Financial statements prepared under the historical cost convention, have been presented as supplementary information.

External auditor's audit opinion

These inflation adjusted annual financial statements have been audited by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse audit opinion as a result of non-compliance with (IAS) 21 (Effects of Changes in Foreign Exchange Rates), (IAS) 8 (Accounting Policies, Changes in Accounting Estimates and Errors) and the consequential impact on the inflation-adjusted amounts determined in terms of IAS 29. The auditor's audit opinion on the Group's annual financial statements is available for inspection at the Company's registered office. The Engagement Partner responsible for the audit is Mrs Constance Chakona (PAAB practicing certificate number 431).

Operating environment

Volumes	Overall basis	Like for like basis
Units sold	-59.9%	-57.5%

The second half period was negatively affected by the COVID-19 Lockdown. Our stores were closed from the last week of the trading month in March 2020, all of April and for 2 weeks in May. The debtors collection teams worked virtually and the collections for the months of April and May were acceptable.

Merchandise

Product availability was constrained during the reporting period due to foreign currency unavailability and pricing constraints. This has since improved with the introduction of the Foreign Exchange Auction by the Central Bank.

Gross profit margins held firm with no merchandise markdowns.

Credit Management

Due to hyperinflationary conditions, the business has had to conservatively and judiciously manage the granting of credit, as a result the number of active accounts decreased by 0.5%. The tenure of the credit period was reduced and monthly interest charges were reviewed upwards. The doubtful debt provision as a percentage of gross debtors was 13.5% compared to 15.2% in the prior period.

Dividend

The board deemed it prudent not to declare a dividend due to the need to finance increased working capital requirements in a hyperinflationary environment with limited/reduced supplier credit terms.

Outlook

The short to medium term environment is expected to remain constrained for the following reasons:

(a) Diminished consumer purchasing power due to income growth not matching the devaluation of the Zimbabwe Dollar.
(b) Persistent Zimbabwe Dollar liquidity shortages.
(c) COVID-19 which has resulted in virtual working on some of our customer base leading to a shift in the merchandise assortments.
(d) International supply chain disruptions due to COVID-19.

Since the easing of the Lockdown restrictions, trading has been in line with our expectations in the current environment except for Harare CBD stores.

A Trading Update for the 1st quarter to 10 October 2020 will be issued on or about 25 November 2020.

Appreciation

The Board would like to express their heartfelt thanks to Management, Staff and all our other stakeholders for their efforts and support in this difficult climate.

M.P. Mahlangu	**B. Ndebele**
Chairman	**Chief Executive Officer**

29 October 2020

Registered Office
Stand 808 Seke Road
Prospect Park
Harare

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INFLATION ADJUSTED 53 weeks to 12 July 2020 ZWL$	INFLATION ADJUSTED 52 week to 07 July 2019 ZWL$	HISTORICAL 53 weeks to 12 July 2020 ZWL$	HISTORICAL 52 weeks to 07 July 2019 ZWL$
Revenue	4	**165 345 285**	**177 776 391**	**69 643 416**	**21 233 343**
Revenue from Contracts with Customers		**146 148 484**	**147 800 267**	**61 136 986**	**17 653 040**
Cost of sales		(52 112 126)	(52 426 701)	(12 570 794)	(6 261 766)
Gross profit		94 036 358	95 373 566	48 566 192	11 391 274
Other operating income		2 932 315	7 476 487	875 746	892 980
Manufacturing profit		9 091 622	1 753 823	3 083 179	209 474
		106 060 295	104 603 876	52 525 117	12 493 728
Trading expenses		**(101 102 960)**	**(88 454 442)**	**(43 310 677)**	**(10 564 865)**
Depreciation and amortisation	5	(3 510 767)	(3 718 783)	(409 561)	(444 166)
Employment costs		(22 437 903)	(37 104 953)	(9 410 088)	(4 431 759)
Occupancy costs		(20 595 207)	(19 346 561)	(9 151 279)	(2 310 724)
Trade receivable costs		(1 928 771)	(3 429 746)	(1 262 687)	(409 644)
Other operating costs		(52 630 312)	(24 854 399)	(23 077 062)	(2 968 572)
Trading profit		**4 957 335**	**16 149 434**	**9 214 440**	**1 928 863**
Finance income		12 779 422	23 350 346	4 760 913	2 788 930
Operating profit		**17 736 757**	**39 499 780**	**13 975 353**	**4 717 793**
Finance cost		(8 340 135)	(7 678 507)	(3 307 527)	(917 109)
Monetary loss		(931 720)	-	-	-
Profit before tax		**8 464 902**	**31 821 273**	**10 667 826**	**3 800 684**
Tax credit / (expense)	6	890 695	(8 391 121)	(3 298 694)	(1 002 223)
Profit for the period		9 355 597	23 430 152	7 369 132	2 798 461
Other comprehensive income					
Change in functional currency		-	41 099 232	-	4 908 830
Total comprehensive income for the period		**9 355 597**	**64 529 384**	**7 369 132**	**7 707 291**
Earnings per share					
Basic and diluted earnings per share	(cents)	2.46	6.15	1.93	0.73
Headline earnings per share	(cents)	2.46	6.15	1.93	0.73
Key ratios					
Gross margin	(%)	64.3	64.5	79.4	64.5
Trading expenses to retail merchandise sales	(%)	69.2	59.8	70.8	59.8
Trading margin	(%)	3.4	10.9	15.1	10.9
Operating margin	(%)	12.1	26.7	22.9	26.7

GROUP STATEMENT OF CHANGES IN EQUITY

INFLATION ADJUSTED

	Share capital ZWL$	Treasury shares ZWL$	Non-distributable reserve ZWL$	Retained earnings ZWL$	Total ZWL$
Balance at July 09 2018	**321 563**	**(2 654)**	**15 544 495**	**11 572 377**	**27 435 781**
Profit for the period	-	-	-	23 430 152	23 430 152
Change in functional currency reserve	-	-	41 099 232	2 239 437	43 338 669
Impact of IAS 29	-	-	(43 338 678)	43 338 678	-
Balance at July 07 2019	**321 563**	**(2 654)**	**13 305 049**	**80 580 644**	**94 204 602**
Total comprehensive income for the period	-	-	-	9 355 597	9 355 597
Balance at July 12 2020	**321 563**	**(2 654)**	**13 305 049**	**89 936 241**	**103 560 199**

HISTORICAL

	Share capital ZWL$	Treasury shares ZWL$	Non-distributable reserve ZWL$	Retained earnings ZWL$	Total ZWL$
Balance at July 09 2018	**38 407**	**(317)**	**1 856 611**	**1 382 188**	**3 276 889**
Profit for the period	-	-	-	2 798 461	2 798 461
Change in functional currency reserve	-	-	4 908 830	267 475	5 176 305
Balance at July 07 2019	**38 407**	**(317)**	**6 765 441**	**4 448 124**	**11 251 655**
Total comprehensive income for the period	-	-	-	7 369 132	7 369 132
Balance at July 12 2020	**38 407**	**(317)**	**6 765 441**	**11 817 256**	**18 620 787**

GROUP STATEMENT OF FINANCIAL POSITION

	Note	INFLATION ADJUSTED at 12 July 2020 ZWL$	INFLATION ADJUSTED at 07 July 2019 ZWL$	HISTORICAL at 12 July 2020 ZWL$	HISTORICAL at 07 July 2019 ZWL$
ASSETS					
Non current assets		**62 406 586**	**64 787 756**	**8 056 936**	**7 738 151**
Property, plant and equipment		60 306 338	62 443 562	7 804 947	7 458 164
Intangible assets		2 100 248	2 344 194	251 989	279 987
Current assets		**94 702 930**	**149 171 572**	**50 045 562**	**17 816 826**
Inventories		63 843 009	45 344 357	20 345 004	5 415 861
Receivables - trade		16 339 859	79 036 887	16 339 859	9 440 046
- other		9 512 567	15 345 400	8 353 204	1 832 831
Cash and cash equivalents		5 007 495	9 444 928	5 007 495	1 128 088
Total assets		**157 109 516**	**213 959 328**	**58 102 498**	**25 554 977**
EQUITY AND LIABILITIES					
Equity		**103 560 199**	**94 204 602**	**18 620 787**	**11 251 655**
Share capital		321 563	321 563	38 407	38 407
Treasury shares		(2 654)	(2 654)	(317)	(317)
Non-distributable reserves		13 305 049	13 305 049	6 765 441	6 765 441
Retained earnings		89 936 241	80 580 644	11 817 256	4 448 124
Non current liabilities		**17 179 553**	**20 294 313**	**3 498 561**	**2 423 922**
Deferred tax		17 179 553	20 294 313	3 498 561	2 423 922
Current liabilities		**36 369 764**	**99 460 413**	**35 983 150**	**11 879 400**
Payables - trade		12 773 020	31 688 948	12 386 406	3 784 880
- other		15 671 637	18 900 780	15 671 637	2 257 480
Short-term borrowings	3	5 804 507	47 248 122	5 804 507	5 643 244
Current tax		2 120 600	1 622 563	2 120 600	193 796
Total liabilities		**53 549 317**	**119 754 726**	**39 481 711**	**14 303 322**
Total equity and liabilities		**157 109 516**	**213 959 328**	**58 102 498**	**25 554 977**
Number of shares in issue (net of treasury shares)		**380 901 152**	**380 901 152**	**380 901 152**	**380 901 152**
Net asset value per share (cents)		**27.19**	**24.73**	**4.89**	**2.95**

GROUP STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED 53 weeks to 12 July 2020 ZWL$	INFLATION ADJUSTED 52 week to 07 July 2019 ZWL$	HISTORICAL 53 weeks to 12 July 2020 ZWL$	HISTORICAL 52 weeks to 07 July 2019 ZWL$
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES				
Cash generated from trading	11 951 840	30 673 596	13 058 357	3 663 607
Working capital movements	23 812 010	(20 967 915)	(9 723 761)	(2 504 376)
Net cash generated from operations	35 763 850	9 705 681	3 334 596	1 159 231
Finance income	12 779 422	23 350 346	4 760 913	2 788 930
Finance cost	(8 340 135)	(7 678 507)	(3 307 527)	(917 109)
Tax paid	(1 726 015)	(3 325 585)	(297 192)	(397 203)
Net cash generated from operating activities	**38 477 122**	**22 051 935**	**4 490 790**	**2 633 849**
Cash utilised in investing activities	**(1 470 940)**	**(601 833)**	**(772 646)**	**(71 882)**
Net cash (utilised in) / generated from financing activities	**(41 443 615)**	**(15 824 397)**	**161 263**	**(1 890 042)**
Net (decrease) / increase in cash and cash equivalents	(4 437 433)	5 625 705	3 879 407	671 925
Cash and cash equivalents at beginning of period	9 444 928	3 819 223	1 128 088	456 163
Cash and cash equivalents at end of period	**5 007 495**	**9 444 928**	**5 007 495**	**1 128 088**

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Directors: M.P Mahlangu (Chairman), B. Ndebele (C.E.O), F.K. Khan, L. Mabhiza, W. Matsaira, A. B. Miek, S. M. Takaendisa

SUPPLEMENTARY INFORMATION

1. CORPORATE INFORMATION

The Group is incorporated and domiciled in Zimbabwe and its shares are publicly traded on the Zimbabwe Stock Exchange. It is engaged in the manufacture and retailing of fashion apparel and related merchandise.

2. BASIS OF PREPARATION

The Group's financial statements for the year ended 12 July 2020 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange Listing Requirements and in a manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE) except for the non compliance with International Financial Reporting Standards explained below. The Group's inflation adjusted financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and are presented in Zimbabwe Dollars (ZWL) and all values have been rounded to the nearest dollar, except where otherwise indicated.

The principal accounting policies applied in the preparation of the Group financial statements are in terms of IFRS except for the non-compliance with (IAS) 8 (Accounting Policies, Changes in Accounting Estimates and Errors), (IAS) 21 (The Effects of Changes in Foreign Exchange Rates) and the consequential impact on the inflation adjusted amounts determined in terms of (IAS) 29 (Financial Reporting in Hyperinflationary Economies) and have been applied consistently in all material respects with those of the previous consolidated annual financial statements. In the current year, the Group has adopted the requirements of IAS 29 and IFRS 16 (Leases).

2.1 Adoption of IAS 29 (Financial Reporting in Hyperinflationary Economies)

In October 2019, the PAAB issued a pronouncement prescribing that the application of financial reporting in hyperinflationary economies had become effective in Zimbabwe, for reporting periods on or after 01 July 2019. These financial statements have been prepared in accordance with IAS 29. The Group adopted the Zimbabwe Consumer Price Index ('CPI") as the general price index to restate transactions and balances. Monetary assets and liabilities and non-monetary assets and liabilities carried at fair value have been restated as they are presented at the measuring unit current at the end of the reporting period. Items recognised in the statement of profit or loss and other comprehensive income have been restated by applying the change in the general price index from the dates when initially recorded in the Group's financial records (transaction date). A net monetary adjustment was recognised in the statement of profit or loss for the year ended 12 July 2020. Comparative amounts in the Group financial results have been restated to reflect the change in the general price index from 22 February 2019 to the end of the reporting period. All items in the statement of cashflows are expressed based on the restated financial information for the period.

As mentioned above, the Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index and used the monthly indices to inflation adjust the historical figures. The indices and conversion factors used to restate the accompanying financial statements are as follow:

	Indices	Conversion factor
CPI on 30 June 2020	1 445.21	1.00
CPI on 30 June 2019	172.61	8.37
Average CPI - 12 months to 30 June 2020		3.12

2.2 Adoption of IFRS 16 (Leases)

The Group has applied IFRS 16 and has adopted the practical expedient contained in IFRS16, which allows the Lessee, the choice of keeping short-term leases 'off Balance Sheet'. The lessee payments associated with the relevant leases are expensed on a straight-line basis over the lease terms.

The Group's leasing activities

The Group leases retail stores, office space and warehouses. The lease contracts are usually made for a fixed tenure averaging 12 months with salient features such as lease payments and tenure revised frequently. Lease terms are individually negotiated and contain a wide range of different terms and conditions. In determining the lease tenure, consideration is given to all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extensions options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle and past history of terminating /not renewing leases.

Management will continue to assess this practical expedient approach for its relevance and continued application.

3. SHORT TERM BORROWINGS

Short-term borrowings are jointly secured Cession of Book Debts, Power of Attorney to register an NGCB and Cession of Insurance Policy with security Agent as First Loss Payee. Borrowings are renewed on maturity in terms of ongoing facilities negotiated with the respective financial institutions. The average interest of 48.8% per annum was applicable to the outstanding balance.

	INFLATION ADJUSTED		HISTORICAL	
	53 weeks to 12 July 2020 ZWL$	52 week to 07 July 2019 ZWL$	53 weeks to 12 July 2020 ZWL$	52 weeks to 07 July 2019 ZWL$
4. REVENUE				
Sale of merchandise	150 446 247	149 355 402	64 076 909	17 838 783
- Retail sales	146 148 484	147 800 267	61 136 986	17 653 040
- Factory sales to third parties	4 297 763	1 555 135	2 939 923	185 743
Interest receivable	12 779 422	23 350 346	4 760 913	2 788 930
- Accounts receivable	12 764 600	23 279 423	4 746 947	2 780 459
- Other	14 822	70 923	13 966	8 471
Service fees	1 930 416	4 509 702	742 563	538 632
Commissions	189 200	560 941	63 031	66 998
Total	**165 345 285**	**177 776 391**	**69 643 416**	**21 233 343**
5. DEPRECIATION AND AMORTISATION				
Retail charge	3 510 767	3 718 783	409 561	444 166
Manufacturing charge	312 482	982 500	34 614	117 348
Total charge	**3 823 249**	**4 701 283**	**444 175**	**561 514**
6. TAX CREDIT / (EXPENSE)				
Current tax charge for the period	(2 224 054)	(3 637 670)	(2 224 054)	(434 478)
Deferred tax charge for the period	3 114 749	(4 753 451)	(1 074 640)	(567 745)
Total tax credit / (expense)	**890 695**	**(8 391 121)**	**(3 298 694)**	**(1 002 223)**

7. EARNINGS PER SHARE

No adjustments have been made in calculating diluted earnings per share as there are no diluting instruments.

8. SEGMENT INFORMATION

INFLATION ADJUSTED

	Manufacturing		Retail		Elimination		Consolidated	
	2020 ZWL$	2019 ZWL$	2020 ZWL$	2019 ZWL$	2020 ZWL$	2019 ZWL$	2020 ZWL$	2019 ZWL$
External Sales	4 297 763	1 555 135	146 148 484	147 800 267	-	-	150 446 247	149 355 402
Inter-segment sales	24 550 245	16 494 098	-	-	(24 550 245)	(16 494 098)	-	-
Interest receivable	-	-	12 779 422	23 350 346	-	-	12 779 422	23 350 346
Service fees	-	-	1 930 416	4 509 702	-	-	1 930 416	4 509 702
Commissions	-	-	189 200	560 941	-	-	189 200	560 941
Total revenue	**28 848 008**	**18 049 233**	**161 047 522**	**176 221 256**	**(24 550 245)**	**(16 494 098)**	**165 345 285**	**177 776 391**
Segment result								-
Profit / (loss) for the period	9 241 420	2 155 695	(4 134 287)	14 395 611	(149 798)	(401 872)	4 957 335	16 149 434
Monetary loss	(728 071)	-	(203 649)	-	-	-	(931 720)	-
Finance income	-	-	12 779 422	23 350 346	-	-	12 779 422	23 350 346
Finance cost	(46 752)	(368)	(8 293 383)	(7 678 139)	-	-	(8 340 135)	(7 678 507)
Tax (expense) / credit	(1 280 351)	(412 313)	2 171 046	(7 978 808)	-	-	890 695	(8 391 121)
Net profit	**7 186 246**	**1 743 014**	**2 319 149**	**22 089 010**	**(149 798)**	**(401 872)**	**9 355 597**	**23 430 152**

HISTORICAL

	Manufacturing		Retail		Elimination		Consolidated	
	2020 ZWL$	2019 ZWL$	2020 ZWL$	2019 ZWL$	2020 ZWL$	2019 ZWL$	2020 ZWL$	2019 ZWL$
External Sales	2 939 922	185 743	61 136 987	17 653 040	-	-	64 076 909	17 838 783
Inter-segment sales	9 222 612	1 970 030	-	-	(9 222 612)	(1 970 030)	-	-
Interest receivable	-	-	4 760 913	2 788 930	-	-	4 760 913	2 788 930
Service fees	-	-	742 563	538 632	-	-	742 563	538 632
Commissions	-	-	63 031	66 998	-	-	63 031	66 998
Total revenue	**12 162 534**	**2 155 773**	**66 703 494**	**21 047 600**	**(9 222 612)**	**(1 970 030)**	**69 643 416**	**21 233 343**
Segment result							-	-
Profit for the period	3 131 179	257 474	6 131 261	1 719 389	(48 000)	(48 000)	9 214 440	1 928 863
Finance income	-	-	4 760 913	2 788 930	-	-	4 760 913	2 788 930
Finance cost	(19 559)	(44)	(3 287 968)	(917 065)	-	-	(3 307 527)	(917 109)
Tax expense	(765 834)	(49 246)	(2 532 860)	(952 977)	-	-	(3 298 694)	(1 002 223)
Net profit	**2 345 786**	**208 184**	**5 071 346**	**2 638 277**	**(48 000)**	**(48 000)**	**7 369 132**	**2 798 461**

	INFLATION ADJUSTED		HISTORICAL	
	at 12 July 2020 ZWL$	at 07 July 2019 ZWL$	at 12 July 2020 ZWL$	at 07 July 2019 ZWL$
9. LEASE COMMITMENTS				
The minimum lease commitments are as follows:				
Operating lease commitments payable within one year	29 680 848	9 171 533	29 680 848	1 095 434
After one year but not more than five years	-	17 207 368	-	2 055 222
	29 680 848	**26 378 901**	**29 680 848**	**3 150 656**
10. CONTINGENT LIABILITIES				
There are no contingent liabilities.				
11. CAPITAL EXPENDITURE FOR THE PERIOD	**1 473 950**	**601 833**	**774 334**	**71 882**

12. EVENTS AFTER THE END OF REPORTING PERIOD

On 25 June 2020, the Zimbabwe Stock Exchange (ZSE) suspended all trading in line with a Government directive. Consequently, the shares of the company were not being traded during that period until 3 August 2020 when trading resumed. However, this had no significant impact on the Group.

In addition, on 24 July 2020, the Government of Zimbabwe issued Statutory Instrument 185 of 2020 which requires that any person who provides goods or services in Zimbabwe shall display, quote or offer the price for such goods or services in both Zimbabwe dollar and foreign currency at the ruling exchange rate.

Directors: M.P Mahlangu (Chairman), B. Ndebele (C.E.O), F.K. Khan, L. Mabhiza, W. Matsaira, A. B. Miek, S. M. Takaendisa

Building a better
working world

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Independent Auditor's Report

To the Shareholders of Truworths Limited

Report on the Audit of the Consolidated and Company Inflation Adjusted Financial Statements

Adverse Opinion

We have audited the consolidated and company inflation adjusted financial statements of Truworths Limited (the Group) which comprise the Group and Company inflation adjusted statements of financial position as at 12 July 2020, and the Group and Company inflation adjusted statements of profit or loss and other comprehensive income, Group and Company inflation adjusted statements of changes in equity and Group and Company inflation adjusted statements of cash flows for the year then ended, and notes to the consolidated and company inflation adjusted financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying Group and Company inflation adjusted financial statements do not present fairly the financial positions of the Group and Company as at 12 July 2020, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for adverse opinion

Non-compliance with IFRS: International Accounting Standard (IAS) 21- The Effects of Changes in Foreign Exchange Rates in the prior period and inappropriate application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors

As explained in 2 on the consolidated and company inflation adjusted financial statements, the Group applied the United States Dollar (US$) as its functional and reporting currency for the period 7 July 2018 to 22 February 2019 and the Real Time Gross Settlement Dollar (RTGS$) or Zimbabwe Dollar (ZWL) for the period 23 February to 7 July 2019, in order to comply with Statutory Instrument 33 (SI33) of 2019, issued on 22 February 2019. In addition, to comply with SI33, the Group changed its functional and reporting currency with effect from 23 February 2019, we however, believe that the change in currency occurred from 1 October 2018.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out local Foreign Currency Accounts (FCAs) (RTGS$) from the FCA Nostro US$ Accounts effective 1 October 2018. Although the exchange rate between US$ and RTGS$ was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between the two currencies.

Independent Auditor's Report (Continued)

Truworths Limited

In February 2019, a Monetary Policy Statement was issued introducing the RTGS$ and the interbank foreign exchange market. This Monetary Policy statement was followed by, Statutory Instrument 142 of 2019 which specified that for all domestic transactions, ZWL (which comprises RTGS$, Bond Notes and Bond Coins) was the sole legal tender effective 24 June 2019.

The events in the preceding paragraphs, triggered a requirement for the Group to assess whether there was a change in functional and reporting currency from US$ to RTGS$. We believe that events in the market and subsequent promulgation of the RTGS$ as a formal currency supported a change in functional currency from US$ to RTGS$ prior to 22 February 2019 and that transactions in the market indicated different exchange rates between the two currencies despite the legal 1:1 RTGS$: US$ exchange rate and this applied from 1 October 2018. The Group chose to comply with the requirements of the law by adopting the date of change in functional and reporting currency as of 22 February 2019. This therefore impacted the basis for measuring transactions that occurred between 1 October 2018 and 22 February 2019. Consequently, our audit report for the year ended 30 June 2019 was modified as the effects were considered material and pervasive. On the 22nd of February 2019, the Group translated some of the applicable foreign denominated non-monetary and monetary assets and liabilities at that date to ZWL at an exchange rate of 1:2.5 between US$ and ZWL. Foreign currency denominated transactions and balances between the 23rd of February 2019 and the 7th of July 2019 were translated to ZWL based on the official interbank exchange rate. As at 7 July 2019, all monetary balances were translated at a closing rate which was based on the official interbank rate.

There has been no restatement of the opening balances to resolve the matters which resulted in the adverse audit report in the prior period in accordance with *IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors.* Consequently:

- All corresponding numbers remain misstated on the inflation adjusted consolidated and company Statement of Profit or Loss and Other Comprehensive Income, inflation adjusted consolidated and Company Statement of Financial Position, the consolidated and company inflation adjusted Statement of Changes in Equity, and the Consolidated and Company Statement of Cash Flows; this also impacts comparability of the current year's figures.

- As opening balances enter into the determination of cash flows and performance, our current year opinion is modified in respect of the impact of this matter on the inflation adjusted Consolidated and Company Statement of Cash Flows, the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity.

In addition to the impacts on the corresponding numbers, current year performance and cash flows the matter continues to impact the balances on the inflation adjusted Consolidated and Company Statement of Financial Position as some of these still comprise of amounts from opening balances. Whilst this matter might not affect all accounts in the inflation adjusted Consolidated and Company Statement of Financial Position, the specific accounts and the portions affected by this matter have not been identified / quantified here. This is due to the further matters requiring modification (which have been discussed below) and which result in virtually all amounts being incorrectly stated.

Independent Auditor's Report (Continued)

Truworths Limited

Exchange rates used (Non-compliance with IAS 21) - (Arising from local ZWL functional currency subsidiaries and company)

As outlined in Note 2 to the consolidated and company inflation adjusted financial statements, for the year ended 12 July 2020, the Group and Company translated foreign denominated transactions and balances using exchange rates determined from the interbank market and the foreign currency auction system. The interbank exchange rate used to translate foreign denominated transactions and balances to the functional currency, ZWL, from 8 July 2019 to 22 June 2020 and the foreign exchange auction rate used from 23 June 2020 to 12 July 2020 did not meet the IAS 21 definition of a spot rate as these rates were not accessible.

Had exchange rates contemplated by IAS 21 been available on the market, virtually all balances and amounts would have been affected in a material manner except for Equity, Intangible Assets, Investment in subsidiaries, Property, plant and equipment, short term borrowings and tax payable.

As a consequential impact, the application of IAS 29 is inappropriate. It is noted that the application of IAS29 was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers and start date been used, most elements of the consolidated and company inflation adjusted financial statements would have been materially different.

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility but does not include the consolidated and company inflation adjusted financial statements and our auditor's report thereon. Our opinion on the consolidated and Company inflation adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. The Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility is expected to be made available to us after the date of this auditor's report.

In connection with our audit of the consolidated and company and inflation adjusted financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company inflation adjusted financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Consolidated and Company Inflation Adjusted Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and company inflation adjusted financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company inflation adjusted financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Company Inflation adjusted Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company inflation adjusted financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and company financial

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Independent Auditor's Report (Continued)

Truworths Limited

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and company inflation adjusted financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and company financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

The engagement partner on the audit resulting in this independent auditor's report is Constance Chakona (PAAB Number 431).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Harare

4 November 2020