

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 reviewed interim 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 Interim Financial Statements. The principal accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the previous interim financial statements. There is no significant impact arising from new and revised IFRS which became effective for reporting periods commencing on or after 1 January 2020.

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 these interim 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 consequent 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 interim 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.

The review conclusion on these interim financial statements has been modified by the independent auditors, Ernst & Young Chartered Accountants (Zimbabwe) as indicated in the review conclusion statement.

Adoption of IAS 29 (Financial Reporting in hyperinflationary Economies)

As previously reported, the Public Accountants and Auditors Board (PAAB) having assessed the impact of hyperinflation in the economy, advised that the conditions for adopting IAS 29 were satisfied with effect from 1 July 2019.

IAS 29 requires that inflation-adjusted financial statements become the entity's primary financial statements and the Group has complied with the requirement for these financial statements. Financial statements prepared under the historical cost convention, have been presented as supplementary information.

External auditor's review conclusion

These inflation adjusted interim financial statements have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse review conclusion as a result of 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). The auditor's review conclusion on the Group's interim inflation adjusted financial statements is available for inspection at the Company's registered office.

Operating environment

The results presented below were achieved in an exceptionally challenging and unusual economic and social environment.

Trading Performance

Units sold in the half year were 23.3% down on the prior year and this was the trend from July to December on a month by month basis compared to the similar months last year.

Detailed below is the trend on a month by month basis compared to the similar months last year.

	July	August	September	October	November	December
Units sold	-23.5%	-25.4%	-32.1%	-0.9%	-6.8%	-26.8%

December was negatively affected by the lockdown as we lost the last week of our trading month due to the lockdown. The week we lost is traditionally very busy with our back to school and back to work range.

Overall the half year was negatively affected by the Covid-19 business restrictions in particular the period July to September. The most negatively impacted area on trading volumes in the half year under review was Harare CBD which happens to have our biggest stores.

Sales Participation and Credit Management

Due to hyper-inflationary conditions, the business curtailed the granting of credit. In the half year cash sales were 66.9% of total sales and credit sales were 33.1% of total sales.

The doubtful debt provision was 15.2% of gross debtors compared to 12.6% in the prior periods. Interest not received as at the end of the period was fully provided for.

Trading Expenses

Trading expenses increased by 21.7% in hyperinflation terms and increased by 539% in nominal terms. There were price increases in main key expenditure lines such as Occupancy Costs, Employment Costs and Other Operating Costs. Turnover in nominal terms only went up by 393%.

Merchandise

Product volumes and availability improved with the introduction of the Foreign Exchange Auction by the Central Bank. In addition, through improved US\$ sales, we were able to import fabrics on a continuous basis though limited by disruptions in the overseas supply chain.

Gross profit margins held firm with no merchandise markdowns.

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

As advised in our Trading Update on 14 May 2021, the business was closed for the months of January and February.

Since re-opening on the 4th of March trading has been encouraging, but not sufficient to recover the lost ground in January and February.

Merchandise and fabric supplies for winter were disrupted due to the lockdown in the region.

Liquidity in the Economy will remain constrained until a bail-out relief package is implemented.

Should there be no further lockdowns and with improved cereal production in the macro economy, we expect the business to continue in its positive trajectory as experienced in the months of March and April albeit from a low base last year which was adversely affected by the lockdowns in the months of April 2020 and May 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
Chairman
27 May 2021


B. Ndebele
Chief Executive Officer

Registered Office
Stand 808 Seke Road
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Harare

GROUP STATEMENT OF FINANCIAL POSITION

Note	INFLATION ADJUSTED		HISTORICAL	
	2021 H1 Reviewed ZWL\$	2020 FY Audited ZWL\$	2021 H1 Reviewed ZWL\$	2020 FY Audited ZWL\$
ASSETS				
Non-current assets	95 036 056	106 853 405	13 019 198	8 056 936
Property, plant and equipment	91 946 939	103 257 332	12 408 363	7 804 947
Intangible assets	2 688 626	3 596 073	244 284	251 989
Right of use asset	400 491	-	366 551	-
Current assets	148 787 730	162 151 644	115 460 609	50 045 562
Inventories	87 419 226	109 312 868	54 352 249	20 345 004
Receivables - trade	27 422 201	27 971 763	27 422 201	16 339 859
- other	21 327 579	16 293 112	21 067 435	8 353 204
Cash and cash equivalents	12 618 724	8 573 901	12 618 724	5 007 495
Total Assets	243 823 786	269 005 049	128 479 807	58 102 498
EQUITY & LIABILITIES				
Equity	147 221 785	177 317 182	32 696 235	18 620 787
Non-current liabilities	7 070 397	29 415 064	6 382 419	3 498 561
Deferred tax	6 869 223	29 415 064	6 181 245	3 498 561
Lease liability	201 174	-	201 174	-
Current liabilities	89 531 604	62 272 803	89 401 153	35 983 150
Payables - trade	39 182 616	21 870 139	39 182 616	12 386 406
- other	31 363 791	26 833 189	31 233 340	15 671 637
Short term borrowings	14 243 470	9 938 555	14 243 470	5 804 507
Current portion of lease liability	199 418	-	199 418	-
Tax payable	4 542 309	3 630 920	4 542 309	2 120 600
Total liabilities	96 602 001	91 687 867	95 783 572	39 481 711
Total Equity & Liabilities	243 823 786	269 005 049	128 479 807	58 102 498
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)	38.65	46.55	8.58	4.89

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Note	INFLATION ADJUSTED		HISTORICAL	
	2021 H1 Reviewed ZWL\$	2020 H1 Unaudited ZWL\$	2021 H1 Reviewed ZWL\$	2020 H1 Unaudited ZWL\$
Revenue	137 851 490	165 722 735	126 850 923	24 868 083
Revenue from Contracts with Customers	120 790 930	149 262 971	111 357 298	22 592 630
Cost of sales	(38 298 253)	(50 998 877)	(20 216 050)	(5 140 624)
Gross profit	82 492 677	98 264 094	91 141 248	17 452 006
Other income	1 098 255	3 005 249	1 006 459	342 954
Manufacturing profit	523 345	10 378 059	1 795 835	1 462 800
	84 114 277	111 647 402	93 943 542	19 257 760
Trading expenses	(108 457 136)	(89 096 103)	(84 651 259)	(13 247 013)
Depreciation and amortisation	(15 685 094)	(5 253 622)	(334 344)	(327 544)
Employment costs	(19 499 223)	(33 034 894)	(17 760 756)	(4 684 450)
Occupancy costs	(27 279 452)	(18 981 827)	(24 720 915)	(2 823 646)
Trade receivable costs	(3 743 363)	(2 122 213)	(3 251 535)	(363 199)
Other operating costs	(42 250 004)	(29 703 547)	(38 583 709)	(5 048 174)
Trading (loss) / profit	(24 342 859)	22 551 299	9 292 283	6 010 747
Finance income	14 478 422	13 558 715	13 215 833	1 850 574
Operating (loss) / profit	(9 864 437)	36 110 014	22 508 116	7 861 321
Finance cost	(3 643 901)	(12 920 258)	(3 328 226)	(1 146 550)
Monetary gain	11 395 091	21 795 974	-	-
(Loss) / profit before tax	(2 113 247)	44 985 730	19 179 890	6 714 771
Tax	(5 104 442)	(14 109 476)	(5 104 442)	(1 677 136)
(Loss) / profit for the period	(7 217 689)	30 876 254	14 075 448	5 037 635
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	(7 217 689)	30 876 254	14 075 448	5 037 635
(Loss) / earnings per share				
Basic (loss) / earnings per share (cents)	(1.89)	8.11	3.70	1.32
Headline (loss) / earnings per share (cents)	(1.89)	8.11	3.70	1.32
Key ratios				
Gross margin (%)	68.3	65.8	81.8	77.2
Trading expenses to revenue from Contracts with Customers (%)	89.8	59.7	76.0	58.6
Trading margin (%)	(20.2)	15.1	8.3	26.6
Operating margin (%)	(8.2)	24.2	20.2	34.8

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 05 January 2020	550 585	(4 544)	22 781 085	168 841 458	192 168 584
Total comprehensive loss for the period	-	-	-	(14 851 402)	(14 851 402)
Balance at 12 July 2020	550 585	(4 544)	22 781 085	153 990 056	177 317 182
Total comprehensive loss for the period	-	-	-	(7 217 689)	(7 217 689)
Impact of IAS 29	-	-	-	(22 877 708)	(22 877 708)
Balance at 10 January 2021	550 585	(4 544)	22 781 085	123 894 659	147 221 785

	HISTORICAL				
	Share capital ZWL\$	Treasury shares ZWL\$	Non-distributable reserve ZWL\$	Retained earnings ZWL\$	Total ZWL\$
Balance at 05 January 2020	38 407	(317)	6 765 441	9 485 759	16 289 290
Total comprehensive income for the period	-	-	-	2 331 497	2 331 497
Balance at 12 July 2020	38 407	(317)	6 765 441	11 817 256	18 620 787
Total comprehensive income for the period	-	-	-	14 075 448	14 075 448
Balance at 10 January 2021	38 407	(317)	6 765 441	25 892 704	32 696 235

GROUP STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED		HISTORICAL	
	26 weeks to 10 January 2021 Reviewed ZWL\$	26 weeks to 05 January 2020 Unaudited ZWL\$	26 weeks to 10 January 2021 Reviewed ZWL\$	26 weeks to 05 January 2020 Unaudited ZWL\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash (utilised in) / generated from trading	(44 495 972)	35 797 331	14 822 323	8 178 510
Working capital movements	34 105 572	(45 258 515)	(20 550 403)	(8 160 521)
Net cash (utilised in) / generated from operations	(10 390 400)	(9 461 184)	(5 728 080)	17 989
Finance income	14 478 422	13 558 715	13 215 834	1 850 574
Finance cost	(3 643 901)	(12 920 258)	(3 328 226)	(1 146 550)
Tax paid	(48)	(1 333 170)	(48)	(297 192)
Net cash generated from / (utilised in) operating activities	444 073	(10 155 897)	4 159 480	424 821
Cash utilised in investing activities	(5 004 998)	(406 979)	(4 967 041)	(46 155)
Net cash generated from financing activities	8 605 748	4 977 644	8 418 790	853 085
Net increase / (decrease) in cash and cash equivalents	4 044 823	(5 585 232)	7 611 229	1 231 751
Cash and cash equivalents at beginning of period	8 573 901	16 171 127	5 007 495	1 128 088
Cash and cash equivalents at end of period	12 618 724	10 585 895	12 618 724	2 359 839

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 six months ended 10 January 2021 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 here in. The Listing Requirements require interim financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as a minimum, contain the information required by International Accounting Standards ("IAS") 34 (Interim Financial Reporting). The Group's inflation adjusted interim 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\$).

SUPPLEMENTARY INFORMATION (continued)

The principal accounting policies applied in the preparation of the Group interim 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 its 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.

2.1 IAS 21 (The Effects of Changes in Foreign Exchange Rates)

As noted in the Group's 2019 financial statements, the Government of Zimbabwe promulgated Statutory Instrument 33 (S.I. 33) on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL\$) as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be Zimbabwe Dollars at the rate which was at par with the United States Dollar (USD). Guidance issued by the Public Accountants and Auditors Board (PAAB), noted that the requirements of SI33 were contrary to the provisions of IAS 21. The Directors have always ensured compliance with IFRS but were unable to do so in respect of the comparative financial information due to the conflict between IAS 21 and local statutory requirements. Due to the material and pervasive impact of these technicalities in the previous periods and the carrying over effects of these misstatements on the current period consolidated inflation-adjusted financial statements, the Directors would like to advise users to exercise caution in their use of these inflation-adjusted financial statements.

2.2 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 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 half year ended 10 January 2021. 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 factors used during the half year are as follows:

	Indices	Conversion factor
CPI on 31 December 2020	2474.51	1.00
CPI on 30 June 2019	1445.21	1.71
Average CPI - 6 months to 31 December 2020	2239.72	
Average CPI - 6 months to 31 December 2019	362.30	

	INFLATION ADJUSTED		HISTORICAL	
	2021 H1 ZWL \$	2020 FY ZWL \$	2021 H1 ZWL \$	2020 FY ZWL \$
3. LEASE LIABILITY				
Analysis:				
Non-current	201 174	-	201 174	-
Current	199 418	-	199 418	-
	400 592	-	400 592	-
Undiscounted future payments:				
Payable within one year	263 316	-	263 316	-
Payable two to five years	1 053 264	-	1 053 264	-
	1 316 580	-	1 316 580	-

4. SHORT TERM BORROWINGS

Short-term borrowings are jointly secured by 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 64.99% per annum was applicable on the outstanding balance.

	INFLATION ADJUSTED		HISTORICAL	
	26 weeks to 10 January 2021 Reviewed ZWL \$	26 weeks to 05 January 2020 Unaudited ZWL \$	26 weeks to 10 January 2021 Reviewed ZWL \$	26 weeks to 05 January 2020 Unaudited ZWL \$
5. REVENUE				
Sale of merchandise	122 854 738	150 034 632	113 168 420	22 734 177
- Retail sales	120 790 930	149 262 971	111 357 298	22 592 630
- Factory sales to third parties	2 063 808	771 661	1 811 122	141 547
Interest receivable	14 478 422	13 558 715	13 215 833	1 850 574
- Accounts receivable	14 476 069	13 556 715	13 213 564	1 850 210
- Other	2 353	2 000	2 269	364
Service fees	473 242	1 896 979	425 710	252 703
Commissions	45 088	232 409	40 960	30 629
Total	137 851 490	165 722 735	126 850 923	24 868 083
6. DEPRECIATION AND AMORTISATION				
Depreciation charge	14 777 646	5 046 021	326 638	314 051
Amortisation charge	907 448	207 601	7 706	13 493
Total charge	15 685 094	5 253 622	334 344	327 544
7. TAX				
Current tax charge for the period	(2 421 759)	(2 986 169)	(2 421 759)	(665 684)
Deferred tax charge for the period	(2 682 683)	(11 123 307)	(2 682 683)	(1 011 452)
Total tax charge	(5 104 442)	(14 109 476)	(5 104 442)	(1 677 136)

8. EARNINGS PER SHARE

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

9. SEGMENT INFORMATION

	INFLATION ADJUSTED							
	Manufacturing		Retail		Elimination		Consolidated	
	2021 ZWL\$	2020 ZWL\$	2021 ZWL\$	2020 ZWL\$	2021 ZWL\$	2020 ZWL\$	2021 ZWL\$	2020 ZWL\$
External Sales	2 063 808	771 659	120 790 930	149 262 971	-	-	122 854 738	150 034 630
Inter-segment sales	17 311 240	28 998 935	-	-	(17 311 240)	(28 998 935)	-	-
Interest receivable	-	-	14 478 422	13 558 714	-	-	14 478 422	13 558 714
Service fees	-	-	473 242	1 896 979	-	-	473 242	1 896 979
Commissions	-	-	45 088	232 412	-	-	45 088	232 412
Total revenue	19 375 048	29 770 594	135 787 682	164 951 076	(17 311 240)	(28 998 935)	137 851 490	165 722 735
Segment result								
Profit for the period	523 345	10 193 057	(24 839 552)	12 543 242	(26 652)	(185 000)	(24 342 859)	22 551 299
Monetary (loss) / gain	(3 297 392)	6 383 600	14 692 483	15 412 374	-	-	11 395 091	21 795 974
Finance income	-	-	14 478 422	13 558 715	-	-	14 478 422	13 558 715
Finance cost	-	-	(3 643 901)	(12 920 258)	-	-	(3 643 901)	(12 920 258)
Tax expense	(453 600)	(7 911 356)	(4 650 842)	(6 198 120)	-	-	(5 104 442)	(14 109 476)
Net (loss) / profit	(3 227 647)	8 665 301	(3 963 390)	22 395 953	(26 652)	(185 000)	(7 217 689)	30 876 254

	HISTORICAL							
	Manufacturing		Retail		Elimination		Consolidated	
	2021 ZWL\$	2020 ZWL\$	2021 ZWL\$	2020 ZWL\$	2021 ZWL\$	2020 ZWL\$	2021 ZWL\$	2020 ZWL\$
External Sales	1 811 122	141 547	102 095 921	22 592 630	-	-	103 907 043	22 734 177
Inter-segment sales	15 976 976	4 160 874	-	-	(15 976 976)	(4 160 874)	-	-
Interest receivable	-	-	13 215 833	1 850 574	-	-	13 215 833	1 850 574
Service fees	-	-	425 710	252 703	-	-	425 710	252 703
Commissions	-	-	40 960	30 629	-	-	40 960	30 629
Total revenue	17 788 098	4 302 421	115 778 424	24 726 536	(15 976 976)	(4 160 874)	117 589 547	24 868 083
Segment result								
Profit for the period	1 795 835	1 438 800	7 520 447	4 595 947	(24 000)	(24 000)	9 292 282	6 010 747
Finance income	-	-	13 215 834	1 850 574	-	-	13 215 834	1 850 574
Finance cost	-	-	(3 328 226)	(1 146 550)	-	-	(3 328 226)	(1 146 550)
Tax expense	(453 600)	(358 348)	(4 650 842)	(1 318 788)	-	-	(5 104 442)	(1 677 136)
Net profit	1 342 235	1 080 452	12 757 213	3 981 183	(24 000)	(24 000)	14 075 448	5 037 635

	INFLATION ADJUSTED		HISTORICAL	
	at 10 January 2021 Reviewed ZWL\$	at 05 January 2020 Unaudited ZWL\$	at 10 January 2021 Reviewed ZWL\$	at 05 January 2020 Unaudited ZWL\$
10. CONTINGENT LIABILITIES				
There are no contingent liabilities.				
11. CAPITAL EXPENDITURE FOR THE PERIOD	5 004 998	425 500	4 967 041	46 155

12. EVENTS AFTER THE END OF REPORTING PERIOD

The Group has according to International Accounting Standard (IAS10) - 'Events after the Reporting Period' identified events emanating from the Covid-19 induced national lockdown as a non-adjusting event instead of an adjusting event.

However, an appraised position was provided in the quarterly trading update issued on 14 May 2021.



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Independent Auditor's Review Conclusion

To the Shareholders of Truworths Limited

Review Report on the Inflation Adjusted Interim Condensed Consolidated and Company Financial Information

We have reviewed the accompanying inflation adjusted interim condensed consolidated and separate financial information of Truworths Limited and its subsidiaries (the Group and Company, which comprise the Group and Company inflation adjusted statements of financial position as at 10 January 2021 and the related Group and Company inflation adjusted statements of profit or loss and other comprehensive income, the Group and Company inflation adjusted statements of changes in equity and the Group and Company inflation adjusted statements of cash flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this inflation adjusted interim condensed consolidated and separate financial information in accordance with the Internal Financial Reporting Standards (IFRS). Our responsibility is to express a review conclusion on this inflation adjusted interim condensed consolidated and separate financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *“Review of Interim Financial Information Performed by the Independent Auditor of the Entity”*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for adverse review conclusion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

As explained in note 2 to the inflation adjusted interim condensed consolidated and separate financial information, the Group changed its functional and reporting currency from United States Dollar (US\$) to Zimbabwe Dollars (ZWL) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

We however believe that the change occurred on 1 October 2018 in terms of IAS 21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019.

Further, 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 was 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 was used from 23 June 2020 to 12 July 2020. These exchange rates did not meet the IAS 21 definition of a spot rate as these rates were not accessible for that period.

Management has not restated the opening balances to resolve these matters which resulted in the adverse audit report in the prior period in accordance with *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*, therefore many corresponding amounts on the inflation adjusted consolidated and separate Statements of Financial Position and all corresponding amounts on the inflation adjusted consolidated and separate Statements of Profit or Loss and Other Comprehensive Income remain misstated impacting comparability of the current period figures.

As a result, the closing balances for the following accounts as stated on the Group and Company inflation adjusted Statements of Financial Position remain misstated:

Group

- Property and Equipment ZWL 95 036 056 (2020: ZWL\$ 103 257 332)
- Intangible Assets of ZWL 2 688 626 (2020: 3 596 073)
- Non-distributable Reserves of ZWL 22 781 085 (2020: 22 781 085)
- Deferred Tax liabilities of ZWL 6 869 223 (2020: 21 996 662)
- Retained Earnings of ZWL 123 894 659 (2020: 168 841 458)

Company

- Property and Equipment of ZWL 27 879 824 (2020: ZWL 30 587 999)
- Intangible Assets of ZWL 2 570 579 (2020: 3 634 537)
- Non-distributable Reserves of ZWL 11 602 527 (2020: ZWL 11 602 527)
- Deferred Tax liabilities of ZWL 8 015 520 (2020: 9 833 931)
- Investment in Subsidiaries of ZWL 35 968 (2020: 114 943)
- Retained Earnings of ZWL 71 396 895 (2020: 56 134 164)

Further, the following amounts in the Group and Company inflation adjusted Statements of profit or loss and other comprehensive Income are impacted due to incorrect opening balances:

Group

- Depreciation and amortisation of ZWL 15 685 094
- Cost of Sales of ZWL 38 298 253
- Tax Expense of ZWL 5 104 442

Company

- Depreciation and amortisation of ZWL 10 780 607
- Cost of Sales of ZWL 10 781 838
- Tax Expense of ZWL 1 693 620

As opening balances enter into the determination of cash flows, our review conclusion is also modified in respect of the impact of this matter on the cashflows from operations on the Group and Company inflation adjusted Statement of Cash Flows.

On date of change in functional currency, management translated elements on the financial statements using different exchange rates which resulted in a misbalance which was recorded directly in equity as a functional currency translation reserve of ZWL22 787 708 (Group) and ZWL15 299 655 (Company). This is not in line with the requirements of IFRS.

Application of IAS29 - Financial Reporting in Hyperinflationary Economies

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application 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 been used, the above stated accounts would have been materially different. Consequently, the monetary gains or losses of ZWL11 395 091 and ZWL7 649 827 on the inflation adjusted consolidated and separate Statements of profit or loss and other comprehensive income are impacted.

Our prior period review conclusion was also modified as a result of this matter.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted interim condensed consolidated and separate financial information.

Adverse review conclusion

In view of the matters described in the preceding paragraphs, the inflation-adjusted interim condensed consolidated and separate financial information does not give a true and fair view of the inflation adjusted financial position of the Group and Company as at 10 January 2021, and of their financial performance and cash flows for the six months period then ended in accordance with International Financial Reporting Standards.

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



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31 May 2021