TRUWORTHS

AUDITED GROUP RESULTS
FOR THE FULL YEAR ENDED 11 JULY 2021

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 except for the non-compliances stated in the paragraph below.

The principal accounting policies applied in the preparation of these audited annual financial statements are consistent with those applied in the previous annual financial statements, except for non-compliance with International Accounting Standard (IAS) 8 (Accounting Policies, Changes in Accounting Estimates and Errors), (IAS) 21 (Effects of Changes in Foreign Exchange Rates), valuation methodology on Property, Plant and Equipment and the consequential impact on (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 2020.

CAUTIONARY STATEMENT – RELIANCE ON ALL FINANCIAL STATEMENTS PREPARED IN ZIMBABWE FOR 2020/2021
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 2020/2021 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)
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. 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 prepared as supplementary information.

VARIANCES BETWEEN THE PRELIMINARY REPORT PUBLISHED ON 23 DECEMBER 2021 AND THESE AUDITED RESULTS
The variances between the Preliminary Report of 23 December 2021 and these Audited Results are contained in Note 12 under Supplementary Information. These changes arose from IAS 8 adjustments in the 2020 Hyperinflated Financials.

EXTERNAL AUDITOR'S STATEMENT
These inflation-adjusted annual financial statements have been audited by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued a qualified audit opinion as a result of non-compliances with (IAS) 21 (Effects of Changes in Foreign Exchange Rates), (IAS) 8 (Accounting Policies, Changes in Accounting Estimates and Errors), (IAS) 1 (Presentation of Financial Statements) and IFRS 15 (Revenue from Contracts with Customers) on presentation of manufacturing profit, valuation methodology on property, plant and equipment and the consequential impact on 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).

KEY FINANCIAL REPORTING MATTERS
Users are advised to exercise caution in the interpretation of these inflation-adjusted financial statements.

The business translated its nostro sales and foreign currency monetary assets at the Auction rate, despite the existence of a wide disparity between the Auction rate and the Market rate. Translating nostro sales at the Auction rate had the negative impact of suppressing the reported turnovers.

OPERATING ENVIRONMENT
The second half of the reporting period was affected by the closure of the business for 2 months in January and February due to Covid lockdowns. The business was classified as non-essential hence the closure.

TRADING PERFORMANCE

	1st half 13/7/20-10/1/21	3rd quarter 11/1/21-11/4/21	4th quarter 12/4/21-11/7/21
Units	-23.3 %	-59.3 %	+18.1 %

Sales were 64.9% cash and 35.1% credit.

IMPACT ON PROFITABILITY
The closure of the business in January and February resulted in a loss of sales for the 2 months. In the absence of a relief package, the business incurred the full operating costs for the months of January and February which resulted in a Trading Loss for the quarter and half year.

MERCHANDISE PERFORMANCE
Due to the lockdown in January and February, the factory did not receive the specialized winter fabrics for garment manufacture. The retail chains relied on purchasing the limited and non-exclusive ranges from local manufacturers. Stock turnovers were good and there were no markdowns. Gross margins were firm.

CREDIT MANAGEMENT
The book grew by 152.8 % and 84.8 % of the customers were in good standing and able to purchase compared to 80.3 % in the prior year. The doubtful debt allowance as a % of gross debtors was 6.7% compared to 13.4% in the prior year.

DIVIDEND
The Directors deemed it prudent not to declare a dividend for the year.

OUTLOOK
The business remains focused on growing profitability sustainably. Consumer Incomes have not recovered to pre-devaluation levels hence credit granting will remain cautious and the emphasis will remain on increasing cash sales participation.

Any future hard lockdowns will obviously have a negative impact on business performance.

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

B. Ndebele
Chief Executive Officer

19 January 2022

Registered Office
Stand 808 Seke Road
Prospect Park
Harare

GROUP STATEMENT OF FINANCIAL POSITION

	Note	INFLATION ADJUSTED at 11 July 2021 ZWL$	at 12 July 2020 ZWL$	HISTORICAL at 11 July 2021 ZWL$	at 12 July 2020 ZWL$
ASSETS					
Non current assets		**118 662 766**	**128 959 598**	**46 971 440**	**8 056 936**
Property, plant and equipment		107 785 209	124 619 557	40 069 260	7 804 947
Intangible assets		4 093 117	4 340 041	236 577	251 989
Right of use asset		6 784 440	-	6 665 603	-
Current assets		**192 180 663**	**195 698 128**	**120 952 808**	**50 045 562**
Inventories		138 387 940	131 927 885	67 620 564	20 345 004
Receivables - trade		35 007 075	33 765 373	35 007 075	16 339 859
- other		12 839 215	19 657 170	12 378 736	8 353 204
Cash and cash equivalents		5 946 433	10 347 700	5 946 433	5 007 495
Total assets		**310 843 429**	**324 657 726**	**167 924 248**	**58 102 498**
EQUITY AND LIABILITIES					
Equity		**146 374 717**	**191 743 055**	**37 537 433**	**18 620 787**
Share capital		664 491	664 491	38 407	38 407
Treasury shares		(5 485)	(5 485)	(317)	(317)
Non-distributable reserves		27 494 115	27 494 115	6 765 441	6 765 441
Revaluation reserve		-	-	30 696 320	-
Retained earnings		118 221 596	163 589 934	37 582	11 817 256
Non current liabilities		**44 619 902**	**57 758 656**	**11 959 696**	**3 498 561**
Deferred tax		43 188 336	57 758 656	10 528 130	3 498 561
Lease liability	3	1 431 566	-	1 431 566	-
Current liabilities		**119 848 810**	**75 156 015**	**118 427 119**	**35 983 150**
Payables - trade		62 740 760	27 452 896	62 740 760	12 386 406
- other		33 478 483	31 326 345	32 056 792	15 671 637
Short-term borrowings	4	19 732 439	11 994 677	19 732 439	5 804 507
Current portion of lease liability	3	1 776 528	-	1 776 528	-
Current tax		2 120 600	4 382 097	2 120 600	2 120 600
Total liabilities		**164 468 712**	**132 914 671**	**130 386 815**	**39 481 711**
Total equity and liabilities		**310 843 429**	**324 657 726**	**167 924 248**	**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)		**38.43**	**50.34**	**9.85**	**4.89**

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INFLATION ADJUSTED 52 weeks to 11 July 2021 ZWL$	53 weeks to 12 July 2020 ZWL$	HISTORICAL 52 weeks to 11 July 2021 ZWL$	53 weeks to 12 July 2020 ZWL$
Revenue	5	**286 916 968**	**341 676 464**	**242 183 186**	**69 643 417**
Revenue from Contracts with Customers		**246 086 111**	**306 387 449**	**206 578 334**	**61 942 581**
Cost of sales		(97 010 533)	(107 686 692)	(41 716 651)	(12 570 794)
Gross profit		149 075 578	198 700 757	164 861 683	49 371 787
Other operating income		2 607 888	1 679 397	2 314 791	70 151
Manufacturing (loss) / profit		(633 407)	18 787 311	(387 014)	3 083 179
		151 050 059	219 167 465	166 789 460	52 525 117
Trading expenses		**(232 000 539)**	**(208 923 420)**	**(194 429 406)**	**(43 310 678)**
Depreciation and amortisation	6	(5 465 385)	(7 254 797)	(1 551 054)	(409 561)
Employment costs		(82 116 398)	(46 366 628)	(69 832 493)	(9 410 088)
Occupancy costs		(69 713 987)	(42 558 803)	(59 214 293)	(9 151 279)
Trade receivable costs		(856 764)	(3 985 695)	(582 637)	(1 262 687)
Other operating costs		(73 848 005)	(108 757 497)	(63 248 929)	(23 077 063)
Trading (loss) / profit		**(80 950 480)**	**10 244 045**	**(27 639 946)**	**9 214 439**
Finance income		36 781 389	26 407 936	32 349 595	4 760 913
Operating (loss) / profit		**(44 169 091)**	**36 651 981**	**4 709 649**	**13 975 352**
Finance cost		(10 929 611)	(17 234 406)	(9 459 658)	(3 307 527)
Impairment of property, plant and equipment		(15 720 461)	-	-	-
Monetary gain / (loss)		10 880 616	(1 925 345)	-	-
(Loss) / profit before tax		**(59 938 547)**	**17 492 230**	**(4 750 009)**	**10 667 825**
Tax credit / (expense)	7	14 570 209	865 354	558 465	(3 298 694)
(Loss) / profit for the period		**(45 368 338)**	**18 357 584**	**(4 191 544)**	**7 369 131**
Other comprehensive income					
Revaluation of property, plant and equipment		-	-	23 108 190	-
Total comprehensive (loss) / income for the period		**(45 368 338)**	**18 357 584**	**18 916 646**	**7 369 131**
Earnings per share					
Basic and diluted (loss) / earnings per share		(11.91)	4.82	(1.10)	1.93
Basic and diluted headline (loss) / earnings per share		(12.16)	4.83	(1.33)	1.93
Key ratios					
Gross margin		60.6	64.9	79.8	79.7
Trading expenses to retail merchandise sales		94.3	68.2	94.1	69.9
Trading margin		(32.9)	3.3	(13.4)	14.9
Operating margin		(17.9)	12.0	2.3	22.6

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 07 2019 as previously reported	**664 491**	**5 485**	**27 494 115**	**166 515 238**	**194 668 359**
IAS 8 adjustment	-	-	-	(21 282 888)	(21 282 888)
Balance at July 07 2019	**664 491**	**(5 485)**	**27 494 115**	**145 232 350**	**173 385 471**
Total comprehensive income for the period	-	-	-	18 357 584	18 357 584
Balance at July 12 2020	**664 491**	**(5 485)**	**27 494 115**	**163 589 934**	**191 743 055**
Total comprehensive loss for the period	-	-	-	(45 368 338)	(45 368 338)
Balance at July 11 2021	**664 491**	**(5 485)**	**27 494 115**	**118 221 596**	**146 374 717**

HISTORICAL

	Share capital ZWL$	Treasury shares ZWL$	Non-distributable reserve ZWL$	Revaluation reserve ZWL$	Retained earnings ZWL$	Total ZWL$
Balance at July 07 2019	**38 407**	**(317)**	**6 765 441**	**-**	**4 448 125**	**11 251 656**
Total comprehensive income for the period	-	-	-	-	7 369 131	7 369 131
Balance at July 12 2020	**38 407**	**(317)**	**6 765 441**	**-**	**11 817 256**	**18 620 787**
Loss for the period	-	-	-	-	(4 191 544)	(4 191 544)
Revaluation of property, plant and equipment	-	-	-	30 696 320	(7 588 130)	23 108 190
Balance at July 11 2021	**38 407**	**(317)**	**6 765 441**	**30 696 320**	**37 582**	**37 537 433**

GROUP STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED 52 weeks to 11 July 2021 ZWL$	53 weeks to 12 July 2020 ZWL$	HISTORICAL 52 weeks to 11 July 2021 ZWL$	53 weeks to 12 July 2020 ZWL$
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES				
Net cash (utilised in) / generated from operations	(34 166 431)	36 364 679	(33 963 791)	3 334 595
Finance income	36 781 389	26 407 936	32 349 595	4 760 913
Finance cost	(10 929 611)	(17 234 406)	(9 459 658)	(3 307 527)
Tax paid	(113)	(3 566 710)	(12)	(297 192)
Net cash (utilised in) / generated from operating activities	**(8 314 766)**	**41 971 499**	**(11 073 866)**	**4 490 789**
Cash utilised in investing activities	**(1 246 482)**	**(3 039 612)**	**(1 399 614)**	**(772 645)**
Net cash generated from / (utilised in) financing activities	**15 073 644**	**(447 234)**	**13 412 418**	**161 263**
Net increase / (decrease) in cash and cash equivalents	5 512 396	38 484 653	938 938	3 879 407
Cash and cash equivalents at beginning of period	**10 347 700**	**19 517 398**	**5 007 495**	**1 128 088**
Foreign exchange differences	966 953	2 555 391	-	-
Monetary loss	(10 880 616)	(50 209 742)	-	-
Cash and cash equivalents at end of period	**5 946 433**	**10 347 700**	**5 946 433**	**5 007 495**

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

TRUWORTHS

AUDITED GROUP RESULTS
FOR THE FULL YEAR ENDED 11 JULY 2021

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 inflation-adjusted financial statements for the year ended 11 July 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 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's inflation-adjusted financial statements are in terms of IFRS except for the non-compliances with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), IAS 21 (The Effects of Changes in Foreign Exchange Rates), IAS 1 (Presentation of Financial Statements) and IFRS 15 (Revenue from Contracts with Customers) on presentation of manufacturing profit, valuation methodology on property, plant and equipment 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.

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 promulgamated 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 year ended 11 July 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 indices and conversion factors used to restate the accompanying financial statements are as follows:

	Indices	Conversion factor
CPI on 30 June 2021	2 986.44	1.00
CPI on 30 June 2020	1 445.21	2.07
CPI on 30 June 2019	172.60	14.30
Average CPI - 12 months to 30 June 2021	1.21	
Average CPI - 12 months to 30 June 2020	3.12	

	INFLATION ADJUSTED		HISTORICAL	
	2021 ZWL$	2020 ZWL$	2021 ZWL$	2020 ZWL$
3. LEASE LIABILITY				
Analysis:				
Non-current	1 431 566	-	1 431 566	-
Current	1 776 528	-	1 776 528	-
	3 208 094	**-**	**3 208 094**	**-**
Undiscounted future payments:				
Payable within one year	1 776 528	-	1 776 528	-
Payable two to five years	5 329 584	-	5 329 584	-
	7 106 112	**-**	**7 106 112**	**-**

4. SHORT TERM BORROWINGS

Short-term borrowings are jointly secured Cession of Book Debts, Power of Attorney to register an Notarial General Covering Bond (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 46.4% per annum was applicable to the outstanding balance.

	INFLATION ADJUSTED		HISTORICAL	
	52 weeks to 11 July 2021 ZWL$	53 weeks to 12 July 2020 ZWL$	52 weeks to 11 July 2021 ZWL$	53 weeks to 12 July 2020 ZWL$
5. REVENUE				
Sale of merchandise	248 952 112	310 888 464	208 846 707	64 076 909
- Retail sales	244 902 644	302 007 384	205 591 448	61 136 986
- Factory sales to third parties	4 049 468	8 881 080	3 255 259	2 939 923
Interest receivable	36 781 389	26 407 937	32 349 595	4 760 913
- Accounts receivable	36 747 968	26 377 308	32 317 240	4 746 947
- Other	33 421	30 629	32 355	13 966
Service fees	1 063 766	3 989 092	884 894	742 564
Commissions	119 701	390 971	101 990	63 031
Total	**286 916 968**	**341 676 464**	**242 183 186**	**69 643 417**

	INFLATION ADJUSTED		HISTORICAL	
	52 weeks to 11 July 2021 ZWL$	53 weeks to 12 July 2020 ZWL$	52 weeks to 11 July 2021 ZWL$	53 weeks to 12 July 2020 ZWL$
6. DEPRECIATION AND AMORTISATION				
Retail charge	5 465 385	7 254 797	1 551 054	409 561
Manufacturing charge	457 457	645 742	27 805	34 614
Total charge	**5 922 842**	**7 900 539**	**1 578 859**	**444 175**
7. TAX CREDIT / (EXPENSE)				
Current tax charge for the period	(113)	(4 595 879)	(96)	(2 224 054)
Deferred tax credit / (charge) for the period	14 570 322	5 461 233	558 561	(1 074 640)
Total tax credit / (expense)	**14 570 209**	**865 354**	**558 465**	**(3 298 694)**
8. HEADLINE (LOSS) / EARNINGS PER SHARE				
(Loss) / earnings attributable to shareholders	(45 368 338)	18 357 584	(4 191 544)	7 369 131
Adjusted for non-recurring items:-				
Profit on disposal of property, plant and equipment	(944 264)	36 687	(870 673)	(4 668)
Headline (loss) / earnings	(46 312 602)	18 394 271	(5 062 217)	7 364 463
Headline (loss) / earnings per share	(12.16)	4.83	(1.33)	1.93
Weighted average number of ordinary shares used in calculating (loss) / earnings per share	380 901 152	380 901 152	380 901 152	380 901 152

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	4 049 468	8 881 080	244 902 644	302 007 384	-	-	248 952 112	310 888 464
Inter-segment sales	37 671 581	50 731 660	-	-	(37 671 581)	(50 731 660)	-	-
Interest receivable	-	-	36 781 389	26 407 937	-	-	36 781 389	26 407 936
Service fees	-	-	1 063 766	3 989 092	-	-	1 063 766	3 989 092
Commissions	-	-	119 701	390 971	-	-	119 701	390 972
Total revenue	**41 721 049**	**59 612 740**	**282 867 500**	**332 795 384**	**(37 671 581)**	**(50 731 660)**	**286 916 968**	**341 676 464**
Segment result								
(Loss) / profit for the period	(575 468)	19 096 860	(80 317 073)	(8 543 265)	(57 939)	(309 549)	(80 950 480)	10 244 046
Impairment of property, plant and equipment	(12 325 756)	-	(3 394 705)	-	-	-	(15 720 461)	-
Monetary (loss) / gain	(649 082)	(1 504 517)	11 529 698	(420 829)	-	-	10 880 616	(1 925 346)
Finance income	-	-	36 781 389	26 407 937	-	-	36 781 389	26 407 937
Finance cost	-	(96 610)	(10 929 611)	(17 137 796)	-	-	(10 929 611)	(17 234 406)
Tax credit / (expense)	3 216 004	(1 912 292)	11 354 204	2 777 654	-	-	14 570 209	865 354
Net (loss) / profit	**(10 334 302)**	**15 583 441**	**(34 976 098)**	**3 083 691**	**(57 939)**	**(309 549)**	**(45 368 338)**	**18 357 584**

	HISTORICAL							
	Manufacturing		Retail		Elimination		Consolidated	
	2021 ZWL$	2020 ZWL$	2021 ZWL$	2020 ZWL$	2021 ZWL$	2020 ZWL$	2021 ZWL$	2020 ZWL$
External Sales	3 255 258	2 939 922	205 591 449	61 136 987	-	-	208 846 707	64 076 909
Inter-segment sales	31 813 450	9 222 612	-	-	(31 813 450)	(9 222 612)	-	-
Interest receivable	-	-	32 349 595	4 760 913	-	-	32 349 595	4 760 913
Service fees	-	-	884 894	742 564	-	-	884 894	742 564
Commissions	-	-	101 990	63 031	-	-	101 990	63 031
Total revenue	**35 068 708**	**12 162 534**	**238 927 928**	**66 703 495**	**(31 813 450)**	**(9 222 612)**	**242 183 186**	**69 643 417**
Segment result							-	-
(Loss) / profit for the period	(387 014)	3 131 179	(27 204 932)	6 131 260	(48 000)	(48 000)	(27 639 946)	9 214 439
Finance income	-	-	32 349 595	4 760 913	-	-	32 349 595	4 760 913
Finance cost	-	(19 559)	(9 459 658)	(3 287 968)	-	-	(9 459 658)	(3 307 527)
Tax credit / (expense)	70 336	(765 834)	488 129	(2 532 860)	-	-	558 465	(3 298 694)
Net (loss) / profit	**(316 678)**	**2 345 786**	**(3 826 866)**	**5 071 345**	**(48 000)**	**(48 000)**	**(4 191 544)**	**7 369 131**

10. CONTINGENT LIABILITIES

There are no contingent liabilities.

	INFLATION ADJUSTED		HISTORICAL	
	52 weeks to 11 July 2021 ZWL$	53 weeks to 12 July 2020 ZWL$	52 weeks to 11 July 2021 ZWL$	53 weeks to 12 July 2020 ZWL$
11. CAPITAL EXPENDITURE FOR THE PERIOD	**2 505 743**	**3 045 832**	**2 365 583**	**774 334**

12. VARIANCE ANALYSIS

	PER AUDITED RESULTS		PER PRELIMINARY REPORT	
	2021 ZWL$	2020 ZWL$	2021 ZWL$	2020 ZWL$
(i) Group Statement of Profit or Loss and Other Comprehensive Income				
Tax credit / (expense)	14 570 209	865 354	(7 687 895)	1 840 570
(Loss) / profit for the period	(45 368 338)	18 357 584	(67 626 442)	19 332 800
Total Comprehensive (loss) / income for the period	(45 368 338)	18 357 584	(67 626 442)	19 332 800
Earnings per share				
Basic and diluted (loss) / earnings per share	(11.91)	4.82	(17.75)	5.08
Basic and diluted headline (loss) / earnings per share	(12.16)	4.83	(18.00)	5.06
(ii) Group Statement of Financial Position				
Equity	no change	191 743 055	no change	214 001 159
Retained earnings	no change	163 589 934	no change	185 848 038
Deferred tax	no change	57 758 656	no change	35 500 552
Net asset value per share ()	no change	50.34	no change	56.18
(iii) Group Statement of Cashflows				
Net cash (utilised in) / generated from operations	no change	36 364 679	no change	71 978 581
Net cash (utilised in) / generated from operating activities	no change	41 971 499	no change	77 585 401
Net increase / decrease in cash and cash equivalents	no change	38 484 653	no change	(11 095 043)
Monetary loss	no change	(50 209 742)	no change	(630 046)

13. EVENTS AFTER THE END OF REPORTING PERIOD

There have not been any events after reporting date that have had an impact on the financial statements.

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 inflation adjusted Financial Statements

Qualified Opinion

We have audited the consolidated and company inflation adjusted financial statements of Truworths Limited (the Group and Company), which comprise the Group and Company inflation adjusted statements of financial position as at 11 July 2021, and the 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 year then ended, and notes to the inflation adjusted financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion section in our report, the accompanying Group and Company inflation adjusted financial statements present fairly the financial position of the Group and Company as at 11 July 2021, and their financial performances and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

Basis for a qualified opinion

<u>**Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates and IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors,**</u>

As explained in note 2 to the inflation adjusted Group and Company financial statements, the Group and Company changed its functional and reporting currency from United States Dollar (US$) to Zimbabwe Dollars (ZWL) on 23 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. In addition, on 23 February 2019, the Group and Company translated the financial statements at different exchange rates which created an imbalance which was recorded as a reserve, contrary to IAS 21 requirements. Our prior year audit report was therefore modified due to this matter.

Further contributing to the prior year adverse opinion was the translation of foreign denominated transactions and balances at exchange rates which did not meet IAS 21 requirements for a spot rate.

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 Polices, Changes in Accounting Estimates and Errors*, therefore many corresponding amounts on the inflation adjusted Group and Company statements of Financial Position and all corresponding amounts on the inflation adjusted Group and Company's 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 as they still comprise amounts from opening balances:

Group

- Intangible Assets of ZWL 4 093 117 (2020: ZWL 4 340 041)
- Non-distributable Reserves of ZWL 27 494 115 (2020: ZWL 27 494 115)
- Retained Earnings of ZWL 118 221 596 (2020: ZWL 185 848 038)

Company

- Intangible Assets of ZWL 3 952 465 (2020: ZWL 4 183 797)
- Non-distributable Reserves of ZWL 14 002 892 (2020: ZWL 14 002 892)
- Retained Earnings of ZWL 42 880 335 (2020: ZWL 67 747 393)

As opening balances enter into the determination of cash flows and performance, our opinion is also modified in respect of the impact of this matter on the cashflows from operations on the Group and Company inflation adjusted Statements of Cash Flows, as well as the following amounts in the Group and Company inflation adjusted Statements of profit or loss and other comprehensive Income:

Group

- Depreciation and amortisation expense ZWL 5 465 385
- Tax expense ZWL 7 687895
- Monetary gain ZWL 10 880 616

Company

- Depreciation and amortisation expense ZWL4 023 809
- Tax expense ZWL 2 557 831
- Monetary loss ZWL 4 048 467

Valuation of property, plant and equipment,

The Group and Company was previously on a cost model for property, plant and equipment in previous years and made a voluntary change to the revaluation model in the current year. According to IAS 8, a change in accounting policy is acceptable only if the change is required by an IFRS or if it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. The voluntary change made by management is not required by an IFRS, and it also does not provide reliable and more relevant information given a reliable valuation in ZWL cannot be done as explained further in the paragraph below.

The property, plant and equipment were valued using USD denominated inputs and converted to ZWL at the closing auction rate. We believe that applying a conversion rate to a USD valuation to calculate ZWL property, plant and equipment values may not be an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with property, plant and equipment market.

Consequently, property, plant and equipment values may be materially misstated, and we are unable to determine what adjustments may be necessary to correctly account for these amounts.

IAS 1 - Presentation of financial statements and IFRS 15 - Revenue from Contracts with Customers

Manufacturing revenue and manufacturing expenses have been offset and presented as manufacturing profit on the face of the Statement of Profit and Loss and Other Comprehensive Income. This is not compliant with IAS 1 which requires that "An entity reports separately both assets and liabilities, and income and expenses. Offsetting in the statement(s) of profit or loss and other comprehensive income or financial position, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and conditions that have occurred and to assess the entity's future cash flows". There is non-compliance with IAS 1 and IFRS 15 regarding manufacturing revenue and manufacturing expenses that have been offset and presented as manufacturing profit on the face of the Statement of Profit and Loss and Other Comprehensive Income, as IAS 1 requires that income and expenses should not be offset. The revenue amount that has been offset is ZWL 16 048 061 (2020:

ZWL 36 051 907). This is disclosed in Note 6 for Manufacturing Profit (as below), where it shows revenue and expenses.

Manufacturing Profit:

INFLATION ADJUSTED		HISTORICAL COST	
GROUP	GROUP	GROUP	GROUP
(633 407)	18 787 311	(387 014)	3 083 179

Application of IAS 29 - Financial Reporting in Hyperinflationary Economies

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior periods' financial statements which did not meet the requirements of 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 Group and Company monetary gain or loss of

ZWL 10 880 616 (2020: ZWL 1 925 345) and Company ZWL 4 048 467 (2020:

ZWL 58 415 924) on the inflation adjusted Group and Company Statements of Profit or Loss and Other Comprehensive Income respectively is impacted as the misstatements could not be quantified as IAS 21 compliant exchange rates were not available.

Our prior period audit opinion was also modified as a result of this matter.

The effects of the above departures from IFRS are material but not pervasive to the inflation adjusted Group and Company financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the Auditor's Responsibilities for the Audit of the inflation adjusted Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the inflation adjusted financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Except for the matters described in the Basis for Qualified 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, the Statement of Corporate Governance and Responsibility, Company Profile, Corporate Information and Analysis of Shareholders but does not include the Group and Company inflation adjusted financial statements and our auditor's report thereon. Our opinion on the Group 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, the Statement of Corporate Governance and Responsibility, Company Profile, Corporate Information and Analysis of Shareholders are expected to be made available to us after the date of this auditor's report.

In connection with our audit of the Group and Company 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 Group 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 Qualified Opinion section above, the Group and Company did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates in the prior year and IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors. Further the Group and Company did not comply with IAS 1 - Presentation of financial statements and IFRS 15 - Revenue from Contracts with Customers and the revaluation of property, plant and equipment was not appropriate as discussed in the basis for qualified opinion section above. We have concluded that the other information is materially misstated for the same reasons with respect to the amounts or other items in the reports affected by the failure to comply with the referred standards.

Responsibilities of the Directors for the Group and Company inflation adjusted Financial Statements

The Directors are responsible for the preparation and fair presentation of the Group 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 inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted financial statements, the Directors are responsible for assessing the Group and Company'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 and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Group and Company inflation adjusted Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 inflation adjusted 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 inflation adjusted 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 and Company 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 and Company'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 Group and Company inflation adjusted financial 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 and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group and Company inflation adjusted financial statements, including the disclosures, and whether the inflation adjusted financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the inflation adjusted Group and Company 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.

The engagement partner on the audit resulting in this independent auditor's report is Constance Chakona (PAAB Number 0431).

Ernst & Young

Ernst & Young

Chartered Accountants (Zimbabwe)

Registered Public Audit

Harare

Date: 24 January 2022