

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 08 January 2023 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 non-compliance with International Financial Reporting Standards explained in this report. 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\$).

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 21 – The Effects of Changes in Foreign Exchange Rates, IFRS 13 – Fair Value Measurement in the valuation of property, plant and equipment, IAS 1 – Presentation of Financial Statements and IFRS 15 – Revenue from Contracts with Customers and IAS 2 – Inventories, 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 income statement 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 09 January 2022. 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 31 December 2022	13 672.91	1.00
CPI on 30 June 2022	8 707.35	1.57
CPI on 31 December 2021	3 977.46	3.44
CPI on 30 June 2021	2 986.44	4.58
Average CPI - 6 months to 31 December 2022	12 678.08	
Average CPI - 6 months to 31 December 2021	3 481.73	

3. LEASE LIABILITY

Analysis:

	INFLATION ADJUSTED		HISTORICAL COST	
	26 weeks to 08 January 2023	26 weeks to 09 January 2022	26 weeks to 08 January 2023	26 weeks to 09 January 2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$
Non-current	1 927 556	1 343 792	1 927 556	1 074 493
Current	1 595 486	2 221 774	1 595 486	1 776 526
Total	3 523 042	3 565 566	3 523 042	2 851 019

Undiscounted future payments:

	INFLATION ADJUSTED		HISTORICAL COST	
	26 weeks to 08 January 2023	26 weeks to 09 January 2022	26 weeks to 08 January 2023	26 weeks to 09 January 2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$
Payable within one year	2 960 877	5 554 442	1 776 528	1 776 528
Payable two to five years	4 737 405	7 776 219	2 960 877	4 441 320
Total	7 698 282	13 330 661	4 737 405	6 217 848

4. 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 51.75% per annum was applicable on the outstanding balance.

	INFLATION ADJUSTED		HISTORICAL COST	
	26 weeks to 08 January 2023	26 weeks to 09 January 2022	26 weeks to 08 January 2023	26 weeks to 09 January 2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$
Sale of merchandise	528 931 405	890 637 272	388 033 393	227 109 946
- Retail sales	516 060 566	868 434 954	376 166 793	224 936 267
- Factory sales to third parties	12 870 839	22 202 318	11 866 600	2 173 679
Interest receivable	48 849 695	126 029 892	39 172 592	33 668 215
- Accounts receivable	48 849 470	125 880 981	39 172 386	33 632 209
- Other	225	148 911	206	36 006
Service fees	13 572	3 024 096	11 559	731 213
Commissions	3 586	264 037	3 497	63 843
Total	577 798 258	1 019 955 297	427 221 041	261 573 217

5. REVENUE

	INFLATION ADJUSTED		HISTORICAL COST	
	26 weeks to 08 January 2023	26 weeks to 09 January 2022	26 weeks to 08 January 2023	26 weeks to 09 January 2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$
Sale of merchandise	528 931 405	890 637 272	388 033 393	227 109 946
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	INFLATION ADJUSTED		HISTORICAL COST	
	26 weeks to 08 January 2023	26 weeks to 09 January 2022	26 weeks to 08 January 2023	26 weeks to 09 January 2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$
6. DEPRECIATION AND AMORTISATION				
Depreciation charge	886 609	7 073 125	839 507	1 065 656
Amortisation charge	2 098	57 479	1 935	8 660
Total charge	888 707	7 130 604	841 442	1 074 316
7. FINANCE COSTS				
Borrowings	56 961 826	3 774 195	54 616 196	1 097 916
Other	50 231 875	34 314 396	50 156 334	8 782 461
Total finance costs	107 193 701	38 088 591	104 772 530	9 880 377
8. TAX				
Current tax charge for the period	(5 386 860)	-	(4 968 022)	-
Deferred tax charge for the period	31 801 620	9 067 141	29 328 988	2 637 626
Total tax charge	26 414 760	9 067 141	24 360 966	2 637 626
9. (LOSS) / EARNINGS PER SHARE				
(Loss) / earnings attributable to shareholders	(590 337 853)	366 510 635	(375 689 396)	4 099 908
Adjusted for on-recurring items:-				
Loss on disposal of property, plant and equipment	(869 337)	(983 567)	(808 313)	(786 458)
Headline (loss) / earnings	(591 207 190)	365 527 068	(376 497 709)	3 313 450
Headline (loss) / earnings per share (cents)	(155.21)	95.96	(98.84)	0.87
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

10. SEGMENT INFORMATION

	INFLATION ADJUSTED							
	Manufacturing		Retail		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$
External Sales	12 870 839	22 202 318	516 060 566	868 434 955	-	-	528 931 405	890 637 272
Inter-segment sales	103 773 058	69 859 499	-	-	(103 773 058)	(69 859 499)	-	-
Interest receivable	-	-	48 849 695	126 029 892	-	-	48 849 695	126 029 892
Service fees	-	-	13 572	3 024 096	-	-	13 572	3 024 096
Commissions	-	-	3 586	264 037	-	-	3 586	264 037
Total revenue	116 643 897	92 061 817	564 927 419	997 752 980	(103 773 058)	(69 859 499)	577 798 258	1 019 955 297
Segment result								
Profit/(loss) for the period	40 953 650	(17 121 577)	(266 014 247)	(82 225 305)	53 208 305	(334 349)	(171 852 292)	(82 559 654)
Monetary (loss) / gain	44 325 799	-	10 207 028	370 196 129	(388 259 622)	-	(333 726 795)	370 196 129
Finance income	-	-	48 849 695	126 029 892	-	-	48 849 695	126 029 892
Finance cost	(1 327 104)	(374 442)	(105 866 596)	(38 088 591)	-	-	(107 193 700)	(38 088 591)
Tax expense	27 108 070	2 608 969	(53 522 830)	(9 067 141)	-	-	(26 414 760)	(9 067 141)
Net (loss) / profit	111 060 415	(14 887 050)	(366 346 951)	366 844 984	(316 307 277)	(334 349)	(571 593 813)	366 510 635

	HISTORICAL COST							
	Manufacturing		Retail		Elimination		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$	ZWL\$
External Sales	11 866 600	2 173 679	376 166 793	224 936 267	-	-	388 033 393	227 109 946
Inter-segment sales	97 802 740	21 693 050	-	-	(97 802 740)	(21 693 050)	-	-
Interest receivable	-	-	39 172 592	33 668 215	-	-	39 172 592	33 668 215
Service fees	-	-	11 559	731 213	-	-	11 559	731 213
Commissions	-	-	3 497	63 843	-	-	3 497	63 843
Total revenue	109 669 340	23 866 729	415 354 441	259 399 538	(97 802 740)	(21 693 050)	427 221 041	261 573 217
Segment result								
(Loss) / profit for the period	43 300 472	(3 778 163)	(287 004 734)	(13 224 141)	(42 024 230)	(48 000)	(285 728 492)	(17 050 304)
Finance income	-	-	39 172 591	33 668 215	-	-	39 172 592	33 668 215
Finance cost	-	-	(104 772 529)	(9 880 377)	-	-	(104 772 530)	(9 880 377)
Tax (credit) / expense	25 000 370	758 951	(49 361 336)	(3 396 577)	-	-	(24 360 966)	(2 637 626)
Net profit	68 300 842	(3 019 212)	(401 966 008)	7 167 120	(42 024 230)	(48 000)	(375 689 396)	4 099 908

	INFLATION ADJUSTED		HISTORICAL COST	
	at 08 January 2023	at 09 January 2022	at 08 January 2023	at 09 January 2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$
11. CONTINGENT LIABILITIES				
There are no contingent liabilities.				
12. CAPITAL EXPENDITURE FOR THE PERIOD	1 200 385	424 187	1 171 985	339 179

13. EVENTS AFTER THE END OF REPORTING PERIOD

No event material to the understanding of this report has occurred between the end of the reporting period and the date of approval of these interim consolidated financial statements.

14. GOING CONCERN CONSIDERATIONS

The financial statements have been prepared on a going concern basis which assumes the Group will continue to operate for the foreseeable future. The inflation adjusted loss for the period amounted to ZWL\$590,337,853 (HY2022: Profit ZWL366,510,635). Current liabilities exceeded current assets by ZWL\$491,877,882 (FY2022 current assets exceeded current liabilities by ZWL\$176,675,626). These conditions may give rise to a material uncertainty which may cast doubt on the Company's ability to continue operating as a going concern and to realise its assets and discharge its obligations in the normal course of business. However mitigation efforts have been explored by the Group. The Group is engaged in discussions in a transaction that involves raising capital for the Group's working capital requirements and expansion initiatives through the issuance of shares by way of a rights offer. This has been notified to shareholders as per the Group's cautionary statement issued on 15 May 2023. The Directors have assessed the ability of the company to continue as a going concern on a continuous basis and believe that the going concern assumption used in the preparation of the financial statements is appropriate.

REPORT ON REVIEW OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

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To the members of Truworths Limited

We have reviewed the accompanying consolidated statement of financial position of Truworths Limited as at 8 January 2023 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the six-month period then ended, and a summary of significant Group accounting policies and other explanatory notes.

Responsibilities of Management and Those Charged with Governance for the consolidated interim financial information

Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with International Accounting Standard (IAS) 34 “*Interim Financial Reporting*” and the Group’s accounting policies, this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of interim financial statements that are free of material misstatement whether due to fraud or error.

Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 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 Conclusion

Non-compliance with IAS 21 – The Effects of Changes in Foreign Exchange Rates

During the period, the foreign currency denominated transactions and balances of the Group were translated into ZWL using the foreign currency auction rates and internally determined foreign exchange rates. The use of foreign currency auction rates and internally determined foreign exchange rates was not in compliance with IAS 21. In terms of IAS 21, where several exchange rates are available, the rate used is that at which the future cash flows represented by the transaction could have been settled if those cash flows had occurred at the measurement date.

We were unable to quantify the impact of using foreign currency auction rates and internally determined foreign exchange rates on the translation of foreign currency transactions to ZWL in the consolidated interim financial information. Had the consolidated financial information been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. The effects of the non-compliance with the requirements of IAS 21 have been considered to be material and pervasive to the consolidated interim financial information.

Valuation of property, plant and equipment

The determination of fair values for property, plant and equipment presented in the consolidated interim financial information is affected by the prevailing economic environment. The consolidated interim financial information include plant which was revalued by Directors as at 8 January 2023, motor vehicles which were revalued by independent professional valuers as at 10 July 2022 and other classes of property, plant and equipment were last revalued by independent professional valuers as at 30 June 2021. The valuations were determined in United States Dollars (USD) and then translated to Zimbabwe Dollars (ZWL) at the auction exchange rate.

Although the determined USD values reflected the fair value of the property, plant and equipment in USD, the converted ZWL values were not in compliance with *IFRS 13 – Fair Value*

Measurement, as they did not reflect the assumptions that market participants would apply in valuing similar items of property, plant and equipment in ZWL.

Non-compliance with International Accounting Standard (IAS) 1 - Presentation of Financial Statements and International Financial Reporting Standards (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 consolidated interim statement of profit or loss and other comprehensive income. This presentation is not compliant with IAS 1 and IFRS 15 which require the Group to report separately income and expenses. Offsetting in the statement of profit or loss and other comprehensive income is necessary when offsetting reflects the substance of the transaction or other event. Revenue of **ZWL 110 135 186** and expenses of **ZWL 68 110 956** have been offset for the six months ended 8 January 2023.

The impact of the departure from the requirements of these standards is considered to be material but not pervasive to the consolidated financial statements for the six months ended 8 January 2023.

Non-compliance with International Accounting Standard (IAS) 2 - Inventories

During the six months ended 9 January 2022, the Group revalued inventories with a cost of **ZWL 92 262 524** to a market value of **ZWL 114 772 282** to approximate fair values prevailing in the market as at 8 January 2023, for similar items of inventory. This constitutes a departure from IAS 2 - Inventories which requires inventories to be measured at the lower of cost or net realisable value. The revaluation of inventories resulted in overstatement of profit before tax and inventory by **ZWL 22 509 758**.

The impact of the departure from the requirements of IAS 2 is considered to be material but not pervasive to the consolidated financial statements for the six months ended 8 January 2023.

Material Uncertainty Related to Going Concern

The Group incurred a loss before tax of **ZWL 571 593 813** for the six months ended 8 January 2023 and as at that date, the Group's current liabilities exceeded its current assets by **ZWL 491 877 882**. As at the same date, the Group's total liabilities exceeded total assets by **ZWL 37 658 426**. This indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Adverse Conclusion

Based on our review, because of the significance of the matters described in the *Basis for Adverse Conclusion* section of our report, the accompanying consolidated interim financial information does not present fairly, in all material respects the financial position of Truworths Limited as at 8 January 2023, and of its financial performance and its cash flows for the six months then ended in accordance with International Financial Reporting Standards (IFRS).

The engagement partner on the review engagement resulting in this independent review conclusion is Trevor Mungwazi.

Grant Thornton

Trevor Mungwazi

Partner

Registered Public Auditor (PAAB No: 0622)

Grant Thornton

Chartered Accountants (Zimbabwe)

Registered Public Auditors

HARARE

18 May 2023