



# 2017

Annual Report

TRUWORTHS

*Love what you wear*



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# Company Profile

Truworths Limited was incorporated in Zimbabwe in 1957 and has been operating as a retailer since then. The Company was listed on the Zimbabwe Stock Exchange in 1981, operating from 14 retail outlets comprised of Truworths Stores and Topic Stores. The Company now operates under the following:

Truworths Ladies operates from 8 stand-alone outlets as well as from 2 other branches which are housed within Truworths Man.

Truworths Man operates from 6 stand-alone outlets and 2 other branches which are housed within Truworths Ladies.

Topics operates from 27 stores.

Number 1 operates from 20 outlets.

Bravette, the manufacturing unit of the business is based in Harare and manufactures ladies wear sold through Truworths, Topics as well as Number 1. It also produces garments for the export market.

# Corporate Information

## DIRECTORS

C. P. M. Peech (Chairman)  
 B. Ndebele (Chief Executive Officer)  
 M. T. Chidovi  
 L. Mabhiza  
 M.P Mahlangu  
 D. B. Pfaff  
 S. M. Takaendis

## COMPANY SECRETARY

M. T. Chidovi

## REGISTERED OFFICE

Stand 808 Seke Road  
 Prospect Park  
 P.O. Box 2898  
 Harare  
 Tel: (263 4) 576441/9 / 576465  
 E-mail: [truworths@truworths.co.zw](mailto:truworths@truworths.co.zw)  
 Website: [www.truworths.co.zw](http://www.truworths.co.zw)

## AUDITORS

Ernst & Young  
 Chartered Accountants (Zimbabwe)  
 Angwa City Building  
 Julius Nyerere Way/Kwame Nkrumah  
 P O Box 702 or 62  
 Harare

## TRANSFER SECRETARY

Corpserve (Private) Limited  
 2nd Floor ZB Centre  
 Cnr Kwame Nkrumah Avenue/ First Street  
 P. O. Box 2208, Harare  
 Tel: (263 4) 758193, 750711/2, 751559/61  
 Fax: (263 4) 752 629  
 E-mail: [corpserve@corpserve.co.zw](mailto:corpserve@corpserve.co.zw)

# Chairman's Statement

Trading conditions during the reporting period were extremely difficult as we observed social unrest, business failures and retrenchments in the main trading areas. This, coupled with consumers under significant financial distress, witnessing delayed and unpaid salaries, did not auger well for consumer spending.

Retail sales reflect the difficult trading conditions I have alluded to and I am disappointed to tell you that your company posted a loss for the reporting period. Turnover was 28.8% lower than the prior year resulting in an operating margin of -19.4% compared to -7.8% in the previous year. Our trading performance for the financial year is covered in the Chief Executive Officer's Report.

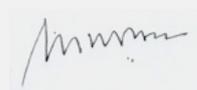
Due to all the difficulties and our results, your Board has deemed it prudent not to declare a dividend.

The Board of Directors convened four times during the financial year. In these meetings we took care to review business performance and strategy in detail, with particular emphasis placed upon risk assessment. In so doing we have improved sustainability and reduced risk. We were well supported by the Audit Committee, which met independently during the year to verify and approve published financial information and to examine our systems of control. I am also satisfied that the Remuneration Committee carried out its duties diligently.

The improved sales performance in the new financial year, as reported in the Chief Executive Officer's Report, is encouraging. The Board considers that this, barring any adverse events in our volatile environment, together with store and cost rationalization initiatives that have been undertaken, should have a positive impact on Group performance.

As in past years, I am grateful for the contribution of my fellow Directors and thank them for their commitment to the proper and careful governance of your Company. On behalf of the Board, I thank Management and Staff for their hard work, customers for their patronage and suppliers for their support.

In conclusion, we all remain indebted to our valued shareholders for the confidence that they continue to show towards our Company.



**C P M Peech**  
Chairman

**September 28 2017**

# Chief Executive Officer's Business Review

## For The Period 11/07/2016 – 09/07/2017

### OVERVIEW

The calendar year 2016 proved to be the most difficult trading period since dollarization. An uncertain economic environment with the introduction of bond notes and civil unrest mainly in Harare contributed towards poor consumer sentiment.

The second half of the year, particularly the period March to June witnessed a recovery in sales across all chains. Number 1 was driven by a good agricultural season, Topics and Truworths were driven by civil servants bonuses.

### TRADING RESULTS

Sales were negatively affected by the factors mentioned above resulting in a 12 month decline in sales of 28.8% as illustrated below:

	1 <sup>st</sup> half to 08/01/17	2 <sup>nd</sup> half to 09/07/17
Truworths	(40.3%)	(7.1%)
Topics	(43.0%)	(6.3%)
Number 1	(31.7%)	16.5%*

\*Same store sales

The out turn on gross margins was as follows:

	1 <sup>st</sup> half to 8/1/17	2 <sup>nd</sup> half to 9/7/17	Full Year	Prior Year
Gross Margins	38.1%	42.6%	40.2%	44.4%

Gross margins were depressed in the first half due to depressed demand. The business had to engage in promotional activities to stimulate sales hence the reduction in gross margins in the 1st half period to 08/01/17.

In the 2nd half period to 09/07/17 with a favourable trading environment gross margins recovered to 42.6%

	1 <sup>st</sup> half to 08/01/17	2 <sup>nd</sup> half to 09/07/17
Markdown/Promotional Sales as a % of turnover	12.0%	1.9%

Trading expenses excluding trade receivable costs reduced by 16.6% compared to last year and have reduced by 26% since financial year-end 6 July 2014.

The business closed 6 Number 1 stores at the end of December 2016. This had the impact of reducing the Number 1 operating cost base by 41% for the period 09/01/17 to 09/07/17.

### TRADE RECEIVABLES

The number of accounts increased by 4.1% over the comparative period. Trade receivables increased by 15.3% due to more customers opting for the 12 month payment scheme instead of the 6 month payment scheme. The number of accounts opting for the 12 month scheme increased by 35.4% resulting in a 76.7% increase in the 12 month scheme values,

In line with the deteriorating economic condition, net bad debt was higher than the prior year with write-offs increasing by 121.4% and recoveries reducing by 61.7%. All write offs had been adequately provided for.

The allowance for doubtful debts (provision) increased by 21.8% and was 9.4% of gross trade receivables at 09/07/17 compared to 8.9% in the prior period.

### OUTLOOK

Shortages of foreign currency will negatively affect product supply.

Shortages of foreign currency are leading to inflationary pressures on price inelastic products and necessities thereby putting a severe strain on the consumer. Our products are price elastic and very discretionary posing a significant challenge to customer demand and sales.

However, sales growth for the 12 weeks to 30 September has been positive and encouraging.

Truworths	23.3%
Topics	14.2%
Number 1 (same store sales)	12.1%

Gross margins have improved to 49.3% and together with the cost rationalization that has been undertaken the business has returned to profitability.

### ACKNOWLEDGEMENTS

I would like to express my gratitude to our BANKERS, SUPPLIERS, CUSTOMERS and WORK COLLEAGUES for the support they have given to the Business in extremely difficult conditions.

My further gratitude to the Board for their wise counsel.



**B. NDEBELE**  
**CHIEF EXECUTIVE OFFICER**  
**September 28 2017**

# DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the Group and Company annual financial statements for the 52 week period ended July 09 2017.

## NATURE OF BUSINESS

The Group is involved in the manufacture and retailing of fashion apparel and related merchandise. The Group operates principally in Zimbabwe.

## RESULTS OF OPERATIONS

The results for the period are detailed in the Group and Company financial statements which follow.

## GOING CONCERN

The directors have reviewed the Group's budget and cash flow forecast for the year to July 08 2018. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that the Group is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

## DIVIDEND

Given the difficulties in the trading environment, the Board considered it prudent not to declare a dividend for the financial year ended July 09 2017.

## PROPERTY, PLANT AND EQUIPMENT

There were no major changes in the nature of the Group's property, plant and equipment during the period.

The capital expenditure for the year to July 09 2017 was \$34,222. The approved capital expenditure for the year to July 08 2018 is \$120,000.

## SHARE CAPITAL

The authorised share capital of the Company remains at \$100,000 comprising 1,000,000,000 ordinary shares at \$0.0001 each. The issued share capital has not changed during the year.

Details of the authorised and issued share capital of the company are disclosed in note 17 of the Company's annual financial statements.

## RESERVES

The movement in the reserves of the Group and the Company are shown in the statements of Comprehensive Income, Group and Company Statements of Changes in Equity and in the Notes to the Financial Statements.

## DIRECTORS AND SECRETARY

The names of the directors and Company Secretary in office at the date of this report are set out on page 4.

Ms Annalize Kirsten resigned from the Board with effect from October 9 2017 after having served on the Board for 2 years.

Mr CPM Peech retires by rotation in terms of the Articles of Association. Being eligible, he offers himself for re-election at the forthcoming Annual General Meeting.

## DIRECTORS FEES

A resolution will be proposed at the Annual General Meeting to approve Directors' fees amounting to \$18,165.

## AUDITORS

Members will be asked to approve the remuneration of the Auditors for the past year and re-elect Ernst & Young as Auditors for the ensuing year.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

No event which is material to the understanding of this report has occurred between the end of the reporting period and the date of this report.

## ANNUAL GENERAL MEETING

The Sixtieth Annual General Meeting will be held at 0900 hours on Thursday November 30 2017 at the Registered Office of the Company.

## REGISTERED OFFICE

The registered physical address of Truworths Limited and its subsidiaries is Stand 808 Seke Road, Prospect Park, Harare.

## By Order of the Board



**M T CHIDIVI**  
**SECRETARY**

**September 28 2017**

# ANALYSIS OF SHAREHOLDERS AS AT JULY 09 2017

## SHAREHOLDING DISTRIBUTION

	Total number of shares	% of issued shares	No of shareholders	% of total shareholders
1-5 000	1,066,550	0.28	730	54.93
5001- 10 000	1,381,347	0.36	192	14.45
10 001- 25 000	2,635,118	0.69	168	12.64
25 001 - 50 000	3,380,879	0.88	5	0.38
50 001- 100 000	3,409,720	0.89	51	3.84
100 001 -200 000	4,048,223	1.05	118	8.88
200 001 - 500 000	4,187,253	1.09	31	2.33
500 001 - 1 000 000	5,079,296	1.32	16	1.2
1 000 001 and above	358,879,126	93.44	18	1.35
	<b>384,067,512</b>	<b>100.00</b>	<b>1,329</b>	<b>100.00</b>

## SHAREHOLDING BY TYPE

New Non Residents	132,965,200	34.62	33	2.48
Local Companies	96,043,218	25.01	113	8.50
Insurance Companies	64,390,336	16.77	10	0.75
Foreign Nominee	60,543,285	15.76	9	0.68
Local Individual Residents	13,595,626	3.54	1,035	77.88
Pension Funds	6,130,760	1.60	16	1.20
Local Nominee	4,530,043	1.18	48	3.61
Foreign Companies	1,844,432	0.48	1	0.08
Employees	1,068,229	0.28	1	0.08
Charitable	790,564	0.21	14	1.05
Trusts	703,498	0.18	2	0.15
Unknown	538,222	0.14	2	0.15
Fund Managers	328,038	0.09	12	0.90
Deceased Estates	311,829	0.08	15	1.13
Other Investments & Trust	229,308	0.06	17	1.28
Foreign Individual Resident	54,924	0.01	1	0.08
	<b>384,067,512</b>	<b>100.00</b>	<b>1,329</b>	<b>100.00</b>

## MAJOR SHAREHOLDERS

	Shares held	% of issued shares
1 Truworths International Limited	132,091,763	34.39
2 Old Mutual Life Assurance Company Zimbabwe Limited	63,486,056	16.53
3 Leraime Investments (Pvt) Ltd	55,814,914	14.53
4 Stanbic Nominees (Pvt) Ltd - NNR	42,353,073	11.03
5 Old Mutual Zimbabwe Limited	28,045,508	7.30
6 Standard Chartered Nominees 033667800001	17,745,333	4.62
7 National Social Security Authority (NSSA NPS)	4,632,532	1.21
8 Invesci Nominees (Pvt) Ltd	3,239,655	0.84
9 Truworths Limited	2,560,927	0.67
10 Invesci Asset Management P/L	1,883,474	0.49
	<b>351,853,235</b>	<b>91.61</b>
	<b>Remaining Shares</b>	<b>8.39</b>
	<b>Total Shares Issued</b>	<b>100.00</b>

## SHAREHOLDERS' CALENDAR

Sixtieth Annual General Meeting	November 30 2017
Interim Report to December 2017	March 2018
Financial Year-end	July 8 2018
Annual Report	October 2018

# STATEMENT OF CORPORATE GOVERNANCE & RESPONSIBILITY

## CORPORATE GOVERNANCE

The Group is committed to high levels of corporate governance which is essential for the sustainable development of the Group and for long term shareholder value creation.

The responsibility to safeguard and respect the interests of all stakeholders is recognised by Management. In place throughout the Group are responsive systems of governance and practice which the Board and Management regard as entirely appropriate. The Group structures, operations, policies and procedures are continuously assessed and updated for compliance with the law and generally accepted standards of good corporate governance. The Group's objective is to be profitable in a manner which conforms to strict requirements for transparency, acknowledges its accountability to broader society and complies with all legislations, relevant International Financial Reporting Standards and sound management practices.

## THE BOARD

The Group is headed by a Board which leads and controls the Group. The Board is made up of 4 Executive and 3 Non-Executive Directors, 2 of whom are independent, who were chosen for their wide range of professional and commercial competencies. The Chairman of the Board is an Independent Non-Executive Director.

The Board meets at least quarterly with the responsibility for strategic and policy decisions, the approval of Budgets and the monitoring of the performance of the Group. Executive Management presents structured reports, to allow the Board to evaluate performance.

The Board has constituted the Audit and Remuneration Committees to assist it in the discharge of its responsibilities.

## AUDIT COMMITTEE

An Audit Committee, consisting of Non-Executive Directors and the Chief Executive Officer, meets twice a year with the Group's External Auditors, Internal Auditors and Executive Management.

Its major functions are the thorough and detailed review of financial statements, internal controls and related audit matters through independent judgement and risk

management matters contributions of Non-Executive Board Members. In addition, the Committee has the responsibility of ensuring credibility, transparency and objectivity of external financial reporting. The Internal Auditors and External Auditors have unrestricted access to the Audit Committee.

## REMUNERATION COMMITTEE

The Remuneration Committee consists of Non-Executive Directors. The Committee has the responsibility of ensuring that Directors and Executives are fairly remunerated.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are required by the Companies Act to maintain adequate accounting records and to prepare financial statements for each financial year which present a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit and cash flows for the period in line with International Financial Reporting Standards.

In preparing the accompanying Financial Statements, International Financial Reporting Standards have been followed; suitable accounting policies have been used, and applied consistently, and reasonable and prudent judgements and estimates have been made. The Financial Statements incorporate full and responsible disclosure in line with the accounting philosophy of the Group and best practice.

The Board recognises and acknowledges its responsibility for the system of internal financial control. The Group's policy on business conduct, which covers ethical behaviour, compliance with legislation and sound accounting practice, underpins the Company's internal financial control process. The control system includes written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved Budgets.

The responsibility for operating the system is delegated to the Executive Directors who confirm that they have reviewed its effectiveness. They consider that it is appropriately designed to provide reasonable, but not absolute, assurance that assets are safeguarded against

# STATEMENT OF CORPORATE GOVERNANCE & RESPONSIBILITY

## (continued)

material loss or unauthorised use and that transactions are properly authorised and recorded. The effectiveness of the internal financial control system is monitored through management reviews and a comprehensive programme of internal audits. In addition, the Group's External Auditors review and test appropriate aspects of the internal financial control systems during the course of their statutory examinations of the Company and the underlying Subsidiaries.

The financial statements have been prepared on a going concern basis since the Directors' have every reason to believe that the Company and the Group have adequate resources to continue in operation for the foreseeable future.

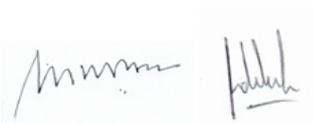
The Group's external auditors, Ernst & Young, have audited the financial statements and their report appears on Page 12.

The company's Audit Committee has met with the external auditors to discuss their report on the results of their work which include assessments of the relative strength and weaknesses of key control areas. While

in a group of the size of Truworths, it is expected that occasional breakdowns in established control procedures may occur, no breakdowns involving material loss has been reported to the directors in respect of the year under review.

The Group's consolidated financial statements were prepared by Truworths Finance Department under the supervision of Mr M. Tinashe Chidovi ACMA, CGMA (PAAB Reg. No. 03705).

The financial statements for the year ended July 09 2017, which appear on Pages 16 to 54 have been approved by the Board and are signed on its behalf by;



**C P M PEECH**  
**CHAIRMAN**

**B NDEBELE**  
**CHIEF EXECUTIVE OFFICER**

**September 28 2017**



“The responsibility to safeguard and respect the interests of all stakeholders is recognised by Management.”



**Building a better  
working world**

**Ernst & Young**  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors  
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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TRUWORTHS LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

We have audited the consolidated and company financial statements of Truworths Limited (the "Group") set out on pages 16 to 54, which comprise the Group and Company statement of financial position as at 09 July 2017, and the Group and Company statement of profit or loss and other comprehensive income, the Group and Company statement of changes in equity and the Group and Company statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the consolidated and company financial position of the Group as at 09 July 2017, and its consolidated and company financial performance and its consolidated and company cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

## INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter	How our audit addressed the matter
<b>Impairment of Receivables</b>	
<p>At 09 July 2017 the Group recognised an allowance for credit losses amounting to \$931,504.</p> <p>The Group has significant exposures arising from sale of goods to customers on credit in a difficult economic environment characterised by increased rates of default in the current year as customers are unable to service their accounts in a timely manner.</p> <p>The determination of the allowance for credit losses was significant to our audit because it involves judgement in determining the amount to be provided for each customer displaying indicators of possible default. It involves assessment of the ageing profiles to determine recoverability of trade and other receivables which are past due but not impaired.</p> <p>Due to the large customer volumes analysis of recoverability per customer required significant audit effort, particularly for those instances where no impairments were done by Management for past due receivables.</p> <p>The disclosures in relation to allowance for credit losses are included in "Note 15, 3.2 and 30.1 " of the consolidated financial statements.</p>	<p>Our procedures were focused on assessing the adequacy of the allowance for credit losses that were disclosed by management and included:</p> <ul style="list-style-type: none"> <li>• Updating our understanding of the provisioning process and assessing the reasonableness of the Management's assumptions in light of the current economic environment.</li> <li>• Re-computing the allowance for credit losses based on the group wide model and taking into account specific circumstances unique to some of the customers.</li> <li>• Review of lawyer's confirmations for matters handled during the year to identify any matters that were indicative of balances that might not be recoverable in the future.</li> </ul>
<b>Inventory Valuation and Existence</b>	
<p>The existence and valuation of inventory was a key audit matter as it is an area which required significant auditor attention due to the following:</p> <ul style="list-style-type: none"> <li>- Inventory is dispersed as the Group has a significant number of branches that have a wide geographic spread which requires significant investment in audit effort.</li> <li>- The reduction in consumer demand precipitated by the continued deterioration of disposable income and the evolving fashion trends increases the risk of obsolescence.</li> <li>- The provision for obsolete stock or any related write-offs is an area requiring management judgement and is therefore susceptible to bias.</li> <li>- The inventory is at risk of shrinkage due to its nature.</li> </ul> <p>We refer to "Note 14 and 3.2" for relevant disclosures.</p>	<p>We attended the year-end inventory counts at the various sites and observed the counting procedures, including management's internal control processes for accounting for all categories of inventories.</p> <p>We obtained an understanding of the variances noted on the inventory compilation including how they were adjusted for.</p> <p>We tested the inventory valuations in accordance with Group policy and International Accounting Standard 2 "Inventories".</p> <p>Assessed management's provision for slow moving and damaged inventories and assessed the need for possible write-offs.</p> <p>We performed tests at year-end to confirm if inventory is carried below its net realisable value as required by International Accounting Standard 2.</p>

### Other Information

Other Information consists of the chairman's statement and directors' responsibility statement included in the consolidated financial statements, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

## INDEPENDENT AUDITOR'S REPORT (continued)

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated 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. We have nothing to report in this regard.

### Responsibilities of the Directors for the Consolidated Financial Statements

The directors of are responsible for the preparation and fair presentation of the consolidated and company financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to including whether the use of the going concern basis of accounting is appropriate. The use of the going concern and using the going concern basis of accounting is appropriate unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the 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

## INDEPENDENT AUDITOR'S REPORT (continued)

disclosures in the consolidated and separate 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/or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

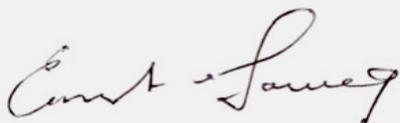
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

### Report on Other Legal and Regulatory Requirements

In our opinion the consolidated financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Companies' Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Walter Mupanguri (PAAB Practising Certificate Number 220).



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

**Harare**  
**6 October 2017**

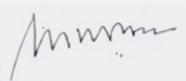
# STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JULY 09 2017

	Note	GROUP		COMPANY	
		for the period ended July 09 2017	for the period ended July 10 2016	for the period ended July 09 2017	for the period ended July 10 2016
		US \$	US \$	US \$	US \$
<b>Revenue</b>	<b>4</b>	<b>14,860,212</b>	<b>19,636,499</b>	<b>7,483,634</b>	<b>9,857,237</b>
<b>Retail merchandise sales</b>		<b>12,267,643</b>	<b>17,240,078</b>	<b>4,404,850</b>	<b>6,090,711</b>
Cost of sales		(7,338,436)	(9,588,832)	(2,599,571)	(3,465,447)
Gross profit		4,929,207	7,651,246	1,805,279	2,625,264
Management fees	4	-	-	2,116,334	3,000,234
Other operating income	4.1	91,884	204,430	25,904	63,770
<b>Trading expenses</b>		<b>(8,600,802)</b>	<b>(9,944,871)</b>	<b>(4,688,564)</b>	<b>(5,282,542)</b>
Depreciation and amortisation	5.1	(457,512)	(560,171)	(229,240)	(278,274)
Employment costs	5.2	(3,165,205)	(3,854,254)	(2,119,938)	(2,510,080)
Occupancy costs	5.3	(2,506,753)	(3,087,056)	(891,465)	(1,028,387)
Trade receivable costs	5.4	(561,168)	(302,877)	(182,545)	(15,800)
Other operating costs	5.5	(1,910,164)	(2,140,513)	(1,265,376)	(1,450,001)
<b>Retail trading (loss) / profit</b>	<b>5</b>	<b>(3,579,711)</b>	<b>(2,089,195)</b>	<b>(741,047)</b>	<b>406,726</b>
Manufacturing loss	6	(171,739)	(180,406)	-	-
Trading (loss) / profit		(3,751,450)	(2,269,601)	(741,047)	406,726
Finance income	7	2,523,435	2,327,746	962,450	766,292
Finance cost	7	(1,152,813)	(1,408,138)	(743,675)	(1,400,914)
<b>Loss before tax</b>		<b>(2,380,828)</b>	<b>(1,349,993)</b>	<b>(522,272)</b>	<b>(227,896)</b>
Tax credit	8	596,978	320,545	124,788	32,252
<b>Loss for the period</b>	<b>9</b>	<b>(1,783,850)</b>	<b>(1,029,448)</b>	<b>(397,484)</b>	<b>(195,644)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(1,783,850)</b>	<b>(1,029,448)</b>	<b>(397,484)</b>	<b>(195,644)</b>
Basic and diluted earnings per share (cents)	10	(0.47)	(0.27)	(0.10)	(0.05)
Headline earnings per share (cents)	10	(0.47)	(0.27)	(0.10)	(0.05)
<b>Key ratios</b>					
Gross margin (%)		40.2	44.4	41.0	43.1
Trading expenses to retail merchandise sales (%)		70.1	57.7	106.4	86.7
Trading margin (%)		(29.2)	(12.1)	(16.8)	6.7
Operating margin (%)		(19.4)	(7.8)	(11.9)	(3.7)

# STATEMENTS OF FINANCIAL POSITION

## AS AT JULY 09 2017

	Note	GROUP		COMPANY	
		at July 09 2017 US \$	at July 10 2016 US \$	at July 09 2017 US \$	at July 10 2016 US \$
<b>ASSETS</b>					
<b>Non current assets</b>		<b>1,743,821</b>	<b>2,460,665</b>	<b>733,403</b>	<b>965,217</b>
Investment in subsidiaries	11	-	-	8,018	8,018
Property, plant and equipment	12	1,371,526	1,802,581	522,953	710,579
Intangible assets	13	208,027	249,284	202,432	246,620
Deferred tax	20	164,268	408,800	-	-
<b>Current assets</b>		<b>14,147,427</b>	<b>15,765,333</b>	<b>13,920,747</b>	<b>14,560,259</b>
Inventories	14	4,143,346	6,628,467	1,636,301	2,501,835
Trade and other receivables	15	9,566,547	8,657,516	11,939,865	11,795,953
Cash and cash equivalents	16	437,534	479,350	344,581	262,471
<b>Total assets</b>		<b>15,891,248</b>	<b>18,225,998</b>	<b>14,654,150</b>	<b>15,525,476</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>		<b>3,074,526</b>	<b>4,858,376</b>	<b>3,529,724</b>	<b>3,927,208</b>
Share capital	17.2	38,407	38,407	38,407	38,407
Treasury shares	17.5	(317)	(317)	(317)	(317)
Non-distributable reserves	18	1,856,611	1,856,611	784,475	784,475
Retained earnings		1,179,825	2,963,675	2,707,159	3,104,643
<b>Non current liabilities</b>		<b>1,546,005</b>	<b>3,574,947</b>	<b>1,520,845</b>	<b>2,833,061</b>
Long-term borrowings	19	1,277,947	2,465,361	1,277,947	2,465,361
Deferred tax	20	268,058	1,109,586	242,898	367,700
<b>Current liabilities</b>		<b>11,270,717</b>	<b>9,792,675</b>	<b>9,603,581</b>	<b>8,765,207</b>
Short-term borrowings	21	7,838,653	8,070,521	7,838,653	8,070,521
Trade and other payables	22	3,207,641	1,484,747	1,618,122	542,166
Provisions	23	208,977	193,847	131,293	108,892
Current tax	24.3	15,446	43,560	15,513	43,628
<b>Total liabilities</b>		<b>12,816,722</b>	<b>13,367,622</b>	<b>11,124,426</b>	<b>11,598,268</b>
<b>Total equity and liabilities</b>		<b>15,891,248</b>	<b>18,225,998</b>	<b>14,654,150</b>	<b>15,525,476</b>
<b>Number of shares in issue (net of treasury shares)</b>		<b>380,901,152</b>	<b>380,901,152</b>	<b>380,901,152</b>	<b>380,901,152</b>
<b>Net asset value per share (cents)</b>		<b>0.81</b>	<b>1.28</b>	<b>0.93</b>	<b>1.03</b>



C.P.M. PEECH  
CHAIRMAN



B. NDEBELE  
CHIEF EXECUTIVE OFFICER

Harare  
September 28 2017

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE PERIOD ENDED JULY 09 2017

	Note	Share capital US\$	Treasury shares US\$	Non- distributable reserve US\$	Retained earnings US\$	Total US\$
<b>GROUP</b>						
<b>Balance at July 12 2015</b>		<b>38,407</b>	<b>(317)</b>	<b>1,856,611</b>	<b>3,993,123</b>	<b>5,887,824</b>
Total comprehensive loss for the period	9	-	-	-	(1,029,448)	(1,029,448)
<b>Balance at July 10 2016</b>		<b>38,407</b>	<b>(317)</b>	<b>1,856,611</b>	<b>2,963,675</b>	<b>4,858,376</b>
Total comprehensive loss for the period	9	-	-	-	(1,783,850)	(1,783,850)
<b>Balance at July 09 2017</b>		<b>38,407</b>	<b>(317)</b>	<b>1,856,611</b>	<b>1,179,825</b>	<b>3,074,526</b>
<b>COMPANY</b>						
<b>Balance at July 12 2015</b>		<b>38,407</b>	<b>(317)</b>	<b>784,475</b>	<b>3,300,287</b>	<b>4,122,852</b>
Total comprehensive loss for the period	9	-	-	-	(195,644)	(195,644)
<b>Balance at July 10 2016</b>		<b>38,407</b>	<b>(317)</b>	<b>784,475</b>	<b>3,104,643</b>	<b>3,927,208</b>
Total comprehensive loss for the period		-	-	-	(397,484)	(397,484)
<b>Balance at July 09 2017</b>		<b>38,407</b>	<b>(317)</b>	<b>784,475</b>	<b>2,707,159</b>	<b>3,529,724</b>

# STATEMENTS OF CASH FLOWS

## FOR THE PERIOD ENDED JULY 09 2017

	Note	GROUP		COMPANY	
		For the period ended July 09 2017	For the period ended July 10 2016	For the period ended July 09 2017	For the period ended July 10 2016
		US \$	US \$	US \$	US \$
<b>CASH FLOWS (UTILISED IN) / GENERATED FROM OPERATING ACTIVITIES</b>					
<b>Cash (utilised in) / generated from trading</b>	<b>24.1</b>	<b>(2,389,226)</b>	<b>(900,058)</b>	<b>(156,925)</b>	<b>960,018</b>
Working capital movements	<b>24.2</b>	2,450,881	47,964	1,467,443	(344,750)
<b>Cash generated from / (utilised in) operations</b>		<b>61,655</b>	<b>(852,094)</b>	<b>1,310,519</b>	<b>615,268</b>
Net interest received / (paid)		1,370,622	919,608	218,775	(634,622)
Interest paid		(1,152,813)	(1,408,138)	(743,675)	(1,400,914)
Interest received		2,523,435	2,327,746	962,450	766,292
Tax paid	<b>24.3</b>	(28,132)	(43,293)	(28,129)	(43,271)
<b>Net cash generated from / (utilised in) operating activities</b>		<b>1,404,145</b>	<b>24,221</b>	<b>1,501,165</b>	<b>(62,625)</b>
<b>CASH FLOWS (UTILISED IN) / GENERATED FROM INVESTING ACTIVITIES</b>					
<b>Net cash (utilised in) / generated from investing activities</b>		<b>(26,678)</b>	<b>(132,588)</b>	<b>228</b>	<b>(55,188)</b>
Acquisition of property, plant and equipment	<b>12</b>	(29,392)	(128,952)	(6,070)	(50,763)
Acquisition of intangible assets	<b>13</b>	(4,830)	(6,425)	(1,204)	(6,425)
Proceeds on disposal of property, plant and equipment		7,544	2,789	7,502	2,000
<b>CASH FLOWS UTILISED IN FINANCING ACTIVITIES</b>					
<b>Net cash flows utilised in financing activities</b>		<b>(1,419,283)</b>	<b>(416,973)</b>	<b>(1,419,283)</b>	<b>(416,973)</b>
Receipts from short-term borrowings		2,000,000	5,990,000	2,000,000	5,990,000
Repayment of short-term borrowings		(3,419,283)	(6,406,973)	(3,419,283)	(6,406,973)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(41,816)</b>	<b>(525,340)</b>	<b>82,110</b>	<b>(534,786)</b>
<b>Cash and cash equivalents July 10 2016</b>		<b>479,350</b>	<b>1,004,690</b>	<b>262,471</b>	<b>797,257</b>
<b>Cash and cash equivalents July 09 2017</b>	<b>24.4</b>	<b>437,534</b>	<b>479,350</b>	<b>344,581</b>	<b>262,471</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. COUNTRY OF INCORPORATION AND MAIN ACTIVITY

The Group is incorporated and domiciled in Zimbabwe and its shares are publicly traded on the Zimbabwe Stock Exchange. It is engaged in retailing of fashion apparel and related merchandise throughout Zimbabwe. The financial statements of the Group for the period ended July 09 2017 were authorised for issue in accordance with a resolution of the directors taken on September 28 2017.

## 2. Basis of preparation of financial results

### Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) The Group financial statements are prepared in accordance with the going concern and historical cost bases except where otherwise indicated. The accounting policies are applied consistently throughout the Group. The presentation and functional currency of the Group financial statements is the United States Dollar (USD). The accounting policies adopted are consistent with those applied in the prior period and all values are rounded to the nearest dollar except where otherwise indicated.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at July 09 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The investments in subsidiaries are accounted for at cost in the Company's separate financial statements.

### 3.2 Use of estimates and judgments in the preparation of annual financial statements

In the preparation of the Group financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgments are inherent in the formation of estimates. Actual results in the future could differ from these estimates and these differences may be material to the Group financial statements within the next reporting period.

The key assumptions concerning estimation uncertainties at the end of the reporting period are discussed below:

#### Asset impairment

The Group determines whether assets are impaired at each reporting date. Key assumptions applied to discounted cash flow calculations include the sales growth rate, operating margin, return on investment, working capital requirements and capital expenditure. The growth rate used to extrapolate cash flows beyond the most recent budget period is also estimated. In determining the discount rate applied to calculate the present value of future earnings the Group estimates the risk-free rate, market risk return and beta value. Refer to note 12 for the carrying amounts of property, plant and equipment.

#### Allowances for obsolete inventory

The allowances for markdown, obsolescence and shrinkage take into account historic information related to sales trends and represent the expected markdown between the estimated net realisable value and the original cost. The net realisable value assigned to this inventory is the net selling price in the ordinary course of business less necessary costs to make the sale. Refer to note 14 for the carrying amount of inventory and the provision for obsolete inventory.

#### Allowance for credit losses

The Group assesses its allowance for credit losses at each reporting date. Key assumptions applied in this calculation are the estimated debt recovery rates within the company's debtors' book as well as an estimation or view on current and future market conditions that could affect the debt recovery rates. Refer to note 15.2 for the carrying amount of trade and other receivables and more information on the allowances for credit losses.

#### Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Refer to note 20.

### 3.3 Foreign currency translation

The Group's financial statements are presented in United States Dollars (US\$), which is the Group's functional and presentation currency.

Transactions in foreign currencies are translated to the functional currency at exchange rates prevailing at the date of the transaction. Subsequent to initial measurement monetary assets and liabilities are translated at exchange rates prevailing at the end of the reporting period. Non-monetary items carried at cost are translated using the exchange rate at the date of the initial transaction.

Exchange differences arising on the settlement of monetary items or on translation of monetary items at rates different from those at which they were translated at initial recognition are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

### 3.4 Property, plant and equipment

#### Initial recognition and measurement

Each item of property, plant and equipment is initially recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be reliably measured. Each item that qualifies for recognition is measured at cost, being the cash equivalent of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Such cost excludes costs of day to day servicing.

#### Subsequent measurement

Leasehold improvements are carried at cost less accumulated depreciation and impairment losses. Motor vehicles, plant, equipment, furniture and fittings and computer equipment are carried at cost less accumulated depreciation and impairment. When these assets comprise major components, they are accounted for as separate items. Expenditure incurred to replace or modify a significant component of these assets is capitalised if it is probable that future economic benefits associated with the item will flow to the entity and the cost of them can be reliably measured. Any remaining carrying amount of the component replaced is written off in profit or loss. All other expenditure is recognised in profit or loss.

#### Depreciation

Buildings, plant, equipment, furniture and fittings and computer equipment are depreciated to their estimated residual values on a straight-line basis over their expected useful lives. The depreciation methods, estimated remaining useful lives and residual values are reviewed at each reporting date, taking into account technological innovations and asset maintenance programmes. A change resulting from the review is treated as a change in accounting estimate and adjusted prospectively. The depreciation expense is recognised in profit or loss in the depreciation and amortisation expense category.

Depreciation commences when an asset is available for its intended use and ceases temporarily if the residual value exceeds the carrying amount.

Depreciation ceases permanently at the earlier of the date the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognised. The following estimated depreciation rates apply:

Leasehold premises	10%
Plant, equipment, furniture and fittings	10 - 20%
Motor vehicles	20%
Computer equipment	20%

#### De-recognition

An item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses which arise on de-recognition are included in profit or loss in the period of de-recognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item at the date of sale.

#### Impairment

Impairment of property, plant and equipment is assessed in terms of the accounting policy set out in note 3.7.

### 3.5 Intangible assets

Intangible assets comprise computer software with a finite useful life.

#### Initial recognition and measurement

Intangible assets are initially measured and recognised at cost. Purchased software and the direct costs associated with the customisation and installation thereof is capitalised. Expenditure on software developed internally is capitalised if it meets the criteria for capitalising development expenditure.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

### **Subsequent measurement**

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure incurred to restore or maintain the originally assessed future economic benefits of existing software is recognised in profit or loss. Expenditure incurred to replace or modify software is capitalised if it is probable that future economic benefits associated therewith will flow to the entity and the cost thereof can be reliably measured.

### **Amortisation**

Computer software is amortised to its estimated residual value on a straight-line basis over its expected useful life of five years. Amortisation commences when the computer software is available for its intended use and ceases temporarily if the residual value exceeds the carrying amount. Amortisation ceases permanently at the earlier of the date the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is de-recognised. The amortisation period, amortisation method and residual values are reviewed at each reporting date. A change resulting from a review is treated as a change in accounting estimate and adjusted prospectively. The amortisation expense is recognised in profit or loss in the depreciation and amortisation expense category. The amortisation period is 10 years.

### **De-recognition**

Computer software is de-recognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses which arise on de-recognition are included in profit or loss in the period of de-recognition. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the item at the date of sale.

### **Impairment**

Impairment of computer software is assessed in terms of the accounting policy set out in note 3.7.

## **3.6 Inventories**

Inventories are stated at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less necessary costs to make the sale.

Raw materials are valued at purchase cost on a first-in-first-out (FIFO) basis.

Work-in-progress is valued at cost of direct materials and labour and a proportion of manufacturing overheads based on operating capacity but excluding borrowing costs.

Finished goods are valued at the lower of cost and net realisable value. The cost is calculated using the FIFO method.

Adjustments are made for any allowances for markdown, obsolescence and shrinkage, where appropriate.

Write-downs to net realisable value and inventory losses are recognised in profit or loss in the reporting period in which the write-downs occur.

Inventories are physically verified at least twice a year, including at the end of the reporting period through the performance of inventory counts, and variances identified are charged to profit or loss.

## **3.7 Impairment of non-financial assets**

The Group's non-financial assets (property, plant, equipment, computer equipment and computer software) are reviewed at each reporting date to determine whether there is any indication of impairment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the asset's fair value less cost of disposal and value in use.

If the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount. The impairment is recognised in profit

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

or loss as an expense. Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash flows independently, for the larger cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks peculiar to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

After recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

At each reporting date the Group assesses whether previously recognised impairment losses may no longer exist or have decreased. If such indication exists, the recoverable amount is estimated in order to reverse the previously recognised impairment loss.

A previously recognised impairment is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognised. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in profit or loss.

### **3.8 Financial instruments**

#### **Recognition**

Financial assets and liabilities are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instruments. Purchases and sales of financial instruments are recognised on trade date, being the date on which the Group commits to purchase or sell the instrument.

#### **3.8.1 Financial assets**

Financial assets are classified at initial recognition as loans and receivables. Financial assets are initially recognised at fair value, plus, in the case of financial assets not at fair value through profit and loss, directly attributable transaction costs and subsequently as set out below.

##### **3.8.1.1 Loans and receivables**

This category is most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category is generally applied to Trade and other receivables. Trade and other receivables are non derivative financial assets with fixed or determinable payments. Trade receivables are initially recognised at fair value. They are subsequently carried at amortised cost using the effective interest rate method (EIR), taking into account impairment via the determination of an allowance for any uncollectable amounts. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR effective amortisation is included in finance income in the profit or loss.

The allowance for uncollectable amounts is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the credit given and includes an assessment of recoverability based on historical trend analyses and events that exist at reporting date. Bad debts are written off to profit or loss when identified. For more information on receivables refer to notes 15 and 30.1.

##### **3.8.1.2 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are initially measured at fair value, and subsequently at amortised cost. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

### 3.8.1.3 Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Group has transferred substantially all the risks and rewards of the asset, or
  - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### 3.8.1.4 Impairment of financial assets

For financial assets carried at amortised cost the Group first assesses whether impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairments exists for an individually assessed financial asset, whether significant or not it includes the asset in a group of similar assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets are assessed for impairment at each reporting date and impaired where there is objective evidence that the carrying amount of the asset will not be recovered.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **Financial Assets carried at amortised cost**

Further disclosures relating to impairment of financial assets are also provided in the following notes: Trade Receivables Notes 15 and 30.1. For financial assets carried at amortised cost, the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of a financial asset is reduced through the use of an allowance account and changes to this allowance account are recognised in profit or loss. Subsequent recoveries of amounts previously written off are recognised in other income.

### 3.8.2 Financial liabilities

Financial liabilities include trade and other accounts payable, bank overdrafts and interest bearing loans, and these are initially measured at fair value including transaction costs and subsequently carried at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Subsequent measurement depends on their classification as described below:

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

### 3.8.2.1 Trade and other payables

Trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade and other payables are subsequently measured at amortised cost.

### 3.8.2.2 Loans and borrowings

This category is most relevant to the Group. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest bearing loans and borrowings. For more information refer to Notes 19 and 21.

### 3.8.2.3 De-recognition of Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 3.8.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3.8.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

### 3.8.5 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in most advantageous market for the asset or liability. The principal or most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

### 3.9 Treasury shares

The Group's own equity instruments which are re-acquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration if reissued is recognised in share premium.

Shares in the Group held by Group subsidiaries are classified as treasury shares. The cost price of these shares, together with related transaction costs, is deducted from equity.

### 3.10 Employee benefits

#### Short-term employee benefits

Remuneration such as bonuses, salaries, employee entitlements to leave pay, medical aid and other contributions to employees is recognised in profit or loss as the services are rendered, except for non-accumulating benefits which are only recognised when the specified event occurs. Provision is made for accumulated and incentive bonuses.

#### Truworths Pension Fund

The Group operates a defined contribution pension plan which requires contributions to be made to a separately administered fund. Group contributions in respect of the defined contribution plan are recognised as an expense in the year to which they relate.

#### National Employment Council for the Clothing Industry Pension Fund

The Group participates in the industry-wide defined contribution pension fund. Contributions to this plan are charged against profit or loss as incurred.

#### National Social Security Authority

The Group participates in this state administered pension plan. Contributions to this plan are made in terms of statutory regulations and are charged to profit or loss as incurred.

### 3.11 Taxes

#### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

### **Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### **3.12 Leases**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfilment of the arrangement is dependant on the use of specific asset/(s) and whether it conveys a right to use of the asset/(s).

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases are classified as operating leases, where substantially all the risks and rewards associated with ownership of the asset are not transferred from the lessor to the lessee. Operating lease rentals with fixed escalation clauses are recognised in profit or loss on a straight-line basis over the lease term.

The resulting difference arising from the application of the straight-line basis and contractual cash flows is recognised as an operating lease obligation or asset.

### 3.13 Provisions and contingent liabilities

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense related to any provision is recognised in profit or loss. If the effect of the time value of money is material, a discount rate is applied to determine the present value of the provision. Where discounting is applied, the annual increase in the provision due to the passage of time is recognised as an interest expense in profit or loss.

Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any certain reimbursements.

Contingent liabilities are not recognised as liabilities in the Group financial statements but are disclosed separately in the notes.

#### Provision for leave pay

Leave pay for employees is provided on the basis of leave days accumulated at an expected rate of payment. The timings of the cash out-flows are by their nature uncertain.

### 3.14 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when payment is received. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually determined terms of payment and excluding taxes or duty. The Group has concluded that it is principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

#### Sale of merchandise

Revenue from sale of merchandise is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. The following specific recognition criteria must be met before revenue is recognised:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue comprises all sales of goods at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding Value Added Tax (VAT).

#### Interest

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in profit or loss.

### **Management fees**

Management fees accrue in accordance with the terms of the relevant agreement and are usually recognised on that basis unless, having regard to the substance of the agreement it is more appropriate to recognise revenue on some other systematic and rational basis.

### **Dividends**

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

### **3.15 Cost of sales**

Cost of sales includes all costs of purchase, costs of conversion, and other costs incurred in bringing inventories to their present location and condition. Costs of purchase comprise the purchase price, royalties paid, import duties and other taxes and transport costs. Inventory write-downs are included in cost of sales when recognised. Trade discounts, settlement discounts and other similar items are deducted in determining the costs of purchase.

Cost of sales is recognised as an expense when the risks and rewards of ownership related to the sale of merchandise pass to the customer or franchisee. Settlement discount granted by a supplier for early payment is recognised as a reduction in cost of sales.

### **3.16 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in the borrowing of funds.

### **3.17 Events after the end of the reporting period**

The group financial statements are adjusted to reflect events that occurred between the end of the reporting period and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the end of the reporting period. Events that are indicative of conditions that arose after the end of the reporting period are disclosed, but do not result in an adjustment of the financial statements themselves.

### **3.18 New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year. There were new standards, amendments, interpretations or improvements that became effective for the Group in the current year, however they had no impact on the Group's activities.

### **Standards and interpretations issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

### **IFRS 9 Financial Instruments- classification and measurement**

On 24 July 2014, the International Accounting Standards Board (IASB) issues the final version of IFRS 9- Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASBs project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The classification and measurement requirements address specific application issues arising in IFRS 9 (2009) that were raised by preparers, mainly from the financial services industry. The expected credit loss model addresses concerns expressed following the financial crisis that entities recorded losses too late under IAS 39.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

IFRS 9 stipulates that financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018, but early adoption is permitted. The Group is currently assessing the impact of IFRS 9.

### **IFRS 15 - Revenue from Contracts with Customers**

The IASB issued the revenue recognition standard, IFRS 15 Revenue from Contracts with Customers, which replaces all existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers is an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 establishes a five- step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of the revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non financial assets that are not an output of the entity's ordinary activities (e.g. sales of property, plant and equipment or intangibles). Extensive disclosures will be required including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

The standard is effective for annual periods beginning on or after 1 January 2018, but early adoption is permitted. The Group is still assessing the impact of the standard on its contracts with customers.

### **IAS 7 Disclosure initiative - Amendments to IAS 7**

Effective for annual periods beginning on or after 1 January 2017. The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted.

The amendments are intended to provide information to help investors better understand changes in a company's debt.

### **IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12**

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in the component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Early application is permitted. Effective for annual periods beginning on or after 1 January 2017.

### **IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

In December 2015, the IASB extended the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The Group will consider the amendments were applicable when they become effective.

### **IFRS 16 - Leases**

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of "low-value" assets (e.g. personal computers) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use-asset). The Group has operating leases and is likely to be affected by this Standard. Management are still assessing the actual impact of the Standard.

### **IFRIC Interpretation 22 Foreign currency transactions and advance considerations**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

The Group will consider the amendment, if applicable, when they become effective.

### **IFRIC 23 - Uncertainty over income tax treatments**

On 7 June 2017, the International Accounting Standards Board (IASB or the Board) issued IFRIC Interpretation 23 — Uncertainty over Income Tax Treatments (the Interpretation). The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The interpretation is applicable for annual reporting periods beginning on or after 1 January 2019; it provides a choice of to transition approaches:

- The interpretation may be applied retrospectively using IAS 8, only if application is possible without the use of hindsight, or
- The interpretation may be applied retrospectively with the cumulative effect of the initial application recognised as an adjustment to equity on the date of initial application. In this approach, the comparative information is not restated. The date of initial application is the beginning of the annual reporting period in which an entity first applies this interpretation.

The Group will consider the amendment, if applicable, when they become effective.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>4. REVENUE</b>				
Sale of merchandise	12,336,777	17,308,753	4,404,850	6,090,711
- retail merchandise sales	12,267,643	17,240,078	4,404,850	6,090,711
- factory sales to third parties	69,134	68,675	-	-
Finance Income	2,523,435	2,327,746	962,450	766,292
- accounts receivable	2,511,416	2,303,163	950,917	748,602
- other	12,019	24,583	11,533	17,690
Management fees from subsidiaries	-	-	2,116,334	3,000,234
<b>Total revenue</b>	<b>14,860,212</b>	<b>19,636,499</b>	<b>7,483,634</b>	<b>9,857,237</b>
<b>4.1 Other operating income</b>	<b>91,884</b>	<b>204,430</b>	<b>25,904</b>	<b>63,770</b>
Loss on disposal of property, plant and equipment	(14,114)	-	(2,346)	-
Unrealised foreign exchange differences	(17,737)	21,427	(13,210)	5,321
Commissions	88,229	86,465	28,084	29,561
Insurance recoveries	-	24,232	-	24,232
Other income	35,506	72,306	13,376	4,656
<b>5. RETAIL TRADING (LOSS) / PROFIT</b>				
Trading (loss) / profit is stated after taking account of the following items:				
<b>5.1 Depreciation and amortisation</b>				
- Depreciation retail charge	411,425	514,569	183,848	233,005
- Amortisation retail charge	46,087	45,602	45,392	45,269
	<b>457,512</b>	<b>560,171</b>	<b>229,240</b>	<b>278,274</b>
<b>5.2 Employment costs</b>				
Retail chains employed 319 (2016: 390) full-time equivalent employees during the period. The aggregate remuneration and associated costs for the period relating to the employment of permanent and flexi-time employees, including executive directors, were:				
- Salaries, bonuses, wages and other benefits	2,815,534	3,439,891	1,877,944	2,230,124
- Contributions to defined contribution plans (refer to note 28.1 and note 28.3)	223,332	277,430	145,997	177,777
- Medical aid contributions	126,339	136,933	95,997	102,179
<b>Total</b>	<b>3,165,205</b>	<b>3,854,254</b>	<b>2,119,938</b>	<b>2,510,080</b>
<b>5.3 Occupancy costs</b>				
Land and buildings				
- minimum lease payments	1,854,817	2,324,366	638,900	741,273
- turnover clause payments	-	-	-	-
Total operating lease expenses	1,854,817	2,324,366	638,900	741,273
Other occupancy costs*	651,936	762,690	252,565	287,114
<b>Total</b>	<b>2,506,753</b>	<b>3,087,056</b>	<b>891,465</b>	<b>1,028,387</b>

\*Other occupancy costs are electricity, rates, water, shop licences, fuel for generators, store maintenance and lease management related expenses.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>5.4 Trade receivable costs</b>				
Impairment charge	166,501	270,285	51,301	59,017
Collection and other receivable costs	394,667	32,592	131,244	(43,217)
<b>Total</b>	<b>561,168</b>	<b>302,877</b>	<b>182,545</b>	<b>15,800</b>
<b>5.5 Other operating costs</b>				
- Advertising and marketing	287,348	290,205	117,358	134,620
- Audit fees	89,600	80,016	43,040	33,456
- Management, technical, consulting and secretarial fees	187,777	225,183	115,635	144,007
- Transport and travel costs	504,475	602,879	420,602	481,420
- Other operating costs*	840,964	942,230	568,741	656,498
<b>Total</b>	<b>1,910,164</b>	<b>2,140,513</b>	<b>1,265,376</b>	<b>1,450,001</b>
* other operating costs mainly comprise telephone, printing, stationery and insurance expenses				
<b>6. MANUFACTURING LOSS</b>				
Manufacturing loss is stated after taking account of the following items:				
- audit fees	18,000	18,000	-	-
- depreciation	27,405	27,537	-	-
- profit on disposal of property, plant and equipment	(40)	(132)	-	-
- foreign exchange losses	-	5,502	-	-
- employment costs - short-term benefits	299,242	391,773	-	-
<b>7. NET FINANCE INCOME / (COST)</b>				
Interest receivable				
- accounts receivable	2,511,416	2,303,163	950,917	748,602
- other	12,019	24,583	11,533	17,690
<b>Finance income</b>	<b>2,523,435</b>	<b>2,327,746</b>	<b>962,450</b>	<b>766,292</b>
<b>Finance cost</b>				
Interest payable on borrowings	(1,152,813)	(1,408,138)	(743,675)	(1,400,914)
<b>Net finance income / (cost)</b>	<b>1,370,622</b>	<b>919,608</b>	<b>218,775</b>	<b>(634,622)</b>
<b>8. TAX CREDIT</b>				
<b>8.1 Taxation charge</b>				
Income tax:				
Current - Standard	-	(56,736)	-	(56,736)
- AIDS levy	-	(1,702)	-	(1,702)
- Withholding tax	(18)	(491)	(14)	(467)
Deferred tax	596,996	379,474	124,802	91,157
	<b>596,978</b>	<b>320,545</b>	<b>124,788</b>	<b>32,252</b>

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>8.2 Reconciliation of tax charge:</b>				
Loss before tax for the period:	(2,380,828)	(1,349,993)	(522,272)	(227,896)
Tax calculated at 25.75% (inclusive of AIDS levy)	613,063	347,623	134,485	58,683
Effect of interest income taxed at other rates	920	1,775	923	1,790
Effect of expenses which are not tax deductible	(17,005)	(28,853)	(10,620)	(28,221)
	<b>596,978</b>	<b>320,545</b>	<b>124,788</b>	<b>32,252</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Standard rate	25.75	25.75	25.75	25.75
Adjusted for:				
Effect of non-deductible expenses	(0.71)	(2.14)	(2.03)	(12.38)
Impact of interest income taxed at different rates	0.04	0.13	0.18	0.78
<b>Effective rate</b>	<b>25.08</b>	<b>23.74</b>	<b>23.90</b>	<b>14.15</b>
Deferred income tax assets are recognised for the carry forward of unused tax losses to the extent that it is probable that taxable profits will be available against which the unused tax losses can be utilised. Refer to note 20 for further details.				
<b>9. LOSS FOR THE PERIOD</b>				
Holding company	(397,484)	(195,644)	(397,484)	(195,644)
Subsidiary companies:-				
- Topic Stores (Private) Limited (incorporating Number 1 Stores)	(1,218,395)	(664,009)	-	-
- Bravette Manufacturing Company (Private) Limited	(167,971)	(169,795)	-	-
	<b>(1,783,850)</b>	<b>(1,029,448)</b>	<b>(397,484)</b>	<b>(195,644)</b>
<b>10. EARNINGS PER SHARE</b>				
Basic earnings per share is calculated by dividing net profit for the period attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period. No adjustments have been made in calculating diluted earnings per share as there are no dilutive instruments.				
Headline earnings are determined as follows:				
Loss for the period, fully attributable to owners of the parent	(1,783,850)	(1,029,448)	(397,484)	(195,644)
Adjusted for:				
Loss / (profit) on disposal of property, plant and equipment (note 4.1 and note 6)	14,074	(132)	2,346	-
<b>Headline earnings</b>	<b>(1,769,776)</b>	<b>(1,029,580)</b>	<b>(395,138)</b>	<b>(195,644)</b>
Weighted average number of ordinary shares in issue (note 17.7)	380,901,152	380,901,152	380,901,152	380,901,152
Basic earnings per share (cents)	(0.47)	(0.27)	(0.10)	(0.05)
Diluted earnings per share (cents)	(0.47)	(0.27)	(0.10)	(0.05)
Headline earnings per share (cents)	(0.47)	(0.27)	(0.10)	(0.05)

There have been no other transactions involving ordinary shares between reporting date and date of completion of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>11. INVESTMENT IN SUBSIDIARIES</b>				
Investments in subsidiaries are accounted for at cost in the separate books of the holding company.				
Topic Stores (Private) Limited (incorporating Number 1 Stores) (100% wholly-owned) 16,000 Ordinary shares of \$0.50 each	-	-	8,000	8,000
Bravette Manufacturing Company (Private) Limited (100% wholly-owned) 2 Ordinary shares of \$2.00 each	-	-	4	4
Major Merchandising (Private) Limited (Dormant) (100% wholly-owned) 2 Ordinary shares of \$2.00 each	-	-	4	4
Effective Debt Collection Company (Private) Limited (Dormant) (100% wholly-owned) 2 Ordinary shares of \$1.00 each	-	-	2	2
Top Centre (Private) Limited (Dormant) (100% wholly owned) 2 Ordinary shares of \$1.00 each	-	-	2	2
Truworths Management Services (Private) Limited (Dormant) (100% wholly owned) 2 Ordinary shares of \$1.00 each	-	-	2	2
Number 1 Stores (1987) (Private) Limited (Dormant) (100% wholly owned) 2 Ordinary shares of \$2.00 each	-	-	4	4
	-	-	<b>8,018</b>	<b>8,018</b>
<b>12. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Leasehold improvements</b>				
At cost	1,556,515	1,523,640	337,798	337,798
Additions	8,716	32,875	-	7,000
Disposals	(11,459)	-	-	-
Accumulated depreciation	(1,010,424)	(864,113)	(220,169)	(195,155)
<b>Net Carrying Amount</b>	<b>543,348</b>	<b>692,402</b>	<b>117,629</b>	<b>149,643</b>
<b>Motor vehicles</b>				
At cost	1,091,714	1,098,714	1,098,714	1,098,714
Disposals	(9,847)	(2,000)	(9,847)	(2,000)
Accumulated depreciation	(843,831)	(788,109)	(848,831)	(788,109)
<b>Net Carrying Amount</b>	<b>238,036</b>	<b>308,605</b>	<b>240,036</b>	<b>308,605</b>

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>12. PROPERTY, PLANT AND EQUIPMENT (continued)</b>				
<b>Furniture fittings and equipment</b>				
At cost	2,394,716	2,301,901	1,219,600	1,175,837
Additions	20,676	94,089	6,070	43,763
Disposals	(311)	(278)	-	-
Accumulated depreciation	(1,918,873)	(1,708,712)	(1,060,383)	(967,269)
<b>Net Carrying Amount</b>	<b>496,208</b>	<b>687,000</b>	<b>165,287</b>	<b>252,331</b>
<b>Plant and machinery</b>				
At cost	337,014	337,996	-	-
Additions	-	1,988	-	-
Disposals	-	(382)	-	-
Accumulated depreciation	(243,080)	(225,028)	-	-
<b>Net Carrying Amount</b>	<b>93,934</b>	<b>114,574</b>	<b>-</b>	<b>-</b>
<b>Total Property, Plant and Equipment</b>				
At cost	5,379,959	5,262,251	2,656,112	2,612,349
Additions	29,392	128,952	6,070	50,763
Disposals	(21,617)	(2,660)	(9,847)	(2,000)
Accumulated depreciation	(4,016,208)	(3,585,962)	(2,129,382)	(1,950,533)
<b>Net carrying amount</b>	<b>1,371,526</b>	<b>1,802,581</b>	<b>522,953</b>	<b>710,579</b>
<b>Movements for the year</b>				
<b>Balance at the beginning of the period, net of depreciation</b>	<b>1,802,581</b>	<b>2,218,395</b>	<b>710,579</b>	<b>894,820</b>
<b>Additions at cost</b>	<b>29,392</b>	<b>128,952</b>	<b>6,070</b>	<b>50,763</b>
Leasehold premises	8,716	32,875	-	7,000
Furniture, fittings and equipment	20,676	94,089	6,070	43,763
Plant and machinery	-	1,988	-	-
<b>Disposals</b>	<b>(21,617)</b>	<b>(2,660)</b>	<b>(9,848)</b>	<b>(2,000)</b>
Leasehold improvements at cost	(118,321)	-	-	-
Motor vehicles at cost	(23,200)	(7,000)	(23,200)	(7,000)
Furniture, fittings and equipment	(1,297)	(1,274)	-	-
Plant and machinery	-	(2,969)	-	-
Accumulated depreciation on;				
- leasehold improvements	106,862	-	-	-
- motor vehicles	13,353	5,000	13,352	5,000
- furniture, fittings and equipment	986	996	-	-
- plant and machinery	-	2,587	-	-
<b>Depreciation</b>	<b>(438,830)</b>	<b>(542,106)</b>	<b>(183,848)</b>	<b>(233,004)</b>
Leasehold improvements	(146,311)	(192,476)	(30,014)	(30,014)
Motor vehicles	(60,722)	(83,559)	(60,722)	(83,559)
Furniture, fittings and equipment	(211,158)	(245,500)	(93,112)	(119,431)
Plant and machinery	(20,639)	(20,571)	-	-
<b>Net carrying amount at the end of the period</b>	<b>1,371,526</b>	<b>1,802,581</b>	<b>522,953</b>	<b>710,579</b>

The carrying value of motor vehicles previously held under finance leases at July 09 2017 was \$19,223 (2016: \$28,447). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease liability.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>13. INTANGIBLE ASSETS</b>				
Computer software				
Cost	517,288	510,863	513,958	507,533
Additions	4,830	6,425	1,204	6,425
Accumulated amortisation	(314,091)	(268,004)	(312,730)	(267,338)
<b>Net Carrying Amount</b>	<b>208,027</b>	<b>249,284</b>	<b>202,432</b>	<b>246,620</b>
<b>Movements in the net carrying amount for the year</b>				
<b>Balance at the beginning of the period, net of amortisation</b>	249,284	288,461	246,620	285,464
Additions	4,830	6,425	1,204	6,425
Amortisation for the year	(46,087)	(45,602)	(45,392)	(45,269)
<b>Net carrying amount at the end of the period</b>	<b>208,027</b>	<b>249,284</b>	<b>202,432</b>	<b>246,620</b>
<b>14. INVENTORIES</b>				
Finished goods	3,543,065	5,872,477	1,636,301	2,501,835
Raw materials	594,419	737,371	-	-
Work in progress	5,862	18,619	-	-
<b>Total</b>	<b>4,143,346</b>	<b>6,628,467</b>	<b>1,636,301</b>	<b>2,501,835</b>
The amount of inventories expensed as a result of shrinkage and markdowns during the period which is included in cost of sales amounted to:-	221,038	523,817	92,173	224,527
Cost of inventory expensed due to sales which is included in cost of sales amounted to:-	7,117,398	9,065,015	2,507,398	3,240,920
<b>15. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	9,051,531	7,888,450	3,245,674	2,640,908
Prepayments	249,162	306,050	148,168	190,462
Other receivables	265,854	463,016	159,974	365,393
Group companies				
- Topic Stores (Private) Limited (incorporating Number 1 Stores)	-	-	7,396,903	1,456,475
- Bravette Manufacturing Company (Private) Limited	-	-	989,146	7,142,715
<b>Total</b>	<b>9,566,547</b>	<b>8,657,516</b>	<b>11,939,865</b>	<b>11,795,953</b>

### 15.1 Trade receivables

The Group's trade receivables have payment terms of 180 to 360 days (2016: 180 to 360 days). The average debtors' days at the end of the reporting period was 269 days (2016: 224 days). Refer to note 30.1 for additional credit risk disclosures. Also, refer to note 19 for pledges on trade receivables.

Interest is charged on all overdue amounts according to the Group's term and conditions of granting credit. The rate charged during 2017 was 5% (2016: 5%).

Refer to note 27 for the terms of intercompany receivables.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

The Group entered into an arrangement with a local financial institution whereby a certain portion of its debtors' book was transferred to the Financial Institution at the carrying amount in exchange of cash.

In addition, the Group entered into a separate arrangement with the same financial institution, where by the Financial Institution advances money to customers to pay for their purchases and recovers the money from the customers over a period of three years. The Group is still involved with the administration of collection and payments on behalf of the Financial Institution and as a result, may have balances that are receivable or payable to the Financial Institution under this arrangement.

As at period end the balances outstanding on these customer accounts and payable to the Financial Institution by the customers amounted to \$14,935,984 (2016: \$13,543,290) and are not included in the above trade receivables balance. Balance of \$884,014 (2016: \$150,539) is payable to the Financial Institution for funds collected and is included in other payables.

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>15.2 Allowance for credit losses</b>				
Balance at the beginning of the period	765,013	525,013	138,427	115,876
<b>Movement for the period</b>				
Allowances utilised	(323,494)	(30,326)	(124,278)	(36,466)
Allowances raised	489,985	270,326	175,579	59,017
<b>Balance at the end of the period</b>	<b>931,504</b>	<b>765,013</b>	<b>189,728</b>	<b>138,427</b>
The Directors consider the carrying amounts of trade and other receivables to approximate their fair values and that no further allowance in excess of the above allowance is required. The trade receivables above are net of the allowance for credit losses.				
<b>16. CASH AND CASH EQUIVALENTS</b>				
Balances with banks	434,482	443,861	342,846	232,412
Cash on hand	3,052	35,489	1,735	30,059
<b>Total</b>	<b>437,534</b>	<b>479,350</b>	<b>344,581</b>	<b>262,471</b>

Balances with banks comprise current account balances and short-term deposits. Balances with banks earn interest at floating bank deposit and call rates.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	2017	2016
<b>17. SHARE CAPITAL</b>		
<b>17.1 Authorised</b>		
Authorised share capital comprises 1,000,000,000 ordinary share of \$0.0001 each. The authorised share capital has not changed during the year.	100,000	100,000
<b>17.2 Issued and fully paid</b>		
The original par value of issued shares of 384,067,512 (2015: 384,067,512) was redenominated to \$0.0001 each in 2011.		
The Company has one class of ordinary shares which carry no rights to fixed income.		
<b>Reconciliation of movement in the number of issued shares:</b>		
Ordinary shares in issue at the beginning of the period	384,067,512	384,067,512
Ordinary shares issued during the period	-	-
Balance at the end of the period	384,067,512	384,067,512
Treasury shares held	(3,166,360)	(3,166,360)
<b>Adjusted issued ordinary shares</b>	<b>380,901,152</b>	<b>380,901,152</b>
Treasury shares as % of issued shares at the end of the period	(0.82)	(0.82)
Market price at the end of the period (cents)	1.00	0.80
Market value of issued shares at the end of the period (US\$)	3,840,675	3,072,540
<b>Nominal value of share capital at the end of the period (US\$)</b>	<b>38,407</b>	<b>38,407</b>

### 17.3 Unissued shares

The Company's Articles of Association stipulate that the unissued shares of 615,932,488 (2016: 615,932,488) shall only be dealt with as directed by a General Meeting of shareholders. Shareholders may in a General Meeting and subject to provisions of the Companies Act (Chapter 24:03), authorise Directors to dispose of unissued shares as the Directors in their statutory right may see fit.

The number of shares under the control of the Directors for the Share Option Scheme (2008) are 35,000,000 (2016: 35,000,000). The Directors decided to suspend any allotments on the scheme and allotment may be reconsidered at a later date.

### 17.4 Directors' shareholdings

The directors' direct and indirect beneficial interest in the shares of the company are shown below.

	Ordinary shares 2017	%	Ordinary shares 2016	%
B Ndebele	55,814,914	14.53	55,814,914	14.53
M P Mahlangu	13,800	0.00	13,800	0.00
	<b>55,828,714</b>	<b>14.53</b>	<b>55,828,714</b>	<b>14.53</b>

Other than the above, no Director or his nominee, had any interest, beneficial or non-beneficial, in the share capital of the company. There have not been any changes in the Directors' interests in the shares of the company between reporting date and completion of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>17.5 Treasury shares</b>				
<b>Balance at the beginning of the period</b>			<b>3,166,360</b>	<b>3,166,360</b>
Movement during the period			-	-
<b>Balance at the end of the period</b>			<b>3,166,360</b>	<b>3,166,360</b>
Market value at the end of the period (US\$)			31,664	25,331
<b>Nominal value at the end of the period (US\$)</b>			<b>317</b>	<b>317</b>
All treasury shares are held by Truworths Limited.				
<b>18. NON-DISTRIBUTABLE RESERVE</b>				
Made up of:-				
- Change in functional currency reserve	1,622,768	1,622,768	550,632	550,632
- Share premium	233,843	233,843	233,843	233,843
<b>Total</b>	<b>1,856,611</b>	<b>1,856,611</b>	<b>784,475</b>	<b>784,475</b>
The non-distributable reserve comprises of the change in functional currency reserve, which arose as a result of change in functional currency from the Zimbabwean Dollar to United States Dollar in 2009 and share premium on scrip dividend of 2014.				
<b>19. LONG-TERM BORROWINGS</b>				
Bank loan	2,554,210	3,533,680	2,554,210	3,533,680
Less: current portion transferred to short term borrowings	(1,276,263)	(1,068,319)	(1,276,263)	(1,068,319)
<b>Long term portion</b>	<b>1,277,947</b>	<b>2,465,361</b>	<b>1,277,947</b>	<b>2,465,361</b>

### Bank loan

This loan bears interest of 11.5% and is jointly secured in Cession of Book Debts, Power of Attorney to register an NGCB and Cession of Insurance Policy with Security Agent as First Loss Payee. The loan is repayable monthly in equal instalments until June 30 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>20. DEFERRED TAX</b>				
<b>Net deferred tax liability at the beginning of the period</b>	<b>700,786</b>	<b>1,080,260</b>	<b>367,700</b>	<b>458,857</b>
Liability	1,109,586	1,361,060	367,700	495,831
Asset	(408,800)	(280,800)	-	(36,974)
Movement for the period	(596,996)	(379,474)	(124,802)	(91,157)
(Credit) / charge to profit or loss	(596,996)	(379,474)	(124,802)	(91,157)
Being:	-	-	-	-
(Decrease) / Increase in deferred tax liability	(596,996)	(379,474)	(124,802)	(91,157)
Prepayments	(14,649)	(46,840)	(10,891)	(26,910)
Property, plant and equipment	(35,440)	13,208	(30,259)	(2,594)
Intangible assets	(932)	(4,984)	(1,344)	(5,155)
Exchange differences	(677)	(667)	(1,578)	1,000
Accounts receivables	18,888	(167,718)	37,988	(66,432)
Provision for leave pay	(3,905)	22,265	(5,768)	8,934
Assessable loss	(560,281)	(194,738)	(112,950)	-
<b>Net deferred tax liability at the end of the period</b>	<b>103,790</b>	<b>700,786</b>	<b>242,898</b>	<b>367,700</b>
<b>Closing balance comprising:</b>				
<b>Deferred tax liability disclosed in financial statements</b>	<b>103,790</b>	<b>700,786</b>	<b>242,898</b>	<b>367,700</b>
Prepayments	64,158	78,807	38,153	49,044
Property plant and equipment	211,060	246,500	37,543	67,802
Intangible assets	1,751	2,683	310	1,654
Exchange differences	(86)	591	(45)	1,533
Accounts receivable	844,366	825,478	313,695	275,707
Provision for leave pay	(48,378)	(44,473)	(33,808)	(28,040)
Assessable loss	(969,081)	(408,800)	(112,950)	-
Disclosed in financial statements as:-				
Deferred tax liability	268,058	1,109,586	242,898	367,700
Deferred tax asset	(164,268)	(408,800)	-	-
	<b>103,790</b>	<b>700,786</b>	<b>242,898</b>	<b>367,700</b>

The Group has recognised a deferred income tax asset as it is probable that in the foreseeable future, taxable profits will be available against which the deferred tax asset can be realised.

At July 09 2017, the group subsidiaries had incurred tax losses amounting to \$3,763,426 (2016: \$1,587,579). In future years, the tax losses will provide the company with income tax relief amounting to \$969,081 (2016:\$408,800). The deferred tax asset has been recognised as the Company will be able to offset the total tax loss against future taxable income anticipated as per the Company's financial focus. The following measures are expected to generate future taxable income; increase in production in order to increase new stock following the clearing of old stock; reduced labour costs due to non - renewal of contracts during the year; reduction in occupancy costs as a result of successful rent negotiation reductions.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	Opening balance US\$	Loss / (Utilisation) US\$	Closing balance US\$
<b>Analysis of the deferred tax effect of tax losses</b>			
2017 Balance	408,800	560,281	969,081
2016 Balance	214,062	194,738	408,800
2015 Balance	51,692	162,370	214,062
2014 Balance	20,304,750	(20,265)	51,692
2013 Balance	2,929,584	(111,142)	23,123,192
2012 Balance	4,805	178,294	2,929,584
2011 Balance	-	4,805	76,880

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>21. SHORT-TERM BORROWINGS</b>				
Short term loans				
- Financial institutions	4,852,950	4,466,777	4,852,950	4,466,777
- Debentures	1,709,440	2,518,742	1,709,440	2,518,742
- Vehicle under finance lease	-	16,683	-	16,683
Total short-term borrowings	6,562,390	7,002,202	6,562,390	7,002,202
Add: current portion of long term borrowings (refer to Note 19)	1,276,263	1,068,319	1,276,263	1,068,319
- Financial institution	1,276,263	1,068,319	1,276,263	1,068,319
<b>Short-term portion</b>	<b>7,838,653</b>	<b>8,070,521</b>	<b>7,838,653</b>	<b>8,070,521</b>

Short-term borrowings of \$7,838,653 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. In 2016, \$5,535,099 were secured by cross company guarantees from Topic Stores (Private) Limited and Bravette Manufacturing Company (Private) Limited and cession over book debts of \$1,500,000 and the remaining short-term borrowings of \$2,535,425 were unsecured.

Short-term borrowings are renewed on maturity in terms of ongoing facilities negotiated with the respective financial institutions.

Short-term borrowings bear interest in accordance with the ruling short-term money market rates. An average rate of 11.19% (2016: 11.34%) per annum was applicable to the outstanding balance.

### Debentures

The 12.5% unsecured debentures are repayable in full by 31 December 2017.

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>22. TRADE AND OTHER PAYABLES</b>				
Trade payables	1,644,056	1,070,686	499,839	369,300
Other payables and accrued expenses	1,563,585	414,061	1,118,283	172,866
<b>Total</b>	<b>3,207,641</b>	<b>1,484,747</b>	<b>1,618,122</b>	<b>542,166</b>

The Directors consider the carrying amounts of all trade and other payables to approximate their fair value due to their short term nature.

### Terms and conditions of financial liabilities

- Trade payables are non interest bearing and are normally settled between 30 and 120 days.

- Other payables and accrued expenses are non interest bearing provided they are settled within their respective credit terms. These are normally settled within 90 days.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>23. PROVISIONS</b>				
<b>23.1 Employment related provisions</b>				
Balance at beginning of period	193,847	262,719	108,892	147,130
Arising during the year	15,130	(68,872)	22,401	(38,238)
- Provisions utilised	(119,343)	(72,620)	(49,173)	(35,034)
- Provisions raised	134,473	3,748	71,574	(3,204)
<b>Balance at end of period</b>	<b>208,977</b>	<b>193,847</b>	<b>131,293</b>	<b>108,892</b>
<b>Comprising of:</b>				
Provision for leave pay	<b>208,977</b>	<b>193,847</b>	<b>131,293</b>	<b>108,892</b>
Timing of outflow embodying economic benefits relating to cash in lieu of leave is expected when individual employee's employment contracts are terminated, the uncertainty relating to the amount of the obligation is attributable to the change in employee pay rates which might take place after the end of the reporting period.				
<b>24 CASH FLOW INFORMATION</b>				
<b>24.1 Cash utilised in trading</b>				
<b>Loss before tax</b>	<b>(2,380,828)</b>	<b>(1,349,993)</b>	<b>(522,272)</b>	<b>(227,896)</b>
Adjustments for non cash items:-				
Depreciation and amortisation (note 5.1 and 6)	484,917	587,708	229,240	278,273
Allowances for credit losses (note 15.2)	489,985	270,326	175,579	59,017
Employment related provisions raised (note 23.1)	134,473	3,748	71,574	(3,204)
Unrealised foreign exchange differences (note 4.1 and 6)	17,737	(15,925)	13,210	(5,321)
Inventory write-down (note 14)	221,038	523,817	92,173	224,527
Loss / (profit) on disposal of property, plant and equipment (note 4.1)	14,074	(132)	2,346	-
Net finance (income) / cost (note 7)	(1,370,622)	(919,607)	(218,775)	634,622
	<b>(2,389,226)</b>	<b>(900,058)</b>	<b>(156,925)</b>	<b>960,018</b>
<b>24.2 Working capital movements</b>				
Decrease in inventory	2,264,083	746,830	773,361	166,411
(Increase) / decrease in accounts receivable	(1,399,016)	952,254	(319,491)	179,536
Increase / (decrease) in accounts payable	1,585,814	(1,651,120)	1,013,573	(690,697)
	<b>2,450,881</b>	<b>47,964</b>	<b>1,467,443</b>	<b>(344,750)</b>
<b>24.3 Tax paid</b>				
Amounts owing at the beginning of the period	(43,560)	(27,924)	(43,628)	(27,994)
Tax charged	(18)	(58,929)	(14)	(58,905)
Amounts owing at the end of the period	15,446	43,560	15,513	43,628
Amounts paid during the year	<b>(28,132)</b>	<b>(43,293)</b>	<b>(28,129)</b>	<b>(43,271)</b>
<b>24.4 Cash and cash equivalents</b>				
Made up as follows:				
Cash at bank and on hand	437,534	479,350	344,581	262,471

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
<b>25. CAPITAL COMMITMENTS</b>				
Capital commitments include all projects for which specific board approval has been obtained.				
<b>Capital expenditure authorised</b>	<b>120,000</b>	<b>350,000</b>	<b>49,837</b>	<b>167,461</b>
Motor vehicles	-	37,800	-	37,800
Computer infrastructure	23,000	59,859	18,161	47,265
Store development	74,210	193,053	24,946	64,896
Factory development	16,060	41,788	-	-
Head office facilities	6,730	17,500	6,730	17,500
These commitments will be financed by cash generated from operations and existing facilities from financial institutions.				
<b>26. LEASES</b>				
<b>26.1 Lessee under finance leases</b>				
Total obligation at the beginning of the period	16,683	33,937	16,683	33,937
Lease obligations incurred during the year	-	-	-	-
Lease repayments	(16,683)	(17,254)	(16,683)	(17,254)
<b>Balance at the end of the period</b>	<b>-</b>	<b>16,683</b>	<b>-</b>	<b>16,683</b>
Current portion reflected under short term borrowings	-	16,683	-	16,683
Finance lease commitments payable within one year	-	16,683	-	16,683
Finance lease commitments payable after one year but not more than five years	-	-	-	-
Finance lease commitments payable after five years	-	-	-	-
	<b>-</b>	<b>16,683</b>	<b>-</b>	<b>16,683</b>
<b>The net carrying value of the motor vehicle under lease is (note 12)</b>	<b>19,223</b>	<b>28,447</b>	<b>19,223</b>	<b>28,447</b>

### 26.2 Lessee under operating leases

The Group leases all its trading premises, manufacturing premise, head office and distribution centre in terms of operating leases, whereas other operating assets including a store are owned. Trading premises are contracted for periods of between 1 and 5 years, with renewal options. Some of these leases provide for minimum annual rental payments together with additional amounts determined on the basis of sale of merchandise. A total of nil (2016: nil) store of all premises leased on contract with turnover rental clauses reached the turnover threshold in terms of the lease agreements.

	GROUP		COMPANY	
	2017	2016	2017	2016
	US\$	US\$	US\$	US\$
Operating lease commitments payable within one year	1,219,328	2,027,941	534,673	734,458
Operating lease commitments payable after one year but not more than five years	1,573,461	1,972,308	1,111,651	1,395,187
Operating lease commitments payable after five years	-	-	-	-
	<b>2,792,789</b>	<b>4,000,249</b>	<b>1,646,324</b>	<b>2,129,645</b>

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

### 27. RELATED PARTY DISCLOSURES

The consolidated financial statements of the Group include the Parent company Truworths Limited and its subsidiaries as follows :-

Name	Country of Incorporation	Effective % holding 2017
Topic Stores (Private) Limited (incorporating Number 1 Stores)	Zimbabwe	100%
Bravette Manufacturing Company (Private) Limited	Zimbabwe	100%
Major Merchandising (Private) Limited (Dormant) (100% wholly-owned)	Zimbabwe	100%
Effective Debt Collection Company (Private) Limited (Dormant) (100% wholly-owned)	Zimbabwe	100%
Top Centre (Private) Limited (Dormant) (100% wholly owned)	Zimbabwe	100%
Truworths Management Services (Private) Limited (Dormant) (100% wholly owned)	Zimbabwe	100%
Number 1 Stores (1987) (Private) Limited (Dormant) (100% wholly owned)	Zimbabwe	100%

The following table provides the total amount of transactions, which have been entered into with related parties and the respective loan balances.

	Management fees US\$	Merchandise sold to/ (purchased from) US\$	Amounts owing (to)/by US\$
<b>2017 Company</b>			
Topic Stores (Private) Limited (incorporating Number 1 Stores)	2,068,334	-	7,396,903
Bravette Manufacturing Company (Private) Limited	48,000	(460,078)	989,146
<b>2016 Company</b>			
Topic Stores (Private) Limited (incorporating Number 1 Stores)	2,952,234	-	1,456,475
Bravette Manufacturing Company (Private) Limited	48,000	(722,631)	7,142,715

#### Terms of intercompany balances

There are no fixed terms of repayment for intercompany receivables and payables and no interest is charged on outstanding balances. No allowance for credit losses is made on intercompany receivables as the balances will be recovered in the normal course of business.

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>Compensation of key management personnel</b>				
The remuneration of directors and other members of key management during the year was as follows:				
Short - term benefits	856,246	989,441	856,246	989,441
Post - employment benefits	59,072	72,330	59,072	72,330
	915,318	1,061,771	915,318	1,061,771
Included in the above amounts are the following in respect of directors' emoluments:				
Fees as directors	18,165	21,820	18,165	21,820
Otherwise in connection with management	589,159	686,961	589,159	686,961
	607,324	708,781	607,324	708,781
<b>Loans to key management personnel</b>				
Loans granted to key management personnel are interest bearing and balances outstanding at the end of the period were as follows:				
	97,132	94,298	97,132	94,298

These balances have been included in trade and other receivables

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	GROUP		COMPANY	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
<b>28. EMPLOYEE BENEFITS</b>				
The Group participates in three pension plans covering substantially all of its employees.				
<b>28.1 Truworths Pension Fund</b>				
The Group operates a defined contribution plan which requires contributions to be made to a separately administered fund. Contributions to this fund are recognised as an expense in the period to which the employees service relates.				
	181,557	211,804	119,125	143,264
<b>28.2 National Employment Council for the Clothing Industry Pension Fund</b>				
The Bravette Manufacturing Company employees make contributions towards the Clothing Industry Pension Fund.				
	12,067	13,191	-	-
<b>28.3 National Social Security Scheme</b>				
The scheme was promulgated under the National Social Security Act (1989). The Group's obligation under the scheme is limited to specific contributions as legislated from time to time.				
	55,140	65,626	26,871	34,513
<b>28.4 Employee share incentive plan</b>				
1999 Share Incentive Scheme				
This scheme was allotted 31,250,000 shares. The scheme was closed and there are no outstanding options.				
2008 Share Incentive Scheme				
Shareholders placed 35,000,000 shares under the control of the Directors for a Share Option Incentive Scheme. After considering the incentive nature of the scheme and the valuations prevailing on the Zimbabwe Stock Exchange, the Directors decided to suspend any allotments under this scheme. The Incentive Scheme may be considered at a later date.				
<b>29. BORROWING POWERS</b>				
In a resolution passed in the 59th Annual General Meeting of Shareholders on 30 November 2016, the Company was authorised to borrow up to a limit of \$12,000,000 until conclusion of the next Annual General Meeting.				

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to fund the Group's operations. The Group has trade and other receivables, and cash and short term deposits that arise directly from its operations and are classified as loans and receivables.

The Group is exposed to credit risk, liquidity risk and interest rate risk and currency risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by the audit committee that advises on financial risk and appropriate risk governance framework for the Group.

#### 30.1 Credit risk

Financial assets which potentially subject the group to credit risk consist principally of trade receivables and bank and cash balances. The Group's cash equivalents are placed with high credit quality institutions and are not all at any one time held by a single institution.

All short-term cash investments are invested with major reputable financial institutions in order to manage credit risk.

Trade receivables are presented net of allowance for credit losses. These trade account receivables are due from a large customer base. Group entities perform ongoing credit evaluations of the financial position of their customers. Before accepting any new credit customer or offering additional credit to existing account holders, the Group uses scoring systems, external credit bureau data and affordability assessments to determine the customer's credit quality. Credit risk in respect of trade account receivables is limited due to the large number of customers comprising the Group's customer base and their employment across different economic and geographical area. As a result the Group does not consider there to be any significant concentration of credit risk.

Customers that are overdue can no longer purchase until they have made payment to bring their account up to date.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Amounts owing by deceased customers and customers who have been placed under liquidation are written off immediately.

The Group's maximum exposure to credit risk is limited to the carrying amount of the trade receivables and cash and equivalents.

The directors believe that no further allowance in excess of the allowance for credit losses made is required.

The table below represents an age analysis of past due but not impaired. The trade and other receivables are considered past due should an instalment not be received within 30 days.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	Trade and other receivables US\$	Allowance US\$	Trade and other receivables, net of allowance US\$	Allowance as percentage of trade receivables %
<b>2017 GROUP</b>				
Neither past due nor impaired	2,994,361	-	2,994,361	0.0%
Past due but not impaired				
30 - 59 days	566,711		566,711	0.0%
60 - 89 days	469,714		469,714	0.0%
90 - 119 days	529,409		529,409	0.0%
> 120 days	5,422,840	(931,504)	4,491,336	9.3%
Total trade receivables	9,983,035	(931,504)	9,051,531	9.3%
Other receivables neither past due nor impaired	265,854	-	265,854	-
<b>Total trade and other receivables (excluding prepayments)</b>	<b>10,248,889</b>	<b>(931,504)</b>	<b>9,317,385</b>	<b>9.3%</b>
<b>2017 COMPANY</b>				
Neither past due nor impaired	1,096,206		1,096,206	0.0%
Past due but not impaired				
30 - 59 days	197,443		197,443	0.0%
60 - 89 days	197,616		197,616	0.0%
90 - 119 days	243,204		243,204	0.0%
> 120 days	1,700,933	(189,728)	1,511,205	5.5%
Total trade receivables	3,435,402	(189,728)	3,245,674	5.5%
Other receivables neither past due nor impaired	8,546,023	-	8,546,023	-
<b>Total trade and other receivables (excluding prepayments)</b>	<b>11,981,425</b>	<b>(189,728)</b>	<b>11,791,697</b>	<b>5.5%</b>
<b>2016 GROUP</b>				
Neither past due nor impaired	2,978,690	-	2,978,690	0.0%
Past due but not impaired				
30 - 59 days	888,181		888,181	0.0%
60 - 89 days	526,940		526,940	0.0%
90 - 119 days	415,199		415,199	0.0%
> 120 days	3,844,453	(765,013)	3,079,440	7.7%
Total trade receivables	8,653,463	(765,013)	7,888,450	7.7%
Other receivables neither past due nor impaired	463,016	-	463,016	-
<b>Total trade and other receivables (excluding prepayments)</b>	<b>9,116,479</b>	<b>(765,013)</b>	<b>8,351,466</b>	<b>8.8%</b>
<b>2016 COMPANY</b>				
Neither past due nor impaired	1,131,269	-	1,131,269	0.0%
Past due but not impaired				
30 - 59 days	366,326		366,326	0.0%
60 - 89 days	148,871		148,871	0.0%
90 - 119 days	124,750		124,750	0.0%
> 120 days	1,008,119	(138,427)	869,692	5.0%
Total trade receivables	2,779,335	(138,427)	2,640,908	5.0%
Other receivables neither past due nor impaired	8,964,583	-	8,964,583	-
<b>Total trade and other receivables (excluding prepayments)</b>	<b>11,743,918</b>	<b>(138,427)</b>	<b>11,605,491</b>	<b>5.0%</b>

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

### 30.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The holding company performs the Group's treasury function and hence borrows on behalf of the entire Group. The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's short term borrowings which have variable interest rates.

The Group policy is to adopt a non speculative approach to managing interest rates. The Group borrows principally in United States Dollars and Group policy is to keep as much of its borrowings at a low rate of interest as possible.

The Group manages its interest rate risk by borrowing from financial institutions at favourable and fixed interest rates for long term borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on borrowings. There is no impact on the Group's equity.

	2017 US\$	2016 US\$
<b>Effect on profit before tax</b>		
Increase of 3%	(273,498)	(316,076)
Decrease of 3%	273,498	316,076

#### Interest rate analysis

The Group has interest-bearing instruments with varying maturity profiles. The interest rates of interest-bearing financial instruments at the end of the reporting period are as summarised below:

	2017 %	2016 %
<b>Floating rate</b>		
Balance with bank	0.2	0.5
Interest bearing portion of trade receivables*	5	5
Average Interest on borrowings	11.19	11.34

\* At the end of the reporting period 72.1% (2016: 62.2%) of trade receivables were interest-bearing.

### 30.3 Liquidity risk

The Group's objective in managing liquidity risk is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures and finance leases.

The Group assessed the concentration of risk with respect to refinancing its debt and considered it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with respective lenders.

The Group's exposure to liquidity risk relates to borrowings and trade and other payables. In terms of the holding Company's Articles of Association, its borrowings shall not, except with the consent of the company in a general meeting, exceed two times the amount of the issued share capital plus the aggregate of two times the amounts standing to the credit of all distributable and non-distributable reserves and any share premium account of the company and its subsidiaries. In a general meeting held on 30 November 2016, the holding Company was authorised to borrow up to a limit of US\$12,000,000 until conclusion of the next general meeting.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

The table below summarises the maturity profile of the financial assets and liabilities:

	Within 3 months US\$	Between 4 to 12 months US\$	1 to 5 years US\$	Total US\$
<b>2017 GROUP</b>				
<b>Liabilities</b>				
Interest-bearing borrowings	(5,893,557)	(2,252,171)	(1,358,149)	(9,503,877)
Trade and other payables	(3,207,641)	-	-	(3,207,641)
<b>TOTAL</b>	<b>(9,101,198)</b>	<b>(2,252,171)</b>	<b>(1,358,149)</b>	<b>(12,711,518)</b>
<b>Assets</b>				
Cash and cash equivalents	437,534	-	-	437,534
Trade and other accounts receivable (excluding prepayments)	6,264,739	3,052,647	-	9,317,386
<b>TOTAL</b>	<b>6,702,273</b>	<b>3,052,647</b>	<b>-</b>	<b>9,754,920</b>
<b>2017 COMPANY</b>				
<b>Liabilities</b>				
Interest-bearing borrowings	(5,893,557)	(2,252,171)	(1,358,149)	(9,503,877)
Trade and other payables	(1,618,122)	-	-	(1,618,122)
<b>TOTAL</b>	<b>(7,511,679)</b>	<b>(2,252,171)</b>	<b>(1,358,149)</b>	<b>(11,121,999)</b>
<b>Assets</b>				
Cash and cash equivalents	344,581	-	-	344,581
Trade and other accounts receivable (excluding prepayments)	10,605,331	1,186,366	-	11,791,697
<b>TOTAL</b>	<b>10,949,912</b>	<b>1,186,366</b>	<b>-</b>	<b>12,136,278</b>
<b>2016 GROUP</b>				
<b>Liabilities</b>				
Interest-bearing borrowings	(3,522,710)	(5,092,587)	(3,015,536)	(11,630,833)
Trade and other payables	(1,484,747)	-	-	(1,484,747)
<b>TOTAL</b>	<b>(5,007,457)</b>	<b>(5,092,587)</b>	<b>(3,015,536)</b>	<b>(13,115,580)</b>
<b>Assets</b>				
Cash and cash equivalents	479,350	-	-	479,350
Trade and other accounts receivable (excluding prepayments)	5,042,179	3,309,287	-	8,351,466
<b>TOTAL</b>	<b>5,521,529</b>	<b>3,309,287</b>	<b>-</b>	<b>8,830,816</b>
<b>2016 COMPANY</b>				
<b>Liabilities</b>				
Interest-bearing borrowings	(3,522,710)	(5,092,587)	(3,015,536)	(11,630,833)
Trade and other payables	(542,166)	-	-	(542,166)
<b>TOTAL</b>	<b>(4,064,876)</b>	<b>(5,092,587)</b>	<b>(3,015,536)</b>	<b>(12,172,999)</b>
<b>Assets</b>				
Cash and cash equivalents	262,471	-	-	262,471
Trade and other accounts receivable (excluding prepayments)	9,834,275	1,205,582	-	11,039,857
<b>TOTAL</b>	<b>10,096,746</b>	<b>1,205,582</b>	<b>-</b>	<b>11,302,328</b>

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

The Group has access to financing facilities of \$247,059 (2016: \$nil) which can be utilised. The amount before limitations of the Company's Articles of Association are breached is \$2,883,400 at the end of the period.

### 30.4 Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

The Group manages its currency risk by either pre-paying for purchases or retaining stock until the foreign currency to settle the related liability has been secured.

The following exchange rates applied during the period:

	Average rate		Spot rate	
	2017	2016	09 July 2017	10 July 2016
South African Rands	13.61	14.51	13.48	14.69
Great British Pounds	1.27	-	1.30	-
Botswana Pula	10.61	-	10.41	-

Whilst the Group trades on a multi-currency basis, the dominant trading currency is the United States Dollar. The Group's exposure to currency risk results mainly from its South African Rand based imports from South African suppliers, to the extent that they cannot be matched with inflows. Consequently, exchange rate fluctuations may have an impact on future cash flows.

The carrying amount of foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Currency	Liabilities	Assets	Net position
<b>2017 GROUP</b>				
July 09 2017	South African Rand	-	96,594	96,594
July 09 2017	British Pound	-	20	20
July 09 2017	Botswana Pula	-	344	344
<b>2017 COMPANY</b>				
July 09 2017	South African Rand	-	80,738	80,738
July 09 2017	British Pound	-	20	20
July 09 2017	Botswana Pula	-	344	344
<b>2016 GROUP</b>				
July 10 2016	South African Rand	(2,126,750)	23,799	(2,102,951)
<b>2016 COMPANY</b>				
July 10 2016	South African Rand	(1,553,918)	5,356	(1,548,562)

The following demonstrates the sensitivity of results to a possible change in the United States Dollar exchange rate against the South African Rand, British Pound, Botswana Pula, with all other variables held constant. Impact on equity is not material.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

	2017 US\$	2016 US\$
<b>GROUP</b>		
<b>Effect on profit before tax</b>		
Increase of 10%	656	(13,014)
Decrease of 10%	(656)	13,014
<b>COMPANY</b>		
<b>Effect on profit before tax</b>		
Increase of 10%	549	(9,583)
Decrease of 10%	(549)	9,583

### 30.5 Fair value of financial instruments

The carrying amounts of financial instruments approximate their fair values

### 30.6 Capital management

The Group manages its capital to ensure that the entities in the Group will be able to continue as going concerns while enhancing the return to its stakeholders.

The capital structure of the Group consists of equity (fully attributable to owners of the parent), comprising issued ordinary share capital, non-distributable reserves and retained earnings, less treasury shares. Refer to notes 17 and 18.

The Group's primary objectives in managing capital are:

- to ensure that the Group maintains healthy capital ratios in order to support its business;
- to ensure that entities within the Group will be able to continue as going concerns and have sufficient capital for their operations;
- to provide flexibility so as to be able to take advantage of opportunities that could improve returns to shareholders and enhance shareholder value.

No changes were made in objectives, policies or processes for managing capital during the periods ended July 09 2017.

	2017 US\$	2016 US\$
(Loss) / profit for the period	(1,783,850)	(1,029,448)
Total equity	3,074,526	4,858,376
Total borrowings	9,116,600	10,535,882
<b>Ratios</b>		
Return on equity	(58%)	(21%)
Return on assets	(11%)	(6%)
Gearing	75%	68%

### 30.7 INSURANCE COVER

The Group's assets are adequately insured, as premiums are constantly reviewed to bring up sum insured values in line with the realisable values.

### 31 EVENTS AFTER REPORTING DATE

There have been no significant events after reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

### 32. SEGMENT INFORMATION

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment, Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the group financial statements. However, some Group assets (comprising intangible assets, motor vehicles and deferred tax assets) and liabilities (comprising deferred and current tax liabilities) are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No operating segments have been aggregated to form the reportable operating segments below.

Business segments: For management purposes the Group is organised into two operating segments, namely manufacturing and retail. The manufacturing segment sells the majority of its products to the retail segment, which sells goods to the public.

Geographical information: The Group operates principally in one geographical area, namely Zimbabwe. Therefore, no further information about geographical segments is provided.

Major customer information: The Group does not generate at least 10% of its revenue from any single external customer.

Products and services information: The Group's revenue is derived from the sale of clothing.

	Manufacturing		Retail		Eliminations		Consolidated	
	2017 US \$	2016 US \$						
<b>Revenue*</b>								
<b>(Sale of Merchandise)</b>								
External sales	69,134	68,675	12,267,643	17,240,078	-	-	12,336,777	17,308,753
Inter-segment sales	1,090,679	1,619,285	-	-	(1,090,679)	(1,619,285)	-	-
Total revenue	1,159,813	1,687,960	12,267,643	17,240,078	(1,090,679)	(1,619,285)	12,336,777	17,308,753
<b>Result</b>								
Segment (loss) / profit	(219,739)	(228,406)	(3,579,711)	(2,089,195)	48,000	48,000	(3,751,450)	(2,269,601)
Finance income	-	-	2,523,435	2,327,746	-	-	2,523,435	2,327,746
Finance cost	-	-	(1,152,813)	(1,408,138)	-	-	(1,152,813)	(1,408,138)
Taxation	51,768	58,612	545,210	261,933	-	-	596,978	320,545
(Loss) / profit for the period	(167,971)	(169,794)	(1,663,879)	(907,654)	48,000	48,000	(1,783,850)	(1,029,448)
<b>Other information</b>								
Segment assets	1,072,492	1,237,827	22,758,742	31,605,292	(8,386,049)	(15,172,346)	15,445,185	17,670,773
Unallocated corporate assets							446,063	555,225
	1,072,492	1,237,827	22,758,742	31,605,292	(8,386,049)	(15,172,346)	15,891,248	18,225,998
Segment liabilities	(1,003,505)	(1,017,121)	21,922,772	28,359,470	(8,386,049)	(15,172,346)	12,533,218	12,170,003
Unallocated corporate liabilities							283,504	1,197,619
Consolidated total liabilities	(1,003,505)	(1,017,121)	21,922,772	28,359,470	(8,386,049)	(15,172,346)	12,816,722	13,367,622
Capital expenditure	2,161	4,471	32,061	130,906			34,222	135,377
Depreciation and amortisation	27,405	27,537	457,512	560,171			484,917	587,708

\* The total segment revenue balance excludes finance income separately disclosed on the segment report.

# NOTICE OF MEETING

Notice is hereby given that the Sixtieth Annual General Meeting of Shareholders of Truworths Limited will be held in the Boardroom, Truworths Limited, Prospect Park, Stand 808, Seke Road, Harare, Zimbabwe on Thursday November 30 2017 at 9.00am to transact the following business:

## ORDINARY BUSINESS

1. To approve minutes of the Annual General Meeting held on November 30 2016.
2. To receive and adopt the financial statements and reports of the Directors and Auditors for the year ended July 09 2017.
3. To elect directors. Mr C.P.M Peech retires by rotation in terms of the Articles of Association. Being eligible, he offers himself for re-election.
4. To approve the remuneration of the directors for the past financial year.
5. To approve the remuneration of the auditors for the past audit.
6. To re-appoint Ernst & Young as auditors until conclusion of the next Annual General Meeting.

## SPECIAL BUSINESS

To consider, and if deemed fit, to pass with or without modification, the following resolutions:-

7. To obtain authorisation by way of an ordinary resolution, in accordance with Article 100 of the Company's Articles of Association as follows;

"THAT the Company be and is hereby authorised to borrow up to a limit of US\$12,000,000 (twelve million United States dollars) until the conclusion of the next Annual General Meeting. The Directors must be satisfied that any borrowings incurred by the Company are in the best interest of the Company, that the terms thereof are fair and reasonable to the Company and the Company as expected will readily satisfy any financial covenants imposed by lenders for the full duration of the borrowing period."

## EXPLANATORY NOTE

### Resolution 7: Authorisation to borrow up to US\$12,000,000

The Company and its subsidiaries introduced a 12 month credit facility for customers. This move is in line with current local and regional retail trends. More customers migrated to the 12 month payment scheme resulting in a 76.7% increase in the 12 month payment scheme values from prior year levels. The impact of the move has been to extend the working capital investment time frame. This has made it necessary for the Company to seek authority to borrow up to US\$12,000,000 to support working capital. Currently, the Company is authorised to borrow up to a limit of US\$12,000,000 until conclusion of the annual general meeting on November 30 2017.

# NOTICE OF MEETING (continued)

## APPOINTMENT OF PROXIES

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, vote and speak in his stead. The proxy need not be a member of the Company.

If a proxy form is used, it must be lodged at or posted to and must be received, not later than 48 hours before the meeting, at the office of the company's transfer secretaries;

Corpserve (Private) Limited  
2nd Floor ZB Centre  
Cnr Kwame Nkrumah Avenue/First Street  
P.O. Box 2208  
Harare  
Zimbabwe

**By Order of the Board**

**M T CHIDONI  
SECRETARY**

**September 28 2017**

### Registered Office

Stand 808 Seke Road  
Prospect Park  
Hatfield  
P.O. Box 2898  
Harare, Zimbabwe  
Tel: +263 4 576441/9, 576438  
Email: [truworths@truworths.co.zw](mailto:truworths@truworths.co.zw)  
Website: [www.truworths.co.zw](http://www.truworths.co.zw)

### Transfer Secretaries

Corpserve (Private) Limited  
2nd Floor ZB Centre  
Cnr Kwame Nkrumah Avenue/First Street  
P.O. Box 2208  
Harare, Zimbabwe  
Tel: 263 4 758193, 750711/2  
Fax: 263 4 752629  
Email: [corpserve@corpserve.co.zw](mailto:corpserve@corpserve.co.zw)







# Form Of Proxy

## 60<sup>th</sup> ANNUAL GENERAL MEETING

1. The Sixtieth Annual General Meeting is to be held in the Boardroom of the Company, at the Company's registered office, Stand 808, Seke Road, Prospect Park, on Thursday November 30 2017 at 9:00am.

I/We \_\_\_\_\_

Being a member of Truworths Limited hereby appoint \_\_\_\_\_  
\_\_\_\_\_and/or \_\_\_\_\_

or failing him/her the Chairman of the meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held on Thursday November 30 2017 adjournment thereof.

2. I/We instruct my/our proxy or proxies to vote in the following way.

### ORDINARY RESOLUTIONS

- 1. To approve minutes of the Annual General Meeting held on November 30 2016.
- 2. To receive and adopt the financial statements and reports of the Directors and Auditors for the year ended July 09 2017.  For  Against  Withheld
- 3. To re-elect director retiring by rotation:  
i) Mr C.P.M Peech  For  Against  Withheld
- 4. To approve the remuneration of the directors for the past financial year.  For  Against  Withheld
- 5. To approve the remuneration of the auditors for the past audit.  For  Against  Withheld
- 6. To re-appoint Ernst & Young as auditors until conclusion of the next Annual General Meeting.  For  Against  Withheld

### SPECIAL RESOLUTIONS

- 7. To amend Article 100 of the Company's Articles of Association in accordance with section 20 of the Companies Act (Chapter 24:03).  For  Against  Withheld

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

SIGNATURE OF MEMBER \_\_\_\_\_

### NOTE

- (a) Intems of section 129 of the Companies Act (Chapter 24:03) members are entitled to appoint one or more proxies to act in the alternative and to attend and vote and speak in their place at the meeting. A proxy need not be a member of the Company.
- (b) The proxy form must be signed, dated and lodged with the Companies' Transfer Secretaries, to be received not later than 48 hours before the meeting.

# Change Of Address Advice

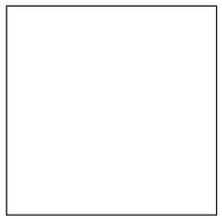
The attention of shareholders is drawn to the necessity for keeping the Transfer Secretary advised of any changes in name and/or address.

Shareholder's name in full (BLOCK LETTERS)

.....  
.....  
.....

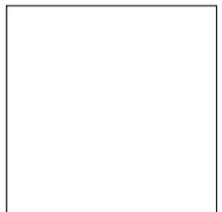
New Address (BLOCK LETTERS)

.....  
.....  
.....



**POST CARD**

THE TRANSFER SECRETARIES  
CORP SERVE (PRIVATE) LIMITED  
2ND FLOOR, ZB CENTRE  
CNR KWAME NKRUMAH/FIRST STREET  
P.O. BOX 2208  
HARARE  
Tel: (263 4)758193, 750711/2, 751559/61  
Fax: (263 4) 752 629  
E-mail: [corpserve@corpserve.co.zw](mailto:corpserve@corpserve.co.zw)



**POST CARD**

THE TRANSFER SECRETARIES  
CORP SERVE (PRIVATE) LIMITED  
2ND FLOOR, ZB CENTRE  
CNR KWAME NKRUMAH/FIRST STREET  
P.O. BOX 2208  
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Tel: (263 4)758193, 750711/2, 751559/61  
Fax: (263 4) 752 629  
E-mail: [corpserve@corpserve.co.zw](mailto:corpserve@corpserve.co.zw)

