

Directors' Responsibility

The company's directors are responsible for the preparation and fair presentation of the Group's financial statements, of which this press release represents an extract. These reviewed interim financial statements have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting and in a manner required by the Companies and Other Business Entities Act (Chapter 24:31) (COBE) and the Zimbabwe Stock Exchange (ZSE) Listing Requirements for provisional interim financial statements (Preliminary Reports). The principal accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the previous annual financial statements except for non-compliance with International Accounting Standards (IAS) 21 (Effect of Changes in Foreign Exchange Rates). There is no significant impact arising from new and revised IFRS which became effective for reporting periods commencing on or after 1 January 2019 with the exception of the impact of IFRS 16 (Leases) which is still being assessed.

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

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

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

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

Adoption of IAS 29 (Financial Reporting in hyperinflationary economies)

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

External auditor's review conclusion

These inflation adjusted interim financial statements have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse review conclusion as a result of non-compliance with IAS 21 (Effects of Changes in Foreign Exchange Rates) and the consequential impact on the inflation-adjusted amounts determined in terms of IAS 29. The auditor's review conclusion on the Group's interim financial statements is available for inspection at the Company's registered office.

Trading Performance

Group merchandise sales for the 26 weeks to 05 January 2020 were 25.1% higher than those of the 26 week period ended 06 January 2019 (the prior period).

Individual chain sales on a comparable 26 week period increased as follows;

	Apparel only
Truworths	+24.1%
Topics	+30.5%
Number 1	+9.4%

Units sold out-turn was as follows:

Truworths -63.0%, Topics -60.9% and Number 1 -65.4%.

The gross profit margin improved to 65.8% (2019: 59.0%). Trading expenses excluding depreciation increased by 31.6%. An operating profit margin of 24.2% (2019: 28.8%) was achieved for the period.

Merchandise

Affordability was an issue due to discretionary income lagging inflation. Product volumes and availability were constrained due to a shortage of foreign exchange and local liquidity which adversely affected the local supplier base. Imported International Brands volumes have come down.

We successfully launched our Own Branded fragrances in February.

Credit Management

The number of active accounts increased by 0.2% over the comparative period to 93,012 of these 12,764 (2019: 13,449) were on the Instore Credit Card at period end.

Dividend

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

Outlook

The pressure on discretionary spending and foreign exchange will persist in the short to medium term.

We will continue to focus on moving the business more towards cash sales and productive cost management.


M P Mahlangu
Chairman


B Ndebele
Chief Executive Officer

30 April 2020

Registered Office

Stand 808 Seke Road
Prospect Park
Harare

GROUP STATEMENT OF FINANCIAL POSITION

Note	INFLATION ADJUSTED		HISTORICAL	
	2020 H1 Reviewed ZWL \$	2019 FY Audited ZWL \$	2020 H1 Reviewed ZWL \$	2019 FY Audited ZWL \$
ASSETS				
Non-current assets	22 843 138	24 728 013	7 297 548	7 738 151
Property, plant and equipment	22 002 402	23 833 287	7 031 560	7 458 164
Intangible assets	840 736	894 726	265 988	279 987
Current assets	46 775 728	56 935 399	34 286 521	17 816 826
Inventories	25 935 200	17 306 910	14 083 608	5 415 861
Receivables - trade	16 581 887	30 166 584	16 581 887	9 440 045
- other	1 898 802	5 856 990	1 261 187	1 832 832
Cash and cash equivalents	2 359 839	3 604 915	2 359 839	1 128 088
Total Assets	69 618 866	81 663 412	41 584 069	25 554 977
EQUITY & LIABILITIES				
Equity	42 838 780	35 955 756	16 289 290	11 251 655
Non-current liabilities	4 903 560	7 745 878	3 435 373	2 423 922
Deferred tax	4 903 560	7 745 878	3 435 373	2 423 922
Current liabilities	21 876 526	37 961 778	21 859 406	11 879 400
Payables - trade	11 169 287	12 094 952	11 169 287	3 784 880
- other	3 648 623	7 213 998	3 631 503	2 257 480
Short term borrowings	6 496 331	18 033 534	6 496 331	5 643 244
Tax payable	562 285	619 294	562 285	193 796
Total Equity & Liabilities	69 618 866	81 663 412	41 584 069	25 554 977
Number of shares in issue (net of treasury shares)	380 901 152	380 901 152	380 901 152	380 901 152
Net asset value per share (cents)	11.25	9.44	4.28	2.95

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Note	INFLATION ADJUSTED		HISTORICAL	
	2020 H1 Reviewed ZWL \$	2019 H1 Unaudited ZWL \$	2020 H1 Reviewed ZWL \$	2019 H1 Unaudited ZWL \$
Revenue	36 943 394	32 573 433	24 868 083	10 193 223
Revenue from Contracts with Customers	33 274 136	26 607 746	22 592 630	8 326 377
Cost of sales	(11 368 818)	(10 896 075)	(5 140 624)	(3 409 715)
Gross profit	21 905 318	15 711 671	17 452 006	4 916 662
Other income	669 939	1 054 627	342 954	330 025
Manufacturing profit	2 313 507	783 880	1 462 800	245 300
	24 888 764	17 550 178	19 257 760	5 491 987
Trading expenses	(19 861 563)	(14 690 361)	(13 247 013)	(4 597 063)
Depreciation and amortisation	(1 171 153)	(489 029)	(327 544)	(153 032)
Employment costs	(7 364 235)	(5 951 295)	(4 684 450)	(1 862 342)
Occupancy costs	(4 231 484)	(3 455 974)	(2 823 646)	(1 081 480)
Trade receivable costs	(473 090)	(888 785)	(363 199)	(278 128)
Other operating costs	(6 621 601)	(3 905 278)	(5 048 174)	(1 222 081)
Trading profit	5 027 201	2 859 817	6 010 747	894 924
Finance income	3 022 548	4 800 409	1 850 574	1 502 195
Operating Profit	8 049 749	7 660 226	7 861 321	2 397 119
Finance cost	(2 880 221)	(1 433 066)	(1 146 550)	(448 450)
Monetary Gain	4 858 822	-	-	-
Profit before tax	10 028 350	6 227 160	6 714 771	1 948 669
Tax expense	(3 145 326)	(1 417 656)	(1 677 136)	(443 628)
Profit for the period	6 883 024	4 809 504	5 037 635	1 505 041
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	6 883 024	4 809 504	5 037 635	1 505 041
Earnings per share				
Basic earnings per share (cents)	1.81	1.26	1.32	0.40
Headline earnings per share (cents)	1.81	1.26	1.32	0.40
Key ratios				
Gross margin (%)	65.8	59.0	77.2	59.0
Trading expenses to revenue from Contracts with Customers (%)	59.7	55.2	58.6	55.2
Trading margin (%)	15.1	10.7	26.6	10.7
Operating margin (%)	24.2	28.8	34.8	28.8

GROUP STATEMENT OF CHANGES IN EQUITY

	INFLATION ADJUSTED			
	Share capital ZWL \$	Non-distributable reserve ZWL \$	Retained earnings ZWL \$	Total ZWL \$
Balance at 06 January 2019	121 720	5 932 981	8 556 445	14 611 146
Total comprehensive income for the period	-	-	4 809 504	4 809 504
Change in functional currency reserve	-	15 686 643	848 463	16 535 106
Balance at 08 July 2019	121 720	21 619 624	14 214 412	35 955 756
Impact of IAS 29	-	(20 872 406)	20 872 406	-
Total comprehensive income for the period	-	-	6 883 024	6 883 024
Balance at 05 January 2020	121 720	747 218	41 969 842	42 838 780
	Share capital ZWL \$	Non-distributable reserve ZWL \$	Retained earnings ZWL \$	Total ZWL \$
Balance at 06 January 2019	38 090	1 856 611	2 677 573	4 572 274
Total comprehensive income for the period	-	-	1 503 076	1 503 076
Change in functional currency reserve	-	4 908 830	267 475	5 176 305
Balance at 08 July 2019	38 090	6 765 441	4 448 124	11 251 655
Total comprehensive income for the period	-	-	5 037 635	5 037 635
Balance at 05 January 2020	38 090	6 765 441	9 485 759	16 289 290

GROUP STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED		HISTORICAL	
	26 weeks to 05 January 2020 Reviewed ZWL \$	26 weeks to 06 January 2019 Unaudited ZWL \$	26 weeks to 05 January 2020 Reviewed ZWL \$	26 weeks to 06 January 2019 Unaudited ZWL \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from trading	8 329 922	5 381 169	8 178 510	1 683 933
Working capital movements	(10 164 794)	(6 046 860)	(8 160 519)	(1 892 248)
Net cash (utilised in)/generated from operations	(1 834 872)	(665 691)	17 991	(208 315)
Finance income	3 022 548	4 800 409	1 850 574	1 502 195
Finance cost	(2 880 221)	(1 433 066)	(1 146 550)	(448 450)
Tax paid	(297 194)	(606 946)	(297 194)	(189 932)
Net cash (utilised in)/generated from operating activities	(1 989 739)	2 094 706	424 821	655 498
Cash utilised in investing activities	(364 968)	(94 599)	(46 155)	(29 603)
Net cash generated from/(utilised in) financing activities	1 109 631	(1 946 223)	853 085	(609 033)
Net (decrease)/increase in cash and cash equivalents	(1 245 076)	53 884	1 231 751	16 862
Cash and cash equivalents at beginning of period	3 604 915	1 457 713	1 128 088	456 163
Cash and cash equivalents at end of period	2 359 839	1 511 597	2 359 839	473 025

SUPPLEMENTARY INFORMATION

- CORPORATE INFORMATION**
The Group is incorporated and domiciled in Zimbabwe and its shares are publicly traded on the Zimbabwe Stock Exchange. It is engaged in the manufacture and retailing of fashion apparel and related merchandise.
- BASIS OF PREPARATION**
The Group's financial statements for the six months ended 05 January 2020 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange Listing Requirements and in a manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE). The Listing Requirements require interim financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as a minimum, contain the information required by International Accounting Standards ("IAS") 34 (Interim Financial Reporting). The Group's inflation adjusted interim financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and are presented in Zimbabwe Dollars (ZWL).

SUPPLEMENTARY INFORMATION (continued)

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

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

In October 2019, the PAAB issued a pronouncement prescribing that the application of financial reporting in hyperinflationary economies had become effective in Zimbabwe, for reporting periods on or after 01 July 2019. These financial statements have been prepared in accordance with IAS 29. The Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index to restate transactions and balances. Monetary assets and liabilities and non-monetary assets and liabilities carried at fair value have been restated as they are presented at the measuring unit current at the end of the reporting period. Items recognised in the income statement have been restated by applying the change in general price index from the dates when initially recorded in the Group's financial records (transaction date). A net monetary adjustment was recognised in the statement of profit or loss for the half year ended 05 January 2020. Comparative amounts in the Group financial results have been restated to reflect the change in the general price index from 22 February 2019 to the end of the reporting period. All items in the statement of cashflows are expressed based on the restated financial information for the period.

As mentioned above, the Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index and used the monthly indices to inflation adjust the historical figures. The factors used during the half year are as follows:

	Indices	Conversion factor
CPI on 31 December 2019	551.63	1.00
CPI on 30 June 2019	172.61	3.20
Average CPI - 6 months to 31 December 2019	362.30	
Average CPI - 6 months to 31 December 2018	72.60	

2.2 Adoption of IFRS 16 (Leases)

The Group will apply IFRS 16 for the first time in this financial year.

The Group is currently in the process of adopting IFRS 16 as a replacement of IAS 17, Leases as well as the related interpretation. IFRS 16 introduces a single on balance sheet accounting model for leases by lessees and eliminates the distinction between operating and finance leases. As permitted by IFRS 16, the Group elected not to restate its comparative financial statements. The impact of adopting IFRS 16 will be applied prospectively with an adjustment to the Group's opening reserves as 08 July 2019.

As a lessee, the Group's policy is to recognise the right-of-use asset, representing its rights to use the underlying assets and lease liabilities, representing its obligation to make lease payments. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate. Right-of-use assets are measured at the amount equal to the lease liability, adjusted by prepaid or accrued lease payments and initial direct costs, if any, relating to that lease recognised on the balance sheet. Where the Group is a Lessor, the accounting for leases remains similar to previous accounting policies. The Group has 64 branches operating under lease, therefore given the complexity of the leases management is still assessing the impact of IFRS 16.

The Group's leasing activities

The Group leases retail stores, office space and warehouses. The lease contracts are usually made for a fixed tenure averaging between 1 - 3 years with extension options. Lease terms are individually negotiated and contain a wide range of different terms and conditions. In determining the lease tenure, consideration is given to all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extensions options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Management applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle and past history of terminating /not renewing leases.

3. SHORT TERM BORROWINGS

Short-term borrowings are jointly secured by Cession of Book Debts, Power of Attorney to register an NGCB and Cession of Insurance Policy with security Agent as First Loss Payee. Borrowings are renewed on maturity in terms of ongoing facilities negotiated with the respective financial institutions. The average interest of 37.3% per annum was applicable on the outstanding balance.

4. REVENUE

Sale of merchandise
- Retail sales
- Factory sales to third parties

Interest receivable
- Accounts receivable
- Other

Service fees
Commissions

5. DEPRECIATION AND AMORTISATION

Retail charge
Manufacturing charge
Total charge

6. TAX

Current tax charge for the period
Deferred tax charge for the period
Total tax charge

7. EARNINGS PER SHARE

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

	INFLATION ADJUSTED		HISTORICAL	
	26 weeks to 05 January 2020 Reviewed ZWL\$	26 weeks to 06 January 2019 Unaudited ZWL\$	26 weeks to 05 January 2020 Reviewed ZWL\$	26 weeks to 06 January 2019 Unaudited ZWL\$
4. REVENUE				
Sale of merchandise	33 446 157	26 787 112	22 734 177	8 382 506
- Retail sales	33 274 136	26 607 746	22 592 630	8 326 377
- Factory sales to third parties	172 021	179 366	141 547	56 129
Interest receivable	3 022 548	4 800 409	1 850 574	1 502 195
- Accounts receivable	3 022 102	4 800 269	1 850 210	1 502 151
- Other	446	140	364	44
Service fees	422 880	866 197	252 703	271 059
Commissions	51 809	119 715	30 629	37 463
Total	36 943 394	32 573 433	24 868 083	10 193 223
5. DEPRECIATION AND AMORTISATION				
Retail charge	1 171 153	489 029	327 544	153 032
Manufacturing charge	265 687	16 243	159 213	5 083
Total charge	1 436 840	505 272	486 757	158 115
6. TAX				
Current tax charge for the period	(665 685)	(534 157)	(665 685)	(229 881)
Deferred tax charge for the period	(2 479 641)	(883 499)	(1 011 451)	(213 747)
Total tax charge	(3 145 326)	(1 417 656)	(1 677 136)	(443 628)

8. SEGMENT INFORMATION

	INFLATION ADJUSTED							
	Manufacturing		Retail		Elimination		Consolidated	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
External Sales	172 021	179 366	33 274 136	26 607 746	-	-	33 446 157	26 787 112
Inter-segment sales	6 464 627	3 331 281	-	-	(6 464 627)	(3 331 281)	-	-
Interest receivable	-	-	3 022 548	4 800 409	-	-	3 022 548	4 800 409
Service fees	-	-	422 880	866 197	-	-	422 880	866 197
Commissions	-	-	51 809	119 715	-	-	51 809	119 715
Total revenue	6 636 648	3 510 647	36 771 373	32 394 067	(6 464 627)	(3 331 281)	36 943 394	32 573 433
Segment result								
Profit for the period	2 272 266	708 160	2 796 176	2 227 377	(41 241)	(75 720)	5 027 201	2 859 817
Monetary gain	1 423 051	-	3 435 771	-	-	-	4 858 822	-
Finance income	-	-	3 022 548	4 800 409	-	-	3 022 548	4 800 409
Finance cost	-	-	(2 880 221)	(1 433 066)	-	-	(2 880 221)	(1 433 066)
Tax expense	(1 763 622)	(183 078)	(1 381 704)	(1 234 578)	-	-	(3 145 326)	(1 417 656)
Net profit	1 931 695	525 082	4 992 570	4 360 142	(41 241)	(75 720)	6 883 024	4 809 504

	HISTORICAL							
	Manufacturing		Retail		Elimination		Consolidated	
	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$	2020 ZWL\$	2019 ZWL\$
External Sales	141 547	56 129	22 592 630	8 326 377	-	-	22 734 177	8 382 506
Inter-segment sales	4 160 874	1 042 460	-	-	(4 160 874)	(1 042 460)	-	-
Interest receivable	-	-	1 850 574	1 502 195	-	-	1 850 574	1 502 195
Service fees	-	-	252 703	271 059	-	-	252 703	271 059
Commissions	-	-	30 629	37 463	-	-	30 629	37 463
Total revenue	4 302 421	1 098 589	24 726 536	10 137 094	(4 160 874)	(1 042 460)	24 868 083	10 193 223
Segment result								
Profit for the period	1 438 800	221 300	4 595 947	697 624	(24 000)	(24 000)	6 010 747	894 924
Finance income	-	-	1 850 574	1 502 195	-	-	1 850 574	1 502 195
Finance cost	-	-	(1 146 550)	(448 450)	-	-	(1 146 550)	(448 450)
Tax expense	(358 348)	(56 986)	(1 318 788)	(386 642)	-	-	(1 677 136)	(443 628)
Net profit	1 080 452	164 314	3 981 183	1 364 727	(24 000)	(24 000)	5 037 635	1 505 041

	INFLATION ADJUSTED		HISTORICAL	
	at 05 January 2020 Reviewed ZWL\$	at 06 January 2019 Unaudited ZWL\$	at 05 January 2020 Reviewed ZWL\$	at 06 January 2019 Unaudited ZWL\$
9. LEASE COMMITMENTS				
The minimum lease commitments are as follows:				
Operating lease commitments payable within one year	7 017 636	3 673 229	7 017 636	1 147 884
After one year but not more than five years	-	4 137 325	-	1 292 914
	7 017 636	7 810 554	7 017 636	2 440 798
10. CONTINGENT LIABILITIES				
There are no contingent liabilities.				
11. CAPITAL EXPENDITURE FOR THE PERIOD	90 725	94 599	46 155	29 603

12. EVENTS AFTER THE END OF REPORTING PERIOD

The Group has according to International Accounting Standard (IAS10) - 'Events after the Reporting Period' identified events emanating from the Covid-19 pandemic and the national lockdown as non-adjusting events instead of adjusting events, since the pandemic arose after the reporting date.

The Group would like to highlight events relating to Covid-19 pandemic. On 11 March 2020, the World Health Organisation (WHO) declared the Coronavirus Disease (Covid-19) an international pandemic. There has been a worldwide spread with new infections occurring at an unprecedented rate.

In the same month, the Government of Zimbabwe declared the outbreak of the Coronavirus a National Disaster. This then led to the declaration of a 21-day National Lockdown which started on 30 March 2020 through Statutory Instrument 83 of 2020 Public Health (COVID-19) Prevention, Containment and Treatment (National Lockdown), which measures included - closing of borders and total shut down of most businesses save for essential services amongst other significant interventions. The lockdown was extended to 17 May 2020.

The ongoing national, regional and global response to the COVID-19 pandemic will negatively affect the Group's business operations, including customers, suppliers, service providers and employees. The overall disruption and financial effect on the Group's businesses cannot be determined with certainty due to the nature and complexity, the unknown duration and severity of the COVID-19 pandemic and dynamic responses to be implemented by the country to counteract the negative impact on the economy.

However, appraised positions will be provided in the quarterly trading updates with the first being on or before 15 May 2020.

