

TRUWORTHS

(Incorporated in Zimbabwe in 1957, under Company Registration Number 602/57)

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

Registered Address: Stand 808 Seke Road, Prospect Park, Hatfield, Harare, Zimbabwe

ABRIDGED CIRCULAR TO SHAREHOLDERS

Concerning

A Renounceable Rights Offer of 384,067,512 ordinary shares of a nominal value of ZWL\$0.0001 each, at a Rights Offer price of ZWL\$5,80 per share, on the basis of one (1) new ordinary share for every one (1) ordinary share in issue as at the Record Date.

LEAD ADVISORS  MORGAN & CO INTERNATIONAL <small>YOUR WORLD IS OUR WORLD</small>	SPONSORING BROKERS  MORGAN & CO <small>A MEMBER OF THE ZIMBABWE STOCK EXCHANGE</small> <small>YOUR WORLD IS OUR WORLD</small>	REPORTING ACCOUNTANTS  Grant Thornton	LEGAL ADVISORS  H&B	TRANSFER SECRETARIES  Corpserve	UNDERWRITERS  MegaMarket (Pvt) Ltd.
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ACTION REQUIRED:

- If you are in any doubt as to the action you should take, you should immediately seek advice from your stockbroker, bank manager, legal practitioner, accountant or other professional advisor
- No person has been authorised to give any information, or make any representations in connection with the Renounceable Rights Offer or the Company other than as contained in this Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, its Directors or its advisors. The Advisors are acting as advisors to the Company only, in connection with the Renounceable Rights Offer, and will not be responsible to any other person for providing the protection offered to their clients.
- If you no longer hold any shares in Truworths Limited, you should send this document and the accompanying proxy form as soon as possible to the stockbroker, bank or other agent through whom the sale or disposal of your shares was effected for transmission to the purchaser or transferee

Date of issue of this document: 19 June 2023

COMPANY PROFILE

1.1 Background

Truworths Limited is a limited company incorporated and domiciled in Zimbabwe whose shares are publicly traded. Their core business is the retailing of clothing, footwear, textiles and accessories. Through their credit and cash stores, they aim to supply their customers with value for money by providing quality merchandise for the family at competitive prices. As at April 2023 the Group had a total of 46 stores nationwide, with over 11,577 sq. metres of store space. Their business is retailing through credit and cash stores. Truworths is a well-known brand in the clothing and footwear retail business in Zimbabwe.

1.2 Overview of Operations

The Group is organised into four strategic business units. An overview of Truworths activities, by operating subsidiary, is detailed Below;

TARGET MARKETS AND VALUE PROPOSITION

- A. Truworths Ladies and Man**
- Upper end of the market
 - Aspirational International Brands
 - Aspirational In-house Brands
 - Quality and Fashion
- B. Topics**
- Family store i.e., includes children
 - Mid-Market typically middle management in both the Public Sector and Private Sector
 - Own In-house brands and "TOPICS"
 - Quality differentiates us from major competitors
 - More stable investment dressing
- C. Number 1**
- Mass market family store
 - Lower end of the market
 - Price driven

	STORE ESTABLISHMENT	SQUARE METRES
TRUWORTHS	14	2,705
TOPICS	18	6,439
NUMBER 1	14	2,433
TOTAL	46	11,577

D. Bravette Manufacturing Company

Bravette is the manufacturing business unit of Truworths. It supplies the retail business with a wide range of ladies' and children's wear.

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE 26 WEEKS TO 08 JANUARY 2023

	GROUP			
	26 weeks to 08 Jan 2023	26 weeks to 09 Jan 2022	26 weeks to 08 Jan 2023	26 weeks to 09 Jan 2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$
	INFLATION ADJUSTED		HISTORICAL	
Revenue	577,798,258	1,019,955,297	427,221,041	261,573,217
Retail merchandise sales	528,931,405	868,434,954	388,033,393	224,936,267
Cost of sales	96,872,428	241,270,575	69,921,669	52,887,698
Gross profit	432,058,977	627,164,379	318,111,724	172,048,569
Other income	5,816,272	1,293,857	9,970,116	(9,191,710)
Manufacturing profit/(loss)	65,208,305	(17,496,020)	42,024,230	(3,778,163)
	503,083,554	610,962,216	370,106,070	159,078,696
Trading expenses	(674,935,846)	(693,521,870)	(655,834,562)	(176,129,000)
Depreciation and amortisation	(888,707)	(7,130,604)	(841,442)	(1,074,316)
Employment costs	(203,201,449)	(185,049,820)	(195,985,032)	(66,436,189)
Trade receivable costs	(318,538)	4,514,320)	(406,511)	(1,152,011)
Other operating costs	(229,170,987)	(306,273,646)	(226,771,084)	(57,249,803)
	(171,852,292)	(82,559,654)	(285,728,492)	(17,050,304)
Finance (loss)/profit	48,849,695	126,029,892	39,172,592	33,668,215
Operating (loss)/profit	(123,002,597)	43,470,238	(246,555,900)	16,617,911
Finance cost	(107,193,701)	(38,088,591)	(104,772,530)	(9,880,377)
Monetary (loss)/gain	(333,726,795)	370,196,129	-	-
(Loss)/profit before tax	(545,179,053)	375,577,776	(351,328,430)	6,737,534
Tax expense	(26,414,760)	(9,067,141)	(24,360,966)	(2,637,626)
(Loss)/profit for the period	(571,593,813)	366,510,635	(375,689,396)	4,099,908
Revaluation of property, plant and equipment; net of tax	42,477,972	-	62,001,547	-
Total comprehensive (loss)/income for the period	(529,115,841)	366,510,635	(313,687,849)	4,099,908

ABRIDGED STATEMENT OF CASH FLOWS FOR THE 26 WEEKS TO 08 JANUARY 2023

	GROUP			
	26 weeks to 08 Jan 2023	26 weeks to 09 Jan 2022	26 weeks to 08 Jan 2023	26 weeks to 09 Jan 2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$
	INFLATION ADJUSTED		HISTORICAL	
Cash flows from operating activities				
Cash (utilized in) / generated from trading	(340,181,515)	(41,754,480)	(326,268,340)	(16,456,630)
Working capital movements	404,769,673	(21,930,055)	399,717,489	(1,399,733)
Net cash utilized in operations	64,588,159	(63,684,535)	73,449,149	(17,856,363)
Finance income	48,849,695	126,029,892	39,172,592	33,668,215
Finance cost	(107,193,699)	(38,088,591)	(104,772,528)	(9,880,377)
Tax paid	-	(2,289,379)	-	(500,047)
Net cash generated from operating activities	6,244,155	21,967,387	7,849,213	5,431,428
Cash generated from / (utilised in) investing activities	(1,200,385)	1,689,057	(1,171,985)	520,764
Net cash (utilised in) / generated from financing activities	583,764	(12,224,332)	853,069	(692,603)
Net increase in cash and cash equivalents	5,627,534	11,432,112	7,530,297	5,259,589
Cash and cash equivalents at the beginning of the period	9,494,724	27,089,695	7,591,961	5,946,433
Cash and cash equivalents at the end of the period	15,122,258	38,521,807	15,122,258	11,206,022

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 08 JANUARY 2023

	GROUP			
	26 weeks to 08 Jan 2023	26 weeks to 09 Jan 2022	26 weeks to 08 Jan 2023	26 weeks to 09 Jan 2022
	ZWL\$	ZWL\$	ZWL\$	ZWL\$
	INFLATION ADJUSTED		HISTORICAL	
Assets				
Non-current assets	480,762,686	487,265,484	306,165,253	161,552,597
Property, plant and equipment	477,270,024	461,695,252	303,941,012	158,923,254
Intangible assets	342,149	11,376,226	217,892	221,724
Right of use asset	3,150,513	14,194,006	2,006,349	2,407,619
Current assets	483,091,392	681,818,384	469,821,270	357,248,524
Inventories	386,165,373	503,669,631	372,895,251	215,191,591
Receivables - trade	43,017,997	125,123,208	43,017,997	100,048,246
- other	38,785,764	43,530,823	38,785,764	34,416,726
Cash and cash equivalents	15,122,258	9,494,724	15,122,258	7,591,961
Total Assets	963,854,078	1,169,083,868	775,986,523	518,801,121
EQUITY & LIABILITIES				
Equity	(37,658,426)	491,457,415	(223,891,026)	89,796,823
Non-current liabilities	26,543,230	172,483,695	24,908,275	25,304,820
Deferred tax	24,615,674	171,139,903	22,980,719	24,230,327
Lease liabilities	1,927,556	1,343,792	1,927,556	1,074,493
Current liabilities	974,969,274	505,142,758	974,969,273	403,699,478
Payables - trade	462,830,480	428,926,305	462,830,480	318,262,943
- other	450,374,889	16,850,623	450,374,888	37,967,743
Short term borrowings	53,106,865	53,624,749	53,106,865	42,878,236
Lease Liability (current portion)	1,595,486	2,221,774	1,595,486	1,776,526
	7,061,554	3,519,307	7,061,554	2,814,030
Total Equity & Liabilities	963,854,078	1,169,083,868	775,986,523	518,801,121

ABRIDGED CIRCULAR TO SHAREHOLDERS

2. THE PROPOSED TRANSACTION

Pursuant to the need for Truworths to capitalize its operations, the directors propose a renounceable rights offer of 384,067,512 or "Rights Offer" Ordinary Shares of a nominal value of ZWL\$0.0001 each, at a price of ZWL\$5.80 per Rights Offer Share, on the basis of one (1) Rights Offer Share for every one (1) ordinary share held at the proposed Record Date;

The authorisation to proceed with the Renounceable Rights Offer will be sought by the Board from Shareholders at the EGM to be held on Tuesday, 04 July, 2023.

Assuming approval is forthcoming at the EGM, Letters of Allocation in respect to the Rights Offer Shares will be posted to Shareholders from Friday, 14 July 2023. It is expected that the Rights Offer Shares will be listed on the ZSE with effect from Monday, 21 August 2023.

The purpose of this Circular is accordingly to furnish Shareholders with the requisite statutory and regulatory information with respect of the Renounceable Rights Offer, and to detail the actions to be taken by each Shareholder in respect of the proposed Transaction.

3. RATIONALE FOR THE TRANSACTION

In order to sustain the viability of the business, the Board has decided to raise additional capital into the business so as to:

- Increase working capital funding at a sustainable cost in light of the high interest rate environment.
- Reduce borrowings
- Open new format Truworths Chain stores
- Improve the product assortment

4. APPLICATION OF FUNDS RAISED THROUGH THE RENOUNCEABLE RIGHTS OFFER

Set out below is a breakdown of the application of the funds expected to be raised through the proposed Renounceable Rights Offer.

	ZWL\$
Gross proceeds of the Renounceable Rights Offer	\$2,227,591,570
Estimated expenses of the Renounceable Rights Offer	\$129,910,123
Net proceeds of the Renounceable Rights Offer	\$2,097,681,447
Application of Funds by Shareholders:	
Capital Expenditure and working capital	\$2,097,681,447

5. CONDITIONS PRECEDENT

The Renounceable Rights Offer contemplated here-in is subject to the following Conditions Precedent:-

- Approval from ZSE of the proposed Transaction;
- Approval by the Truworths Shareholders of the Resolutions at the EGM to be held on Tuesday, 04 July, in terms of the EGM notice set out in Annexure (IV) of this Circular.
- Approval of the Transaction by the Exchange Control department at the Reserve Bank of Zimbabwe for the issuance of shares to non-resident shareholders.

6. CONSEQUENCES OF NOT IMPLEMENTING THE RENOUNCEABLE RIGHTS OFFER

If the Renounceable Rights Offer is not implemented as outlined in this circular, the Company will be unable to effectively sustain its operations and growth. The Company will face severe cash flow constraints, high finance costs, and reduced working capital.

7. PROFORMAS

	26 weeks to 08 Jan 2023 ZWL\$	26 weeks to 09 Jan 2022 ZWL\$	26 weeks to 08 Jan 2023 ZWL\$	26 weeks to 09 Jan 2022 ZWL\$
	INFLATION ADJUSTED		HISTORICAL	
	Note 1	Note 2	Note 3	Note 4
ASSETS				
Non current assets	480 762 686	-	-	480 762 686
Investment in subsidiaries	-	-	-	-
Property, plant and equipment	477 270 024	-	-	477 270 024
Intangible assets	342 149	-	-	342 149
Right of use asset	3 150 513	-	-	3 150 513
Current assets	483 091 392	2 227 591 570	(129 910 123)	2 580 772 839
Inventories	386 165 373	-	-	386 165 373
Trade and other receivables	81 803 761	-	-	81 803 761
Cash and cash equivalents	15 122 258	2 227 591 570	(129 910 123)	2 112 803 705
Total assets	963 854 078	2 227 591 570	(129 910 123)	3 061 535 525
EQUITY AND LIABILITIES				
Equity	(37 658 426)	2 227 591 570	(129 910 123)	2 060 023 021
Share capital	2 422 977	38 407	-	2 461 384
Treasury shares	(20 000)	-	-	(20 000)
Non-distributable reserves	100 253 587	2 227 553 163	-	2 327 806 750
Revaluation reserve	48 012 029	-	-	48 012 029
Retained earnings	(188 327 019)	-	(129 910 123)	(318 237 142)
Non current liabilities	26 543 230	-	-	26 543 230
Deferred tax	24 615 674	-	-	24 615 674
Lease liability	1 927 556	-	-	1 927 556
Current liabilities	974 969 274	-	-	974 969 274
Short-term borrowings	53 106 865	-	-	53 106 865
Trade and other payables	905 260 370	-	-	905 260 370
Provisions	7 944 999	-	-	7 944 999
Current portion - lease liability	1 595 486	-	-	1 595 486
Current tax	7 061 554	-	-	7 061 554
Total liabilities	1 001 512 504	-	-	1 001 512 504
Total equity and liabilities	963 854 078	2 227 591 570	(129 910 123)	3 061 535 525

8. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof will be available for inspection by Truworths Shareholders at the registered office of Truworths Head Office, Stand 808 Seke Road, Prospect Park, Hatfield, Harare and at the office of Transfer Secretaries during normal business hours for the duration of the Renounceable Rights Offer:

- The Memorandum and Articles of Association of Truworths;
- The Reviewed Interim Financial Statements to 08 January 2023, Audited Financial Statements of Truworths as at 52 weeks to the 10th of July 2022 and Audited Financials for the periods 2019 to 2021;
- The written experts' consents
- The Underwriting Agreement;
- The Underwriter's comfort letter;
- The original signed copy of this Circular to Shareholders; and
- The full Reporting Accountant's Report.

9. CORPORATE GOVERNANCE

9.1 Board of Directors

The Board of Directors consists of a Non-Executive Chairman, three Executive Directors and four Non-Executive directors. The Chairpersons of the various committees are all Non-Executive Directors. The Board meets regularly to review financial results, dictate policy, formulate overall strategy and approve the budgets. They have introduced structures of corporate governance in terms of which certain functions and responsibilities have been delegated to the board committees indicated below. Their terms of reference and composition are regularly reviewed. The Board meetings are held quarterly. The Board is supported by various Committees in executing its responsibilities. The main Committees meet four times a year to assess, review and provide guidance to management on both operational and policy issues.

9.2 Audit and Risk Committee

The Audit and Risk Committee liaises with the Group's external auditors. The external auditors have unrestricted access to the audit and risk committee. The annual, half yearly statements and financial reporting matters are reviewed by the committee at appropriate intervals. The Audit and Risk Committee meets 3 times per year.

9.3 Remuneration Committee

This Committee's function is to approve a broad remuneration strategy for the Group and to ensure that directors and senior executives are adequately remunerated for their contribution to operating and financial performance, in terms of base pay as well as short and long-term incentives.

10. Important dates and times

Circular posted to Truworths Limited (Incorporated in Zimbabwe) Shareholders & Notice of EGM	Monday, 19 June 2023
Register Closes for voting at EGM at 1600 hours	Friday, 30 June 2023
Truworths Share Register re-opens	Monday, 03 July 2023
EGM of Truworths Shareholders at 1200 hours	Tuesday, 04 July 2023
Announcement & publication of EGM results	Friday, 07 July 2023
Last day to register for the Rights Offer	Tuesday, 11 July 2023
Mailing of Letters of Allocation to Shareholders	Friday, 14 July 2023

Rights Offer opens at 0900 hours	Friday, 14 July 2023
Last day of dealing in letters of allocation at 1200 hours	Tuesday, 01 August 2023
Latest time for splitting letters of allocation at 1200 hours	Tuesday, 01 August 2023
Last day of receiving postal letters	Wednesday, 09 August 2023
Rights Offer closes at 1600 hours	Wednesday, 09 August 2023
Allocation of Rights Offer Shares	Tuesday, 16 August 2023
Results of Rights Offer published and listing of Rights Offer Shares	Friday, 18 August 2023
Rights Offer Share Certificates mailed	Friday, 18 August 2023
New shares listed	Monday, 21 August 2023

11. NOTICE OF EGM

NOTICE OF EXTRAORDINARY GENERAL MEETING ("EGM")

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("EGM") of the Members of Truworths Limited ("Truworths" or "the Company") will be held at Truworths Head Office, Stand 808 Seke Road, Prospect Park, Hatfield, Harare on Tuesday, 04 July 2023 at 1200 hours for the purpose of transacting the following business and consider and if deemed fit, to pass with or without amendment, the following resolutions.

SPECIAL BUSINESS

1. As an Ordinary Resolution – Approval for capital raising by way of a Renounceable Rights Offer

"That the Directors be and are hereby authorised to raise ZWL\$2,227,591,570 (Two Billion, Two Hundred and Twenty Seven Million, Five hundred and Ninety One Thousand, Five Hundred and Seventy Zimbabwe Dollars) by way of a Renounceable Rights Offer to all shareholders, pro rata to their existing shareholding, being the offer of 384,067,512 (Three hundred and eighty four million, sixty seven thousand, five hundred and twelve) new ordinary shares of a nominal value of ZWL0.0001 each, at a Rights Offer subscription price of ZWL\$5.80 (ZWL\$580 cents) per share, on the basis of one (1) new ordinary share for every one (1) ordinary share held."

2. As an ordinary resolution – Approval of the Underwriter and Underwriter's fees

"That the shareholders approve the appointment of Mega Market (Private) Limited as Underwriter.

By Order of the Board

B. M. Chibanda
COMPANY SECRETARY

REGISTERED OFFICE
Stand 808 Seke Road
Prospect Park
Hatfield
Harare
P.O. Box 2898 Harare
Tel: +263 4 576441/9, 576465
Email: truworths@truworths.co.zw
Website: www.truworths.co.zw

Notes:

1. Voting eligibility

- On a show of hands, every Shareholder who (being an individual) is present in person or by proxy at the EGM or which (being a company or body corporate) is represented thereat by a representative appointed as proxy, shall have one vote (irrespective of the number of shares held), and on a poll, every Shareholder who (being an individual) is present in person or by proxy at the general meeting or which (being a company or body corporate) is represented by proxy at the general meeting, shall have one vote for every Truworths Limited share of which it is the holder.

2. Appointment of Proxies

- In terms of Section 171 of the Companies and Other Business Entities Act (Chapter 24:31), members entitled to attend the above meeting may appoint one or more proxies, to act in the alternative, to attend, speak and vote on their behalf, including voting on a poll. A proxy need not be a member of the Company.
- Shareholders in the form of a corporate body must provide documentary evidence establishing the authority of a person signing the Form of Proxy in a representative capacity, unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the EGM. This authority must take the form of a resolution of the corporate body.
- Completion of a form of proxy does not preclude a person from subsequently attending the EGM and voting in person
- Waiver of Pre-emptive rights.
- In terms of clause 10.79 (a) of the Tenth Schedule to SI 134 of 2019 of ZSE Listing Requirements, resolutions 3, 4 and 5 will be subject to an 75% (seventy-five per centum) majority of votes cast in favour of the resolution by Shareholders present or represented by proxy.

PROXY FORM FOR THE EXTRAORDINARY GENERAL MEETING

I / We Of
.....Being member/members of the above
Company, hereby appoint Mr. / Mrs. / Ms. / Dr.
.....Or failing him

as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held on Tuesday, 04 July at 1200 hours and any adjournment thereof, for the purpose of considering and, if deemed fit passing, with or without modification, the resolutions to be proposed thereat in accordance with the following instructions.

Resolutions	For	Against	Abstain
Ordinary Resolution 1 – Approval for capital raising by way of a Renounceable Rights Offer "That the Directors be and are hereby authorised to raise ZWL\$2,227,591,570 (Two Billion, Two Hundred and Twenty Seven Million, Five hundred and Ninety One Thousand, Five Hundred and Seventy Zimbabwe Dollars) by way of a Renounceable Rights Offer to all Shareholders, pro rata to their existing shareholding, being the offer of 384,067,512 (Three hundred and eighty four million, sixty seven thousand, five hundred and twelve) new ordinary shares of a nominal value of ZWL0.0001 each, at a Rights Offer subscription price of ZWL\$5.80 (ZWL\$580 cents) per share, on the basis of one (1) new ordinary share for every one (1) ordinary share held."			
Ordinary Resolution 2 – Approval of the Underwriter and Underwriter's fees "That the Shareholders approve the appointment of Mega Market (Private) Limited as Underwriter."			

Signature..... Signed this..... of..... 2023

Note

- A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and speak in his stead. The person appointed need not be a member.
- Proxy forms should be lodged at the registered office of the Company by no later than 48 hours before the time of holding the meeting.
- Any alterations or corrections made to this form of proxy (including the deletion of alternatives) must be initialed by the signatory/signatories.
- Shareholders are requested to submit key questions in writing at least five days before the date of the meeting to enable comprehensive answers to be prepared. This will not preclude them from raising questions from the floor.
- If two or more proxies attend the meeting then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted, shall be regarded as the validly appointed proxy.
- When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
- The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
- Please be advised that the number of votes a member is entitled to is determined by the number of shares recorded on the share register on the Record Date.

Physical and Postal Delivery
Truworths Limited
Stand 808 Seke Road
Prospect Park
Hatfield
Harare
Zimbabwe