



# ANNUAL REPORT

TRUWORTHS

2013



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## Company Profile

*Truworthis 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 Truworthis Stores and Topic Stores. The Company now operates under the following;*

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

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

**Topics** which operates from 26 stores.

**Number 1** which operates from 24 outlets.

**Bravette**, the manufacturing unit of the business is based in Harare and manufactures ladies wear sold through Truworthis, 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  
 K. Dienst  
 R. Jaravaza  
 L. Mabhiza  
 M.P Mahlangu  
 D. B. Pfaff

### COMPANY SECRETARY

M. T. Chidovi

### REGISTERED OFFICE

Stand 808 Seke Road  
 Prospect Park  
 PO Box 2898  
 Harare  
 Tel: (263 4)  
 576458/434/454/455/466/738  
 E-mail: [truworthis@truworthis.co.zw](mailto:truworthis@truworthis.co.zw)  
 Website: [www.truworthis.co.zw](http://www.truworthis.co.zw)

### AUDITORS

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

### TRANSFER SECRETARY

Corpserve (Private) Limited  
 2nd Floor ZB Centre  
 Cnr Kwame Nkrumah Avenue/First Street  
 PO 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

In the prevailing economic circumstances, I am pleased to report on a fairly successful year.

Turnover for the year grew 8.2%. Operating earnings grew by 81.3%, yielding an operating margin of 6.7%, compared to last year's 4.0%.

Your Board declared a dividend of 0.078 cents per share, covered four times by profit for the period. Shareholders have been given the option to receive their dividend in cash or in scrip.

The Board convened four times during the financial year. In these meetings your directors took care to review business performance and strategy in detail, with particular emphasis placed upon risk assessment. 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 regularly and properly.

The prevailing consumer credit environment is such that management will go on exercising a conservative approach in the granting of credit. They will also continue our current policy wherein operating costs are carefully scrutinised.

The launch of the Group's in-store Credit Card from October 2013 is cause for optimism. The Board considers that this will have a positive impact on Group performance in the next few years. The extension of additional credit will be done in phases, depending on how well the Credit Card performs and on what liquidity there is in the market.

As in past years, I am grateful for the contribution of my fellow directors and thank them for their manifest commitment to the proper and careful governance of your Company month after month. And 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 toward our Company.

**C. P. M. Peech**  
Chairman

September 26 2013



## Chief Executive Officer's Report

For the Year Ended July 07 2013

### PERFORMANCE OVERVIEW

The Company reported an acceptable result for the year to July 07 2013 under the prevailing operating environment.

#### Highlights of the performance were:

- An 8,2 % growth in turnover
- An improvement in gross margins from 50,7% to 52,2%
- Opening of a net 4 stores
- An improvement in profit before tax of 81,3% over last year

#### Underpinning the performance were key strategic pillars being:

- Improvement and expansion of our product ranges, focusing on quality.
- Rigorous cost control and developing more efficient ways of operating. The benefits were significant in the reduction of Advertising, Marketing and Distribution costs.
- Prudence in the opening of new accounts and active debt collection on non-performing accounts. This resulted in a reduced net bad debt expense.
- Opening of new stores in the Number 1 chain in areas of high economic activity.
- Strongly linking our Remuneration practices to Company performance.
- Investment in store refurbishment to improve ambience and give our customers a good shopping experience.
- Investment in Information Technology to effectively manage Debtors, Merchandise Performance and Customer Service.

### OPERATING STATISTICS

#### Sales Participation

	7/7/13	8/7/12	% Increase in sales over prior year
Truworths	35, 8%	35, 2%	10, 2%
Topics	51, 7%	54, 2%	3, 3%
Number 1	12, 5%	10, 6%	26, 9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

#### Sales Performance By Category:

	Cash sales growth	Credit sales growth
Truworths	+7, 9%	+10, 9%
Topics	+6, 6%	+2, 9%
Number 1	+26, 9%	-

#### Trading Expenses

##### Trading expenses increased 10.1%

- Excluding depreciation, trading expenses went up by 8.4%

##### Depreciation and amortisation (49.4% increase)

- The increase in depreciation and amortisation was driven by capital expenditure of \$1,289,483 in the period, as well as the capital expenditure of \$899,323 in the prior year that was depreciated for in full in the current period.

##### Trade receivable costs (28.6% increase)

- There was a 41.6% increase in the provision for doubtful debts.

##### Occupancy costs (15.5% increase)

- Basic rental went up 17% over the prior year with the inclusion of a net 4 stores.
- Comparable store basic rentals were 10.7% up over the prior year.

##### Employment costs (15% increase)

- Bonus payments were made in the current year with nil bonus in the prior year.
- Employment costs increased by 8.6% before impact of bonuses.
- Gratuities increased by 29% over the prior year with retirements in February 2013.
- Employment costs increased by 6.5% on comparable store establishment before impact of bonuses.



## DEBTORS PERFORMANCE

	07/07/2013	08/07/2012
Number of active accounts	76 500	70 724
Credit sales as a percentage of Retail sales	74.9%	76.6%
% of active account holders able to purchase at period end	82.4%	87.1%
Overdue amounts as a % of total debtors	24.6%	14.3%
Net bad debt write-off as a % of credit sales	1.3%	1.8%
Doubtful debt allowance as a % of trade receivables	5.5%	4.5%
Net bad debts written off	\$232 208	\$299 686
Doubtful debt provision	\$459 795	\$324 620

## OUTLOOK

With the deteriorating Consumer credit environment the Group will continue with its prudent credit granting criteria to minimise trade receivable costs and productively manage operating costs.

The Group launched its in-store credit card for selected customers from October 2013. Going forward this should result in improved purchasing power for our customers, more affordable installments and improved cash flows for the business. The growth of the in-store credit card will be influenced by liquidity in the economy.

## ACKNOWLEDGEMENTS

I would like to thank our SHAREHOLDERS for their support, our BOARD for their wise counsel, our EMPLOYEES for their hard work, dedication and commitment under trying macro-economic conditions, our BANKERS and SUPPLIERS for their support. To our CUSTOMERS, thank you for your CONTINUED FAITH in our product and support.

**B. NDEBELE**  
**CHIEF EXECUTIVE OFFICER**  
**September 26 2013**



## 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 07 2013.*

### 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 forecasts for the year to July 06 2014. 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.

### DIVIDENDS

On September 26 2013, the directors of the company resolved to declare a dividend from profits in respect of the 52 week period ended July 07 2013 in the amount of 0.078 cents per share to shareholders registered on October 18 2013. Shareholders can elect to receive this dividend in scrip or in cash.

### PROPERTY, PLANT AND EQUIPMENT

There were no major changes in the nature of the Group's property, plant and equipment during the period, but useful lives and residual values of certain of these assets were re-assessed.

### SHARE CAPITAL

Details of the authorised and issued share capital of the company are disclosed in note 17 of the Company's annual 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 2.

Mr Mark Sardi resigned from the Board with effect from April 12 2013 after having served as a director of the company for 2 years.

Mr CPM Peech retires by rotation in terms of the Articles of Association. Messrs David Pfaff and Rindai Jaravaza were appointed non-executive directors with effect from May 29 2013 and September 26 2013 respectively and retire at the end of this interim appointment. All being eligible, offer themselves 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 \$19,710.

### 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 Fifty-sixth Annual General Meeting will be held at 0900 hours on Thursday November 28 2013 at the Registered Office of the Company.

### REGISTERED OFFICE

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

By Order of the Board

M T CHIDIVI  
SECRETARY

September 26 2013



## Analysis of Shareholders For the Year Ended July 07 2013

Shareholding Distribution	Total number of shares	% of issued shares	No of shareholders	% of total shareholders
1 – 5 000	1,092,314	0.29	735	52.39
5 001 – 10 000	1,552,583	0.41	214	15.25
10 001 – 25 000	2,826,463	0.75	177	12.62
25 001 – 50 000	4,560,700	1.21	132	9.41
50 001 – 100 000	4,153,651	1.11	60	4.28
100 001 – 200 000	5,826,884	1.55	43	3.06
200 001 – 500 000	5,628,798	1.49	19	1.35
500 001 – 1 000 000	5,048,046	1.34	7	0.50
Above 1 000 000	346,047,543	91.85	16	1.14
	<b>376,736,982</b>	<b>100.00</b>	<b>1,403</b>	<b>100.00</b>

Shareholding By Type	Total number of shares	% of issued shares	No of shareholders	% of total shareholders
New Non – Resident	129,991,132	34.50	32	2.28
Local Companies	91,587,072	24.31	118	8.41
Insurance Companies	63,622,942	16.89	15	1.07
Foreign Nominees	59,287,988	15.74	10	0.71
Local Individual Residents	13,129,417	3.49	842	60.01
Local Nominees	7,778,893	2.06	67	4.78
Pension Funds	6,506,380	1.73	23	1.64
Charitable & Trusts	2,192,347	0.58	262	18.67
Fund Managers	1,334,036	0.35	18	1.28
Employees	1,045,298	0.28	1	0.08
Investments	238,387	0.06	11	0.78
Deceased Estates	12,318	0.01	3	0.21
Foreign Companies	10,772	0.00	1	0.08
		<b>100.00</b>	<b>1,403</b>	<b>100.00</b>

### MAJOR SHAREHOLDERS

	Shares held	% of issued shares
1 Truworthis International Limited	129,256,205	34.31
2 Old Mutual Life Assurance Company Zimbabwe Limited	61,938,793	16.44
3 Leraime Investments (Pvt) Ltd	55,142,860	14.64
4 Old Mutual Zimbabwe Limited	27,378,165	7.27
5 Stanbic Nominees (Pvt) Ltd - NNR	21,249,234	5.64
6 Standard Chartered Nominees (Pvt) Ltd - NNR	1,750,883	4.61
7 Barclays Zimbabwe Nominees (Pvt) Ltd - NNR	16,297,658	4.33
8 National Social Security Authority (NSSA NPS)	4,632,532	1.23
9 Stanbic Nominees (Pvt) Ltd	3,279,817	0.87
10 Truworthis Limited	2,069,827	0.55
<b>Shares Selected</b>	<b>338,595,974</b>	<b>89.88</b>
<b>Remaining Shares</b>	<b>38,141,008</b>	<b>10.12</b>
<b>Total Shares Issued</b>	<b>376,736,982</b>	<b>100.00</b>

### SHAREHOLDERS' CALENDAR

Fifty-Sixth Annual General Meeting	November 28 2013
Interim Report to December 2013	March 2014
Financial Year-end	July 06 2014
Annual Report	October 2014





## Statement of Corporate Governance and 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. 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 Company is headed by a Board which leads and controls the Company. The Board is made up of 3 Executive and 5 Non-Executive Directors. The Chairman is a 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 contributions of Non-Executive Board Members. In addition, the Committee has the responsibility of ensuring credibility, transparency and objectivity of external financial reporting. The 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, generally accepted accounting practices 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.

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 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 Group's External Auditors, Ernst & Young Chartered Accountants (Zimbabwe), have audited the financial statements and their report appears on Page 9.

The financial statements for the year ended July 07 2013, which appear on Pages 10 to 42 have been approved by the Board and are signed on its behalf by:

C. P. M. PEECH  
CHAIRMAN

B. NDEBELE  
CHIEF EXECUTIVE OFFICER

September 26 2013



Building a better  
working world

**Ernst & Young**  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors  
Angwa City  
Cnr Julius Nyerere Way /  
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www.ey.com

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TRUWORTHS LIMITED

### Report on the consolidated financial statements

We have audited the accompanying consolidated and company financial statements of Truworths Limited as set out on pages 10 to 44, which comprise the Group and Company Statement of Financial Position at 7 July 2013, the Group and Company Statement of Comprehensive Income, the Group and Company Statement of Changes in Equity and the Group and Company Statement of Cash Flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the financial position of Truworths Limited as at 7 July 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other legal and regulatory requirements

In our opinion, the consolidated and company financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI62/96).

ERNST & YOUNG  
CHARTERED ACCOUNTANTS (ZIMBABWE)  
Registered Public Auditors

Harare  
21 October 2013



## Statements of Comprehensive Income For The Period Ended July 07 2013

	Note	COMPANY		GROUP	
		for the period ended		for the period ended	
		July 07 2013 US \$	July 08 2012 US \$	July 07 2013 US \$	July 08 2012 US \$
<b>Revenue</b>	<b>4</b>	<b>11,983,708</b>	<b>10,114,901</b>	<b>25,336,987</b>	<b>22,989,839</b>
Retail merchandise sales		8,540,856	7,747,675	23,825,952	22,014,401
Cost of sales		(4,077,534)	(3,804,033)	(11,395,758)	(10,847,921)
<b>Gross profit</b>		<b>4,463,322</b>	<b>3,943,642</b>	<b>12,430,194</b>	<b>11,166,480</b>
Management fees	4	2,950,905	2,023,240	-	-
Other operating income	4.1	31,338	51,939	40,344	69,137
<b>Trading expenses</b>		<b>(6,060,581)</b>	<b>(5,631,167)</b>	<b>(11,094,269)</b>	<b>(10,078,377)</b>
Depreciation and amortisation	5.1	(404,759)	(287,143)	(627,066)	(419,763)
Employment costs	5.2	(2,512,581)	(2,234,112)	(4,055,785)	(3,526,937)
Occupancy costs	5.3	(1,125,708)	(1,074,924)	(3,138,959)	(2,717,134)
Trade receivable costs	5.4	(162,848)	(125,220)	(521,675)	(405,579)
Other operating costs	5.5	(1,854,685)	(1,909,768)	(2,750,784)	(3,008,964)
<b>Retail trading profit</b>	<b>5</b>	<b>1,384,984</b>	<b>387,654</b>	<b>1,376,269</b>	<b>1,157,240</b>
Manufacturing profit / (loss)	6	-	-	34,978	(89,387)
<b>Trading profit</b>		<b>1,384,984</b>	<b>387,654</b>	<b>1,411,247</b>	<b>1,067,853</b>
Dividend received		150,000	1,200,000	-	-
Finance income	7	491,947	343,986	1,449,195	917,709
Finance cost	7	(1,261,470)	(1,103,972)	(1,262,244)	(1,103,996)
<b>Profit before tax</b>		<b>765,461</b>	<b>827,668</b>	<b>1,598,198</b>	<b>881,566</b>
Tax (expense) / credit	8	(163,044)	88,768	(415,784)	(233,889)
<b>Profit for the period</b>	<b>9</b>	<b>602,417</b>	<b>916,436</b>	<b>1,182,414</b>	<b>647,677</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>602,417</b>	<b>916,436</b>	<b>1,182,414</b>	<b>647,677</b>
Basic and diluted earnings per share (cents)	10	0.16	0.25	0.32	0.17
Headline earnings per share (cents)	10	0.16	0.24	0.32	0.17
<b>Key ratios</b>					
Gross margin	(%)	52.3	50.9	52.2	50.7
Trading expenses to retail merchandise sales	(%)	71.0	72.7	46.6	45.8
Trading margin	(%)	16.2	5.0	5.9	4.9
Operating margin	(%)	9.0	10.7	6.7	4.0





## Statements of Financial Position

	Note	COMPANY		GROUP	
		as at July 07	as at July 08	as at July 07	as at July 08
		2013	2012	2013	2012
		US \$	US \$	US \$	US \$
<b>ASSETS</b>					
<b>Non current assets</b>		<b>1,548,314</b>	<b>1,457,269</b>	<b>2,815,208</b>	<b>2,303,052</b>
Investment in subsidiaries	11	8,018	8,018	-	-
Property, plant and equipment	12	1,190,398	1,089,573	2,438,243	1,912,148
Intangible assets	13	305,008	212,608	305,008	212,608
Deferred taxation	20	44,890	147,070	71,957	178,296
<b>Current assets</b>		<b>12,058,244</b>	<b>10,352,812</b>	<b>16,558,622</b>	<b>13,792,591</b>
Inventories	14	2,584,169	2,322,575	7,464,611	5,634,378
Trade and other receivables	15	9,206,762	7,787,132	8,682,050	7,789,171
Cash and cash equivalents	16	267,313	243,105	411,961	369,042
<b>Total assets</b>		<b>13,606,558</b>	<b>11,810,081</b>	<b>19,373,830</b>	<b>16,095,643</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>		<b>2,877,339</b>	<b>2,274,922</b>	<b>5,502,268</b>	<b>4,319,854</b>
Share capital	17	37,674	37,674	37,674	37,674
Treasury shares	17	(317)	(317)	(317)	(317)
Non-distributable reserves	18	550,632	550,632	1,622,768	1,622,768
Retained earnings		2,289,350	1,686,933	3,842,143	2,659,729
<b>Non current liabilities</b>		<b>3,241,339</b>	<b>475,065</b>	<b>4,048,043</b>	<b>1,199,020</b>
Long-term borrowings	19	2,705,459	-	2,705,459	-
Deferred taxation	20	535,880	475,065	1,342,584	1,199,020
<b>Current liabilities</b>		<b>7,487,880</b>	<b>9,060,094</b>	<b>9,823,519</b>	<b>10,576,769</b>
Short-term borrowings	21	5,821,783	7,456,258	5,821,783	7,456,258
Trade and other payables	22	1,493,930	1,470,269	3,681,452	2,717,784
Provisions	23	172,167	133,567	278,247	228,622
Current tax	24.3	-	-	42,037	174,105
<b>Total liabilities</b>		<b>10,729,219</b>	<b>9,535,159</b>	<b>13,871,562</b>	<b>11,775,789</b>
<b>Total equity and liabilities</b>		<b>13,606,558</b>	<b>11,810,081</b>	<b>19,373,830</b>	<b>16,095,643</b>
Number of shares in issue (net of treasury shares)		373,570,622	373,570,622	373,570,622	373,570,622
Net asset value per share (cents)		0.77	0.61	1.47	1.16

C.P.M. PEECH  
CHAIRMAN

Harare, September 26 2013

B. NDEBELE  
CHIEF EXECUTIVE OFFICER





## Statements of Changes in Equity

For The Period Ended July 07 2013

	Note	Share capital US\$	Treasury shares	Non- distributable reserve US\$	Retained earnings US\$	Total US\$
<b>GROUP</b>						
Balance at July 10 2011		37,674	(317)	1,622,768	2,012,052	3,672,177
Total comprehensive income for the period	9	-	-	-	647,677	647,677
Balance at July 08 2012		37,674	(317)	1,622,768	2,659,729	4,319,854
Total comprehensive income for the period	9	-	-	-	1,182,414	1,182,414
Balance at July 07 2013		<u>37,674</u>	<u>(317)</u>	<u>1,622,768</u>	<u>3,842,143</u>	<u>5,502,268</u>
<b>COMPANY</b>						
Balance at July 10 2011		37,674	(317)	542,614	770,497	1,350,468
Total comprehensive income for the period	9	-	-	-	916,436	916,436
Redenomination of Investment in subsidiary companies	11	-	-	8,018	-	8,018
Balance at July 08 2012		37,674	(317)	550,632	1,686,933	2,274,922
Total comprehensive income for the period	9	-	-	-	602,417	602,417
Balance at July 07 2013		<u>37,674</u>	<u>(317)</u>	<u>550,632</u>	<u>2,289,350</u>	<u>2,877,339</u>



## Statements of Cash Flows For The Period Ended July 07 2013

	Note	COMPANY		GROUP	
		2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash generated from trading	24.1	1,723,852	1,490,896	1,535,268	736,173
Working capital movements	24.2	(1,403,072)	(1,518,344)	(1,162,851)	(1,080,326)
<b>Cash generated from / (utilised in) operations</b>		<b>320,780</b>	<b>(27,448)</b>	<b>372,417</b>	<b>(344,153)</b>
Net interest (paid) / received		(769,523)	(759,986)	186,951	(186,287)
Interest paid		(1,261,470)	(1,103,972)	(1,262,244)	(1,103,996)
Interest received		491,947	343,986	1,449,195	917,709
Taxation paid	24.3	(49)	(45,495)	(297,950)	(50,509)
<b>Net cash (utilised in) / generated from operating activities</b>		<b>(448,792)</b>	<b>(832,929)</b>	<b>261,418</b>	<b>(580,949)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Net cash utilised in investing activities</b>		<b>(597,984)</b>	<b>(544,993)</b>	<b>(1,289,483)</b>	<b>(860,593)</b>
Acquisition of property, plant and equipment	12	(467,584)	(513,159)	(1,159,083)	(828,761)
Acquisition of intangible assets	13	(130,400)	(70,562)	(130,400)	(70,562)
Proceeds on disposal of property, plant and equipment		-	38,728	-	38,730
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Net cash flows from financing activities</b>		<b>1,070,984</b>	<b>1,343,963</b>	<b>1,070,984</b>	<b>1,343,963</b>
Receipts from long-term borrowings		4,000,000	-	4,000,000	-
Repayment of long-term borrowings		(112,668)	-	(112,668)	-
Receipts from short-term borrowings		1,750,000	2,110,588	1,750,000	2,110,588
Repayment of short-term borrowings		(4,566,348)	(766,625)	(4,566,348)	(766,625)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>24,208</b>	<b>(33,959)</b>	<b>42,919</b>	<b>(97,579)</b>
<b>Cash and cash equivalents July 08 2012</b>		<b>243,105</b>	<b>277,064</b>	<b>369,042</b>	<b>466,621</b>
<b>Cash and cash equivalents July 07 2013</b>	24.4	<b>267,313</b>	<b>243,105</b>	<b>411,961</b>	<b>369,042</b>

## 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 07 2013 were authorised for issue in accordance with a resolution of the directors taken on September 26 2013.

## 2. BASIS OF PREPARATION OF FINANCIAL RESULTS

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 (US\$). The accounting policies adopted are consistent with those applied in the prior period except as noted in Note 3.18.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of consolidation

The Group financial statements comprise the financial statements of the Company and its subsidiaries as at July 07 2013. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intergroup transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

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
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss

### 3.2 Use of estimates and judgments in the preparation of group 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:

#### Useful lives and residual values of Property, Plant and Equipment

The Group assesses the useful lives and residual values of these assets at each reporting date. These estimates take cognisance of current market and trading conditions for the Company's specific assets. In addition, the useful life estimates take into account the risk of obsolescence due to advances in technology. Residual values will be reassessed each year and adjustments for depreciation will be made in future periods if there is indication of impairment in value.

#### Asset impairment

The Group determines whether assets are impaired at each reporting date. Key assumptions applied to the earnings portion of a discounted cash flow calculation include the sales growth rate, operating margin, return on investment, re-investment of profits, 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.

#### Allowances for inventories

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.

#### 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.

**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 whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

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. Exchange differences on non-monetary items carried at fair value are recognised in profit or loss, except where the fair value adjustments are recognised in other comprehensive income, in which case the differences arising are recognised in other comprehensive income.

**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.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

**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	15%
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.

### 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.

### 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 costs to sell 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 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 initially recognised at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs and subsequently as set out below.

##### 3.8.1.1 Trade and other receivables

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 fair value less an allowance for any uncollectible 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 allowance for uncollectible 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.

##### 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 cashflows, cash and cash equivalents consist of cash and short term deposits.

##### 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 derecognised 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 Company'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

Financial assets, other than those at fair value through profit and loss, 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.

#### Assets carried at amortised cost

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 credited against the allowance account.

## 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.

### 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.

### 3.8.2.2 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.

## 3.9 Treasury shares

The Group's own equity instruments which are re-acquired (treasury shares) are 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 is recognised in equity.

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 for the current period 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 in the countries where the Group operates and generates taxable income. 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:

- 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 the statement of comprehensive income.

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. The following specific recognition criteria must also be met before revenue is recognised:-

### Sale of merchandise

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. 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 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 the statement of comprehensive income.

### 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 Group 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 Group financial statements themselves.

### 3.18 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS effective for the Group as of 1 July 2012:

IAS 1 Financial statement presentation (Amendment)

IAS 12 Income taxes (Amendment)

The adoption of the standards or interpretations is described below:

#### IAS 1 Financial statement presentation (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2012 and requires that items of other comprehensive income be grouped into items that would be reclassified to profit or loss at a future point and items that will never be reclassified. This amendment only effects the presentation in the financial statements. This amendment did not have an impact on the Group.

#### IAS 12 Income taxes (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2012 and introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed a use basis should be adopted and the income tax rate applied. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. This amendment did not have an impact on the Group.

#### 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. The Group expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Group's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it will have an impact the Group is still assessing the possible impact.

#### IAS 19 Post employee benefits (Amendment)

The amendments are effective for annual periods beginning on or after 1 January 2013. There are changes to post employee benefits in that pension surpluses and deficits are to be recognised in full (no more deferral mechanisms) and all actuarial gains and losses recognised in other comprehensive income as they occur with no recycling to profit or loss. The concept of expected returns on plan assets is also simplified and certain rewording is made. Past service costs as a result of plan amendments are to be recognised immediately.

Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement.

## **IAS 27 Separate Financial Statements (Revised 2011)**

As a consequence of the new IFRS 10 and 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

## **IAS 28 Investments in Associates and Joint Ventures (Revised 2011)**

As a consequence of the new IFRS 11 and 12, IAS 28 has been renamed Investments in Associates and Joint Ventures. It describes the application of the equity method to investments in joint ventures in addition to associates. This will not have an impact on the Group as it does not have any investments in joint ventures accounted for using the proportionate consolidation method.

**IAS 27 and 28 will be effective for the Group July 08 2013.**

## **IAS 32 Financial Instruments (Amendment)**

The amendment will be effective for the Group in the financial year beginning 1 July 2014. The amendments clarify the meaning of 'currently has a legally enforceable right of set off', and that some gross settlement systems may be considered equivalent to net settlement. The amendments are required to be applied retrospectively. The Group is currently assessing the impact of these amendments on adoption.

## **IFRS 7 Financial Instruments Disclosures-(Amendment)**

These amendments require an entity to disclose information about the rights of set-off and related arrangements e.g. collateral agreements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. Disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation and any recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS32. The Group is still determining the impact of these amendments on adoption.

## **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was originally effective for annual periods beginning on or after 1 January 2015 but this date has been repealed and now is indefinite. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected by the end of 2013. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Group at the date of adoption, it is not practical to quantify the effect.

## **IFRS 10 Consolidated Financial Statements**

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model with a new definition of control that applies to all entities. The changes will require management to make significant judgment to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a Group.

## **IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses some of the terms that were used in IAS 31 but with different meanings which may create some confusion as to whether there are significant changes. IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement compared to the legal form in IAS 31. IFRS 11 uses the principle of control in IFRS 10 to determine joint control which may change whether joint control exists. IFRS 11 addresses only two forms of joint arrangements; joint operations where the entity recognises its assets, liabilities, revenues and expenses and/or its relative share of those items and joint ventures which is accounted for on the equity method (no more proportional consolidation).

## **IFRS 12 Disclosure of Interest in Other Entities**

IFRS 12 includes all the disclosures that were previously required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities as well as a number of new disclosures. An entity is now required to disclose the judgements made to determine whether it controls another entity. The Group will need to consider the new definition of control to determine which entities are controlled or jointly controlled and then to account for them under the new standards.

## **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single framework for all fair value measurement (financial and non-financial assets and liabilities) when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. The Group will need to consider the new requirements to determine fair values going forward.

IFRS 10,11,12 and 13 and the amendment to IFRS 7, IAS 27, IAS 28 and IAS 19 will be effective for the Group from July 08 2013.

**IAS 36 Impairment of Assets (Amendment)- Disclosure requirements for the recoverable amount of impaired assets**

The IASB has issued amendments to IAS 36- Impairment of Assets, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendment is effective for year ends beginning on or after 1 January 2014.

**IFRIC 21 Levies**

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent, Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. IFRIC 21 is effective for the year ends beginning on or after 1 January 2014 and is not expected to have an impact on the Group.

**Annual Improvements May 2012**

These improvements will not have an impact on the Group, but include:

**IAS 1 Presentation of Financial Statements**

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

**IAS 16 Property Plant and Equipment**

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

**IAS 32 Financial Instruments, Presentation**

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

**IAS 34 Interim Financial Reporting**

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013 and will be effective for the Group on July 08 2013.

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>4. REVENUE</b>				
Sale of merchandise	8,540,856	7,747,675	23,887,792	22,072,130
- retail merchandise sales	8,540,856	7,747,675	23,825,952	22,014,401
- factory sales to third parties	-	-	61,840	57,729
Interest receivable	491,947	343,986	1,449,195	917,709
- accounts receivable	487,170	335,319	1,444,682	909,041
- other	4,777	8,667	4,513	8,668
Management fees from subsidiaries	2,950,905	2,023,240	-	-
<b>Total revenue</b>	<b>11,983,708</b>	<b>10,114,901</b>	<b>25,336,987</b>	<b>22,989,839</b>
<b>4.1 Other operating income</b>	<b>31,338</b>	<b>51,939</b>	<b>40,344</b>	<b>69,137</b>
Profit on disposal of property, plant and equipment	-	13,528	-	13,528
Other income	31,338	38,411	40,344	55,609



	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>5. RETAIL TRADING PROFIT</b>				
Trading profit is stated after taking account of the following items:				
<b>5.1 Depreciation and amortisation</b>				
- Depreciation retail charge	366,759	236,944	589,066	369,564
- Amortisation retail charge	38,000	50,199	38,000	50,199
	<b>404,759</b>	<b>287,143</b>	<b>627,066</b>	<b>419,763</b>
<b>5.2 Employment costs</b>				
Retail chains employed 442 (2012: 371) full-time equivalent employees at the end of 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	2,296,982	2,036,519	3,706,148	3,221,179
- Contributions to defined contribution plans (refer to note 28.2)	140,192	132,845	262,037	230,717
- Medical aid contributions	75,407	64,748	87,600	75,041
<b>Total</b>	<b>2,512,581</b>	<b>2,234,112</b>	<b>4,055,785</b>	<b>3,526,937</b>
<b>5.3 Occupancy costs</b>				
Land and buildings				
- minimum lease payments	805,421	717,195	2,300,031	1,957,638
- turnover clause payments	-	10,829	37,171	15,123
Total operating lease expenses	805,421	728,024	2,337,202	1,972,761
Other occupancy costs	320,287	346,900	801,757	744,373
<b>Total</b>	<b>1,125,708</b>	<b>1,074,924</b>	<b>3,138,959</b>	<b>2,717,134</b>
<b>5.4 Trade receivable costs</b>				
Collection and other receivable costs	<b>162,848</b>	<b>125,220</b>	<b>521,675</b>	<b>405,579</b>
<b>5.5 Other operating costs</b>				
- Advertising and marketing	197,374	383,369	419,227	714,144
- Audit fees	81,225	102,309	81,225	102,309
- Management, technical, consulting and secretarial fees	229,711	158,530	241,658	159,218
- Transport and travel costs	549,753	498,190	723,634	728,059
- Other operating costs*	796,622	767,370	1,285,040	1,305,234
	<b>1,854,685</b>	<b>1,909,768</b>	<b>2,750,784</b>	<b>3,008,964</b>
* other operating costs mainly comprise telephone, postage, printing, stationery and insurance expenses				
<b>6. MANUFACTURING PROFIT / (LOSS)</b>				
Manufacturing profit / (loss) is stated after taking account of the following items:				
- Audit fees	-	-	18,000	18,000
- Depreciation	-	-	43,922	42,899
- Foreign exchange losses	-	-	2,835	7,872
- Employment costs - short-term benefits	-	-	484,745	478,230
<b>7. NET FINANCE INCOME / (COSTS)</b>				
<b>Interest receivable</b>				
- Accounts receivable	487,170	335,319	1,444,682	909,041
- Other	4,777	8,667	4,513	8,668
<b>Finance income</b>	<b>491,947</b>	<b>343,986</b>	<b>1,449,195</b>	<b>917,709</b>
<b>Finance cost</b>				
- Interest payable on borrowings	(1,261,470)	(1,103,972)	(1,262,244)	(1,103,996)
<b>Net finance income / (costs)</b>	<b>(769,523)</b>	<b>(759,986)</b>	<b>186,951</b>	<b>(186,287)</b>

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>8. TAX (EXPENSE) / CREDIT</b>				
<b>8.1 Taxation charge</b>				
Income tax:				
Current				
- Standard	-	-	(160,749)	(195,664)
- AIDS levy	-	-	(4,821)	(5,870)
- Withholding tax	(49)	(5)	(312)	(8)
Deferred tax (Note 20)	(162,995)	88,773	(249,902)	(32,347)
	<b>(163,044)</b>	<b>88,768</b>	<b>(415,784)</b>	<b>(233,889)</b>

	%	%	%	%
<b>8.2 Reconciliation of tax charge:</b>				
Standard rate	25.75	(25.75)	25.75	25.75
Adjusted for:				
Effect of expenses not deductible for tax	(4.45)	15.03	0.27	0.78
<b>Effective rate</b>	<b>21.30</b>	<b>(10.72)</b>	<b>26.02</b>	<b>26.53</b>

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>9. PROFIT FOR THE PERIOD</b>				
Holding company	602,417	916,436	452,417	(283,565)
Subsidiary companies:-				
- Topic Stores (Private) Limited (incorporating Number 1 Stores)	-	-	691,666	1,033,252
- Bravette Manufacturing Company (Private) Limited	-	-	38,331	(102,010)
	<b>602,417</b>	<b>916,436</b>	<b>1,182,414</b>	<b>647,677</b>

**10. EARNINGS PER SHARE**

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 thereto in calculating diluted earnings per share as there are no diluting instruments.

Headline earnings are determined as follows:

Profit for the period, fully attributable to owners of the parent	602,417	916,436	1,182,414	647,677
Adjusted for:				
Profit on disposal of property, plant and equipment	-	(13,528)	-	(13,528)
<b>Headline earnings</b>	<b>602,417</b>	<b>902,908</b>	<b>1,182,414</b>	<b>634,149</b>
Weighted average number of ordinary shares in issue	373,570,622	373,570,622	373,570,622	373,570,622
Basic earnings per share (cents)	0.16	0.25	0.32	0.17
Diluted earnings per share (cents)	0.16	0.25	0.32	0.17
Headline earnings per share (cents)	0.16	0.24	0.32	0.17

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

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>11. INVESTMENT IN SUBSIDIARIES</b>				
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>	-	-

**12. PROPERTY, PLANT AND EQUIPMENT**
**Leasehold improvements**

	COMPANY		GROUP	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
At cost	249,701	74,901	702,127	360,663
Additions	84,902	174,800	588,758	341,464
Accumulated depreciation	(85,517)	(35,327)	(328,377)	(165,948)

**Net Carrying Amount**

	<b>249,086</b>	<b>214,374</b>	<b>962,508</b>	<b>536,179</b>
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**Motor vehicles**

At cost	810,024	670,146	810,024	670,146
Additions	130,788	165,078	130,788	165,078
Disposals	-	(25,200)	-	(25,200)
Accumulated depreciation	(469,338)	(337,628)	(469,338)	(337,628)

**Net Carrying Amount**

	<b>471,474</b>	<b>472,396</b>	<b>471,474</b>	<b>472,396</b>
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**Furniture fittings and equipment**

At cost	721,072	547,791	1,219,410	915,335
Additions	251,894	173,281	439,315	304,075
Accumulated depreciation	(503,127)	(318,269)	(834,254)	(529,765)

**Net Carrying Amount**

	<b>469,839</b>	<b>402,803</b>	<b>824,471</b>	<b>689,645</b>
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**Plant and machinery**

At cost	-	-	344,209	326,065
Additions	-	-	222	18,144
Accumulated depreciation	-	-	(164,641)	(130,281)

**Net Carrying Amount**

	-	-	<b>179,790</b>	<b>213,928</b>
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**Total Property, Plant and Equipment**

At cost	1,780,797	1,292,838	3,075,770	2,272,209
Additions	467,584	513,159	1,159,083	828,761
Disposals	-	(25,200)	-	(25,200)
Accumulated depreciation	(1,057,983)	(691,224)	(1,796,610)	(1,163,622)

**Net carrying amount**

	<b>1,190,398</b>	<b>1,089,573</b>	<b>2,438,243</b>	<b>1,912,148</b>
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**Movements for the year**

<b>Balance at the beginning of the period, net of depreciation</b>	<b>1,089,573</b>	<b>838,558</b>	<b>1,912,148</b>	<b>1,521,050</b>
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**Additions at cost**

Leasehold premises	84,902	174,800	588,758	341,464
Motor vehicles	130,788	165,078	130,788	165,078
Furniture, fittings and equipment	251,894	173,281	439,315	304,075
Plant and machinery	-	-	222	18,144
	<b>467,584</b>	<b>513,159</b>	<b>1,159,083</b>	<b>828,761</b>

**Disposals**

Motor vehicles	-	(25,200)	-	(25,200)
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**Depreciation for the year**

Leasehold improvements	(50,190)	(14,185)	(162,429)	(69,951)
Motor vehicles	(131,710)	(84,308)	(131,710)	(84,308)
Furniture, fittings and equipment	(184,859)	(138,451)	(304,489)	(223,783)
Plant and machinery	-	-	(34,360)	(34,421)
	<b>(366,759)</b>	<b>(236,944)</b>	<b>(632,988)</b>	<b>(412,463)</b>

**Net carrying amount at the end of the period**

	<b>1,190,398</b>	<b>1,089,573</b>	<b>2,438,243</b>	<b>1,912,148</b>
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The carrying value of motor vehicles held under finance leases at July 07 2013 was \$nil (2012: \$211,176). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease liability.

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>13. INTANGIBLE ASSETS</b>				
Computer software				
Cost	310,868	240,306	310,868	240,306
Additions	130,400	70,562	130,400	70,562
Accumulated amortisation	(136,260)	(98,260)	(136,260)	(98,260)
	<b>305,008</b>	<b>212,608</b>	<b>305,008</b>	<b>212,608</b>
<b>Movements in the net carrying amount for the year</b>				
<b>Balance at the beginning of the period, net of amortisation</b>	212,608	192,245	212,608	192,245
Additions	130,400	70,562	130,400	70,562
Amortisation for the year	(38,000)	(50,199)	(38,000)	(50,199)
	<b>305,008</b>	<b>212,608</b>	<b>305,008</b>	<b>212,608</b>
<b>14. INVENTORIES</b>				
Finished goods	2,584,169	2,322,575	6,501,587	5,012,575
Raw materials	-	-	930,964	599,508
Work in progress	-	-	32,060	22,295
	<b>2,584,169</b>	<b>2,322,575</b>	<b>7,464,611</b>	<b>5,634,378</b>
The amount of inventories expensed as a result of shrinkage during the period which is included in cost of sales amounted to:-	<b>24,541</b>	<b>24,734</b>	<b>81,222</b>	<b>287,682</b>
Cost of inventory expensed due to sales which is included in cost of sales amounted to:-	<b>4,052,993</b>	<b>3,779,299</b>	<b>11,314,536</b>	<b>10,560,239</b>
Refer to note 21 for pledges on inventories.				
<b>15. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	3,015,146	2,547,814	7,949,941	6,989,120
Prepayments	161,563	181,097	492,495	600,971
Other receivables	169,011	156,763	239,614	199,080
Group companies				
- Topic Stores (Private) Limited (incorporating Number 1 Stores)	1,060,033	1,200,000	-	-
- Bravette Manufacturing Company (Private) Limited	4,801,009	3,701,458	-	-
	<b>9,206,762</b>	<b>7,787,132</b>	<b>8,682,050</b>	<b>7,789,171</b>
<b>15.1 Trade receivables</b>				
The Group's trade receivables have payment terms of 180 days (2012: 180 days). The average debtors' days at the end of the reporting period was 162 days (2012: 141 days). Refer to note 30.2 for additional credit risk disclosures. Also, refer to note 19 for pledges on trade receivables.				
Interest is charged on all overdue accounts according to the Group's term and conditions of granting credit. The rate charged during 2013 was 5% (2012: 5%) per month on the balances of accounts in arrears.				
Refer to note 27 for the terms of intercompany receivables.				
<b>15.2 Allowance for credit losses</b>				
Balance at the beginning of the period	109,232	139,516	324,620	314,155
<b>Movement for the period</b>				
Allowances utilised	(63,804)	(138,139)	(232,209)	(299,686)
Allowances raised	117,799	107,855	367,384	310,151
	<b>163,227</b>	<b>109,232</b>	<b>459,795</b>	<b>324,620</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.				



	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>16. CASH AND CASH EQUIVALENTS</b>				
Balances with banks	240,866	206,843	380,829	328,053
Cash on hand	26,447	36,262	31,132	40,989
<b>Total</b>	<b>267,313</b>	<b>243,105</b>	<b>411,961</b>	<b>369,042</b>

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

**17. SHARE CAPITAL**

**17.1 Authorised**

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	100,000	100,000
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**17.2 Issued and fully paid**

The original par value of issued shares of 376,736,982 (2012: 376,736,982) was redenominated to \$0.0001 each in 2011.

The Company has one class of ordinary shares which carry no rights to fixed income.

**Reconciliation of movement in the number of issued shares:**

Ordinary shares in issue at the beginning of the period	376,736,982	376,736,982	376,736,982	376,736,982
Ordinary shares options exercised during the period	-	-	-	-
Balance at the end of the period	376,736,982	376,736,982	376,736,982	376,736,982
Treasury shares held	(3,166,360)	(3,166,360)	(3,166,360)	(3,166,360)
<b>Adjusted issued ordinary shares</b>	<b>373,570,622</b>	<b>373,570,622</b>	<b>373,570,622</b>	<b>373,570,622</b>
Treasury shares as % of issued shares at the end of the period	(0.84)	(0.84)	(0.84)	(0.84)
Market price at the end of the period (cents)	3.00	3.51	3.00	3.51
Market value of issued shares at the end of the period (US\$)	11,302,109	13,223,468	11,302,109	13,223,468
<b>Nominal value of share capital at the end of the period (US\$)</b>	<b>37,674</b>	<b>37,674</b>	<b>37,674</b>	<b>37,674</b>

**17.3 Unissued shares**

The Company's Articles of Association stipulate that the unissued shares of 623,263,018 (2012: 623,263,018) 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 are 35,000,000 (2012:35,000,000). The Directors decided to suspend any allotments on the scheme and allotment will 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		Ordinary shares	
	2013	%	2012	%
B Ndebele	55,142,860	14.64	55,142,860	14.64
M Mahlangu	13,800	0.00	13,800	0.00
	<b>55,156,660</b>	<b>14.64</b>	<b>55,156,660</b>	<b>14.64</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.

## 17.5 Treasury shares

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Balance at the beginning of the period (number)	3,166,360	3,166,360	3,166,360	3,166,360
Shares repurchased (number)	-	-	-	-
Share sold by subsidiary during the period (number)	-	-	-	-
Balance at the end of the period (number)	<b>3,166,360</b>	<b>3,166,360</b>	<b>3,166,360</b>	<b>3,166,360</b>
Market value at the end of the period (US\$)	94,991	111,139	94,991	111,139
Nominal value at the end of the period (US\$)	317	317	317	317

All treasury shares are held by Truworths Limited.

## 18. NON-DISTRIBUTABLE RESERVE

Balance at beginning of period	550,632	542,614	1,622,768	1,622,768
Redenomination of investment in subsidiary companies	-	8,018	-	-
Balance at end of period	<b>550,632</b>	<b>550,632</b>	<b>1,622,768</b>	<b>1,622,768</b>

The non-distributable reserve arose as a result of change in functional currency from the Zimbabwean Dollar to United States Dollar in 2009. It represents the residual equity in existence at change - over period. Subsequent movement in 2012 resulted from the redenomination of investment in subsidiary companies.

## 19. LONG-TERM BORROWINGS

Debentures	2,004,879	-	2,004,879	-
Bank loan	1,882,453	-	1,882,453	-
Total long term borrowings	3,887,332	-	3,887,332	-
Less: current portion transferred to short term borrowings	(1,181,873)	-	(1,181,873)	-
	<b>2,705,459</b>	<b>-</b>	<b>2,705,459</b>	<b>-</b>

### Debentures

The 12.5% unsecured debentures are repayable in full on April 17 2015.

### Bank loan

This loan bears interest of 14% per annum and is secured by cross company guarantee from Topic Stores (Private) Limited and a power of Attorney to register a cession over book debts for US\$6,700,000. The loan is repayable monthly in equal instalments starting July 01 2013 and ending December 31 2014.

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>20. DEFERRED TAX</b>				
Net deferred tax liability at the beginning of the period	327,995	416,768	1,020,724	988,377
Liability	475,065	416,768	1,199,020	1,037,790
Asset	(147,070)	-	(178,296)	(49,413)
<b>Movement for the period</b>	<b>162,995</b>	<b>(88,773)</b>	<b>249,903</b>	<b>32,347</b>
Charge to profit or loss (Note 8)	162,995	(88,773)	249,903	32,347
<b>Increase in deferred tax liability</b>	<b>60,815</b>	<b>58,297</b>	<b>143,564</b>	<b>161,229</b>
Prepayments	(5,031)	12,822	(3,520)	29,617
Property, plant and equipment	(36,155)	34,941	(52,584)	46,304
Intangible assets	(54,747)	5,244	(54,748)	5,244
Exchange differences	(1,008)	-	984	-
Accounts receivables	157,756	5,290	253,432	80,064
<b>Decrease / (increase) in deferred tax asset</b>	<b>102,180</b>	<b>(147,070)</b>	<b>106,339</b>	<b>(128,882)</b>
Estimated tax losses	102,180	(147,070)	106,339	(128,882)
<b>Net deferred tax liability at the end of the period</b>	<b>490,990</b>	<b>327,995</b>	<b>1,270,627</b>	<b>1,020,724</b>
	-	-	-	-
<b>Closing balance comprising:</b>				
<b>Liability</b>	<b>535,880</b>	<b>475,065</b>	<b>1,342,584</b>	<b>1,199,020</b>
Prepayments	41,602	46,633	86,909	90,429
Property plant and equipment	109,605	145,760	221,389	273,973
Intangible assets	-	54,747	-	54,748
Exchange differences	(1,008)	-	984	-
Accounts receivable	385,681	227,925	1,033,302	779,870
<b>Asset</b>	<b>(44,890)</b>	<b>(147,070)</b>	<b>(71,957)</b>	<b>(178,296)</b>
Assessable loss	(44,890)	(147,070)	(71,957)	(178,296)
<b>Total</b>	<b>490,990</b>	<b>327,995</b>	<b>1,270,627</b>	<b>1,020,724</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 07 2013, the company had incurred tax losses amounting to \$174,330 (2012:\$571,147). In future years, the tax losses will provide the company with income tax relief amounting to \$44,890 (2012:\$147,070). This relief is subject to the company earning sufficient taxable income to utilise the tax losses within six years of the losses arising.

	Opening balance US\$	2011 US\$	2012 US\$	2013 US\$	Closing balance US\$
<b>Ageing of tax losses</b>					
2013 Balance	147,070			(102,180)	44,890
2012 Balance	-		147,070		147,070
2011 Balance	86,091	(86,091)			-
2010 Balance	86,091				86,091

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>21. SHORT-TERM BORROWINGS</b>				
Short-term borrowings				
- From financial institutions	4,158,437	7,456,258	4,158,437	7,456,258
- Other	481,473	-	481,473	-
Total short-term borrowings	4,639,910	7,456,258	4,639,910	7,456,258
Add: current portion of long-term borrowings	1,181,873	-	1,181,873	-
	<b>5,821,783</b>	<b>7,456,258</b>	<b>5,821,783</b>	<b>7,456,258</b>

Short-term borrowings of \$3,015,840 (2012: \$1,453,276) are secured by cross company guarantees from Topic Stores (Private) Limited and Bravette Manufacturing Company (Private) Limited and pledge of Group inventories of \$5,000,000. The remaining short-term borrowings of \$2,805,943 (2012: \$6,002,982) are 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 14.5% (2012: 15.4%) per annum was applicable to the outstanding balance.

## 22. TRADE AND OTHER PAYABLES

Trade payables	923,592	819,420	3,025,665	1,920,719
Other payables and accrued expenses	570,338	406,745	655,787	724,443
Current portion of vehicle asset lease	-	72,622	-	72,622
Group companies				
- Topic Stores (Private) Limited (incorporating Number 1 Stores)	-	171,482	-	-
	<b>1,493,930</b>	<b>1,470,269</b>	<b>3,681,452</b>	<b>2,717,784</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 90 days.

- Other payables and accrued expenses are non interest bearing provided they are settled within their respective credit terms. These are normally settled within 30 days.

Refer to note 27 for the terms of intercompany payables.

## 23. PROVISIONS

### 23.1 Employment related provisions

<b>Balance at beginning of period</b>	<b>133,567</b>	<b>123,532</b>	<b>228,622</b>	<b>187,623</b>
Arising during the year	38,600	10,035	49,625	40,999
- Provisions utilised	(41,833)	(93,902)	(88,003)	(141,984)
- Provisions raised	80,433	103,937	137,628	182,983
<b>Balance at end of period</b>	<b>172,167</b>	<b>133,567</b>	<b>278,247</b>	<b>228,622</b>

The Group's provisions relate to accumulated payments in terms of employment contracts.

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>24 CASH FLOW INFORMATION</b>				
<b>24.1 Cash generated from trading</b>				
Profit before taxation	765,461	827,668	1,598,198	881,566
Depreciation and amortisation	404,759	287,143	670,988	462,664
Allowances for credit losses raised	(117,799)	(107,855)	(367,384)	(310,151)
Unrealised foreign exchange differences	(3,915)	-	3,821	-
Employment related provisions raised	(80,433)	(103,937)	(137,628)	(182,983)
Inventory write-down	(13,744)	(158,580)	(45,776)	(287,682)
Profit on disposal of property, plant and equipment	-	(13,528)	-	(13,528)
Net finance cost / (income) note 7	769,523	759,985	(186,951)	186,287
	<b>1,723,852</b>	<b>1,490,896</b>	<b>1,535,268</b>	<b>736,173</b>
<b>24.2 Working capital movements</b>				
Increase in inventories	(247,850)	(587,211)	(1,784,457)	(666,442)
Increase in trade and other receivables	(1,301,830)	(1,483,121)	(525,493)	(1,215,462)
Increase in trade and other payables	146,608	551,988	1,147,099	801,578
	<b>(1,403,072)</b>	<b>(1,518,344)</b>	<b>(1,162,851)</b>	<b>(1,080,326)</b>
<b>24.3 Tax paid</b>				
Amounts owing at the beginning of the period	-	(45,490)	(174,105)	(23,072)
Tax charged	(49)	(5)	(165,882)	(201,542)
Amounts owing at the end of the period	-	-	42,037	174,105
<b>Amounts paid during the year</b>	<b>(49)</b>	<b>(45,495)</b>	<b>(297,950)</b>	<b>(50,509)</b>
<b>24.4 Cash and cash equivalents</b>				
Made up as follows:				
<b>Cash at bank and on hand</b>	<b>267,313</b>	<b>243,105</b>	<b>411,961</b>	<b>369,042</b>
<b>25. CAPITAL COMMITMENTS</b>				
Capital commitments include all projects for which specific board approval has been obtained.				
<b>Capital expenditure authorised</b>	<b>411,331</b>	<b>487,975</b>	<b>1,132,600</b>	<b>1,380,300</b>
Motor vehicles	125,000	76,500	125,000	150,000
Computer infrastructure	50,915	41,920	90,440	64,570
Store development	185,416	356,358	733,361	1,126,873
Factory development	-	-	133,799	25,660
Head office facilities	50,000	13,197	50,000	13,197

These commitments will be financed by cash generated from operations and existing facilities from financial institutions.

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>26. LEASES</b>				
<b>26.1 Lessee under finance leases</b>				
Total lease obligation at the beginning of the period	72,622	200,975	72,622	200,975
Lease obligations incurred during the year	-	-	-	-
Lease repayments	(72,622)	(128,353)	(72,622)	(128,353)
<b>Balance at the end of the period</b>	<b>-</b>	<b>72,622</b>	<b>-</b>	<b>72,622</b>
Current portion reflected under trade and other payables	-	72,622	-	72,622
The Group had finance leases for motor vehicles. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as shown. Vehicles were pledged against these finance leases.				
Finance lease commitments payable within one period.	-	72,622	-	72,622
<b>26.2 Lessee under operating leases</b>				
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 3 (2012: 4) stores of all premises leased on contract with turnover rental clauses reached the turnover threshold in terms of the lease agreements and thereby incurring rental payments averaging approximately 5% (2012: 5%) of their turnover.				
Operating lease commitments payable within one period	962,569	805,421	2,786,786	2,356,810
After one year but not more than five years	4,843,504	4,412,639	14,211,875	12,031,750
	<b>5,806,073</b>	<b>5,218,060</b>	<b>16,998,661</b>	<b>14,388,560</b>



**27. RELATED PARTY DISCLOSURES**

The consolidated financial statements of the Group include:-

Name	Country of Incorporation	Effective % holding 2013	Effective % holding 2012
Topic Stores (Private) Limited (incorporating Number 1 Stores)	Zimbabwe	100%	100%
Bravette Manufacturing Company (Private) Limited	Zimbabwe	100%	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/(from) US\$	Amounts owing (to)/by US\$
<b>2013 Company</b>			
Topic Stores (Private) Limited (incorporating Number 1 Stores)	2,902,905	-	1,060,033
Bravette Manufacturing Company (Private) Limited	48,000	(1,063,479)	4,801,009
<b>2012 Company</b>			
Topic Stores (Private) Limited (incorporating Number 1 Stores)	1,975,240	-	(171,482)
Bravette Manufacturing Company (Private) Limited	48,000	(831,891)	3,701,458

During the year purchases totalling \$74,128 (2012: \$7,480) at normal market prices were made by the Group companies from a company, of which one of the directors has an indirect interest.

During the year rent amounting to \$1,079,318 (2012: \$585,332) was paid to Old Mutual Properties, a subsidiary of a shareholder.

**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.

**Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

	GROUP	
	2013 US\$	2012 US\$
Short - term benefits	860,587	712,973
Post - employment benefits	40,291	38,498
	<u>900,878</u>	<u>751,471</u>
Included in the above amounts are the following in respect of directors' emoluments:		
Fees as directors	19,710	16,970
Otherwise in connection with management	517,504	409,826
	<u>537,214</u>	<u>426,796</u>
<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:	88,920	87,079

	COMPANY		GROUP	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
<b>28. EMPLOYEE BENEFITS</b>				
The Group participates in several 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.				
<b>28.2 Retirement benefit cost</b>				
Truworths Pension Fund				
- current service cost	124,803	117,889	226,608	202,306
National Social Security Authority	15,389	14,956	35,429	28,411
	<b>140,192</b>	<b>132,845</b>	<b>262,037</b>	<b>230,717</b>

### 28.3 Employee share incentive plan

#### 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 on this scheme. The Incentive Scheme will be considered at a later date.

## 29. BORROWING POWERS

In terms of the company's Articles of Association the aggregate amount owing in respect of monies borrowed by the company and its subsidiaries 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.

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade 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.

The Group is exposed to credit risk, liquidity risk, 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 Derivative financial instruments

The Group does not use derivative financial instruments in the management of foreign currency. Derivative financial instruments are not held or issued for trading purposes.

### 30.2 Credit risk

Financial assets which potentially subject the group to concentrations of 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.

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 impaired trade and other receivables. The trade and other receivables are considered past due should an instalment not be received within 30 days.

	Trade and other receivables	Allowance	Trade and other receivables, net of allowance	Allowance as percentage of trade receivables
	US\$	US\$	US\$	%
<b>2013 GROUP</b>				
Neither past due nor impaired	5,619,122	-	5,619,122	0.0%
Past due but not impaired				
30 - 59 days	846,597	(13,349)	833,248	0.2%
60 - 89 days	399,451	(8,626)	390,825	0.1%
90 - 119 days	240,241	(5,631)	234,610	0.1%
> 120 days	1,304,324	(432,188)	872,136	5.1%
Total trade receivables	8,409,735	(459,794)	7,949,941	5.5%
Other receivables neither past due nor impaired	239,614	-	239,614	-
<b>Total trade and other receivables (excluding prepayments)</b>	<b>8,649,349</b>	<b>(459,794)</b>	<b>8,189,555</b>	<b>5.3%</b>
<b>2013 COMPANY</b>				
Neither past due nor impaired	2,199,085	-	2,199,085	0.0%
Past due but not impaired				
30 - 59 days	308,999	(3,588)	305,411	0.1%
60 - 89 days	153,921	(3,551)	150,370	0.1%
90 - 119 days	85,893	(1,804)	84,089	0.1%
> 120 days	430,475	(154,284)	276,191	4.9%
Total trade receivables	3,178,373	(163,227)	3,015,146	5.1%
Other receivables neither past due nor impaired	6,030,053	-	6,030,053	-
<b>Total trade and other receivables (excluding prepayments)</b>	<b>9,208,426</b>	<b>(163,227)</b>	<b>9,045,199</b>	<b>1.8%</b>
<b>2012 GROUP</b>				
Neither past due nor impaired	5,552,692	-	5,552,692	0.0%
Past due but not impaired				
30 - 59 days	634,950	(25,230)	609,720	0.3%
60 - 89 days	245,191	(8,115)	237,076	0.1%
90 - 119 days	128,167	(6,912)	121,255	0.1%
> 120 days	752,740	(284,363)	468,377	3.9%
Total trade receivables	7,313,740	(324,620)	6,989,120	4.4%
Other receivables neither past due nor impaired	199,080	-	199,080	-
<b>Total trade and other receivables (excluding prepayments)</b>	<b>7,512,820</b>	<b>(324,620)</b>	<b>7,188,200</b>	<b>4.3%</b>
<b>2012 COMPANY</b>				
Neither past due nor impaired	1,798,048	-	1,798,048	0.0%
Past due but not impaired				
30 - 59 days	374,590	(4,526)	370,064	0.1%
60 - 89 days	125,246	(2,165)	123,081	0.0%
90 - 119 days	58,365	(2,389)	55,976	0.0%
> 120 days	300,797	(100,152)	200,645	1.4%
Total trade receivables	2,657,046	(109,232)	2,547,814	1.5%
Other receivables neither past due nor impaired	5,058,221	-	5,058,221	-
<b>Total trade and other receivables (excluding prepayments)</b>	<b>7,715,267</b>	<b>(109,232)</b>	<b>7,606,035</b>	<b>1.4%</b>

**30.3 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 an immaterial impact on the Group's equity.

	2013 US\$	2012 US\$
Effect on profit before tax		
Increase of 3%	(254,612)	(223,685)
Decrease of 3%	254,612	223,685

#### 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:

	2013 %	2012 %
Floating rate		
Balance with bank	0.75	0.75
Interest bearing portion of trade receivables*	5	5
Average Interest on borrowings	14.5	15.4

\* At the end of the reporting period 33.7% (2012: 23.8%) of trade receivables were interest-bearing.

**30.4 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 are limited to two times the amount of the issued share capital plus the aggregate of all amounts standing to the credit of all distributable and non-distributable reserves and any share premium account of the Company and its subsidiaries as at the last date of the latest audited statement of finance position. The Group is within its borrowing limits.

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

	Within 3 months US\$	Between 4 to 12 months US\$	More than 12 months US\$	Total US\$
<b>2013 GROUP</b>				
<b>Liabilities</b>				
Interest-bearing borrowings	(5,821,783)	-	(2,934,533)	(8,756,316)
Trade and other payables	(3,681,452)	-	-	(3,681,452)
<b>TOTAL</b>	<b>(9,503,235)</b>	<b>-</b>	<b>(2,934,533)</b>	<b>(12,437,768)</b>
<b>Assets</b>				
Cash and cash equivalents	411,961	-	-	411,961
Trade and other accounts receivable (excluding prepayments)	4,214,585	3,974,971	-	8,189,555
<b>TOTAL</b>	<b>4,626,546</b>	<b>3,974,971</b>	<b>-</b>	<b>8,601,516</b>
<b>2013 COMPANY</b>				
<b>Liabilities</b>				
Interest-bearing borrowings	(5,821,783)	-	(2,934,533)	(8,756,316)
Trade and other payables	(1,493,930)	-	-	(1,493,930)
<b>TOTAL</b>	<b>(7,315,713)</b>	<b>-</b>	<b>(2,934,533)</b>	<b>(10,250,246)</b>
<b>Assets</b>				
Cash and cash equivalents	267,313	-	-	267,313
Trade and other accounts receivable (excluding prepayments)	7,537,626	1,507,573	-	9,045,199
<b>TOTAL</b>	<b>7,804,939</b>	<b>1,507,573</b>	<b>-</b>	<b>9,312,512</b>
<b>2012 GROUP</b>				
<b>Liabilities</b>				
Interest-bearing borrowings	(5,456,258)	(2,000,000)	-	(7,456,258)
Trade and other payables	(2,717,784)	-	-	(2,717,784)
<b>TOTAL</b>	<b>(8,174,042)</b>	<b>(2,000,000)</b>	<b>-</b>	<b>(10,174,042)</b>
<b>Assets</b>				
Cash and cash equivalents	369,042	-	-	369,042
Trade and other accounts receivable (excluding prepayments)	4,411,854	2,776,346	-	7,188,200
<b>TOTAL</b>	<b>4,780,896</b>	<b>2,776,346</b>	<b>-</b>	<b>7,557,242</b>
<b>2012 COMPANY</b>				
<b>Liabilities</b>				
Interest-bearing borrowings	(5,456,258)	(2,000,000)	-	(7,456,258)
Trade and other payables	(1,470,269)	-	-	(1,470,269)
<b>TOTAL</b>	<b>(6,926,527)</b>	<b>(2,000,000)</b>	<b>-</b>	<b>(8,926,527)</b>
<b>Assets</b>				
Cash and cash equivalents	243,105	-	-	243,105
Trade and other accounts receivable (excluding prepayments)	6,332,128	1,273,907	-	7,606,035
<b>TOTAL</b>	<b>6,575,233</b>	<b>1,273,907</b>	<b>-</b>	<b>7,849,140</b>

The Group has access to financing facilities of \$2,477,294 (2012: \$1,171,518) which can be borrowed before limitations of the Company's Articles of Association as at the end of the period are breached.

## 30.5 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	
	2013	2012	07 July 2013	08 July 2012
South African Rands	8.85	8.33	10.04	8.18
Great British Pounds	1.57	1.58	1.50	1.55
Botswana Pula	8.02	7.69	8.65	7.69

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>2013 GROUP</b>				
July 07 2013	South African Rand	(420,279)	88,042	(332,237)
	Pound Sterling	-	2,000	2,000
<b>2013 COMPANY</b>				
July 07 2013	South African Rand	(291,552)	88,042	(203,510)
	Pound Sterling	-	2,000	2,000
<b>2012 GROUP</b>				
July 08 2012	South African Rand	(367,528)	25,172	(342,356)
<b>2012 COMPANY</b>				
July 08 2012	South African Rand	(367,528)	25,172	(342,356)

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

	2013 US\$	2012 US\$
<b>GROUP</b>		
Effect on profit before tax - South African Rand		
Increase of 10%	(3,009)	(4,084)
Decrease of 10%	3,009	4,084
Effect on profit before tax - British Pound Sterling		
Increase of 10%	(300)	-
Decrease of 10%	300	-
<b>COMPANY</b>		
Effect on profit before tax - South African Rand		
Increase of 10%	(1,843)	(4,084)
Decrease of 10%	1,843	4,084
Effect on profit before tax - British Pound Sterling		
Increase of 10%	(300)	-
Decrease of 10%	300	-



**30.6 Capital risk 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 guarantee the ability of the entity to continue as a going concern whilst providing an equitable return to the shareholders and benefit customers and other stakeholders.
- To maintain a strong credit rating and healthy capital rating to support its business.
- To maintain a strong fall back position which is commensurate with the level of risk undertaken by the entity in the normal course of its business.

No changes were made in objectives, policies or processes for managing capital during the periods ended 07 July 2013

The objective was met at all times during the course of the year under review.

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Profit for the period	1,182,414	647,677
Total equity	5,502,268	4,319,854
Total borrowings	8,527,242	7,456,258
<b>Ratios</b>		
Return on equity	21%	15%
Return on assets	6%	4%
Gearing	155%	173%

**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**

The Directors have declared a dividend of 0.078 cents per share.

	<b>2013</b>	<b>2012</b>
	<b>US\$</b>	<b>US\$</b>
Proposed for approval at the Annual General Meeting (not recognised as a liability as at July 07 2013)		
<b>Dividend on ordinary shares</b>	<b>293,854</b>	<b>-</b>

Other than the above there have been no significant events after reporting date noted.

## 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 production to the retail segment, which sells goods to the public.

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

For management purposes, the Group is organised into business units based on their product and services and has two reportable segments as follows:

	Manufacturing		Retail		Eliminations		Consolidated	
	2013 US \$	2012 US \$	2013 US \$	2012 US \$	2013 US \$	2012 US \$	2013 US \$	2012 US \$
<b>Revenue*</b>								
<b>(Sale of Merchandise)</b>								
External sales	61,840	57,729	23,825,952	22,014,401	-	-	23,887,792	22,072,130
Inter-segment sales	2,536,369	2,036,244	-	-	(2,536,369)	(2,036,244)	-	-
<b>Total revenue</b>	<b>2,598,209</b>	<b>2,093,973</b>	<b>23,825,952</b>	<b>22,014,401</b>	<b>(2,536,369)</b>	<b>(2,036,244)</b>	<b>23,887,792</b>	<b>22,072,130</b>
<b>Result</b>								
Segment result	(13,022)	(137,387)	1,376,269	1,157,240	48,000	48,000	1,411,247	1,067,853
Finance income	-	-	1,449,195	917,709	-	-	1,449,195	917,709
Finance cost	-	-	(1,262,244)	(1,103,996)	-	-	(1,262,244)	(1,103,996)
Taxation	3,353	35,377	(419,137)	(269,266)	-	-	(415,784)	(233,889)
<b>Net profit/(loss) for the period</b>	<b>(9,669)</b>	<b>(102,010)</b>	<b>1,144,083</b>	<b>701,687</b>	<b>48,000</b>	<b>48,000</b>	<b>1,182,414</b>	<b>647,677</b>
<b>Other information</b>								
Segment assets	5,395,414	4,305,569	23,744,455	17,872,989	(10,542,520)	(6,946,214)	18,597,349	15,232,344
Unallocated corporate assets							776,481	863,299
	<b>5,395,414</b>	<b>4,305,569</b>	<b>23,744,455</b>	<b>17,872,989</b>	<b>(10,542,520)</b>	<b>(6,946,214)</b>	<b>19,373,830</b>	<b>16,095,643</b>
Segment liabilities	4,914,036	3,813,708	18,115,425	13,535,170	(10,542,520)	(6,946,214)	12,486,941	10,402,664
Unallocated corporate liabilities							1,384,621	1,373,125
<b>Consolidated total liabilities</b>	<b>4,914,036</b>	<b>3,813,708</b>	<b>18,115,425</b>	<b>13,535,170</b>	<b>(10,542,520)</b>	<b>(6,946,214)</b>	<b>13,871,562</b>	<b>11,775,789</b>
Capital expenditure	6,432	21,393	1,283,051	877,930			1,289,483	899,323
Depreciation and amortisation	43,922	42,897	627,066	419,763			670,988	462,660

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



## 56TH ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty-sixth Annual General Meeting of Shareholders of Truworths Limited will be held in the Boardroom, Truworths Limited, Prospect Park, Stand 808, Seke Road, Harare on Thursday November 28 2013 at 9.00am to transact the following business:

### ORDINARY BUSINESS

1. To approve minutes of the Annual General Meeting held on November 29 2012.
2. To receive and adopt the financial statements and reports of the Directors and Auditors for the year ended July 07 2013.
3. Messrs C. P. M. Peech, D. Pfaff and R. Jaravaza retire by rotation in terms of the Articles of Association. Being eligible, they offer themselves 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.
7. To confirm the final dividend of 0.078 cents per share declared on September 26 2013.

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.

A proxy form is attached and, if used, must be lodged at or posted to the office of the company's transfer secretaries:

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

By Order of the Board



M T CHIDОВI  
SECRETARY