

ABRIDGED AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2019

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Revenue up to RTGS\$801.9 million

EBITDA increased to RTGS\$76.8 million

Profit for the year up to RTGS\$49.2 million

Earnings per share up to 4.12 RTGS cents

Net asset value per share up to 14.05 RTGS cents

Proposed final dividend of 1.71 RTGS cents per share

CHAIRMAN'S STATEMENT

OVERVIEW

While the first half was relatively stable, the operating environment became difficult in the second half of the financial year. The fiscal and monetary policy pronouncements in October 2018 affected confidence in the market among holders of RTGS\$ balances and bond notes and triggered panic buying of goods to retain value as well as provide against expected shortages. Shortages of foreign currency constrained replenishment and led to high prices of products. Official year on year inflation increased from 2.68% in March 2018 and 5.39% in September to 66.8% by March 2019.

Despite the increasingly harsh operating environment, the Group recorded an improved performance in both sales growth and profitability compared to prior year. The growth in sales and increase in profitability are attributable mainly to successful and robust promotions, continued customer focus, and the lag of cost increases behind revenue growth in inflationary conditions.

During the year, the Group opened a new OK branch in Glen View and an OKmart store in Masvingo, to date their contribution to the Group is pleasing. The refurbishment programme continued during the year, with OK Marondera, Bon Marche' Chisipite, Bon Marche' Borrowdale and OKmart Harare being refurbished. The emphasis was to increase capacity and facilities and improve customer experience.

CHANGE IN FUNCTIONAL CURRENCY

In October 2018, the Central Bank directed banks to separate Nostro FCA accounts and RTGS FCA accounts. The USD and RTGS balances and Bond Notes remained at par.

On the 20th of February 2019, in its Monetary Policy statement, the Central Bank introduced the RTGS dollar, made up of RTGS electronic balances and bond notes, as a currency through SI 32 of 2019 (SI32/2019). Statutory Instrument 33 of 2019 (SI33/2019) gave guidance on the accounting for assets and liabilities that were, immediately before the effective date, valued and expressed in United States dollars. Public Accountants and Auditors' Board (PAAB) gave guidance that the SI33/2019 was in divergence with IAS 21, The Effects of Changes in Foreign Exchange Rates. However, these changes did not have a material impact to the Group as trade was predominantly in RTGS dollars during the year under review.

GROUP PERFORMANCE

Revenue for the year increased by 37.6% to RTGS\$801.9 million, from RTGS\$582.9 million in the prior year. Profit before tax of RTGS\$67.5 million was 186.1% up on prior year's RTGS\$23.6 million, while profit after tax increased by 156.9% to RTGS\$49.2 million from RTGS\$16.6 million in prior year.

Overheads growth was restricted to 31.4% which is below the revenue growth of 37.6%. Increases were attributable to, among others, staff costs, maintenance costs and spares, bank charges and rentals. The cost lines that increased significantly were those linked directly with revenue generated.

The Group operated free of debt as internally generated funds were adequate for working capital and capital expenditure requirements. Capital expenditure for the year was RTGS\$25.8 million, up from RTGS\$15.5 million in prior year as the Group continued with its refurbishment exercise to improve existing facilities as well as expand its footprint.

DIVIDEND

The Directors have declared a final dividend of 1.71 RTGS cents per share to be paid to the shareholders on or about the 18th of June 2019. The final dividend brings the total dividend declared for the year to 2.06 RTGS cents per share.

OUTLOOK

Product supply remains a challenge and strategic linkages with suppliers will be key to ensure the stores are reasonably stocked. Despite the economic challenges in the country the Group will continue to focus on growing market share profitably to enhance shareholder value.

Refurbishment work will be carried out on a number of stores and new stores will be opened as strategic sites are identified where the Group is presently inadequately represented.

DIRECTORATE

Mrs. Martha Rukuni retired from the Board of Directors on 26 July 2018 after having served as an Independent Non-Executive Director for 17 years. Mr. David Lake retired as chairman of the Board of Directors of the Group on 27 September 2018. His retirement came after 17 years of dedicated service to the Group. The Board extends its gratitude to both directors for their contribution to the Group.

Following the retirement of Mr. Lake, the Board is pleased to announce the appointment of Mr. Hebert Nkala as Chairman with effect from 27 September 2018. The Board congratulates Mr. Nkala on his appointment and wishes him a successful tenure.

H. Nkala
Chairman

5 June 2019

DIVIDEND ANNOUNCEMENT

NOTICE is hereby given that on the 29th of May 2019, the Board of Directors declared a final dividend (number 24) of 1.71 RTGS cents per share payable out of the profits of the Group for the year ended 31 March 2019.

The dividend will be payable on or about the 18th of June 2019 to shareholders in the Group's register at the close of business on 14 June 2019. Disbursements to foreign shareholders is subject to Exchange Control Approval and payment guidelines for foreign payments. The dividend will be paid by direct transfers or other approved forms as per the following timetable:

ACTION	DATE
1 Announcement Date	29 May 2019
2 Last Date to Trade Cum-Dividend	11 June 2019
3 Ex-Dividend Date	12 June 2019
4 Record Date	14 June 2019
5 Payment Date	18 June 2019

Shareholders are encouraged to update their payment details through our offices or our transfer secretaries, Corpserve, 2nd Floor, ZB Centre, Kwame Nkrumah Avenue, P. O. Box 2208, Harare, Zimbabwe.

By the Order of the Board
M. Munyuru (Mrs)
GROUP SECRETARY

5 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH

	2019 RTGS\$ '000	2018 RTGS\$ '000
Revenue	801,893	582,878
Changes in trade inventories	(66,265)	(12,612)
Merchandise and consumables used	(560,859)	(465,053)
Employee benefits expense	(48,354)	(35,606)
Depreciation expense	(9,308)	(8,087)
Share based payments expense	(336)	(286)
Net operating costs	(49,251)	(37,633)
Finance costs	(1)	(1)
Profit before tax	67,519	23,600
Income tax expense	(18,298)	(6,969)
Profit for the year	49,221	16,631
<u>Other comprehensive income</u>		
Gain on revaluation of property and equipment	37,769	3,199
Fair value gain on available for sale financial assets	30	48
Income tax relating to components of other comprehensive income	(8,459)	(680)
Other comprehensive income for the year net of tax	29,340	2,567
Total comprehensive income for the year	78,561	19,198
Weighted average number of ordinary shares in issue:	1,196,074,564	1,168,353,576
Share performance : RTGS cents		
: attributable earnings per share	4.12	1.42
: headline earnings per share	4.11	1.42
: diluted earnings per share	3.90	1.35
: net asset value per share	14.05	8.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	2019 RTGS\$ '000	2018 RTGS\$ '000
Assets		
<u>Non-current assets</u>		
Property and equipment	123,641	69,645
Long-term receivables	2,731	3,125
Goodwill	400	400
Long-term investments	442	412
Total non-current assets	127,214	73,582
<u>Current assets</u>		
Inventories	132,980	64,676
Trade and other receivables	2,275	4,100
Prepaid expenses and merchandise supplies	10,776	5,613
Short-term loans receivable	45	3,335
Cash and cash equivalents	31,568	23,469
Total current assets	177,644	101,193
Total assets	304,858	174,775
Equity and liabilities		
<u>Equity</u>		
Share capital	120	118
Share premium	33,411	30,361
Share based payments reserve	975	639
Investments reserve	154	124
Revaluation reserve	39,147	9,837
Non-distributable reserve	9,820	9,820
Retained earnings	84,377	45,385
Total Equity	168,004	96,284
<u>Non-current liabilities</u>		
Deferred tax liabilities	15,264	9,711
<u>Current liabilities</u>		
Trade and other payables	117,722	68,315
Current tax liabilities	3,868	465
Total current liabilities	121,590	68,780
Total equity and liabilities	304,858	174,775

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH

	2019 RTGS\$'000	2018 RTGS\$'000
<u>Cash flows from operating activities</u>		
Cash generated from trading	76,632	31,623
Working capital changes	(22,203)	5,801
Cash generated from operations	54,429	37,424
Net finance income	502	432
Tax paid	(17,801)	(7,038)
Net cash generated from operating activities	37,130	30,818
<u>Cash flows from investing activities</u>		
Investments to maintain operations :		
Replacement of property and equipment	19,334	(12,493)
Proceeds from disposal of property and equipment	333	321
	(19,001)	(12,172)
Investments to expand operations:		
Additions to property and equipment	(6,416)	(2,987)
Increase in long-term receivables	394	(92)
	(6,022)	(3,079)
Net cash used in investing activities	(25,023)	(15,251)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH (continued)

	2019 RTGS\$ '000	2018 RTGS\$ '000
<u>Cash flows from financing activities</u>		
Dividend paid	(10,229)	(5,210)
Proceeds from share options exercised	2,931	538
Decrease in short-term loans receivable	3,290	7
Net cash used in financing activities	(4,008)	(4,665)
Net increase in cash and cash equivalents	8,099	10,902
Cash and cash equivalents at the beginning of the year	23,469	12,567
Cash and cash equivalents at the end of the year	31,568	23,469

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 MARCH

	2019 RTGS\$ '000	2018 RTGS\$ '000
Shareholders' equity at the beginning of the year	96,284	78,985
Changes in share capital		
Arising from shares issued	3,052	3,024
Arising from share options	336	286
Changes in distributable reserves		
Dividend paid	(10,229)	(5,209)
Total comprehensive income for the year	78,561	19,198
Shareholders' equity at the end of the year	168,004	96,284

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1 Statement of compliance

The underlying consolidated financial statements to these financial results (IFRS) have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) and Companies (Financial Statements) Regulations, 1996.

2 Audit opinion

These condensed financial results should be read in conjunction with the complete set of financial statements of OK Zimbabwe Limited for the financial year ended 31 March 2019, which have been audited by Deloitte & Touche and an unqualified audit opinion with an emphasis of matter was issued thereon. The auditor's report is available for inspection at the Group's registered address.

3 Currency of reporting

The Group financial statements are presented in RTGS\$. On 20 February 2019, the Monetary Policy Statement gave guidance on the change of functional currency and this was promulgated in the Statutory Instrument 33 of 2019 (SI 33/2019). The financial statements have been prepared in line with the guidance provided for in the statutory instrument and IAS 21: The Effects of Changes in Foreign Exchange Rates.

4 Significant accounting policies

The principal accounting policies of the Group are consistent, in all material respects, with those adopted in the previous year, with the exception of changes resulting from the implementation of IFRS 9 and IFRS 15. The implementation of IFRS 9 and IFRS 15 did not have a significant impact on the financial results for the current year.

5 Tax expense

	2019 RTGS\$ '000	2018 RTGS\$ '000
Current tax expense	21,192	8,604
Deferred tax movement	(2,906)	(1,641)
Withholding tax	12	6
Total	18,298	6,969

6 Cash generated from trading

	2019 RTGS\$ '000	2018 RTGS\$ '000
Profit before tax	67,519	23,600
Adjust for:		
Finance costs	1	1
Share based payments expense	336	286
Depreciation	9,308	8,087
Employee share participation costs	90	100
Finance income	(503)	(433)
Profit on sale of property and equipment	(119)	(18)
Total	76,632	31,623

7 Trade and other payables

	2019 RTGS\$ '000	2018 RTGS\$ '000
Trade payables	90,433	51,779
Accruals and other payables	27,289	16,536
Total	117,722	68,315

8 Capital expenditure

	2019 RTGS\$ '000	2018 RTGS\$ '000
Total	25,750	15,480

9 Capital commitments

	2019 RTGS\$ '000	2018 RTGS\$ '000
Authorised but not contracted for	78,344	20,621

The capital expenditure is to be financed out of the Group's own resources and existing borrowing facilities.

10 Going concern

The Directors have reviewed the prospects of the Group and are satisfied that the Group is a going concern and therefore continue to apply the going concern assumption in the preparation of the financial statements.

11 Contingent liabilities

There were no material contingent liabilities as at the reporting date

	2019 RTGS\$ '000	2018 RTGS\$ '000
12 Net future lease commitments	105,349	53,784

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OK ZIMBABWE LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of OK Zimbabwe Limited and its subsidiaries ("the Group") set out on pages 24 to 61, which comprise the consolidated statements of financial position as at 31 March 2019, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of OK Zimbabwe Limited and its subsidiaries as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) and Statutory Instruments (SI33/9) and SI 62/96).

Basis for Opinion

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

Emphasis of matter

We draw attention to note 4 of the financial statements which describes the course of events and our key judgements that resulted in the change in functional currency.

Our opinion is not modified in respect of this matter.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF OK ZIMBABWE LIMITED**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Completeness and valuation of, and obligations on trade payables	
<p>As set out in note 17 to the consolidated financial statements, the Group has trade payables amounting to \$90 431 693. (2018:\$51 777 242)</p> <p>The Group sources retail merchandise from a number of local and foreign suppliers. Reconciliation processes over trade payables are therefore a critical control to ensuring the trade creditors' balances are complete and valued correctly.</p> <p>Accordingly, the completeness and valuation of, and obligations on trade payables were considered to be a key audit matter.</p>	<p>We tested controls the design and implementation of controls over trade payables</p> <p>Written confirmations were issued out to selected suppliers, under our control. We requested the suppliers to provide us with a response acknowledging the amount outstanding as at 31 March 2019.</p> <p>Tests of reconciliations of supplier balances were performed to ensure that reconciling items were valid and accurate.</p> <p>We evaluated the reasonability of explanations for significant changes in the profile and mix of the entity's key trade creditors.</p> <p>We are satisfied that trade payables are complete and fairly valued as at the end of the reporting period.</p>
Existence and valuation of inventories	
<p>As disclosed in note 13 of the consolidated financial statements, the value of inventories at the end of the reporting period amounted to \$132 979 893 (2018:\$64 675 619).</p> <p>The Group's inventories make up 75% of its current assets and 44% of its total assets.</p> <p>In the current year, general conditions within the economy have continued to have an adverse effect on consumers' disposable incomes and spending on retail goods.</p> <p>There were risks identified concerning the existence of inventories due to the high value and the number of inventories held by the Group in multiple locations across the country as well as the general increase in stock holding. The shortage of foreign currency has affected the ability to purchase imported stocks with pressure on the customers' disposable income affecting the rate of sale on certain stock items.</p> <p>The existence and valuation of inventories was therefore considered a key audit matter.</p>	<p>We observed the year-end inventory count at selected store locations with specific consideration over those locations with high likelihood of slow moving items, high shrinkage values & new branches.</p> <p>We evaluated the design and implementation of controls around the management of obsolete inventory.</p> <p>We assessed the reasonableness of the shrinkage recognised in current year.</p> <p>We performed pricing and net realisable value tests for a sample of inventory items.</p> <p>We found the valuation and existence of inventories for the year to be fair.</p>

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF OK ZIMBABWE LIMITED**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Other Information

Management is responsible for the other information set out on page 2 to 18 and 68 to 70. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and in the manner required by the Companies Act (Chapter 24:03) and the Companies (Financial Statements) Regulations, 1996, the Zimbabwe Stock Exchange Listing Requirements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF OK ZIMBABWE LIMITED (continued)**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the consolidated financial statements of the OK Zimbabwe Limited and its subsidiaries have been prepared in the manner required by the Companies Act (Chapter 24:03), the Companies (Financial Statements) Regulations, 1996 and the Zimbabwe Stock Exchange Listing Requirements.

Deloitte & Touche

**Per. Tumai Mafunga
(PAAB Practice Certificate Number 0442)
Deloitte & Touche Chartered Accountants (Zimbabwe)
Harare
Zimbabwe**

Date: 5 June 2019