

UNAUDITED ABRIDGED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019



CHAIRMAN'S STATEMENT

OVERVIEW

The trading environment became progressively more unstable towards the end of the six months to 30 September 2019. The country reintroduced the Zimbabwe Dollar (ZWL \$) as the sole currency at the end of June 2019 and discontinued the use of multi-currencies in local transactions and settlement. The ZWL \$ has depreciated markedly since its introduction and contributed significantly to price increases in the period under review.

The scarcity of foreign currency slowed down the importation of goods and this, combined with high prices of goods that were available, slowed down consumption particularly in the second half of the reporting period. Resultantly, volume sales declined by 23% compared to the same period last year.

In October 2019 the Public Accountants and Auditors Board pronounced that Zimbabwe is now in hyperinflation and all entities preparing and presenting financial statements for periods ended on or after 1 July 2019 were to adopt IAS 29, Financial Reporting in Hyperinflationary Economies. Accordingly the interim results were inflation adjusted to reflect the impact of general change in the purchasing power of the reporting currency (ZWL \$). Refer to note 7 for more details on hyperinflation.

GROUP PERFORMANCE (Commentary based on historical figures)

Revenue for the half year improved by 237.4% to close the reporting period at ZWL \$1.1 billion, having increased from ZWL \$330.1 million in the comparative period. Profit before tax of ZWL \$185.0 million was 1,498.0% up on prior year's ZWL \$11.6 million, while profit after tax increased by 1,463.5% to ZWL \$131.9 million from ZWL \$8.4 million in prior year.

Overheads growth was restricted to 229.1% which is below the revenue growth of 237.4%. Overheads increases were attributable to, among others, fuel for generators and vehicle fleet, repairs and maintenance costs, staff costs, bank charges, contingent rentals and interest on lease liability arising from the adoption of International Financial Reporting Standard 16 (IFRS 16), Leases. The cost lines that increased most significantly were those corresponding directly with sales generated as well as those that have import components.

Capital expenditure for the period was ZWL \$51.5 million, up from ZWL \$7.5 million for the comparative period as the Group continued with its refurbishment programme.

DIVIDEND

The Directors declared an interim dividend of 4.00 ZWL cents per share that was paid to the shareholders on the 3rd of December 2019.

OUTLOOK

Despite the difficult conditions, the Group's stores remain reasonably stocked for the festive season and beyond. While price increases have been frequent because of the instability in the market, the Group will continue in its efforts to deliver the best possible value to its stakeholders.

DIRECTORATE

Mr. Freeman Terrence Kembo retired from the Board of Directors with effect from 27 July 2019 after having served the Group for seventeen years. The Board extends its gratitude to Freeman for his contribution to the Group. During the course of the period, the Board welcomed Mrs. Lyndsay Webster – Rozon as a non-executive Director with effect from 1 June 2019. The Board congratulates Lyndsay on her appointment.

H. Nkala
Chairman

24 December 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the six months ended

	INFLATION ADJUSTED		HISTORICAL	
	30 Sep 2019 ZWL \$000 Unaudited	30 Sep 2018 ZWL \$000 Unaudited	30 Sep 2019 ZWL \$000 Unaudited	30 Sep 2018 ZWL \$000 Unaudited
Revenue	1,817,493	1,519,925	1,113,835	330,105
Changes in trade inventories	(24,225)	5,777	(272,504)	473
Merchandise and consumables used	(1,248,020)	(1,257,835)	(505,911)	(273,290)
Employee benefits expense	(78,952)	(86,616)	(46,483)	(18,795)
Depreciation and amortisation expense	(27,436)	(15,033)	(10,547)	(4,336)
Share based payments expense	(1,097)	(553)	(931)	(120)
Net operating costs	(137,949)	(102,920)	(88,618)	(22,460)
Finance cost	(4,151)	-	(3,838)	-
Monetary loss	(88,285)	-	-	-
Profit before tax	207,378	62,745	185,003	11,577
Income tax expense	(43,325)	8,971	(53,120)	(3,142)
Profit for the period	164,053	71,716	131,883	8,435
Other comprehensive income (OCI)				
Gains on revaluation of property and equipment	119,379	-	220,044	-
Fair value gains on financial assets through OCI	322	(80)	322	(18)
Income tax expense relating to components of OCI	(5,973)	-	(49,235)	-
Other comprehensive income for the period net of tax	113,728	(80)	171,131	(18)
Total comprehensive income for the period	277,781	71,636	303,014	8,417
Weighted average number of ordinary shares in issue	1,219,587,462	1,190,330,605	1,219,587,462	1,190,330,605
Share performance - ZWL cents				
: attributable earnings per share	13.45	6.02	10.81	0.71
: headline earnings per share	13.45	6.02	10.81	0.71
: net asset value per share	66.46	37.58	37.20	14.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at

	INFLATION ADJUSTED		HISTORICAL	
	30 Sep 2019 ZWL \$000 Unaudited	31 Mar 2019 ZWL \$000 Unaudited	30 Sep 2019 ZWL \$000 Unaudited	31 Mar 2019 ZWL \$000 Audited
Assets				
Non-current assets				
Property and equipment	721,773	434,010	389,200	123,641
Right of use asset	52,351	-	24,256	-
Goodwill	1,952	1,952	400	400
Long-term receivables	2,731	5,848	2,731	2,731
Long-term investments	1,916	1,876	764	442
	780,723	443,686	417,351	127,214
Current assets				
Right of use asset	8,729	-	3,691	-
Inventories	353,210	377,513	343,078	132,980
Trade and other receivables	3,912	6,329	3,912	2,275
Prepaid expenses and merchandise supplies	28,702	46,516	3,998	10,776
Short-term loans	69	125	69	45
Cash and cash equivalents	79,268	87,822	79,268	31,568
	473,890	518,305	434,016	177,644
Total assets	1,254,613	961,991	851,367	304,858
Equity and liabilities				
Capital and reserves				
Share capital	605	601	124	120
Share premium	161,705	156,726	36,433	33,411
Share based payment reserve	5,829	4,732	1,905	975
Mark to market reserve	1,029	711	472	154
Revaluation reserve	113,410	-	209,959	39,147
Non-distributable reserve	49,405	49,405	9,820	9,820
Retained earnings	478,573	373,901	194,945	84,377
	810,556	586,076	453,658	168,004
Non-current liabilities				
Deferred tax	91,283	37,654	44,935	15,264
Finance lease liability	29,379	-	29,379	-
	120,662	37,654	74,314	15,264
Current liabilities				
Trade and other payables	262,206	327,500	262,206	117,722
Finance lease liability	3,165	-	3,165	-
Current tax liability	58,024	10,761	58,024	3,868
	323,395	338,261	323,395	121,590
Total equity and liabilities	1,254,613	961,991	851,367	304,858

CONSOLIDATED STATEMENT OF CASH FLOWS For the six months ended

	INFLATION ADJUSTED		HISTORICAL	
	30 Sep 2019 ZWL \$000 Unaudited	30 Sep 2018 ZWL \$000 Unaudited	30 Sep 2019 ZWL \$000 Unaudited	30 Sep 2018 ZWL \$000 Unaudited
Cash flows from operating activities				
Cash generated from trading	196,858	(161,685)	200,280	16,013
Working capital changes	(20,760)	244,092	(60,652)	5,164
Cash generated from operations	176,098	82,407	139,628	21,177
Net finance (charges)/income	(3,843)	427	(3,670)	93
Tax paid	(49,691)	(12,881)	(18,528)	(2,815)
Net cash generated from operating activities	122,564	69,953	117,430	18,455
Cash flows from investing activities				
Investments to maintain operations				
Replacement of property and equipment	(72,910)	(17,964)	(48,655)	(3,906)
Proceeds from disposal of property and equipment	163	653	86	142
	(72,747)	(17,311)	(48,569)	(3,764)
Investment to expand operations				
Additions to property and equipment	(4,029)	(16,542)	(2,846)	(3,597)
	(4,029)	(16,542)	(2,846)	(3,597)
Net cash utilised in investing activities	(76,776)	(33,853)	(51,415)	(7,361)
Cash flows from financing activities				
Dividend paid	(59,381)	(28,055)	(21,315)	(6,046)
Proceeds from share options exercised	4,983	4,807	3,024	1,043
Decrease/(increase) in short-term loans receivable	56	13,087	(24)	2,887
Net cash utilized in financing activities	(54,342)	(10,161)	(18,315)	(2,116)
Net increase in cash and cash equivalents	(8,554)	25,939	47,700	8,978
Cash and cash equivalents at the beginning of year	87,822	108,903	31,568	24,794
Cash and cash equivalents at the end of the year	79,268	134,842	79,268	33,772

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the period ended

	INFLATION ADJUSTED		HISTORICAL	
	30 Sep 2019 ZWL \$000 Unaudited	30 Sep 2018 ZWL \$000 Unaudited	30 Sep 2019 ZWL \$000 Unaudited	30 Sep 2018 ZWL \$000 Unaudited
Shareholders' equity at the beginning of the year	586,076	398,412	168,004	96,285
Changes in share capital				
Arising from shares issued	4,983	4,807	3,024	1,042
Recognition of share based payment	1,097	553	931	120
Changes in distributable reserve				
Dividend paid	(59,381)	(28,055)	(21,315)	(6,046)
Total comprehensive income for the year net of tax	277,781	71,636	303,014	8,417
Shareholders' equity at the end of the period	810,556	447,353	453,658	99,818

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

1 General Information

The Group is a leading supermarket retailer whose business covers three major categories, comprising groceries, basic clothing and textiles and houseware products. At the reporting date the Group was operating from sixty four shops countrywide and had two wholly owned subsidiaries.

2 Basis of preparation

The interim financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards, the requirements of the Companies Act (Chapter 24:03), ZSE Listing Rules and the relevant Statutory Instruments. The financial results were prepared based on statutory records that are maintained under the historical cost basis and adjusted for the effects of applying IAS 29 "Financial Reporting in Hyperinflationary Economies". The financial statements are presented in Zimbabwe Dollars (ZWL \$), which is the functional currency of the Group. The accounting policies applied in the preparation of the financial results are consistent with the most recent financial statements for the year ended 31 March 2019 except for the adoption of the International Financial Reporting Standard 16 (IFRS 16) detailed below:

Leases

The Group has applied IFRS 16 using the modified retrospective approach with effect from 1 April 2019 and therefore comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. IFRS 16 requires the recognition of the right of use asset and lease liability where the Group is a lessee and the lease term is twelve months or more.

Impact on financial results

On transition to IFRS 16, the Group recognised right of use asset of ZWL \$32.5 million and lease liability of the same amount. Right of use asset amortisation amounting to ZWL \$4.6 million is included under depreciation and amortisation expenses and the finance cost of ZWL \$3.8 million relates to lease liabilities.

3 Capital expenditure

	INFLATION ADJUSTED		HISTORICAL	
	30 Sep 2019 ZWL \$000 Unaudited	30 Sep 2018 ZWL \$000 Unaudited	30 Sep 2019 ZWL \$000 Unaudited	30 Sep 2018 ZWL \$000 Unaudited
Capital expenditure	76,939	34,506	51,501	7,503
Capital commitments			249,002	13,117

4 Capital commitments

Authorised but not contracted for

5 Contingent liabilities

There were no contingent liabilities at reporting date.

6 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 these half year financial results.

7 Hyper inflation

The Public Accountants and Auditors Board through its pronouncement 01/2019 provided guidance to all entities that report based on the International Financial Reporting Standards (IFRSs) on the application of Financial Reporting in Hyperinflationary Economies Standard (IAS 29) in Zimbabwe. The pronouncement requires that companies that prepare and present financial statements for financial periods ended on or after 1 July 2019 apply the requirements of IAS 29 "Financial Reporting in Hyperinflationary economies."

The historical amounts were restated at the end of the reporting period to reflect the general change in purchasing power of the reporting currency (ZWL \$). Professional judgement was used and appropriate adjustments were made to historical financial statements in preparing financial statements which are IAS 29 compliant.

Source of price indices

Indices used were obtained from the Zimbabwe Statistical Office for the period from February 2009 to September 2019.

	Indices	Conversion Factor
CPI as at 31 March 2018	62.6	4.6
CPI as at 30 September 2018	64.1	4.5
CPI as at 31 March 2019	104.4	2.8
CPI as at 30 September 2019	290.4	1.0

Average CPI for the 6 months to:

30 September 2018	63.1
30 September 2019	192.1

DIRECTORS: H. Nkala (Chairman), A. E. Siyavora (Chief Executive Officer), A. R. Katsande (Commercial Director), R. A. Maunze, R. Mavima, A. S. McLeod, B. A. Carter (Alternate), R. J. Moyo, L. Webster-Rozon

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