

AUDITED ABRIDGED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021



NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL RESULTS

For the year ended 31 March 2021

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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-seven shops countrywide and had three wholly owned subsidiaries.

2 BASIS OF PREPARATION

The audited consolidated financial statements of OK Zimbabwe Limited have been prepared in accordance with International Financial Reporting Standards "IFRSs" and in a manner required by the Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange Listing Requirements.

2.1 Hyperinflation

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 (Financial Reporting in Hyperinflationary Economies) compliant. Indices used were obtained from the Zimbabwe Statistical Office for the period from April 2019 to March 2021. The conversion factors used to restate the financial results are as follows:

	Indices	Conversion Factor
CPI as at 31 March 2021	2,759.8	1.0
CPI as at 31 March 2020	810.4	3.4

2.2 Currency of reporting

The financial statements are presented in Zimbabwe dollars (ZWL), which is the functional currency of the Group. All foreign denominated transactions and balances are translated to ZWL in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) at the official interbank rate prevailing at the time of transacting. All values are rounded to the nearest thousand except where otherwise stated.

2.3 Historical reporting*

The historical financial disclosure is shown as supplementary information. The information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 (Financial Reporting in Hyperinflationary Economies). As a result, the auditors have not issued an audit opinion on the historic financial information.

3 STATEMENT OF ACCOUNTING POLICY

The accounting policies are consistent with those used in the prior year.

	INFLATION ADJUSTED		HISTORICAL*	
	2021 ZWL 000	2020 ZWL 000	2021 ZWL 000	2020 ZWL 000
4 CAPITAL EXPENDITURE	1,226,901	1,511,111	1,010,889	236,443
5 CAPITAL COMMITMENTS				
Authorised but not contracted for	1,685,890	849,097	1,685,890	249,002
6 INCOME TAX EXPENSE				
Current income tax	966,789	1,388,647	698,451	241,330
: Standard	938,630	1,348,201	678,108	234,301
: Aids levy	28,159	40,446	20,343	7,029
Withholding tax	436	980	306	125
Deferred tax movement	(43,526)	59,033	(326,836)	(19,082)
	923,699	1,448,660	371,921	222,373
7 CASH GENERATED FROM TRADING				
Profit before tax	2,002,460	3,449,048	2,364,174	788,562
Adjusted for:				
Finance costs	139,982	117,481	117,544	10,158
Depreciation and amortisation	634,561	491,292	190,611	30,887
Share based payments expense	10,279	16,719	6,990	2,551
Employee share participation costs	-	9,094	-	1,541
Interest income	(4,298)	(14,400)	(3,177)	(1,252)
(Profit)/loss on sale of property and equipment	(1,311)	2,486	(5,405)	(166)
Re-organisation cost	107,694	-	107,694	-
Effects of inflation adjustments	(515,592)	(422,341)	-	-
	2,373,775	3,649,379	2,778,431	832,281
8 PROPERTY AND EQUIPMENT				
At the beginning of the year	5,015,517	3,834,378	750,186	123,641
Capital expenditure	1,226,901	1,511,111	1,010,889	236,443
Revaluation	106,200	95,814	1,174,924	408,679
Disposals	(4,905)	(4,989)	(148)	(135)
Depreciation	(419,120)	(420,797)	(83,912)	(18,442)
At the end of the year	5,924,593	5,015,517	2,851,939	750,186
9 TRADE AND OTHER PAYABLES				
Trade payables	3,045,805	1,528,610	3,045,805	448,273
Provisions	144,911	139,245	144,911	40,834
Accruals and other payables	352,132	647,412	352,132	189,857
	3,542,848	2,315,267	3,542,848	678,964
10 INVENTORIES				
Consumable stocks	80,091	80,636	79,994	20,854
Merchandise	3,474,205	3,098,844	3,432,141	801,411
	3,554,296	3,179,480	3,512,135	822,265

11 CONTINGENT LIABILITIES

There were no contingent liabilities at reporting date.

12 GOING CONCERN

The directors and management have assessed the ability of the Group to continue as a going concern and believe the preparation of the condensed financial results on a going concern basis is still appropriate. The Group is capable of settling all its obligations as they fall due while operating profitably. In addition, the Group has banking facilities in place which can be utilised if the need arises.

13 AUDIT OPINION

These financial results should be read in conjunction with the complete set of consolidated financial statements for the year ended 31 March 2021 which have been audited by Deloitte & Touche in accordance with International Standards on Auditing. An unmodified audit opinion has been issued thereon. The engagement partner responsible for the audit was Tumai Mafunga.



DIRECTORS: H. Nkala (Chairman), M. P. Karombo (Chief Executive Officer), A. R. Katsande (Commercial Director), T. L. Gumbo, S. Masanga, R. A. Maunze, R. Mavima, A. S. McLeod, R. J. Moyo, K. Mtemererwa, L. Webster-Rozon

ADDRESS: OK House, 7 Ramon Road, Graniteside, P.O. Box 3081, Harare, Zimbabwe. Telephone: 263 (242) 7511/9, (242) 7502089/9, (242) 755617, (242) 755632, and (242) 755637
FAX: 263 (242) 757028, (242) 757039. TELEX: 264632W, E-MAIL: corperserv@okzim.co.zw

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

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the inflation adjusted consolidated financial statements of OK Zimbabwe Limited and its subsidiaries ("the Group") set out on pages 9 to 41, which comprise the inflation adjusted consolidated statement of financial position as at 31 March 2021, and the inflation adjusted consolidated statement of profit or loss and other comprehensive income, inflation adjusted consolidated statement of changes in equity, and inflation adjusted consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the inflation adjusted consolidated financial statements present fairly, in all material respects, the financial position of OK Zimbabwe Limited and its subsidiaries as at 31 March 2021, 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 and Other Business Entities Act (Chapter 24:31) and relevant statutory instruments.

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 Group 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.

Key Audit Matters

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

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

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
1. Completeness and valuation of, and obligations on trade payables	
<p>As set out in note 19 to the inflation adjusted consolidated financial statements, the Group had trade payables amounting to ZWL3.5 billion (2020: ZWL2.3 billion) as at year end.</p> <p>Trade payables arise in the normal course of business; the Group sources retail merchandise from a number of local and foreign suppliers. Considering the high volumes of procurement transactions across the Group, the reconciliation processes over trade payables are therefore a critical control in ensuring that trade creditors' balances are complete and valued correctly.</p> <p>Accordingly, we assessed the completeness and valuation of, and obligations of trade payables to be a key audit matter.</p>	<p>In addressing this matter, we performed the following procedures:</p> <ul style="list-style-type: none"> • On a sample basis, we confirmed the payable balances at year end with suppliers. • We tested reconciliations, assessing the rationale and reasonableness of reconciling items. • We tested the completeness of trade payables by evaluating the reasonableness of explanations for significant changes in the profile and mix of the entity's key trade creditors and by performing tests of detail to ensure procurement transactions were correctly recorded in the ledger. <p>We are satisfied that trade payables are complete and fairly valued as at the end of the reporting period.</p>
2. Existence and valuation of inventories	
<p>As shown in note 3.8, inventory is valued at the lower of cost and net realizable value and as at 31 March 2021, the Group held inventories valued at ZWL 3.6 billion (2020: ZWL 3.2 billion).</p> <p>The valuation and existence of inventory were of significant audit focus due to the following reasons;</p> <ul style="list-style-type: none"> • The multiple locations at which inventory was held at year-end. • The ever-changing prices of retail merchandise as a result of inflation. • The judgement applied in the determination of inventory mark downs and inventory shrinkage provisions which are incorporated in the valuation of inventory. <p>The balance is also of significance to the operations of the Group, with inventories constituting 28% (2020: 32 %) of total assets of the Group.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • 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. • We evaluated the design and implementation of controls around inventory management. • We assessed the reasonableness of the assumptions made in determining the inventory mark downs and shrinkage provision recognised in current year. • We performed pricing and net realisable value tests for a sample of inventory items. <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 INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in the audit
3. Valuation of freehold land and buildings	
<p>As set out in note 9 to the inflation adjusted consolidated financial statements, the Group has freehold land and buildings amounting to ZWL1.6million (2020: ZWL1.6 billion).</p> <p>The Management's make use of independent external valuers in determining the fair values of freehold land and buildings. Valuations by their nature require the use of judgment and estimates which involve significant unobservable inputs such as</p> <ul style="list-style-type: none"> - Occupancy rates - Market rentals - Risk yields - Market values <p>The complexity and subjectivity of these estimates may result in material misstatement. The current economic environment is extremely volatile given the valuation intricacies impacting property in the Zimbabwean market. We identified the valuation of freehold land and buildings as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the level of judgement associated with determining the fair values.</p>	<p>To assess the valuation of freehold land and buildings, we performed procedures that included but were not limited to:</p> <p>We assessed the competence, capabilities, objectivity and independence of the management's independent valuers, and assessed their qualifications.</p> <p>We made enquiries of the management's independent external valuers to obtain an understanding of the valuation techniques and judgements adopted.</p> <p>We assessed the work performed by the independent external valuers in valuing of freehold land and buildings by performing the following:</p> <ul style="list-style-type: none"> • Reviewed the work performed by management's expert in valuing land and buildings at year end; • Assessed the reasonableness and rationale of the key assumptions made and inputs applied; • Evaluated the valuation methods used and assessed them for consistency with the reporting requirements; • Reviewed the financial statement disclosures for appropriateness and adequacy. <p>We found management's assumptions to be reasonable and the valuation of the freehold land and buildings to be reasonable</p>

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

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

Other Information

Management is responsible for the other information. The other information comprises the Report of Management s as required by the Companies Act, Corporate Information, Accounting Philosophy, Organisational Vision, Group Profile, Corporate Governance, Management s' Responsibility Statement, Board of Management s, Shareholders' Analysis, Notice to Members, Shareholders' Calendar and historical information, which we obtained prior to the date of this auditor's report. The other information does not include the inflation adjusted consolidated financial statements and our auditor's report thereon.

Our opinion on the inflation adjusted 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 inflation adjusted 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 inflation adjusted 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 inflation adjusted consolidated financial statements in accordance with IFRSs and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) 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 inflation adjusted consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted 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.

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

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

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

Our objectives are to obtain reasonable assurance about whether the inflation adjusted 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 inflation adjusted 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 inflation adjusted 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.
- 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 inflation adjusted consolidated financial statements, including the disclosures, and whether the inflation adjusted 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 inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

**Auditor's Responsibilities for the Audit of the Inflation adjusted consolidated financial statements
(continued)**

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 inflation adjusted 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 inflation adjusted consolidated financial statements of the Group have been prepared in the manner required by the Companies and Other Business Entities Act (Chapter 24:31), 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: 03 June 2021