

# REVIEWED ABRIDGED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021



## FINANCIAL HIGHLIGHTS

Sales volumes up 43%

Revenue up 42% to ZW\$ 25.2 billion

Interim dividend of 21 ZW\$ cents per share

## CHAIRMAN'S STATEMENT

### OVERVIEW

The operating environment was less turbulent than in the comparative period as evidenced by receding inflation and relative exchange rate stability. Official inflation progressively eased during the period, reaching a low of 50.2% in August 2021 before marginally increasing to 51.5% in September 2021.

Nonetheless, the Group faced a number of challenges during the period, key among them being spikes in Covid-19 infections, high interest rates, excessive levels of intermediated money transfer tax (IMTT) and limited foreign currency availability. Covid-19 lockdown restrictions remained in place at varying levels of intensity throughout the period. The lockdown restrictions impact the business mainly through supply chain disruptions, decline in consumer real disposable incomes and reduced operating hours. The impact of the restrictions was, however, less severe as the business community was better prepared to respond to lockdowns than in prior year at the onset of the pandemic. Sales volumes therefore recovered by 43% over prior year.

The Group continued with its store refurbishment programme, with makeovers completed at OK Masvingo and OK Queensdale during the period.

### GROUP PERFORMANCE

Commentary on the financial performance is based on inflation adjusted figures.

Revenue for the half year grew by 42.2% to ZW\$ 25.2 billion from ZW\$ 17.7 billion in the comparative period. Profit before tax was ZW\$ 798.0 million (ZW\$ 2.4 billion for prior year) and profit after tax was ZW\$ 356.1 million (ZW\$ 1.5 billion for prior year).

Overheads grew by 60% over prior year. Intermediated money transfer tax (IMTT), staff costs, electricity charges, rentals, bank charges, cleaning expenses and security charges are the cost lines that contributed most significantly to overheads growth. Whilst the business implemented a raft of cost containment measures, the overhead increases were driven by exogenous factors such as NEC wage adjustment and expansion of IMTT thresholds which adversely impacted the Group's profitability.

The IMTT burden on the business grew by 233% to ZW\$ 450 million (ZW\$ 135 million for prior year) as a result of the increase in tax ceiling from ZW\$25 000 in prior year to ZW\$ 800,000 per transaction in the current financial year. The increase in tax significantly eroded the business' gross margins. In addition, the huge IMTT expense is not tax deductible and this further compounded the tax burden on the business. Resultantly, the effective tax rate for the Group increased from 27.4% in the prior year to 39.4% recorded in the first six months of the financial year. We urge the fiscal authorities to review the structure of this tax so as to reduce its undesired consequences on tax compliant formal businesses.

Net finance charges increased by 299% as the Group increased borrowings for working capital and capital expenditure purposes.

Capital expenditure for the period was ZW\$ 1.0 billion, up from ZW\$ 649 million for the same period in the prior year. Most of the capital expenditure was on store refurbishments.

### SUSTAINABLE BUSINESS PRACTICES

The OK Zimbabwe team is proud of the steps it is taking in demonstrating its commitment to sustainability, despite the disruption in business activity brought by the Covid-19 pandemic. In the 2021 financial reporting period, we managed to produce our first integrated annual report prepared in accordance with the Global Reporting Initiative (GRI) standards. We continue to build on that effort by aligning our sustainability data collection systems to the GRI Standards requirements and other leading sustainability reporting frameworks. We are devoted to enhancing our long-term impact by focusing our attention on areas of significant social, economic and environmental impact. The business will continue to invest in capacity development to ensure our people have the requisite skills to achieve its sustainability commitments.

### DIVIDEND

The Directors have declared an interim dividend of 21 ZW\$ cents per share to be paid to the shareholders on or about the 17th of December 2021.

### OUTLOOK

The Group is confident of recovery and growth prospects in the remainder of the financial year. The relaxation of Covid-19 induced lockdown restrictions is expected to positively impact on Group revenues and profitability. The vaccination drive continues to give hope that the pandemic will be brought under control in the medium term. Although the pandemic continues to pose risks, the Group has put in place sufficient mitigatory measures to enable it to operate in a sustainable and responsible manner, ensuring the safety of its staff, customers, supplier partners and all other stakeholders.

The forecast good rains in the 2021/22 agricultural season and positive developments in the mining and manufacturing sectors of the economy, should result in an upturn in real disposable incomes and consumer spending, which presents opportunities for the Group. Further, the Group's expansion drive continues, with a number of new stores and refurbishments expected to be accomplished before the end of the financial year. The Group embarked on a leadership renewal process which has seen the successful placement of new Executive Directors to lead Finance, Marketing, Human Resources, Supply Chain and Operations.

Towards the end of the reporting period, inflationary pressures gathered momentum with the official month-on-month inflation which had averaged 3.2% per month during the period rising to 6.4% for the month of October 2021. The authorities intervened with measures to control the growth of money supply and discourage speculative behaviour in the market. The Group is optimistic of the success of the measures taken by monetary authorities to curtail money-supply growth and its negative impact on inflationary pressures.

### DIRECTORATE

During the first half of the financial year, the Group began a transformative journey of leadership renewal in accordance with the overall succession plan. The Group bade farewell to its long serving stalwarts, Messrs Alex Edgar Siyavora and Albert Rufaro Katsande on 31 March 2021 and 30 June 2021 respectively. With their retirements, Messrs A. E. Siyavora and A. R. Katsande retired from the Board of Directors of the Company. On behalf of the shareholders, Board of Directors, management and staff, I wish to convey the Group's appreciation for their years of dedicated service to the Group.

On 1 April 2021, the Group welcomed Mr. Maxen Phillip Karombo as Group Chief Executive Officer. Furthermore, Mr. Phillimon Mushosho joined as Group Chief Finance Officer on 1 July 2021. Messrs M. P. Karombo and P. Mushosho both joined the Board of Directors as Executive Directors with effect from their respective dates of appointment. The Board also welcomed Mr. Simon Masanga as a Non-Executive Director on 1 April 2021. Join me in congratulating Messrs M. P. Karombo, P. Mushosho and S. Masanga and wishing them great success in their new capacities.

### H. NKALA CHAIRMAN

26 November 2021

### DIVIDEND ANNOUNCEMENT NOTICE TO SHAREHOLDERS

NOTICE is hereby given that on the 25th of November 2021, the Board of Directors declared an interim dividend (number 30) of 21 ZW\$ cents per share payable in respect of the qualifying ordinary shares of the Company to be paid out of the profits for the period ended 30 September 2021.

The dividend will be payable on or about the 17th of December 2021 to shareholders in the Group's register at the close of business on the 7th of December 2021. 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	26 November 2021
2 Last Date to Trade Cum-Dividend	7 December 2021
3 Share Trade Ex-Dividend	8 December 2021
4 Last Record Date	10 December 2021
5 Payment Date	17 December 2021

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

By the order of the Board

MARGARET MUNYURU (MRS.)  
GROUP COMPANY SECRETARY

26 November 2021

## REVIEWED ABRIDGED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INFLATION ADJUSTED		HISTORICAL*	
		30 Sep 2021 ZW\$ 000 Reviewed	30 Sep 2020 ZW\$ 000 Reviewed	30 Sep 2021 ZW\$ 000 Unreviewed	30 Sep 2020 ZW\$ 000 Unreviewed
Revenue		25,166,361	17,701,122	22,933,025	8,733,968
Other income		131,190	79,788	110,244	39,666
Changes in trade inventories		(261,955)	(968,006)	(939,053)	(1,755,912)
Merchandise and consumables used		(20,908,245)	(11,583,130)	(17,595,414)	(4,466,651)
Employee benefits expense		(1,642,188)	(939,780)	(1,496,740)	(495,573)
Depreciation and amortisation expense		(631,415)	(347,080)	(195,020)	(42,784)
Share based payments expense		(7,617)	(8,010)	(7,163)	(3,894)
Other operating expenses		(1,827,384)	(1,281,732)	(1,671,423)	(641,610)
Finance income		3,381	2,364	3,142	906
Finance costs		(270,385)	(66,999)	(251,582)	(34,511)
Monetary gain		1,046,301	(148,562)	-	-
Profit before tax		798,044	2,439,975	890,016	1,333,605
Income tax expense	6	(441,928)	(920,761)	(350,289)	(365,311)
<b>Profit for the period</b>		<b>356,116</b>	<b>1,519,214</b>	<b>539,727</b>	<b>968,294</b>
<b>Other comprehensive income (OCI)</b>					
<b>Will not be reclassified subsequently to profit/loss:</b>					
Fair value gain on property		-	407,570	-	1,049,136
Income tax relating to items that will not be reclassified		9,759	(65,878)	7,180	(192,405)
<b>May be reclassified subsequently to profit/loss:</b>					
Fair value gains on financial assets through OCI		(933)	1,604	526	2,830
Income tax relating to items that may be reclassified		9	(16)	(5)	(28)
Other comprehensive income for the period net of tax		8,835	343,280	7,701	859,533
<b>Total comprehensive income for the period</b>		<b>364,951</b>	<b>1,862,494</b>	<b>547,428</b>	<b>1,827,827</b>
Weighted average number of ordinary shares in issue		1,276,576,986	1,244,456,417	1,276,576,986	1,244,456,417
Share performance - ZWL cents					
attributable earnings per share		27.90	122.07	42.28	77.81
headline earnings per share		29.13	121.87	42.02	77.68
diluted earnings per share		26.64	120.92	40.38	77.07
net asset value per share		645.98	730.72	281.16	218.20

## REVIEWED ABRIDGED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at	Notes	INFLATION ADJUSTED		HISTORICAL*	
		30 Sep 2021 ZW\$ 000 Reviewed	31 Mar 2021 ZW\$ 000 Audited	30 Sep 2021 ZW\$ 000 Unreviewed	31 Mar 2021 ZW\$ 000 Unaudited
<b>Assets</b>					
<b>Non-current assets</b>					
Property and equipment	8	7,712,624	7,168,758	3,672,179	2,851,939
Financial assets at amortised cost		3	55	3	46
Goodwill		17,924	17,924	400	400
Right of use asset		2,488,826	2,014,376	1,350,644	846,965
Financial assets at FVTOCI		13,544	8,406	13,544	6,947
Deferred tax asset		-	-	-	40,090
		<b>10,232,921</b>	<b>9,209,519</b>	<b>5,036,770</b>	<b>3,746,387</b>
<b>Current assets</b>					
Inventories	10	4,601,642	4,300,698	4,494,720	3,512,135
Trade and other receivables		55,396	19,773	55,396	16,341
Prepayments		481,781	726,125	148,546	356,535
Short-term loans		26,004	616	26,004	509
Cash and cash equivalents		216,392	894,504	216,392	739,260
		<b>5,381,215</b>	<b>5,941,716</b>	<b>4,941,058</b>	<b>4,624,780</b>
<b>Total assets</b>		<b>15,614,136</b>	<b>15,151,235</b>	<b>9,977,828</b>	<b>8,371,167</b>
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
Share capital		5,449	5,447	129	126
Share premium		1,789,892	1,691,816	237,448	147,555
Share based payment reserve		83,444	75,827	17,679	10,516
Mark to market reserve		2,086	3,010	4,743	4,222
Revaluation reserve		207,699	197,940	1,339,407	1,332,227
Non-distributable reserve		440,049	440,049	9,820	9,820
Retained earnings		5,717,785	6,135,747	1,979,968	2,132,239
		<b>8,246,404</b>	<b>8,549,836</b>	<b>3,589,194</b>	<b>3,636,705</b>
<b>Non-current liabilities</b>					
Deferred tax liability		1,034,801	872,700	55,703	-
Long term lease liabilities		1,241,633	900,893	1,241,633	744,540
Total non-current liabilities		<b>2,276,434</b>	<b>1,773,593</b>	<b>1,297,336</b>	<b>744,540</b>
<b>Current liabilities</b>					
Trade and other payables	9	3,653,132	4,286,846	3,653,132	3,542,848
Short term lease liabilities		173,926	165,064	173,926	136,416
Short term borrowings	11	1,223,147	342,656	1,223,147	283,187
Current tax liability		41,093	33,240	41,093	27,471
Total current liabilities		<b>5,091,298</b>	<b>4,827,806</b>	<b>5,091,298</b>	<b>3,989,922</b>
<b>Total equity and liabilities</b>		<b>15,614,136</b>	<b>15,151,235</b>	<b>9,977,828</b>	<b>8,371,167</b>

## REVIEWED ABRIDGED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six month period ended	Note	INFLATION ADJUSTED		HISTORICAL*	
		30 Sep 2021 ZW\$ 000 Reviewed	30 Sep 2020 ZW\$ 000 Reviewed	30 Sep 2021 ZW\$ 000 Unreviewed	30 Sep 2020 ZW\$ 000 Unreviewed
<b>Cash flows from operating activities</b>					
Cash generated from trading	7	1,384,732	2,207,760	1,337,378	1,412,313
Working capital changes		(725,937)	(1,010,536)	(703,367)	(718,546)
Cash generated from operations		658,795	1,197,224	634,011	693,767
Finance income		3,381	2,364	3,142	906
Finance costs		(270,385)	(66,999)	(251,582)	(34,511)
Tax paid		(262,048)	(721,477)	(233,699)	(184,047)
<b>Net cash generated from operating activities</b>		<b>129,743</b>	<b>411,112</b>	<b>151,872</b>	<b>476,115</b>
<b>Cash flows from investing activities</b>					
<b>Investments to maintain operations</b>					
Replacement of property and equipment		(752,385)	(417,476)	(683,552)	(247,372)
Proceeds from disposal of property and equipment		4,212	2,537	3,707	1,591
Purchase of financial assets at FVTOCI		(6,071)	-	(6,071)	-
		<b>(754,244)</b>	<b>(414,939)</b>	<b>(685,916)</b>	<b>(245,781)</b>
<b>Investment to expand operations</b>					
Additions to property and equipment		(262,853)	(232,071)	(238,806)	(137,511)
Proceeds from financial assets held at amortised cost		52	-	43	-
		<b>(262,801)</b>	<b>(232,071)</b>	<b>(238,763)</b>	<b>(137,511)</b>
<b>Net cash utilised in investing activities</b>		<b>(1,017,045)</b>	<b>(647,010)</b>	<b>(924,679)</b>	<b>(383,292)</b>
<b>Cash flows from financing activities</b>					
Dividends paid		(774,078)	(264,188)	(691,998)	(113,600)
Proceeds from share options exercised		19,613	2,295	17,910	1,041
Proceeds from disposal of treasury shares		78,465	-	71,986	-
Increase in short-term loans receivable		(25,388)	(93)	(25,495)	(109)
Repayment of lease liabilities		(68,141)	(19,277)	(62,424)	(10,039)
Proceeds from borrowings		1,566,588	76,000	1,472,624	50,000
Repayment of borrowings		(587,869)	-	(532,664)	-
<b>Net cash generated from / (used in) financing activities</b>		<b>209,190</b>	<b>(205,263)</b>	<b>249,939</b>	<b>(72,707)</b>
Net (decrease)/increase in cash and cash equivalents		(678,112)	(441,161)	(522,868)	20,116
Cash and cash equivalents at the beginning of the period		894,504	745,999	739,260	180,437
<b>Cash and cash equivalents at the end of the period</b>		<b>216,392</b>	<b>304,838</b>	<b>216,392</b>	<b>200,553</b>

## REVIEWED ABRIDGED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended	INFLATION ADJUSTED		HISTORICAL*	
	30 Sep 2021 ZW\$ 000 Reviewed	30 Sep 2020 ZW\$ 000 Reviewed	30 Sep 2021 ZW\$ 000 Unreviewed	30 Sep 2020 ZW\$ 000 Unreviewed
Shareholders' equity at the beginning of the period	8,549,836	7,484,992	3,636,705	996,198
<b>Changes in share capital</b>				
Arising from shares issued	98,078	2,295	89,896	1,041
Recognition of share based payment	7,617	8,010	7,163	3,894
<b>Changes in distributable reserves</b>				
Dividends paid	(774,078)	(264,188)	(691,998)	(113,600)
Total comprehensive income for the period net of tax	364,951	1,862,494	547,428	1,827,827
<b>Shareholders' equity at the end of the period</b>	<b>8,246,404</b>	<b>9,093,603</b>	<b>3,589,194</b>	<b>2,715,360</b>

**DIRECTORS:** H. Nkala (Chairman), M. P. Karombo (Chief Executive Officer), P. Mushosho (Chief Finance Officer), T. L. Gumbo, S. Masanga, R. A. Maunze, R. Mavima, A. S. McLeod, C. J. Goncalves (Alternate), R. J. Moyo, K. Mtemererwa, L. Webster-Rozon

**ADDRESS:** OK House, 7 Ramon Road, Graniteside, P.O. Box 3081, Harare, Zimbabwe. Telephone: 263 (242) 757311/9, (242) 7502089/9, (242) 755617, (242) 755632, and (242) 755637. FAX: 263 (242) 75

# REVIEWED ABRIDGED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021



## NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL RESULTS

For the six months ended 30 September 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-six shops countrywide and had three wholly owned subsidiaries.

### 2 BASIS OF PREPARATION

The reviewed abridged consolidated financial results of OK Zimbabwe Limited have been prepared in accordance with International Accounting Standard (IAS) 34, (Interim Financial Reporting) and the requirements of the Zimbabwe Stock Exchange.

#### 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 (ZWS). Professional judgement was used and appropriate adjustments were made to historical financial results in preparing interim financial information that is IAS 29 (Financial Reporting in Hyperinflationary Economies) compliant. Indices used were obtained from the Zimbabwe Statistical Office for the period from April 2021 to September 2021. The conversion factors used to restate the financial results are as follows:

	Indices	Conversion Factor
CPI as at 30 September 2021	3,342.00	1.00
CPI as at 31 March 2021	2,759.80	1.21
CPI as at 30 September 2020	2,205.20	1.52

#### 2.2 Currency of reporting

The abridged consolidated financial results are presented in Zimbabwe dollars (ZWS), which is the functional currency of the Group's components and the Group's selected presentation currency. All foreign denominated transactions and balances are translated to ZWS in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) at the Reserve Bank of Zimbabwe (RBZ) auction 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 disclosures are 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 a review conclusion on the historic financial information.

### 3 STATEMENT OF ACCOUNTING POLICY

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

### 14 REVIEW CONCLUSION

The condensed interim financial results have been reviewed by Deloitte & Touche Chartered Accountants (Zimbabwe). The auditors issued a qualified review conclusion on the basis of non-compliance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" and International Financial Reporting Standard 13 "Fair Value Measurements" with respect to the valuation of freehold land and buildings. Users are referred to the detailed independent auditor's report accompanying these abridged financial results for more information. The auditor's review statement is also available for inspection at the Company's registered office and on the Company's website.

The engagement partner on the review resulting in this independent auditor's review report is Stelios Michael.

	INFLATION ADJUSTED		HISTORICAL*	
	30 Sep 2021 ZWS 000 Reviewed	30 Sep 2020 ZWS 000 Reviewed	30 Sep 2021 ZWS 000 Unreviewed	30 Sep 2020 ZWS 000 Unreviewed
<b>4 CAPITAL EXPENDITURE</b>	1,015,238	649,547	922,358	384,883
<b>5 CAPITAL COMMITMENTS</b>				
Authorised but not contracted for	976,715	3,138,263	976,715	2,064,647
<b>6 INCOME TAX EXPENSE</b>				
Current income tax	269,901	855,234	247,163	419,456
: Standard	262,040	830,324	239,964	407,239
: Aids levy	7,861	24,910	7,199	12,217
Withholding tax	173	268	158	131
Deferred tax	171,854	65,259	102,968	(54,276)
	<b>441,928</b>	<b>920,761</b>	<b>350,289</b>	<b>365,311</b>
<b>7 CASH GENERATED FROM TRADING</b>				
Profit before tax	798,044	2,439,975	890,016	1,333,605
Adjusted for:				
Finance costs	270,385	66,999	251,582	34,511
Depreciation and amortisation	631,415	347,080	195,020	42,784
Share based payments expense	7,617	8,010	7,163	3,894
Interest income	(3,381)	(2,364)	(3,142)	(906)
Loss/(profit) on sale of property and equipment	15,791	(2,511)	(3,261)	(1,575)
Impact of inflation on cash flows	(335,139)	(649,429)	-	-
	<b>1,384,732</b>	<b>2,207,760</b>	<b>1,337,378</b>	<b>1,412,313</b>

	INFLATION ADJUSTED		HISTORICAL*	
	30 Sep 2021 ZWS 000 Reviewed	31 Mar 2021 ZWS 000 Audited	30 Sep 2021 ZWS 000 Unreviewed	31 Mar 2021 ZWS 000 Unaudited
<b>8 PROPERTY AND EQUIPMENT</b>				
At the beginning of the period	7,168,758	6,068,776	2,851,939	750,186
Capital expenditure	1,015,238	1,484,550	922,358	1,010,889
Revaluation surplus	-	128,502	-	1,174,924
Disposals	(20,003)	(5,935)	(446)	(148)
Depreciation	(451,369)	(507,135)	(101,672)	(83,912)
At the end of the period	<b>7,712,624</b>	<b>7,168,758</b>	<b>3,672,179</b>	<b>2,851,939</b>
<b>9 TRADE AND OTHER PAYABLES</b>				
Trade payables	2,963,814	3,685,424	2,963,814	3,045,805
Provisions	236,504	175,342	236,504	144,911
Accruals and other payables	452,814	426,080	452,814	352,132
	<b>3,653,132</b>	<b>4,286,846</b>	<b>3,653,132</b>	<b>3,542,848</b>
<b>10 INVENTORIES</b>				
Consumable stocks	135,899	96,910	123,526	79,994
Merchandise	4,465,743	4,203,788	4,371,194	3,432,141
	<b>4,601,642</b>	<b>4,300,698</b>	<b>4,494,720</b>	<b>3,512,135</b>
<b>11 BORROWINGS</b>				
Unsecured interest bearing loans	810,000	195,249	810,000	161,363
Bank overdraft	413,147	147,407	413,147	121,824
	<b>1,223,147</b>	<b>342,656</b>	<b>1,223,147</b>	<b>283,187</b>

The weighted average effective interest rate is 39.95% per annum for all borrowings. The tenures range between 60 days and 1 year for all borrowings.

### 12 CONTINGENT LIABILITIES

There were no contingent liabilities at reporting date.

### 13 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 abridged 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.



**DIRECTORS:** H. Nkala (Chairman), M. P. Karombo (Chief Executive Officer), P. Mushosho (Chief Finance Officer), T. L. Gumbo, S. Masanga, R. A. Maunze, R. Mavima, A. S. McLeod, C.J. Goncalves (Alternate), R. J. Moyo, K. Mtemerwa, 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: corpser@okzim.co.zw

## **Independent Auditors Report on Review of Interim Financial Information To the Shareholders of OK Zimbabwe Limited**

### **Introduction**

We have reviewed the inflation adjusted condensed consolidated interim financial statements of OK Zimbabwe Limited and its subsidiaries (“the Group”) which comprise the inflation adjusted condensed consolidated interim statement of financial position as at 30 September 2021 and the inflation adjusted condensed consolidated interim statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended, and selected explanatory notes.

The directors are responsible for the preparation and presentation of these inflation adjusted condensed consolidated interim financial statements in accordance with the International Accounting Standard (IAS) 34, (Interim Financial Reporting) and the requirements of the Zimbabwe Stock Exchange. Our responsibility is to express a conclusion on these inflation adjusted condensed consolidated interim financial statements.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis of Qualified Conclusion**

#### Valuation of freehold land and buildings - Non-compliance with International Accounting Standard 29 “Financial Reporting in Hyperinflationary Economies” and International Financial Reporting Standard 13 “Fair Value Measurements”

The valuation of freehold land and buildings, as at 30 September 2021, was determined by applying the inflation index to ZWL values determined as at 31 March 2021. However, International Accounting Standard 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”) requires non-monetary assets restated from the date of revaluation to, thereafter, be compare to their recoverable amount. The Group’s freehold land and buildings, were revalued as at 31 March 2021. These assets were valued as guided by independent professional valuers, using historical United States Dollar (USD) denominated inputs and converted into ZWL at the applicable closing exchange rates as at 31 March 2021. Notwithstanding the reasonableness of the previously determined US Dollar recoverable amounts, the ZWL recoverable amount could not be accurately determined in the current period.

Consequently, we were unable to obtain sufficient evidence to support the appropriateness of the valuation in ZWL of freehold land and buildings. We are also unable to determine whether any adjustments to the current period depreciation expense, deferred taxation, and revaluation adjustments in the statement of profit or loss and other comprehensive income would be necessary to correctly account for these amounts. Our conclusion on the current six-month period financial information is therefore modified.



**Independent Auditors Report on Review of Interim Financial Information  
To the Shareholders of OK Zimbabwe Limited**

**Qualified Conclusion**

Except for the effect of the matter described in the Basis for Qualified Conclusion paragraphs, based on our review, nothing has come to our attention that causes us to believe that the accompanying inflation adjusted interim financial information is not prepared, in all material respects, in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Zimbabwe Stock Exchange.

**Other information**

The directors are responsible for the other information. The other information comprises the Chairman's Statement and the historic cost financial information. The other information does not include the inflation adjusted condensed consolidated financial information and our review conclusion thereon.

Our review conclusion on the inflation adjusted condensed consolidated financial statements does not cover the other information and we do not express a review conclusion or any form of assurance conclusion thereon.

In connection with our review of the inflation adjusted condensed 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 condensed consolidated financial statements or our knowledge obtained during the review, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have concluded that the other information is materially misstated for the same reasons set out in the Basis for qualified conclusion section above.



---

**Deloitte & Touche**  
**Chartered Accountants (Zimbabwe)**  
**Per: Stelios Michael**  
**(PAAB Practice Certificate Number 0443)**  
**Harare**  
**Zimbabwe**

**26 November 2021**