OK ZIMBABWE LIMITED

Reviewed Condensed Financial Results

For the six month period ended 30 September 2022

Financial Highlights

	INFLATION ADJUSTED	HISTORICAL COST
Revenue	Increased by **34.91%** to **ZWL 129.0** Billion	Increased by **312.0%** to **ZWL 94.4** Billion
Operating Income[1]	Increased by **142.2%** to **ZWL 9.8** Billion	Increased by **375.8%** to **ZWL 5.4** Billion
Basic Earnings per share	Increased by **187.2%%** to **304.45 ZWL** cents	Increased by **299%** to **168.78 ZWL** cents
Dividend per share	Interim dividend declared **0.13 USD** cents	Interim dividend declared **0.13 USD** cents

Revenue

ZWL129.0billion

Revenue for the half year grew by 34.91% from ZWL95.6 billion in the comparative period (in historical cost terms, revenue grew by 312%).

Profit before tax

ZWL7.6billion

Profit before tax for the period increased by 150% (Last year: ZWL3.0 billion) translating to a profit margin of 5.88%.

Chairman's Statement

Dear Shareholders

The first half of our Financial Year (F23) witnessed a very volatile trading environment that was characterised by episodes of extreme exchange rate volatility that resulted in high inflation. The annual inflation which was recorded at 96% at the beginning of the financial year, rose to 280% at the close of the half year as at 30 September 2022. Due to mounting inflationary pressures, instore product pricing became difficult to execute. This was aggravated by suppliers' shortened trading terms or in extreme cases demand for prepayments for products sourced in local currency. The period also saw manufacturers increasing product supply to channels offering hard currency competitiveness rather than formal retail chains where mandatory use of the legal exchange rates led to significant price premiums.

Faced with worsening economic fundamentals, the Fiscal and Monetary authorities instituted measures to stem the deterioration that was attributed to market indiscipline. Interest rates were hiked from a range between 40% and 80% to levels above 200%. Although inflation slowed down in the short term, it remains unsustainably high. Commendable action was taken by Government in dealing with over-pricing of goods and services by contractors of major national projects. As the market re-priced, a severe shortage of ZWL birthed a new liquidity crunch that continues to impact on consumer aggregate demand.

Notwithstanding this, the Group's focus remained on the strategic repositioning of its offering in the face of significant economic headwinds. The strength and agility of our business, combined with the professionalism and resilience of our teams and partners, enabled the Group to continue delivering a commendable operational performance.

Group Performance

The commentary on the financial performance is based on inflation adjusted results. Historical cost figures are included as supplementary information alongside the inflation adjusted financial results to enhance comprehension and analysis.

Revenue for the half year grew by 34.91% to ZWL 129.0 billion from ZWL 95.6 billion in the comparative period (in historical cost terms, revenue grew by 312%). Volumes, which had marginally grown by 1% during the first quarter, declined during the second quarter to result in a net decrease of 8.23% over the half year owing to depressed consumer spending power.

Profit before tax for the period increased by 150% to ZWL 7.6billion (Last year: ZWL 3.0 billion) translating to a profit margin of 5.88%. In historical cost terms, profit before tax was ZWL 3.5 billion (Last year: ZWL 0.9) representing a 300% increase. Profit after tax increased by 193% to ZWL 4.0 billion (Last year: ZWL 1.4 billion) whilst in historical cost terms, the net profit increased by 307% to ZWL 2.2 billion (Last year: ZWL 0.5 billion).

The Group utilised borrowings to fund its strategic growth initiatives in accordance with its medium to short-term growth plans. The increase in interest rates resulted in the net finance charges increasing by 119%.

The IMT tax continued to burden the business, growing by 245% to ZWL 1.6 billion in historic cost terms (ZWL 450 million for prior year) following the widening of the tax ceiling. This IMT tax, which was also extended to foreign currency transactions during the period, increased business costs and tax burden as it is not tax deductible. The business is continuously engaging fiscal authorities to review the structure of this tax so as to reduce its undesired consequences on tax compliant formal businesses.

Capital expenditure for the period was ZWL2.1 billion, down from ZWL 3.9 billion in inflation adjusted terms for the same period in the prior year. The capital expenditure was largely deployed on store refurbishments. During the period under review, the Group carried on with its branch refurbishment program and one was completed. Several projects will commence in the second half of the financial year to bolster our competitiveness and improve customer proposition.

The Board has taken note of the two matters raised by the External Auditors in their review conclusion and are satisfied that these have subsequently been resolved and will not recur going forward. The Board is satisfied that save for these two matters, all other financial information as fully contained in the External Auditors' Report is fairly stated in all material respects.

New Business Operations

During the reporting period, the Company commenced negotiations for the acquisition of the Food Lovers Market business in Borrowdale, Avondale and Bulawayo. The negotiations included the acquisition of a Territorial License Agreement that will see the Company refreshing the existing stores and expanding the brand representation in the Zimbabwean market. Subsequent to the reporting period, Management received the requisite regulatory approvals and is now proceeding to conclude the transaction. The acquisition is well aligned to the new strategy of augmenting the Group's premium offering.

The same period also saw the Company conceptualising and registering a new instore pharmaceutical offering under the name and style of Alowell Pharmacies. The Group expects to commence rolling out the new pharmacies during the festive season of 2022. Detailed communications on these developments will be circulated in press publications in due course.

Sustainable Business Practices

As a responsible corporate citizen, the Group acknowledges the need to balance our business performance with responsible environmental and social considerations. The Group's sustainable development practices are critical in generating long-term value creation for all our stakeholders. During the period under review, our efforts were designed to support the United Nations Sustainable Development goals. We are on course to meet our targets in respect of the six Sustainable Development Goals that we contribute to namely, Good Health and Well-being, Clean Water and Sanitation, Affordable and Clean Energy, Decent Work and Economic Growth, Reduced Inequalities, Responsible Consumption and Production.

Dividend

The Directors have declared an interim dividend of 0.13 US cents per share to be paid to the shareholders on or about the 20th of January 2023.

Corporate Governance and Directorate

The Group has consistently practiced good corporate governance, reflecting its belief that robust governance practices, processes, and culture are fundamental to inspiring investors' confidence, ensuring long-term shareholder value and protecting stakeholders' interests.

Corporate Governance and Directorate (continued)

During the first half of the financial year, the Group welcomed Mr Wonder Stan Nyabereka to the Board of Directors with effect from 1 June 2022. Join me in congratulating Mr. Nyabereka on his appointment to the Board and in wishing him great success during his tenure.

Outlook

Looking ahead, the interplay between exchange rate and inflation factors will continue to impact on overall aggregate demand. The country faces a severe shortage of electricity generation capacity that is likely to have an adverse impact on operations. Use of diesel-powered generators for cooling and baking in our stores will increase operational costs. We urge Government to provide relief mechanisms on diesel price in the short term and also provide incentives for private sector investments in renewable energy sources. The Group remains positive that its volume recovery initiatives will positively impact on financial performance to deliver sustainable profitability.

Herbert Nkala
Board Chairman
21 December 2022

Dividend Announcement Notice

NOTICE is hereby given that on the 20th of December 2022, the Board of Directors declared an interim Dividend Number 32 of 0.13 USD cents per share payable in respect of the qualifying ordinary shares of the company to be paid out of the profits for the half-year ended 30 September 2022.

The Dividend will be payable on or about the 20th of January 2023 to Shareholders in the Group's register at the close of business on the 6th January 2023. Disbursements to foreign Shareholders are subject to Exchange Control Approval and payment guidelines for foreign payments. The Dividend will be paid by direct or other approved forms of transfer as per the following timetable:

ACTION	DATE
1. Announcement date	21 December 2022
2. Last Date to Trade Cum-Dividend	03 January 2023
3. Share Trade Ex-Dividend	04 January 2023
4. Last record Date	06 January 2023
5. Payment Date	20 January 2023

The Group profit before tax for the half-year is ZWL 3.5 billion in historic cost terms.

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

By the order of the Board.

Mrs. Margaret Munyuru
Group Company Secretary
21 December 2022

Reviewed Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended

		INFLATION ADJUSTED		HISTORICAL*	
	Note	Sept 2022 ZWL 000	Sept 2021 ZWL 000	Sept 2022 ZWL 000	Sept 2021 ZWL 000
Revenue	4	129,018,264	95,632,172	94,389,982	22,933,025
Changes in trade inventories	10.1	(6,042,871)	(995,429)	(18,100,810)	(939,053)
Merchandise and consumables used		(111,457,696)	(79,451,331)	(55,606,282)	(17,595,414)
Other income		685,702	498,522	376,483	110,244
Employee benefits expense		(8,883,549)	(6,240,314)	(6,658,587)	(1,496,740)
Depreciation and amortisation expense		(3,383,018)	(2,399,377)	(735,408)	(195,020)
Share-based payments expense		(42,151)	(28,945)	(31,100)	(7,163)
Other operating expenses		(10,928,173)	(6,944,059)	(8,217,836)	(1,671,423)
Finance income		2,417	12,848	1,445	3,142
Finance costs		(2,220,317)	(1,027,463)	(1,869,640)	(251,582)
Net monetary gain		20,836,469	3,975,944	—	—
Profit before tax	5	7,585,078	3,032,568	3,548,247	890,016
Income tax expense	6	(3,623,769)	(1,679,326)	(1,352,151)	(350,289)
Profit for the period		**3,961,309**	**1,353,242**	**2,196,096**	**539,727**

[1] Operating Income = Profit before tax excluding finance income and expense

* Refer to Note 2.3 - Historical reporting

Reviewed Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
For the six months ended

		INFLATION ADJUSTED		HISTORICAL*	
	Note	30 Sept 2022 ZWL 000	30 Sept 2021 ZWL 000	30 Sept 2022 ZWL 000	30 Sept 2021 ZWL 000
Other comprehensive income (OCI)					
Items that will not be reclassified subsequently to profit or loss:					
Fair value gain on property	7	2,282,687	—	14,045,646	—
Fair value (loss) gain on financial instruments at FVTOCI		(10,548)	(3,545)	—	526
Income tax relating to items that will not be reclassified		(563,024)	37,118	(2,877,987)	7,175
Other comprehensive income for the period net of tax		1,709,115	33,573	11,167,659	7,701
Total comprehensive income for the period		5,670,424	1,386,815	13,363,755	547,428
Weighted average number of ordinary shares in issue		1,301,135,699	1,276,576,986	1,301,135,699	1,276,576,986
Share performance: ZWL cents					
- basic earnings per share		304.45	106.02	168.78	42.28
- headline earnings per share		306.78	110.69	167.47	42.02
- diluted earnings per share		291.04	26.64	161.35	40.38

Reviewed Condensed Consolidated Statement of Financial Position
As at

		INFLATION ADJUSTED		HISTORICAL*	
	Note	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000
Assets					
Non-Current Assets					
Property and equipment	7	45,991,349	43,707,155	25,550,350	10,089,876
Financial assets held at FVTOCI		6,316	16,864	6,316	6,316
Financial assets held at amortised cost		3	8	3	3
Goodwill		68,421	68,421	400	400
Right Of Use Asset		15,472,698	11,166,423	5,907,657	1,989,891
Intangible asset		154,806	—	81,051	—
Total non-current assets		61,693,593	54,958,871	31,545,777	12,086,486
Current assets					
Inventories	10	27,771,948	21,893,108	26,264,161	8,037,845
Trade and other receivables		1,770,331	502,583	1,770,331	188,233
Prepayments	12	6,430,171	2,828,911	4,741,680	534,233
Short-term loans receivable		62,614	74,234	62,614	27,803
Cash and cash equivalents		3,127,741	1,931,689	3,127,741	723,479
Total current assets		39,162,805	27,230,525	35,966,527	9,511,593
Total assets		100,856,398	82,189,396	67,512,304	21,598,079
Equity					
Share capital		20,813	20,810	131	129
Share premium		6,954,112	6,888,632	319,899	269,514
Share based payment reserve		384,261	342,110	55,941	24,842
Mark to market reserve		(1,822)	8,568	6,222	6,222
Revaluation reserve		10,910,013	9,190,508	16,600,496	5,432,837
Non-distributable reserve		1,679,860	1,679,860	9,820	9,820
Retained earnings		29,587,345	27,041,829	4,789,792	3,563,416
Total equity		49,534,582	45,172,317	21,782,301	9,306,780
Non-current liabilities					
Deferred tax liability		9,543,640	7,350,425	3,951,827	1,180,193
Long term loan	11	2,185,000	—	2,185,000	—
Long term lease liability		5,267,617	4,790,258	5,267,617	1,794,104
Total non-current liabilities		16,996,257	12,140,683	11,404,444	2,974,297
Current liabilities					
Trade and other payables	9	27,460,691	18,377,047	27,460,691	6,882,789
Provisions		1,157,756	769,700	1,157,756	288,277
Short term lease liability		1,050,052	830,450	1,050,052	311,030
Short term borrowings	11	3,901,422	4,576,284	3,901,422	1,713,964
Current tax liabilities		755,638	322,915	755,638	120,942
Total current liabilities		34,325,559	24,876,396	34,325,559	9,317,002
Total equity and liabilities		100,856,398	82,189,396	67,512,304	21,598,079

Reviewed Condensed Consolidated Statement of Changes in Equity
For the six months ended

	INFLATION ADJUSTED		HISTORICAL*	
	Sept 2022 ZWL 000	Sept 2021 ZWL 000	Sept 2022 ZWL 000	Sept 2021 ZWL 000
Shareholders equity at the beginning of the period	45,172,317	18,712,481	9,306,780	3,636,705
Changes in share capital				
Arising from share issue	3	8	2	3
Changes in share premium				
Share issues	65,480	372,688	50,385	89,893
Changes in share options				
Arising from the recognition of share options	42,151	28,945	31,100	7,163
Changes in equity reserves				
Fair Value adjustments	(10,390)	(3,511)	—	521
Changes in revaluation reserve				
Movement	1,719,505	37,084	11,167,659	7,180
Changes in distributable reserves				
Dividend paid	(1,415,793)	(2,941,496)	(969,721)	(691,998)
Profit for the year	3,961,309	1,353,242	2,196,096	539,727
Shareholders' equity at the end of the year	49,534,582	17,559,441	21,782,301	3,589,194
Comprising of:				
Share capital	20,813	13,642	131	129
Share premium	6,954,112	4,277,834	319,899	237,448
Share based payments reserve	384,261	187,736	55,941	17,679
Revaluation reserve	10,910,013	267,486	16,600,496	1,339,407
Mark-to-market reserve	(1,822)	1,380	6,222	4,743
Non-distributable reserve	1,679,860	1,102,334	9,820	9,820
Retained Earnings	29,587,345	11,709,029	4,789,792	1,979,968
Total Shareholders equity	49,534,582	17,559,441	21,782,301	3,589,194

Reviewed Condensed Consolidated Statement of Cash Flows
For the six months ended

		INFLATION ADJUSTED		HISTORICAL*	
	Note	Sept 2022 ZWL 000	Sept 2021 ZWL 000	Sept 2022 ZWL 000	Sept 2021 ZWL 000
Cash flows from operating activities:-					
Cash generated from trading	14	8,176,772	5,261,982	6,753,500	1,337,378
Working capital changes		(1,664,204)	(2,758,561)	(2,568,480)	(703,367)
Cash generated from operations		6,512,568	2,503,421	4,185,020	634,011
Finance income		2,417	12,848	1,445	3,142
Finance cost paid		(2,220,317)	(1,027,463)	(1,869,640)	(251,582)
Tax paid		(1,560,855)	(995,782)	(823,809)	(233,699)
Net cash generated from operating activities		2,733,813	493,024	1,493,016	151,872
Cash flows from investment activities					
Investments to maintain operations:					
Replacement of Property and equipment		(814,600)	(2,859,062)	(683,552)	(683,552)
Proceeds from disposal of Property and equipment		22,013	16,006	19,984	3,707
Purchase of financial assets at FVTOCI		—	(23,070)	—	(6,071)
		(792,587)	(2,866,126)	(663,568)	(685,916)
Investment to expand operations:					
Additions to property plant and equipment		(1,308,324)	(998,843)	(1,097,848)	(238,806)
Increase in intangible assets		(11,038)	—	(5,779)	—
Decrease in financial assets held at amortised cost		—	198	—	43
		(1,319,362)	(998,645)	(1,103,627)	(238,763)
Net cash used in investing activities		(2,111,949)	(3,864,771)	(1,767,195)	(924,679)
Cash flows from financing activities					
Dividend paid		(1,415,793)	(2,941,496)	(969,721)	(691,998)
Proceeds from share options exercised		65,483	74,529	50,387	17,910
Proceeds from disposal of treasury shares		—	298,167	—	71,986
Decrease in short-term loans receivables		11,620	(96,474)	(34,811)	(25,495)
Repayment of lease liability		(373,010)	(258,936)	(304,872)	(62,424)
Proceeds from long term loan		3,074,550	—	2,985,000	—
Repayment of long term loan		(1,235,000)	—	(1,235,000)	—
Proceeds from borrowings		5,486,957	5,953,034	5,061,517	1,472,624
Repayment of borrowings		(5,040,619)	(2,233,902)	(2,874,059)	(532,664)
Net cash generated from financing activities		574,188	794,922	2,678,441	249,939
Net increase/(decrease) in cash and cash equivalents		1,196,052	(2,576,825)	2,404,262	(522,868)
Cash and cash equivalents at the beginning of period		1,931,689	3,399,115	723,479	739,260
Cash and cash equivalents at the end of period		3,127,741	822,290	3,127,741	216,392

Notes to the Reviewed Condensed Consolidated Financial Statements
For the six months ended 30 September 2022

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-eight shops countrywide and had three wholly owned subsidiaries.

* Refer to Note 2.3 - Historical reporting

2. Basis of Preparation

The reviewed condensed consolidated financial results of OK Zimbabwe Limited have been prepared in accordance with International Accounting Standard (IAS) 34, (Interim Financial Reporting) and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listing Requirements) Rules, 2019.

2.1 Hyper Inflation

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 judgment 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 2022 to September 2022. The conversion factors used to restate the financial results are as follows:

	Indicies	Conversion Factor
CPI as at 30 September 2022	12,713.1	1.00
CPI as at 31 March 2022	4,766.1	2.67
CPI as at 30 September 2021	3,342.0	3.80
In-store exchange rate USD: ZWL -		
30 September 2022	684.00	
31 March 2022	200.00	
30 September 2021	87.67	

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 in-store exchange rate prevailing at the time of transacting. In-store rate is determined using the RBZ Auction rate as a base discounted by the authorised foreign currency discount rate applicable for in-store sale of products in the domestic market. 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 a review conclusion on the historic financial information.

3. Statement of Accounting Policy

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

4. Revenue

As at 30 September:

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZWL 000	2021 ZWL 000	2022 ZWL 000	2021 ZWL 000
Sale of merchandise	129,018,264	95,632,172	94,389,982	22,933,025

Revenue for the half year grew by 34.91% to ZW$ 129.0 billion from ZW$ 95.6 billion in the comparative period.

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZWL 000	2021 ZWL 000	2022 ZWL 000	2021 ZWL 000
5. Profit Before Tax				
Profit before income tax takes into account the following:				
Other operating expenses:				
Utilities and Backup power expenses	1,593,952	1,179,851	1,258,789	310,487
Marketing and promotional expenses	2,223,532	652,859	1,639,031	171,805
Security expenses	797,762	437,369	596,184	115,097
Cleaning expenses	805,089	183,076	614,170	48,178
Property operating expenses	245,868	182,096	184,082	47,920
Rental expenses	1,221,509	778,951	854,781	204,987
Insurance expenses	261,587	141,276	170,841	37,178
6. Income Tax Expense				
As at 30 September:				
Current income tax	1,993,578	1,025,624	1,458,505	247,163
- Standard	1,935,513	995,752	1,416,024	239,964
- Aids levy	58,065	29,872	42,481	7,199
Withholding tax	—	657	—	158
Deferred tax movement	1,630,191	653,045	(106,354)	102,968
	3,623,769	**1,679,326**	**1,352,151**	**350,289**

	INFLATION ADJUSTED		HISTORICAL*	
	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000
7. Property and Equipment				
At the beginning of the period	43,707,155	27,366,285	10,089,876	2,851,939
Asset reclassification	—	12,397	—	2,683
Capital expenditure	2,122,924	8,161,960	1,701,863	2,284,094
Revaluation	2,282,687	10,636,952	14,045,646	5,186,528
Disposals	(52,365)	(112,503)	(2,958)	(2,361)
Depreciation	(2,069,052)	(2,357,936)	(284,077)	(233,007)
At the end of the period	**45,991,349**	**43,707,155**	**25,550,350**	**10,089,876**
Freehold Property				
Revalued Amount	21,095,610	19,170,896	21,095,610	7,180,111
Accumulated Depreciation	—	—	—	—
	21,095,610	**19,170,896**	**21,095,610**	**7,180,111**

* Refer to Note 2.3 - Historical reporting

Notes to the Reviewed Condensed Consolidated Financial Statements (continued)
For the six months ended 30 September 2022

	INFLATION ADJUSTED		HISTORICAL*	
	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000
7. Property and Equipment (continued)				
Leasehold Improvements				
Cost	4,692,860	4,616,272	485,583	419,263
Accumulated depreciation	(1,549,874)	(1,427,409)	(32,603)	(21,148)
	3,142,986	**3,188,863**	**452,980**	**398,115**
Equipment				
Cost	25,256,448	24,851,196	2,266,795	1,891,302
Accumulated depreciation	(13,810,071)	(12,382,088)	(345,199)	(231,462)
	11,446,377	**12,469,108**	**1,921,596**	**1,659,840**
Vehicles				
Cost	2,939,094	2,788,137	402,976	316,071
Accumulated depreciation	(1,364,352)	(1,210,330)	(64,379)	(42,059)
	1,574,742	**1,577,807**	**338,597**	**274,012**
Work in progress	**8,731,634**	**7,300,481**	**1,741,567**	**577,798**
Total Property and equipment	**45,991,349**	**43,707,155**	**25,550,350**	**10,089,876**

7.1 Fair Value measurement of the Group's freehold land buildings

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment.

The fair value for all freehold land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. There were no transfers into or out of Level 3 fair value hierarchy.

Valuation techniques and significant unobservable inputs

Market comparable approach

This method considered comparable market evidence i.e. the sales evidence either achieved or on the market, of similar land and buildings situated in the comparable residential suburbs and undeveloped land with that of subject land and buildings. This comprises of complete transactions as well as transactions where offers had been made but the transaction had not been completed.

Income approach

This method was applied for all land and buildings except for residential and undeveloped land. Anticipated future cash flow benefits in the form of annual market rental income were capitalised into present values using an all-risk yield. All risk yield for the different asset classes were determined by the rate/yields at which similar properties in the different asset classes traded in the recent past.

Significant unobservable inputs as at 30 September 2022

The significant unobservable inputs in the valuation of land and buildings were the percentage yield in market rentals (7.5%), rental rates per square metre (ZWL 7,600) and price per square metre for land (ZWL 269,283)

The fair value measurements of the Group's freehold land and buildings were performed by Homelux Real Estate (Private) Limited, independent valuers not related to the Group, as at 30 September 2022.

	INFLATION ADJUSTED		HISTORICAL*	
	Sept 2022 ZWL 000	Sept 2021 ZWL 000	Sept 2022 ZWL 000	Sept 2021 ZWL 000
8. Capital Commitments				
Authorised but not contracted for	24,764,761	3,711,517	24,764,761	976,715

	INFLATION ADJUSTED		HISTORICAL*	
	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000
9. Trade and Other Payables				
Trade payables	26,016,787	16,370,451	26,016,787	6,130,263
Accruals and other payables	1,443,904	2,006,596	1,443,904	752,526
	27,460,691	**18,377,047**	**27,460,691**	**6,882,789**

Trade payables increase was mainly driven by increase in stock holding.

	INFLATION ADJUSTED		HISTORICAL*	
	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000
10. Inventories				
Consumable stocks	295,121	459,152	279,099	153,593
Merchandise	27,476,827	21,433,956	25,985,062	7,884,252
	27,771,948	**21,893,108**	**26,264,161**	**8,037,845**

	INFLATION ADJUSTED		HISTORICAL*	
	Sept 2022 ZWL 000	Sept 2021 ZWL 000	Sept 2022 ZWL 000	Sept 2021 ZWL 000
10.1 Changes in trade inventories				
Opening Merchandise Stock	21,433,956	15,974,394	7,884,252	3,432,141
Closing Merchandise Stock	27,476,827	16,969,823	25,985,062	4,371,194
	6,042,871	**995,429**	**18,100,810**	**939,053**

Inventories are valued at lower of cost and net realisable value. Merchandise and consumables stocks are valued at the landed cost on a first-in first-out (FIFO) basis.

During the period under review, the Group embarked on a new ERP roll-out from 1st of April 2022. As part of the ERP implementation process, a data processing backlog was created on inventory transactions. The retrospective capturing of the transaction backlog meant that the system was not able to compute the FIFO valuation on a real-time basis in line with the Group's inventory valuation method.

Notes to the Reviewed Condensed Consolidated Financial Statements (continued)
For the six months ended 30 September 2022

10. Inventories (continued)

10.1 Changes in trade inventories (continued)

Management were however able to compute the inventory valuation based on physical quantities and the last purchase price and in order to estimate the FIFO valuation, some adjustments were made to the resultant valuation. Subsequently, the backlog has been cleared and transaction processing is now on a real-time basis and the system is expected to compute the FIFO valuation going forward.

The cost of merchandise inventories recognised as an expense during the period was ZWL 111.5 billion (2021: ZWL 79.5 billion). The cost of inventories recognised as an expense includes ZWL 281.8 million (2021: ZWL 275.6 million) in respect of mark downs and ZWL 122.5 million (2021: 68.2 million) in respect of shrinkage.

	INFLATION ADJUSTED		HISTORICAL*	
	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000
11. Borrowings				
Unsecured interest bearing loans: Short Term	3,901,422	4,576,284	3,901,422	1,713,964
Unsecured interest bearing loans: Long Term	2,185,000	—	2,185,000	—
	6,086,422	4,576,284	6,086,422	1,713,964

Net finance charges increased by 119% as the Group increased borrowings for capital expenditure and investment purposes.

The group has no significant liquidity risk exposures as it has unutilised facilities of ZWL. The Directors of the Group, at their discretion borrow money and secure repayment thereof provided that the aggregate amount owing at any one time shall not exceed twice the total equity reserves.

	INFLATION ADJUSTED		HISTORICAL*	
	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000	30 Sept 2022 ZWL 000	31 March 2022 ZWL 000
12. PREPAYMENTS				
Prepayments	6,430,171	2,828,911	4,741,680	534,233

Included in the prepayments balance is an amount pertaining to a potential transaction involving the acquisition of a complementary business. The Group has drawn down on its borrowing facilities to fund this transaction. Refer to Note 17 for further details.

13. Fair Value of Financial Instruments

The estimated net fair values of all financial instruments approximate the carrying amounts shown in the financial statements with the exception of long term borrowings.

* Refer to Note 2.3 - Historical reporting

Notes to the Reviewed Condensed Consolidated Financial Statements (continued)
For the six months ended 30 September 2022

	INFLATION ADJUSTED		HISTORICAL*	
	2022 ZWL 000	2021 ZWL 000	2022 ZWL 000	2021 ZWL 000
14. Cash Generated from Trading				
Profit before tax	7,585,078	3,032,567	3,548,248	890,016
Adjusted for:				
Finance costs	2,220,317	1,027,463	1,869,640	251,582
Interest income	(2,417)	(12,848)	(1,445)	(3,142)
Depreciation and amortisation	3,383,018	2,399,377	735,408	195,020
Foreign exchange losses - lease liability	644,542	—	587,575	—
Share based payments expense	42,151	28,945	31,100	7,163
Loss/(profit) on sale of property, plant and equipment	30,352	60,006	(17,026)	(3,261)
Impact of inflation on cash flows	(5,726,269)	(1,273,528)	—	—
	8,176,772	5,261,982	6,753,500	1,337,378

15. Segment Information

IFRS 8, Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. For the purposes of decision making, allocation of resources and assessment of performance, senior management consider the Group to be a single operating unit. Consequently, no segment information is presented.

16. Financial Risk Management

The period witnessed a very volatile economic trading environment which was characterised by episodes of extreme exchange rate volatility coupled with high inflation rates and this was evidenced by the significant monetary adjustment during the period. Credit terms were shortened to under 7 days or in the extreme cases, suppliers demanded prepayments for products sourced in local ZWL currency. The Group has financial control systems in place which includes checklists, policies, audits, security systems and spot checks. These are designed to mitigate any finance related risks. Our financial risk management includes credit risk, liquidity risk and control risk. The group conducts business predominantly in ZWL. Some exchange risk occurs when the Group incurs liabilities in foreign currency as the ZWL further depreciated against the hard currencies. The risk was managed by settling foreign denominated liabilities as soon the foreign currency was available to minimise exchange losses.

17. Subsequent Events

Strategic Acquisition

On 20th of December 2022, the Group received regulatory approval to proceed with the acquisition of the Food Lovers Market business in Borrowdale, Avondale and Bulawayo together with the Territorial License Agreement to roll out more stores under the brand. Detailed communication on this development will be circulated in the press publications in due course.

Dividend

On the 21st of December 2022 the Directors declared an interim dividend of 0.13 US cents per share.

18. 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.

19. Review Opinion

The condensed financial results for the six-month period ended 30 September 2022 have been reviewed by Messrs KPMG Chartered Accountants (Zimbabwe) ('KPMG'). KPMG expressed a qualified review conclusion due to the following:

- Non-compliance with International Financial Reporting Standard 13, Fair Value Measurements, as reported by the predecessor auditor in the prior six-month period ended 30 September 2021 impacting the comparability in the current year of the prior year statement of profit and loss and other comprehensive income, and the resulting non-compliance with IAS 8, Accounting policies, Changes in Accounting Estimates and Errors as the fair values of freehold land and buildings were not restated in respect of the comparative six-month period.
- Due to a new ERP system implementation and the method of estimating inventory costs highlighted in Note 10, KPMG was unable to conclude if there was non-compliance with IAS 2, Inventories, in the current period.

The above impact the historical numbers which have a consequential impact on compliance with IAS 29, Financial Reporting in Hyperinflationary Economies. Users are referred to the detailed independent auditor's report accompanying these condensed financial results for more information.

A copy of the auditor's review conclusion is available for inspection at the company's registered office. The engagement partner for this review is Vinay Ramabhai (PAAB Practicing Certificate Number 0569)."

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, W.S. Nyabereka

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Independent auditor's Report on Review of Interim Financial Results for the Half Year Ended 30 September 2022

To the Shareholders of OK Zimbabwe Limited

Introduction

We have reviewed the accompanying condensed consolidated inflation adjusted statement of financial position of OK Zimbabwe Limited and its subsidiaries ("the Group") as at 30 September 2022, the condensed consolidated inflation adjusted statement of profit or loss and other comprehensive income, the condensed consolidated inflation adjusted statement of changes in equity and the condensed consolidated inflation adjusted statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information ("the condensed consolidated inflation adjusted interim financial statements"). Management is responsible for the preparation and fair presentation of these condensed consolidated inflation adjusted interim financial statements in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019. Our responsibility is to express a conclusion on this condensed consolidated inflation adjusted interim financial statements based on our review.

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 results 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 for Qualified Conclusion

Non-compliance with International Financial Reporting Standards IFRS 13 – Fair Values in the prior year and inappropriate application of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8).

The Group's freehold land and buildings were revalued as at 31 March 2021 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 as at 30 September 2021 and therefore were not determined in accordance with IFRS 13, *Fair Values*. This led to a qualified review conclusion by predecessor auditor in the prior period condensed consolidated inflation adjusted interim financial statements.

Management has not restated the comparative statement of profit or loss and other comprehensive income in line with the requirements of IAS 8, consequently, the comparative numbers in respect of depreciation expense, and deferred tax and revaluation adjustments in the statement of profit or loss and other comprehensive income remain misstated on the condensed consolidated inflation adjusted interim financial results of Group for the six-month period ended 30 September 2022.

This qualification is on comparability of the current period's freehold land and buildings with that of the prior period and the accuracy of the charge in the statement of profit or loss and other comprehensive income.

Non-compliance with IAS 2 - Inventories and IAS 1 - Presentation of Financial Statements
As disclosed in Note 10 to the condensed consolidated inflation adjusted interim financial statements, management could not calculate inventory on a first- in first -out (FIFO) basis with the transition to their new accounting system, due to system challenges during the six-month period ended 30 September 2022. Consequently, management used an alternative method to estimate the inventory cost as described in Note 10.

As a result, we are unable to quantify the difference between management's inventory estimate and the cost of inventory had the system correctly calculated the inventory cost under the FIFO basis of costing, to determine if there would be a material misstatement. The accounts impacted by the inventory costing are the change in trade inventories, merchandise and consumables used and income tax expense on the condensed consolidated inflation adjusted statement of profit or loss and other comprehensive income and the inventory balance and deferred tax liability amounts on the condensed consolidated inflation adjusted statement of financial position as at 30 September 2022.

Consequential impact of matters 1 and 2 on accounting for IAS 29, Financial Reporting in Hyperinflationary Economies ("IAS 29")
Furthermore, notwithstanding that IAS 29 has been applied from 1 April 2019, it is noted that its application was based on prior and current periods' financial information which are impacted a result of matters described above. Had the correct historic base numbers been used, the depreciation expense, deferred tax and revaluation adjustments specified on matter 1 and the change in trade inventories, merchandise and consumables used and income tax expense as specified in matter 2 above as per the condensed consolidated inflation adjusted financial statements could have been different.

Qualified Conclusion

Based on our review, except for the effects of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated inflation adjusted interim financial statements do not present fairly, in all material respects, the financial position of OK Zimbabwe Limited as at 30 September 2022, and its financial performance and its cash flows for the six month period then ended in accordance with IAS 34, *Interim Financial Reporting* and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019.

Other matter - Comparative information audited by another auditor
The reviewed interim condensed consolidated inflation adjusted financial statements of OK Zimbabwe Limited as at and for the six-month period ended 30 September 2021 and the audited financial statements as at and for the year ended 31 March 2022 were reviewed and audited by another auditor who expressed a qualified review conclusion and an unmodified audit opinion, respectively, on those consolidated inflation adjusted financial statements on 26 November 2021 and 20 June 2022, respectively. The qualified review conclusion was in respect of the non-compliance with IFRS 13, IAS 8 and the resulting impact on IAS 29 as noted above.

Other Information

The Directors are responsible for the other information included in the Reviewed Financial Results for the half year ended 30 September 2022. The other information comprises the Chairman's Statement and the financial information in the condensed consolidated inflation adjusted interim financial results titled "Unaudited Historical Cost" or "Unreviewed Historical Cost" but does not include the condensed consolidated inflation adjusted interim results.

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

In connection with our review of the condensed consolidated inflation adjusted interim results, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the condensed consolidated inflation adjusted interim results or our knowledge obtained in 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.

As described in the Basis for Qualified Conclusion section above, the Group has not restated the condensed consolidated inflation adjusted interim results, as required by IAS 8 to resolve the matters which resulted in the qualified review conclusion in the prior year relating to the non-compliance with IFRS 13 in respect of the Group's freehold land and buildings. In addition, we were unable to determine the appropriateness of inventory costing in accordance with IAS 2. We have, therefore, concluded that the other information could be misstated for the same reasons with respect to the financial information in the Chairman's statement and the financial information in the condensed consolidated inflation adjusted interim results titled "Unaudited Historical Cost" or "Unreviewed Historical Cost", affected by the failure to comply with the requirements of IFRS 13 and IAS 8 and IAS 2 and the consequential impact on IAS 29.

KPMG

Vinay Ramabhai
Chartered Accountant (Z)
Registered Auditor
PAAB Practicing Certificate Number 0569

21 December 2022

For and on behalf of, KPMG Chartered Accountants (Zimbabwe), Reporting Auditors

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