Willdale Limited

Quality • Durability • Diversity

ABRIDGED AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

TURNOVER
ZWL5.1 Billion (2021: ZWL4.7 Billion)

TURNOVER UP BY 9%

OPERATING (LOSS)/PROFIT
(ZWL356 million) 2021: ZWL958 million

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2022

Overview
The year under review was largely characterized by accelerated depreciation of the Zimbabwe dollar and high inflation. The exchange rate moved from ZWL86.1667 at the beginning of the financial year to ZWL621.8922 at the end, and this together with other factors, including the effects of the Ukraine/Russia war, drove up annual inflation which ended the year on 280% from 52% at the beginning. Monetary policy measures introduced towards the end of the year stabilized the exchange rate and inflation but incidentally resulted in liquidity shortages in the market which affected order intake. The fluid operating environment impacted on production and sales volumes during the year under review. Margins and overall profitability remained positive on the strength of a favourable product mix.

Financial Results
Inflation adjusted revenue for the year at ZWL5.1 billion, was 9% above prior year (2021: ZWL4.7 billion). Sales volumes declined by 9% compared to the prior year largely due to production challenges emanating from late April rains but a favourable product mix ensured a better average price and good margins. Operating loss was ZWL356 million (2021: profit ZWL958 million) after accounting for a total of ZWL710 million in depreciation of property, plant and equipment (2021: ZWL 428 million).

The revenue figure was affected by distortions in exchange rates. Other Income of (ZW 66 million) (2021: ZWL121 million income) was largely comprised of exchange losses. Land and buildings were revalued at the end of the year to reflect fair values in line with accounting policy. Net cash flows generated from operations amounted to ZWL 230 million (2021: ZWL 80 million). Capital expenditure for the year was ZWL100 million (2021: ZWL$131 million) and was all financed from internal resources.

Production
The late rains that were received in April and regular power outages during the year affected production resulting in a 3% drop in green output compared to the prior year. However, fired production was 4% up due to increased throughput from structured kilns. A new crushing plant, which will improve product quality, will be installed in the new year. Further investments in capital expenditure are planned for the coming year to improve productivity and efficiency of both fixed and mobile plant.

Sales and Marketing
Although total volumes declined by 9% compared to the prior year, the product mix was favourable and contributed positively to the average price. Housing and development of educational infrastructure were the main drivers of volumes and are expected to do so into the near future. Brand visibility initiatives buttressed by consistent quality and diversity of products ensured market dominance throughout the year under review.

Human Resources
The management of staff costs, faced with inflation driven increases in the cost of living, remained a critical performance indicator to facilitate delivery of positive results. Regular reviews of wages and salaries were undertaken guided by the relevant National Employment Council and the Board. It is gratifying to note that, despite the challenges in the operating environment, the industrial relations climate remains calm.

Directorate
I was appointed Chairman of the Board with effect from 19 May 2022. No other changes were made to the composition of the Board post the Annual General Meeting held on 7 April 2022.

Outlook
The stability in the exchange rate and inflation brought about by the monetary policy measures introduced towards the end of the financial year, if sustained, gives us confidence of a better operating environment for the ensuing year. Demand for bricks for housing development and various infrastructure projects remains high. A sustainable financing model for housing development will result in increased volumes and profitability and will contribute significantly towards housing delivery under NDS1. Provision of stable electricity supply will be critical to efficient production.

Going Concern
The Board is confident that the Company will continue to operate as a going concern for the foreseeable future and, as a result, continues to prepare financial statements using the going concern basis. The Board's view is based on current positive financial performance ratios, the successful implementation of its strategic plans, continued support from its stakeholders and other initiatives that are being undertaken to improve the Company's performance and minimize risks that the Company faces.

Dividend
The directors have resolved to pay a dividend of 0.0056 United States cents per share with respect to the financial year ended 30 September 2022. The dividend is payable to shareholders registered in the books of the Company at the close of business on 13 January 2022 and will be paid in United States dollars on or about 22 January 2022. The shares of the Company will be traded cum-dividend (with dividend) on the Zimbabwe Stock Exchange up to the market day on 10 January 2022 and ex-dividend as from 11 January 2022. Shareholders are advised to lodge their up to date banking details with First Transfer Secretaries, 1 Armagh Road, Eastlea, Harare.

Appreciation
On behalf of the Board and Shareholders, I wish to express my profound gratitude to our valued customers, suppliers and other stakeholders for their support during the year under review. I also wish to thank management and staff for excelling and producing another set of good results under difficult conditions. The Board and management are keen to exploit all opportunities presented in our growing economy and, with our stakeholders continued support, we are confident that we will make it. Merry Christmas and a happy and prosperous 2023 to all.

C MAKONI
Chairman
6 December 2022

ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED AUDITED	
	SEPTEMBER 2022 ZWL	SEPTEMBER 2021 ZWL
Revenue	**5,104,335,281**	**4,695,925,141**
Cost of sales	(4,097,931,755)	(2,992,141,490)
Gross profit	**1,006,403,526**	**1,703,783,651**
Selling and distribution expenses	(286,366,067)	(187,754,116)
Adminstrative expenses	(996,124,026)	(672,450,402)
Estimated credit loss	(14,014,289)	(7,056,790)
Other income	(66,620,963)	121,832,089
Operating (loss)/profit	**(356,721,819)**	**958,354,432**
Fair value gain on investment property	1,584,571,837	421,192,168
Interest income	5,426,618	781,936
Interest expense	(3,010,307)	(1,952,285)
Profit before monetary adjustment	**1,230,266,329**	**1,378,376,251**
Monetary gain/(loss)	4,134,306,775	(329,572,872)
Profit before tax	**5,364,573,104**	**1,048,801,379**
Income tax expense	(1,055,197,857)	(372,578,488)
Profit after tax	**4,309,375,247**	**676,222,891**
Other comprehensive income- not to be recycled to profit or loss in subsequent periods		
Fairvalue adjustment on investment at FVTOCI	653,117,976	4,582,198
Revaluation surplus	2,437,630,696	1,023,648,183
Tax thereon	(635,238,207)	(253,962,269)
Other comprehensive icome for the year	**2,455,510,465**	**774,268,112**
Total comprehensive income for the year	**6,764,885,712**	**1,450,491,003**
Basic earnings per share - cents	242.372	38.033
Headline earnings	242.453	37.921

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	INFLATION ADJUSTED	
	SEPTEMBER 2022 ZWL	SEPTEMBER 2021 ZWL
Assets		
Non current assets	**17,298,242,540**	**9,711,863,712**
Property, plant and equipment	12,609,935,772	7,294,219,487
Investments at fair value through (FVTOCI)	1,645,241,721	992,123,745
Investment property	3,010,092,317	1,425,520,480
Right-of-use asset	32,972,730	-
Current assets	**2,720,732,243**	**2,215,408,646**
Inventories	1,742,288,936	1,644,063,199
Trade and other receivables	842,755,447	415,495,030
Cash and cash equivalents	135,687,860	155,850,417
Total assets	**20,018,974,783**	**11,927,272,358**
Equity and liabilities		
Equity	**15,203,403,040**	**8,584,157,858**
Share capital	17,643,051	17,643,051
Asset revaluation reserve	4,925,373,915	3,090,325,527
Fair value of financial asset reserve	914,764,447	294,302,370
Accumulated profits	9,345,621,627	5,181,886,910
Non current liabilities	**3,213,655,995**	**2,187,584,365**
Deferred taxation	3,168,606,582	2,187,584,365
Lease liability	45,049,413	-
Current liabilities	**1,601,915,747**	**1,155,530,135**
Trade and other payables	1,480,052,743	917,408,803
Finance lease liability- current portion	11,262,353	-
Provisions	95,113,984	78,951,229
Borrowings	29,303,709	14,016,822
Current tax payable	(13,817,042)	145,153,281
Total liabilities	**4,815,571,743**	**3,343,114,500**
Total equity and liabilities	**20,018,974,783**	**11,927,272,358**

REVIEWED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2022

HYPERINFLATED	Share Capital ZWL	Assets Revaluation Reserve ZWL	Fair value Reserve of Financial Asset ZWL	Accumulated Profit ZWL	Total Equity ZWL
As at 1 October 2020	**17,643,051**	**2,319,723,175**	**29,0636,610**	**4,628,967,146**	**7,256,969,982**
Total comprehensive income	-	770,602,352	3,665,760	676,222,891	**1,450,491,003**
Dividend paid	-	-	-	(123,303,127)	**(123,303,127)**
As at 31 September 2021	**17,643,051**	**3,090,325,527**	**294,302,370**	**5,181,886,910**	**8,584,157,858**
Total comprehensive income	-	1,835,048,388	620,462,077	4,309,375,247	**6,764,885,712**
Dividend paid				(145,640,530)	**(145,640,530)**
As at 30 September 2022	**17,643,051**	**4,925,373,915**	**914,764,447**	**9,345,621,627**	**15,203,403,040**

ABRIDGED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2022

	INFLATION ADJUSTED	
	SEPTEMBER 2022 ZWL	SEPTEMBER 2021 ZWL
Profit before taxation	**5,364,573,104**	**1, 048,803,379**
Effects of IAS29 restatement	(4,332,378,168)	(137,263,176)
Fair value adjustment on investment property	(1,584,571,837)	(421,192,168)
Depreciation	710,492,644	428,323,751
ROU Ammortization	4,861,462	-
Increase in provision for rehabiltation	3,158,626	-
Profit on disposal of property, plant and equipment	1,466,607	1,993,292
Unrealised exchange gains	126,433,281	-
Interest expense	3,010,307	1,952,274
Interest income	(5,426,618)	(781,931)
Cashflow before changes in working capital	**291,599,408**	**921,833,420**
Working capital changes		
Increase in inventories	(98,225,737)	(476,082,343)
Increase in accounts receivable	(427,260,417)	(231,073,375)
Increase in other provisions	16,162,755	(61,610,750)
Increase in accounts payable	562,643,940	189,863,936
Cash generated from operating activities	**344,919,949**	**342,930,888**
Interest paid	(3,010,307)	(1,952,274)
Interest received	5,426,618	781,931
Income Tax paid	(117,400,690)	(261,790,233)
Net cash generated during the year	**229,935,571**	**79,970,312**
Investing activities		
Proceeds from sale of property, plant and equipment	7,354,553	1,993,292
Purchase of property, plant and equipment to increase existing capacity	(99,926,174)	(133,043,941)
Cashflow from investing activities	**(92,571,621)**	**(131,050,649)**
Financing activities		
Dividend paid	(145,640,530)	(123,303,127)
Cash payments for principal portion of lease liability	(11,885,977)	-
Net cash outflows from financing activities	**(157,526,507)**	**(123,303,127)**
Net increase in cash and cash equivalents	**(20,162,557)**	**(174,383,464)**
Cash and cash equivalents at beginning of the year	**155,850,417**	**330,233,881**
Cash & cash equivalents at end of the year	**135,687,860**	**155,850,417**

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Build to last with Willdale Bricks

Willdale Limited

Quality • Durability • Diversity

ABRIDGED AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022 (Cont'd)

TURNOVER
ZWL5.1 Billion (2021: ZWL4.7 Billion)

TURNOVER UP BY 9%

OPERATING (LOSS)/PROFIT
(ZWL356 million) 2021: ZWL958 million

SUPPLEMENTARY INFORMATION

1. **Corporate Information**
Willdale Limited is a company which is incorporated and domiciled in Zimbabwe and is listed on the Zimbabwe Stock Exchange. The Company's principal activity is the manufacture of clay bricks on a commercial basis.

2. **Accounting policies**
The accounting policies adopted are consistent with those of the previous financial year.

3. **Functional Currency**
The Financial Statements are presented in Zimbabwe dollars (ZWL), which is the company's functional and presentation currency. The current and prior year financial statements have been restated for changes in the general purchasing power of the ZWL.

4. **Basis of Preparation**
The financial statements have been prepared under the current cost basis as per the provisions of IAS 29 "Financial Reporting In Hyper-inflationary Economies. The local accounting regulatory board, Public Accountants and Auditors Board (PAAB) proclaimed all financial periods after 1 July 2019 to be reported under the hyper-inflation accounting basis. Effective date of applying IAS 29 was 1 October 2019.
Appropriate adjustments and reclassifications including restatement for changes in general purchasing power of the Zimbabwean dollar for the presentation in accordance with International Accounting Standard 29, "Financial Reporting in Hyperinflationary Economies" have been made on the historical cost financial information. IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at balance sheet date, and that comparative figures be stated in the same terms.The Inflation indices used to convert the financial statements have been obtained from the RBZ website.

	Index	Conversion Factor
CPI as at 30 September 2022	12,713.12	1.000
CPI as at 30 September 2021	3,342.02	3.804

5. **Statement of Compliance**
The financial statements from which these abridged results have been obtained, have not been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies and Other Businesses Entity Act due to non compliance with IAS 16, IFRS 13, IAS 21 ("The Effects of Changes in Foreign Exchange Rates"). Non compliance with IAS 21 was due to the use of multiple exchange rates during the period.

6. **Revaluation of Land and Buildings**
Land and buildings are revalued annually to ensure that their fair value does not differ materially from the carrying amount.

7. **Independent Auditors' Statement**
These financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2022 which have been audited by BDO Zimbabwe Chartered Accountants who have issued an adverse audit opinion thereon due to non complience with IAS 21 - The Effects of Changes in Foreign Exchange Rates and IFRS 13 - Fair Value Measurement. The auditor's report on these financial results is available for inspection at the Company's registered office. The engagement partner for the audit was Mr D. Madhigi, PAAB practice certificate number 0610.

DIRECTORS C. Makoni (Chairman), P.P. Chadoka, U. Duske,G. Machingambi,B. Mataruka, N. Matonda*, M. Munginga* (*Executive)

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF WILLDALE LIMITED
Report on the Audit of the Inflation Adjusted Financial Statements

Adverse Opinion
We have audited the inflation adjusted financial statements of **WILLDALE LIMITED** set out on pages XX to XX, which comprise the inflation adjusted statement of financial position as at 30 September 2022, inflation adjusted statement of profit or loss and other comprehensive income, inflation adjusted statement of changes in equity and inflation adjusted statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the basis for Adverse Opinion section of our report, the accompanying inflation adjusted financial statements do not present fairly the financial position of the company as at 30 September 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

a. **Non-compliance with International Financial Reporting Standard 13 - Fair Value Measurement**

i) The Company had an investment at fair value through other comprehensive income carried at ZWL 1,645,241,721 as at 30 September 2022. In prior and current periods, the Company engaged an external valuer to value the investment at fair value through other comprehensive income. The valuer valued the investment in United States dollars and the values were converted to ZWL using an internally determined exchange rate. This may not give a reasonable indication of fair value as defined by International Financial Reporting Standard 13 "Fair Value Measurement," (IFRS 13). IFRS 13 paragraph 2 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In the current environment, it is not likely that the ZWL price derived from translating the USD value at an internally determined exchange rate would be the price at which a ZWL denominated transaction would occur. Accordingly, we were unable to determine whether adjustments to the carrying amounts of investment at fair value through other comprehensive income were appropriate in these circumstances.

ii) The Company had property, plant and equipment and investment property at ZWL12,609,935,774 and ZWL3,010,092,318 respectively as at 30 September 2022. The Company engaged an external valuer to value property, plant and equipment and investment property. The valuer valued the assets in ZWL. The assumptions on capitalisation rates and rental rates applied were not supported by observable market data as rentals and market prices are not generally being quoted in ZWL. Consequently, we were unable to obtain sufficient appropriate evidence to support the appropriateness of the valuation in ZWL of property, plant and equipment and investment property and the resultant, fair value gains on investment properties and revaluation surplus.

b. **Noncompliance with IAS 21 - The Effects of Changes in Foreign Exchange Rates**
IAS 21 requires all foreign currency transactions to be recorded, on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. The Company did not use the spot exchange rates on the dates of the transactions to translate foreign currency denominated sales, expenses and property, plant, and equipment additions. The financial impact of the non-compliance with IAS 21 could not be quantified but it is material to the financial statements. Accordingly, we cannot express an opinion on revenue, expenses and property, plant and equipment.

Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements. Except for the matters described in the Basis for Adverse of Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other Information
The directors are responsible for other information. The other information comprise the Chairman's Statement, Director's Report, Corporate Governance report and Sustainability Report, which we obtained prior to the date of this report and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

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

Responsibilities of directors for the financial statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objective is to obtain reasonable assurance about whether the 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 International Auditing Standards (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 the financial statements.

As part of an audit in accordance with International Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatements of the 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 the internal controls.

- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of the 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 material uncertainty exists related to events or conditions that may cast significant doubt on the entity'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 audit report. However, future events or conditions may cause the company to cease or continue as a going concern.
- Evaluate the overall presentation, structure and content of financial statements, including the disclosures, and whether the 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 company to express an opinion on the financial statements. We are responsible for the directing, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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 the directors with a statement that we have complied with relevant ethical requirements regarding independence and 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 the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 legal and regulatory requirements
In our opinion, the financial statements have been prepared in compliance with the disclosure requirements of the Companies and Other Business Entities Act (Chapter 24:31).

The audit engagement partner on the audit resulting in this independent auditors report is Davison Madhigi (PAAB Practicing Number 0610).

BDO Zimbabwe

BDO Zimbabwe
Chartered Accountants

Davison Madhigi (CA(Z))
Partner

21 December 2022

Kudenga House
3 Baines Avenue
HARARE