



Reviewed Condensed Financial Results

for the half year ended 30 September 2023

Financial Highlights

	Inflation Adjusted	Historic Cost
Revenue	Increased by 60.38% to ZWL727.9 Billion	Increased by 473.46% to ZWL541.3 Billion
Operating Profit ¹	Increased by 121.66% to ZWL 64.2 Billion	Increased by 199.80% to ZWL 12.4 Billion
Basic Earnings Per Share	Increased by 51.08% to 1 618.02 ZWL cents	Decreased by 517.01% to -703.84 ZWL cents

Revenue

↑ **ZWL727.9bn**

Revenue for the half year grew by 60.38% to ZWL 727.9 billion from ZWL 453.8 billion in the comparative period. In historical cost terms, revenue grew by 473.46% to ZWL 541.3 billion from ZWL 94.4 billion.

Profit Before Tax

↑ **ZWL43.4bn**

Profit before tax for the period increased by 62.74% to ZWL 43.4 billion (2022: ZWL 26.7 billion) translating to a profit margin of 5.97%. In historical cost terms, loss before tax was ZWL 8.3 billion (2022-profit: ZWL 3.5 billion).

Chairman's Statement

Operating environment

On behalf of the Board of Directors, I am honored to present the OK Zimbabwe Limited Group (“the Group” or “the Company”) financial results for the half-year ended 30 September 2023 (“HY24”) to our esteemed shareholders. These results come at a time when the economy has suffered strong headwinds which were further compounded by the rapid exchange rate depreciation. The reporting period opened with the official Reserve Bank of Zimbabwe Auction Rate at ZWL 929.86 and closed at a rate of ZWL 5,466.74. This rapid depreciation of the local currency caused some sharp price increases which in turn resulted in consumers suffering depressed affordability. The continued mandatory use of the official exchange rate with a capped margin of 10% for formal retail caused significant loss of volumes to the informal sector which enjoyed more exchange rate flexibility. Consequently, the Group experienced weakening consumer demand during the first half, operating at volumes that were below expectation resulting in a volume decline of 22.6% compared to the same period last year. Suppliers resorted to shortened trading terms as they sort to hedge against exchange rate movement induced losses which resulted in high incidences of stock outs.

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 results to enhance comprehension and analysis.

Revenue for the half year grew by 60.38% to ZWL 727.9 billion from ZWL 453.8 billion in the comparative period. In historical cost terms, revenue grew by 473.46% to ZWL 541.3 billion from ZWL 94.4 billion.

As a consequence of the exchange rate deterioration, the cost of doing business continued to increase to unsustainable levels. In historical cost terms, operating costs increased by 886.83% mainly driven by utilities and backup power expenses, transport and delivery, maintenance expenses and labour costs.

Profit before tax for the period increased by 62.74% to ZWL 43.4 billion (2022: ZWL 26.7 billion) translating to a profit margin of 5.97%. In historical cost terms, loss before tax was ZWL 8.3 billion (2022-profit: ZWL 3.5 billion). The Group incurred significant exchange losses on its foreign denominated liabilities and leases amounting to ZWL 32.4 billion which negatively impacted on profitability. Post the reporting period, the Group began the process of liquidating foreign currency denominated liabilities and renegotiating foreign currency based leases to reduce the impact of exchange losses going forward.

Profit after tax was ZWL 21.2 billion (2022: ZWL 13.9 billion) whilst in historical cost terms, the net loss was ZWL 9.2 billion (2022-profit: ZWL 2.2 billion)

The Group utilised credit facilities to fund its strategic growth initiatives in accordance with its medium to short-term growth plans and this resulted in the net finance charges increasing by 63.86%.

Capital expenditure for the half year grew to ZWL 16.8 billion (2022: ZWL 7.4 billion). Most of the capital expenditure was channelled towards the new Bon Marché Marondera store and a number of new Alowell Pharmacy outlets that are now fully operational instore at selected branches.

Directors

During the period under review, Mr Simon Masanga retired from the Board of Directors. I take this opportunity on behalf of the Board of Directors to thank Mr Masanga for his invaluable contribution to the company and wish him well in his future endeavours.

Sustainability

Sustainability remains at the core of the Group's Corporate Strategy with emphasis on Environmental, Social and Governance (ESG) priorities, including addressing climate change, managing natural resources, waste reduction, and supporting sustainable farmer livelihoods. We have intensified our efforts regarding preservation of the natural environment, reducing waste, and reducing our carbon footprint. Although climate change and other environmental topics remain a priority, this is not to the exclusion of societal factors. Providing a safe and supportive working environment, access to learning and development opportunities, and encouraging diversity and inclusion at all levels received attention and focus during the reporting period.

Dividend

No dividend has been declared for the half-year ended 30 September 2023.

Outlook

We welcome the Monetary Policy Committee recommendation to remove the 10% margin cap on the instore exchange rate and the removal of IMT tax on card transactions for our customers. These measures will go a long way to remove the price distortions brought about by the uneven exchange rate disparities and this should result in lower prices for the consumers. However, we await the regulatory provisions that will give legal effect to the recommendations.

Management has put in place a comprehensive business and volume recovery plan whose short and medium term objectives are to restore the business to sustainable growth and profitability.

The Group has implemented cost optimisation initiatives across the operations, streamlining processes, renegotiating supplier contracts and implementing efficiency measures to reduce overheads.



Herbet Nkala
Board Chairman
14 December 2023

Reviewed Condensed Consolidated Statement of Profit or Loss and other Comprehensive income

for the half year ended 30 September

		Inflation Adjusted		Historical*	
	Notes	Reviewed Sept 2023 ZWL 000	Reviewed Sept 2022 ZWL 000	Unreviewed Sept 2023 ZWL 000	Unreviewed Sept 2022 ZWL 000
Revenue	4	727,873,698	453,844,974	541,288,732	94,389,982
Changes in trade inventories	12.1	(36,581,298)	(21,256,885)	(107,269,612)	(18,100,810)
Merchandise and consumables used		(568,771,996)	(392,072,515)	(266,122,726)	(55,606,282)
Other income	5.1	10,950,551	2,797,736	9,328,569	436,677
Employee benefits expense		(82,416,494)	(31,249,483)	(53,786,008)	(6,658,587)
Depreciation and amortisation		(14,751,399)	(11,900,375)	(5,572,162)	(735,408)
Share-based payments expense		(729,425)	(148,274)	(683,899)	(31,100)
Exchange losses	5.2	(32,458,608)	(385,656)	(31,713,458)	(60,194)
Other expenses	5	(104,294,319)	(38,441,816)	(84,269,241)	(8,217,836)
Finance income		5,314	8,502	3,472	1,445
Finance costs		(12,789,720)	(7,810,365)	(9,550,354)	(1,869,640)
Net monetary gain		157,385,880	73,296,033	—	—
Profit/(loss) before tax		43,422,184	26,681,876	(8,346,687)	3,548,247
Income tax expense	8	(22,195,665)	(12,747,258)	(886,869)	(1,352,151)
Profit/(loss) for the period		21,226,519	13,934,618	(9,233,556)	2,196,096
Other comprehensive income (OCI)					
Items that will not be reclassified subsequently to profit or loss:					
Fair value gain on property	10	67,997,801	8,029,763	129,774,839	14,045,646
Fair value gain on financial instruments at FVTOCI		7,605	(37,104)	40,758	—
Income tax relating to items that will not be reclassified subsequently to profit or loss		(12,429,381)	(1,980,538)	(24,070,890)	(2,877,987)
Other comprehensive income for the period net of tax		55,576,025	6,012,121	105,744,707	11,167,659
Total comprehensive income for the period		76,802,544	19,946,739	96,511,151	13,363,755
Profit/(loss) for the period attributable to:					
Owners of the company		21,235,444	13,934,618	(9,156,324)	2,196,096
Non-controlling interests		(8,925)	—	(77,232)	—
		21,226,519	13,934,618	(9,233,556)	2,196,096

¹ Operating Income = Profit before tax excluding finance income, finance expense and exchange loss on financing activities.



Reviewed Condensed Consolidated Statement of Profit or Loss and other Comprehensive income (continued)

for the half year ended 30 September

	Inflation Adjusted		Historical*	
	Reviewed Sept 2023 ZWL 000	Reviewed Sept 2022 ZWL 000	Unreviewed Sept 2023 ZWL 000	Unreviewed Sept 2022 ZWL 000
Total comprehensive income for the period:				
Owners of the company	76,811,469	19,946,739	96,588,383	13,363,755
Non-controlling interests	(8,925)	—	(77,232)	—
	76,802,544	19,946,739	96,511,151	13,363,755
Weighted average number of ordinary shares in issue	1,311,886,292	1,301,135,699	1,311,886,292	1,301,135,699
Share performance: ZWL cents				
■ basic earnings/(loss) per share	1,618.02	1,071.00	(703.84)	168.78
■ headline earnings/(loss) per share	1,618.08	1,079.00	(703.85)	167.47
■ diluted earnings/(loss) per share	1,552.07	1,024.00	(703.84)	161.35
■ diluted headline earnings/(loss) per share	1,552.13	1,034.83	(703.85)	160.59

HISTORICAL REPORTING*

The historical financial disclosure is shown as complementary 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 for Hyperinflationary Economies. As a result, the auditors have not issued a review conclusion on the historic financial information.

Reviewed Condensed Consolidated Statement of Financial Position

As at:

		Inflation Adjusted		Historical*	
	Notes	Reviewed Sept 2023 ZWL 000	Audited Mar 2023 ZWL 000	Unreviewed Sept 2023 ZWL 000	Unaudited Mar 2023 ZWL 000
Assets					
Non-Current Assets					
	10	271,696,387	190,782,527	177,801,418	36,847,903
		55,788	48,183	55,788	15,030
		3	10	3	3
		10,356,035	10,356,035	3,126,335	3,126,335
	15	124,909,545	74,123,384	60,693,239	12,522,871
		865,596	913,274	183,379	193,480
Total non-current assets		407,883,354	276,223,413	241,860,162	52,705,622
Current Assets					
	12	147,601,767	110,343,591	142,966,261	34,249,863
		450,540	4,529,611	450,540	1,412,943
	14	13,194,109	26,126,891	12,502,634	5,915,086
		—	138,468	—	43,193
		27,479	132,207	27,479	41,240
		31,499,519	10,010,911	31,499,519	3,122,751
Total current assets		192,773,414	151,281,679	187,446,433	44,785,076
Total assets		600,656,768	427,505,092	429,306,595	97,490,698
Equity and Liabilities					
Capital and Reserves					
		73,140	73,140	131	131
		24,207,163	24,025,999	372,575	197,474
		1,870,496	1,696,669	333,274	160,341
		26,687	19,196	54,952	14,805
	10.1	112,042,119	56,473,699	128,877,943	23,173,383
		5,903,469	5,903,469	9,820	9,820
		123,291,045	102,064,526	(2,929,235)	6,227,089
		267,414,119	190,256,698	126,719,460	29,783,043
Non-controlling interests		(13,278)	(4,353)	(79,130)	(1,898)
Shareholders' equity		267,400,841	190,252,345	126,640,330	29,781,145
Non-Current Liabilities					
	17	49,130,007	25,262,312	18,540,345	1,582,371
	13.2	9,186,528	7,735,772	9,186,528	2,413,056
	16	54,008,602	36,852,143	54,008,602	11,495,464
		112,325,137	69,850,227	81,735,475	15,490,891

Reviewed Condensed Consolidated Statement of Financial Position (continued)

As at:

		Inflation Adjusted		Historical*	
	Notes	Reviewed Sept 2023 ZWL 000	Audited Mar 2023 ZWL 000	Unreviewed Sept 2023 ZWL 000	Unaudited Mar 2023 ZWL 000
Current Liabilities					
Trade and other payables	11	184,942,867	135,258,648	184,942,867	42,191,872
Provisions		7,406,850	4,032,158	7,406,850	1,257,770
Short term lease liability	16	10,972,568	7,285,203	10,972,568	2,272,508
Borrowings	13.1	10,453,650	20,159,650	10,453,650	6,288,495
Current tax liabilities		7,154,855	666,861	7,154,855	208,017
Total current liabilities		220,930,790	167,402,520	220,930,790	52,218,662
Total liabilities		333,255,927	237,252,747	302,666,265	67,709,553
Total equity and liabilities		600,656,768	427,505,092	429,306,595	97,490,698

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Reviewed Condensed Consolidated Statement of Cash Flows

for the half year ended 30 September

		Inflation Adjusted		Historical*	
	Notes	Reviewed Sept 2023 ZWL 000	Reviewed Sept 2022 ZWL 000	Unreviewed Sept 2023 ZWL 000	Unreviewed Sept 2022 ZWL 000
Cash retained from operating activities:-					
Cash generated from trading#	9	60,371,967	26,881,631	39,169,554	6,226,118
Working capital changes	9.2	15,564,925	(7,899,560)	20,724,131	(2,887,734)
Cash generated from operations		75,936,892	18,982,071	59,893,685	3,338,384
Finance income		5,314	8,502	3,472	1,445
Finance cost		(12,789,720)	(7,810,366)	(9,550,354)	(1,869,640)
Tax paid		(4,130,889)	(5,490,587)	(1,009,754)	(823,809)
Net cash generated from operating activities		59,021,597	5,689,620	49,337,049	646,380
Cash flows from investment activities					
Investments to maintain operations:					
Replacement of property and equipment		(2,717,201)	(2,865,503)	(1,952,107)	(683,552)
Proceeds from disposal of property and equipment		820	77,435	160	19,984
		(2,716,381)	(2,788,068)	(1,951,947)	(663,568)
Investment to expand operations:					
Additions to property and equipment		(14,085,154)	(4,602,264)	(10,119,136)	(1,097,848)
Increase in intangible assets		—	(38,828)	—	(5,779)
		(14,085,154)	(4,641,092)	(10,119,136)	(1,103,627)
Net cash used in investing activities		(16,801,535)	(7,429,160)	(12,071,083)	(1,767,195)
Cash flows from financing activities					
Dividend paid		—	(4,980,307)	—	(969,719)
Proceeds from share options exercised		—	230,348	—	50,387
Increase/(Decrease) in short-term loans receivables		104,728	40,875	13,761	(34,811)
Repayment of lease liability	9.1	(4,658,513)	(1,312,130)	(3,899,513)	(304,872)
Proceeds from borrowings	13.3	188,632	30,116,642	117,462	8,046,517
Repayment of borrowings	13.3	(18,468,383)	(22,075,620)	(7,968,140)	(4,109,059)
Net cash (utilised in) / generated from financing activities		(22,833,536)	2,019,808	(11,736,430)	2,678,443
Net increase in cash and cash equivalents		19,386,526	280,268	25,529,536	1,557,628
Cash and cash equivalents at the beginning of the period		10,010,911	6,795,064	3,122,751	723,479
Exchange gains on foreign cash balances#		2,102,082	3,927,060	2,847,232	846,635
Cash and cash equivalents at the end of the period		31,499,519	11,002,392	31,499,519	3,127,742

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Comparative restated to present impact of exchange gains or losses on foreign cash balances that were presented under cash generated from trading in prior year and have correctly been presented in 2023.





Reviewed Condensed Consolidated Statement of Changes in Shareholder's Equity
for the half year ended 30 September

	Share capital ZWL 000	Share premium ZWL 000	Share based payments reserve ZWL 000	Market-to Market reserve ZWL 000	Revaluation reserve ZWL 000	Non-distributable reserve ZWL 000	Retained Earnings ZWL 000	Total ZWL 000	Non-Controlling interests ZWL 000	Total Equity ZWL 000
Inflation Adjusted										
Balance at 1 April 2021	73,203	24,232,003	1,203,434	30,139	32,329,267	5,909,210	95,124,503	158,901,759	—	158,901,759
Profit for the year	—	—	—	—	—	—	13,934,618	13,934,618	—	13,934,618
Other comprehensive income, net of tax	—	—	—	(36,549)	6,048,668	—	—	6,012,119	—	6,012,119
Total	73,203	24,232,003	1,203,434	(6,410)	38,377,935	5,909,210	109,059,121	178,848,496	—	178,848,496
Transactions with owners:										
Contributions and distributions										
Share options exercised	11	230,338	148,274	—	—	—	—	378,623	—	378,623
Dividends	—	—	—	—	—	—	(4,980,307)	(4,980,307)	—	(4,980,307)
Total transactions with owners	11	230,338	148,274	—	—	—	(4,980,307)	(4,601,684)	—	(4,601,684)
Balance at 30 September 2022	73,214	24,462,341	1,351,708	(6,410)	38,377,935	5,909,210	104,078,814	174,246,812	—	174,246,812
Balance at 1 April 2023	73,140	24,025,999	1,696,669	19,196	56,473,699	5,903,469	102,064,526	190,256,698	(4,353)	190,252,345
Profit for the year	—	—	—	—	—	—	21,226,519	21,226,519	(8,925)	21,217,594
Other comprehensive income, net of tax	—	—	—	7,491	55,568,420	—	—	55,575,911	—	55,575,911
Total	73,140	24,025,999	1,696,669	26,687	112,042,119	5,903,469	123,291,045	267,059,128	(13,278)	267,045,850
Transactions with owners:										
Contributions and distributions										
Share options exercised	—	181,164	173,827	—	—	—	—	354,991	—	354,991
Dividends	—	—	—	—	—	—	—	—	—	—
Total transactions with owners	—	181,164	173,827	—	—	—	—	354,991	—	354,991
Balance at 30 September 2023	73,140	24,207,163	1,870,496	26,687	112,042,119	5,903,469	123,291,045	267,414,119	(13,278)	267,400,841

	Share capital ZWL 000	Share premium ZWL 000	Share based payments reserve ZWL 000	Market-to Market reserve ZWL 000	Revaluation reserve ZWL 000	Non-distributable reserve ZWL 000	Retained Earnings ZWL 000	Total ZWL 000	Non-Controlling interests ZWL 000	Total Equity ZWL 000
Historical*										
Balance at 1 April 2022	129	269,514	24,842	6,222	5,432,837	9,820	3,563,416	9,306,780	—	9,306,780
Profit for the year	—	—	—	—	—	—	2,196,096	2,196,096	—	2,196,096
Other comprehensive income, net of tax	—	—	—	—	11,167,659	—	—	11,167,659	—	11,167,659
Total	129	269,514	24,842	6,222	16,600,496	9,820	5,759,512	22,670,535	—	22,670,535
Transactions with owners:										
Contributions and distributions										
Share options exercised	2	50,385	31,099	—	—	—	—	81,486	—	81,486
Dividends	—	—	—	—	—	—	(969,719)	(969,719)	—	(969,719)
Total transactions with owners	2	50,385	31,099	—	—	—	(969,719)	(888,233)	—	(888,233)
Balance at 30 September 2022	131	319,899	55,941	6,222	16,600,496	9,820	4,789,793	21,782,302	—	21,782,302
Balance at 1 April 2023	131	197,474	160,341	14,805	23,173,383	9,820	6,227,089	29,783,043	(1,898)	29,781,145
Profit for the year	—	—	—	—	—	—	(9,156,324)	(9,156,324)	(77,232)	(9,233,556)
Other comprehensive income, net of tax	—	—	—	40,147	105,704,560	—	—	105,744,707	—	105,744,707
Total	131	197,474	160,341	54,952	128,877,943	9,820	(2,929,235)	126,371,426	(79,130)	126,292,296
Transactions with owners:										
Contributions and distributions										
Share options exercised	—	175,101	172,933	—	—	—	—	348,034	—	348,034
Dividends	—	—	—	—	—	—	—	—	—	—
Total contributions and distributions	—	175,101	172,933	—	—	—	—	348,034	—	348,034
Balance at 30 September 2023	131	372,575	333,274	54,952	128,877,943	9,820	(2,929,235)	126,719,460	(79,130)	126,640,330

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Presentation of the Statement of Changes in Equity has changed from the comparative half year period to show reconciliations between opening balances and closing balances for each component of equity. The change in presentation has no impact on the overall reported figures.

Notes to the Reviewed Condensed Consolidated Financial Statements
for the half year ended 30 September

1. General Information

The Group is a leading supermarket retailer whose business is in retail and hypermarket formats; supplying food and liquor, housewares and household goods, building material and pharmaceutical goods. At the reporting date, the Group was operating from sixty-four retail and eight hypermarket stores countrywide and had five subsidiaries.

The Group's parent company OK Zimbabwe Limited is a registered limited liability entity incorporated in Zimbabwe under the Companies and Other Business Entities Act ("COBE") Chapter 24:31, listed on the Zimbabwe Stock Exchange (ZSE) with its registered office at OK House, 7 Ramon Road, Graniteside, P.O. Box 3081, Harare, Zimbabwe.

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 Hyperinflation

The historical amounts were restated at the end of the reporting period to reflect the general change in purchasing power of the reporting currency (ZWL). Professional 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 up to January 2023. The conversion factors used to restate the financial results are as follows:

2. Basis of Preparation (continued)

2.1 Hyperinflation (continued)

	Indices	Movement	Conversion Factor
CPI as at 30 September 2023	44,720.69	30,770.79	1.00
CPI as at 31 March 2023	13,949.94	1,236.80	3.21
CPI as at 30 September 2022	12,713.12	7,947.00	3.52
CPI as at 31 March 2022	4,766.10	2,006.30	9.38

In-store exchange rate USD: ZWL-

30 September 2023	6,013.00		
31 March 2023	1,022.00		
30 September 2022	684.00		

Estimated Consumer Price Indices (CPI)

In a move by the Government to address inflation, Zimbabwe adopted blended inflation as its official inflation statistic through Statutory Instrument (SI) 27 of 2023. Following the announcement, ZIMSTAT has not been publishing ZWL consumer price indices from and including February 2023.

The adoption of the blended CPI statistics was deemed not appropriate for financial reporting purposes as the business' financial statements were prepared in Zimbabwean dollars, which is the functional currency. IAS 29 par 17 permits the use of an estimate-based price index in circumstances where the rate is not available. In the absence of the official ZWL CPI indexes, the business opted to use the Total Consumption Poverty Line to estimate the unavailable CPIs as recommended by The Institute of Chartered Accountants Zimbabwe (ICAZ) given its very strong correlation with inflation.



Notes to the Reviewed Condensed Consolidated Financial Statements (continued)
for the half year ended 30 September

2. Basis of Preparation (continued)

2.1 Hyperinflation (continued)

CPI Sensitivity analysis

In deciding on which ZWL inflation indices to use in the preparation of Hyperinflation accounts, the Group took into consideration a number of different approaches. The methods used aligned with the requirements of the Financial Reporting in Hyperinflationary Economies (IAS 29) International Accounting Standard. The group took into account both the movement in TCPL, trend analysis and the changes in exchange rates in establishing the indices. The following analysis aims to show how sensitive the indices used to prepare hyperinflation accounts are to indices created using alternative methods.

Trend analysis

This approach considered the movement of CPI in prior months to determine a trend.

Interbank exchange rate movement

This approach considered the movement in interbank exchange rate as the basis.

Internal exchange rate movement

This approach considered the movement in In-store exchange rate as the basis.

Total Consumption Poverty Line (TCPL)

This method used the movement in TCPL published by ZIMSTATS as the basis to estimate CPI. Management considered this approach to be the most appropriate in determining the CPI for the period.

The table below highlights the sensitivity analysis that was performed to determine the possible change in the CPI if the other three approaches were adopted.

	Poverty Datum Line movement*	Trend Analysis	Impact on the conversion factor**	Interbank exchange rate movement	Impact on the conversion factor***	Internal exchange rate movement	Impact on the conversion factor****
CPI as at 30 September 2023	44,720.70	15,902.70	-64.40%	72,393.30	61.90%	72,932.10	63.10%
Average CPI for the 6 months to 30 September 2023	34,239.00	15,251.80	-55.50%	58,272.70	70.20%	59,020.50	72.40%

- * To estimate the Index, the Group decided to use the TCPL movement.
- ** Estimated Impact of a change in the conversion factor had the Index been based on trend analysis instead of the TCPL
- *** Estimated Impact of a change in the conversion factor had the Index been based on the interbank exchange rate instead of the TCPL
- **** Estimated Impact of a change in the conversion factor had the Index been based on the internal exchange rate instead of the TCPL

2.2 Currency of reporting

The financial statements are presented in Zimbabwe dollars (ZWL), which is the functional currency of the Company. 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.

2.4 Standards issued but not yet effective

IAS21 amendments are effective for financial periods commencing on or after 1 January 2025 and can be early adopted. The Group has opted not to early adopt and the amendments are expected to have no significant impact at half year period.

3. Statement of Accounting Policy

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

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023 ZWL 000	Reviewed 30 Sept 2022 ZWL 000	Unreviewed 30 Sept 2023 ZWL 000	Unreviewed 30 Sept 2022 ZWL 000
4. Revenue				
Retail	564,165,368	345,771,824	422,044,043	71,913,094
Hypermarket	163,708,330	108,073,150	119,244,689	22,476,888
	727,873,698	453,844,974	541,288,732	94,389,982

During the year, the Group earned revenue from sale of merchandise through its retail and hypermarket stores as shown above.

Notes to the Reviewed Condensed Consolidated Financial Statements (continued)
for the half year ended 30 September

5. Profit/(loss) Before Tax

Profit before income tax takes into account the following:

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023 ZWL 000	Reviewed 30 Sept 2022 ZWL 000	Unreviewed 30 Sept 2023 ZWL 000	Unreviewed 30 Sept 2022 ZWL 000
Other expenses				
Utilities and backup power expenses	29,952,691	5,931,015	24,201,611	1,267,893
Marketing and promotional expenses	12,224,116	7,670,203	9,877,019	1,639,685
Maintenance expenses	9,875,864	3,382,835	7,979,644	723,160
Property operating costs	9,862,886	5,440,229	7,969,158	1,162,976
Cleaning expenses	7,538,751	3,144,686	6,091,270	672,250
Security expenses	6,886,467	3,006,633	5,564,228	642,738
Transport and motor vehicle	6,483,731	2,064,733	5,238,819	441,385
Retirement benefit costs	4,342,133	1,368,173	2,833,729	291,528
Consultancy fees	3,708,833	652,635	2,996,717	139,516
Distribution expenses	3,016,931	1,294,408	2,437,664	276,710
Licences Expenses	2,663,977	1,125,828	2,152,479	240,672
Stock-taking expenses	1,727,736	528,293	1,396,001	112,935
Current year audit fees	1,393,540	275,783	1,125,973	58,955
Bank Charges	1,212,829	614,132	979,959	131,285
Insurance expenses	1,061,615	799,169	857,779	170,841
Profit/(loss) on sale of Property and equipment	822	106,769	(160)	(17,026)
Other	2,341,397	1,036,292	2,567,351	262,333
	104,294,319	38,441,816	84,269,241	8,217,836

5.1 Other Income

Lease and sub-lease income	918,988	666,085	710,920	103,964
Commission income	10,031,563	2,131,651	8,617,649	332,713
	10,950,551	2,797,736	9,328,569	436,677

Due to the nature of the Group's diversified operations, other income include several line items which are categorised into Lease and sub-lease income and Commission income.

5.2 Exchange losses

The current period exchange losses were driven by United States Dollar denominated loans (exchange loss: ZWL 18.8 billion), leases (exchange loss: ZWL 2.3 billion), trade payables (exchange loss: ZWL 15.2 billion) and are net of exchange gains (ZWL 3.8 billion) .

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023 ZWL 000	Reviewed Sept 2022 ZWL 000	Unreviewed 30 Sept 2023 ZWL 000	Reviewed Mar 2022 ZWL 000
6. Capital expenditure	16,802,355	7,467,767	12,071,243	1,781,400

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023 ZWL 000	Reviewed 30 Sept 2022 ZWL 000	Unreviewed 30 Sept 2023 ZWL 000	Unreviewed 30 Sept 2022 ZWL 000
7. Capital commitments				
Authorised but not contracted for	155,700,429	87,114,506	155,700,429	24,764,761
8. Tax expense				
Current income tax	10,757,351	7,012,768	7,999,785	1,458,505
Standard	10,444,030	6,808,514	7,766,782	1,416,024
Aids levy	313,321	204,254	233,003	42,481
Deferred tax movement	11,438,314	5,734,490	(7,112,916)	(106,354)
	22,195,665	12,747,258	886,869	1,352,151

Effective tax rate for the half year increased from 48% to 51%, driven by the increase in deferred tax on right of use assets and plant and equipment. The significant movements in the exchange rates for the half year resulted in higher inflation adjusted movements for the assets, as seen per the current net monetary gain of ZWL 157 billion.

In addition, Intermediated Monetary Transfer Tax (IMTT) increased from ZWL 7.4 billion to ZWL 9.7 billion, which is not tax deductible.

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023 ZWL 000	Reviewed 30 Sept 2022 ZWL 000	Unreviewed 30 Sept 2023 ZWL 000	Unreviewed 30 Sept 2022 ZWL 000
9. Cash generated from trading				
Profit/(loss) before tax	43,422,184	26,681,876	(8,346,687)	3,548,247
Adjusted for:				
Finance costs	12,789,720	7,810,365	9,550,354	1,869,640
Depreciation and amortisation	14,751,399	11,900,375	5,572,162	735,408
Exchange Losses	32,458,608	385,656	31,713,458	60,194
Share based payments expense	729,425	148,274	683,899	31,100
Interest income	(5,314)	(8,502)	(3,472)	(1,445)
Profit on sale of property, plant and equipment	822	106,769	(160)	(17,026)
Impact of inflation on cash flows	(43,774,877)	(20,143,182)	—	—
Cash generated from trading	60,371,967	26,881,631	39,169,554	6,226,118
9.1 Repayment of lease liability				
Gross Payments	(11,278,638)	(3,217,119)	(9,264,396)	(717,351)
Interest on Lease liability	6,620,125	1,904,989	5,364,883	412,479
Net Lease payments	(4,658,513)	(1,312,130)	(3,899,513)	(304,872)



Notes to the Reviewed Condensed Consolidated Financial Statements (continued)
for the half year ended 30 September

	Inflation Adjusted		Historical	
	Reviewed 2023	Reviewed 2022	Reviewed 2023	Reviewed 2022
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
9. Cash generated from trading (continued)				
9.2 Working capital changes				
Increase in inventories	(37,258,176)	(20,679,878)	(108,716,398)	(18,226,316)
Decrease/(Increase) in trade and other receivables	4,079,071	(4,459,532)	962,403	(1,582,098)
Decrease/(Increase) in prepaid expenses and merchandising supplies	13,248,882	(12,668,080)	(6,271,448)	(4,207,447)
Increase in trade and other payables	35,495,148	29,907,930	134,749,574	21,128,127
	15,564,925	(7,899,560)	20,724,131	(2,887,734)

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023	Audited 31 Mar 2023	Unreviewed 30 Sept 2023	Unaudited 31 Mar 2023
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
10. Property and equipment movement in net book amount for the year:				
At the beginning of the period	190,782,527	153,598,450	36,847,903	10,089,876
Capital expenditure	16,802,354	19,696,157	12,071,243	5,461,307
Acquisition through business combinations	—	2,169,251	—	670,346
Revaluation	67,997,801	28,002,751	129,774,839	21,546,318
Disposals	(1)	(206,870)	—	(5,332)
Depreciation	(3,886,294)	(12,477,212)	(892,567)	(914,612)
At the end of the period	271,696,387	190,782,527	177,801,418	36,847,903
Freehold property				
Revalued amount	157,860,000	91,233,823	157,860,000	28,459,000
Accumulated depreciation	—	—	—	—
	157,860,000	91,233,823	157,860,000	28,459,000
Leasehold improvements				
Cost	19,569,739	17,939,855	2,524,774	929,696
Accumulated depreciation	(5,947,156)	(5,634,254)	(81,229)	(49,035)
	13,622,583	12,305,601	2,443,545	880,661
Property and equipment				
Cost	99,476,970	93,717,214	9,528,517	3,910,545
Accumulated depreciation	(51,385,300)	(49,190,309)	(835,848)	(518,110)
	48,091,670	44,526,905	8,692,669	3,392,435
Vehicles				
Cost	13,402,534	11,003,321	2,577,850	696,920
Accumulated depreciation	(4,626,307)	(4,724,580)	(182,975)	(101,253)
	8,776,227	6,278,741	2,394,875	595,667
Work in progress	43,345,907	36,437,457	6,410,329	3,520,140
Total Property and equipment	271,696,387	190,782,527	177,801,418	36,847,903
10.1. Revaluation reserve				
At the beginning of the period	56,473,699	32,297,867	23,173,383	5,432,837
Comprehensive income for the period	55,568,420	24,175,832	105,704,560	17,740,546
	112,042,119	56,473,699	128,877,943	23,173,383

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 gain on property for the period was ZWL 68 billion. 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 2023

The significant unobservable inputs in the valuation of residential and undeveloped land were the rental rates per square metre ZWL 160,783 (March 2023 - ZWL 29,451.35) and price per square metre for land ZWL 597,937 (March 2023 - ZWL 108,485.68) and for commercial properties were the percentage yield in market rentals 10.8% (March 2023 - 10.8%).

The fair value measurements of the Group's freehold land and buildings were performed by Dawn Properties Consultancy Limited, independent valuers not related to the Group, as at 30 September 2023.

Inter-relationship between key unobservable inputs and fair value measurement.

The estimated fair value would increase/(decrease) if:

- the estimated yield in market rentals were higher/(lower).
- the estimated rental rates per square metre were higher/(lower)
- the estimated price per square metre for land was higher/(lower)

Notes to the Reviewed Condensed Consolidated Financial Statements (continued)
for the half year ended 30 September

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023	Audited 31 Mar 2023	Unreviewed 30 Sept 2023	Unaudited 31 Mar 2023
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
11. Trade and other payables				
Trade payables	167,422,757	129,953,571	167,422,757	40,537,034
Accruals and other payables	17,520,110	5,305,077	17,520,110	1,654,838
	184,942,867	135,258,648	184,942,867	42,191,872

Trade payables increase was mainly driven by increase in stock holding. In addition increase also included impact of foreign currency fluctuation, (ZWL 15.2 billion).

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023	Audited 31 Mar 2023	Unreviewed 30 Sept 2023	Unaudited 31 Mar 2023
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
12. Inventories				
Consumables	1,842,231	1,165,353	1,791,904	345,118
Merchandise	145,759,536	109,178,238	141,174,357	33,904,745
	147,601,767	110,343,591	142,966,261	34,249,863

	Reviewed 30 Sept 2023	Reviewed 30 Sept 2022	Unreviewed 30 Sept 2023	Unreviewed 30 Sept 2022
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
12.1 Changes in trade inventories				
Opening Merchandise Stock	109,178,238	75,397,801	33,904,745	7,884,252
Closing Merchandise Stock	145,759,536	96,654,686	141,174,357	25,985,062
	36,581,298	21,256,885	107,269,612	18,100,810

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.

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023	Reviewed 31 Mar 2023	Unreviewed 30 Sept 2023	Unaudited 31 Mar 2023
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
13. Borrowings				
13.1 Short-term borrowings				
Unsecured interest bearing loans	10,021,667	5,460,543	10,021,667	1,703,333
Bank overdraft	431,983	14,699,107	431,983	4,585,162
	10,453,650	20,159,650	10,453,650	6,288,495
13.2 Long-term borrowings				
Unsecured interest bearing loans due in over a year	9,186,528	7,735,772	9,186,528	2,413,056

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023	Reviewed 30 Sept 2022	Unreviewed 30 Sept 2023	Unreviewed 30 Sept 2022
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
13.3 Total Borrowings				
At the beginning of the period	27,895,422	16,097,903	8,701,551	1,713,964
Proceeds	188,632	30,116,642	117,462	8,046,517)
Repayments	(18,468,383)	(22,075,620)	(7,968,140)	(4,109,059)
Foreign exchange losses	18,789,308	1,530,191	18,789,305	435,000
Impact of inflation	(8,764,801)	(3,629,015)	—	—
At the end of the period	19,640,178	22,040,101	19,640,178	6,086,422
14. Prepayments				
Prepayments	13,194,109	26,126,891	12,502,634	5,915,086
	13,194,109	26,126,891	12,502,634	5,915,086

Subsequent to March 2023, the Group received imported merchandise and capital equipment that had been pre-paid for, which caused the balance to decrease.

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023	Audited 31 Mar 2023	Unreviewed 30 Sept 2023	Unaudited 31 Mar 2023
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
15. Right of Use Asset				
At the beginning of the period	74,123,384	45,370,048	12,522,870	1,989,891
Cost	94,197,406	49,500,922	14,413,842	2,379,019
Opening Accumulated amortisation of Right Of Use Asset	(20,074,022)	(4,130,874)	(1,890,972)	(389,128)
Additions	4,771,702	6,095,301	3,266,115	1,840,844
Remeasurement	56,831,885	38,601,182	49,573,749	10,193,979
Amortisation	(10,817,426)	(15,943,147)	(4,669,495)	(1,501,843)
At the end of the period	124,909,545	74,123,384	60,693,239	12,522,871

The Group leases several properties. The average lease term is between 5 to 10 years and lease extension options included in the property leases are considered for purposes of determining the right of use asset and lease liabilities.

The Group has lease contracts properties whose contractual base rentals are based on a US dollar index to be paid in the local currency ZWL at the prevailing interbank exchange rate, due to the hyperinflation environment. Due to the volatile nature of the exchange rate this results in a different ZWL base rental for each month.

IFRS 16.26 prescribes measurement of lease liability to include variable lease payments that depend on an index or rate. The contractual rentals are set in USD as it represents a stable index to limit the frequency and number of rental reviews. The substance of the rental payments is such that exchange rate represents an index as per IFRS 16 therefore making the contractual rentals variable lease payments to be included in the measurement of the lease liability.



Notes to the Reviewed Condensed Consolidated Financial Statements (continued)
for the half year ended 30 September

	Inflation Adjusted		Historical	
	Reviewed 30 Sept 2023 ZWL 000	Audited 31 Mar 2023 ZWL 000	Unreviewed 30 Sept 2023 ZWL 000	Unaudited 31 Mar 2023 ZWL 000
16. Lease liability				
Long term lease liability	54,008,602	36,852,143	54,008,602	11,495,464
Short term lease liability	10,972,568	7,285,203	10,972,568	2,272,508
	64,981,170	44,137,346	64,981,170	13,767,972
17. Deferred tax				
Deferred tax liability movement				
At the beginning of period	25,262,312	25,831,326	1,582,371	1,180,193
Charge/(credit) to statement of profit or loss	11,438,314	(4,395,762)	(7,112,916)	(3,403,725)
Income tax relating to components of other comprehensive income	12,429,381	3,826,748	24,070,890	3,805,903
At the end of period	49,130,007	25,262,312	18,540,345	1,582,371
The deferred tax liability / (asset) comprises of the effects of temporary differences arising from:				
The deferred tax liabilities account comprises of the effects of temporary differences arising from				
Property	30,187,670	12,547,098	27,424,211	3,123,804
Inventories	1,145,897	134,829	—	—
Equipment	10,576,543	7,472,903	212,981	(435,033)
Quoted investments	837	723	837	225
Intangible assets	83,960	(274,401)	(84,684)	(108,190)
Right of use asset	30,877,640	18,323,301	15,003,369	3,095,654
Lease liability	(15,501,497)	(10,352,021)	(15,501,497)	(3,229,155)
Unrealised exchange loss	(6,372,749)	(1,553,742)	(6,372,749)	(484,666)
Provisions	(1,868,294)	(1,036,378)	(2,142,123)	(380,268)
	49,130,007	25,262,312	18,540,345	1,582,371

18. 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 purpose 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.
19. 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 with fixed interest rate due to the general increase in interest rate for the USD borrowings.
20. Financial Risk Management
- 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 however was impacted by exchange losses detailed as per note 5.2. Measures to address this have been incorporated in the going concern note 22.

Notes to the Reviewed Condensed Consolidated Financial Statements (continued)
for the half year ended 30 September

21. Subsequent Events
- The corporate income tax rate is proposed to increase from 24% to 25% with effect from 2024, subject to approval. As per IAS 10.3, the budget pronouncement of a tax rate change is a non-adjusting event as it represents a condition that arose after the reporting period 30 September 2023. The Group estimated the impact on Deferred tax liability to be ZWL 2,182,193.10 (ZWL 572,150,292.72 Historical).
22. 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 consolidated financial results on a going concern basis is still appropriate. Despite the net current liabilities position of ZW 28.2 billion, the Directors are satisfied that the Group is expected to continue operating profitably and is capable of settling all its obligations as they fall due.
- Whilst the business recorded an operating profit position, the net current liability position was mainly driven by exchange rate losses on foreign currency liabilities. 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. 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
- Management have put in place the following initiatives to grow the business' profitability and reverse the net current liabilities position:
- Liquidating foreign currency liabilities – post the reporting period, the Group began the process of liquidating foreign currency denominated liabilities and renegotiating foreign currency-based leases and product supply contracts to reduce the impact of exchange losses going forward.
 - Growing other source of income - the Group has entered into strategic partnerships with local and international partners in Money Transfer, Agency Banking and licencing which is expected to improve value added instore financial services anchored of fintech innovations.
 - Management has put in place a comprehensive business and volume recovery plan whose short and medium-term objectives are to restore the business to sustainable growth and profitability and these have started bearing fruit.

Management prepared Group financial forecasts for the twelve months and the Directors are satisfied that due considerations have been made for the continued volatility in the operating market and that adequate mitigation measures are in place to meet the forecast budget. The Group has sufficient banking facilities in place which can be utilised should the need arises.

23. Review Conclusion
- These condensed consolidated financial results for the half year ended 30 September 2023 have been reviewed by Messrs KPMG Chartered Accountants (Zimbabwe) ('KPMG'). KPMG expressed a qualified review conclusion due to non-compliance with International Financial Reporting Standards IFRS 16 –Leases, in the current period in respect of accounting treatment of foreign currency denominated leases, and inability to conclude on the existence and valuation of inventory as management had not fully resolved the issues posed by the system challenges. Management could not provide sufficiently detailed information in respect of inventory at the time of issuing their report to enable KPMG to complete their detailed analytical and inquiry procedures.

In addition, their most recent year-end audit opinion was modified for Leases and Inventory and, as management has not applied the requirements of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8), KPMG's review conclusion is also modified due to the possible impact on the current period's opening and comparative balances.

The above matters impact the historical numbers which have a consequential impact on compliance with IAS 29, Financial Reporting in Hyperinflationary Economies.

A copy of the detailed 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).





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Independent auditor's Report on Review of Interim financial results

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 ("the Group") as at 30 September 2023, the condensed consolidated inflation adjusted statements of profit or loss and other comprehensive income, condensed consolidated inflation adjusted statement changes in shareholders' equity and the condensed consolidated inflation adjusted statement cash flows for the half-year period then ended, and notes to the reviewed condensed consolidated inflation adjusted interim financial results.

The Directors are responsible for the preparation and presentation of these condensed consolidated inflation adjusted interim financial results in accordance with International Auditing Standard (IAS) 34, Interim Financial Reporting and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listing Requirements) Rules, 2019.

Our responsibility is to express a conclusion on these condensed consolidated inflation adjusted interim financial results 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

(a) Valuation and Existence of the inventory balance of ZWL 147 601 767 000 as at 30 September 2023 (ZWL 110 343 591 000 as at 31 March 2023).

For the year ended and as at 31 March 2023, we were unable to obtain sufficient and appropriate audit evidence that the inventory balance was free from material misstatement. This was attributed to the Enterprise Resource Planning (ERP) system challenges which impacted on the financial reporting processes and the time limitation that was imposed by management. Consequently, our audit opinion for the year then ended was modified in this respect.

The ERP challenges continued to impact on the interim financial reporting process and at the time of issuing our report, management has not fully resolved the issues posed by the system challenges. As a result, management could not provide sufficiently detailed information to enable us to complete our inquiry and analytical procedures in respect of inventory as at 30 September 2023 and for the period then ended.



Consequently, we were unable to conclude on the existence and valuation of the Group's inventory in the condensed consolidated inflation adjusted statement of financial position, the related change in inventories, merchandise and consumables used and the possible impact on income tax expense in the condensed consolidated inflation adjusted statement of profit or loss and other comprehensive income for the half year ended 30 September 2023, because of the possible effects of these matters on the current period's opening balances, the closing balances, the movement thereof and comparability to the prior year.

(b) Non-compliance with International Financial Reporting Standards IFRS 16 – Leases.

The Group leases certain warehouse and retail space and as of 30 September 2023, recorded a right of use (ROU) asset of ZWL 124 909 545 000 (ZWL 74 123 384 000 as at 31 March 2023) and a lease liability of ZWL 64 981 170 000 (ZWL 44 137 346 000 as at 31 March 2023). The contracted monthly rentals are denominated in United States dollars (USD) on a majority of the leases with the rental payment settled in ZWL using the spot rate at the date of payment. As described in Note 15 to the condensed consolidated inflation adjusted financial results, management determined that the exchange rate represented an index per IFRS 16 with the contracted rentals treated as variable lease payments and accounted for as monthly lease modifications.

This accounting treatment adopted by the Group is a departure from the principles of IFRS 16, as the lease rentals are denominated in USD, and therefore considered to be foreign currency denominated transactions and the treatment for accounting for foreign currency lease should be applied.

Our most recent year end audit opinion was modified due to this departure. Consequently, and given the leases remain significant in the financial statements, our review conclusion on the condensed consolidated financial results for the half year ended 30 September 2023, is also qualified because of the possible effects of these matters on the current period's opening balances, the closing balances, the movement thereof and comparability to the prior year.

(c) IAS 29 – Financial Reporting in Hyperinflation Economies (IAS 29).

In addition, the matters noted above impact the application of IAS 29 - Financial Reporting in Hyperinflation Economies (IAS 29) for the current period and prior year.

(d) Inappropriate application of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8).

The Group has not restated the interim condensed consolidated financial results, as required by IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to resolve the prior period matters noted above.

Consequently, our review conclusion on the interim condensed consolidated inflation adjusted financial results for the half year ended 30 September 2023 is modified because of the possible effects of these matters on the current period's opening balances, the closing balances, the movement thereof and comparability to the prior year.

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 results as at 30 September 2023 are not prepared, in all material respects, in accordance with International Auditing Standard (IAS) 34, *Interim Financial Reporting* and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listing Requirements) Rules, 2019.



Other Information

The Directors are responsible for the other information included in the Reviewed Financial Results for the half year ended 30 September 2023. The other information comprises the Chairman's Statement and the financial information in the Condensed Consolidated inflation adjusted financial results titled "Historical reporting" 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 audit opinion for the year ended and as at 31 March 2023 relating to the non-compliance with IFRS 16 and in respect of the Group's inventories. In addition, for the half year ended 30 September 2023, the Group did not comply with the requirements of IFRS 16, *Leases* and we were unable to determine the existence and valuation of the Group's inventory. We have, therefore, concluded that the other information is materially misstated for the same reasons with respect to the amounts or other items referred to in the Basis of Qualified Conclusion above.

KPMG

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

15 December 2023

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

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