# Powerspeed Electrical Limited

# 2018

## ANNUAL REPORT

# Contents

## A Glance at Powerspeed

Powerspeed Electrical has a long history which began in the 1970's as part of a diversified group known as Mashonaland Holdings. With the unbunding of Mashonaland Holdings in 1999, Powerspeed was formed and obtained seperate listing in the year 2000. In recent times, we have redirected our focus to retail which constitutes the core business.

The group employs over 600 people in the fields of retail and wholesale, engineering and manufacturing throughout Zimbabwe,

## Our Brands

First class service is a core strength for the Group.

## Our Vision

To be the go-to profitable market leader in all forms of hardware, offering life improvement products and solutions to retail, contracting and industrial customers throughout Zimbabwe.

## Our Mission

To create long-term value for our shareholders, customers, and employees, through a commitment to excellence and a disciplined management process.

## Our Values

| | |
|---|---|
| Customer intimacy: | we value and place the customer at the centre of all we do. |
| Change: | we adapt to change and keep abreast of market developments. |
| Challenge: | we challenge conventions and boundaries to deliver value. |
| Creation: | we create value for our shareholders and relate to our stakeholders with respect and responsibility. |
| Character: | we uphold the highest professional and ethical standards. |

# Group Structure

A solid foundation, built on reliability, value and service to our customers.

**POWERSPEED ELECTRICAL LIMITED**

- **OPERATING DIVISIONS**
  - RETAIL<br>Electrosales and<br>Industrial Electric
  - Engineering Division
  - Purchasing, Warehouse and Distribution
- **PROPERTY COMPANIES**
  - Sunridge Holdings (Private) Limited<br>Bulawayo<br>100%
  - Dactillic Trading (Private) Limited<br>Gweru<br>100%
  - Revex Investments (Private) Limited<br>Ruwa<br>100%
  - Metcast (Private) Limited<br>Chinhoyi<br>100%
  - Topsberg Investments (Private) Limited<br>Chiredzi<br>100%
  - Conlog (Private) Limited<br>Harare<br>100%
  - Dixons Do It Yourself (Private) Limited<br>Mt. Pleasant, Harare<br>100%
  - Philodox Investments (Private) Limited<br>Pomona, Harare<br>100%
- **DORMANT COMPANIES**
  - Wire Systems Technology (Private) Limited<br>100%
  - Relmo Electric Motors (Private) Limited<br>100%
  - Airflo (Private) Limited<br>100%
  - M-E Wire (Private) Limited<br>100%
  - Electrosales (Bulawayo) (Private) Limited<br>100%
  - Totelectrix (Private) Limited<br>100%

# FINANCIAL HIGHLIGHTS

| | GROUP | | | | |
|---|---|---|---|---|---|
| | 2018 USD | 2017 USD | 2016 USD | 2015 USD | 2014 USD |
| Revenue | 82 496 276 | 53 852 737 | 41 583 919 | 40 094 837 | 33 789 277 |
| Profit from operations | 6 795 756 | 2 310 267 | 1 419 611 | 1 859 755 | 1 619 997 |
| Profit before taxation | 5 675 801 | 1 464 876 | 558 538 | 1 070 054 | 974 666 |
| Profit for the year | 4 201 694 | 1 091 015 | 454 471 | 780 215 | 653 018 |
| Net assets | 14 493 396 | 10 283 237 | 9 192 222 | 9 201 101 | 8 569 194 |
| Basic earnings per share | 1.12 | 0.29 | 0.12 | 0.21 | 0.17 |
| Headline earnings per share (cents) | 1.12 | 0.29 | 0.12 | 0.17 | 0.17 |
| Net asset value per share (cents) | 3.87 | 2.75 | 2.43 | 2.44 | 2.27 |
| Dividend per share (cents) | 0.40 | - | - | - | - |

## REVENUE
Increased by 53% to
**US$82 496 276**

## PROFIT
BEFORE TAXATION
Increased by 288% to
**US$5 675 801**

## PROFIT FROM OPERATIONS
Increased by 194% to **US$6 795 756**

## PROFIT FOR THE YEAR
Increased by 285% to **US$4 201 694**

## NET ASSETS
Increased by 41% to **US$14 493 396**

## EARNINGS PER SHARE
Increased by 285% to **1,12** cents

# Chairman's Statement

**Overview**

The Group registered good performance this year, further consolidating its position in the market, despite the emergence of new competitors. This has been especially gratifying, given the difficult operating environment in Zimbabwe.

We have continued to build the Electrosales Hardware brand to be the biggest and best retailer of hardware and home improvement products throughout Zimbabwe. In line with this strategy, our market share has continued to grow, across all product categories.

Despite the economic difficulties afflicting the country, Group revenue grew by 53%, largely driven by an increase in volumes, as well as modest price adjustments.

**Environment**

Economic activity has been largely driven by excessive consumptive expenditure by Government. Unfortunately, the nature of government financing of this consumptive expenditure, has led to a growing disparity between the values of the RTGS Dollar and the US Dollar.

**Operational review**

During the year, we continued our expansion program, opening a new 1 800 square metre flagship branch on Harare Drive, in Pomona. The branch's performance exceeded expectations, and customers have shown appreciation of the shopping experience on offer, through generous support. This belies the inherent risks that come with being a stand-alone site.

We also opened a 300 square metre convenience store in Village Walk, Borrowdale. Despite being a stone's throw away from the existing Borrowdale (Sam Levy's) Village branch, this store has performed well.

In all, we now have over 12 000 square metres of retail space countrywide.

During the year, we put significant efforts into increasing the range of product offerings. In addition, careful management of procurement enabled us to be much competitive across a large variety of products. In particular, we experienced significant growth in market share of paint, plumbing and building materials.

Erratic supply of both local and imported products continued to be the greatest challenge we faced during the past 12 months. Imports were hampered by various trade barriers, notably Bureau Veritas, import licenses, punitive duties and restrictions on foreign payments. Local manufacturers also experienced similar problems in sourcing raw materials, in addition to operational constraints, such as power cuts and high costs of production.

As a result of the erratic supply lines, it has been difficult to optimise our use of working capital. Inevitably, our borrowings have remained high, as we were forced to hold additional inventory to avoid stock outs. In addition, the prevailing circumstances made creditor finance difficult to access, both from local and foreign suppliers.

The futility of protecting inefficient local suppliers was evidenced by product shortages and distortions of prices of all products covered by import licenses. However, the recent removal by Government, of a number of items from these import restrictions, is most welcome. Unfortunately, these restrictions remain in place on many of the items in which we trade. Importation of cable is still restricted, resulting in stock shortages, in addition to paying a premium for the product.

We continued to invest in our people, through running courses in management, supervision, product knowledge, sales and customer service. We are encouraged by the numerous positive comments from customers, on our service levels; showing that this investment is paying dividends.

We are pleased that the Engineering Division had another reasonable year. Increased demand for locally made products, more than made up for the reduction in throughput on the electric motor repair section. We are preparing ourselves for the anticipated higher demand from the mining and agricultural sectors. Although the profit from this part of the business was modest, it is positive, and the return on capital employed in the operation, is good.

**Financial review**

The key strategy for the year, was growth in sales volume, with a resultant improvement in our purchasing power. To mitigate the impact of erratic supply lines, we increased inventory. Although increased inventory meant high levels of borrowings, it also meant good growth in income, market share and, more importantly, profitability.

Turnover for the year rose by 53.2%, to $82.5 m, while gross margin rose 66.2%, from $13.3 m to $22.1 m.

As a result of the significantly increased retail area and throughput, as well as inflationary pressures, operating expenses increased by 34%, from $11.5 m to $15.4 m. This resulted in an increase in EBIT of almost 200%, from $2.31 m to $6.80 m.

Finance costs for the year rose marginally, from $0.85 m to $1.12 m, resulting in a profit before tax of $5.68 m, compared to $1.46 m, for the previous year. Income attributable to shareholders came in at $4.20 m, significantly up from $1.09 m, for the last financial year.

During the year, we purchased both the premises which house our Pomona as well as Chiredzi branches.

There was a significant increase in inventory from $14.6 m to $19.6 m. Although some of this increase may be attributed to inflationary cost adjustments, the bulk of it was intentional increases, to support the increased sales volumes. Despite the increase in inventory, and the purchase of the two properties, we were able to reduce our borrowings marginally, from $9.5 m to $8.6 m, with the long term portion of these increasing from $1.7 m to $2.1 m.

**Future Prospects**

Despite the political changes that occurred last year, the economic direction of the country remains unclear. The fiscal and monetary policies announced in October 2018, and in the national budget, have added further burdens to the formal economy in Zimbabwe. While these burdens are likely to depress growth of the economy, we remain hopeful that some of the statements by government leaders portend positive policies and actions in future.

Unfortunately, we have seen a reduction in throughput in the last two months, because the economic uncertainty has been exacerbated by significant upward pressure on expenses; as suppliers and service providers attempt to preserve or regain value lost as a result of the exchange differential between the RTGS Dollar and the US Dollar. Whilst these conditions will inevitably dampen profitability, we believe that the hardware and building materials markets are relatively recession proof, and that brisk demand will continue, even when generally the economy is performing poorly.

We are not able to accurately measure our market share. But, given the number of players in our sector, we believe that there is still potential for significant growth in our business. Our strategy going forward, will remain focused on the on-going expansion of both product ranges and footprint, in order to increase our market share, and with it, profitability and asset value.

**Dividend**

The good performance of the business over the past year, has put us in a position to share the rewards with our shareholders, for the first time in over a decade. Accordingly, the Board has resolved to declare a dividend of 0.4c per share, for the 12 months ended 30 September 2018, to shareholders on the register on 21 December 2018.

Given the volatility of the RTGS Dollar, the Board also resolved to offer shareholders a scrip option.

**Appreciation**

The Board commends and thanks our Management and all employees, for a sterling performance. We are also grateful to all our partners, especially the customers, suppliers, bankers and other service providers, for supporting us in ways that enabled us to achieve these results.

I am deeply indebted to my fellow directors for leading and guiding our Management diligently, zealously and effectively, over the past year.

Buoyed by these results, we enter the new trading period with added vigour, and deeper confidence and commitment to pursue our growth strategy.

Dr S.H. Makoni
Chairman

26 November 2018

# Our Directors

Our Board of Directors meet on a quarterly basis and are responsible for directing and supervising Powerspeed's affairs. Our Board members set the strategy for the business, ensure that the correct financial and human resources are in place for the company to meet its objectives, and review management performance.

Take one look at our Board of Directors and you'll see an impressive gathering of experience, expertise and achievement.

And you'll also understand why they are such an integral part of our continued growth and success.

Dr. Simba Makoni
Chairman

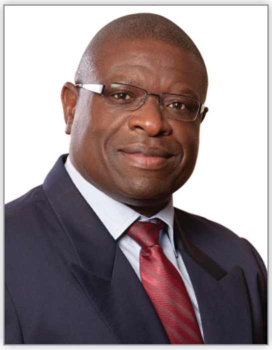
Hilton Macklin
Managing Director
(Executive)

Martin Gurira
Operations Director
(Executive)

Cyprian Tambo
Non Executive Director

Norman Kretzmer
Non Executive Director

Mike Kretzmann
Non Executive Director



V. Gapare
Non Executive Director

Tapiwa Zingwe
Chief Financial Officer

# Statement on Corporate Governance

## INTRODUCTION

Powerspeed Electrical Limited is fully committed to effective corporate governance and the need for integrity and high ethical standards in the conduct of its business.

Powerspeed Electrical Limited fully supports the King Reports on corporate governance (originated in South Africa) and endorses the need to conduct its business in accordance with the highest standards of corporate practice.

The Board's position on various aspects of corporate governance is summarised below.

## BOARD OF DIRECTORS

The Board comprises two executive directors and four non-executive directors. These directors are chosen for their business acumen, skills and experience. Board meetings are held approximately every three months to monitor the performance of executive management. The Board retains full responsibility for the direction and control of the Group.

## HUMAN RESOURCES COMMITTEE

The human resources committee comprises of non-executive directors and is tasked with the regular review of the Group's remuneration policy in general and the remuneration of senior executives and directors in particular.

## FINANCE AND AUDIT COMMITTEE

The finance and audit committee consists of non-executive directors and meets periodically to discuss accounting, auditing, internal control and financial reporting matters. It has free access to the Group's external and internal auditors and Powerspeed Electrical Limited's executive management. The committee reviews interim and annual results of the Group before publication.

## EXECUTIVE COMMITTEE

The Executive Committee (Excomm) comprises the two group executive directors, as well as two senior executives. Minutes of the proceedings are available to all non-executive directors. It is charged with the day-to-day running of the Group and is responsible to the Board, for which it prepares all financial statements and management reports.

## INTERNAL CONTROL

The Group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets and to detect and minimise significant fraud, potential liability, loss and material mis-statement while complying with applicable laws and regulations. Such controls are based on established policies and procedures and are implemented by trained personnel with an appropriate segregation of duties.

There are, however, inherent limitations in any control system and the costs of maintaining a control system should not exceed the benefits to be derived from it.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of the Group's key internal controls and systems has occurred during the year under review.

## MANAGEMENT REPORTING

There are comprehensive management reporting disciplines in place which include the preparation of annual budgets by all operating units. Senior management of each operating unit prepares individual operational budgets and performance is reviewed at monthly management meetings.

The Group's budget is reviewed and approved by the Board. Monthly results and the financial status of operating units are reported against approved budgets. Profit projections and cash flow forecasts are updated monthly, while working capital and borrowing levels are monitored on an ongoing basis.

## CODE OF ETHICS

All the Group's employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner in which in all reasonable circumstances is above reproach.

## DIRECTORS' ATTENDANCE OF MEETINGS
(From 1 October 2017 to 30 September 2018)

| NAME OF DIRECTOR | Main Board | | Audit Committee | | Human Resources Committee | |
|---|---|---|---|---|---|---|
| | Attended | Possible | Attended | Possible | Attended | Possible |
| Dr. S. H. Makoni | 4 | 4 | - | - | - | - |
| Mr. H. N. Macklin | 4 | 4 | - | - | - | - |
| Mr. M. S. Kretzmann | 3 | 4 | - | - | 1 | 2 |
| Mr. C. C. M. Tambo | 4 | 4 | 4 | 4 | 1 | 2 |
| Mr. N. H. Kretzmer | 4 | 4 | 4 | 4 | - | - |
| Mr. M. S. Gurira | 4 | 4 | - | - | - | - |
| Mr. V. R. Gapare | 2 | 4 | - | - | - | - |

# Certificate by the Group Company Secretary

MARTIN S. GURIRA
Group Company Secretary

In my capacity as the Group Company Secretary, I hereby confirm, in terms of the Companies Act (Chapter 24:03), that, for the year ended 30 September 2018, Powerspeed Electrical Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are, to the best of my knowledge and belief, true and correct and up to date.

M. S. Gurira
GROUP COMPANY SECRETARY

26 November 2018

# Statement of Directors' Responsibility

**RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**TO THE MEMBERS OF POWERSPEED ELECTRICAL LIMITED AND ITS SUBSIDIARIES**

It is the Directors' responsibility to ensure that the consolidated financial statements fairly present the state of affairs of the Group. The external auditors are responsible for independently reviewing and reporting on the financial statements.

The Directors have assessed the ability of the Group to continue as a going concern and believe that the preparation of these consolidated financial statements on a going concern basis is still appropriate. However, the directors believe that under the current economic environment a continuous assessment of the ability of the Group to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these consolidated financial statements.

The consolidated financial statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards and the Companies Act (Chapter 24:03). They are based on appropriate accounting policies which are supported by reasonable prudent judgements and estimates.

The Group's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Issues that come to the attention of the Directors have been addressed and the Directors confirm that the system of internal control and accounting control is operating in a satisfactory manner.

The Group's annual consolidated financial statements which are set out on pages 17 to 43 were, in accordance with their responsibilities, approved by the Board of Directors on 26 November 2018 and are signed on its behalf by:

| | |
|---|---|
| Makoni S. H. (Dr)<br>Chairman | Macklin H. N.<br>Managing Director |

These consolidated financial statements were prepared under the supervision of:

Tapiwa Zingwe, ACCA
Chief Finance Officer
Registered Public Accountant (PAAB No. 2917)

# Directors' Report

The directors submit their report for the year ended 30 September 2018:

1. **REVIEW OF ACTIVITIES**
   The main activities of the Group are the manufacture and trading of electrical products. The Group operates principally in Zimbabwe.

2. **EVENTS AFTER BALANCE SHEET DATE**

   **Dividend**
   On 26 November 2018 the directors declared a dividend of 0.40cents per share in respect of the financial year ended 30 September 2018.

3. **AUTHORISED SHARE CAPITAL**
   There were no material changes in the authorized or issued share capital during the year.

4. **DIRECTORS**

| Name | Nationality |
|---|---|
| Makoni S.H. (Dr.) | Zimbabwean |
| Macklin H.N. | Zimbabwean |
| Gapare V.R. | Zimbabwean |
| Gurira M.S. | Zimbabwean |
| Kretzmann M.S. | Zimbabwean |
| Kretzmer N. | South African |
| Tambo C.C.M. | Zimbabwean |

5. **AUDITORS**
   The Auditors, Messrs Grant Thornton Chartered Accountants (Zimbabwe), hold office until the conclusion of the annual general meeting at which members will be requested to fix their remuneration for the past audit and approve their appointment for the ensuing year.

6. **DIRECTORS' FEES**
   A resolution will be proposed at the Annual General Meeting to approve directors' fees amounting to $42 000 in respect of the year under review, and authorising the award and payment of fees in the ensuing year.

7. **DIVIDENDS**
   On the 26th of November 2018, the directors declared a dividend of 0.40cents per share in respect of the financial year ended 30 September 2018.

Makoni H.S. (Dr.)
CHAIRMAN

Macklin H.N.
MANAGING DIRECTOR

Harare

26 November 2018

# FINANCIAL STATEMENTS

# Independent Auditors' report

## TO THE MEMBERS OF POWERSPEED ELECTRICAL LIMITED AND ITS SUBSIDIARIES

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Powerspeed Electrical Limited and its subsidiaries set out on pages 17 to 43, which comprise the consolidated statement of financial position as at 30 September 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant Group accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Powerspeed Electrical Limited and its subsidiaries as at 30 September 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated financial statements. statements:

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Borrowings**<br>The Group has a significant portion of current borrowings amounting to USD 6 571 044 and are thus payable on demand. USD 5 386 910 of these borrowings are secured against assets. Refer to note 16 to the consolidated financial statements. Therefore, there is a risk that in the event of default, the Group may lose title to some of its assets. The Group is exposed to a variety of risks associated with the Group's existing bank borrowings and its ability to satisfy debt covenants. Failure to satisfy obligations under any current or future financing arrangements could give rise to default risk and require the Group to refinance its borrowings. | • Reviewed correspondence between the Group and its financiers.<br>• We made inquiries of management as to their plan with regards to the settlement of the borrowings.<br>• We also assessed management responses from those interviews for reasonableness.<br>• We also obtained the budget for the 2019 financial year and we performed the following procedures:<br>i. Assessed the appropriateness of the assumptions applied by management in developing the budget for reasonableness.<br>ii. Assessed the competence and experience of management.<br>iii. Performed a comparison of prior year budgets to actual results to assess the ability of management to make reasonable estimates.<br>iv. We are satisfied with the responses obtained from management, the assumptions applied and consequently with the amounts in the 2019 budget.<br>v. We are satisfied that the going concern assumption is appropriate. The related disclosure of the borrowings in the financial statements is sufficient. |
| **Allowance for obsolete inventory**<br>The Group's total inventory amounted to USD 19 635 247 after the allowance for obsolete inventory, for the year ended 30 September 2018 (Refer to note 7). With significant amounts of inventories being obsolete there is a likelihood that the full amount may not be realisable. The Group identifies slow moving and damaged inventories to provide for as an allowance for obsolete inventories. As at 30 September 2018, the Group provided for USD 1 759 605 as an allowance for obsolete stock. The estimation of obsolete inventories requires significant judgement and is accordingly a key audit matter. | • We performed an independent assessment of the allowance for obsolete inventories to test adequacy.<br>• The assessment was made based on aging of inventories.<br>• We satisfied ourselves that the allowance for obsolete inventories provided by the Group is adequate and appropriate. |

| Revenue recognition | |
|---|---|
| • There is a presumed risk of inappropriate revenue recognition specifically identified in ISA 240 (R), 'The auditors' responsibility to consider fraud in the audit of financial statements'. This is a significant risk and accordingly a key audit matter. | • Reviewed that the revenue recognition criteria is appropriate and in line with the requirements of IAS 18.<br>• Perform cut-off tests on year end balances to ensure revenue is recognised in the correct period.<br>• Our audit procedures include testing of design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions.<br>• We identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review.<br>• The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation).<br>• Furthermore, we performed analytical procedures and assessed the reasonableness of explanations provided by management.<br>• We satisfied ourselves that the Group's revenue is adequate and appropriate. |

## Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's Statement and Company Secretary's Certificate, as required by the Companies Act (Chapter 24:03), which we obtained prior to the date of this auditors' report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# Independent Auditors' report (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

In our opinion, the consolidated financial statements have been properly prepared in compliance with the requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments SI 33/99 and SI 62/96.

The engagement partner on the audit resulting in this independent auditor's report is Edmore Chimhowa.

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE 4 December 2018

# Consolidated Statement of Financial Position

as at 30 September 2018

| | Notes | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 11 125 525 | 6 703 264 | 3 897 489 | 2 162 664 |
| Investment property | 5 | 750 000 | 967 000 | - | - |
| Investment in subsidiaries | 6 | - | - | 1 734 362 | 1 732 362 |
| | | 11 875 525 | 7 670 264 | 5 631 851 | 3 895 026 |
| **Current assets** | | | | | |
| Inventories | 7 | 19 635 247 | 14 604 823 | 19 635 247 | 14 604 823 |
| Related party receivables | 8.1 | - | - | 5 443 731 | 2 741 756 |
| Trade and other receivables | 9 | 3 646 824 | 3 848 484 | 3 646 824 | 3 845 948 |
| Cash and cash equivalents | 10 | 1 287 571 | 1 559 829 | 1 287 571 | 1 559 829 |
| Tax receivable | | 317 330 | 26 804 | 196 645 | - |
| | | 24 886 972 | 20 039 940 | 30 210 018 | 22 752 356 |
| **Total assets** | | 36 762 497 | 27 710 204 | 35 841 869 | 26 647 382 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 11 | 37 424 | 37 424 | 37 424 | 37 424 |
| Share premium | | 174 569 | 174 569 | 174 569 | 174 569 |
| Non-distributable reserve | 12 | 6 776 667 | 6 776 667 | 5 641 229 | 5 641 229 |
| Revaluation reserve | | 8 465 | - | - | - |
| Retained earnings | | 7 496 271 | 3 294 577 | 7 599 996 | 3 211 748 |
| | | 14 493 396 | 10 283 237 | 13 453 218 | 9 064 970 |
| **Non-current liabilities** | | | | | |
| Deferred taxation | 13 | 760 537 | 653 889 | 299 001 | 198 998 |
| Long term borrowings | 16 | 2 053 648 | 1 666 667 | 2 053 648 | 1 666 667 |
| | | 2 814 185 | 2 320 556 | 2 352 649 | 1 865 665 |
| **Current liabilities** | | | | | |
| Trade and other payables | 14 | 11 324 445 | 6 499 222 | 11 324 447 | 6 493 723 |
| Provisions | 15 | 1 559 427 | 674 896 | 1 559 427 | 674 896 |
| Related party payables | 8.2 | - | 118 342 | 581 084 | 708 699 |
| Short term borrowings | 16 | 6 571 044 | 7 813 951 | 6 571 044 | 7 813 951 |
| Current tax payable | | - | - | - | 25 478 |
| | | 19 454 916 | 15 106 411 | 20 036 002 | 15 716 747 |
| **Total equity and liabilities** | | 36 762 497 | 27 710 204 | 35 841 869 | 26 647 382 |

MAKONI S. H. (Dr)
Chairman

MACKLIN H. N.
Managing Director

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 September 2018

| | Notes | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|---|
| Revenue | | 82 496 276 | 53 852 737 | 82 496 276 | 53 852 737 |
| Cost of sales | | (60 407 324) | (40 544 770) | (60 407 324) | (40 544 770) |
| Gross profit | | 22 088 952 | 13 307 967 | 22 088 952 | 13 307 967 |
| Investment property income | | 34 800 | 30 000 | - | - |
| Fair value adjustment on investment property | 5 | (217 000) | - | - | - |
| Other income | | 279 408 | 450 377 | 279 408 | 444 461 |
| Operating expenses | | (15 390 404) | (11 478 077) | (15 321 352) | (11 431 323) |
| Profit from operations | | 6 795 756 | 2 310 267 | 7 047 008 | 2 321 105 |
| Finance costs | 17 | (1 119 955) | (845 391) | (1 119 955) | (845 391) |
| **Profit before taxation** | 20 | 5 675 801 | 1 464 876 | 5 927 053 | 1 475 714 |
| Income tax expense | 21 | (1 474 107) | (373 861) | (1 538 805) | (423 899) |
| **Profit for the year** | | 4 201 694 | 1 091 015 | 4 388 248 | 1 051 815 |
| **Other comprehensive income:** | | | | | |
| Gain on property revaluation | | 11 401 | - | - | - |
| Deferred taxation on revaluation surplus | | (2 936) | - | - | - |
| Other comprehensive income for the year, net of tax | | 8 465 | - | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 4 210 159 | 1 091 015 | 4 388 248 | 1 051 815 |
| **Earnings per share** | 22 | | | | |
| Basic earnings per share (in cents) | | 1.12 | 0.29 | 1.17 | 0.28 |
| Diluted earnings per share (in cents) | | 1.12 | 0.29 | 1.17 | 0.28 |
| **Headline earnings per share** | | | | | |
| Basic earnings per share (in cents) | | 1.12 | 0.29 | 1.17 | 0.28 |
| Diluted earnings per share (in cents) | | 1.12 | 0.29 | 1.17 | 0.28 |

# Consolidated Statement of Changes in Equity

for the year ended 30 September 2018

## GROUP

| | Share capital USD | Share premium USD | Non-distributable reserve USD | Revaluation reserve USD | Retained earnings USD | Total USD |
|---|---|---|---|---|---|---|
| **Balance at 1 October 2016** | 37 424 | 174 569 | 6 776 667 | - | 2 203 562 | 9 192 222 |
| Total comprehensive income for the year | - | - | - | - | 1 091 015 | 1 091 015 |
| **Balance at 30 September 2017** | 37 424 | 174 569 | 6 776 667 | - | 3 294 577 | 10 283 237 |
| Total comprehensive income for the year | - | - | - | 8 465 | 4 201 694 | 4 201 159 |
| **Balance at 30 September 2018** | 37 424 | 174 569 | 6 776 667 | 8 465 | 7 496 271 | 14 493 396 |

## COMPANY

| | Share capital USD | Share premium USD | Non-distributable reserve USD | Revaluation reserve USD | Retained earnings USD | Total USD |
|---|---|---|---|---|---|---|
| **Balance at 1 October 2016** | 37 424 | 174 569 | 5 641 229 | - | 2 159 933 | 8 013 155 |
| Total comprehensive income for the year | - | - | - | - | 1 051 815 | 1 051 815 |
| **Balance at 30 September 2017** | 37 424 | 174 569 | 5 641 229 | - | 3 211 748 | 9 064 970 |
| Total comprehensive income for the year | - | - | - | - | 4 388 248 | 4 388 248 |
| **Balance at 30 September 2018** | 37 424 | 174 569 | 5 641 229 | - | 7 599 996 | 13 453 218 |

# Consolidated Statement of Cash Flows

for the year ended 30 September 2018

| | Notes | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|---|
| **CASH GENERATED FROM OPERATIONS** | | | | | |
| Profit before taxation | | 5 675 801 | 1 464 876 | 5 927 053 | 1 475 714 |
| **Adjustment for non-cash items:** | | | | | |
| Profit from disposal of property, plant and equipment | 20 | (4 468) | (439) | (4 468) | (439) |
| Fair value adjustment on investment property | 5 | 217 000 | - | - | - |
| Finance costs | 17 | 1 119 955 | 845 391 | 1 119 955 | 845 391 |
| Depreciation charge on property, plant and equipment | 4 | 724 662 | 560 790 | 613 234 | 507 762 |
| **Operating cash flow before changes in working capital** | | 7 732 950 | 2 870 618 | 7 655 774 | 2 828 428 |
| **Changes in working capital:** | | | | | |
| Increase in inventory | | (5 030 424) | (3 390 626) | (5 030 424) | (3 390 626) |
| Increase in related party receivables | | - | - | (2 701 975) | (1 348 749) |
| Decrease/(increase) in trade and other receivables | | 201 660 | (314 315) | 199 124 | (311 779) |
| (Decrease)/increase in related party payables | | (118 342) | 118 342 | (127 615) | 100 299 |
| Increase in trade and other payables | | 5 709 754 | 2 639 903 | 5 715 255 | 2 635 304 |
| **Cash generated from operating activities** | | 8 495 598 | 1 923 922 | 5 710 139 | 512 877 |
| Finance costs | 17 | (1 119 955) | (845 391) | (1 119 955) | (845 391) |
| Tax paid | | (1 660 921) | (290 124) | (1 660 925) | (290 183) |
| **Cash generated from/(utilised in) operating activities** | | 5 714 722 | 788 407 | 2 929 259 | (622 697) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Acquisition of property, plant and equipment | 4 | (5 135 799) | (2 270 828) | (2 348 336) | (859 724) |
| Investment in subsidiary | 6 | - | - | (2 000) | - |
| Proceeds from the disposal of property, plant and equipment | | 4 745 | 10 863 | 4 745 | 10 863 |
| **Cash utilised in investing activities** | | (5 131 054) | (2 259 965) | (2 345 591) | (848 861) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Net proceeds from loans raised | | (855 926) | 2 362 702 | (855 926) | 2 362 702 |
| **Cash (utilised in)/generated from financing activities** | | (855 926) | 2 362 702 | (855 926) | 2 362 702 |
| Net (decrease)/increase in cash and cash equivalents | | (272 258) | 891 144 | (272 258) | 891 144 |
| Cash and cash equivalents at beginning of the year | | 1 559 829 | 668 685 | 1 559 829 | 668 685 |
| **Cash and cash equivalents at end of year** | 10 | 1 287 571 | 1 559 829 | 1 287 571 | 1 559 829 |

# Group Statement of Accounting Policies

for the year ended 30 September 2018

## 1 GENERAL INFORMATION

Powerspeed Electrical Limited, the Group's parent company, is a limited liability company incorporated and domiciled in Zimbabwe. The Company's registered office and principal place of business is Stand 17568, Corner Cripps Road/Kelvin North, Graniteside, Harare, Zimbabwe. Powerspeed Electrical Limited 's shares are listed on the Zimbabwe Stock Exchange.

The Group's primary business is the sale of electrical and hardware components.

### Functional and presentation currency

These consolidated financial statements are presented in United States Dollars (USD) being the functional and reporting currency of the primary economic environment in which the group operates. Please refer to the use of estimates and judgements paragraph below which details the considerations made in determining the Group's functional currency.

### Use of estimates and judgements

### Determination of the functional currency

The shortage of cash and funded Nostro bank accounts saw the emergence of different prices for goods and services settled via Real time Gross Settlement System (RTGS), Point of sale (POS) and mobile money. As a result of this and other factors, management had to make an assessment as to whether the use of the USD as the Group's functional currency is still appropriate. The different modes of settlement does not result in change in functional currency. Management concluded that the USD is still the functional currency.

## 2 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are based on statutory records maintained under the historic cost convention.

### New and revised standards and interpretations - Adopted

In the current year, the Group has adopted revised Standards, Amendments and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant in preparation of the financial statements. The accounting policies adopted are consistent with those of the previous financial year. New and revised Standards and Interpretations adopted by the Group are summarised below:

### 2.1 IAS 32 Financial Instruments Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

### 2.2 IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group operates a defined contribution employment benefit scheme, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

### 2.3 IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.

### 2.4 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

### New and revised standards and interpretations - Not yet adopted

As at date of authorisation of these financial statements, certain new standards amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted by the group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

### 2.5 IFRS15: Revenue from contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18.
Revenue", IAS 11 "Construction Contracts", and several revenue-related interpretations. The new standard establishes a control- based revenue recognition model and provide additional guidance in many areas not

covered in detail under the existing IFRS, including how to account for arrangements with multiple performance obligation, variable pricing, customer refund rights, supplier repurchase options and other common complexities

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

### 2.6 IFRS 9 Financial Instruments

The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

2.6.1 The classification and measurement of the Group's financial assets will need to be reviewed based on the ne criteria that considers the assets' contractual cash flows and the business model in which they are managed.

2.6.2 An expected credit loss- based impairment will need to be recognised on the Group's trade receivables unless classified as at fair value through profit or loss in accordance with the new criteria.

2.6.3 It will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in the profit or loss unless the group makes irrevocable designation to prevent them in other comprehensive income; and

2.6.4 If the group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

### 2.7 IFRS 16 "Leases"

IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and lease liability. IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the standard and therefore is unable to provide quantified information.

However, in order to determine the impact, the group is in the process of performing a full review of all agreements to assess whether any additional contracts:

2.7.1 Will now become a lease under IFRS 16's new definition.

2.7.2 Deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated.

2.7.3 The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other relief. Deciding which of these practical expedients to adopt is important as they are one off choices.

2.7.4 Assessing their current disclosure for operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets:

2.7.5 Determining which optional accounting simplifications apply to their lease portfolio and they are going to use these exemptions; and

2.7.6 Considering the IT system requirements and whether a new leasing system is needed. This is being considered in line with implementing IFRS 15 and IFRS 9 so the group only have to undergo one set of system changes assessing the additional disclosures that will be required.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below:

Except where specific reference is made to "the Company", the policies disclosed in these financial statements pertain to the Group.

**3.2 Basis of consolidation**

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 September 2018. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 30 September.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

**3.3 Business combinations**

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of fair value of consideration transferred, the recognised amount of any non-controlling interest in the acquiree and acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

**3.4 Foreign currency translation**

**3.4.1 Functional and presentation currency**

The consolidated financial statements are presented in currency United States Dollars (USD), which is also the functional currency of the parent company. Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

**3.5 Segment reporting**

The Group identifies segments as components of the Group that engage in business activities from which revenues are earned and expenses incurred (including revenues and expenses relating to transactions with other components of the same entity). The segments' operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**Identification of segments**

The Group discloses its operating segments according to the entity components regularly reviewed by the Group Chief Executive Officer. These values have been reconciled to the consolidated annual financial statements. The measure reported by the Group is in accordance with the accounting policies adopted for preparing and presenting the consolidated annual financial statements.

Reportable segments are identified based on the information about the components of the entity that management uses to make decisions about operating matters. This identification of operating segments is on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

The Group has identified the Chief Executive Officer as the chief operating decision maker.

The amount reported for each operating segment is the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

3.6 **Revenue**
Revenue arises from the sale of goods and the rendering of service. It is measured at the fair value of consideration received or receivable, excluding value added taxes, returns, and trade discounts.

3.6.1 **Sale of goods**
Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods. Revenue from the sale of goods with no significant service obligation is recognised on delivery.

3.6.2 **Rendering of services**
The Group generates revenues from repair and maintenance of electric motors. Consideration received for these services is initially deferred and included in other liabilities and is recognised as revenue in the period when the service is rendered.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience. The Group also earns rental income from operating leases of its investment properties. Rental income is recognised based on the terms agreed with the lessee.

3.6.3 **Dividend income**
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

3.6.4 **Interest income**
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts, through the expected life of the financial asset to that asset's net carrying amount.

3.7 **Operating expenses**
Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

3.8 **Earnings per share**
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.9 **Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

3.10 **Goodwill**
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is calculated as the difference between the purchase consideration and the net fair value (assets less liabilities) at the date of acquisition. Goodwill is subsequently tested for impairment on an annual basis and is carried at cost less accumulated impairment losses.

3.11 **Property, plant and equipment**
Property, plant and equipment is stated at gross carrying amount, less accumulated depreciation and, if applicable, accumulated impairment losses. Gross carrying amount represents either cost or, in the case of revalued assets, the revalued amount at the date of its undertaking. The carrying amount of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use.

Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the statement of comprehensive income in the period the asset is derecognised.

Property, plant and equipment are depreciated over their estimated useful lives on a straight line basis taking into account the residual values of the assets. The estimated useful lives at the end of this reporting period are as follows:

| | |
|---|---|
| Buildings | 40 years |
| Computers | 3 years |
| Furniture and fittings | 10 years |
| Plant and machinery | 10 years |
| Motor vehicles | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each financial year-end.

### 3.12 Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense according to the lease agreements. Associated costs, such as maintenance and insurance, are expensed as incurred.

### 3.13 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment, whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separate identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

### 3.14 Investment property

Investment property, which is property (land or building or both) held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Investment property is not subject to depreciation. Gains and losses arising from changes in the fair value of investment property are recognised in the statement of comprehensive income.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to statement of comprehensive income; any amounts on capital reserves relating to that investment property are transferred to retained earnings.

### 3.15 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### 3.15.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### 3.15.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position.

The Group's financial assets comprises:

### 3.16 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at fair value less payments received from customers and allowance for credit losses. An allowance for credit losses of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in statement of comprehensive income within "operating expenses". When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recorded within "other income" in statement of comprehensive income.

### 3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts are shown within borrowings as current liabilities on the reporting date.

### 3.18 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities comprises:

**3.19 Trade payables**
Trade payables are recognised initially at fair value and subsequently measured at fair value less payments made to creditors.

**3.20 Borrowings**
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**3.21 Inventories**
Inventories are stated at the lower of cost and net realisable value. The cost of consumable stores is determined using the weighted average cost method. The cost of finished goods is determined on an average cost of production basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**3.22 Share capital**
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

**3.23 Dividend distribution**
Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

**3.24 Current and deferred income tax**
The tax expense for the period comprises current and deferred tax. The tax expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The difference in income tax expense arising from differences in tax rates applicable in different countries in which the subsidiaries operates is treated as a reconciling item in the tax computation.

Deferred income tax is calculated on the difference between the accounting carrying amount of assets and liabilities and their income tax values at the reporting date. Deferred tax is recognised using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 3.25 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group/Company if:

3.25.1 The party has the ability, directly or indirectly through one or more intermediaries, to control the Group/Company or exercise significant influence over the Group/Company in making financial and operating policy decisions, or has joint control over the Group/Company;

3.25.2 The Group/Company and the party are subject to common control;

3.25.3 The party is an associate of the Group/Company or a joint venture in which the Group/Company is a venturer;

3.25.4 The party is a member of key management personnel of the Group/Company or the Group/Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

3.25.5 The party is a close family member of a party referred to in 3.25.1 or is an entity under the control, joint control or significant influence of such individuals; or

3.25.6 The party is a post-employment benefit plan which is for the benefit of employees of the Group/Company or of any entity that is a related party of the Group/Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

### 3.26 Employee benefits

Employee benefits are the consideration given by the Group in exchange for service rendered by employees. In summary such benefits are:

#### 3.26.1 Post-employment benefits

Retirement benefits from the National Social Security Authority scheme, which is a defined benefit fund. Costs applicable to this scheme are determined by the systematic recognition of the legislated contributions and statutory termination gratuities, which are provided for at each financial period end. The amount accrued is computed on the employees's basic earnings at the end of the current financial year and increased annually on a contracted scale based on the length of service. The amount for annual increments is expensed during the period in which the increment is awarded.

#### 3.26.2 Equity compensation benefits

The stock option program allows employees to acquire shares in the Group. When the options are exercised equity is increased by the amount of the proceeds received.

#### 3.26.3 Short-term employee benefits

Short-term employee benefits include wages, salaries and social security contributions; short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the period in which the employees render the related employee service; profit-sharing and bonuses payable within twelve months after the end of the period in which the employees render the related service; and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees. The entity recognises the undiscounted amount of short-term employee benefits as an expense in profit and loss during the period in which the services are rendered. Short-term benefits expected to be paid in exchange for services rendered are recognised as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

### 3.27 Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contacts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provisions.

No liability is recognised if an outflow of economic resources as result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

# Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

## 4 PROPERTY, PLANT AND EQUIPMENT

| GROUP | Land and Buildings USD | Plant and Equipment USD | Furniture and Fittings USD | Computer Equipment USD | Motor Vehicles USD | Total USD |
|---|---|---|---|---|---|---|
| **Year ended 30 September 2017** | | | | | | |
| **Gross carrying amount** | | | | | | |
| Cost or Valuation | 3 264 707 | 1 199 188 | 1 223 980 | 966 846 | 743 038 | 7 397 759 |
| Additions | 1 411 104 | 213 822 | 400 703 | 195 503 | 49 696 | 2 270 828 |
| Disposals | - | (48 931) | - | - | (33 165) | (82 096) |
| Balance 30 September 2017 | 4 675 811 | 1 364 079 | 1 624 683 | 1 162 349 | 759 569 | 9 586 491 |
| **Depreciation and impairment** | | | | | | |
| Accumulated depreciation | (82 182) | (736 706) | (365 065) | (712 762) | (497 394) | (2 394 109) |
| Depreciation charge for the year | (53 028) | (126 356) | (131 105) | (175 417) | (74 884) | (560 790) |
| Disposals | - | 39 145 | - | - | 32 527 | 71 672 |
| Balance 30 September 2017 | (135 210) | (823 917) | (496 170) | (888 179) | (539 751) | (2 883 227) |
| **Closing carrying amount** | 4 540 601 | 540 162 | 1 128 513 | 274 170 | 219 818 | 6 703 264 |
| **Year ended 30 September 2018** | | | | | | |
| **Gross carrying amount** | | | | | | |
| Cost or Valuation | 4 675 811 | 1 364 079 | 1 624 683 | 1 162 349 | 759 569 | 9 586 491 |
| Additions | 3 639 233 | 97 049 | 873 853 | 436 692 | 88 972 | 5 135 799 |
| Disposals | - | - | - | - | (15 400) | (15 400) |
| Revaluation surplus | (153 106) | - | - | - | - | (153 106) |
| Balance 30 September 2018 | 8 161 938 | 1 461 128 | 2 498 536 | 1 599 041 | 833 141 | 14 553 784 |
| **Depreciation and impairment** | | | | | | |
| Accumulated depreciation | (135 210) | (823 917) | (496 170) | (888 179) | (539 751) | (2 883 227) |
| Depreciation charge for the year | (111 428) | (145 722) | (192 733) | (196 372) | (78 407) | (724 662) |
| Disposals | - | - | - | - | 15 123 | 15 123 |
| Revaluation surplus | 164 507 | - | - | - | - | 164 507 |
| Balance 30 September 2018 | (82 131) | (969 639) | (688 903) | (1 084 551) | (603 035) | (3 428 259) |
| **Closing carrying amount** | 8 079 807 | 491 489 | 1 809 633 | 514 490 | 230 106 | 11 125 525 |

The fair value of the Group's land and buildings is based upon appraisals performed by the Directors. The appraisal was carried out using a market based approach that observed prices for recent market transactions for similar land and buildings.

Land and buildings amounting to USD 1 200 582 have been pledged as security for the Group's bank borrowings (see Note 16).

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 September 2018

## 4 PROPERTY, PLANT AND EQUIPMENT (continued)

| COMPANY | Land and Buildings USD | Plant and Equipment USD | Furniture and Fittings USD | Computer Equipment USD | Motor Vehicles USD | Total USD |
|---|---|---|---|---|---|---|
| **Year ended 30 September 2017** | | | | | | |
| **Gross carrying amount** | | | | | | |
| Cost or Valuation | - | 1 199 177 | 1 223 980 | 966 846 | 743 038 | 4 133 041 |
| Additions | - | 213 822 | 400 703 | 195 503 | 49 696 | 859 724 |
| Disposals | - | (48 931) | - | - | (33 165) | (82 096) |
| Balance 30 September 2017 | - | 1 364 068 | 1 624 683 | 1 162 349 | 759 569 | 4 910 669 |
| **Depreciation and impairment** | | | | | | |
| Accumulated depreciation | - | (736 706) | (365 050) | (712 762) | (497 397) | (2 311 915) |
| Depreciation charge for the year | - | (126 356) | (131 105) | (175 417) | (74 884) | (507 762) |
| Disposals | - | 39 145 | - | - | 32 527 | 71 672 |
| Balance 30 September 2017 | - | (823 917) | (496 155) | (888 179) | (539 754) | (2 748 005) |
| **Closing carrying amount** | - | 540 151 | 1 128 528 | 274 170 | 219 815 | 2 162 664 |
| **Year ended 30 September 2018** | | | | | | |
| **Gross carrying amount** | | | | | | |
| Cost or Valuation | - | 1 364 068 | 1 624 683 | 1 162 349 | 759 569 | 4 910 669 |
| Additions | 851 770 | 97 049 | 873 853 | 436 692 | 88 972 | 2 348 336 |
| Disposals | - | - | - | - | (15 400) | (15 400) |
| Balance 30 September 2018 | 851 770 | 1 461 117 | 2 498 536 | 1 599 041 | 833 141 | 7 243 605 |
| **Depreciation and impairment** | | | | | | |
| Accumulated depreciation | - | (823 917) | (496 155) | (888 179) | (539 754) | (2 748 005) |
| Depreciation charge for the year | - | (145 722) | (192 733) | (196 372) | (78 407) | (613 234) |
| Disposals | - | - | - | - | 15 123 | 15 123 |
| Balance 30 September 2018 | - | (969 639) | (688 888) | (1 084 551) | (603 038) | (3 346 116) |
| **Closing carrying amount** | 851 770 | 491 478 | 1 809 648 | 514 490 | 230 103 | 3 897 489 |

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2018 USD | 2017 USD | 2018 USD | 2017 USD |
| **5** | **INVESTMENT PROPERTY** | | | | |
| | Carrying amount at the beginning | 967 000 | 967 000 | - | - |
| | Fair value adjustment | (217 000) | - | - | - |
| | Carrying amount at the end | 750 000 | 967 000 | - | - |

At 30 September 2018, investment property comprised of Land and buildings located in Ruwa on stand 633 in the district of Goromonzi. The Ruwa property has been placed as security on a loan obtained from Stanbic Bank of USD 1 500 000. The fair value of the investment property is based upon appraisals performed by the Directors. The appraisal was carried out using a market based approach that observed prices for recent market transactions for similar land and buildings.

| | | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|---|
| **6** | **INVESTMENT IN SUBSIDIARIES** | | | | |
| | Powerspeed Electrical Limited owns directly more than half of the voting power in the following companies: | | | | |
| | Conlog (Private) Limited | - | - | 600 | 600 |
| | Dactillic Trading (Private) Limited | - | - | 408 376 | 408 376 |
| | Dixons Do It Yourself (Private) Limited | - | - | 20 | 20 |
| | Metcast (Private) Limited | - | - | 193 600 | 193 600 |
| | Philodox Investments (Private) Limited | - | - | 2 000 | - |
| | Revex Investments (Private) Limited | - | - | 349 000 | 349 000 |
| | Sunridge Holdings (Private) Limited | - | - | 779 625 | 779 625 |
| | Topsberg Investments (Private) Limited | - | - | 1 140 | 1 140 |
| | Totelectrix (Private) Limited | - | - | 1 | 1 |
| | | - | - | 1 734 362 | 1 732 362 |

The investment in subsidiaries above is carried at deemed cost. The cost was determined by the Directors at 30 September 2018. There are no restrictions placed and the ability of the subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans and advances. In addition to the subsidiaries listed above, the company also owns 100% of subsidiaries listed in note 25 which are carried at zero value.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2018 USD | 2017 USD | 2018 USD | 2017 USD |
| **7 INVENTORIES** | | | | |
| Finished goods | 15 405 589 | 12 448 211 | 15 405 589 | 12 448 211 |
| Raw materials | 429 239 | 265 321 | 429 239 | 265 321 |
| Work in progress | 77 318 | 90 464 | 77 318 | 90 464 |
| Goods in transit | 5 482 706 | 2 811 498 | 5 482 706 | 2 811 498 |
| Allowance for obsolete inventories | (1 759 605) | (1 010 671) | (1 759 605) | (1 010 671) |
| | 19 635 247 | 14 604 823 | 19 635 247 | 14 604 823 |

During the year ended 30 September 2018, a total of USD 748 934 was included in profit and loss as an expense relating to obsolete inventory leaving a balance of USD 1 759 605 which the directors believe is adequate to reduce stock to net realisable value. Inventory of USD 3 000 000 have been pledged as security for loans acquired from banks as follows: Ecobank USD 2 000 000 and NMB USD 1 000 000.

The movement in the allowance for obsolete inventories can be reconciled as follows:

| | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|
| Balance 1 October | 1 010 671 | 501 090 | 1 010 671 | 501 090 |
| Net movement in allowance account | 748 934 | 509 581 | 748 934 | 509 581 |
| Balance 30 September | 1 759 605 | 1 010 671 | 1 759 605 | 1 010 671 |

## 8 RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between the Parent Company and its subsidiaries have been eliminated on consolidation and are not disclosed in the group financial statements. Details of transactions between the Group/Company and related parties are disclosed below:

| Related party | Relationship | Nature of Transactions |
|---|---|---|
| AC/DC Dynamics | Controlled by Non Executive Director | Purchase of goods |
| Apadia Investments (Private) Limited | Key management personnel | Loans |
| Dactillic Trading (Private) Limited | Subsidiary | Rental Income |
| Dixons Do It Yourself (Private) Limited | Subsidiary | Rental Income |
| Executive Management | Key management personnel | Remuneration, loans and advances |
| Keyfund | Key management personnel | Loans |
| Klinkin (Private) Limited | Related party | Purchase of goods |
| Metcast (Private) Limited | Subsidiary | Rental Income |
| Philodox Investments (Private) Limited | Subsidiary | Rental Income |
| Revex Investments (Private) Limited | Subsidiary | Rental Income |
| Sunridge Holdings (Private) Limited | Subsidiary | Rental Income |
| Topsberg Investments (Private) Limited | Subsidiary | Rental Income |

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2018 USD | 2017 USD | 2018 USD | 2017 USD |
| 8.1 | **Amounts owed by:** | | | | |
| | Conlog (Private) Limited | - | - | 1 305 277 | 1 304 185 |
| | Dixons Do It Yourself (Private) Limited | - | - | 1 162 269 | 1 206 546 |
| | Dactillic Trading (Private) Limited | - | - | 74 312 | 78 416 |
| | Sunridge Holdings (Private) Limited | - | - | 146 468 | 86 428 |
| | Topsberg Investments (Private) Limited | - | - | 66 937 | 66 181 |
| | Philodox Investments (Private) Limited | - | - | 2 688 468 | - |
| | | - | - | 5 443 731 | 2 741 756 |
| 8.2 | **Amounts due to:** | | | | |
| | Metcast (Private) Limited | - | - | 11 955 | 10 011 |
| | Totelectix (Private) Limited | - | - | 565 990 | 565 990 |
| | AC/DC Dynamics | - | 118 342 | - | 118 342 |
| | Revex Investments (Private) Limited | - | - | 3 139 | 14 356 |
| | | - | 118 342 | 581 084 | 708 699 |
| 8.3 | **Compensation to Key Management Personnel** | | | | |
| | Short term employee benefits | 707 280 | 641 731 | 707 280 | 641 731 |
| | Post employment benefits | 35 103 | 29 379 | 35 103 | 29 379 |
| | Total compensation paid | 742 383 | 671 110 | 742 383 | 671 110 |
| | Short term loans at 16% interest: | | | | |
| | Loans to directors | 34 920 | 45 900 | 34 920 | 45 900 |
| | Loans to key management staff | 122 802 | 177 622 | 122 802 | 177 622 |
| | | 157 722 | 223 522 | 157 722 | 223 522 |

Compensation of Executive Directors is included in compensation to key management staff.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2018 USD | 2017 USD | 2018 USD | 2017 USD |
| **9 TRADE AND OTHER RECEIVABLES** | | | | |
| Trade | 2 174 247 | 2 331 490 | 2 174 247 | 2 328 954 |
| Allowance for credit losses | (328 074) | (323 598) | (328 074) | (323 598) |
| | 1 846 173 | 2 007 892 | 1 846 173 | 2 005 356 |
| Other | 1 935 364 | 1 840 592 | 1 935 364 | 1 840 592 |
| Allowance for credit losses | (134 713) | - | (134 713) | - |
| | 3 646 824 | 3 848 484 | 3 646 824 | 3 845 948 |

The Group has recognised an allowance of USD 134 713 on other receivables as management believe this may not be recoverable.

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. All trade and other receivables have been reviewed for indicators of impairment. During the year USD 139 189 was included in operating expenses to bring the total impairment loss to USD 462 787. Certain trade receivables were found to be impaired and an allowance USD 134 713 was applied to the gross impairment loss to leave a balance of USD 328 074 which the directors believe is adequate.

The movement in the allowance for credit losses can be reconciled as follows:

| | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|
| Balance 1 October | 323 598 | 187 138 | 323 598 | 187 138 |
| Net movement in Impairment | 4 476 | 136 460 | 4 476 | 136 460 |
| Balance 30 September | 328 074 | 323 598 | 328 074 | 323 598 |

Ageing of trade and other receivables that are past due but not impaired

| | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|
| 30-Current | 2 019 812 | 2 202 412 | 2 019 812 | 2 199 876 |
| 60-90 | 27 965 | 67 623 | 27 965 | 67 623 |
| 90-120 | 19 724 | 38 928 | 19 724 | 38 928 |
| 120+ | 106 746 | 22 527 | 106 746 | 22 527 |
| Total | 2 174 247 | 2 331 490 | 2 174 247 | 2 328 954 |

Before accepting any new customer, the Group conducts trade reference checks to establish the credit history of the applicant. In light of the fact that security is held against some of the amounts detailed above, the Group considers the trade and other receivables past due to be recoverable and thus has not impaired these amounts.

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2018 USD | 2017 USD | 2018 USD | 2017 USD |
| 10 | **CASH AND CASH EQUIVALENTS** | | | | |
| | For the purposes of statement of cash flows, cash and cash equivalents consist of: | | | | |
| | Cash on hand | 254 221 | 248 910 | 254 221 | 248 910 |
| | Bank balances | 1 033 350 | 1 310 919 | 1 033 350 | 1 310 919 |
| | | 1 287 571 | 1 559 829 | 1 287 571 | 1 559 829 |

In 2016, the Central Bank, through Exchange Control Operational Guide 8 (ECOGAD8), introduced a prioritisation criterion which has to be followed when making foreign payments. Any foreign payments which are made from bank balances above are ranked based on the Central Bank prioritisation criteria and paid subject to the banking institution having adequate funds with its Foreign Correspondent Banks.

Included in cash and cash equivalents are bond notes and coins which are bearer instruments that are pegged at 1:1 with the United States dollar. USD and bond notes and coins transactions are maintained in the same bank account.

Please also refer to note 1 above on the determination of functional currency.

| | | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|---|
| 11 | **SHARE CAPITAL** | | | | |
| | **Authorised share capital** | | | | |
| | 500 000 000 ordinary shares at USD 0.0001 per share | 50 000 | 50 000 | 50 000 | 50 000 |

37 916 158 of the unissued shares have been placed under the control of directors for allocation to eligible senior executives and staff including directors in terms of the share option scheme approve by members on 24 February 2010.

| | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|
| **Issued and fully paid** | | | | |
| The movement in ordinary share capital is shown below: | | | | |
| Ordinary share capital 1 October | 37 424 | 37 424 | 37 424 | 37 424 |
| | 37 424 | 37 424 | 37 424 | 37 424 |
| Reconciliation of the movement in issued ordinary shares is as follows: | | | | |
| Number of issued ordinary shares at 1 October | 374 240 865 | 374 240 865 | 374 240 865 | 374 240 865 |
| Number of issued ordinary shares at 30 September | 374 240 865 | 374 240 865 | 374 240 865 | 374 240 865 |

The unissued shares are under the control of the directors for an indefinite period and are subject to the limitations imposed by the Zimbabwe Stock Exchange and the Companies Act (Chapter 24:03).

| | | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|---|
| 12 | **NON DISTRIBUTABLE RESERVE** | | | | |
| | The non distributable reserve has been derived as follows: | | | | |
| | Opening balance | 6 776 667 | 6 776 667 | 5 641 229 | 5 641 229 |
| | Closing balance | 6 776 667 | 6 776 667 | 5 641 229 | 5 641 229 |

The non-distributable reserve is as a result of the currency translation in 2009 which was the functional currency as well as the presentation currency up to 21 January 2009. The assets and liabilities were translated into USD using the guidance issued by the Public Accountants and Auditors Board and Zimbabwe Stock Exchange in 2009.

| | | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|---|
| 13 | **DEFERRED TAXATION** | | | | |
| | Opening balance | 653 889 | 559 059 | 198 998 | 82 235 |
| | Recognised in profit or loss | 103 712 | 94 830 | 100 003 | 116 763 |
| | Recognised in other comprehensive income | 2 936 | - | - | - |
| | Closing balance | 760 537 | 653 889 | 299 001 | 198 998 |
| | **Attributable as follows:** | | | | |
| | Accelerated depreciation for tax purposes | 760 537 | 653 889 | 299 001 | 198 998 |
| | Carrying amount | 763 473 | 653 889 | 299 001 | 198 998 |
| 14 | **TRADE AND OTHER PAYABLES** | | | | |
| | **Trade Payables** | | | | |
| | Local | 3 662 409 | 2 594 652 | 3 662 409 | 2 589 153 |
| | Foreign | 4 617 122 | 2 296 110 | 4 617 122 | 2 296 110 |
| | | 8 279 531 | 4 890 762 | 8 279 531 | 4 885 263 |
| | Other | 3 044 914 | 1 608 460 | 3 044 916 | 1 608 460 |
| | | 11 324 445 | 6 499 222 | 11 324 447 | 6 493 723 |
| 15 | **PROVISIONS** | | | | |
| | Leave pay | 369 894 | 275 953 | 369 894 | 275 953 |
| | Bonus | 569 865 | 276 226 | 569 865 | 276 226 |
| | Gratuity | 619 668 | 122 717 | 619 668 | 122 717 |
| | | 1 559 427 | 674 896 | 1 559 427 | 674 896 |
| 16 | **BORROWINGS** | | | | |
| | The long term borrowings are as follows: | | | | |
| | Secured business loan from CABS bearing interest at 11% per annum payable by 30 November 2021 | 2 053 648 | - | 2 053 648 | - |
| | Unsecured debenture loan from Zimnat bearing interest at 9% per annum payable by August 2018. | - | 1 666 667 | - | 1 666 667 |
| | **Long term borrowings** | 2 053 648 | 1 666 667 | 2 053 648 | 1 666 667 |
| | **Bankers acceptances** | | | | |
| | Secured NMB Bank short term loan, interest payable at 10% per annum. | 37 833 | 500 000 | 37 833 | 500 000 |
| | Unsecured FBC Bank short term, interest payable at 10% per annum. | 1 000 000 | 1 000 000 | 1 000 000 | 1 000 000 |
| | Secured Ecobank short term, interest payable at 10% per annum. | 1 400 000 | 1 400 000 | 1 400 000 | 1 400 000 |
| | **Bank overdraft** | | | | |
| | Secured Stanbic Bank overdraft, interest payable at 8% per annum. | 718 964 | 1 450 004 | 718 964 | 1 450 004 |
| | Secured Ecobank overdraft, interest payable at 10% per annum. | - | 554 319 | - | 554 319 |
| | Secured Nedbank formerly known as MBCA overdraft, interest payable at 10% per annum. | 376 916 | 515 447 | 376 916 | 515 447 |
| | Secured CABS short term, interest payable at 12% per annum. | 85 557 | 850 170 | 85 557 | 850 170 |
| | Secured Banc ABC short term, interest payable at 11% per annum. | 767 640 | 437 834 | 767 640 | 437 834 |
| | **Short term borrowings** | | | | |
| | Unsecured loan from Apadia Investments (Private) Limited bearing interest at 6% per annum with no fixed repayment date | 89 396 | 85 045 | 89 396 | 85 045 |
| | Secured Stanbic Bank short term, interest payable at 8% per annum. | 2 000 000 | 1 000 000 | 2 000 000 | 1 000 000 |
| | Unsecured from Keyfund at 5% per annum | 94 738 | 21 132 | 94 738 | 21 132 |
| | | 6 571 044 | 7 813 951 | 6 571 044 | 7 813 951 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 September 2018

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 2018 USD | 2017 USD | 2018 USD | 2017 USD |
| **17** | **FINANCE COSTS** | | | | |
| | Loan interest | 1 119 955 | 845 391 | 1 119 955 | 845 391 |
| **18** | **STAFF COSTS** | | | | |
| | Salaries and wages | 7 421 377 | 5 788 052 | 7 421 377 | 5 788 052 |
| | Social security costs | 94 823 | 171 758 | 94 823 | 171 758 |
| | Other post retirement benefits | 702 976 | 141 849 | 702 976 | 141 849 |
| | | 8 219 176 | 6 101 659 | 8 219 176 | 6 101 659 |
| | Average number of persons employed by the group during the year: | | | | |
| | Full time | 159 | 155 | 159 | 155 |
| | Part time | 514 | 415 | 514 | 415 |
| | | 673 | 570 | 673 | 570 |
| **19** | **OTHER POST RETIREMENT BENEFITS** | | | | |
| | Gratuity | 595 994 | 27 500 | 595 994 | 27 500 |
| | Pension | 106 982 | 114 349 | 106 982 | 114 349 |
| | | 702 976 | 141 849 | 702 976 | 141 849 |
| **20** | **PROFIT BEFORE TAXATION** | | | | |
| | The following items have been charged in arriving at profit before tax: | | | | |
| | Depreciation on property, plant and equipment | 724 662 | 560 790 | 613 234 | 507 762 |
| | Profit on disposal of property, plant and equipment | 4 468 | 439 | 4 468 | 439 |
| | Repair and maintenance expenditure | 436 902 | 227 755 | 404 633 | 227 755 |
| | Operating lease rentals | 2 113 954 | 1 615 556 | 2 113 954 | 1 615 556 |
| | Staff costs | 8 219 176 | 6 101 659 | 8 219 176 | 6 101 659 |
| | Audit fees | 148 200 | 51 447 | 148 200 | 45 903 |
| | Directors' emoluments | 167 300 | 162 000 | 167 300 | 162 000 |
| | Allowance for credit losses | 139 189 | 246 974 | 139 189 | 246 974 |
| | Impairment loss on obsolete stock | 748 934 | 678 274 | 748 934 | 678 274 |
| | Fair value adjustment on investment property | (217 000) | - | - | - |
| **21** | **TAXATION** | | | | |
| | Current | 1 370 395 | 279 031 | 1 438 802 | 307 136 |
| | Deferred | 103 712 | 94 830 | 100 003 | 116 763 |
| | | 1 474 107 | 373 861 | 1 538 805 | 423 899 |
| | **Tax reconciliation** | | | | |
| | Profit before taxation | 5 675 801 | 1 464 876 | 5 927 053 | 1 475 714 |
| | Notional tax thereon at 25.75% | 1 461 519 | 377 206 | 1 526 216 | 379 996 |
| | Tax effect of: | | | | |
| | Non-taxable income | (1 151) | (49 895) | (1 151) | (117 007) |
| | Non-tax deductible expenditure | 13 739 | 46 550 | 13 740 | 160 910 |
| | Tax charge | 1 474 107 | 373 861 | 1 538 805 | 423 899 |

| | GROUP 2018 USD | GROUP 2017 USD | COMPANY 2018 USD | COMPANY 2017 USD |
|---|---|---|---|---|
| **22 EARNINGS PER SHARE** | | | | |
| The basic and diluted earnings per share have been calculated using profit attributable to shareholders of the Group/Company as the numerator, i.e. no adjustments to profit were necessary in 2017 or 2018. The weighted average number of outstanding shares used for basic and diluted earnings per share amount to 374 340 865. | | | | |
| Basic earnings per share (in cents) | 1.12 | 0.29 | 1.17 | 0.28 |
| Diluted earnings per share (in cents) | 1.12 | 0.29 | 1.17 | 0.28 |
| **22.1 Headline earnings per share** | | | | |
| Headline earnings per share excludes all items of a capital nature and represents an after tax amount. It is calculated by dividing headline earnings shown below by the number of shares in issue during the year: | | | | |
| Profit attributable to shareholders | 4 201 694 | 1 091 015 | 4 388 248 | 1 051 815 |
| Profit on disposal of property, plant and equipment | (4 468) | (439) | (4 468) | (439) |
| | 4 197 226 | 1 090 576 | 4 383 780 | 1 051 376 |
| Average shares in issue | 374 340 865 | 374 340 865 | 374 340 865 | 374 340 865 |
| Basic earnings per share (in cents) | 1.12 | 0.29 | 1.17 | 0.28 |
| Diluted earnings per share (in cents) | 1.12 | 0.29 | 1.17 | 0.28 |

## 23 BORROWING POWERS OF DIRECTORS

The borrowing powers of the directors are, in terms of the Group's Articles of Association, restricted to the aggregate of twice a) the nominal amount of the issued and paid up capital and, b) the aggregate amount of all capital, revenue reserves and share premium.

## 24 EVENTS AFTER THE REPORTING DATE

The Board has proposed a dividend of 0.40cents per share payable to ordinary shareholders of the company in respect of the financial year ended 30 September 2018.

## 25 HOLDINGS IN SUBSIDIARIES

| Subsidiaries | Interest owned directly in 2018 | Interest owned directly in 2017 | Country of incorporation | Principal activities |
|---|---|---|---|---|
| **Property Companies** | | | | |
| Conlog (Private) Limited | 100% | 100% | Zimbabwe | Property |
| Dacttlic Trading (Private) Limited | 100% | 100% | Zimbabwe | Property |
| Dixons Do it Yourself (Private) Limited | 100% | 100% | Zimbabwe | Property |
| Metcast (Private) Limited | 100% | 100% | Zimbabwe | Property |
| Philodox Investments (Private) Limited | 100% | - | Zimbabwe | Property |
| Revex Investments (Private) Limited | 100% | 100% | Zimbabwe | Property |
| Sunridge Holdings (Private) Limited | 100% | 100% | Zimbabwe | Property |
| Topsberg Investments (Private) Limited | 100% | 100% | Zimbabwe | Property |
| **Dormant Companies** | | | | |
| Totelectrix (Private) Limited | 100% | 100% | Zimbabwe | Dormant |
| Electrosales (Bulawayo) (Private) Limited | 100% | 100% | Zimbabwe | Dormant |
| Airflo (Private) Limited | 100% | 100% | Zimbabwe | Dormant |
| M-E Wire (Private) Limited | 100% | 100% | Zimbabwe | Dormant |
| Relmo Electric Motors (Private) Limited | 100% | 100% | Zimbabwe | Dormant |
| Wire Systems Technology (Private) Limited | 100% | 100% | Zimbabwe | Dormant |

## 26 SEGMENT REPORTING

Management currently identifies the Groups's three service lines as its operating segments. These operating segments are monitored by the Group's Board of Directors and strategic decisions are made on the basis of adjusted segment operating results.

Segment information for the reporting periods are as follows:

| | GROUP | | | |
|---|---|---|---|---|
| | Properties USD | Engineering USD | Retail USD | Total USD |
| **2018** | | | | |
| **Revenue** | | | | |
| From external customers | - | 2 712 686 | 79 783 590 | 82 496 276 |
| From other segments | - | - | 53 522 962 | 53 522 962 |
| Segment revenues | | 2 712 686 | 133 306 552 | 136 019 238 |
| Other income | 34 800 | 6 289 | 273 119 | 314 208 |
| **Operating expenses** | | | | |
| Changes in inventories | - | (78 396) | (4 952 029) | (5 030 425) |
| Costs of material | - | (1 075 536) | (107 807 391) | (108 882 927) |
| Employee benefits expense | - | (764 624) | (7 454 552) | (8 219 176) |
| Depreciation and amortisation of non-financial assets | (111 429) | (66 208) | (547 025) | (724 662) |
| Intergroup Finance costs | - | (69 408) | 69 408 | - |
| Finance costs | - | - | (1 119 955) | (1 119 955) |
| Other expenses | (118 391) | (368 450) | (7 659 301) | (8 146 142) |
| Segment operating profit/(loss) | (195 020) | 296 353 | 4 108 826 | 4 210 159 |
| Segment assets | 7 978 036 | 712 124 | 28 072 337 | 36 762 497 |
| Segment liabilities | 340 850 | 846 954 | 21 081 297 | 22 269 101 |

**26 SEGMENT REPORTING (continued)**

| | GROUP | | | |
|---|---|---|---|---|
| | Properties USD | Engineering USD | Retail USD | Total USD |
| **2017** | | | | |
| **Revenue** | | | | |
| From external customers | - | 1 897 289 | 51 955 448 | 53 852 737 |
| From other segments | - | - | 38 614 701 | 38 614 701 |
| Segment revenues | - | 1 897 289 | 90 570 149 | 92 467 438 |
| Other income | 30 000 | 26 161 | 424 216 | 480 377 |
| **Operating expenses** | | | | |
| Changes in inventories | - | 45 706 | (3 436 330) | (3 390 624) |
| Costs of material | - | (1 483 084) | (74 285 763) | (75 768 847) |
| Employee benefits expense | - | (166 740) | (5 934 919) | (6 101 659) |
| Depreciation and amortisation of non-financial assets | (53 028) | (88 193) | (419 569) | (560 790) |
| Intergroup Finance costs | - | (76 402) | 76 402 | - |
| Finance costs | - | - | (845 391) | (845 391) |
| Other expenses | (70 478) | (108 535) | (5 010 476) | (5 189 489) |
| Segment operating profit/(loss) | (93 506) | 46 202 | 1 138 319 | 1 091 015 |
| Segment assets | 1 036 018 | 675 814 | 25 998 372 | 27 710 204 |
| Segment liabilities | 455 357 | 471 139 | 16 500 471 | 17 426 967 |

The Company's revenues from external customers are divided into the following geographical areas:

| | 2018 USD | 2017 USD |
|---|---|---|
| Sales within Zimbabwe | 136 019 238 | 92 467 438 |
| Elimination of intersegment revenue | (53 522 962) | (38 614 701) |
| Total sales | 82 496 276 | 53 852 737 |

The totals presented for the Company's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

**26.1 Revenue**

| | 2018 USD | 2017 USD |
|---|---|---|
| Total reportable segment revenue | 136 019 238 | 92 467 438 |
| Elimination of inter-segment revenue | (53 522 962) | (38 614 701) |
| | 82 496 276 | 53 852 737 |

## 27 OPERATING LEASES

The Company leases an office and production building under an operating lease. The future minimum lease payments are as follows:

| | Within 1 year USD | 1 to 5 years USD | after 5 years USD | Total USD |
|---|---|---|---|---|
| 30 September 2018 | 1 314 390 | 5 703 449 | 5 703 449 | 12 721 288 |
| 30 September 2017 | 1 149 008 | 5 745 040 | 5 745 040 | 12 639 088 |

Lease expense during the period amount to USD 1 314 390 (2017: USD1 149 008), representing the minimum lease payments.

## 28 FINANCIAL INSTRUMENTS BY CATEGORY

### Group

Assets as per statement of financial position

| | Loans and Receivables | |
|---|---|---|
| | 2018 USD | 2017 USD |
| Trade and other receivables | 3 646 824 | 3 848 484 |
| Cash and cash equivalents | 1 287 571 | 1 559 829 |
| Total | 4 934 395 | 5 408 313 |

| | Other Financial Liabilities at Amortised Cost | |
|---|---|---|
| | 2018 USD | 2017 USD |
| Long term borrowings | 2 053 648 | 1 666 667 |
| Short term borrowings | 6 571 044 | 7 813 951 |
| Trade and other payables | 11 324 445 | 6 499 222 |
| Total | 19 949 137 | 15 979 840 |

### Company

Assets as per statement of financial position

| | Loans and Receivables | |
|---|---|---|
| | 2018 USD | 2017 USD |
| Trade and other receivables | 3 646 824 | 3 848 948 |
| Cash and cash equivalents | 1 287 571 | 1 559 829 |
| Total | 4 934 395 | 5 408 777 |

| | Other Financial Liabilities at Amortised Cost | |
|---|---|---|
| | 2018 USD | 2017 USD |
| Long term borrowings | 2 053 648 | 1 666 667 |
| Short term borrowings | 6 571 044 | 7 813 951 |
| Trade and other payables | 11 324 446 | 6 493 723 |
| Total | 19 949 138 | 15 974 341 |

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise finance lease liabilities, loans payable, bank overdrafts and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations. Exposure to credit, interest rate and currency risk arises in the normal course of Group's business and these are main risks arising from the Group`s financial instruments.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

### Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group assumes foreign credit risk only on customers approved by the Board and follows credit review procedures for local credit customers.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long and short term debt obligations and bank overdrafts. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

### Currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in a currency other than the United States Dollar.

In respect of all monetary assets and liabilities held in currencies other than the United States Dollar, the Group ensures that the net exposure is kept to an acceptable level.

The Group's exposure to foreign currency changes is not significant.

### Liquidity risk

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was not adequately met for the reporting periods. Funding for long-term liquidity needs is not readily available on the market due to tight liquidity on the local and regional financial markets.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables do not exceed the current cash outflow requirements.

## 30 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are designed to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group monitors capital on the basis of the carrying amount of debt finance as a portion of the Group's total debt plus equity finance as presented on the face of the statement of financial position. Management's goal in capital management is to maintain a debt capital-to-overall financing ratio of 1 : 2. This is in line with the Group's covenants resulting from the debt finances it has taken out.

The Group sets the amount of debt capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

| Capital for the reporting period under review is summarised as follows: | 2018 USD | 2017 USD |
|---|---|---|
| Debt capital | 8 624 692 | 9 480 618 |
| Equity capital | 14 493 396 | 10 283 237 |
| Debt capital | 8 624 692 | 9 480 618 |
| Overall financing (debt + equity) | 23 118 088 | 19 763 855 |
| Debt capital-to-overall financing ratio | 37% | 48.0% |

## 31 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

### Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

### Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

### Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

### Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Current and deferred tax

The Group is subject to income tax; significant judgment is required in determining the provision. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax assessment based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Where the actual final outcome (on the judgment areas) differs from management estimates, the company will need to increase the income and deferred tax liability if unfavourable or decrease the income and deferred tax liability if favourable.

## 32 FAIR VALUE MEASUREMENT

32.1 "Investment property is measured at fair value in the statement of financial position. The three fair value hierarchy levels are defined based on the observability of significant inputs to the measurement , as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability."

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 September 2018 and September 2017

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **30 September, 2018** | | | |
| Investment property | - | 750 000 | - |
| **30 September, 2017** | | | |
| Investment property | - | 967 000 | - |

Fair value of the Group's investment property assets is estimated based on a directors valuation performed at year end. The fair value was determined based on current prices in an active market for similar property in the same location and condition.

32.2 **Fair value determination for transactions, assets and liabilities**

The determination of fair values presented in the financial statements is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of the fair values.

The Public Accountants and Auditors Board of Zimbabwe (PAAB) is considering and evaluating the impact of the relevant developments during 2018 on financial reporting with a view to issuing guidance for reporting for periods ending 31 December 2018 and beyond.

## 33 CAPITAL COMMITMENTS

The group does not have any unfulfilled capital commitments.

## 34 CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 September 2018.

# Shareholder Information

### Spread of Shareholders

| | Shareholders | Shares | % |
|---|---|---|---|
| Local Company | 138 | 196 615 167 | 52.540 |
| Other corporate holdings | 726 | 83 795 226 | 22.390 |
| Employees | 8 | 41 351 286 | 11.050 |
| Pension funds | 28 | 26 370 663 | 7.050 |
| Banks and nominees | 47 | 20 711 710 | 5.530 |
| Non Resident individual | 87 | 3 081 907 | 0.820 |
| Investments Trusts | 21 | 1 631 388 | 0.440 |
| Non residents | 4 | 508 678 | 0.140 |
| Deceased Estate | 7 | 159 603 | 0.040 |
| Insurance | 2 | 15 237 | 0.004 |
| | 1 068 | 374 240 865 | 100.000 |

### Size of shareholding

| | Shareholders | Shares | % |
|---|---|---|---|
| 1 - 5 000 | 600 | 1 001 092 | 0.27 |
| 5 001 - 10 000 | 141 | 1 056 056 | 0.28 |
| 10 001 - 50 000 | 180 | 3 899 273 | 1.04 |
| 50 001 - 100 000 | 42 | 3 133 632 | 0.84 |
| 100 001 - 500 000 | 66 | 16 590 898 | 4.43 |
| 500 001 - 1 000 000 | 10 | 6 808 108 | 1.82 |
| 1 000 001 - 10 000 000 | 18 | 57 749 810 | 15.43 |
| 10 000 000 - 99 999 999 | 11 | 284 001 996 | 75.89 |
| | 1 068 | 374 240 865 | 100.00 |

### Top 10 shareholders

| Top 10 shareholders | | % of Total |
|---|---|---|
| Turner Roy | 45 908 725 | 12.27 |
| Powerspeed Employee Share Trust (Pvt) Ltd | 39 351 286 | 10.51 |
| Doctudey Investments (Pvt) Ltd | 36 143 870 | 9.66 |
| Consolidated Electrical Industries (Pvt) Ltd | 31 137 702 | 8.32 |
| Peptune Investments (Pvt) Ltd | 24 930 963 | 6.66 |
| Kretzmann, Donald Stewart | 24 700 000 | 6.60 |
| WRS Switch Gear (Pvt) Ltd | 23 602 494 | 6.31 |
| Careful Investments (Pvt) Ltd | 20 759 926 | 5.55 |
| Braidor Enterprises (Pvt) Ltd | 15 786 359 | 4.22 |
| AC/DC Dynamics (Pvt) Ltd | 11 383 947 | 3.04 |
| | 273 705 272 | 73.14 |

# Shareholders' Calendar

| Key Event | Date |
|---|---|
| Financial Year End | 30 September 2018 |
| Publication of Financial Results | 04 December 2018 |
| Dividend payment | 31 January 2019 |
| Annual General Meeting | 28 February 2019 |
| Half Year End | 31 March 2019 |
| Publication of Interim Results | 21 June 2019 |

# Corporate Information

**NATURE OF BUSINESS:**
Manufacturing and trading of electrical products

**DIRECTORS**

| | |
|---|---|
| Makoni S.H. (Dr) | (Chairperson) |
| Macklin H.N. | (Managing Director) |
| Gurira M.S. | (Executive) |
| Kretzmann M.S. | (Non Executive) |
| Kretzmer N.H. | (Non Executive) |
| Tambo C.C.M. | (Non Executive) |
| Gapare V.R. | (Non Executive) |

| | |
|---|---|
| **GROUP SECRETARY** | **M.S. Gurira** |

**FINANCE AND AUDIT COMMITTEE**

| | |
|---|---|
| Chairman | C.C.M. Tambo |
| | N.H. Kretzmer |
| | T. Zingwe |

**HUMAN RESOURCES AND REMUNERATION COMMITTEE**

| | |
|---|---|
| Chairman | M.S. Kretzmann |
| | C.C.M. Tambo |
| | H.N. Macklin |

**EXECUTIVE MANAGEMENT COMMITTEE**

| | |
|---|---|
| Chief Executive Officer | H.N. Macklin |
| Chief Operating Officer | M.S. Gurira |
| Chief Financial Officer | T. Zingwe |
| Supply Chain Executive | R. Harvey |

| | |
|---|---|
| **TRANSFER SECRETARIES** | First Transfer Secretaries (Private) Limited<br>4th Floor Gold Bridge North<br>Eastgate<br>HARARE |
| **AUDITORS** | Grant Thornton<br>Chartered Accountants (Z)<br>Camelsa Business Park<br>135 Enterprise Road<br>Highlands<br>HARARE |
| **REGISTERED OFFICE** | Stand 17568<br>Corner Cripps Road/Kelvin Road North<br>Graniteside<br>HARARE |

# Notice to Shareholders

## ANNUAL GENERAL MEETING

Notice is hereby given that the 41st Annual General Meeting of the members of Powerspeed Electrical Limited will be held in the Powerspeed Boardroom, Gate 1, Powerspeed Complex, Corner Cripps Road and Kelvin Road North, Graniteside, Harare, at 11am, on Thursday 28 February 2019 to consider the following business:

### 1. ORDINARY BUSINESS

1.1 To receive, and consider the audited financial statements of the Group, the reports of the directors and of the auditors for the year ended 30 September 2018.

1.2 To approve non-executive directors' emoluments of $42 000 for the year ended 30 September 2018, and to fix their remuneration for the ensuing year.

1.3 In terms of the Articles of Association, Messrs. H.N. Macklin and M.S. Kretzmann will retire at the forthcoming Annual General Meeting and being eligible, they offer themselves for re-election.

1.4 To approve the auditor's fees for the previous year and the appointment of Grant Thornton Chartered Accountants (Zimbabwe) as auditors for the ensuing year.

1.5 To confirm the dividend of 0.40 cents per share declared on 26 November 2018.

### 2. SPECIAL BUSINESS

#### Extension of the share buyback scheme

2.1 To approve with or without amendments, that the Company authorises in advance, in terms of Section 79 of the Companies Act (Chapter 24:03) and Article 52 of the Company's Articles of Association the purchase of Company's own ordinary shares which:

i) in aggregate in any one financial year, shall not exceed 10% (ten percent) of the Company's issued ordinary share capital, for the Company cancelling them, subject to the availability of sufficient revenue reserves to undertake the transfer to a capital Redemption Reserve Fund as required by the Companies Act (Chapter 24:03).

ii) value of such purchased ordinary shares shall not exceed the net asset value of the Company.

iii) the maximum price at which such ordinary shares may be acquired will be not more than 5% (five percent) above the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the 5 (five) business days immediately preceding the date of purchase of such ordinary shares by the Company;

iv) a press announcement will be published as soon as the company has acquired ordinary shares constituting, on cumulative basis in the period between Annual General meetings, 3% (three percent) of the ordinary shares prior to acquisition.

2.2 That the Company be authorised to pay the transaction costs for shareholders who, in terms of the share buyback scheme, hold less than 1 000 shares.

It will be recorded that in terms of the Companies Act and the regulations of the Zimbabwe Stock Exchange, it is the intention of the Directors of the company to utilise this authority at a future date provided the cash resources of the company are in excess of its requirements and the transaction is considered to be in the best interest of shareholders generally. In considering cash availability, the Directors will take account of inter alia, the long term cash need of the company, and will ensure the company will remain solvent after the re-purchase.

### 3. ANY OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting. Members are advised that a full set of the company's audited financial results is obtainable from the Company's website: www.powerspeed.co.zw

*A member entitled to attend at the meeting may appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. All proxies must be lodged at the Company's registered office not less than forty-eight hours before the meeting. Proxy forms are available at the registered office and will be distributed together with the financial statements.

By Order of the Board
M.S. Gurira
Company Secretary
26 November 2018

Registered Office
Stand 17568
Corner Cripps Road and Kelvin Road North, Graniteside
P O Box 942, Harare

# Notes

# Notes

Powerspeed
Electrical Limited