ZIMPLOW

YOUR AGRICULTURE, INFRASTRUCTURE & MINING PARTNER

1939 - 2019

80TH ANNIVERSARY

Celebrating 80 Years of Excellence in Equipment Supply

*From Generation to Generation!*

# ANNUAL REPORT 2018

ZIMPLOW

YOUR AGRICULTURE, INFRASTRUCTURE & MINING PARTNER

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# Introduction

This annual report covers the financial year from 1 January 2018 to 31 December 2018 and is prepared for Zimplow Holdings Limited (Zimplow) and its subsidiaries, together the 'Group'. The reporting cycle is annual with the last report having been published in March 2018.

YOUR AGRICULTURE, INFRASTRUCTURE & MINING PARTNER

The intergrated Annual Report 2018
can be viewed at www.zimplow.com

# Vision and Mission

## OUR MISSION

To provide agricultural, mining and infrastructural engineering solutions through internationally acclaimed brands.

## OUR VISION

To be the supplier of choice for quality and innovative equipment solutions.

## OUR VALUES

- **Integrity** – We act honestly and ethically,
- **Respect** – We respect people for who they are,
- **Teamwork** – We trust, support and motivate each other,
- **Excellence** – We deliver quality in our service, react quickly and positively in our interaction with our stakeholders.

We are pleased to present the annual report of Zimplow Holdings Limited, a company listed on the Zimbabwe Stock Exchange (ZSE) for the year ended 31 December 2018. The report is targeted at the company's stakeholders and is presented in line with the recommendations of the best practice on Corporate Governance. This report aims to integrate sustainability matters with financial information and has been prepared following guidelines from the Global Reporting Initiatives (GRI) G4 guidelines. In addition, Zimplow also complied with International Financial Reporting Standards (IFRS), except for IAS 21 as noted in the statement of compliance on page 56. An independent auditor's report on the financial statements is contained on page 46 to 49.

This report is the responsibility of the company's directors. The report outlines the goal of the Group towards sustainable business values, therefore covers those material aspects of the company's environmental, social and governance activities with the operational and financial performance of the business. The report also covers the approach taken to address those social, economic, environmental and governance issues which not only have a material impact on the long-term success of the business but are also important to key stakeholders.

# 01
# COMPANY OVERVIEW

- Scope of the Report
- Business Report
- Where We Have Come From
- Our Corporate Structure
- Where We Operate

# Scope of the Report

## FORWARD-LOOKING STATEMENTS

Certain statements in this report constitute 'forward looking statements'. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performances, objectives or achievements of Zimplow Holdings Limited to be materially different from future results, performance, objectives or achievements expressed or implied in forward looking statements.

The performance of Zimplow Holdings Limited is subject to effects of changes in the operating environment and other factors. Zimplow Holdings Limited undertakes no obligation to update publicly or to release any revision of these forward-looking statements to reflect the events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.

This annual report is also available on the company's website at www.zimplow.com. We would welcome your feedback on our reporting and any suggestions you have in terms of what you would like to see incorporated in our report. To do so, please contact: Charles Chaibva on email cchaibva@zimplow.co.zw or call +263 024 2754612/9.

# Business Profile

For more than three quarters of a century Zimbabwe's farmers have been tilling the soil with Zimplow's products. We have been contributing to the national agricultural output, infrastructure development and mineral wealth extraction. Our machinery and equipment can be seen in action at most of Zimbabwe's mines, construction sites fields, plantations and estates. We are one of the largest distributors of agricultural, infrastructure and mining equipment in the country.

Zimplow serves a whole range of customers – from large-scale agricultural corporations through to the smallest subsistence farmer requiring tillage equipment. From the most impressive earthmoving equipment for mines, construction and engineering firms, through to the tiniest bolt that keeps it all together we supply it. At Zimplow we offer premium quality agricultural, infrastructure and mining products, but most importantly, support and backup to all those we do business with. The Group is now firmly rooted in the key sectors of the economy serving agriculture, mining and infrastructural development. Zimplow Holdings is continually developing in ways which will best exploit potential synergies and enhance value for all stakeholders.

Zimplow is committed to honour the vision to offer our customers with premium quality equipment and power generation solutions. With our footprint stamped firmly in major cities and towns around the country, Zimplow is well-positioned to serve and supply its customers well. We are action oriented and offer cutting edge technology to our customers, providing convenience and value. We aim to service equipment well, in such a way that aids the success of our customers. We provide innovative production solutions that maximize output, at the same time setting our customers apart from their competitors. We are here for our customers today, tomorrow and the future. Zimplow is serious about quality service.

# Where We Have Come From

**1939 FOUNDED**

The Company is founded.

## 1951

**STOCK EXCHANGE**

The Company is listed on the Stock Exchange.

## 2006

**CT BOLTS**

The Company enters the fasteners market through the acquisition of CT BOLTS.

## 2008

**TASSBURG**

The Company acquires TASSBURG to consolidate its position in the fasteners market

## 2011

**AFRITRAC**

Acquistion of African Traction and Associated Technologies. (AFRITRAC)

## 2012

**TRACTIVE POWER HOLDINGS**

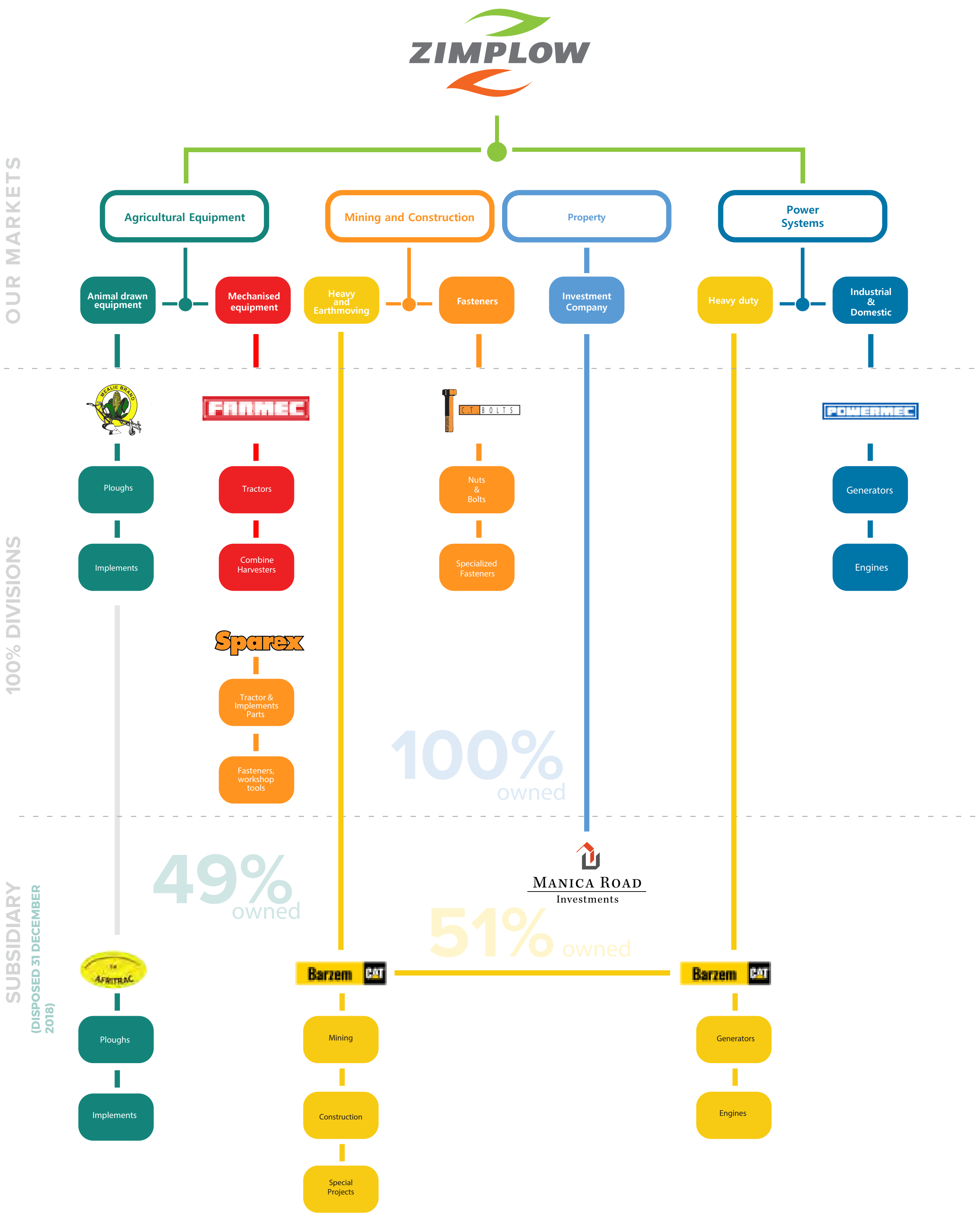
Acquisition of Tractive Power Holdings Ltd. which comprised of:

- Farmec
- Barzem
- Manica Road Investments
- Northmec
- Puzey and Payne

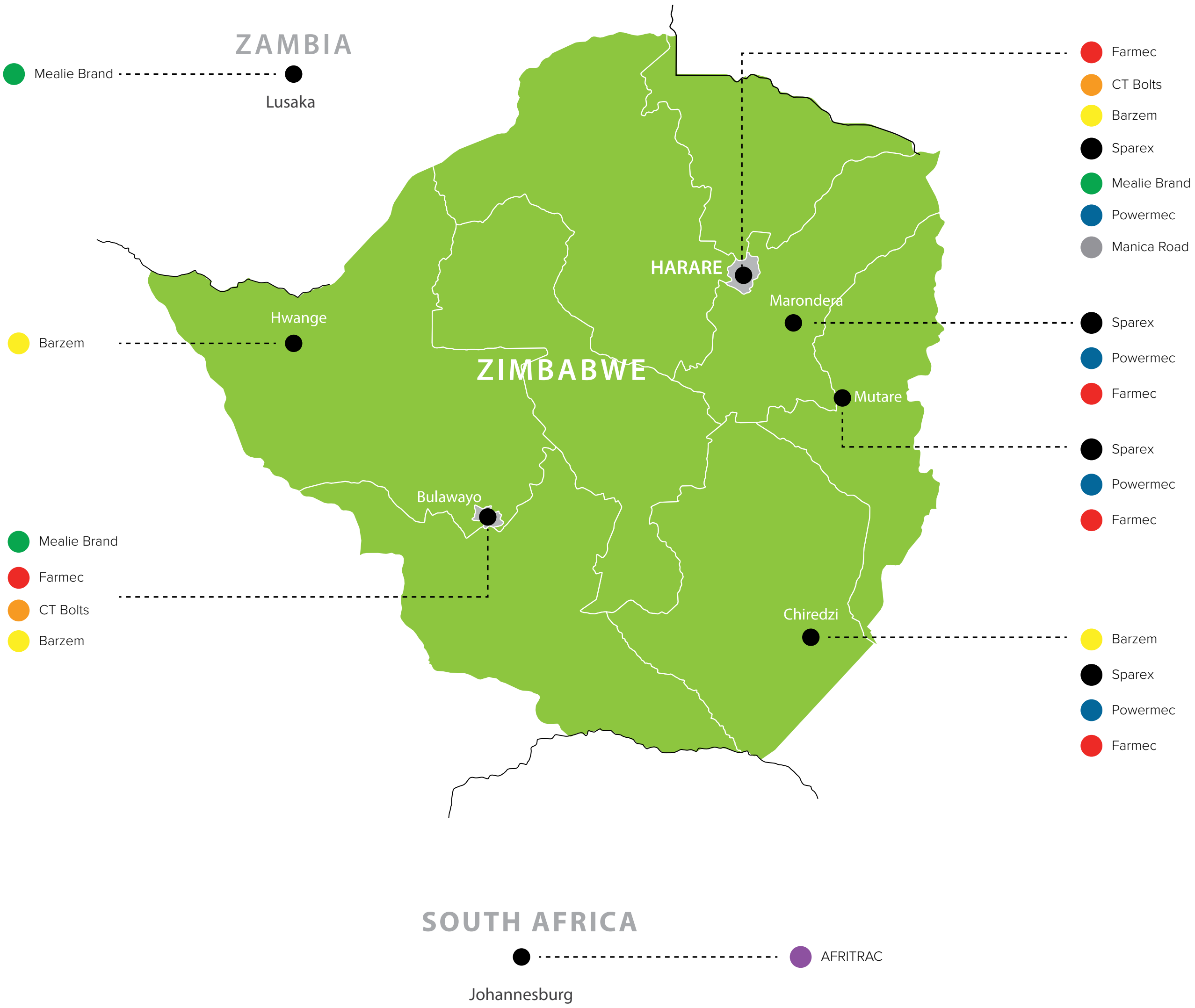
# **Where We Have Come From** (cont'd)

| 2013 | 2015 | 2016 | 2018 |
|---|---|---|---|
| **RESTRUCTURING** | **STAFF RATIONALIZATION** | **CONSOLIDATION** | **SUSTAINABLE GROWTH** |
| Disposal of Puzey and Payne. Disposal of Tassburg. Delisting of Tractive Power Holdings. New corporate identity. | Rationalization & restructuring strategy for all business units. $5million Rights issue. Exit from CASE franchise | Consolidation and optimisation. | |

# Our Corporate Structure



# Where We Operate




CAT

# 02
# OUR BUSINESS UNITS

- Barzem
- Farmec
- Powermec
- Mealie Brand
- CT Bolts
- Sparex

# Barzem Enterprises (Private) Limited

51%



Barzem (51% owned by Zimplow) has and continues to set the benchmark in mining equipment and provides a comprehensive range of machinery, construction equipment and power systems to the mining, construction and infrastructure sectors of Zimbabwe.

The company is a dealer representative for the Caterpillar and Hyster brands through its strong ties and agreements with Barloworld Equipment who owns 49% stake in the company. Caterpillar and Hyster are synonymous with high quality dependable products and are specifically built to conquer even the toughest of environments. Our equipment can be seen in action in Zimbabwe's best-known mines, construction projects and large warehouses.

Providing new equipment sales, service and parts for CAT and Hyster equipment, Barzem has a branch network covering the following areas;

- Harare
- Bulawayo
- Hwange

Our technical team of artisans is regarded as one of the best qualified and knowledgeable in the CAT network of Southern Africa and its services are not only in demand in Zimbabwe but across the region. Our products range from Forklifts, Graders, Excavators, Dump trucks, Electrical Power generators, wheel loaders and bull dozers amongst others. Barzem stocks a full range of spares for all the products it sells.

**Contact us on or visit us at:**

**Harare**
10 Harrow Road, Msasa
Tel : + 263 024 2486600-4 / 2486609-15
Email : catsales@barzem.co.zw
Website : www.barzem.co.zw

**Bulawayo**
5 Dunlop Road, Donnington
Tel : + 263 029 267781
Email : catsales@barzem.co.zw

**Hwange**
Stand 30, Industrial Area
Tel : + 263 81 20881-3/24333
Email : catsales@barzem.co.zw

# Farmec

A 100% owned division of Zimplow, Farmec is the flagship for mechanised agriculture equipment in the Group. Holding franchise agreements for Massey Ferguson, Valtra, Challenger tractors, combine harvesters as well as distributorships for Monosem, Vicon and Falcon implement ranges. The business is a one stop shop for the small to the most advanced farmer.

Farmec has branches in the main agricultural regions of the country and provides support to our valued customers and agriculture sector at large as follows;

**Harare**
36 Birmingham Road, Southerton
Tel : +263 024 2754612/9
Email : farmec@farmec.co.zw
Website : www.farmec.co.zw

**Chiredzi**
54 Chironga Road
Tel : + 263 772 720 759
Email : dulanip@farmec.co.zw

**Mutare**
12 Aerodrome Road
Tel : +263 712 978 789
Email : horsefieldm@farmec.co.zw

**Marondera**
19 Smithfield way
Tel : +263 772 609 357
Email : mutambue@farmec.co.zw

**Bulawayo**
Cnr Falcon & Wanderer Street
Tel : + 263 772 720 759
Email : dulanip@farmec.co.zw

# Powermec


Powermec, a 100% owned division. The division is the authorised distributer of Perkins parts and service in Zimbabwe.

The scope of Powermec's service covers the electric power engines (generators), tractors, trucks and earth moving equipment driven by Perkins engines.

Powermec is housed at the main Farmec branch in Harare.

**For more information, contact or visit us at:**
**Harare**
36 Birmingham Road, Southerton
Tel : +263 024 2754612/9
Email : powermec@powermec.co.zw
Website : www.zimplow.co.zw


# Mealie Brand

100%

A 100% owned division, Mealie Brand is the largest manufacturer and distributor of animal drawn ploughs, harrows, rippers and planters in Zimbabwe. It offers a wide range of land preparation, cultivation and planting implements in Sub-Saharan Africa. Through its ISO 9001: 2015 Certification, the quality of Mealie Brand products is guaranteed to meet the requirements of even the most discerning and export customer. As a 100% owned division, Mealie Brand is focused on empowering the African subsistence farmer. Mealie Brand works closely with conservation and extension departments in Zimbabwe to ensure the value is delivered to the grassroots level farmer in Zimbabwe and in the region.

"Mealie Brand", now tried and tested, is a household name and recognised regional brand. It was started in 1939 when the first plough was produced. With a wide distribution network, our products can be found in the best-known wholesalers down to some of the most remote hardware stores. We continue to empower and resource the African farmer through our products.

**For more information, contact or visit us at:**
**Bulawayo**
39 Steelworks Road
Heavy industrial sites
Tel : +263 029 2880667/71363-4
Email : sales@zimplow.co.zw
Website : www.mealibrand.co.zw

**Harare**
36 Birmingham Road, Southerton
Tel : +263 024 2754612-9
Email : sales@zimplow.co.zw

# African Traction & Associated Technologies (Afritrac)

A 49% owned company domiciled in South Africa that operates synergistically with Mealie Brand. The company was formed in 2001 to promote sustainable development in Agriculture in South Africa, Lesotho and Mozambique and is a distributor of Mealie Brand products in the region and other animal drawn implements. Afritrac through supplying the Mealie Brand products plus other conversation tillage units has positively contributed to food security in the southern region.

The subsidiary was disposed of on 31 December 2018. The entity will continue to be part of Mealie Brand distribution network in South Africa.

**Contact or visit us at:**
**Powerville Industrial Park,**
6 Taaibos Street,
1939 Johannesburg,
South Africa
Tel : + 27 164221013
Email : afrishaun@telkomsa.net

# CT Bolts

A 100% owned division of Zimplow. Established in 1954 and incorporated into Zimplow since 2006, CT Bolts is a distributor of mild steel bolts, nuts, nails and a wide range of fasteners including specialised mining, construction, agriculture and infrastructure fasteners. It is a key barometer of the economy as its products are required in the most basic to the most advanced sectors of the economy.

**For more information, feel free to visit us or contact us at:**

**Bulawayo**

Cnr Falcon Street and Wanderer Avenue, Belmont

Tel : +263 9 471591-4/467746

Email : sales@ctbolts.co.zw or buyer@ctbolts.co.zw

**Harare**

36 Birmingham Road, Southerton

Tel : +263 4 755261-2 / 755258-9

Email : sales@ctbolts.co.zw or buyer@ctbolts.co.zw

Website : www.ctbolts.co.zw

# Sparex

100%

Sparex is a distributor of generic agricultural spare parts and accessories. Our customers include tractor and implement owners, agricultural engineers, country stores and hardware outlets. The Sparex product range consists of over 3000 items and is broadly divided into 3 major groupings;

- Replacement parts for Agriculture tractors.
- Replacement wearing parts for agricultural implements.
- A wide range of fasteners, workshop tools, trailer equipment and paints.

Sparex is housed at all Farmec branches.

# 03 CORPORATE GOVERNANCE

# Statement from the Chairman

**The 2018 financial year was a successful one for the Zimplow Group drawing from growth in the national GDP and a resurgent agricultural sector. Group revenue went up by 25% from $39.1m to $48.7m. Success with cost containment measures saw the net profit percentage up from 9% to 12%. Net profits available to the shareholders were up by 76% from $3.4m to $6m.**

## Business unit Performance Review

### Mealie Brand

Revenues went up 9% from $11.5m to $12.5m with the mix tilted towards more profitable local sales. Underlying volumes of local implements were up 19% to 43 490 with exports down 48% to 23 610. Due to effective cost management net profits went up 41% from $2.9m to $4.1m. Mealie Brand generated sufficient export sales to sustain itself as well as to fund other divisions of the Group.

### Farmec

Revenues increased by 59% from $11.1m to $17.7m on the back of a strong showing in tractor sales. Tractor sales were up 75% from 95 units in 2017 to 166 units in 2018. Massey Ferguson tractors were 90% of the volume with Valtra making up the balance. Workshop hours sold were flat on last year at 11 716 hours. Net profitability for Farmec was up 145% from $1.1m to $2.7m.

During the year Farmec was recognised by the owner of the Massey Ferguson Brands (AGCO) and won the following awards for the 2017 year.

- Best overall distributor in Africa.
- Best services / parts dealer.
- Best Massey Ferguson dealer in Africa.

The whole Group is proud of this recognition!

### Powermec

Revenue for Powermec was up 116% from $1.9m to $4.1m. Gensets were 80% of the turnover with parts and service making up the balance. We will look to increase the relative contribution of more predictable parts and service revenues to the total mix. GP margins were squeezed due to lower stock turn and consequently Powermec made a profit of $350k, which was up only 18% on prior year.

### Barzem

Revenues at Barzem were up 7% to $12.7m. While the sales mix of 40:60% between whole goods and parts/ service was good, profitability remains muted as the business currently operates at a fraction of its potential. Alignment of shareholder objectives and interests is the first step towards putting Barzem in a position to competently serve the local market. We are working at this.

### CT Bolts

Turnover at CT Bolts was up 20% from $1.5m to $1.8m with profitability up 96% to $724k. This remains a niche business and an increased focus on the northern half of the country has produced extra revenues and profits for the company.

# Statement from the Chairman (cont'd)

## Outlook

We serve both the communal and the commercial farmer and the prospects of the agricultural season plays an important role in the life of Zimplow. On the mining side, we expect an improved performance from Barzem for the coming financial year on the back of parts and service.

The most important task that Zimplow's Board and Management have is the management of the balance sheet. Over the last two years we have achieved a malleable balance sheet structure where we are able to generate cash or assume a defensive posture in response to market conditions. We will take advantage of opportunities as they present themselves in the 2019 financial year.

## Dividend

The board declared a final dividend of $500,000 payable to shareholders of the Company registered at the close of business on the 12th April 2019. A notice to that effect was published on 28th March 2019. This dividend together with the interim payment brings our total dividend pay-out ratio to 17%.

## Directorate

We would like to congratulate Vimbayi Nyakudya on his appointment as the Group CEO and we thank Mark Hulett for his productive tenure at the helm.

On behalf of the Board and Shareholders, I would to like to thank Zimplow staff and management for the 2018 performance.

**T Chataika**
**CHAIRMAN**

# Corporate Governance Statement

## Board Structure

The board of directors consists of a non-executive chairman, one executive director and five non-executive directors. The chairmen of the various committees are all non-executive directors. The board meets regularly to review results, dictate policy, formulate overall strategy and approve the budgets. They have introduced structures of corporate governance. Certain functions and responsibilities have been delegated to the following committees. Their terms of reference and composition are regularly reviewed. Short biographies of each of the directors are disclosed on page 26.

## Audit and Risk Committee

The Group has an audit and risk committee that assists the Board in the fulfilment of its duties. The audit and risk committee deals, inter alia with compliance, internal control and risk management. The committee currently comprises of 3 (three) non-executive directors. A non-executive director chairs the audit committee. The committee meets at least 3 (three) times a year with the Group's internal and external auditors to consider compliance with financial reporting requirements, monitor the appropriateness of accounting policies and the effectiveness of systems of Internal control and consider the findings of the internal and external auditors. Both the internal and external auditors have unrestricted access to the audit committee to ensure their independence and the objectivity of their reports.

## Human Resources Committee

The remuneration committee comprises 3 (three) non-executive directors. The Group's remuneration policy is to provide packages that attract, retain and motivate high quality individuals who will contribute substantially to the growth and success of the Group. This committee sets the remuneration of the executive directors and approves guidelines for the Group's pay reviews. Remuneration packages include a guaranteed salary as well as a performance related incentive linked to the achievement of present profit targets. No share options were issued in the current year.

## Nominations Committee and Board Membership Criteria

The nominations committee is responsible for developing criteria for filling vacant Board positions taking into consideration such factors as it deems appropriate. Relevant considerations include education, background, leadership and ability to exercise sound judgement, general business experience and familiarity with the Group's business. Candidates should not have any interests that would materially impair their ability to exercise independent judgement or otherwise discharge the fiduciary duties owed as a director to the Company and its stakeholders. All candidates must be individuals of personal integrity, ethical character and value and appreciate these qualities in others. It is expected that each director will devote the necessary time to the fulfilment of his or her duties as a director. In this regard, the Nominations Committee considers the number and nature of each director's other commitments, including other directorships. The Nominations Committee seeks to promote through the nominations process diversity on the Board of professional background, experience, expertise, perspective, age, gender and ethnicity.

## Executive Committee

The executive committee sits regularly to deliberate and consider detailed operational issues of the Group which includes strategy implementation.

# Corporate Governance Statement (cont'd)

## Business Unit governance

Each individual business unit in the Group has an executive with clearly defined responsibilities and objectives, which is responsible for the day to day running of its operations. A comprehensive financial reporting system ensures that each business unit is brought to account monthly.

# Board of Directors

**THOMAS CHATAIKA**
Chairman

Thomas is the founder and Managing Director of INVESCI. He is a Chartered Accountant as well as a holder of the CFA charter.

**TIMOTHY MICHAEL JOHNSON**
Non-Executive Director

Tim was educated at Falcon College and is a holder of a B. Comm degree from Rhodes University. He was the Chief Executive of Cairns Holdings and then Astra Corporation Ltd before its demerger. He was also a director of Astra Industries and Tractive Power Holdings Ltd. Tim is a Director of CABS, Cimas Medical Aid Society and Chairman of RM Insurance Company. Tim is also a Trustees Representative of the Beit Trust, a UK registered charitable organization specializing in infrastructure grants to health and educational institutions. He was a non-executive director of Tractive Power Holdings Limited before its acquisition by Zimplow.

**LANCE KENNEDY**
Non-Executive Board

Lance is a holder of a Master of Science Degree in Business Management in the Agriculture and Food Industries from the Royal Agricultural College in Cirencester in the United Kingdom and several other agricultural qualifications. He has a wealth of experience in the agriculture and farming sector including hands-on experience in managing farming operations in Australia. His career in the agricultural sector spans over 20 years.

**GODFREY MANHAMBARA**
Non-Executive Director

Godfrey holds several academic qualifications, including a Diploma in Business Studies, a Bachelor of Science in Economics degree (Honours) from the University of London, and a Master's in Business Administration. He is an accomplished member of the Chartered Institute of Transport and Logistics (MCIOTL) UK and the Zimbabwe Institute of Management (Zim). In his executive career, Godfrey worked for Affretair as Marketing Executive before being elevated to Chief Executive. He then joined the Civil Aviation Authority of Zimbabwe (CAAZ) as Chief Executive; thereafter he went on to Reacon Services as Chief Executive Officer then onto BETA Holdings as Group Chief Executive Officer, the position which he still holds today.

**MARK YONG**
Non-Executive Director

Mark Yong is the Chairman and Director of Unchartered Group Limited (UGL), an international investment and holding company. UGL's portfolio includes real estate assets, development of commercial and residential real estate projects, luxury real estate developments, operation of luxury leisure and lifestyle businesses, leisure, hospitality and entertainment businesses. Mark lives in Singapore. He is married and has two sons.

**KALPESH PATEL**
Non-Executive Director

Kalpesh is seasoned executive in the Steel industry and is currently the Chief Executive officer of Steelmakers Ltd in charge of its Sub-Saharan operations. He possesses a BSc in Economics and a BA in Political Science including an MSc in Economics from the London School of Economics.

**MARK HULETT**
Group Chief Executive Officer

(Resigned 31 December 2018)
Mark has extensive experience in both the agricultural and mining sectors, which are the key central sectors to the Group's business. Mark has recently been the Chief Operating Officer (Tobacco Operations) of TSL Limited. Mark is a holder of Bachelor of Agricultural Science degree from the University of Adelaide. Mark is married with three children.

**VIMBAYI NYAKUDYA**
Group Chief Executive Officer

(Appointed 1 January 2019)
Vimbayi is a Chartered Accountant and a holder of the master of business leadership. He trained with KPMG. Before appointment as CEO, he was the CFO.

# Group Executive Committee

**Mark Hulett**
(Resigned 31 December 2018)
Group Chief Executive Officer
Qualifications:
BSc Agric Science (Adelaide)
Joined: 1 January 2016

**Vimbayi Nyakudya**
Group Chief Executive Officer
(Appointed 1 January 2019)
Qualifications:
B. Compt (Hons), CA(Z), CA(SA), MBL
Joined: 14 December 2015

**Charles L. Chaibva**
Group Chief Finance Officer
Qualifications:
B. Acc (Hons.) UZ, CA(Z)
Joined: 1 April 2019

**Maxwell Chinorwadza**
Group Company Secretary
Qualifications:
BBS, FCIS, CGMA, MBA
Joined: 1 July 1994

**Walter Chigwada**
Managing Director, Mealie Brand
Qualifications:
BSc Agric Honours (UZ) MSc
(Aberdeen) Dip Exec Mgt (UZ)
Joined: 1 August 2013

**James McSorley**
General Manager, Farmec
Qualifications:
General Management
Development Programme (UZ)
Joined: 1 October 2016

**Jackson Fambawaputa**
(Acting) Managing Director,
Barzem
Qualifications:
CA(Z) (ANZ), MBL
Joined: 1 April 2017

**Shepherd Sebata**
General Manager, CT Bolts
Qualifications:
RPA(Z), MIIA, MIAC, PAFA, MBA
Joined: 1 June 2009

**Given Maboreke**
General Manager, Powermec
Qualifications:
BSC HONS in MGT LCCI, GMDP
(UZ)
Joined: 1 September 2008

**Gladys Machawira**
Group Internal Audit Manager
Qualifications:
Articles of Clerkship, Bcompt
(UNISA), ISO 9001:2000 Internal
Auditor,
Joined: 1 August 2011

**K. S. Mupandawana**
Group Human Resources
Executive
Qualifications:
BA (UZ), Dip IPMZ, MBA
Joined: 1 September 2013

# Group Executive Committee (cont'd)

The Directors recognise the need to conduct the affairs of the Group with principles of transparency, integrity, and accountability, in accordance with generally accepted corporate practices, in the interests of its stakeholders. This process enables the Group's stakeholders to derive the assurance that, in protecting and creating value to Zimplow Holdings Limited's financial and human resources, the Group is being managed ethically, according to best practices. Sustainability principles are therefore pivotal to the Group's drive of value addition to its stakeholders.

Zimplow's board of directors continues to provide effective leadership based on sound, ethical business foundations. The board considers the Group's appropriate application of best practice including King IV as an essential feature of the way the Group behaves as a responsible corporate citizen and an integral part of the Group's drive to remain a leading business.

The Directors are ultimately responsible for the internal controls of the Group. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Ensuring that the proper monitoring of systems and controls is in place throughout the Group is essential to providing assurance to the board regarding their effectiveness.

## Board Mandate

The board is responsible for approving the strategic direction of the Group and assisting management in achieving its strategic goals. The board is governed by a charter that sets out the framework of its accountability, responsibility and duty to the Group.

The board conducts its business in the best interest of the Group and fulfills its fiduciary duty to act in good faith, with due care and diligence, and by ensuring that the Group performs in the interests of its broader stakeholder Group, including present and future investors in the Group, its customers and clients, its business partners, employees and the societies in which it operates.

# Brands

# Board Committee Membership and Subsidiary Board Structure

| Committee | Members | Mandate |
|---|---|---|
| Audit and Risk Committee | Godfrey Manhambara (Chairman)<br><br>Thomas Chataika<br><br>Lance Kennedy | The Group has an audit and risk committee that assists the Board in the fulfilment of its duties. The audit committee deals, inter alia with compliance, internal control and risk management. The committee currently comprises of 3 (three) non-executive directors. A non-executive director chairs the audit committee. The committee meets at least 3 (three) times a year with the Group's internal and external auditors to consider compliance with financial reporting requirements, monitor the appropriateness of accounting policies and the effectiveness of systems of Internal control and consider the findings of the internal and external auditors. Both the internal and external auditors have unrestricted access to the audit committee to ensure their independence and the objectivity of their reports. |
| Human Resources Committee | Thomas Chataika (Chairman)<br><br>Tim Johnson<br><br>Kalpesh Patel | The remuneration committee comprises 3 (three) non-executive directors. The Group's remuneration policy is to provide packages that attract, retain and motivate high quality individuals who will contribute substantially to the growth and success of the Group. This committee sets the remuneration of the executive directors and approves guidelines for the Group's pay reviews. Remuneration packages include a guaranteed salary as well as a performance related incentive linked to the achievement of present profit targets. |
| Nominations Committee | Thomas Chataika (Chairman)<br><br>Kalpesh Patel<br><br>Mark Yong | The nominations committee is responsible for developing criteria for filling vacant Board positions taking into consideration such factors as it deems appropriate. Relevant considerations include education and background, leadership and ability to exercise sound judgement, general business experience and familiarity with the Group's businesses. A candidate should not have any interests that would materially impair his/her ability to exercise independent judgement or otherwise discharge the fiduciary duties owed as a director to the Company and its stakeholders. All candidates must be individuals of personal integrity, ethical character and value and should appreciate these qualities in others. It is expected that each director will devote the necessary time to the fulfilment of his or her duties as a director. In this regard, the Nominations Committee will consider the number and nature of each director's other commitments, including other directorships. The Nominations Committee will seek to promote through the nominations process diversity on the Board of professional background, experience, expertise, perspective, age, gender and ethnicity. |

# Board Committee Membership and Subsidiary Board Structure (cont'd)

| Subsidiary | Board Members |
|---|---|
| Barzem | Brett Stevens – Non- Executive Director<br>Thomas Chataika - Non- executive director<br>Lance Kennedy - Non- executive director<br>Regiv Maharaj - Non- executive director (South African)<br>Mark Mencell - Non- Executive director (South African)<br>Mark Hulett - Group Chief Executive Officer (Resigned 31 December 2018)<br>Vimbayi Nyakudya – Group Chief Executive Officer (Appointed 1 January 2019) |
| Afritrac | Mark Hulett (Resigned 31 December 2018)<br>Vimbayi Nyakudya<br>Oscar Guzzardi (South African)<br>Shaun Lubaschagne (South African) |
| Manica Road | Mark Hulett (Resigned 31 December 2018)<br>Vimbayi Nyakudya |


MASSEY FERGUSON
7180

# 04 SUSTAINABILITY REPORTING

- Sustainability Reporting
- Stakeholders Engagement
- Value Creation
- Value Added Statement

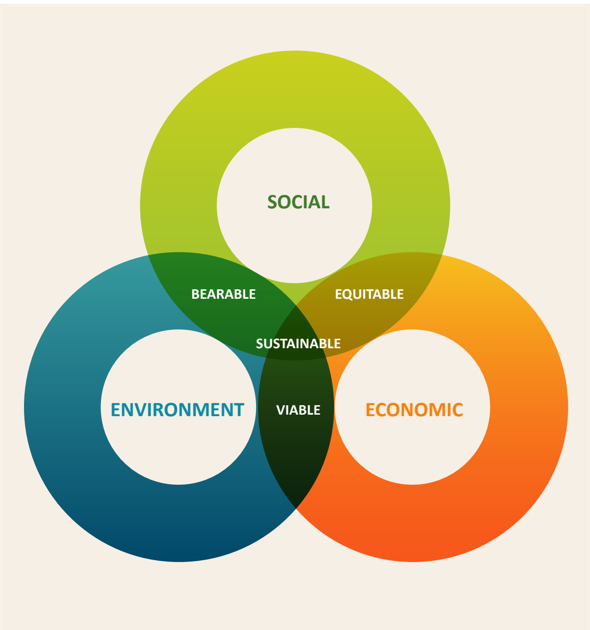
# Sustainability Reporting

"Sustainability development ensures that we meet our present needs without compromising our ability to meet future needs."

As a significant player in the agricultural, mining and construction sector in Zimbabwe, the Group focuses on optimizing the social and environmental impact of its operations without compromising economic viability.

Our sustainability strategy was developed and strengthened by the process of conducting a materiality assessment through which Zimplow defined issues of relevance to stakeholders and the business. The process began by capturing a broad scope of issues that were relevant to our industry and our company such as climate change, water conservation, food security, energy conservation and use of renewable sources of energy, suppliers, waste management, employee health and safety, community relations and environmental stewardship.

**Economic Impact**
Zimplow has for the past year committed to the attainment of food security in the country. Management and staff engage the customers in various ways to ensure optimum utilisation of the land as a natural resource. The entity, is producing more efficient farming machinery to ensure higher yields per piece of land. Due to the ever-increasing population against a statistic natural resource, more efficient ways to till and conserve the land are needed and this is the thrust of the Group.




**Rural economies development**
The Group pro-actively support the socio – economic transformations of the rural community by providing economic solutions to our customers.

Our Mealie Brand Division provide a set of affordable and durable farming equipment meant to empower the rural farmer and ensure food security nationwide.

Customers are also empowered with technical advice from our technical staff through one on one farm visits and demonstrations on sustainable farming.

**Environmental Impact**
The impact of environmental damage and climate change are critical to the viability of our business. Potential consequences on the environment and natural resources can be financial, physical and intangible. This necessitates the Group to take appropriate measures to minimize impact on the environment, climate and natural resources, which are considered as capital for the business.

**Strategic Intent**
- Clean Environment
- Conservation Agriculture
- Environmental Stewardship by our Principals
- Efficiency in water & energy consumptions

**Clean Environment**
The company has joined the nation in the national clean-up campaign which was launched on 5 December 2018. The launch ran under the theme zero tolerance to litter. Its aim was to instil environmental awareness to all stakeholders as well as achieving a clean Zimbabwe. The event was indeed a success as various stakeholders took part in the

# **Sustainability Reporting** (cont'd)

exercise which saw the areas identified swept clean and a culture of cleanliness was also cultivated. If the standards are maintained, a clean Zimbabwe is indeed achievable.

The Mealie Brand division took part in the exercise and came up with a schedule which will uphold the first Friday of each month as the day to at least contribute to the objective of a cleaner Zimbabwe.


**Conservation Agriculture**

Zimplow has joined the Global Conservation Agricultural Community in introducing Conservation Agriculture (CA) in the remote parts of Zimbabwe. There is a range of equipment that Zimplow is distributing to different areas as well as the region which are complementary to the above theme.

Conservation Agriculture aims to achieve sustainable and profitable agriculture and subsequently aims at improved livelihoods of farmers through the application of the three conservation agricultural principles namely minimal soil disturbance, permanent soil cover and crop rotations. Through Faccasi, our Mealie Brand division has managed to introduce a no till planter that support the conservation agriculture objectives.

**Environmental Stewardship by our Principals**

Environmental stewardship is one of the criteria for supplier selection and anchors of our environmental sustainability approaches. We represent the leading original equipment manufacturers (OEMs) such as Caterpillar, Hyster, Massey Ferguson, Challenger, Monosem, Perkins, Sparex and we are of course the pioneers of the green plough, Mealie Brand and Master Farmer. These principals and brands are synonymous with international best practice in green supply chains, in the way they support their value chains right through to the disposal of their products.

# **Sustainability Reporting** (cont'd)

**Efficiency in water & energy consumptions**

Although our operations as a Group do not consume much energy, Zimplow recognises the importance of reducing consumptions of energy particularly non-renewable energy sources. Considering global warming, achieving energy efficiency is an important objective of our business.

**Social Impact**

Zimplow recognises the value of investing in our workforce and continuously engaging with the community. We acknowledge our workforce, the strength behind our brand as Zimplow, therefore it is the Group's intention to continuously build teams within the divisions that are motivated, inspired, self-driven and action oriented in delivering value to our stakeholders.

**Strategic Intent**

- Employer of Choice
- Talent management
- Leadership development
- Health and Safety
- Social and community engagement
- Regulatory compliance and ethics

**Employer of choice**

The Group offers equal opportunities to all and avoid discrimination based on race and gender, through adhering to standards set out in the code of practice and establishing a culture of fairness, transparency and reward for effort.

Initiatives to establish a position of employer of choice include continuous upgrading of Company and employee facilities ("the face lift initiative") and training and development schemes. This is in addition to providing competitive remuneration for staff.

**Talent Management**

The Group recognizes that the expertise of its staff is central to the achievement of its regional growth strategy. Zimplow is committed to ensuring that all employees are given the opportunity to develop to their full potential to meet their own aspirations and enhance the Group's value. To this end, we have implemented a talent management system that aims to ensure that we attract and retain the best talent and skills available, that mission-critical positions and roles are staffed with key people and that a pipeline of talent and skills is provided for the future.

**Leadership development**

Together with our workforce, our human capital capability bundle includes leadership. Therefore, our human resources sustainability policy focus on developing and equipping our leaders at all levels with tools and skills to ensure that they cascade the company vision and strategy with insight and inspiration in a way that continuously transforms the Group. Every leader in our business is held accountable for ensuring that his or her team has clear direction and understanding of their role to create sustainable value for all our stakeholders.

**Health & Safety**

We are committed to creating a caring, equitable workplace and the safety and wellbeing of all Zimplow's employees is paramount. The focus for the year under review was on continued wellness support and learning for our employees and wellness personnel. Our Wellness Programmes continue to provide employees and their dependents with many opportunities to foster a lifestyle sensitive and responsive to all the dimensions of the total wellbeing.

**Social and community engagement**

The Group is committed to empowering communities through provision of employment opportunities. Community engagement has been initiated through donations to various charitable groups, social clubs and organisations.

Farmec and Mealie Brand periodically hold equipment field days around the country which educate the emerging farmer on current and upcoming farming technologies. CT Bolts and Mealie Brand through their various distribution channels in Zimbabwe have sought out small indigenous businesses and provided them with distributorship and support of their products.

# **Sustainability Reporting** (cont'd)

**Regulatory compliance and ethics**
The Group strives to comply with the various legislative and regulatory frameworks in which it operates and is committed to abide with all applicable laws and regulations in carrying out its mandate.

We value honesty, integrity and fair dealings and this is embedded in all our business practices and we continue to place great emphasis on this. The Group endeavours to uphold core business values and actively works to prevent the prevalence of unethical behavior such as bribery and corruption. The company has guidelines within its Human Resources policy, Procurement policy and other operational polices that seek to highlight and enforce such matters.

We also have an in-house team of internal auditors who regularly assess financial, business and compliance risks that the business is facing and conduct their operations independent of management.

The Group also has an audit and risk committee that takes responsibility for setting out appropriate ethical reviews.

The key roles and responsibilities for risk management in our organisation are summarized below:

| Level | Key risk management roles and responsibilities |
|---|---|
| Board of directors (Board) | · Corporate governance oversight of risk management performed by the executive management.<br>· Review the performance of the board committees (Remco and audit and risk committees). |
| Board audit and risk committee | · Assists the board in fulfilling its corporate governance oversight responsibilities with regard to identification, evaluation and mitigation of operational, strategic and external environment risks.<br>· Monitoring and reviewing risk management practices of the company.<br>· Reviewing and approving risk-related disclosures. |
| Board remuneration committee (Remco) | · Monitors trends in the Group industry's salary and bonus structures, policies and practices.<br>· Monitors the incentive programs to ensure that they promote people effectiveness, retention of critical skills as well as on-going long-term shareholder value. |
| Executive management committee | · Reviews risks, views the progress and effectiveness of mitigation actions.<br>· Formulates and deploys risk management policies.<br>· Deploys practices for the identification, assessment, monitoring, mitigation and reporting of risks. |
| Business Unit management | · Responsible for managing their functions as per the Group risk management philosophy.<br>· Responsible for managing risks relating to the business decisions in their units, span of control or area of operations.<br>· Manage risks that may arise from time to time at the unit level. |
| Employees | · Adhering to risk management policies and procedures. Implementation of prescribed risk mitigation actions.<br>· Reporting risk events and incidents in a timely manner |

# **Sustainability Reporting** (cont'd)

The entity's risks have been categorized as strategic, operational, compliance and financial. The diagram below summarizes some of the main risks under each category.

## ZIMPLOW SUSTAINABILITY REVIEW FRAMEWORK

# Stakeholders Engagement

| Stakeholder | Mode of Engagement | Material Issues Raised | Responses/Action Taken |
|---|---|---|---|
| Customer Communities | · Customer Surveys<br>· Product Road Shows<br>· Customer Network Events | · Delivery of value and competitive pricing<br>· Product range and promotions | · Understanding customer needs<br>· Loyalty<br>· Continuous customer engagement |
| Employees | · Works Council<br>· Trade Unions<br>· Employee surveys | · Income and benefits<br>· Working conditions<br>· Careers and opportunities | · Review and improvements<br>· Enhance shared values |
| Suppliers | · Supplier briefings<br>· Supplier satisfaction surveys<br>· Workshops and meetings | · Procurement opportunities<br>· Sustainable sourcing and pricing<br>· Supply chain efficiencies | · Continued engagements on options<br>· Review terms |
| Shareholders | · Annual General Meetings<br>· Investor and shareholder briefings | · Business growth<br>· Value creation<br>· Business risk<br>· Long term targets | · Growth and value creation strategy implementation<br>· Monitoring and long-term investments |
| Finance Institutions | · Formal meetings<br>· Briefings | · Lending terms and interest<br>· Investment opportunities<br>· Financial risk | · Negotiations and engagements<br>· Improved facilities and new options |
| Governance and Regulations | · Policy briefings, compliance inspections, formal meetings | · Regulatory compliance<br>· Business development compliance | · Achieving compliance with statutory requirements<br>· Business regulatory compliance |

The building of stakeholder trust and confidence, which underpins the profitability and sustainability of our businesses, guides Zimplow's approach to corporate social responsibility. Having adopted a transformational business philosophy, we seek opportunities to add sustainable value for all our stakeholders and contribute to the betterment of society and the well-being of communities within our spheres of influence through responsible corporate citizenship.

While we focus on increasing value to our shareholders, we have also identified other stakeholder groups that are crucial to the success of our business due to their capacity to affect the businesses in our Group and all our stakeholders. These specifically include customers, principals and suppliers, employees, the public sector, communities in the context of broader society and the natural environment, as well as the media. Zimplow's board and management give due regard to the legitimate expectations and interests of these stakeholders when taking decision in the best interests of the company.

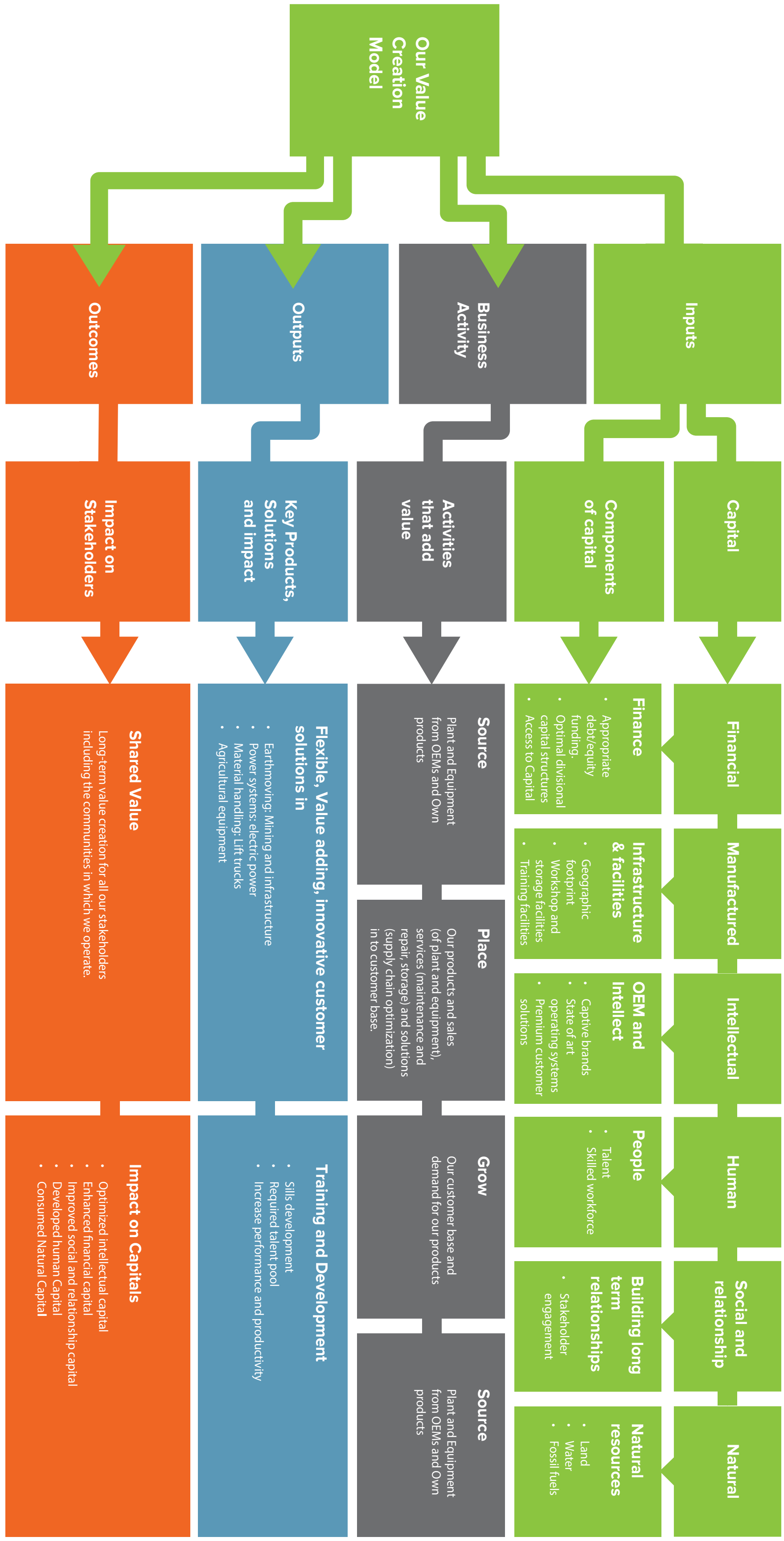
Management of our relationships with key stakeholders' in a proactive, open and mutually beneficial manner is at the core of our business model. Insights obtained in engagements with stakeholders assist in identifying emerging business opportunities and managing risk, and contribute to the formulation of our value propositions, strategic decisions and actions, performance and communications.

While responsibility for stakeholder engagement and management is decentralised to operations, appropriate stakeholder engagement policies, practices and reporting procedures are formulated at Group level to establish clear lines of accountability and ensure compliance with the relevant laws, Group standards and codes of conduct governing relationships with our stakeholders. A Group executive has responsibility for stakeholder management and bringing to the board's attention potential gaps that may exist.

# Stakeholders Engagement (cont'd)

There is need to facilitate customer sharing across Zimplow's diverse operating divisions: This involves offering customers a single point of contact for the Group to identify customer needs which could be met by other parts of the Group, either as related or emerging new business opportunities, or which could be consolidated into existing integrated customer solutions.

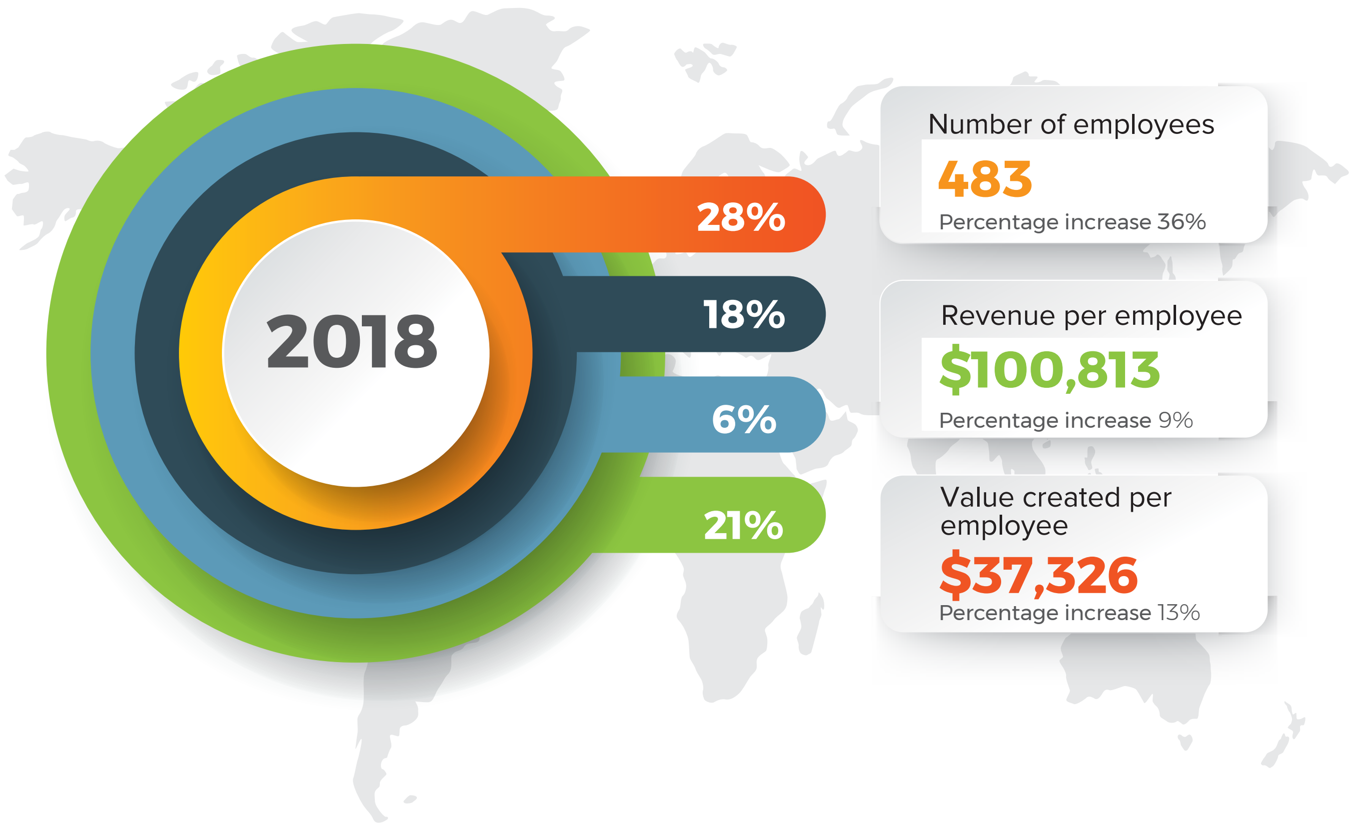
# Value Creation



# Value Added Statement

Our value-added statement below shows the value created by the Group for its stakeholders;

Information




- Employees
- Retained for Growth
- Capital Providers
- Government

**Total Value Creation 2018**

**US$18m**

**2017: US$14m**

# 05 FINANCIAL REVIEW

# Directors' Responsibility Statement

**Accounting Records and Financial Statements**

The Directors are responsible for the maintenance of adequate accounting records as well as the preparation and integrity of the financial statements and related information contained in the annual report in a manner that fairly presents the and the results of the Group's operations.

**External Auditors' Role**

The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon.

**Systems of Internal Control**

The Directors are also responsible for the Group's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to safeguard, verify and maintain accountability of assets and to prevent and detect misstatement and loss.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

**Going Concern**

After reviewing the Group's budgets and related financial projections, the Directors have no reason, in all material respects, to believe that the Group will not continue to operate in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

**Accounting Policies**

In preparing the Group financial statements set out on pages 50 to 110 appropriate accounting policies have been applied, as have the relevant International Financial Reporting Standards, unless otherwise stated, and are supported, where necessary, by reasonable and prudent judgments and estimates.

**Approval of Financial Statements**

The consolidated financial statements for the year ended 31 December 2018 present fairly, in all material respects the financial position and performance of Zimplow Holdings Limited and have been approved by the Board of Directors and are signed on its behalf by the Board Chair and a member Director.

These financial statements were prepared by the finance department of Zimplow Holdings Limited under the direction and supervision of the Group Finance Accountant, Tinashe Dzamara (PAAB No: 0466).

| | |
|---|---|
| **T. Chataika** | **V. Nyakudya** |
| **Chairman** | **Chief Executive Officer** |
| **8 April 2019** | **8 April 2019** |

# Report of The Directors

Your directors present their report together with the audited financial statements of Zimplow Holdings Limited (Zimplow) and its subsidiaries (together being "the Group") for the year ended 31 December 2018.

**Principal activities**
The Group is a diversified mining, construction, infrastructure and agricultural equipment manufacturer and distributor listed on the Zimbabwe Stock exchange.

**Share Capital**
**Authorised share capital**
The authorised share capital of the company remains unchanged at 300 000 000 (Three hundred million) shares at a nominal value of US$0.004 each.

**Issued share capital**
The issued share capital of the company increased to 238,380,780.

**Unissued share capital**
Unissued ordinary shares of 61,619,220 remain placed under the control of directors in terms of resolutions passed in Extra-Ordinary General Meetings by members.

**Financial affairs**
The financial results of the company, set out on pages 50 to 110 have been audited by Ernst & Young and depict the resurgence of the business despite the constrained economic environment under which your company operates.

Your directors have determined and are implementing strategies that should see the company maintain value and ride out the tough economic wave in which it is operating.

While the economic outlook remains difficult and uncertain, the directors believe that the company will continue to operate as a going concern in the foreseeable future.

**Dividend**
The board declared an interim dividend for the year ended 31 December 2018 of $500,000. A further $500,000 has been proposed to bring the total dividend for the year to $1,000,000.

**Directorate**
The names of directors and secretary are those in office at the time of printing this notice.

**Auditors**
Messrs Ernst & Young remain in office until conclusion of the Annual General Meeting on 7 June 2019, at which members will be asked to fix their remuneration and appoint auditors for the ensuing year. Ernst & Young have indicated their willingness to continue in office.

**For and on behalf of the Board of Directors.**

**T. Chataika**
**Chairman**

**8 April 2019**

**V. Nyakudya**
**Chief Executive Officer**

**8 April 2019**

EY
Building a better
working world

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**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF ZIMPLOW LIMITED**

**Report on the Audit of the Consolidated Financial Statements**

**Adverse Opinion**

We have audited the consolidated financial statements of Zimplow Holdings Limited and its subsidiaries, has set out on pages 50 to 110, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Adverse Opinion**

As explained on note 3 the entity's functional currency is the United States Dollar (US$) and the financial statements have been presented on the basis that the official exchange rate as at 31 December 2018 is 1:1 between the RTGS Dollar (RTGS$) and the United States Dollar (US$). Included in the financial statements of the Group are balances and transactions denominated in RTGS$ that management did not convert to US$.

Under IFRS foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. In addition, an entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material as disclosed in the subsequent events note 31 to the financial statements.

The statements of financial position, statements of profit or loss and other comprehensive income and statements of cash flows have not been prepared in conformity with International Financial Reporting Standards in that the requirements of IAS 21: The Effects of Changes in Foreign Exchange Rates have not been complied with. The effects on the consolidated financial statements of the failure to translate the transactions and balances as at reporting date have not been determined. However, the potential impact is material and pervasive on the measurement and presentation of these financial statements.

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) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse 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 period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| Valuation of Factory equipment and Investment property | |
| The Group has factory equipment and investment property of $775 429 and $251 583 respectively as at 31 December 2018. It is the Group's policy to record factory equipment and investment property at their fair values. Factory equipment and investment property are stated at their fair values based on external valuations performed by independent valuers.<br><br>Valuation of factory equipment and investment property is a key audit matter due to its significance on the statement of financial position and significant judgements involved in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are sensitive to key assumptions applied including those relating to the following:<br><br>i) investigation into past or present uses of property and neighbouring land has not been done;<br><br>ii) there are no abnormal ground conditions and archaeological remains affecting occupation and value of immovable property;<br><br>iii) land and buildings and improvements are fit for the purpose they are being used and comply with all statutory and local by-laws and regulations;<br><br>iv) no works or restrictive conditions in the title deeds that would adversely affect the value of property;<br><br>v) reliance has been placed on information received verbally from the relevant authorities such as the Registrar of Deeds Office<br><br>Fair value disclosures are included in note 12 to the consolidated financial statements. | As part of our audit procedures, we assessed the competence, objectivity and independence of the valuer used.<br><br>We reviewed the valuation reports and assessed whether the valuation approach was in accordance with professional valuation standards and is suitable for determining the fair value of factory equipment and investment property.<br><br>We discussed the key assumptions and critical judgments with the professional valuer and understood the approaches taken by them in determining the valuation of factory equipment and investment property.<br><br>We assessed the appropriateness of the disclosures relating to the valuation techniques and key inputs applied by the professional valuer. The external valuer is a member of a recognized professional body for valuers. We assessed the valuation methodologies used against generally accepted market practices. |

| Adequacy of allowance for credit | Losses and disclosure thereto |
|---|---|
| Trade accounts receivables of $3 827 204 disclosed in note 17 constitute 8% of total assets in the statement of financial position. The recoverability of trade receivables is a key element of Zimplow Holdings Limited's working capital and credit management.<br><br>Determination of the allowance for credit losses involves significant estimates and judgements such as the reasonableness of the provisioning models used, taking into account historical data and forward-looking information both from a macro and micro economic perspective. Judgements made by management in respect of the allowance for credit losses are described in note 32.1.<br><br>Due to the significance of trade receivables and the related estimation uncertainty this is considered a key audit matter. | Our procedures included, amongst others;<br><br>Assessing the appropriateness of the judgements applied by management in determining the allowance for credit losses based on our understanding of the business and the current prevailing environment.<br><br>Evaluating the reasonableness of the allowance for credit losses by analysing the trend of subsequent receipts, write offs and recoveries from debtors compared to the prior year estimate.<br><br>Evaluating the adequacy of the disclosures in the consolidated financial statements relating to the description of the application of management's judgement in determining the allowance for credit losses.<br><br>Reviewing the Group accounting policy on trade accounts receivables for compliance with IFRS 9 – Financial Instruments. |

**Other Information**
The directors are responsible for the other information. The other information comprises the Directors' report but does not include the financial statements and our auditors report thereon.

Our opinion on the (consolidated) financial statements does not cover the other information and we do not express an audit opinion or any form of assurance 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

**Responsibilities of the Directors for the Consolidated Financial Statements**
The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**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 judgement and maintain professional scepticism throughout the audit. We also [N12]:
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 the directors.

Conclude on the appropriateness of the directors' 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.

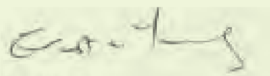
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the directors, 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, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Walter Mupanguri (PAAB Number 220).



**Ernst & Young**
**Chartered Accountants (Zimbabwe)**
**Registered Public Auditors**

**Angwa City**
**Corner Julius Nyerere Way / Kwame Nkrumah Avenue**

**Date: 08 April 2019**

# Group Consolidated and Company Statement of Profit or Loss and other Comprehensive Income
## For the year ended 31 December 2018

| Description | Notes | Group 31-Dec-18 $ | Group 31-Dec-17 **Restated $ | Company 31-Dec-18 $ | Company 31-Dec-17 **Restated $ |
|---|---|---|---|---|---|
| **Continuing Operations** | | | | | |
| Sales of goods | | 46,293,006 | 36,682,989 | 34,501,852 | 25,194,844 |
| Rendering of services | | 2,181,420 | 2,304,945 | 1,414,397 | 1,162,060 |
| Investment property rental income | | 218,231 | 165,935 | - | - |
| **Revenue** | **4** | **48,692,657** | **39,153,869** | **35,916,249** | **26,356,904** |
| Cost of sales | | (30,529,659) | (25,155,619) | (21,892,838) | (15,752,608) |
| **Gross Profit** | | **18,162,998** | **13,998,250** | **14,023,411** | **10,604,296** |
| Other income | 10 | 314,029 | 940,196 | 198,704 | 652,788 |
| Selling and distribution | | (576,037) | (370,443) | (562,059) | (343,045) |
| Administrative expenses | 5.1 | (8,197,974) | (6,807,135) | (5,265,237) | (4,612,904) |
| Other Operating expenses | | (1,106,907) | (2,814,014) | (630,812) | (1,589,266) |
| Allowance for credit losses | | (142,655) | (176,461) | (46,786) | (176,461) |
| **Operating profit** | | **8,453,454** | **4,770,393** | **7,717,221** | **4,535,408** |
| Finance costs | 19.5 | (387,166) | (275,375) | (386,372) | (272,502) |
| Finance income | 19.4 | 193,495 | 113,030 | 27,757 | 8,233 |
| **Profit before tax** | | **8,259,783** | **4,608,048** | **7,358,606** | **4,271,139** |
| Tax | 8.1 | (1,934,540) | (1,139,175) | (2,001,896) | (976,269) |
| **Profit for the year from continuing operations** | | **6,325,243** | **3,468,873** | **5,356,710** | **3,294,870** |
| **Discontinued Operation** | | | | | |
| Profit from discontinued operations | 29.1 | 27,751 | - | - | - |
| Loss from disposal of a subsidiary | 29.1 | (342,853) | - | (376,459) | - |
| **Profit for the year** | | **6,010,141** | **3,468,873** | **4,980,251** | **3,294,870** |
| **Other Comprehensive Income** | | | | | |
| **Other Comprehensive income that may be recycled through profit or loss (net of tax)** | | | | | |
| Revaluation of property | | 3,440,359 | - | 1,818,446 | - |
| Exchange difference on translation of foreign operations | | (39,189) | 49,860 | 36,250 | 15 |
| **Total comprehensive income for the year** | | **9,411,311** | **3,518,733** | **6,834,947** | **3,294,885** |
| **Profit for the year attributed to:** | | | | | |
| Equity holders of the entity | | 5,642,698 | 3,273,806 | 4,980,251 | 3,294,870 |
| Non-controlling interests | | 367,443 | 195,067 | - | - |
| | | **6,010,141** | **3,468,873** | **4,980,251** | **3,294,870** |
| **Total comprehensive profit for the year attributable to:** | | | | | |
| Owners of the parent | | 8,422,212 | 3,299,657 | 6,834,947 | 3,294,885 |
| Non-controlling interests | | 989,099 | 219,076 | - | - |
| | | **9,411,311** | **3,518,733** | **6,834,947** | **3,294,885** |
| **Earnings per share** | | | | | |
| Basic profit for the year attributable to equity holders of the parent | 28 | 0.02 | 0.01 | 0.02 | 0.01 |
| Diluted profit for the year attributable to equity holders of the parent | 28 | 0.02 | 0.01 | 0.02 | 0.01 |

**Refer to note 30 for more details

# Group Consolidated and Company Statement of Financial Position

## As at 31 December 2018

| Description | Notes | Group 31-Dec-18 $ | Group 31-Dec-17 **Restated $ | Group 31-Dec-16 **Restated $ | Company 31-Dec-18 $ | Company 31-Dec-17 **Restated $ | Company 31-Dec-16 **Restated $ |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| **Non-current Assets** | | | | | | | |
| Property, plant and equipment | 11 | 16,791,922 | 12,023,430 | 12,274,143 | 6,577,591 | 3,840,626 | 3,798,699 |
| Intangible assets | 11.3 | 129,828 | 191,796 | 114,326 | 113,494 | 126,466 | - |
| Investment property | 12 | 251,583 | 207,039 | 207,039 | - | - | - |
| Investment in subsidiaries | 14 | - | - | - | 11,462,158 | 12,014,500 | 12,014,500 |
| Investment in government treasury bills | 17.1 | - | 45,260 | 90,520 | - | - | - |
| Deferred tax assets | 8.3 | - | 126,565 | 711,701 | - | - | 492,067 |
| Long term receivables | 22 | 911,549 | 735,662 | 712,464 | 661,549 | 485,665 | 462,464 |
| Goodwill | 15 | 924,903 | 951,594 | 948,824 | - | - | - |
| **Total non-current assets** | | **19,009,785** | **14,281,346** | **15,059,017** | **18,814,792** | **16,467,257** | **16,767,730** |
| **Current Assets** | | | | | | | |
| Inventories | 16 | 14,777,589 | 8,967,683 | 8,688,502 | 12,920,133 | 6,458,975 | 5,372,303 |
| Short term portion of long term receivable | 22 | - | - | 233,167 | - | - | 233,167 |
| Trade and other receivables | 17 | 3,827,204 | 5,320,997 | 6,083,539 | 1,703,352 | 2,513,133 | 3,038,252 |
| Prepayments | 17.2 | 4,360,692 | 5,727,705 | 739,443 | 3,992,976 | 4,501,922 | 506,602 |
| Investment in financial assets | 17.1 | 186,948 | 167,245 | 190,244 | 141,688 | 121,985 | 144,985 |
| Current tax receivable | | - | 155,608 | 166,128 | - | 25,288 | 2,425 |
| Assets held for sale | 9 | - | 150,000 | 150,000 | - | - | - |
| Cash and bank balances | 20 | 5,621,505 | 5,918,040 | 1,854,078 | 1,063,821 | 2,034,829 | 820,439 |
| **Total current assets** | | **28,773,938** | **26,407,278** | **18,105,101** | **19,821,970** | **15,656,132** | **10,118,173** |
| **Total Assets** | | **47,783,723** | **40,688,624** | **33,164,118** | **38,636,762** | **32,123,389** | **26,885,903** |
| **Equity and Liabilities** | | | | | | | |
| **Equity** | | | | | | | |
| Issued share capital | 7 | 95,352 | 94,186 | 94,186 | 95,352 | 94,186 | 94,186 |
| Share premium | | 19,726,744 | 19,471,129 | 19,471,129 | 19,726,744 | 19,471,129 | 19,471,129 |
| Revaluation reserve | | 4,714,682 | 1,932,439 | 1,932,439 | 3,274,369 | 1,455,922 | 2,330,628 |
| Treasury Stock | | (20,105) | - | - | (20,105) | - | - |
| Change in ownership reserve | 21.3 | (904,212) | (904,212) | (904,212) | - | - | - |
| Share based payment reserve | 27.3 | 14,434 | 50,434 | - | 14,434 | 50,434 | - |
| Foreign currency translation reserve | 21.2 | 34,712 | (249,900) | (275,751) | 34,712 | (1,538) | (1,553) |
| Accumulated profit/(losses) | | 7,162,820 | 2,320,506 | (953,300) | 3,725,406 | (454,461) | (4,624,037) |
| **Attributable to holders of the parent** | | **30,824,427** | **22,714,582** | **19,364,491** | **26,850,912** | **20,615,672** | **17,270,353** |
| Non-controlling interests | 23 | 5,556,486 | 4,784,557 | 4,565,481 | - | - | - |
| **Total Equity** | | **36,380,913** | **27,499,139** | **23,929,972** | **26,850,912** | **20,615,672** | **17,270,353** |
| **Non-current liabilities** | | | | | | | |
| Long term borrowings | 19.1 | 1,290,432 | 25,775 | 17,552 | 1,290,432 | - | - |
| Intercompany payables | 24.2 | - | - | - | 4,663,273 | 4,570,108 | 4,419,392 |
| Deferred tax liabilities | 8.3 | 2,725,790 | 1,460,722 | 1,329,754 | 1,100,880 | 97,018 | - |
| **Total non-current liabilities** | | **4,016,222** | **1,486,497** | **1,347,306** | **7,054,585** | **4,667,126** | **4,419,392** |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 18.1 | 1,766,632 | 3,381,547 | 4,642,424 | 300,863 | 1,763,354 | 2,761,242 |
| Provisions | 18.2 | 699,603 | 628,074 | 1,136,761 | 258,538 | 233,794 | 327,261 |
| Short term portion of long term borrowings | 19.1 | 2,746,824 | 1,493,711 | 780,437 | 2,746,824 | 1,493,711 | 780,437 |
| Customer deposits | 17.2 | 1,969,461 | 5,169,590 | - | 1,222,860 | 2,319,666 | - |
| Bank overdraft | 20 | - | 644,155 | 1,327,218 | - | 644,155 | 1,327,218 |
| Current Tax liabilities | | 204,068 | 385,911 | - | 202,180 | 385,911 | - |
| **Total current liabilities** | | **7,386,588** | **11,702,988** | **7,886,840** | **4,731,265** | **6,840,591** | **5,196,158** |
| **Total equity and liabilities** | | **47,783,723** | **40,688,624** | **33,164,118** | **38,636,762** | **32,123,389** | **26,885,903** |

**Refer to note 30 for more details

**T. Chataika**
**Chairman**

**8 April 2019**

**V. Nyakudya**
**Chief Executive Officer**

**8 April 2019**

# Group Consolidated and Company Statement of Cashflows

## For the year ended 31 December 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | Notes | $ | $ | $ | $ |
| **Cash flows from operating activities** | | | | | |
| Operating profit before interest and tax from continuing operations | | 8,453,454 | 4,770,393 | 7,717,221 | 4,535,408 |
| Profit from discontinued operations | | 27,751 | - | - | - |
| Adjusted for: | | | | | |
| Depreciation of property plant and equipment and amortization of intangible assets | | 700,317 | 746,303 | 372,597 | 347,169 |
| Fair value adjustments | | (32,110) | - | - | - |
| Share based payment expense | | 31,312 | 50,434 | 31,312 | 50,434 |
| Movement in provisions | | 209,742 | 310,479 | 162,957 | 252,735 |
| Profit on disposal of property, plant & equipment | | (15,613) | (51,629) | (38,422) | (9,612) |
| | | **9,374,853** | **5,825,980** | **8,245,665** | **5,176,134** |
| **Working capital changes** | | | | | |
| Increase in Inventories | | (5,971,393) | (279,181) | (6,461,158) | (1,086,672) |
| Decrease in trade and other receivables | | 1,068,930 | 972,511 | 633,899 | 713,027 |
| Decrease/ (Increase) in prepayments | | 1,367,013 | (4,988,262) | 508,945 | (3,995,320) |
| (Increase)/ Decrease in customer deposits | | (3,200,129) | 5,169,590 | (1,096,806) | 2,319,666 |
| Increase in intergroup balances | | - | - | 93,164 | 150,716 |
| Decrease in trade and other payables | | (1,731,532) | (2,080,133) | (1,623,692) | (1,344,090) |
| | | **907,742** | **4,620,505** | **(300,017)** | **1,933,461** |
| Interest received | | 193,495 | 113,030 | 27,757 | 8,233 |
| Interest paid | | (379,633) | (275,375) | (386,372) | (272,502) |
| Tax paid | | (1,813,370) | (940) | (1,696,022) | - |
| Dividend paid | | (800,383) | - | (800,383) | - |
| **Net cash flow from operating activities** | | **(1,892,149)** | **4,457,220** | **(2,555,003)** | **1,669,192** |
| **Investing activities** | | | | | |
| Proceeds from sale of investment property | | - | - | - | - |
| Proceeds from disposal of assets held for sale | | 120,000 | - | - | - |
| Proceeds from sale of property, plant and equipment | | 83,367 | 155,118 | 53,515 | 19,723 |
| Purchase of property, plant and equipment | | (787,568) | (539,052) | (726,347) | (396,210) |
| Proceeds from sale of financial assets | | 45,663 | 68,259 | 403 | 23,000 |
| Purchase of intangible assets | | - | (129,709) | - | (129,709) |
| Proceeds from disposal of subsidiary | | 116,828 | - | 175,883 | - |
| **Net cash flows from investing activities** | | **(421,710)** | **(445,384)** | **(496,546)** | **(483,196)** |
| **Financing Activities** | | | | | |
| Issue of shares to non-controlling shareholder | | 169,365 | - | 169,365 | - |
| Share buyback | | (20,105) | - | (20,105) | - |
| Repayments of borrowings | 19 | (2,305,796) | (786,726) | (2,306,455) | (786,726) |
| Proceeds from borrowings | 19 | 4,850,000 | 1,508,223 | 4,850,000 | 1,500,000 |
| **Net cash flows from financing activities** | | **2,693,464** | **721,497** | **2,692,805** | **713,274** |
| **Net increase/(decrease) in cash and cash Equivalents** | | **379,605** | **4,733,333** | **(358,744)** | **1,899,270** |
| Net foreign exchange difference | | (31,985) | 13,692 | 31,891 | (1,817) |
| Cash and cash equivalents at 1 January | | 5,273,885 | 526,860 | 1,390,674 | (506,779) |
| **Cash and cash equivalents at 31 December** | **20** | **5,621,505** | **5,273,885** | **1,063,821** | **1,390,674** |
| Comprising of the following: | | | | | |
| Cash at bank | | 5,621,505 | 5,918,040 | 1,063,821 | 2,034,829 |
| Bank Overdraft | | - | (644,155) | - | (644,155) |
| | | **5,621,505** | **5,273,885** | **1,063,821** | **1,390,674** |

# Group Consolidated Statement of Changes in Equity

## For the year ended 31 December 2018

| Group | Share Capital | Treasury Shares | Share Premium | Revaluation Reserve | Change in Ownership reserve | Foreign Currency Translation reserve | Share Based Payment reserve | Retained earnings | Attributable to Owners of the parent | Non-Controlling Interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance on 1 Jan 2017** | **94,186** | **-** | **19,471,129** | **1,932,439** | **(904,212)** | **(275,751)** | **-** | **345,130** | **20,662,921** | **4,565,481** | **25,228,402** |
| Prior period error | - | - | - | - | - | - | - | (1,298,430) | (1,298,430) | - | (1,298,430) |
| **Balance on 1 Jan 2017 Restated** | **94,186** | **-** | **19,471,129** | **1,932,439** | **(904,212)** | **(275,751)** | **-** | **(953,300)** | **19,364,491** | **4,565,481** | **23,929,972** |
| Share based payment expense | - | - | - | - | - | - | 50,434 | - | 50,434 | - | 50,434 |
| Profit for the year | - | - | - | - | - | - | - | 3,273,806 | 3,273,806 | 195,067 | 3,468,873 |
| Other comprehensive loss net of tax | - | - | - | - | - | 25,851 | - | - | 25,851 | 24,009 | 49,860 |
| **Balance at 31 December 2017** | **94,186** | **-** | **19,471,129** | **1,932,439** | **(904,212)** | **(249,900)** | **50,434** | **2,320,506** | **22,714,582** | **4,784,557** | **27,499,139** |
| Elimination of NCI on Afritrac Disposal | - | - | - | - | - | - | - | - | - | (217,169) | (217,169) |
| FCTR Recycled | - | - | - | - | - | 287,340 | - | - | 287,340 | | 287,340 |
| Share based payment | - | - | - | - | - | - | 31,312 | - | 31,312 | - | 31,312 |
| Dividend Paid | - | - | - | - | - | - | - | (800,384) | (800,384) | - | (800,384) |
| Profit for the year | - | - | - | - | - | - | - | 5,642,698 | 5,642,698 | 367,443 | 6,010,141 |
| Other comprehensive loss net of tax | - | - | - | 2,782,243 | - | (2,728) | - | - | 2,779,515 | 621,655 | 3,401,170 |
| Share options Exercised | 1,166 | | 255,615 | - | - | - | (67,312) | - | 189,469 | - | 189,469 |
| Share buyback | - | (20,105) | - | - | - | - | - | - | (20,105) | - | (20,105) |
| **Balance at 31 December 2018** | **95,352** | **(20,105)** | **19,726,744** | **4,714,682** | **(904,212)** | **34,712** | **14,434** | **7,162,820** | **30,824,427** | **5,556,486** | **36,380,913** |

# Company Statement of Changes in Equity
## For the year ended 31 December 2018

| Company | Share Capital | Treasury Shares | Share Premium | Revaluation Reserve | Share Based Payment reserve | Foreign Currency Translation reserve | Retained earnings | Attributable to Owners of the parent |
|---|---|---|---|---|---|---|---|---|
| **Balance on 1 Jan 2017** | **94,186** | **-** | **19,471,129** | **2,330,628** | **-** | **(1,553)** | **(3,325,607)** | **18,568,783** |
| Prior Period Error | - | - | - | - | - | - | (1,298,430) | (1,298,430) |
| **Balance on 1 Jan 2017 restated** | **94,186** | **-** | **19,471,129** | **2,330,628** | **-** | **(1,553)** | **(4,624,037)** | **17,270,353** |
| Revaluation reserve release | - | - | - | (874,706) | - | - | 874,706 | - |
| Share Based Reserve | - | - | - | - | 50,434 | - | - | 50,434 |
| Loss for the year | - | - | - | - | - | - | 3,294,870 | 3,294,870 |
| Other comprehensive loss net of tax | - | - | - | - | - | 15 | - | 15 |
| **Balance at 31 December 2017** | **94,186** | **-** | **19,471,129** | **1,455,922** | **50,434** | **(1,538)** | **(454,461)** | **20,615,672** |
| Share buyback | - | (20,105) | - | - | - | - | - | (20,105) |
| Share Based Reserve | - | - | - | - | 31,312 | - | - | 31,312 |
| Dividend Paid | - | - | - | - | - | - | (800,384) | (800,384) |
| Share Options Exercised | 1,166 | - | 255,615 | - | (67,312) | - | - | 189,469 |
| Profit for the year | - | - | - | - | - | - | 4,980,251 | 4,980,251 |
| Other comprehensive loss net of tax | - | - | - | 1,818,447 | - | 36,250 | - | 1,854,697 |
| **Balance at 31 December 2018** | **95,352** | **(20,105)** | **19,726,744** | **3,274,369** | **14,434** | **34,712** | **3,725,406** | **26,850,912** |

# Notes to the Financial Statements

## 1. Corporate information

The consolidated financial statements of Zimplow Holdings Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2018 were authorized for issue by the Board of Directors on 8 April 2019. Zimplow Holdings Limited, the Company, is a limited company incorporated and domiciled in Zimbabwe and whose shares trade on Zimbabwe Stock Exchange. The registered office is located at 39 Steelworks Road, Heavy Industrial Sites in Bulawayo, Zimbabwe.

The principal activities of the Group are: manufacture and distribution of animal drawn implements, manufacture and distribution of metal fasteners for mining, construction and agricultural industries, distribution of tractors, generators and mechanized implements as well as the distribution of earthmoving and mining equipment.

## 2. Significant Accounting policies

### 2.1 Basis of preparation

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 have been prepared on a historical cost basis except for certain properties that are measured at revalued amounts or fair value at the end of each reporting period, as explained in the accounting policies below.

The consolidated financial statements are presented rounded off to a dollar. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1** inputs, are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** inputs, are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs, are unobservable inputs for the asset or liability.

The consolidated financial statements provide comparative information in respect of the previous period.

### 2.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# Notes to the Financial Statements (cont'd)

**2. Significant Accounting policies (continued)**

**2.2 Basis of Consolidation (continued)**

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**3. Summary of significant accounting policies**

**3.1 Statement of compliance**

These consolidated financial statements have been prepared with the aim of complying with International Financial Reporting Standards (IFRS) and are presented in United States Dollars (US$) which is the Group's functional currency. While full compliance with IFRS has been possible in the previous periods, only partial compliance has been achieved for 2018, because it has not been possible to comply with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (IAS21).

The IFRS Conceptual Framework requires that in applying fair presentation to financial statements, entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining the functional currency of an entity for use in the preparation of its financial statements. This standard also requires an entity to make certain judgements, where applicable, regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange mechanism is not achievable.

In the opinion of the directors, the requirement to comply with Statutory Instrument 33 (SI 33) of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the IFRS Conceptual Framework (see guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in the adoption of accounting treatment in the current year's financial statements, which is at variance from that which would have been applied if the Group had been able to fully comply with IFRS.

# Notes to the Financial Statements (cont'd)

**3. Summary of significant accounting policies (continued)**

**3.2 Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are always recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share - based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date and;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree' s identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

**3.3 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses (if any). For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

# Notes to the Financial Statements (cont'd)

**3. Summary of significant accounting policies (continued)**

**3.3 Goodwill (continued)**

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss.

An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**3.4 Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal Group) is available for immediate sale in its present condition (subject only to terms that are usual and customary for sales of such asset or disposal Group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

**3.5 Revenue recognition**

The Group recognises revenue according IFRS 15. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group is in the business of distributing mining and agricultural equipment and the related service for the same equipment. The equipment and services are sold both on their own in separate identified contracts with customers.

For contracts with customers in which the sale of equipment is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group recognises revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In adoption of IFRS 15, the Group is considered the following:

**Variable consideration**

Some contracts with customers provide a right of return. Currently, the Group recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such

# Notes to the Financial Statements (cont'd)

**3. Summary of significant accounting policies (continued)**

**3.5 Revenue recognition (continued)**

provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception and updated thereafter. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

The Group allows returns of parts for cash within a period of 10 days. The portion of sales at year end has been assessed as insignificant. Therefore, there is no impact on the Group's reported revenue for the period.

**Rights of return**

When a contract with a customer provides a right to return the good within the specified period, the Group currently accounts for the right of return using a probability-weighted average amount of return approach similar to the expected value method under IFRS 15. Under the current accounting policy, the amount of revenue related to the expected returns is deferred and recognised in the statement of financial position within Trade and other payables. A corresponding adjustment is made to the cost of sales. The initial carrying amount of goods expected to be returned is included within Inventories.

Under IFRS 15, because the contract allows the customer to return the products, the consideration received from the customer is variable. The Group has decided to use the expected value method to estimate the goods that will be returned because this method better predicts the amount of variable consideration to which the Group will be entitled. The Group applied the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group policy allows returns of products within 10 days. At year end, any such goods that would have been returned had their terms expired, Therefore, there is no impact on financial statements.

**Volume rebates**

The Group does not offer any volume rebate contracts to customers therefore adoption of IFRS 15 in this regard will not have any impact on the revenue recognition and measurement as well as disclosures.

**Warranty obligations**

The Group generally provides for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

**Loyalty points programme**

The Group does not offer any contracts to customers with loyalty programmes, therefore, there is no impact on the Group.

**Rendering of services**

The Group's mining and mechanical agricultural equipment segments provides after sales service for equipment sold. These services are sold on their own in contracts with the customers. Currently, the Group accounts for the equipment and service as separate deliverables of bundled sales and allocates consideration between these deliverables using the relative fair value approach. The Group recognized service revenue by reference to the stage of completion. Under IFRS 15, allocation will be made based on relative stand-alone selling prices. The allocation of the consideration and, consequently, the timing of the amount of revenue recognized in relation to these sales would not be affected.

The Group assessed that when IFRS 15 has been adopted, the prior period would not need be adjusted.

**Equipment received from customers**

The Group does not provide contracts to customers with non-cash considerations. Hence, the Group has concluded that adoption of IFRS 15 would not have an effect on amounts recognized and disclosures thereof.

# Notes to the Financial Statements (cont’d)

## 3. Summary of significant accounting policies (continued)

## 3.5 Revenue recognition (continued)

**Advances received from customers**

Generally, the Group receives only short-term advances from its customers. They are presented as part of Trade and other payables. The Group does not receive long-term advances from customers. Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts. The Group decided to use the practical expedient provided in IFRS 15, and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short term advances, the Group does not account for a financing component even if it is significant.

Based on the nature of the goods and services offered and the purpose of payment terms, the Group determined that for the vast majority of the contracts that require customers to pay in advance, the payment terms were structured primarily for reason other than the provision of finance to the Group, that is. advances are generally required from new customers, as well as customers with a history of late payments, they do not provide customers with an alternative to pay in arrears. In addition, the length of time between when the customer pays for the goods and the Group transfers goods to the customer is relatively short. Therefore, the Group has concluded that there is not a significant financing component in these contracts.

**Presentation in financial statements**

Contracts with customers will be presented in an entity’s statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity’s performance and the customer’s payment.

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the entity performing by transferring the related good or service to the customer.

**Dividend and interest income**

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established. This generally happens when a provision has been made. Interest income from a financial asset is recognised when it is probable that the economic benefits will follow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the 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 on initial recognition.

**Rental income**

The Group’s policy for recognition of revenue from operating leases is described in note 3.6 below.

## 3.6 Leasing

Leases are classified as Finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**The Group as lessor**

Amounts due from lessees under Finance leases are recognised as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

# **Notes to the Financial Statements** (cont'd)

**3. Summary of significant accounting policies (continued)**

**3.6 Leasing (continued)**

**The Group as lessee**

Assets held under Finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a Finance lease obligation. Lease payments are apportioned between Finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

**3.7 Foreign currencies**

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated to US Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

# Notes to the Financial Statements (cont'd)

**3. Summary of significant accounting policies (continued)**

**3.7 Foreign currencies (continued)**

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

**3.8 Employee benefits**

**Retirement benefit costs and termination benefits**
Payments to defined contribution retirement plans are recognised in profit or loss in the year of contribution. A liability for termination benefits recognised at the earlier of when the entity can no longer withdraw the offer of termination benefit and when the entity recognizes any related restructuring costs.

**Short-term and other long-term employee benefits**
A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.
Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.
Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

**3.9 Share-based payment arrangements**

**Share-based payment transactions of the Company**
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share - based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counter-party renders the service.

# Notes to the Financial Statements (cont'd)

## 3. Summary of significant accounting policies (continued)

### 3.10 Taxation

**Income tax expense represents the sum of the tax currently payable and deferred tax.**

**Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted.

# Notes to the Financial Statements (cont'd)

## 3. Summary of significant accounting policies (continued)

### 3.10 Taxation (continued)

**Current and deferred tax for the year**

Current and deferred tax  are recognised in profit or loss, except when they relate to items that are re-recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**Deferred tax asset**

The Group recognises deferred tax asset relating to tax losses as the Group generates enough taxable profits in future as a result of the following factors being considered in assessing the future profitability:

- Improvement in working capital
- Improvement in cash flows
- The business's continued profit generation..

### 3.11 Property, plant and equipment

Items of Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses, if any. Land and buildings and plant and equipment are however measured at fair value, less accumulated depreciation and impairment losses, if any, recognised after the date of revaluation. Valuations, performed by the Group's Directors or independent external valuers, are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.
When items of property, plant and equipment are revalued, any accumulated depreciation at the date of a revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount after revaluation equals its market value.

Any revaluation surplus (increase in the carrying amount of an asset as a result of a revaluation) is recognised in other comprehensive income and accumulated in equity (revaluation reserve) in the statement of changes in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. The decrease, however, is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity as a revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will follow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss in the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives of the asset as follows:

- Buildings: 50 years;
- Plant and machinery: 5 to 50 years;
- Motor vehicles: 5 years;
- Office furniture and computer equipment: 4 to 10 years.
- Freehold land is not depreciated.

# Notes to the Financial Statements (cont'd)

**3. Summary of significant accounting policies (continued)**

**3.11 Property, plant and equipment (continued)**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

The depreciation methods, useful lives and residual values of assets are reviewed and adjusted, if appropriate, at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis. Where the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, depreciation will cease to be charged on the asset until its residual value subsequently decreases to an amount below its carrying amount.

**3.12 Investment property**

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**3.13 Intangible assets**

**Intangible assets acquired separately**
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**Derecognition of intangible assets**
An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from de recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognized.

**3.14 Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

# **Notes to the Financial Statements** (cont'd)

## 3. Summary of significant accounting policies (continued)

### 3.14 Impairment of tangible and intangible assets other than goodwill (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 3.15 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

**Raw materials - Purchase costs on weighted average cost.**

**Consumable stores - Purchase costs on weighted average cost.**

Whole goods, parts and work in progress - Direct material and labour cost, appropriate share of production expenses and where applicable, customs duty paid. Net realisable value is the estimated selling price in the ordinary course of the business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 3.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Warranties**

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation. The warrant is of short term in nature since it covers the sold products for a maximum period of twelve months.

# **Notes to the Financial Statements** (cont'd)

**3. Summary of significant accounting policies (continued)**

**3.17 Financial assets**

**Classification**

Financial assets are classified into the following specified categories: amortized cost, fair value through profit or loss (FAPL) and fair value through other comprehensive income (FVOCI). The classification is based on the measurement criteria. Under amortized cost, the asset is measured at the amount recognized at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognized in profit and loss. Changes in fair value are recognized in profit and loss when the asset is derecognized or reclassified the financial assets and is determined at the time of initial recognition.

Trade and other financial assets are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified as financial assets at amortized cost.

**Measurement**

Trade receivables, treasury bills and other receivables are measured at amortised cost. The assets mainly represents solely future contractual cash payments of principal and interest. These financial assets are short term in nature.

**Impairment**

**Trade receivables**

The Group uses the simplified approach in calculating the ECL for trade receivables. The Group establishes a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The debt is written off when all reasonable steps to recover the debt have failed.

**Other financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all other financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The debt is written off when all reasonable steps to recover the debt have failed.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

A debt is considered to be uncollectible when it meets one of the following criteria:

- All reasonable collection efforts have been exhausted.
- The cost of further collection action will exceed the amount recovered.
- The debt is legally without merit or cannot be substantiated by evidence.
- The debtor cannot be located.
- The available assets or income (current or anticipated) are insufficient.
- The debt was discharged in bankruptcy.
- The applicable statute of limitations for collection of the debt has expired.
- It is not in the public interest to pursue collection of the debt.

Determining that the debt is uncollectible does not cancel the legal obligation of the debtor to pay the debt hence the Credit Controller continues with the efforts to recover without spending too much time and costs on the initiative.

# Notes to the Financial Statements (cont’d)

## 3. Summary of significant accounting policies (continued)
## 3.17 Financial assets (continued)

**Derecognition of financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

## 3.19 Financial liabilities and equity instruments

**Classification as debt or equity**

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

**Financial liabilities**

Financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

# Notes to the Financial Statements (cont'd)

**3. Summary of significant accounting policies (continued)**

**3.20 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies
The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

**Key sources of estimation and uncertainty**
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Deferred Tax Assets**
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies (refer to note 8 for additional information).

**Inventory Valuation**
Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. An assessment is done by management regularly to assess the appropriateness of the assigned values of inventory.

**Trade and Other Receivables.**

**Classification and measurement**
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.
Loans, trade receivables and other financial assets are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

**Long term receivables**
The deposits do not have contractual rights to receive cash and are simply paid to secure services, therefore measured at face value.

# Notes to the Financial Statements (cont'd)

## 3. Summary of significant accounting policies (continued)
## 3.20 Critical accounting judgements and key sources of estimation uncertainty (continued)

**Impairment**

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group applies the simplified approach and record lifetime expected losses on all trade receivables and other financial assets. Zimplow incorporates forward looking information in the determination of expected credit losses. Management also regards GDP as a measure of wealth that best reflect the quality of the company's customers, who are mainly into capital goods investment, which we sell.

Management uses a period of 5 years to forecast the impact of forward-looking information on the expected credit loss allowance. The 5-year period is aligned to the company's business plan forecasting process for strategic planning purposes.

**Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise (refer to note 15 for additional information).

The carrying amount of goodwill on 31 December 2018 was $924,903 (31 December 2017: $951,594)

**Useful lives of property, plant and equipment**

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The following factors are considered in estimating the useful life of an asset.

- Expected usage of the asset.
- Expected physical wear and tear which depends on how the asset is going to be used.
- Management also uses experience with the usage of the asset.

**Fair value measurements and valuation processes**

Some of the Group's assets are measured at fair value for financial reporting purposes. The directors determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.
Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed under the following notes;

- Goodwill (note 15)
- Financial Instruments (note 26)
- Property, Plant and equipment (note 11)

# **Notes to the Financial Statements** (cont'd)

## 3. Summary of significant accounting policies (continued)
## 3.20 Critical accounting judgements and key sources of estimation uncertainty (continued)

**Functional Currency**

Zimbabwe adopted the multi-currency system in February 2009 which resulted in the USD being adopted as the functional currency. The currency shortage which hit the economy in 2016 resulted in the use of plastic money as an alternative to cash. The market forces of demand and supply for cash led to surfacing of an exchange rate between RTGS money and USD hard cash on the parallel market. The rates continued to fluctuate through the years 2017 and 2018 as the foreign currency shortage continued. The bond notes and coins were introduced by Reserve Bank of Zimbabwe (RBZ) in May 2016 as a way to reduce the cash flow shortage. These were being exchanged at rate of one as to one with USD. However, they also resulted in surfacing of three exchange rates to the USD which are:

- USD to electronic money (RTGS)
- USD to bond notes and bond coins
- USD to eco cash

The manner in which the USD exchange is to be paid for would determine the rate to be used that is whether RTGS, Eco cash OR Cash in the form of bond notes and coins. The commencement of the trading year 2018 in January was a continuation of the conditions that characterised the end of the year 2017.

**Shortage of foreign currency**

- The unofficial USD to Electronic money exchange rate
- The use of the bond notes and coins as legal tender

These conditions resulted in most of the entity transactions being done either in RTGS or Bond notes and coins during the year 2018 except for exports. Meanwhile, the official rate for USD to bond notes and coins remained at one as to one, meaning all the exports/foreign currency transactions were recorded in the ledger at the same rate. (NB-IAS 21 requires transactions in foreign currency to be recorded at a rate ruling on the day the transactions took place).

In October 2018, RBZ introduced the separation of bank accounts between RTGS balance accounts and foreign currency balance accounts. Foreign currency accounts were denoted by the term "Nostro". The RTGS balances were still exchangeable to the USD balances at a rate of one as to one. The system continued through to the end of the year 2018. However, this signalled a change in policy towards introduction of another currency. Parallel forex market rates moved sharply to RTGS$ 4:1 USD.

The year 2019 began on the same footing as the year end 2018 until February 22 2019 when the RBZ through the statutory instrument (SI33), introduced RTGS dollars (RTGS$) which represents RTGS balances in the banking system. These balances were to be official exchanged to USD at a floating rate to be determined in by the banks based on the law of supply and demand. The initial rate was pegged at USD1: RTGS $ 2.5. The SI 33 prescribed that all balances as at 22 February 2019 were to be translated to RTGS$ at a rate of one as to one.

## 4. Revenue

**Analysis of Group revenue and results for the year**

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Sale of goods: Domestic | 47,028,468 | 35,157,235 | 34,470,291 | 22,526,205 |
| Sale of goods: Export | 1,445,958 | 3,830,699 | 1,445,958 | 3,830,699 |
| Rental Income | 218,231 | 165,935 | - | - |
| **Total** | **48,692,657** | **39,153,869** | **35,916,249** | **26,356,904** |

Refer to note 6 for further analysis of revenue disaggregation according to segments. All the export proceeds fall into the farming segment.

# Notes to the Financial Statements (cont’d)

## 5. Profit/ (Loss) for the year

Profit/ (Loss) for the year has been arrived after charging:

### 5.1 Administrative Expenses

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Salaries and employment costs | 5,170,293 | 5,658,584 | 3,269,319 | 3,948,092 |
| Motor, travel and accommodation | 530,551 | 504,681 | 317,625 | 324,244 |
| Rental and occupancy | 401,583 | 277,384 | 125,594 | 87,175 |
| Other administrative | 2,095,547 | 366,486 | 1,552,699 | 253,393 |
| **Total** | **8,197,974** | **6,807,135** | **5,265,237** | **4,612,904** |

### 5.2 Other operating expenses

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Included in other operating expenses: | | | | |
| Depreciation and Amortization | 700,317 | 746,303 | 372,597 | 347,169 |
| Inventory obsolescence provision | (283,778) | 98,179 | (50,033) | 64,362 |

## 6. Segment Information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the sector of the economy serviced and the type of goods or services delivered or provided. The directors of the Company have chosen to organize the Group around the differences in sectors of the economy and products or services. Specifically, the Group’s reportable segments under IFRS 8: Operating segments are therefore as follows;

**Mining and infrastructure**
- Mining equipment, parts and related services.

**Farming**
- Animal drawn equipment, parts and related services.
- Tractors, tractor drawn equipment, parts and related services.

**Property**
- Property rental and property management.

The disclosed results are an analysis of the Group’s revenue and results from operations by reportable segment. Segment revenue reported below represents revenue generated from external customers. The accounting policies of the reportable segments are the same as the Group’s accounting policies described in note 2. Segment profit/ (loss) represents the profit/ (loss) earned by each segment without allocation of central administration costs and directors’ salaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. Transfer prices between operating segments are set on an arm’s length basis in a manner similar to transactions with third parties. Internal transactions are appropriately eliminated on consolidation and data aggregation.

The “Farming” segment comprises the following business units: Mealie Brand, Farmec and Afritrac. The “Mining and Infrastructure” segment comprises of the following business units: Barzem and CT Bolts. Non reportable segments include the head office and shared services division. The following is an analysis of the Group’s revenue and results from continuing operations by reportable segment.

# Notes to the Financial Statements (cont'd)

## 6. Segment Information (continued)

### 6.1 Segment revenue and results

| 31 DECEMBER 2018 | Farming | Mining and Infrastructure | Property | Non reportable Segments | Total Segments | Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| Revenue | 30,144,42 | 18,623,496 | 218,231 | - | 48,986,156 | (293,499) | 48,692,657 |
| **Segment operating profit** | **7,158,248** | **1,797,270** | **90,782** | **(413,844)** | **8,632,456** | **(179,002)** | **8,453,454** |
| **Other items** | | | | | | | |
| Finance income | 2,654 | 165,760 | - | 25,081 | 193,495 | - | 193,495 |
| Finance costs | (373,306) | (13,066) | (794) | - | (387,166) | - | (387,166) |
| Income taxes | (1,869,841 | (585,008) | 226,543 | 650,157 | (1,578,149) | (356,391) | (1,934,540) |
| **GROUP PROFIT AFTER TAX** | **4,917,755** | **1,364,956** | **316,531** | **261,394** | **6,860,636** | **(535,393)** | **6,325,243** |
| Segment assets | 21,578,078 | 15,487,866 | 10,288,472 | 20,643,489 | 67,997,905 | (20,214,182) | 47,783,723 |
| Segment liabilities | 1,584,552 | (4,313,232) | (277,550) | (8,737,516) | (11,743,746) | 340,936 | (11,402,810) |
| **Other segment information** | | | | | | | |
| Depreciation | 269,144 | 277,195 | 88,430 | 65,548 | 700,317 | - | 700,317 |
| Additions to non-current assets | 581,650 | 198,827 | - | 7,091 | 787,568 | - | 787,568 |
| Impairment loss recognized on receivables | 26,042 | 116,613 | - | - | 142,655 | - | 142,655 |

| 31 DECEMBER 2017 | Farming | Mining and Infrastructure | Property | Non-reportable Segments | Total Segments | Adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| Revenue | 24,487,830 | 15,422,190 | 165,935 | - | 40,075,955 | (922,086) | 39,153,869 |
| **Segment operating profit** | **4,289,428** | **906,195** | **24,101** | **(357,265)** | **4,862,459** | **(92,066)** | **4,770,393** |
| **Other items** | | | | | | | |
| Finance income | 7,530 | 103,646 | - | 1,854 | 113,030 | - | 113,030 |
| Finance costs | (229,127) | (46,141) | - | (107) | (275,375) | - | (275,375) |
| Income taxes | (963,275) | (175,909) | (12,644) | 73,134 | (1,078,694) | (60,481) | (1,139,175) |
| **GROUP PROFIT AFTER TAX** | **3,104,556** | **787,791** | **11,457** | **(282,384)** | **3,621,420** | **(152,547)** | **3,468,873** |
| Segment assets | 13,187,283 | 15,650,503 | 10,302,297 | 19,148,042 | 58,288,125 | (17,599,501) | 40,688,624 |
| Segment liabilities | (3,481,340) | (5,619,230) | (358,053) | (7,607,298) | (17,065,921) | 3,876,436 | (13,189,485) |
| **Other segment information** | | | | | | | |
| Depreciation | 254,692 | 309,395 | 96,513 | 130,496 | 791,096 | (44,793) | 746,303 |
| Additions to non-current assets | 272,520 | 163,285 | - | 232,314 | 668,119 | 642 | 668,761 |
| Impairment loss recognized on receivables | 84,832 | 91,629 | - | - | 176,461 | - | 176,461 |

The inter company assets and liabilities are eliminated on consolidation.

# Notes to the Financial Statements (cont'd)

### 6. Segment Information (continued)
### 6.1 Segment revenue and results (continued)
### 6.1.2 Geographic Information

| | 31-Dec-18 $ | 31-Dec-17 $ |
|---|---|---|
| Segment Profit | 6,860,636 | 3,621,420 |
| Share based payments | (31,312) | (50,434) |
| Depreciation of owner occupied buildings at consolidation | (88,430) | (96,513) |
| Taxation | (415,651) | (5,600) |
| **Profit after tax** | **6,325,243** | **3,468,873** |
| | | |
| Segment Assets | 67,997,905 | 58,288,125 |
| Investment in subsidiaries | (11,462,158) | (12,014,500) |
| Accumulated Depreciation owner occupied buildings at consolidation | (442,149) | (353,719) |
| Goodwill | (924,903) | (951,594) |
| Deferred taxation | (348,075) | (1,164,455) |
| Intercompany eliminations | (4,663,273) | (4,554,195) |
| Reclassification adjustments | (2,373,624) | 1,438,962 |
| **Total Assets** | **47,783,723** | **40,688,624** |
| | | |
| Segment Liabilities | 11,743,746 | 17,065,921 |
| Reclassifications | 2,384,853 | 1,369,084 |
| Deferred taxation | (2,725,789) | (674,715) |
| Intercompany eliminations | - | (4,570,805) |
| **Total Liabilities** | **11,402,810** | **13,189,485** |

### 6.1.3 Geographic Information

Group revenue was generated from mainly Zimbabwe (2018 - $46,810,510; 2017 - $37,266,466) South Africa (2018 - $224,703; 2017 – $791,151) and Zambia (2018 - $1,008,194; 2017 - $1,096,252).

Non - Current operating assets are as follows:

| | 31-Dec-18 $ | 31-Dec-17 $ |
|---|---|---|
| Zimbabwe | 18,893,397 | 15,114,104 |
| South Africa | 56,367 | 60,584 |
| Zambia | 9,546 | 13,456 |

### 6.2 Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

| | | |
|---|---|---|
| Mining and Construction equipment | 12,047,870 | 10,717,864 |
| Animal drawn equipment | 11,785,671 | 13,342,757 |
| Tractors and tractor drawn equipment | 16,488,882 | 10,216,988 |
| Service of equipment | 2,181,419 | 2,304,224 |
| Fasteners | 1,823,214 | 1,572,876 |
| Property rentals | 218,231 | 165,935 |
| Power systems | 3,768,854 | 1,755,311 |
| Adjustments for intercompany transactions | 378,516 | (922,086) |
| **Total Revenue** | **48,692,657** | **39,153,869** |

# Notes to the Financial Statements (cont'd)

## 7. Share capital

Subject to Section 183 of the Companies Act (Chapter 24:03), and to the limitations of the Zimbabwe Stock Exchange, the unissued shares are under the control of the Directors.

### 7.1 Reconciliation of authorised and issued share capital

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| **Authorized share capital** | | | | |
| Number of ordinary shares at the beginning of the year | 300,000,000 | 300,000,000 | 300,000,000 | 300,000,000 |
| Number of ordinary shares at the end of the year | 300,000,000 | 300,000,000 | 300,000,000 | 300,000,000 |
| Nominal value per share ($) | 0.0004 | 0.0004 | 0.0004 | 0.0004 |
| **Total value of shares ($)** | **120,000** | **120,000** | **120,000** | **120,000** |
| Unissued shares under the control of the directors | 61,619,220 | 64,534,175 | 61,619,220 | 64,534,175 |
| **Reconciliation of the number of shares in issue** | | | | |
| Issued number of shares at the beginning of the year | 235,465,825 | 235,465,825 | 235,465,825 | 235,465,825 |
| Number of shares in issue at the end of the year | 238,380,780 | 235,465,825 | 238,380,780 | 235,465,825 |
| **Issued and fully paid number of shares** | | | | |
| Number of ordinary shares | 238,380,780 | 235,465,825 | 238,380,780 | 235,465,825 |
| Nominal value per share (US$) | 0.0004 | 0.0004 | 0.0004 | 0.0004 |
| **Total value of shares (US$)** | **95,352** | **94,186** | **95,352** | **94,186** |

### 7.2 At 31 December 2018, the directors of the Group held directly and indirectly, the following shares:

| Name | Year Ended 31-Dec-18 | Year Ended 31-Dec-17 |
|---|---|---|
| T Chataika | 19,668,564 | 19,668,564 |
| T Johnson | 375 | 417 |
| G Manhambara | 375 | 417 |
| L Kennedy | 23,935,645 | 23,935,645 |
| S Mngomezulu (resigned 31 December 2017) | 250 | 417 |
| M Yong | 82,491,493 | 82,037,257 |
| K Patel | 13,089,629 | 13,089,629 |
| **Total** | **139,186,331** | **138,732,346** |

There were no changes in the directors' interest for the year to date of reporting.

### 7.3 Distributions proposed

Total cash dividend on ordinary shares for the year ended 31 December 2018 amounted to $1,000,000.This comprises of a paid interim dividend of $500,000 and a final dividend of $500,000 which is pending approval at the annual general meeting. The proposed dividend was not recognised as a liability at 31 December 2018. Dividend per share as at 31 December 2018 was $0.0042

# Notes to the Financial Statements (cont'd)

## 8. Taxation

### 8.1 Charge based on income for the year

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Zimbabwe income tax | 1,808,131 | 413,569 | 1,563,174 | 385,911 |
| Taxation relating to foreign operation | 3,297 | 9,482 | 3,297 | 1,253 |
| Deferred tax | 123,112 | 716,104 | 435,425 | 589,085 |
| Withholding tax | - | 20 | - | 20 |
| **Taxation** | **1,934,540** | **1,139,175** | **2,001,896** | **976,269** |

### 8.2 Reconciliation of tax charge

| | Group | | Company | |
|---|---|---|---|---|
| **Tax on profit before tax** | | | | |
| for the year at 25.75% (incl. Aids Levy) | 2,045,756 | 1,186,572 | 1,797,904 | 1,099,818 |
| Tax effects on expenses that are not | | | | |
| deductible in determining taxable profit*** | 353,741 | 155,063 | 205,956 | 62,304 |
| Non taxable income** | (162,353) | (82,401) | (17,912) | (82,401) |
| Prior year (over)/under provision | (290,062) | (25,655) | 12,651 | (25,655) |
| Tax effect of different tax rates | (6,422) | (77,663) | - | (77,663) |
| Impact of different tax rate on foreign subsidiary | (6,120) | (16,761) | 3,297 | (154) |
| Withholding tax | - | 20 | - | 20 |
| | **1,934,540** | **1,139,175** | **2,001,896** | **976,269** |

** This is mainly made up of RBZ export incentive and interest received.
*** This include loss on disposal of subsidiary, unrealized exchange loss and disallowed interest among other things

### 8.3 Deferred tax

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Key components of deferred tax | | | | |
| Property, Plant and Equipment | 3,665,396 | 2,669,370 | 1,457,647 | 910,771 |
| Prepayments | - | 92,271 | - | 92,271 |
| Deferred income | (23,706) | (525,842) | - | (525,842) |
| Provisions | (893,643) | (904,311) | (334,510) | (382,851) |
| Assessed losses | - | - | - | - |
| Net exchange (losses) / gains | (22,257) | 15,656 | (22,257) | 15,656 |
| Share based payment reserve | - | (12,987) | - | (12,987) |
| **Net Deferred tax liability** | **2,725,790** | **1,334,157** | **1,100,880** | **97,018** |

**Deferred tax asset**

The Group recognises deferred tax assets relating to tax losses as the Group will generate enough taxable profits in the future as a result of the following factors which were considered in assessing the future profitability:

- Improvement in working capital following the clearance of borrowings, which were weighing down the Group heavily on its cash flows.
- The cash flows are also set to improve due to cost rationalisation, which was done in current and prior year.
- The business is expected to continue generating profits.

# Notes to the Financial Statements (cont'd)

## 8. Taxation (continued)
### 8.3 Deferred tax (continued)

Reflected in the statement of financial position as follows;

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Deferred tax assets | - | (126,565) | - | - |
| Deferred tax liability | 2,725,790 | 1,460,722 | 1,100,880 | 97,018 |
| **Net deferred tax liability** | **2,725,790** | **1,334,157** | **1,100,880** | **97,018** |

### 8.4 Reconciliation of deferred tax (net)

| | | | | |
|---|---|---|---|---|
| **Opening balance** | **1,334,157** | **618,053** | **97,018** | **(492,067)** |
| Expense for the year | 123,112 | 716,104 | 435,425 | 589,085 |
| Other comprehensive income | 1,268,521 | - | 568,437 | - |
| **Closing balance** | **2,725,790** | **1334,157** | **1,100,880** | **97,018** |

## 9. Assets classified as held for sale

| | | | | |
|---|---|---|---|---|
| Freehold land and buildings held for sale | - | 150,000 | - | - |
| Disposed during the year | - | - | - | - |
| **Closing balance at end of the year** | **-** | **150,000** | **-** | **-** |

At the end of the year 2017, management decided to dispose off a house under Manica Road Investments (Private) Limited as part of the Group restructuring exercise. The house was sold in the current year. The loss on disposal was $30,000.00. The house was being reported under property on segment reporting.

## 10. Other Income

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Commissions | 326,025 | 171,646 | 111,690 | 171,646 |
| Export incentive | 118,999 | 193,349 | 118,999 | 193,349 |
| Bad debts recovered | 21,105 | 378,766 | 21,105 | 58,857 |
| Scrap sales | 77,642 | 11,775 | 77,642 | 11,775 |
| Profit on sale of PPE items | 15,613 | - | 38,422 | - |
| Exchange difference | (332,069) | - | (241,528) | - |
| Other recoveries | 86,714 | 184,660 | 72,374 | 217,161 |
| **Total** | **314,029** | **940,196** | **198,704** | **652,788** |

Other recoveries include income received from hire/ rental of other property, plant and equipment and other recoveries on expenditure items.

# **Notes to the Financial Statements** (cont'd)

## 11. Property, plant and equipment

### 11.1 Group

| | Land and Buildings $ | Plant and Machinery $ | Motor Vehicles $ | Office Furniture & Computer Equipment $ | Total $ |
|---|---|---|---|---|---|
| **At cost/valuation** | | | | | |
| **At 01 January 2017** | **9,136,641** | **5,094,446** | **3,727,855** | **1,050,702** | **19,009,644** |
| Additions | - | 144,761 | 196,352 | 197,939 | 539,052 |
| Effects of foreign currency exchange | - | - | - | 6,259 | 6,259 |
| Disposals | (91,590) | (400) | (629,301) | (136,769) | (858,060) |
| **At 31 December 2017** | **9,045,051** | **5,238,807** | **3,294,906** | **1,118,131** | **18,696,895** |
| Additions | 38,534 | 21,876 | 552,215 | 168,947 | 781,572 |
| Effects of foreign currency exchange | (17,195) | - | (38,929) | (4,417) | (60,541) |
| Disposals | (35,903) | (24,316) | (432,929) | (77,446) | (570,594) |
| Transfers | (4,372) | - | - | 4,372 | - |
| Revaluation | 3,182,279 | 881,679 | - | - | 4,063,958 |
| **At 31 December 2018** | **12,208,394** | **6,118,046** | **3,375,263** | **1,209,587** | **22,911,290** |
| | | | | | |
| **Accumulated Depreciation** | | | | | |
| **At 01 January 2017** | **(542,220)** | **(2,622,350)** | **(2,799,641)** | **(771,290)** | **(6,735,501)** |
| Charge for the year | (158,565) | (128,379) | (311,017) | (96,103) | (694,064) |
| Effects of foreign currency | - | 5 | - | 136 | 141 |
| Disposals | - | - | 620,057 | 135,902 | 755,959 |
| **At 31 December 2017** | **(700,785)** | **(2,750,724)** | **(2,490,601)** | **(731,355)** | **(6,673,465)** |
| Charge for the year | (150,722) | (136,525) | (267,641) | (83,461) | (638,349) |
| Effects of foreign currency | | | | | |
| Disposals | 28,747 | 3,038 | 436,530 | 64,525 | 532,840 |
| Revaluation | 155,641 | 503,965 | - | - | 659,606 |
| **At 31 December 2018** | **(667,119)** | **(2,380,246)** | **(2,321,712)** | **(750,291)** | **(6,119,368)** |
| | | | | | |
| **Carrying Amount** | | | | | |
| **At 31 December 2018** | **11,541,275** | **3,737,800** | **1,053,551** | **459,296** | **16,791,922** |
| **At 31 December 2017** | **8,344,266** | **2,488,083** | **804,305** | **386,776** | **12,023,430** |

# Notes to the Financial Statements (cont'd)

## 11.2 Company

| | Land and Buildings $ | Plant and Machinery $ | Motor Vehicles $ | Office Furniture & Computer Equipment $ | Total $ |
|---|---|---|---|---|---|
| **At cost/valuation** | | | | | |
| **At 01 January 2017** | **1,080,496** | **2,956,460** | **1,988,395** | **615,663** | **6,641,014** |
| Additions | - | 76,812 | 129,352 | 190,047 | 396,211 |
| Effects of foreign currency exchange | - | - | - | - | - |
| Disposals | - | - | (172,594) | (71,613) | (244,207) |
| **At 31 December 2017** | **1,080,496** | **3,033,272** | **1,945,153** | **734,097** | **6,793,018** |
| Additions | 38,534 | 20,859 | 552,215 | 115,732 | 727,340 |
| Effects of foreign currency exchange | - | (584) | - | (1,135) | (1,719) |
| Disposals | - | - | (272,762) | (56,336) | (329,098) |
| Revaluation | 784,941 | 881,679 | - | - | 1,666,620 |
| Transfers | (4,372) | - | - | 4,372 | - |
| **At 31 December 2018** | **1,899,599** | **3,935,226** | **2,224,606** | **796,730** | **8,856,161** |
| **Accumulated Depreciation** | | | | | |
| **At 01 January 2017** | **(143,974)** | **(605,957)** | **(1,679,488)** | **(412,896)** | **(2,842,315)** |
| Charge for the year | (35,992) | (110,834) | (125,723) | (71,378) | (343,927) |
| Effects of foreign currency | - | 5 | - | (250) | (245) |
| Disposals | - | - | 163,350 | 70,745 | 234,095 |
| **At 31 December 2017** | **(179,966)** | **(716,786)** | **(1,641,861)** | **(413,779)** | **(2,952,392)** |
| Charge for the year | (36,208) | (113,747) | (129,875) | (79,795) | (359,625) |
| Effects of foreign currency | - | 6 | - | (132) | (126) |
| Disposals | - | - | 268,564 | 45,441 | 314,005 |
| Revalution | 215,603 | 503,965 | - | - | 719,568 |
| Transfers | 492 | - | - | (492) | - |
| **At 31 December 2018** | **(79)** | **(326,562)** | **(1,503,172)** | **(448,757)** | **(2,278,570)** |
| **Carrying Amount** | | | | | |
| **At 31 December 2018** | **1,899,520** | **3,608,664** | **721,434** | **347,973** | **6,577,591** |
| **At 31 December 2017** | **900,350** | **2,316,486** | **303,292** | **320,318** | **3,840,626** |

Fair value measurements of Group's property, plant and machinery measured using the revalued model
The Group's property and plant and machinery are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Details of the fair value hierarchy of the Group's property and items of plant and equipment as at 31 December 2018 are as follows;

**Fair value hierarchy: 2018**

| | Level 1 $ | Level 2 $ | Level 3 $ | Fair Value at 31-Dec-18 $ |
|---|---|---|---|---|
| Property, Plant and Machinery | - | - | 15,296,270 | 15,296,270 |

**Fair value hierarchy: 2017**

| | Level 1 $ | Level 2 $ | Level 3 $ | Fair Value at 31-Dec-17 $ |
|---|---|---|---|---|
| Property, Plant and Machinery | - | - | 10,832,350 | 10,832,350 |

# Notes to the Financial Statements (cont'd)

## 11. Property, plant and equipment (continued)
## 11.2 Company (continued)

Revaluation of property, plant and machinery was performed by a qualified, registered and independent valuer in the current year. Property, plant and machinery were revalued at their depreciated replacement costs.

**Level 3 Valuation Assumptions**
.Fair value of the properties was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. The property consists of land and buildings located in various urban areas in Zimbabwe. As at the date of revaluation on 31 December 2018, the properties' fair values are based on valuations performed by Dawn Properties Consultancy. an accredited independent valuer who has valuation experience for similar properties in Zimbabwe.

**Other notes on Group and Company property plant and equipment**
Had the cost model been applied, the carrying amount of revalued plant and machinery would have been $775,429 (2018) and $861,586 (2017) for the Group. Management also believes that the Group's property, plant and equipment is not impaired. An assessment has been done in conjunction with goodwill impairment test (refer to note 15.)

The Group acquired term loan facility of US$2,500,000, during the year secured by buildings valued at US$1,032,000 as disclosed in note 19.

## 11.3 Intangible Assets

| | Group Software License $ | Company Software License $ |
|---|---|---|
| **Cost** | | |
| **At 01 January 2017** | **122,492** | **-** |
| Additions | 129,709 | 129,709 |
| **At 31 December 2017** | **252,201** | **129,709** |
| Additions | - | - |
| **At 31 December 2018** | **252,201** | **129,709** |
| Amortisation and Impairment | | |
| **At 01 January 2017** | **(8,166)** | **-** |
| Amortisation | (52,239) | (3,243) |
| **At 31 December 2017** | **(60,405)** | **(3,243)** |
| Amortisation | (61,968) | (12,972) |
| **At 31 December 2018** | **(122,373)** | **(16,215)** |
| **Carrying Amount at 31 December 2018** | **129,828** | **113,494** |
| **Carrying Amount at 31 December 2017** | **191,796** | **126,466** |

The Group's amortisation period for intangible assets is 5 -10 years. This excludes SAP accounting system which is being amortised over 2.5 years.

# Notes to the Financial Statements (cont'd)

## 12. Investment Property

| | Group 31-Dec-18 $ | Group 31-Dec-17 $ | Company 31-Dec-18 $ | Company 31-Dec-17 $ |
|---|---|---|---|---|
| **Balance at 1 January 2017** | **207,039** | **207,039** | **-** | **-** |
| Disposals | - | - | - | - |
| Fair value adjustments | 32,110 | - | - | - |
| Additions | - | - | - | - |
| Transfers from other debtors | 12,434 | | | |
| **Balance at 31 December 2018** | **251,583** | **207,039** | **-** | **-** |

### 12.1 Fair value measurement of the Group's investment properties

The Group's 2017 investment properties consist of vacant residential stands in Harare. As at 31 December 2017 and 31 December 2018, the fair values of the properties are based on valuations performed by independent valuers. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2018.

**Fair value hierarchy: 2018**

| | Level 1 $ | Level 2 $ | Level 3 $ | Fair Value at 31-Dec-18 $ |
|---|---|---|---|---|
| Vacant residential stands | - | - | 251,583 | 251,583 |

**Fair value hierarchy: 2017**

| | Level 1 $ | Level 2 $ | Level 3 $ | Fair Value at 31-Dec-17 $ |
|---|---|---|---|---|
| Vacant residential stands | - | - | 207,039 | 207,039 |

Valuation techniques used to determine Level 3 values 2018

| Class of Property | Valuation technique | Key inputs | Range | Property size |
|---|---|---|---|---|
| Vacant residential stands | Market comparable approach | Price per sq meter | $8 - $12 | 1,000 sq meters each. |

Valuation techniques used to determine Level 3 values 2017

| Class of Property | Valuation Technique | Key inputs | Range | Property size |
|---|---|---|---|---|
| Vacant residential stands | Market comparable approach | Price per sq meter | $8 - $12 | 1,000 sq meters each. |

**Sensitivity Analysis**

The value of investment properties is subject to material changes to key valuation inputs such as the property value per square meter. An increase or decrease in the value per square meter in the Group's investment property would result in a positive or negative movement in the value of the Group's investment property.

# Notes to the Financial Statements (cont'd)

## 13. Capital commitments

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Authorized but not yet contracted | 110,000 | 900,206 | 110,000 | 753,850 |
| Authorized and contracted | 329,335 | - | 329,335 | - |
| **Total** | **439,335** | **900,206** | **439,335** | **753,850** |

## 14. Investments held in subsidiaries

| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
|---|---|---|---|---|
| | % | % | $ | $ |
| Investment in Barzem Enterprises (Private) Limited | 51% | 51% | 7,164,864 | 7,164,864 |
| Investment in Manica Road Investments (Private) Limited | 100% | 100% | 4,297,294 | 4,297,294 |
| Investment in African Traction and Associated Technologies*** | - | 49% | - | 552,342 |
| **Total** | **-** | **-** | **11,462,158** | **12,014,500** |

*** The subsidiary was disposed of on 31 December 2018. See more details on note 29.

## 15. Goodwill

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Balance at the beginning of the year** | **951,594** | **948,824** | **-** | **-** |
| Disposal of Afritrac (Private) Limited | (47,200) | 2,270 | - | - |
| Effect of foreign currency exchange difference | 20,509 | - | - | - |
| **Balance at year end** | **924,903** | **951,594** | **-** | **-** |

Goodwill arose from the acquisition of Farmec through Tractive Power Holdings Limited. Farmec is a division which fall under farming segment. In applying IAS 36, the goodwill above has been tested for impairment at the business unit level mentioned above.

Budgeted operating cash flows for the related business unit were projected and discounted at the Group's average pre-tax cost of capital. The calculations performed indicated that goodwill was not impaired. The following key assumptions were made in determining the value in use:

i. The forecast horizon of 4 years was used. The forecast horizon comprises of the approved budget for 2019 drafted in the last quarter of 2017.
ii. The values assigned to the 4 year forecast; that is revenue, cost and growth assumptions reflect current trends, anticipated market developments and management's experience.
iii. The key assumptions for the recoverable amount calculation are the long term growth rate and the discounting rate. The long term growth rate of 5% per annum, was used purely for impairment testing of goodwill under IAS 36 and does not reflect the long term planning assumptions used by the Group for investment proposals or for any other assessments.
iv. A discount rate of 8% per annum, being the Group's pre-tax weighted average cost of capital, was used.

# **Notes to the Financial Statements** (cont'd)

## 16. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Raw Materials | 2,252,275 | 1,189,251 | 2,252,275 | 1,189,251 |
| Finished Goods | 7,675,703 | 4,310,227 | 7,550,904 | 3,890,906 |
| Spare and components | 5,192,539 | 4,952,081 | 3,161,861 | 2,098,198 |
| Other | 857,170 | - | 624,440 | - |
| Provision for obsolescence | (1,200,098) | (1,483,876) | (669,347) | (719,380) |
| **Total Inventories at lower cost and net realizable value** | **14,777,589** | **8,967,683** | **12,920,133** | **6,458,975** |

The borrowings as disclosed in note 19 are secured by the entity's inventory. The Group converted US$850,000 of the overdraft facility into a short term loan secured against a notarial covering bond which included the company's inventory. The Group also acquired term loan facility of US$2,000,000 secured against a notarial covering bond which included the company's inventory. The cost of inventories included in cost of sales amounted to US$28,790,645 for the Group (2017- $24,733,826) and $20,715,898 for the Company (2017 - $15,369,369). The inventory obsolescence expensed during the current period is disclosed in note 5.2.

## 17. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Local trade receivables | 3,044,037 | 3,771,798 | 1,260,516 | 2,166,223 |
| Foreign trade receivables | 46,268 | 682,868 | 46,268 | 355,727 |
| Other receivables | 4,120,248 | 4,590,883 | 3,054,957 | 2,937,892 |
| Allowance for credit losses (trade and other receivables)** | (3,383,349) | (3,724,552) | (2,658,389) | (2,946,709) |
| **Total** | **3,827,204** | **5,320,997** | **1,703,352** | **2,513,133** |
| | | | | |
| **Ageing of receivables that are past due but not impaired** | | | | |
| 30-60 Days | 578,336 | 1,150,941 | 165,410 | 1,150,941 |
| 61-90 Days | 257,085 | 297,791 | 91,493 | 297,791 |
| 91-120 Days | 343,805 | 621,909 | 190,984 | 506,274 |
| Over 120 Days | 1,123,496 | 1,384,025 | 386,163 | 413,197 |
| **Total** | **2,302,722** | **3,454,666** | **834,050** | **2,368,203** |

** The effects of IFRS 9 were considered by a re-computation of expected credit losses using an IFRS 9 compliant statistical model. However, the model resulted in a lower provision than what management believes is adequate. Therefore, management overlay was applied. Refer to note 26 for provision matrix on trade receivables.

See note 26 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired. Other receivables include staff debtors and outstanding balances receivable from disposal of investments in subsidiaries in 2013.

The Group converted US$ 850,000 of the overdraft facility into a short-term loan. The Group also acquired term loan facility of US$2,000,000. These amounts are secured against a notarial covering bond which included the company's trade receivables. The borrowings are disclosed in note 19.

# Notes to the Financial Statements (cont'd)

## 17. Trade and other receivables (continued)

| Movement in the allowance for credit losses | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Balance at the beginning of the year** | **3,724,552** | **4,196,237** | **2,946,709** | **2,929,791** |
| Impairment losses recognized on receivables | 142,655 | 176,461 | 46,786 | 176,461 |
| Amounts written off during the year as uncollectible | (344,717) | (231,742) | (335,106) | (100,687) |
| Amounts recovered during the year | (139,141) | (416,404) | - | (58,856) |
| **Balance at end of the year** | **3,383,349** | **3,724,552** | **2,658,389** | **2,946,709** |

The credit period on sale of goods and services is 30 days. Interest is charged on outstanding trade receivables. Before accepting any new customer, members of the Group's executive team and sales administrators deliberate the prospective customer's credit worthiness. Members of the Group's executive team, its sales administrators and marketing managers often meet prospective customers in order to conduct background and screening checks and attach a credit quality rating before accepting credit trading customers. Credit limits are defined for each customer and set by the executive team. Credit limits and customer quality are constantly reviewed.

## 17.1 (a) Investment in government treasury bills

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Government treasury bills | 45,260 | 90,520 | - | - |
| Reclassified to short term portion | (45,260) | (45,260) | - | - |
| **Balance at end of the year** | **-** | **45,260** | **-** | **-** |

The Group through Barzem (Private) Limited was issued with Treasury bills by the Government of Zimbabwe as settlement of a debt that amounted to US$135 778. Three bills were issued on 28 August 2014 which mature in April 2017, 2018, 2019 respectively. The Treasury bills attract an interest rate of 2% per annum and a half yearly coupon. The bills were issued a discount rate of 2.009937% and have a yield to maturity rate of 2.009%. The effect of discounting these bills to present value would not be material.

## 17.1 (b) Investment in financial assets

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Investment in PUPs | 141,688 | 121,985 | 141,688 | 121,985 |
| Government treasury bills - short term portion | 45,260 | 45,260 | - | - |
| **Balance at end of the year** | **186,948** | **167,245** | **141,688** | **121,985** |

## 17.2 Prepayments

| | | | | |
|---|---|---|---|---|
| **Prepayment to suppliers** | **4,360,692** | **5,727,705** | **3,992,976** | **4,501,922** |

# Notes to the Financial Statements (cont'd)

**17. Trade and other receivables (continued)**

**17.3 Contract liabilities**

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Short term advances for goods** | **(1,969,461)** | **(5,169,590)** | **(1,222,860)** | **(2,319,666)** |

The Group received customer deposits which were paid to the respective suppliers for the goods in transit at year end. The balances of deposits are short term in nature as at the end of the year and are shown in the table above.

**17.4 Revenue from contracts with customers**

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Amounts included in contract liabilities at the beginning of the year** | **(5,169,590)** | **-** | **(2,319,666)** | **-** |
| Performance obligations satisfied in previous years | - | - | - | - |
| Performance obligations satisfied in current year | 5,169,590 | - | 2,319,666 | - |
| Performance obligations added during the year | 1,969,461 | 5,169,590 | 1,222,860 | 2,319,666 |
| **Performance obligations outstanding at year end** | **(1,969,461)** | **(5,169,590)** | **(1,222,860)** | **(2,319,666)** |

**18. Trade, Other payables and Provisions**

**18.1 Trade and other payables**

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Local Trade Payables | 313,608 | 624,747 | 272,023 | 492,510 |
| Foreign Trade Payables | 1,237,318 | 1,903,726 | 168,388 | 569,793 |
| Other payables and accrued expenses | 215,706 | 853,074 | (139,548) | 701,051 |
| **Balance at end of the year** | **1,766,632** | **3,381,547** | **300,863** | **1,763,354** |

**Local trade payables**

The average credit period on local purchases of key manufacturing inputs ranges between 7-60 days (from date of invoice).

**Foreign trade payables**

The average credit period on foreign purchases of key manufacturing inputs is 30 days (from date of invoice). No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that trade payables are paid within the pre-agreed credit terms.

# Notes to the Financial Statements (cont'd)

### 18.2 Provisions

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Emp Benefits | Warranty | Total | Emp Benefits | Warranty | Total |
| | $ | $ | $ | $ | $ | $ |
| **Opening Balance 2017** | **1,084,258** | **52,503** | **1,136,761** | **304,812** | **22,450** | **327,262** |
| Charge to profit and loss | 236,870 | 73,609 | **310,479** | 213,010 | 39,725 | **252,735** |
| Payments | (781,079) | (38,087) | **(819,166)** | (308,116) | (38,087) | **(346,203)** |
| **Closing Balance 2017** | **540,049** | **88,025** | **628,074** | **209,706** | **24,088** | **233,794** |
| Charge to profit and loss | 135,940 | 73,802 | **209,742** | 123,597 | 39,360 | **162,957** |
| Payments | (121,170) | (17,043) | **(138,213)** | (121,170) | (17,043) | **(138,213)** |
| **Closing Balance 2018** | **554,819** | **144,784** | **699,603** | **212,133** | **46,405** | **258,538** |

Employee benefit provisions relate to provisions for leave pay and gratuity. Warranty provision is for new equipment sales such as tractors, generators, handling and earth-moving equipment. These provisions fall due for settlement within the next 12 months.

### 19. Financial Liabilities: Interest bearing loans and borrowings

### 19.1 Borrowings

Financial Liabilities: Interest Bearing Loans and Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Short term portion of long term borrowings** | | | | |
| Bank loan | 2,583,324 | 1,493,711 | 2,583,324 | 149,311 |
| 8% Debenture | 163,500 | - | 163,500 | - |
| **Total short term portion of long term borrowings** | **2,746,824** | **1,493,711** | **2,746,824** | **149,311** |
| **Non-current borrowings** | | | | |
| Bank loan | 1,290,432 | 25,775 | 1,290,432 | - |
| **Other** | | | | |
| **Total non-current borrowings** | **1,290,432** | **25,775** | **1,290,432** | **-** |
| **Total borrowings** | | | | |
| Short term portion of long term borrowings | 2,746,824 | 1,493,711 | 2,746,824 | 1,493,711 |
| Non-current | 1,290,432 | 25,775 | 1,290,432 | - |
| **Total** | **4,037,256** | **1,519,486** | **4,037,256** | **1,493,711** |
| | | | | |
| **Maturity profile of borrowings** | | | | |
| Due within one year | | | | |
| 0-3 months | 529,598 | 30,000 | 529,598 | 30,000 |
| 3-6 months | 697,899 | 780,000 | 697,899 | 780,000 |
| 6-12 months | 1,519,327 | 773,711 | 1,519,327 | 773,711 |
| **Total due within one year** | **2,746,824** | **1,583,711** | **2,746,824** | **1,583,711** |
| Due after one year | | | | |
| 1-5 years | 1,290,432 | 25,775 | 1,290,432 | - |
| **Total due after one year** | **1,290,432** | **25,775** | **1,290,432** | **-** |

# Notes to the Financial Statements (cont'd)

## 19. Financial Liabilities: Interest bearing loans and borrowings (continued)

### 19.2 Bank Overdrafts

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Maturity profile of overdraft facilities | | | | |
| Due within one year | | | | |
| 0-3 months | - | 23,500 | - | 23,500 |
| 3-6 months | - | 661,487 | - | 661,487 |
| 6-12 months | - | 15,457 | - | 15,457 |
| **Total** | **-** | **700,444** | **-** | **700,444** |

### 19.3 Movement in borrowings

| | Group | Company |
|---|---|---|
| **Description** | | |
| **Opening Balance: 1 Jan 2017** | **797,989** | **780,437** |
| Paid during the year | (786,726) | (786,726) |
| Acquired during the year | 1,508,223 | 1,500,000 |
| **Closing Balance: 31 Dec 2017** | **1,519,486** | **1,493,711** |
| Paid during the year | (2,305,796) | (2,306,455) |
| Acquired during the year | 4,850,000 | 4,850,000 |
| Disposal of Afritrac | (26,434) | - |
| **Closing Balance: 31 Dec 2018** | **4,037,256** | **4,037,256** |

The Group converted US$850,000 of the overdraft facility into a short term loan secured against a notarial covering bond which included the company's inventory. The borrowing was paid up by the end of the year. The Group acquired term loan facility of US$2,000,000 secured against a notarial covering bond which included the company's inventory. The Group also acquired US$2,000,000 facility secured against a building. The average cost of the borrowings was at 8%.

### 19.4 Finance income

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Bank deposits and investments | 22,478 | 20,900 | 22,478 | - |
| Other loans and receivables | 171,017 | 92,130 | 5,279 | 8,233 |
| **Total** | **193,495** | **113,030** | **27,757** | **8,233** |

### 19.5 Finance Costs

| | | | | |
|---|---|---|---|---|
| **Finance costs arising from** | | | | |
| Long term facilities with financial institutions | 263,416 | - | 262,876 | - |
| Short term facilities with financial institutions | 123,750 | 100,361 | 123,496 | 97,488 |
| Overdrafts held with financial institutions | - | 175,014 | - | 175,014 |
| **Total** | **387,166** | **275,375** | **386,372** | **272,502** |

# Notes to the Financial Statements (cont'd)

## 20. Cash and Bank Balances

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Cash at bank and on hand(bond) | 5,446,027 | 5,915,976 | 896,585 | 2,032,765 |
| Foreign cash at bank (other than US$) | 12,280 | 2,064 | 4,038 | 2,064 |
| Cash at bank and on hand (Nostro) | 163,198 | - | 163,198 | - |
| **Total Cash and Cash equivalents** | **5,621,505** | **5,918,040** | **1,063,821** | **2,034,829** |
| Bank Overdraft | - | (644,155) | - | (644,155) |
| **Net cash and Cash Equivalents** | **5,621,505** | **5,273,885** | **1,063,821** | **1,390,674** |

As a result of foreign currency shortages there have been delays in remitting the foreign payments. The Group has therefore queued foreign payments awaiting remittance by the bank that may affect the bank balances significantly if foreign currency is made available immediately.

## 21. Reserves

### 21.1 Revaluation reserve

The Revaluation reserve arises on the revaluation of land and buildings and items of plant and machinery. When revalued assets are sold, the portion of the revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in revaluation reserve will not be reclassified subsequently to profit or loss.

Distributions from the revaluation reserve can be made where they are in accordance with the requirements of the Company's memorandum and articles of association, the Companies Act of Zimbabwe and relevant case law. Amounts may also be effectively distributed out of the revaluation reserve as part of a share buy-back or financing of bonus shares.

However, the payment of cash distributions out of the reserve is restricted by the terms of the Company's memorandum and articles of association. These restrictions do not apply to any amounts transferred to retained earnings. The directors do not currently intend to make any distribution from the revaluation reserve.

### 21.2 Foreign Currency Translation Reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies into the Group's presentation currency (Dollars) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency reserve are reclassified to profit or loss on disposal of the foreign operation.

### 21.3 Change in ownership reserve

The Change in ownership reserve arose from changes in the company's interest in subsidiaries without change in degree of control. It represents the difference between the amount by which the carrying amount of the non-controlling interest was adjusted and the fair value of the consideration paid. According to IFRS 10.B 96 such changes on ownership interest must be recognized directly in equity.

# Notes to the Financial Statements (cont'd)

## 22. Long term receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Long term receivables | 911,549 | 735,662 | 661,549 | 485,665 |
| Short term portion of long term receivables | - | - | - | - |
| **Total long term receivables** | **911,549** | **735,662** | **661,549** | **485,665** |

The long term receivable relate to deposits tied up with distributorship agreements with key principal suppliers in Barloworld UK, AGCO and Total Zimbabwe.

## 23. Group Information

**Information about subsidiaries**

Details of the Group's subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Principal activity | Place of incorporation and business | Proportion of ownership interests and voting rights held by the Group | |
|---|---|---|---|---|
| | | | 31-Dec-18 | 31-Dec-17 |
| Barzem Enterprises (Private) Limited | Sale, distribution and maintenance of mining and earthmoving equipment | Zimbabwe | 51% | 51% |
| Manica Road Investments (Private) Limited | Property rental and management | Zimbabwe | 100% | 100% |

**An analysis of Group subsidiaries with material non-controlling interests is as follows:**

| Name of subsidiary | Place of incorporation and business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit/(Loss) allocated to non-controlling interests | |
|---|---|---|---|---|---|
| | | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 $ | 31-Dec-17 $ |
| Barzem Enterprises (Private) Limited* | Zimbabwe | 49% | 49% | 1,011,405 | 178,910 |
| **Total** | | | | **1,011,405** | **178,910** |

*Zimplow Holdings Limited issued new shares amounting to an additional 14% to Barloworld Equipment which will result in Zimplow's ownership in Barzem being diluted from 65% to 51%. The allotted shares were 36,373 at a consideration of US$840,000. The transaction was approved by the Regulatory authorities on 31 January 2016. In line with IFRS 10, Barzem continues to be a subsidiary of Zimplow holdings Limited. There has been no change in the Group's ownership in Barzem since then.

# Notes to the Financial Statements (cont'd)

## 23. Group Information (continued)

**Details of non-wholly owned subsidiaries with material non-controlling interests**

The summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations is as follows;

**Barzem Enterprises (Private) Limited**

| | 31-Dec-18<br>$ | 31-Dec-17<br>$ |
|---|---|---|
| **Summarized statement of financial position** | | |
| Current Assets | 8,797,541 | 10,199,140 |
| Non-current Assets | 5,133,851 | 3,370,264 |
| Current liabilities | (2,826,398) | (4,293,728) |
| Non-current liabilities | (576,562) | - |
| **Total Equity** | **10,528,432** | **9,275,676** |
| Non-controlling interests | 5,556,486 | 4,784,557 |
| **Summarized statement of profit or loss** | | |
| Revenue | 12,707,520 | 11,838,098 |
| Expenses and taxation | 3,382,502 | 2,530,285 |
| Profit for the year | 720,997 | 365,123 |
| Dividends paid to non-controlling interests | - | - |
| Other comprehensive | 2,064,091 | - |
| Summarized statement of cash flows | | |
| Net cash inflow from operating activities | 1,305,210 | 2,981,097 |
| Net cash inflow/ (outflow) from investing activities | 15,830 | (98,395) |
| Net cash inflow from financing activities | - | - |
| **Net cash inflow** | **1,321,040** | **2,882,702** |

## 24. Related Party Disclosures

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below;

### 24.1 Balances & transactions with companies controlled by non-executive directors

### 24.1.1 Balances with companies controlled by non-executive directors

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18<br>$ | 31-Dec-17<br>$ | 31-Dec-18<br>$ | 31-Dec-17<br>$ |
| **Company Name** | | | | |
| Amount owed to Steelmakers | (30,478) | (140,887) | (30,478) | (140,887) |
| Amount receivable from Kencor Management Services | - | 45,401 | - | 45,401 |

Balances payable or receivable from entities controlled by non-executive directors above are disclosed under trade and other receivables and payables in the statement of financial position.

# **Notes to the Financial Statements** (cont'd)

## 24. Related Party Disclosures (continued)

### 24.1 Balances & transactions with companies controlled by non-executive directors (continued)

### 24.1.2 Transactions with companies controlled by directors

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Company & transactions** | | | | |
| Steel Makers: Purchase of raw materials | 4,047,894 | 1,597,761 | 4,047,894 | 1,597,761 |
| Kencor Management Services: Rental Income | 33,600 | 33,600 | - | - |
| Kencor Management Services: Sale of goods | 468,617 | 609,950 | 468,617 | 609,950 |
| Welgra Farming: Sales of goods | 18,506 | - | 18,506 | - |
| Mawanga Investments | 187,619 | - | 187,619 | - |

### 24.2 Transactions with companies controlled by Zimplow Holdings Limited

| Company name | Barzem | | Manica | | Total | |
|---|---|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ | $ | $ |
| Transaction: Shared service fees | 59,551 | 107,618 | 33,562 | - | 93,113 | 107,618 |
| Balance receivables/(payable) | 5,707 | (15,913) | (4,668,980) | (4,554,195) | (4,663,273) | (4,570,108) |

| Zimplow Company | Sales and services rendered to related parties | | Purchases and services received from related parties | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Transactions** | | | | |
| **Transactions with companies controlled by Zimplow Holdings Ltd** | **74,697** | **38,640** | **111,471** | - |

Sales of goods to related parties were made at the Group's usual list prices with purchases being made at market prices. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

### 24.3 Compensation to key management personnel

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Short term employee benefits | 2,628,511 | 2,299,596 | 2,132,162 | 1,862,241 |
| Post-employment benefits | 156,713 | 66,096 | 130,094 | 45,696 |
| Termination benefits | - | 57,763 | - | - |
| **Total** | **2,785,224** | **2,423,455** | **2,262,256** | **1,907,937** |

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Group's Remuneration Committee having regard to the performance of individuals and market trends determines the remuneration of directors and key executives.

# Notes to the Financial Statements (cont'd)

## 24. Related Party Disclosures (continued)

### 24.4 Directors Fees and Emoluments

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Directors fees | 82,717 | 63,631 | 82,717 | 63,631 |
| **Total** | **82,717** | **63,631** | **82,717** | **63,631** |

The remuneration of the executive director is included in the note 24.3, compensation to key management.

## 25. Operating Lease

| | Up to 1 Year $ | 1-5 Years $ |
|---|---|---|
| **Future minimum lease payments: 2018** | | |
| Future minimum lease payments at 31 December 2018 | 46,800 | 187,200 |
| **Future minimum lease payments: 2017** | | |
| Future minimum lease payments at 31 December 2017 | 15,000 | 75,000 |

### 25.1 Operating lease with no contingent rentals

Afritrac leases certain office properties. Leases are negotiated for an average term of 3 years and are fixed for the agreed period. No contingent rentals are payable.

### 25.2 Operating lease with contingent rentals

Operating leases relate to premises occupied by CT Bolts (Bulawayo). Rentals are charged as a percentage of monthly turnover. The Group's contingent rental payment terms are based on a percentage of the monthly turnover of CT Bolts. Payments are remitted monthly, in arrears.

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Payments recognised as an expense** | **23,631** | **17,764** | **23,631** | **17,764** |

## 26. Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing return to stakeholders through the optimization of the debt and equity balance. The Group's strategy remains unchanged from 2016. The capital structure of the Group consists of net debt (borrowings as detailed in note 19) offset by cash and bank balances and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests) The Group is not subject to any externally imposed capital requirements. The Group's risk management committee reviews the capital structure of the Group bi-annually. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 15% - 35% determined as the proportion of net debt to equity.

# Notes to the Financial Statements (cont'd)

## 26. Capital Management (continued)

| Group | 31-Dec-18 $ | 31-Dec-17 $ |
|---|---|---|
| Debt(1) | (4,037,257) | (1,519,486) |
| Cash and Bank balances net of bank overdraft | 5,621,505 | 5,273,885 |
| Net cash | 1,584,248 | 3,754,399 |
| Equity(2) | 36,380,913 | 28,888,867 |
| **Net cash/debt to equity ratio** | **4%** | **13%** |

(1) Debt is defined as long- and short-term borrowings.
(2) Equity includes all capital and reserves of the Group that are managed as capital.

## 26.2 Financial Risk Management Objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Corporate Treasury function reports quarterly to the Group's risk executive committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

### Market risk

### Foreign exchange risk

From the beginning of 2016, banks became reluctant to commit in foreign currency transactions. The Group made a decision to engage foreign suppliers and customers on a prepayment basis to reduce or avoid foreign exchange risk. The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows;

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| **Group** | British Pound $ | S. African Rand $ | ZMW $ | BWP $ | British Pound $ | S. African Rand $ | ZMW $ | EUR $ |
| **Assets** | | | | | | | | |
| Trade and other receivables | - | - | 54,549 | - | - | 327,141 | 355,727 | - |
| Cash and cash equivalents | - | 9,591 | 61,702 | 27 | - | 2,064 | - | - |
| **Total assets** | **-** | **9,591** | **116,252** | **27** | **-** | **329,205** | **355,727** | **-** |
| **Liabilities** | | | | | | | | |
| Trade and other payables | (266,987) | - | - | - | (728,752) | (468,269) | - | (706,885) |
| **Total net position** | **(266,987)** | **9,591** | **116,252** | **27** | **(728,752)** | **(139,064)** | **355,727** | **(706,885)** |

# **Notes to the Financial Statements** (cont'd)

## 26. Capital Management (continued)
### 26.2 Financial Risk Management Objectives (continued)

| Company | 2018 | | | | 2017 | | |
|---|---|---|---|---|---|---|---|
| | S. African Rand | ZMW | British Pounds | BWP | S. African Rand | ZMW | EUR |
| | $ | $ | $ | $ | $ | $ | $ |
| **Assets** | | | | | | | |
| Trade and other receivables | - | 54,549 | - | - | - | 355,727 | - |
| Cash and cash equivalents | 1,349 | 61,702 | - | 27 | 2,064 | - | - |
| **Total assets** | **1,349** | **116,252** | **-** | **27** | **-** | **355,727** | **-** |
| **Liabilities** | | | | | | | |
| Trade and other payables | - | - | (266,987) | - | (468,269) | - | (81,524) |
| **Total net position** | **1,349** | **116,252** | **(266,987)** | **27** | **(466,205)** | **355,727** | **(81,524)** |

The table below details the Group's sensitivity to the strengthening of the US$ against the South African Rand, Botswana Pula and the British Pound by 10%, with all other variables held constant. The analysis was applied to monetary items at the reporting date.

| **Group** | British Pound | S. African Rand | ZMW | EUR | British Pound | S. African Rand | ZMW | EUR |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Profit before taxation | 26,699 | 506 | - | - | 66,250 | 12,644 | (32,339) | 64,262 |
| Effect on equity | 19,824 | 376 | - | - | 49,191 | 9,388 | (24,012) | 47,715 |

| **Company** | | | | 2018 | | | | 2017 |
|---|---|---|---|---|---|---|---|---|
| | British Pound | S. African Rand | EUR | Total | S. African Rand | ZMW | EUR | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Profit before taxation | 26,699 | 506 | - | **27,205** | 42,382 | (32,339) | 7,411 | **17,454** |
| Effect on equity | 19,824 | 376 | - | **20,200** | 31,469 | (24,012) | 5,503 | **12,960** |

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings are settled as promptly as possible if interest rates are unfavourable and the Group always strives to negotiate the most favourable rates and tenures to avoid interest rate risk. The Group endeavours to maximize interest rates on investments and minimize interest rates on borrowings. The Group policy is to adopt anon – speculative policy on managing interest rate risk. In the current and presented prior period, Group borrowings were at fixed terms and interest rates.

# Notes to the Financial Statements (cont'd)

## 26. Capital Management (continued)
## 26.2 Financial Risk Management Objectives (continued)

**Credit risk**

Credit risk relates to the risk that trade counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss being incurred. Potential concentrations of credit risk consist principally of short term cash and cash equivalents, investments and trade receivables. Credit risk related to cash deposits was attributed to Group deposits and short-term cash surpluses held with major banks and financial institutions of high credit standing and within investment limits assigned to each counter party. Investment limits with banks and financial institutions are assigned by the Group's Executive Committee to minimize the concentration of risk and therefore mitigate financial loss through potential counter party failure. The Group's Board of Directors reviews the limits and investment placements on a periodic basis and approves the Committee's proposals accordingly, or alternatively rejects related proposals and effects changes to Group policy.

**Trade receivables and other receivables**

Trade receivables comprise a relatively large and widespread customer base. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal credit rating assessments after extensive prospective customer background and credit reference checks are performed.

Outstanding customer receivables are regularly monitored and a full-time credit control department exists to independently perform this function. The Group does not have any significant credit risk exposure to any single counter-party or any Group of counter-parties having similar characteristics. The Group's maximum exposure to credit risk at 31 December 2018 and further specific credit risk mitigating activities adopted by the entity are as shown in note 17 and 22.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its credit customers are thoroughly screened.

Set out below is the information about the credit risk exposure on the Group and Company's trade receivables using a provision matrix:

**Group 2018**

| | Trade Receivables | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Days past due | | | | | |
| | Other receivables | Current | 30 -60 days | 61-90 days | 91-120 days | 121-150 days | 151-180 days | >180 days | Total $ |
| Expected credit loss rate | 100% | 1% | 3% | 5% | 11% | 22% | 44% | 100% | |
| Estimated Total gross carrying amount at default | 2,505,525 | 787,584 | 578,336 | 257,085 | 343,805 | 289,633 | 170,815 | 663,048 | 5,595,830 |
| Expected credit loss | 2,505,525 | 7,876 | 17,350 | 12,854 | 37,819 | 63,719 | 75,158 | 663,048 | 3,383,349 |

# Notes to the Financial Statements (cont'd)

## 26. Capital Management (continued)
## 26.2 Financial Risk Management Objectives (continued)

**Company 2018**

| | | Trade Receivables | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Days past due | | | | | | | |
| | Other receivables | Current | 30 -60 days | 61-90 days | 91-120 days | 121-150 days | 151-180 days | >180 days | Total $ |
| Expected credit loss rate | 100% | 1% | 3% | 5% | 11% | 22% | 44% | 100% | |
| Estimated Total gross carrying amount at default | 2,269,138 | 472,734 | 165,410 | 91,493 | 190,984 | 29,523 | 16,351 | 340,289 | 3,575,922 |
| Expected credit loss | 2,269,138 | 4,727 | 4,962 | 4,575 | 21,008 | 6,495 | 7,194 | 340,289 | 2,658,389 |

**Other Receivables**

Other receivables comprises of fully provided for balances which emanated from Group restructuring which was done in prior years. Therefore, there is no risk expected to arise from these balances.

**Liquidity risk**

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group maintains flexibility in funding by maintaining funding availability under committed credit lines. The Group's objective is to maintain a beneficial balance between continuity of funding and flexibility using bank overdrafts and bank loans, whilst always considering the need for potential funding source diversification through the introduction of Finance lease or hire purchase arrangements, or the issuance of preference shares. As at the reporting period end date, the Group's external funding sources were limited to bank overdrafts and interest-bearing loans and borrowings. The Group has access to financing facilities, which were fully utilized in the current period. The Group expects to meet its core trading based obligations from operating cash flows and proceeds from the realization of its financial assets. The table below summarizes the maturity profile of the Group's financial liabilities (excluding borrowings, whose maturity profile is disclosed under note 19) at 31 December 2018 based on contractual undiscounted payments:

| | Group | | Company | |
|---|---|---|---|---|
| | Dec-18 $ | Dec-17 $ | Dec-18 $ | Dec-17 $ |
| Maturity profile of trade and other payables | | | | |
| Due within 1 year | - | - | - | - |
| On demand | - | - | - | - |
| Less than 3 months | 1,766,632 | 3,381,547 | 300,863 | 1,763,354 |
| **Total** | **1,766,632** | **3,381,547** | **300,863** | **1,763,354** |

Refer to note 19 for disclosure of the maturity profile of interest bearing borrowings.

# Notes to the Financial Statements (cont'd)

## 27. Share based payments

### 27.1 Details of the employee share option

The Company has a share option scheme for executives and senior employees of the Group and its subsidiaries. In accordance with the terms of the plan, as approved by shareholders at annual general meeting, executive and senior employees with more than five years' service with the Group would be granted options to purchase ordinary shares at an exercise price of US$0.065 per ordinary share.

The scheme related to a total of 7,783,941 shares which approximates 3% of the issued share capital of the Company. Each employee share option is converted into one ordinary share of the Company on exercise. No amounts would be paid or payable by the recipient on receipt of the option. The options carried neither rights to dividends nor voting rights and could be exercised at any time from the date of vesting to the date of their expiry.

The share options were granted as a percentage of the total outstanding share options as follows:
- Granted in 2014 10%
- Granted in 2015 20%
- Granted in 2016 30%
- Granted in 2017 40%

The employee can exercise the share options one year from the grant date. Each option has a vesting period of one year from grant date and expires after five years.

The number of options granted was calculated in accordance with the performance-based formula approved by shareholders at previous annual general meetings and approved by the Human Resources Committee. The formula rewards executives and senior employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial and customer service measures:
- Improvement in share price
- Reduction in warranty claims
- Improvement in net profit
- Results of client satisfaction surveys
- Improvement in return to shareholders
- Reduction in rate of staff turnover

| Option series | Number | Percentage | Expiry date |
|---|---|---|---|
| Granted in 2014 | 778,394 | 10 | 2018 |
| Granted in 2015 | 1,556,882 | 20 | 2019 |
| Granted in 2016 | 1,258,724 | 30 | 2020 |
| Granted in 2017 | 1,416,017 | 40 | 2021 |

# Notes to the Financial Statements (cont'd)

## 27. Share based payments (continued)

### 27.2 Movements in share options during the year

The following reconciles the share options that were outstanding at the beginning and the end of the year.

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | Number of options | Number of options | Number of options | Number of options |
| **Balance at beginning of the year** | **3,750,486** | **2,334,469** | **3,750,486** | **2,334,469** |
| Granted during the year | - | 1,416,017 | - | 1,416,017 |
| Forfeited during the year | (210,443) | - | (210,443) | - |
| Exercised during the year | (2,914,923) | - | (2,914,923) | - |
| **Balance at the end of the year** | **625,120** | **3,750,486** | **625,120** | **3,750,486** |

At the end of the year, a cumulative total of 3,798,639 share options were forfeited by former employees of the Group. The average share price during the year was US$0.155. At the end of the year 625,120 outstanding share options are exercisable.

### 27.3 Value of share options at the end of the year.

The Group then elected to change the valuation method of share options from intrinsic valuation model to the Black Scholes valuation model. The effect of the valuation on the income statement is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Balance at beginning of the year** | **50,434** | **-** | **50,434** | **-** |
| Expense for the year | 31,312 | 50,434 | 31,312 | 50,434 |
| Transferred in the current year | (67,312) | - | (67,312) | - |
| **Balance at the end of the year** | **14,434** | **50,434** | **14,434** | **50,434** |

The company applied the following inputs and assumptions;

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Expected Volatility % | 15.63% | 15.63% | 15.63% | 15.63% |
| Risk-free interest rate % | 5% | 5% | 5% | 5% |
| Expected life of options in (years) | 2-5 | 2-5 | 2-5 | 2-5 |
| Weighted average share price ($) | 0.052 | 0.052 | 0.052 | 0.052 |
| **Model Used** | **Black-Scholes** | **Black-Scholes** | **Black-Scholes** | **Black-Scholes** |

The Group used the Black-Scholes model in 2017; had the Group used the intrinsic valuation model, the expense for the year would have been US$21,968.

# Notes to the Financial Statements (cont'd)

## 28. Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Basic earnings per share (US$)** | | | | |
| Basic earnings per share | 0.02 | 0.01 | 0.02 | 0.01 |
| Diluted earnings per share (US$) | | | | |
| Diluted earnings per share | 0.02 | 0.01 | 0.02 | 0.01 |

The information below was used to calculate earnings per:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| **Weighted average number of ordinary shares in issues** | | | | |
| For basic earnings per share | 236,194,564 | 235,465,825 | 236,194,564 | 235,465,825 |
| Add dilutive impact of shares | 622,499 | - | 622,499 | - |
| For the purposes of diluted earnings per share | 236,817,063 | 235,465,825 | 236,817,063 | 235,465,825 |
| **Profit for the year used in the calculation of basic and diluted loss per share** | **5,642,698** | **3,273,806** | **4,980,251** | **3,291,870** |

The share options held by senior management at year end were granted at an exercise price of US$0.065. The average market price of the Company's shares was US$0.052 during the period. The weighted average number of potential shares of the options is 625,120 and do not have a dilutive effect on the year-end EPS of the company.

# Notes to the Financial Statements (cont’d)

## 29. Discontinued operation

### 29.1 Discontinued Operations

In November 2018, the Group entered into an agreement to dispose of its 49% interest in Afritrac (Private) Limited. The disposal was completed on 31 December 2018. The results of the subsidiary operations for the period from January 1, 2018 to 31 December 2018 are as follows:

| | 31-Dec-18<br>$ | ••31-Dec-17<br>$ |
|---|---|---|
| Revenue | 709,661 | 766,798 |
| Cost of sales | (367,723) | (457,376) |
| Distribution costs | (76,514) | - |
| Administrative expenses | (238,320) | (236,728) |
| Finance costs | 647 | (1,660) |
| Profit before tax | 27,751 | 71,034 |
| Loss on disposal of a subsidiary | (342,853) | - |
| Total loss from disposed subsidiary | (315,102) | 71,034 |
| **Profit for the year (attributable to owners of the company)** | **13,600** | **15,523** |

••These figures have been included as 2017 comparative, however they are part of the 2017 consolidated numbers as it was still a subsidiary.

| | | |
|---|---|---|
| Earnings per share | | |
| Basic earnings per share | 0.0001 | - |
| Diluted earnings per share | 0.0001 | - |

During the year, Afritrac (Private) Limited contributed US$4,670.24 (2017: US$68,344) to the Group’s net operating cash flows, paid US$12,037 (2017: US$18,303.98) in respect of investing activities and received US$3,797.57 (2017: US$34,766.41) in respect of financing activities.

The carrying amounts of the assets and liabilities of Afritrac (Private) Limited at the date of disposal are disclosed in Note 29.2 to the financial statements.

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18<br>$ | 31-Dec-17<br>$ | 31-Dec-18<br>$ | 31-Dec-17<br>$ |
| Loss on disposal of a subsidiary | 342,853 | - | 376,459 | - |

On 31 December, the company disposed of its 49% interest in Afritrac (Private) Limited for consideration of US$196,059. The carrying value of net identifiable assets disposed of including currency translation difference amounted to US$448,567 at 31 December 2018, resulting in a loss of US$342,853.

# **Notes to the Financial Statements** (cont'd)

## 29. Discontinued operation (continued)

### 29.2 Disposal of Subsidiary

As referred to in Note 29.1 to the financial statements, on December 31, 2018, the Group disposed its 49% interest in Afritrac (Private) Limited.

Details of the disposal are as follows:

| Carrying amounts of net assets over which control was lost | 31-Dec-18<br>$ | 31-Dec-17<br>$ |
|---|---|---|
| Non-current assets | | |
| **Property, plant and equipment** | **56,315** | **-** |
| Current assets | | |
| Inventories | 221,583 | - |
| Trade receivables | 133,257 | - |
| Current tax receivable | 9,032 | - |
| Bank balances and cash | 59,055 | - |
| **Total current assets** | **422,927** | **-** |
| Non-current liabilities | | |
| Long term liabilities | 34,459 | - |
| Deferred tax liability | 13,083 | - |
| **Total non-current liabilities** | **47,542** | **-** |
| Current liabilities | | |
| Trade payables and other payables | 5,877 | - |
| **Total current liabilities** | **5,877** | |
| Attributable Goodwill | 22,743 | - |
| **Net assets derecognized** | **448,567** | **-** |
| **Gain on disposal** | | |
| Consideration received | 175,883 | - |
| Non-controlling interest derecognized | 217,170 | - |
| Net assets derecognized | 448,567 | - |
| **Gain on disposal (excluding FCTR)** | **(55,514)** | **-** |

The gain on disposal of the subsidiary is recorded as part of profit for the year from discontinued operation in the statement of profit or loss and other comprehensive income.

| | 31-Dec-18 | 31-Dec-17 |
|---|---|---|
| **Net cash inflow arising on disposal** | | |
| **Consideration received** | **175,883** | **-** |
| **Cash and cash equivalents disposed** | **59,055** | **-** |
| | **116,828** | **-** |
| Cash flow from discontinued operations | | |
| Net cash inflow from operating activities | 4,670 | 68,344 |
| Net cash outflow from investing activities | (12,038) | (18,304) |
| Net cash inflow/ (outflow) from financing activities | 3,798 | (34,766) |
| **Net cash (outflow)/ inflow** | **(3,570)** | **15,274** |

# Notes to the Financial Statements (cont'd)

## 30. Correction of prior period errors

Following the acquisition of Tractive Power Holdings Limited by Zimplow Limited in 2012, the assets acquired included deferred tax assets which emanated from assessed losses. The scheme of reconstruction done with Zimbabwe Revenue Authority (ZIMRA) for the two entities (Zimplow Limited and Tractive Power Holdings Limited) did not provide for the utilisation of Tractive Power Holdings Limited the assessed losses by Zimplow holdings Limited. The assessed losses were carried on in the books of the Zimplow Holdings Limited since the entity has been making losses. It was then noted in the current year that these assessed losses are not claimable and have been accounted for as a prior period adjustment per IAS 8.

The impact of the correction of the error is as follows:

**Impact on financial position**

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Decrease in deferred tax asset | - | (1,298,430) | - | (1,298,430) |
| Increase in current tax payable | (385,911) | - | (385,911) | - |
| Decrease in deferred tax asset | 404,930 | - | 404,930 | - |
| **Effect on equity** | **19,019** | **(1,298,430)** | **19,019** | **(1,298,430)** |

**Impact on statement of profit or loss**

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-18 | 31-Dec-17 | 31-Dec-18 | 31-Dec-17 |
| | $ | $ | $ | $ |
| Increase in deferred tax expense | - | (1,298,430) | - | (1,298,430) |
| Increase in current tax expense | (385,911) | - | (385,911) | - |
| Decrease in deferred tax expense | 404,930 | - | 404,930 | - |
| **Increase in profit/(loss) for the year** | **19,019** | **(1,298,430)** | **19,019** | **(1,298,430)** |

## 31. Subsequent events

The Reserve Bank of Zimbabwe (RBZ), introduced RTGS dollars (RTGS$) on 22 February 2019, which represents RTGS balances in the banking system. The SI 33 prescribed that all RTGS balances as at 22 February 2019 were to be translated to RTGS$ at a rate of one as to one. Thereafter, the official exchange rate is to be determined by the banks based on the law of supply and demand. The RBZ initially pegged the rate at USD1: RTGS$ 2.5. The table below shows the sensitivity analysis of the Group balance sheet against the floating exchange rate of RTGS$ to USD.

# Notes to the Financial Statements (cont'd)

## 31. Subsequent events (continued)

| Description<br>Assets | Monetary assets/ Liablities USD | Monetary assets/ Liablities RTGS | Non-Monetary assets/ Liablities USD | Total USD @1:1 | Total RTGS $ @1:2.5 | Total RTGS $ @1:3.5 | Total RTGS $ @1:4 |
|---|---|---|---|---|---|---|---|
| | | | GROUP | | | | |
| **Non-current Assets** | | | | | | | |
| Property, plant and equipment | - | - | 16,791,922 | 16,791,922 | 41,979,805 | 58,771,727 | 67,167,688 |
| Intangible assets | - | - | 129,828 | 129,828 | 324,570 | 454,398 | 519,312 |
| Investment property | - | - | 251,583 | 251,583 | 628,958 | 880,541 | 1,006,332 |
| Investment in subsidiaries | - | - | - | - | - | - | - |
| Investment in government treasury bills | | - | - | - | - | - | - |
| Deferred tax assets | - | - | - | - | - | - | - |
| Long term receivables | - | - | 911,549 | 911,549 | 2,278,873 | 3,190,422 | 3,646,196 |
| Goodwill | - | - | 924,903 | 924,903 | 2,312,258 | 3,237,161 | 3,699,612 |
| **Total non-current assets** | **-** | **-** | **19,009,785** | **19,009,785** | **47,524,463** | **66,534,248** | **76,039,140** |
| **Current Assets** | | | | | | | |
| Inventories | 8,242,275 | 6,535,314 | - | 14,777,589 | 27,141,002 | 35,383,277 | 39,504,414 |
| Short term portion of long term receivable | - | - | - | - | - | - | - |
| Trade and other receivables | - | 3,827,204 | | 3,827,204 | 3,827,204 | 3,827,204 | 3,827,204 |
| Prepayments | 2,186,478 | 2,174,214 | - | 4,360,692 | 7,640,409 | 9,826,887 | 10,920,126 |
| Investment in financial assets | | 186,948 | - | 186,948 | 186,948 | 186,948 | 186,948 |
| Current tax receivable | - | - | - | - | - | - | - |
| Assets held for sale | - | - | - | - | - | - | - |
| Cash and bank balances | 175,478 | 5,446,027 | - | 5,621,505 | 5,884,722 | 6,060,200 | 6,147,939 |
| **Total current assets** | **10,604,231** | **18,169,707** | **-** | **28,773,938** | **44,680,285** | **55,284,516** | **60,586,631** |
| **Total Assets** | **10,604,231** | **18,169,707** | **19,009,785** | **47,783,723** | **92,204,747** | **121,818,763** | **136,625,771** |
| **Equity and Liabilities** | | | | | | | |
| **Equity** | | | | | | | |
| Issued share capital | - | - | 95,352 | 95,352 | 238,380 | 333,732 | 381,408 |
| Share premium | - | - | 19,726,744 | 19,726,744 | 49,316,860 | 69,043,604 | 78,906,976 |
| Revaluation reserve | - | - | 4,714,682 | 4,714,682 | 11,786,705 | 16,501,387 | 18,858,728 |
| Treasury Shares | - | - | (20,105) | (20,105) | (50,263) | (70,368) | (80,420) |
| Change in ownership reserve | - | - | (904,212) | (904,212) | (2,260,530) | (3,164,742) | (3,616,848) |
| Share based payment reserve | - | - | 14,434 | 14,434 | 36,085 | 50,519 | 57,736 |
| Foreign currency translation reserve | - | - | 34,712 | 34,712 | 86,780 | 121,492 | 138,848 |
| Accumulated profit/(losses) | - | 5,642,698 | 1,520,122 | 7,162,820 | 17,907,050 | 25,069,870 | 28,651,280 |
| **Attributable to holders of the parent** | **-** | **5,642,698** | **25,181,729** | **30,824,427** | **77,061,068** | **107,885,495** | **123,297,708** |
| Non-controlling interests | 5,556,486 | 5,556,486 | 5,556,486 | 5,556,486 | 5,556,486 | 5,556,486 | 5,556,486 |
| **Total Equity** | **5,556,486** | **11,199,184** | **30,738,215** | **36,380,913** | **82,617,554** | **113,441,981** | **128,854,194** |
| **Non-current liabilities** | | | | | | | |
| Long term borrowings | - | 1,290,432 | - | 1,290,432 | 1,290,432 | 1,290,432 | 1,290,432 |
| Inter company payables | | | | - | - | - | - |
| Deferred tax liabilities | - | - | 2,725,790 | 2,725,790 | 6,814,475 | 9,540,265 | 10,903,160 |
| **Total non-current liabilities** | **-** | **1,290,432** | **2,725,790** | **4,016,222** | **8,104,907** | **10,830,697** | **12,193,592** |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 1,237,319 | 529,313 | - | 1,766,632 | 3,622,611 | 4,859,930 | 5,478,589 |
| Provisions | - | 699,603 | - | 699,603 | 699,603 | 699,603 | 699,603 |
| Short term portion of long term borrowings | - | 2,746,824 | - | 2,746,824 | 2,746,824 | 2,746,824 | 2,746,824 |
| Customer deposits | 1,969,461 | | - | 1,969,461 | 4,923,653 | 6,893,114 | 7,877,844 |
| Bank overdraft | - | - | | - | - | - | - |
| Current Tax liabilities | - | 204,068 | - | 204,068 | 204,068 | 204,068 | 204,068 |
| **Total current liabilities** | **3,206,780** | **4,179,808** | **-** | **7,386,588** | **12,196,758** | **15,403,538** | **17,006,928** |
| **Total equity and liabilities** | **8,763,266** | **16,669,424** | **33,464,005** | **47,783,723** | **102,919,219** | **139,676,216** | **158,054,714** |

# Notes to the Financial Statements (cont'd)

### 31. Subsequent events (continued)

**COMPANY**

| Description Assets | Monetary assets/ Liablities USD | Monetary assets/ Liablities RTGS | Non-Monetary assets/ Liablities USD | Total USD @1:1 | Total RTGS $ @1:2.5 | Total RTGS $ @1:3.5 | Total RTGS $ @1:4 |
|---|---|---|---|---|---|---|---|
| **Non-current Assets** | | | | | | | |
| Property, plant and equipment | - | | 6,577,591 | 6,577,591 | 16,443,978 | 23,021,569 | 26,310,364 |
| Intangible assets | - | | 113,494 | 113,494 | 283,735 | 397,229 | 453,976 |
| Investment property | - | | - | - | - | - | - |
| Investment in subsidiaries | - | | 11,462,158 | 11,462,158 | 28,655,395 | 40,117,553 | 45,848,632 |
| Investment in government treasury bills | - | | - | - | - | - | - |
| Deferred tax assets | - | | - | - | - | - | - |
| Long term receivables | - | | 661,549 | 661,549 | 1,653,873 | 2,315,422 | 2,646,196 |
| Goodwill | - | | - | - | - | - | - |
| **Total non-current assets** | **-** | **-** | **18,814,792** | **18,814,792** | **47,036,980** | **65,851,772** | **75,259,168** |
| **Current Assets** | | | | | | | |
| Inventories | 6,493,319 | 6,426,814 | - | 12,920,133 | 22,660,112 | 29,153,431 | 32,400,090 |
| Short term portion of long term receivable | - | - | - | - | - | - | - |
| Trade and other receivables | - | 1,703,352 | - | 1,703,352 | 1,703,352 | 1,703,352 | 1,703,352 |
| Prepayments | 1,818,762 | 2,174,214 | - | 3,992,976 | 6,721,119 | 8,539,881 | 9,449,262 |
| Investment in financial assets | - | 141,688 | - | 141,688 | 141,688 | 141,688 | 141,688 |
| Current tax receivable | - | - | - | - | - | - | - |
| Assets held for sale | - | - | - | - | - | - | - |
| Cash and bank balances | 167,236 | 896,585 | - | 1,063,821 | 1,314,675 | 1,481,911 | 1,565,529 |
| **Total current assets** | **8,479,317** | **11,342,653** | **-** | **19,821,970** | **32,540,946** | **41,020,263** | **45,259,921** |
| **Total Assets** | **8,479,317** | **11,342,653** | **18,814,792** | **38,636,762** | **79,577,926** | **106,872,035** | **120,519,089** |
| **Equity and Liabilities** | | | | | | | |
| **Equity** | | | | | | | |
| Issued share capital | - | - | 95,352 | 95,352 | 238,380 | 333,732 | 381,408 |
| Share premium | - | - | 19,726,744 | 19,726,744 | 49,316,860 | 69,043,604 | 78,906,976 |
| Revaluation reserve | - | - | 3,274,369 | 3,274,369 | 8,185,923 | 11,460,292 | 13,097,476 |
| Treasury Shares | - | - | (20,105) | (20,105) | (50,263) | (70,368) | (80,420) |
| Change in ownership reserve | - | - | - | - | - | - | - |
| Share based payment reserve | - | - | 14,434 | 14,434 | 36,085 | 50,519 | 57,736 |
| Foreign currency translation reserve | - | - | 34,712 | 34,712 | 86,780 | 121,492 | 138,848 |
| Accumulated profit/(losses) | - | - | 3,725,406 | 3,725,406 | 9,313,515 | 13,038,921 | 14,901,624 |
| **Attributable to holders of the parent** | **-** | **-** | **26,850,912** | **26,850,912** | **67,127,280** | **93,978,192** | **107,403,648** |
| Non-controlling interests | - | - | - | - | - | - | - |
| **Total Equity** | **-** | **-** | **26,850,912** | **26,850,912** | **67,127,280** | **93,978,192** | **107,403,648** |
| **Non-current liabilities** | | | | | | | |
| Long term borrowings | - | 1,290,432 | - | 1,290,432 | 1,290,432 | 1,290,432 | 1,290,432 |
| Inter company payables | - | 4,663,273 | - | 4,663,273 | 4,663,273 | 4,663,273 | 4,663,273 |
| Deferred tax liabilities | | | 1,100,880 | 1,100,880 | 2,752,200 | 3,853,080 | 4,403,520 |
| **Total non-current liabilities** | **-** | **5,953,705** | **1,100,880** | **7,054,585** | **8,705,905** | **9,806,785** | **10,357,225** |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 168,388 | 132,475 | - | 300,863 | 553,445 | 721,833 | 806,027 |
| Provisions | - | 258,538 | - | 258,538 | 258,538 | 258,538 | 258,538 |
| Short term portion of long term borrowings | - | 2,746,824 | - | 2,746,824 | 2,746,824 | 2,746,824 | 2,746,824 |
| Customer deposits | 1,222,860 | - | - | 1,222,860 | 3,057,150 | 4,280,010 | 4,891,440 |
| Bank overdraft | - | - | - | - | - | - | - |
| Current Tax liabilities | - | 202,180 | - | 202,180 | 202,180 | 202,180 | 202,180 |
| **Total current liabilities** | **1,391,248** | **3,340,017** | **-** | **4,731,265** | **6,818,137** | **8,209,385** | **8,905,009** |
| **Total equity and liabilities** | **1,391,248** | **9,293,722** | **27,951,792** | **38,636,762** | **82,651,322** | **111,994,362** | **126,665,882** |

**Key sensitivity analysis assumptions**

1. Amounts owed to foreign creditors are presented in USD. Local creditors are presented in RTGS dollars
2. Inventory imported has been presented in USD where as locally purchased inventory is in RTGS
3. Equity has been stated in USD except for current year profit which is in RTGS
4. Customer deposits are stated in USD

# Notes to the Financial Statements (cont'd)

## 32. Application of new and amended standards and interpretations

### 32.1 Standards issued and effective in the current year

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group adopted the new standard on the required effective date and will not restate comparative information.

Impairment loss calculation is subject to management overlay, hence is expected not to deviate significantly from existing policy.

**Classification and measurement**

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

**Impairment**

IFRS 9 requires the Group to record expected credit losses on all its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade and other receivables. Zimplow incorporated forward looking information in the determination of expected credit losses and in considering the relevance of this information management concluded that at year end the country's GDP as consistently reported by the IMF and World bank is more relevant than other macro-economic variables available such as inflation figures that differed between Zimstat and IMF.  Management also regarded GDP as a measure of wealth that best reflect the quality of the company's customers, who are mainly into capital goods investment, which we sell. Using historical internal information in the company, management noted that during the last high inflation periods the company did not suffer any significantly higher losses than normal, neither did this change during the periods of deflation.

Management used a period of 5 years to forecast the impact of forward-looking information on the expected credit loss allowance. The 5-year period is aligned to the company's business plan forecasting process for strategic planning purposes.

Adoption of the impairment rules under IFRS 9 will not result in a material change of the allowance for credit losses amounts recognized. The Group has been analysing its trade receivables on an individual basis which approximates the lifetime of the receivable.

**Other financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all other financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The debt is written off when all reasonable steps to recover the debt have failed.

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

# **Notes to the Financial Statements** (cont'd)

## 32. Application of new and amended standards and interpretations (continued)
### 32.1 Standards issued and effective in the current year (continued)

Application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group adopted the new standard on the required effective date using the modified method. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

The Group is in the business of distributing mining and agricultural equipment and the related service for the same equipment. The equipment and services are sold both on their own in separate identified contracts with customers (a) Sale of goods.

For contracts with customers in which the sale of equipment is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss.

The Group recognises revenue at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In adoption of IFRS 15, the Group is considered the following:

**Variable consideration**
Some contracts with customers provide a right of return. Currently, the Group recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception and updated thereafter. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

The Group allows returns of parts for cash within a period of 7 days. The portion of sales at year end has been assessed as insignificant. Therefore, there is no impact on the Group's reported revenue for the period.

**Rights of return**
When a contract with a customer provides a right to return the good within the specified period, the Group currently accounts for the right of return using a probability-weighted average amount of return approach like the expected value method under IFRS 15. Under the current accounting policy, the amount of revenue related to the expected returns is deferred and recognised in the statement of financial position within Trade and other payables. A corresponding adjustment is made to the cost of sales. The initial carrying amount of goods expected to be returned is included within Inventories.

Under IFRS 15, because the contract allows the customer to return the products, the consideration received from the customer is variable. The Group has decided to use the expected value method to estimate the goods that will be returned because this method better predicts the amount of variable consideration to which the Group will be entitled. The Group applied the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. The Group policy allows returns of products within 10 days. At year end, any such goods that would have been returned had their terms expired, Therefore, there is no impact on financial statements.

**Volume rebates**
The Group does not offer any volume rebate contracts to customers therefore adoption of IFRS 15 in this regard will not have any impact on the revenue recognition and measurement as well as disclosures.

# Notes to the Financial Statements (cont'd)

## 32. Application of new and amended standards and interpretations (continued)
### 32.1 Standards issued and effective in the current year (continued)

**Warranty obligations**
The Group generally provides for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

**Loyalty points programme**
The Group does not offer any contracts to customers with loyalty programmes, therefore, there is no impact on the Group.

**Rendering of services**
The Group's mining and mechanical agricultural equipment segments provides after sales service for equipment sold. These services are sold on their own in contracts with the customers. Currently, the Group accounts for the equipment and service as separate deliverables of bundled sales and allocates consideration between these deliverables using the relative fair value approach. The Group recognized service revenue by reference to the stage of completion. Under IFRS 15, allocation will be made based on relative stand-alone selling prices. The allocation of the consideration and, consequently, the timing of the amount of revenue recognized in relation to these sales would not be affected.

The Group assessed that when IFRS 15 has been adopted, the prior period would not need be adjusted.

**Equipment received from customers**
The Group does not provide contracts to customers with non-cash considerations. Hence, the Group has concluded that adoption of IFRS 15 would not influence amounts recognized and disclosures thereof.

**Advances received from customers**
Generally, the Group receives only short-term advances from its customers. They are presented as part of Trade and other payables. The Group does not receive long-term advances from customers. Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts. The Group decided to use the practical expedient provided in IFRS 15, and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short term advances, the Group does not account for a financing component even if it is significant.

Based on the nature of the goods and services offered and the purpose of payment terms, the Group determined that for most of the contracts that require customers to pay in advance, the payment terms were structured primarily for reason other than the provision of finance to the Group, that is. advances are generally required from new customers, as well as customers with a history of late payments, they do not provide customers with an alternative to pay in arrears. In addition, the length of time between when the customer pays for the goods and the Group transfers goods to the customer is relatively short. Therefore, the Group has concluded that there is not a significant financing component in these contracts.

**Principal versus agent considerations**
The Group does not provide any contracts to its customers to acquire, on their behalf, equipment produced by foreign suppliers hence when the IFRS 15 is adopted, no adjustments will be required for amounts recognised and disclosed.

**Presentation and disclosure requirements**
The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will not be significant.

# Notes to the Financial Statements (cont'd)

## 32. Application of new and amended standards and interpretations (continued)

### 32.1 Standards issued and effective in the current year (continued)

**IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2**

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group has assessed that the amendment has no impact on the Group's financial statement.

**IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non- monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The IFRIC is effective for annual periods beginning on or after 1 January 2018. The Group has assessed that the amendment has no impact on the Group's financial statement.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

The beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency.

The current practice is line with the IFRIC, hence there will be no impact on the Group financial statements.

**IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4**

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The business does not issue insurance contracts, hence there is no impact on the entity's financial statements.

# Notes to the Financial Statements (cont'd)

**32. Application of new and amended standards and interpretations (continued)**

**32.1 Standards issued and effective in the current year (continued)**

**IAS 40 Investment Property**

The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list. The application of the amendment has no impact on amounts recognized in the Group's consolidated financial statements.

The amendment is not expected to have a major impact.

**32.2 Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model like the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group largely uses owner occupied buildings for its operations. The exception is for one building which is leased under an operating lease agreement. The lease agreement term is 12 months. Accordingly, the standard exempts lease that are less than 12 months, hence there will be no impact on the Group's financial results.

# **Notes to the Financial Statements** (cont'd)

## 32. Application of new and amended standards and interpretations (continued)

### 32.1 Standards issued and effective in the current year (continued)

**IAS 28 Investments in Associates and Joint Ventures**
The amendments clarify that:

Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

The amendments are effective for periods beginning on or after 1 January 2019.

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatments.**
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation is not expected to have a major impact on the Group financial statements.

**IFRS 17 Insurance Contracts**
IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

**Key requirements**
The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

Zimplow Group is not an insurance company and does not issue insurance contracts. Therefore, the standard is not expected to have a major impact on the Group financial statements.

# 06 SHAREHOLDER'S ANALYSIS

- Shareholder Analysis
- Notice to AGM
- Proxy Form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Our game-changing new range is nothing short of a quantum leap in excavator development. Designed around you, these Next Generation excavators will totally transform your job sites, with the new 320 GC providing lower cost of acquisition and fuel burn, the new 320 achieving higher levels of productivity and the new 323 delivering unrivalled performance in the toughest applications.
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# Corporate and Shareholder Information

## ZIMPLOW LIMITED: ANALYSIS BY VOLUME AS AT: 31-December-2018

| Range | Shares | Shares % | Shareholders | Shareholders % |
|---|---|---|---|---|
| 1-5000 | 971,410 | 0.41 | 1,108 | 79.54 |
| 5001-10000 | 571,949 | 0.24 | 79 | 5.67 |
| 10001-25000 | 1,263,520 | 0.53 | 79 | 5.67 |
| 25001-50000 | 1,330,200 | 0.56 | 36 | 2.58 |
| 50001-100000 | 2,516,715 | 1.06 | 34 | 2.44 |
| 100001-200000 | 2,109,124 | 0.88 | 15 | 1.08 |
| 200001-500000 | 5,501,648 | 2.31 | 18 | 1.29 |
| 500001-1000000 | 1,953,329 | 0.82 | 03 | 0.22 |
| 1000001 and Above | 222,162,885 | 93.20 | 21 | 1.51 |
| **Totals** | **238,380,780** | **100.00** | **1,393** | **100.00** |

## ZIMPLOW LIMITED: ANALYSIS BY INDUSTRY AS AT: 31-December-2018

| Industry | Shares | Shares % | Shareholders | Shareholders % |
|---|---|---|---|---|
| FOREIGN NOMINEE | 90,151,220 | 37.82 | 06 | 0.43 |
| LOCAL COMPANIES | 67,894,603 | 28.48 | 159 | 11.41 |
| LOCAL NOMINEE | 41,219,410 | 17.29 | 76 | 5.46 |
| PENSION FUNDS | 18,361,456 | 7.70 | 33 | 2.37 |
| LOCAL INDIVIDUAL RESIDENT | 10,986,010 | 4.61 | 958 | 68.77 |
| INSURANCE COMPANIES | 5,352,241 | 2.25 | 14 | 1.01 |
| TRUSTS | 2,060,586 | 0.86 | 16 | 1.15 |
| NEW NON- RESIDENT | 1,701,211 | 0.71 | 52 | 3.73 |
| FOREIGN INDIVIDUAL RESIDENT | 431,302 | 0.18 | 03 | 0.22 |
| OTHER INVESTMENTS & TRUST | 111,924 | 0.05 | 42 | 3.02 |
| DECEASED ESTATES | 51,257 | 0.02 | 19 | 1.36 |
| FUND MANAGERS | 32,737 | 0.01 | 06 | 0.43 |
| CHARITABLE | 16,856 | 0.01 | 07 | 0.50 |
| GOVERNMENT / QUASI | 9,829 | 0.00 | 01 | 0.07 |
| EMPLOYEES | 138 | 0.00 | 01 | 0.07 |
| **Totals** | **238,380,780** | **100.00** | **1,393** | **100.00** |

# **Corporate and Shareholder Information** (cont'd)

**ZIMPLOW LIMITED TOP 20: SCHEDULE AS AT: 31-December-2018**

| Rank | Names | Shares | % |
|---|---|---|---|
| 1 | SINO PROPERTIES (PVT) LTD | 82,491,493 | 34.60 |
| 2 | KENCOR HOLDINGS (PVT) LTD | 24,936,122 | 10.46 |
| 3 | T F S NOMINEES (PVT) LTD | 20,818,165 | 8.73 |
| 4 | STANBIC NOMINEES (PVT) LTD | 20,336,490 | 8.53 |
| 5 | CHARTER MINING (PVT) LTD | 19,745,346 | 8.28 |
| 6 | YUMIKO INVESTMENTS (PVT) LTD | 13,089,629 | 5.49 |
| 7 | NATIONAL RAILWAYS OF ZIMBABWE CONTRIBUTORY P/F | 11,553,529 | 4.85 |
| 8 | BARLOWORLD EQUIPMENT UK LTD | 7,340,933 | 3.08 |
| 9 | INVESCI ASSET MANAGEMENT (PVT) LTD | 4,110,193 | 1.72 |
| 10 | FLAME LILY VENTURE CAPITAL GROUP | 4,054,625 | 1.70 |
| 11 | TRACTIVE POWER HOLDINGS WORKERS TRUST (PVT) LTD | 3,683,201 | 1.55 |
| 12 | OLD MUTUAL LIFE ASS CO ZIM LTD | 2,828,527 | 1.19 |
| 13 | INVESCI NOMINEES (PVT) LTD | 2,309,090 | 0.97 |
| 14 | MINING INDUSTRY PENSION FUND | 1,720,016 | 0.72 |
| 15 | GURAMATUNHU FAMILY TRUST | 1,699,102 | 0.71 |
| 16 | BERNARD NORMAN CHITEPO | 1,587,620 | 0.67 |
| 17 | ZIMPLOW PENSION FUND - INVESCI | 1,453,141 | 0.61 |
| 18 | MAXWELL CHINORWADZA | 1,004,176 | 0.42 |
| 19 | BOX CART (PVT) LTD | 797,762 | 0.33 |
| 20 | ECONET LFE (PVT) LTD-INVESCI | 575,853 | 0.24 |
| **Selected Shares** | | **226,135,013** | **94.86** |
| **Non - Selected Shares** | | **12,245,767** | **05.14** |
| **Issued Shares** | | **238,380,780** | **100.00** |

# Notice of an Annual General Meeting (AGM)

**NOTICE IS HEREBY GIVEN THAT** the sixty-ninth Annual General Meeting of Shareholders will be held at Zimplow Holdings Limited Head Office 36 Birmingham Road, Southerton Harare, at 1000hrs on Thursday 13 June 2019 to consider the following:

**As Ordinary Resolutions**

1. To approve the minutes of the Annual General Meeting held on 23 May 2018 and Extra-Ordinary General Meeting held on 31 August 2018.

2. To receive and consider the Director's report and the audited financial statements for the year ended 31 December 2018.

3. To elect Directors in place of those retiring, Mr. K. Patel retire from the Board by rotation and being eligible, offers himself for re-election. Mr. V. Nyakudya who was appointed during the year also retire in terms of the Company's articles of association and being eligible offers himself for re-election.

4. To approve the remuneration of directors for the year ended 31 December 2018.

5. To fix the Auditors remuneration for the year ended 31 December 2018.

6. To appoint Auditors for the financial year ending 31 December 2019.

**By order of the Board**

**M. CHINORWADZA** **20 MAY 2019**
**COMPANY SECRETARY**

**Zimplow Holdings Limited**
**Head Office**
**36 Birmingham Road**
**Southerton**
**Harare**

**Notes:**

**1. Voting eligibility**

a) On a show of hands, every Shareholder who (being an individual) is present in person or by proxy at the AGM or which, (being a company or corporate body) is represented there at by a representative appointed as proxy, shall have one vote (irrespective of the number of shares held), and on a poll, every Shareholder who (being an individual) is present in person or by proxy at the general meeting or which (being a company or body corporate) is represented by proxy at the general meeting, shall have one vote for every Zimplow Holdings Limited share of which it is the holder.

**2. Appointment of Proxies**

a) Interms of Section 129 (3) of the Companies Act (Chapter 24:03), members entitled to attend the above meeting may appoint one or more proxies, to act in the alternative, to attend, speak and vote on their behalf, including voting on a poll. A proxy need not to be a member of the company.
b) Shareholders in the form of a corporate body must provide documentary evidence establishing the authority of a person signing the form of Proxy in a representative capacity, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the AGM. This authority must take the form of a resolution of the Corporate body.
c) Completion of a form of proxy does not preclude a person from subsequently attending the AGM and voting in person.

# Form of proxy for the Annual General Meeting

I/ We ..............................................................................................................................................Of...............................................................................................................................

Being member/members of the above Company, hereby appoint:

Mr. / Mrs. / Ms. / Dr ...............................................................................................................................................................................Or failing

him.......................................................................................................................................... Of...................................................................................................................................

..........................................................................................................as my/our proxy to vote for me/us on my/our behalf at the Annual General

Meeting of the Company and any adjournment thereof.

Signature...............................................................................................Signed this.............................................................of.................................................2019

**Notes**

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend, and speak in his stead. The person appointed need not be a member.

2. Proxy forms should be lodged at the registered office of the Company by no later than 48 hours before the time of holding the meeting.

3. Any alterations or corrections made to this form of proxy (including the deletion of alternatives) must be initialled by the signatory/signatories.

4. Shareholders are requested to submit key questions in writing at least five days before the date of the meeting to enable comprehensive answers to be prepared. This will not preclude them from raising questions from the floor.

**Physical and Postal Delivery**

**Zimplow Holdings Limited**
**36 Birmingham Rd,**
**Southerton,**
**Harare,**
**Zimbabwe**

**Email: headoffice@zimplow.co.zw**


CATERPILLAR
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