Audited Abridged Consolidated Financial Statements

for the year ended 30 September 2019

electrosales hardware

Your Hardware Home!

Powerspeed Electrical Limited

CHAIRMAN'S STATEMENT

Overview

The Group performed commendably during the year under review, given the difficult operating environment in Zimbabwe, and despite increased competition. The numbers we are reporting suggest that we have been able to further increase our market share.

We maintained the focus on building the Electrosales Hardware brand to be the biggest and best supplier of hardware and home improvement products throughout Zimbabwe. Although year on year growth was slower than we planned, we still recorded an increase in total volumes.

Environment

The environment has been characterised by increasing regulation, fast deteriorating infrastructure, acute shortages of power, water, fuel, foreign and local currencies; increased taxation, harsher borrowing conditions, escalating costs, reduced disposable incomes and hyperinflation. All of these factors are working against formal business, and diminish the 'ease of doing business'. In the past year, we saw significant growth in both the numbers of, and volumes traded by informal traders. This informalisation, resulting from the actions and inactions of Government, does not augur well for national growth and development.

The re-introduction of a local currency has muddied both the operational and financial accounting waters. Individual and corporate citizens have shown no enthusiasm for the ZWL/RTGS$. This attitude has been strengthened by the continued unavailability of the local currency, and its un-relenting weakening against the currencies of our main economic partner nations. All this, in spite of assurances by authorities, that the new currency would be readily available, and would be stable.

Uncertainty and instability in public services, highlighted by the on-going job action by health personnel, and corruption throughout society, accentuate the hostile environment for business.

Financial Review

As in previous years, our key strategy was to grow sales volumes. We have had to increase inventories, to mitigate against the impact of erratic supplies. These improved levels of product availability, have led to increased sales, as well as profitability. However, the shift in product range towards building materials, has put our margins under pressure.

Turnover for the year rose by 224.8%, to $267.9m, while gross margins rose 181.5%, from $22.1m to $62.1m.

As a result of inflationary pressures, operating expenses increased by 221.3%, from $15.4m to $49.5m. This resulted in an increase in EBIT of 229.4%, from $6.8m to $22.4m.

Finance costs for the year rose marginally, from $1.12m to $1.39m, resulting in a profit before tax of $21.0m, compared to $5.7 m, for the previous year. Income attributable to shareholders came in at $17.6m, significantly up from $4.2m, for the last financial year. Earnings per share came in at 4.66c as opposed to 1.12c for the previous year.

Inventory values rose very significantly from $19.6m to $267.4m, largely driven by high purchasing activity. However, we have also intentionally increased our physical inventory to drive the increased throughput. Although borrowings rose from $8.6m to $15.8m, this is obviously substantially reduced in real terms.

We have chosen not to apply IAS 21 and 29, in this report, because there have been too many distortions from both the fiscal and monetary measures implemented during the year under review. The Directors do consider the effect of high rate of inflation in Zimbabwe, but the cost of preparing inflation adjusted financial statements far outweighs the benefits to the shareholders particularly where inflation indices remain opaque. We have put emphasis on strengthening the balance sheet, building real assets, as well as reducing liabilities, in an effort to, at least preserve, if not enhance stakeholder values.

Operational Review

Only one new branch was added during the year, bringing our total number of branches to 19 countrywide. In addition, we carried out some extensions and renovations to a number of branches, raising our total retail space to 13 405 square metres.

The main focus this past year, has been on maximising our utilisation of the existing branch network, by broadening the range of products on offer, thereby increasing the customer choice; and by optimising stock models, to minimise stock outs. Erratic supply of both local and imported products continued to be the greatest challenge, we faced during the past 12 months. Imports were hampered by various trade barriers, notably Bureau Veritas, import licenses, punitive duties, payable in foreign currency, disorder and corruption at the ports of entry, and a dysfunctional interbank foreign currency market. Many local manufacturers, operating in the same environment as us, were unable to meet our demand.

Earlier in the year, electrical power, which had been reliably supplied, suddenly became unavailable, and power cuts of up to 18 hours a day became the norm. This triggered massive demand for alternative power products, such as generators, invertors, batteries, solar panels, solar geysers, et. cetera. Although we have been struggling to meet the demand, we have been able to take advantage of this, and dramatically increased our throughput of these products.

We continued to invest substantially in our people, through training in management, supervision, product knowledge, sales and customer service. We are encouraged by the numerous positive comments from customers, on our service levels; showing that this investment is achieving the desired result.

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

Our Engineering Division continued to run smoothly, and as a result, had another reasonable year. We had prepared ourselves for the projected growth, and therefore, anticipated higher demand from the mining and agricultural sectors. However, this did not materialise. Fortunately, significant demand for locally made products, particularly aimed at domestic construction, generated appreciable throughput.

Once again, although the profit from this part of the business was modest, it is positive, and the return on capital employed in the operation, is good. The other positive is the fact that we are keeping the skills in this business on hand, for when we return to new investments and growth in the economy.

We commend Management for continuing to deliver product, despite many days without power.

Prospects

It is difficult to tell where our country is going. Statements of, and actions by our leaders do not seem to reflect the reality of everyday experiences of citizens. The country yearns for a coherent, credible, macro-economic policy framework, and regulatory regime, within which economic agents can operate and plan for the future.

Notwithstanding the uncertainties and instability in the market, we have found the hardware sector to be remarkably resilient. Understanding that financial/monetary savings rapidly waste away, the people opt to put any spare disposable incomes into their homes. We, in turn, will strive to support the people's value preservation instincts, offering a broad range of value for money products, and providing our customers with excellent service.

Lastly, we have worked extremely hard to consolidate our buying power, and to channel this into procuring product from the global best sources. In this way, we have been able to push costs down, and we believe that this will be key to remaining ahead of both formal and informal competitors, who cannot access these sources.

Dividend

The good performance of the business over the past year, has put us in a position to share the rewards with our shareholders. Accordingly, the Board has resolved to declare a dividend of 1 cent per share, for the 12 months ended 30 September 2019, to shareholders on the register on 3 January 2020. Shares will trade cum dividend on 31 December 2019 and ex dividend on 2 January 2020.

Given the volatility of the RTGS Dollar, the Board also resolved to offer shareholders a scrip option. A detailed calendar pertaining to the dividend will be published separately in due course.

Appreciation

The Board commends and thanks Management and all employees, for their dedicated efforts during very difficult circumstances. We are also grateful to all our partners, especially the customers, suppliers, bankers and other service providers, for supporting us in ways that enabled us to achieve what we have.

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

We remain committed to our growth strategy, despite the economic headwinds facing the formal economy, and we will be doing everything that we can to achieve our objectives.

Dr S.H. Makoni
Chairman

20 December 2019

AUDITORS' STATEMENT

These abridged consolidated financial statements should be read in conjunction with the complete set of the audited consolidated financial statements of Powerspeed Electrical Limited for the year ended 30 September 2019, which have been audited by Messrs Grant Thornton Chartered Accountants (Zimbabwe). An adverse opinion was issued thereon in respect of non-compliance with the requirements of IAS 21 - The Effects of Changes in Foreign Exchange Rates and IAS 29 - Financial Reporting in Hyperinflationary Economies. There is an emphasis of matter regarding the fair value determination of property, plant and equipment and investment property. The auditors' report includes a section on key audit matters in respect of expected credit risk allowance and revenue recognition. The auditors' report on the consolidated financial statements is available for inspection at the company's registered office.

Grant Thornton

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

20 December 2019

Harare

Abridged Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 September 2019

		HISTORICAL COST			
		GROUP		COMPANY	
	Notes	2019 ZWL$'000	2018 ZWL$'000	2019 ZWL$'000	2018 ZWL$'000
Revenue		267 929	82 496	267 929	82 496
Cost of sales		(205 748)	(60 407)	(205 748)	(60 407)
Gross profit		62 181	22 089	62 181	22 089
Investment property income		30	35	-	-
Fair value adjustment		8 775	(217)	-	-
Other income		849	279	674	279
Operating expenses		(49 450)	(15 390)	(49 171)	(15 321)
Profit from operations	3	22 385	6 796	13 684	7 047
Finance costs		(1 389)	(1 120)	(1 389)	(1 120)
Profit before taxation		20 996	5 676	12 295	5 927
Income tax expense	4	(3 435)	(1 474)	(3 454)	(1 539)
Profit for the year		17 561	4 202	8 841	4 388
Other comprehensive income					
Gain on property revaluation		127 231	11	127 082	-
Deferred taxation on revaluation surplus		(32 762)	(3)	(32 724)	-
Other comprehensive income for the year, net of tax		94 469	8	94 358	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		112 030	4 210	103 199	4 388
Earnings per share	5				
Basic earnings per share (in cents)		4.66	1.12	2.35	1.17
Diluted earnings per share (in cents)		4.66	1.12	2.35	1.17
Headline earnings per share					
Basic earnings per share (in cents)		4.66	1.12	2.36	1.17
Diluted earnings per share (in cents)		4.66	1.12	2.36	1.17
Net asset value per share (in cents)		97.3	3.87	94.15	3.59

Abridged Consolidated Statement of Financial Position

as at 30 September 2019

		HISTORICAL COST			
		GROUP		COMPANY	
	Notes	2019 ZWL$'000	2018 ZWL$'000	2019 ZWL$'000	2018 ZWL$'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	170 066	11 126	169 155	3 898
Investment property	7	11 400	750	-	-
Investment in subsidiaries		-	-	350	1 734
		181 466	11 876	169 505	5 632
Current assets					
Inventories	8	267 420	19 635	267 420	19 635
Related party receivables		-	-	135	5 444
Trade and other receivables	9	25 730	3 647	25 730	3 647
Cash and cash equivalents	10	14 247	1 288	14 247	1 287
Tax refund		-	318	-	197
		307 397	24 888	307 532	30 210
Total assets		488 863	36 764	477 037	35 842
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	11	38	37	38	37
Share premium		1 099	175	1 099	175
Revaluation reserve		94 477	8	94 358	-
Non-distributable reserves		6 306	6 777	5 170	5 641
Functional currency change reserve		243 754	-	241 756	-
Retained earnings		23 466	7 497	14 849	7 600
		369 140	14 494	357 270	13 453
Non-current liabilities					
Deferred taxation	12	33 945	761	33 918	299
Long-term borrowings	13	2 765	2 054	2 765	2 054
		36 710	2 815	36 683	2 353
Current liabilities					
Trade and other payables	14	58 993	11 324	58 993	11 324
Provisions	15	10 083	1 560	10 083	1 560
Related party payables		-	-	1	581
Short term borrowings	13	13 053	6 571	13 053	6 571
Taxation		884	-	954	-
		83 013	19 455	83 084	20 036
Total equity and liabilities		488 863	36 764	477 037	35 842

PSP Y/END ZIM IND 20612

DIRECTORS: Dr. S.H. Makoni, H.N. Macklin, M.S. Gurira, M.S. Kretzmann, C.C.M. Tambo, N.H. Kretzmer, V.R. Gapare

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Audited Abridged Consolidated Financial Statements

for the year ended 30 September 2019

Powerspeed Electrical Limited

Abridged Consolidated Statement of Cash Flows

for the year ended 30 September 2019

		HISTORICAL COST			
		GROUP		COMPANY	
	Notes	2019 ZWL$'000	2018 ZWL$'000	2019 ZWL$'000	2018 ZWL$'000
CASH GENERATED FROM OPERATIONS					
Profit before income tax		20 996	5 676	12 295	5 927
Adjustment for non-cash items		215 647	2 058	237 631	1 729
Operating cash flow before changes in working capital		236 643	7 734	249 926	7 656
Changes in working capital:					
Adjustment from the adoption of IFRS 9		(95)	-	(95)	-
Increase in inventory		(247 785)	(5 030)	(247 785)	(5 030)
Decrease/(Increase) in related party receivables		-	-	5 309	(2 702)
(Increase)/Decrease in trade and other receivables		(22 083)	202	(22 083)	199
Decrease in related party payables		-	(118)	(580)	(128)
Increase in trade and other payables		56 192	5 710	56 192	5 715
Cash generated from operating activities		22 872	8 498	40 884	5 710
Finance costs		(1 389)	(1 120)	(1 389)	(1 120)
Tax paid		(1 811)	(1 663)	(1 811)	(1 662)
Cash generated from operating activities		19 672	5 715	37 684	2 928
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	6	(12 863)	(5 136)	(12 863)	(2 348)
Transfer of fixed assets		-	-	(18 011)	-
Increase in investment in subsidiaries		-	-	-	(2)
Proceeds from the disposal of property, plant and equipment		-	5	-	5
Cash utilised in investing activities		(12 863)	(5 131)	(30 874)	(2 345)
CASH FLOWS FROM FINANCING ACTIVITIES					
Share buy back		(471)	-	(471)	-
Proceeds from issue of shares		925	-	925	-
Dividend paid		(1 497)	-	(1 497)	-
Net proceeds from loans raised		7 193	(856)	7 193	(856)
Cash generated from/(utilised in) financing activities		6 150	(856)	6 150	(856)
Net increase/(decrease) in cash and cash equivalents		12 959	(272)	12 960	(273)
Cash and cash equivalents at beginning of the year		1 288	1 560	1 287	1 560
Cash and cash equivalents at end of year	10	14 247	1 288	14 247	1 287

Abridged Consolidated Statement of Changes in Equity

for the year ended 30 September 2019

GROUP

	HISTORICAL COST						
	Share capital ZWL$'000	Share premium ZWL$'000	Revaluation reserve ZWL$'000	Non-distributable reserves ZWL$'000	Functional currency change reserve ZWL$'000	Retained earnings ZWL$'000	Total ZWL$'000
At 1 October 2017	37	175	-	6 777	-	3 295	10 284
Total comprehensive income for the year	-	-	8	-	-	4 202	4 210
At 30 September 2018	37	175	8	6 777	-	7 497	14 494
Balance as at 1 October 2018	37	175	8	6 777	-	7 497	14 494
Adjustment from the adoption of IFRS 9	-	-	-	-	-	(95)	(95)
Adjusted balance as at 1 October 2018	37	175	8	6 777	-	7 402	14 399
Shares issued	1	924	-	-	-	-	925
Share buy back	-	-	-	(471)	-	-	(471)
Dividend paid	-	-	-	-	-	(1 497)	(1 497)
Functional currency change	-	-	-	-	243 754	-	243 754
Total comprehensive income for the year	-	-	94 469	-	-	17 561	112 030
At 30 September 2019	38	1 099	94 477	6 306	243 754	23 466	369 140

COMPANY

	Share capital ZWL$'000	Share premium ZWL$'000	Revaluation reserve ZWL$'000	Non-distributable reserves ZWL$'000	Functional currency change reserve ZWL$'000	Retained earnings ZWL$'000	Total ZWL$'000
At 1 October 2017	37	175	-	5 641	-	3 212	9 065
Total comprehensive income for the year	-	-	-	-	-	4 388	4 388
At 30 September 2018	37	175	-	5 641	-	7 600	13 453
Balance as at 1 October 2018	37	175	-	5 641	-	7 600	13 453
Adjustment from the adoption of IFRS 9	-	-	-	-	-	(95)	(95)
Adjusted balance as at 1 October 2018	37	175	-	5 641	-	7 505	13 358
Total comprehensive income for the year	-	-	94 358	-	-	8 841	103 199
Shares Issued	1	924	-	-	-	-	925
Share buy back	-	-	-	(471)	-	-	(471)
Dividend paid	-	-	-	-	-	(1 497)	(1 497)
Functional currency change	-	-	-	-	241 756	-	241 756
At 30 September 2019	38	1 099	94 358	5 170	241 756	14 849	357 270

Notes to the abridged consolidated financial statements

for the year ended 30 September 2019

1 GENERAL INFORMATION

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

2 BASIS OF PREPARATION

The abridged consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) except for IAS 21 *The Effects of Changes in Foreign Exchange Rates and IAS 29 Financial Reporting in Hyperinflationary Economies*, and in the manner required by the Companies Act (Chapter 24:03). The principal accounting policies of the Group have been applied consistently in all material respects with those of the previous year unless otherwise stated. IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers* are effective in the current period and have been adopted by the Group.

	HISTORICAL COST			
	Group		Company	
	2019 ZWL$'000	2018 ZWL$'000	2019 ZWL$'000	2018 ZWL$'000
3 PROFIT FROM OPERATIONS				
The following items have been charged in arriving at profit from operations:				
Depreciation on property, plant and equipment	2 327	724	2 324	613
(Loss)/Profit on disposal of property, plant and equipment	(118)	4	(118)	4
Impairment of investment in subsidiaries	-	-	1 384	-
Repair and maintenance expenditure	1 380	437	1 380	405
Operating lease rentals	2 866	2 114	2 866	2 114
Staff costs	20 689	8 219	20 689	8 219
Audit fees	840	148	840	148
Directors' emoluments	275	167	275	167
Fair value adjustment on investment property	8 775	(217)	-	-
4 INCOME TAX EXPENSE				
Current taxation	3 013	1 370	3 015	1 439
Deferred taxation	422	104	439	100
	3 435	1 474	3 454	1 539
5 EARNINGS PER SHARE				
The basic and diluted earnings per share have been calculated using profit attributable to shareholders of the Group/Company as the numerator, i.e. no adjustments to profit were necessary in 2018 and 2019. The weighted average number of outstanding shares used for basic and diluted earnings per share amount to 376 851 964.				
Basic earnings per share (cents)	4.66	1.12	2.35	1.17
Diluted earnings per share (cents)	4.66	1.12	2.35	1.17
Headline earnings per share				
Headline earnings per share excludes all items of a capital nature and represents an after tax amount. It is calculated by dividing headline earnings by the number of shares in issue during the year:				
Basic earnings per share (cents)	4.66	1.12	2.36	1.17
Diluted earnings per share (cents)	4.66	1.12	2.36	1.17
6 PROPERTY, PLANT AND EQUIPMENT				
Carrying amount at beginning of year	11 126	6 704	3 898	2 163
Additions	12 863	5 136	12 863	2 348
Revaluation surplus	127 231	11	127 082	-
Functional currency change	21 291	-	9 743	-
Transfers of assets from subsidiary	-	-	18 011	-
Disposals	(118)		(118)	-
Depreciation for year	(2 327)	(725)	(2 324)	(613)
Carrying amount at end of year	170 066	11 126	169 155	3 898
7 INVESTMENT PROPERTY				
Carrying amount at the beginning	750	967	-	-
Functional currency change of investment property	1 875	-	-	-
Fair value adjustment	8 775	(217)	-	-
Carrying amount at the end	11 400	750	-	-
8 INVENTORIES				
Finished goods	185 195	15 406	185 195	15 406
Raw materials	1 290	429	1 290	429
Work in progress	138	77	138	77
Goods in transit	116 886	5 483	116 886	5 483
Allowance for obsolete inventory	(36 089)	(1 760)	(36 089)	(1 760)
	267 420	19 635	267 420	19 635
9 TRADE AND OTHER RECEIVABLES				
Trade	24 816	2 174	24 816	2 174
Allowance for credit losses	(637)	(328)	(637)	(328)
	24 179	1 846	24 179	1 846
Other	1 551	1 801	1 551	1 801
	25 730	3 647	25 730	3 647
10 CASH AND CASH EQUIVALENTS				
For the purposes of statement of cash flows, cash and cash equivalents consists of:				
Cash on hand	6 058	254	6 058	254
Bank balances	8 189	1 034	8 189	1 033
	14 247	1 288	14 247	1 287

PSP Y/END ZIM IND 20112

DIRECTORS: Dr. S.H. Makoni, H.N. Macklin, M.S. Gurira, M.S. Kretzmann, C.C.M. Tambo, N.H. Kretzmer, V.R. Gapare

Audited Abridged Consolidated Financial Statements

for the year ended 30 September 2019

Notes to the abridged consolidated financial statements

for the year ended 30 September 2019 (continued)

	HISTORICAL COST			
	Group		Company	
	2019 ZWL$'000	2018 ZWL$'000	2019 ZWL$'000	2018 ZWL$'000
11 SHARE CAPITAL				
Authorised share capital				
500 000 000 ordinary shares at ZWL$0.0001 per share	50	50	50	50
Issued and fully paid				
The movement in ordinary share capital is shown below:				
Ordinary share capital 1 October	37	37	37	37
Share buyback	-	-	-	-
Shares Issued	1	-	1	-
	38	37	38	37
Reconciliation of the movement in issued ordinary shares is as follows				
Number of issued ordinary shares at 1 October	374 241	374 241	374 241	374 241
Shares Issued	6 604	-	6 604	-
Share buyback	(1 382)	-	(1 382)	-
Number of issued ordinary shares at 30 September	379 463	374 241	379 463	374 241
Percentage bought back	0.4%	-	0.4%	-
379 463 063 (2018: 374 240 865) shares were in issue at a par value of ZWL$0.0001 per share.				
12 DEFERRED TAXATION				
Opening balance	761	654	299	199
Recognised in profit or loss	422	104	439	100
Deferred tax arising on transfer of subsidiary	-	-	456	-
Recognised in other comprehensive income	32 762	3	32 724	-
Closing balance	33 945	761	33 918	299
Attributable as follows:				
Accelerated depreciation for tax purposes	1 183	758	1 194	299
Recognised in other comprehensive income	32 762	3	32 724	-
Carrying amount	33 945	761	33 918	299
13 BORROWINGS				
Long term borrowings	2 765	2 054	2 765	2 054
Short term borrowings				
Bankers' acceptances	3 000	2 438	3 000	2 438
Bank overdraft	5 259	1 949	5 259	1 949
Other Short term borrowings	4 794	2 184	4 794	2 184
	13 053	6 571	13 053	6 571
Average cost of borrowing is 21%.				
14 TRADE AND OTHER PAYABLES				
Trade Payables				
Local	17 414	3 662	17 414	3 662
Foreign	34 996	4 617	34 996	4 617
	52 410	8 279	52 410	8 279
Other	6 583	3 045	6 583	3 045
	58 993	11 324	58 993	11 324
15 PROVISIONS				
Leave pay	2 307	370	2 307	370
Bonus	3 491	570	3 491	570
Gratuity	4 285	620	4 285	620
	10 083	1 560	10 083	1 560

16 SEGMENT REPORTING

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

Segment information for the reporting periods are as follows:

	HISTORICAL COST			
GROUP	Properties ZWL$'000	Engineering ZWL$'000	Retail ZWL$'000	Total ZWL$'000
2019				
Revenue				
From external customers	-	5 719	262 210	267 929
From other segments	-	-	49 520	49 520
Segment revenues	-	5 719	311 730	317 449
Other income (Includes Investment Income)	205	-	674	879
Operating expenses				
Fair value adjustment	8 775	-	-	8 775
Costs of material	-	(2 893)	(252 375)	(255 268)
Employee benefits expense	-	(869)	(19 820)	(20 689)
Depreciation and amortisation of non-financial assets	(3)	(60)	(2 264)	(2 327)
Intergroup Finance costs	-	(118)	118	-
Finance costs	-	-	(1 389)	(1 389)
Other expenses	(257)	(267)	(25 910)	(26 434)
Segment Expenses	8 515	(4 207)	(301 640)	(297 332)
Segment profit	8 720	1 512	10 764	20 996
Segment assets	11 825	7 914	469 123	488 863
Segment liabilities	54	3 965	115 705	119 723

16 SEGMENT REPORTING (continued)

	HISTORICAL COST			
GROUP	Properties ZWL$'000	Engineering ZWL$'000	Retail ZWL$'000	Total ZWL$'000
2018				
Revenue				
From external customers	-	2 713	79 784	82 497
From other segments	-	-	53 523	53 523
Segment revenues	-	2 713	133 307	136 020
Other income (Includes Investment Income)	35	6	273	314
Operating expenses				
Fair value adjustment	(217)	-	-	(217)
Costs of material	-	(1 076)	(113 975)	(115 051)
Employee benefits expense	-	(765)	(7 455)	(8 220)
Depreciation and amortisation of non-financial assets	(111)	(66)	(547)	(724)
Intergroup Finance costs	-	(69)	69	-
Finance costs	-	-	(1 120)	(1 120)
Other expenses	(118)	(368)	(4 840)	(5 326)
Segment Expenses	(446)	(2 344)	(127 868)	(130 658)
Segment profit/(loss)	(411)	375	5 712	5 676
Segment assets	7 978	712	28 072	36 764
Segment liabilities	341	847	21 081	22 270

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

	2019 ZWL$'000	2018 ZWL$'000
Sales within Zimbabwe	317 449	136 020
Total sales	317 449	136 020
The totals presented for the Company's operating segments reconcile to the key financial figures as presented in its financial statements as follows:		
Revenue		
Total reportable segment revenue	317 449	136 020
Elimination of inter-segment revenue	(49 520)	(53 524)
	267 929	82 496

18 SENSITIVITY ANALYSIS FOR EVENTS AFTER THE REPORTING PERIOD

Element as per accounts	Group USD$'000	Group ZWL$'000	Total '000 @1:1	Total ZWL$'000 15.2	Total ZWL$'000 20	Total ZWL$'000 30
Property and Plant and Equipment	12 119	-	12 119	184 209	242 380	363 570
Investment Property	750	-	750	11 400	15 000	22 500
Inventory	25 920	1 690	27 610	395 674	520 090	779 290
Trade and other receivables	-	25 730	25 730	25 730	25 730	25 730
Bank and Cash	473	7 057	7 530	14 247	16 517	21 247
Long - Term Borrowings	-	(2 765)	(2 765)	(2 765)	(2 765)	(2 765)
Short - Term Borrowings	(207)	(9 905)	(10 114)	(13 053)	(14 047)	(16 117)
Trade and other payables	(2 302)	(24 003)	(26 305)	(58 993)	(70 043)	(93 063)

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit risk

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

Interest rate risk

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

Currency risk

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

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

Dividend

A dividend of 1 cent per share has been proposed and will be payable to shareholders of the company in respect of the financial year ended 30 September 2019.

By Order of the Board

MS Gurira
Group Company Secretary

Grant Thornton

Powerspeed Electrical Limited and its subsidiaries
Consolidated Annual Financial Statements
30 September 2019

NATURE OF BUSINESS:

Manufacturing and trading of electrical products.

DIRECTORS:

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

SECRETARY:

Gurira M. S.

REGISTERED OFFICE:

Stand 17568
Corner Cripps Road/Kelvin North
Graniteside
HARARE

AUDITORS:

Grant Thornton
Registered Public Auditors
Chartered Accountants (Zimbabwe)
Camelsa Business Park
135 Enterprise Road
Highlands
HARARE

Contents

These consolidated financial statements are expressed in Zimbabwe Dollars (ZW$)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements for the year ended 30 September 2019

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

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

The consolidated financial statements set out in this report have not been prepared by management in accordance with International Financial Reporting Standards (IFRSs). As described in complete set of financials available for review. The Group had to be guided by SI 41/2019 which states that in the case of any inconsistency between a local pronouncement and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency. In compliance with SI 33/2019, the Group maintained its functional currency as the USD for the first five months to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA and changed to ZW$ as has been presented in the consolidated financial statements. This constitutes a departure from the requirements of IAS 21 - *The Effects of Changes in Foreign Exchange Rates.*

On the 11th of October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29- *Financial Reporting in Hyperinflationary Economies*, in Zimbabwe. The PAAB advised that there is broad market consensus within the accounting and auditing professions that the factors and characteristics to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29), in Zimbabwe had been met. The Group has not applied the IAS 29- *Financial Reporting in Hyperinflationary Economies* to the consolidated financial statements, this constitutes a departure from the requirements of IAS 29- *Financial Reporting in Hyperinflationary Economies.*

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

The Group's consolidated financial statements which are set out on pages 11 to 37 were, in accordance with their responsibilities, approved by the Board of Directors on .... 2019 and are signed on its behalf by:

....	....
Makoni S. H. (Dr.)	Macklin H. N.
Chairman	**Managing Director**

These consolidated financial statements were prepared under the supervision of:

....

Tapiwa Zingwe, ACCA

Chief Finance Officer

Registered Public Accountant (PAAB No: 2917)

Grant Thornton

INDEPENDENT AUDITORS' REPORT

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To the members of Powerspeed Electrical Limited and its subsidiaries

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of Powerspeed Electrical Limited and its subsidiaries set out on pages 11 to 37, which comprise the consolidated statement of financial position as at 30 September 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant Group accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the consolidated financial statements do not present fairly, in all material respects, the financial position of Powerspeed Electrical Limited and its subsidiaries as at 30 September 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act (Chapter 24.03) and the relevant Statutory Instruments (SI) SI33/99 and SI62/96.

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in Foreign Exchange Rates

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which directed banks to separate bank accounts into Real Time Gross Settlement

Foreign Currency Accounts (RTGS FCAs) and Nostro FCAs. As described in the notes to the consolidated financial statements, the economic environment during the year ended 30 September 2019 was characterised by 'multi-tiered' pricing, and the Group transacted predominantly in RTGS FCA (electronic payments), including mobile money, bond notes and coins.

On 20 February 2019, a Monetary Policy Statement was issued, denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the existing monetary balances and foreign currency. The RTGS dollars became part of the multi-currency system in Zimbabwe through the issuance of SI 33/2019, with an effective date of 22 February 2019. The SI provided that for accounting and other purposes, all assets and liabilities that were immediately before the effective date, valued and expressed in United States dollars shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the United States dollar. This was not consistent with IAS 21-*The Effects of Changes in Foreign Exchange Rates* which requires that an assessment be made of the change in functional currency and that financial statements be presented at a rate that approximates the market rate. The Group had to be guided by SI 41/2019 which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency.

In compliance with SI 33/2019, the Group maintained its functional currency as the USD in the first five months to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA and changed to ZW$ as has been presented in the consolidated financial statements. This constitutes a departure from the requirements of IAS 21-*The Effects of Changes in Foreign Exchange Rates*. Had the consolidated financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Group's inability to comply with IAS 21 has been determined as significant. The effects on the consolidated financial statements of the non-compliance with IAS 21 are considered material and pervasive to the consolidated financial statements, taken as a whole.

Non-compliance with IAS 29- Financial Reporting in Hyperinflationary Economies

The Group was operating in a hyperinflationary economy for the year ended 30 September 2019. All information on the consolidated financial statements for the year then ended, and the notes to the consolidated financial statements has not been prepared in accordance with International Financial Reporting Standards in that the requirements of IAS 29 - *Financial Reporting in Hyperinflationary Economies* have not been complied with in converting the financial information for the year ended into an applicable measurement base at the date of reporting.

The non-compliance by the Group constitutes a departure from the *IAS 29- Financial Reporting in Hyperinflationary Economies.* Had the consolidated financial statements been prepared in accordance with the requirements of IAS 29, multiple elements would have been materially adjusted. As a result, the impact of the Group's inability to comply with IAS 29 has been determined as significant. The effects on the consolidated financial statements of the non-compliance with IAS 29 are considered material and pervasive to the consolidated financial statements, taken as a whole.

Emphasis of Matter

Fair value determination for property, plant and equipment and investment property.

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

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
IFRS 9 Expected credit risk allowance The Group has trade receivables amounting to **ZW$ 24 815 621** (Refer to **note 9** to the consolidated financial statements). This was considered an area of focus as IFRS 9 is a new and complex accounting standard which requires management to exercise significant judgement using subjective assumptions when determining both timing and amounts of the impairment provision for trade receivables. Key areas of judgement included: • The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Group's expected credit loss model; • Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors (e.g. exchange rates, interest rates, gross domestic product growth, inflation); and • The need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model. The estimation of the recoverable amount of debtors requires significant judgement and is accordingly a key audit matter.	Assessed management's allowance for credit losses, which included the following: • We performed an assessment of the modelling techniques and methodology used against the requirements of IFRS 9; • We assessed and tested the material modelling assumptions with a focus on the: i. Key modelling assumptions adopted by the Group; and ii. Reliability of the historical data collected. • We examined a sample of exposures and performed procedures to evaluate the: i. Timely identification of exposures with a significant deterioration in credit quality; and ii. Expected loss calculation for exposures assessed on an individual basis. • We assessed the accuracy of the disclosures in the consolidated financial statements. Based on our audit work performed, the assumptions used by management and the rates calculated were appropriate and reflected the current environment.
Revenue recognition • There is a presumed risk of inappropriate revenue recognition specifically identified in ISA 240 (R), 'The auditors' responsibility to consider fraud in the audit of financial statements'. This is a significant risk and accordingly a key audit matter.	• Reviewed that revenue recognition criteria is appropriate and in line with the requirements of IFRS 15. • Perform cut-off tests on year end balances to ensure revenue is recognised in the correct period. • Our audit procedures include testing of

	design, existence and operating effectiveness of internal controls implemented as well as test of details to ensure accurate processing of revenue transactions. • We identified key controls and tested these controls to obtain satisfaction that they were operating effectively for the year under review. • The results of our controls testing have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources (supporting documentation). • Furthermore, we performed analytical procedures and assessed the reasonableness of explanations provided by management. • We satisfied ourselves that the Group's revenue is adequate and appropriate.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

18 December 2019

HARARE