

# Reviewed Abridged Interim Consolidated Financial Statements

for the six months ended 31 March 2020



## **COMMENTARY**

#### INTRODUCTION

Our half year to the end of March 2020, fell just at the beginning of the disruptions arising from the Covid-19 pandemic. Business up to late March 2020 had been pleasingly buoyant, with volumes above those achieved in the same period in the previous year. Efforts to improve service levels and product availability have definitely borne fruit.

#### FINANCIAL PERFORMANCE

Unfortunately, massive inflation, devaluation, and changes in exchange rate management policies, during the period under review, make the financial information extremely difficult to interpret. Inflation adjusted accounts have been prepared, and are shown here. However, uncertainty surrounding the inflation indices used, do not make these numbers definitive. The comments hereafter will refer to the inflation adjusted accounts, as they do give a somewhat more realistic picture of the financial affairs of the group.

Revenue climbed from \$505m to \$718m, while gross margin rose from \$124m to \$156m. Operating expenses rose 25%, from \$94m to \$117m, giving an operating profit of \$48m; up from \$33m in the same period last year. Monetary gain, combined with a reduction in finance costs, lifted profit before tax from \$29m to \$177m, giving profit after tax of \$167m; up from \$21m and EPS increased from 5.63c to 41.95c.

Simultaneously and intentionally, there was significant growth in the balance sheet value, with shareholder equity rising 14.5%, from \$581m to \$665m.

#### **REVIEW OF OPERATIONS**

#### **Trading - Electrosales Hardware**

Our program of continuous improvement of the Electrosales Hardware brand and outlets continued in the period under review. As stated previously, one key strategy has been the enhancement of our procurement processes, whereby we are striving to source the best products for our market, from the best manufacturers locally and globally, with preference being given to local manufacturers where possible. This is an extremely difficult task, given the limited size of our market, and the various barriers such as import licenses, high import duties, Bureau Veritas, corruption, et cetera. Despite this, we have continued to make progress, and we have been able to pass the benefit to our customers.

Aside from sourcing, we have been continuing to improve our internal stock management systems, to ensure maximum stock availability in all branches; while striving to use both retail space and working capital optimally. In addition, we have been increasing the floor space, and improving the display of products in our branches. We have also continued to improve the quality of our staff, in order to make the customer experience even better.

#### Engineering

The Engineering Division continues to deliver pleasing results.

During the period under review, we have been able to increase the range of products manufactured, and subsequently sold through our retail outlets; thereby improving the future prospects of this Division.

#### OUTLOOK

The shutdown of Zimbabwe from the end of March this year, has thrown the whole economy into turmoil, with some sectors, such as tourism, being more severely hit than others. Our operations were completely closed for a good part of the month of April, and we suffered substantial losses, as a result.

We have subsequently re-opened, and although volumes have not recovered to where they were before the shutdown, they have bounced back surprisingly well. Supply lines have been disrupted, but are steadily re-opening and recovering. In the meantime, our substantial buffer stocks have been able to satisfy the reinstated demand. It is still too early to be definitive, but it does appear that volumes have already recovered sufficiently to return us to profitability.

It is clear that the Zimbabwean economy will shrink again in 2020, and that two significant sources of income for our customers, being diaspora remittances and tourism, will be significantly constrained. Despite this, we believe that we are well placed to continue our march to growing market share, and thereby grow shareholder value.

We have, for some time, been concerned about competition from the informal sector, which has been thriving in Zimbabwe. Enforcement of Covid-19 hygiene regulations has compelled authorities to keep informal markets closed, and demolish structures in some of those markets. We shall be monitoring the impact of these actions, with a view to measuring the scale of competition from the informal sector.

#### DIVIDEND

Given the immediate uncertainty, both in Zimbabwe and internationally, the Board has considered it prudent not to declare a dividend for the half year ended 31 March 2020. However, we are optimistic that we should be in a position to, once again, declare a dividend at the end of this financial year.

## **INDEPENDENT REVIEW REPORT**

These abridged interim consolidated financial statements for the six months ended 31 March 2020 have been reviewed by Messrs Grant Thornton Chartered Accountants (Zimbabwe) and a modified review conclusion issued thereon. This review conclusion is adverse with respect to non-compliance with International Accounting Standard (IAS) 21, *The Effects of Changes in Foreign Exchange Rates*, International Accounting Standard (IAS) 29 - *Financial Reporting in Hyperinflationary Economies* and the fair value determination of assets, transactions and liabilities. There is an emphasis of matter paragraph regarding the possible impact of the uncertainties relating to COVID-19 pandemic to the Group. The review conclusion has been made

Abridged Consolidated Statement of Financial Po	osition
as at 31 March 2020	

Notes   31 March 2020 REVIEWED 2WL sobo   31 March 2019 2WL sobo   31 March 2020 2WL sobo   31 March 2020 2WL sobo   31 March 2020 2WL sobo     ASSETS Property, plant and equipment Investment property   5   281 453   282 346   281 453   37 959     ASSETS   300 203   300 755   300 203   40 434     Current assets Investories   7   659 389   398 315   472 427   52 633     Trade and other receivables   8   7   659 389   398 315   472 427   52 633     Cash and cash equivalents   9   15 831   35 897   18 831   4 827     Total assets   1 064 767   784 923   877 805   104 611     EQUITY AND LIABILITIES Share capital Share permium Revaluation reserve Retained earnings   10   285   283   40   38     Non current liabilities Deferred taxation Long term borrowings   12   604 118   6 420   604 418   863     Current liabilities   12   5082   22 390   5 082   3 010     Deferred taxation Long term borrowings   12   604 18   6			INFLATION ADJUSTED		HISTORICAL COST	
Property, plant and equipment Investment property   5   281 453   282 346   281 453   37 959     Current assets Inventories   300 203   300 755   300 203   40 434     Current assets Inventories   7   659 389   398 315   472 427   52 633     Trade and other receivables   8   9   344   49 766   89 344   6 691     Cash and cash equivalents   9   15 831   33 897   15 831   4 827     Tax refund   10   285   283   40   38     Share capital Share premium Revaluation reserve Retained earnings   10   285   283   40   38     Deferred taxation Long term borrowings   12   664 752   580 859   477 790   77 180     Non current liabilities Deferred taxation Exolution reserve   11   65 500   28 810   65 500   3 873     Current liabilities Deferred taxation Long term borrowings   11   64 752   580 859   477 790   77 180     Non current liabilities Deferred taxation Long term borrowings   12   664 752   58 810 <td></td> <td>Notes</td> <td>REVIEWED</td> <td>UNAUDITED</td> <td>REVIEWED</td> <td>UNAUDITED</td>		Notes	REVIEWED	UNAUDITED	REVIEWED	UNAUDITED
Current assets Inventories   7   659 389   398 315   472 427   52 633     Cash and cash equivalents   9   15 831   49 766   89 344   6 691     Tax refund   9   15 831   35 897   15 831   4 827     Tax refund   -   190   -   26     764 564   484 168   577 602   64 177     Total assets   1   1064 767   784 923   877 805   104 611     EQUITY AND LIABILITIES   10   285   283   40   38     Share capital   10   285   283   40   38     Share premium   8   652 373   571 534   296 487   76 035     664 752   580 859   477 790   77 180     Non current liabilities   2   60 418   64 20   60 418   863     Long term borrowings   12   65 500   28 810   65 500   3 873     Current liabilities   11,1,1   17 735   9 964   17 735   9 46 28	Property, plant and equipment					
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Total assets   1 064 767   784 923   877 805   104 611     EQUITY AND LIABILITIES Share capital Share premium Revaluation reserve Retained earnings   10   285   283   40   38     More capital Share premium Revaluation reserve Retained earnings   10   285   283   40   38     Non current liabilities Deferred taxation Long term borrowings   12   60 418   6 420   60 418   863     Current liabilities Trade and other payables Provisions Borrowings   11   294 628   110 869   294 628   14 906     Provisions Borrowings   11   17 735   9 964   17 735   1 340     34 515   175 254   334 515   23 558   -   -   -	Inventories Trade and other receivables Cash and cash equivalents	8	89 344	49 766 35 897	89 344	6 691 4 827
EQUITY AND LIABILITIES Share capital Share premium Revaluation reserve Retained earnings   10   285   283   40   38     Mon current liabilities Deferred taxation Long term borrowings   10   285   283   40   38     Current liabilities Deferred taxation Long term borrowings   10   285   283   40   38     Current liabilities Deformed taxation Long term borrowings   12   60418   6420   60418   863     Current liabilities Trade and other payables Provisions Borrowings   11   294 628   110 869   294 628   14 906     Provisions Taxation   11   12   3453   -   3453   -     334 515   175 254   334 515   23 558   -   -   -			764 564	484 168	577 602	64 177
EQUITY AND LIABILITIES Share capital Share premium Revaluation reserve Retained earnings   10   285   283   40   38     Mon current liabilities Deferred taxation Long term borrowings   10   285   283   40   38     Current liabilities Deferred taxation Long term borrowings   10   285   283   40   38     Current liabilities Deformed taxation Long term borrowings   12   60418   6420   60418   863     Current liabilities Trade and other payables Provisions Borrowings   11   294 628   110 869   294 628   14 906     Provisions Taxation   11   12   3453   -   3453   -     334 515   175 254   334 515   23 558   -   -   -			1 064 767	704 000	977 905	104 611
Share capital 10 285 283 40 38   Share premium 12 094 9 042 4 569 1 099   Revaluation reserve 652 373 571 534 296 487 76 035   Retained earnings 664 752 580 859 477 790 77 180   Non current liabilities 664 752 580 859 477 790 77 180   Long term borrowings 12 60 418 6420 60 418 863   Long term borrowings 12 65 500 28 810 65 500 3 873   Current liabilities 11 17 735 9 964 17 735 1 340   Provisions 11.1 17 735 9 964 17 735 1 340   Borrowings 12 18 699 54 421 18 699 7 312   Taxation 12 334 515 175 254 334 515 23 558	lotal assets		1 064 767	784 923	877 805	104 611
Non current liabilities Deferred taxation Long term borrowings   12   60 418 5 082   6 420 22 390   60 418 5 082   863 3 010     Current liabilities Trade and other payables Provisions Borrowings   11 12   294 628 110 869 9 964   110 869 17 735   294 628 14 906 17 735   14 906 13 453     Current liabilities Trade and other payables Provisions Borrowings Taxation   11 12   294 628 14 906 17 735   110 869 17 735   294 628 14 906 7 312     3 453   -   3 453   -   3 453   -	Share capital Share premium Revaluation reserve	10	12 094	9 042	4 569 176 694	1 099 8
Deferred taxation Long term borrowings   12   60 418 5 082   6420 22 390   60 418 5 082   863 3 010     Current liabilities Trade and other payables   11 Provisions   12 11.1   294 628 11.1   110 869 17 735   294 628 14 906   110 869 17 735   294 628 1 4 906     Borrowings Taxation   12   3 453   -   3 453   -     334 515   175 254   334 515   23 558			664 752	580 859	477 790	77 180
Current liabilities   11   294 628   110 869   294 628   14 906     Provisions   11.1   17 735   9 964   17 735   1 340     Borrowings   12   18 699   54 421   18 699   7 312     Taxation   3 453   -   3 453   -   3 453   -	Deferred taxation	12				
Trade and other payables 11 294 628 110 869 294 628 14 906   Provisions 11.1 17 735 9 964 17 735 1 340   Borrowings 12 18 699 54 421 18 699 7 312   Taxation 3 453 - 3 453 -   334 515 175 254 334 515 23 558			65 500	28 810	65 500	3 873
Total equity and liabilities   1   064   767   784   923   877   805   104   611	Trade and other payables Provisions Borrowings	11.1	17 735 18 699 3 453	9 964 54 421 -	17 735 18 699 3 453	1 340 7 312 -
Total equity and liabilities   1 064 767   784 923   877 805   104 611				-		
	Total equity and liabilities		1 064 767	784 923	877 805	104 611

# Abridged Consolidated Statement of Cash Flows

for the six months ended 31 March 2020

	INFLATION ADJUSTED		HISTORIC	CAL COST
	REVIEWED	UNAUDITED	REVIEWED	UNAUDITED
	6 months ended	6 months ended	6 months ended	6 months ended
Notes	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	ZWL \$000	ZWL \$000	ZWL \$000	ZWL \$000
Operating cashflows before working capital				
changes Increase in working capital	102 931 (47 957)	257 587 (213 985)	39 703 (12 829)	38 360 (32 679)
Operating cashflows Income taxes paid	54 974 (4 185)	43 602 (3 356)	26 874 (3 276)	5 681 (453)
Net cash generated from operations	50 789	40 246	23 598	5 228
Net cash utilised in investing activities	(7 863)	(3 301)	(17 906)	(2 819)
Net cash (utilised in)/generated from financing activities	(62 992)	(16 653)	5 312	1 130

possible impact of the uncertainties relating to COVID-19 pandemic to the Group. The review conclusion has been made available to management and Those Charged with Governance of Powerspeed Electrical Limited. The Independent Review report on the consolidated interim financial statements is available for inspection at the company's registered office.

# Abridged Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 31 March 2020

		INFLATION	ADJUSTED	HISTORICAL COST		
	Notes	REVIEWED 6 months ended 31 March 2020 ZWL \$000	UNAUDITED 6 months ended 31 March 2019 ZWL \$000	REVIEWED 6 months ended 31 March 2020 ZWL \$000	UNAUDITED 6 months ended 31 March 2019 ZWL \$000	
Revenue Cost of sales		717 667 (561 303)	505 456 (381 296)	517 770 (402 765)	60 130 (45 621)	
Gross profit Investment property income Fair value adjustment on		156 364 104	124 160 128	115 005 101	14 509 15	
Other income Operating expenses		7 580 748 (117 062)	2 735 (93 756)	7 350 725 (87 520)	- 319 (11 047)	
Operating profit Monetary gain Finance costs		47 734 133 101 (3 920)	33 267 (4 372)	35 661 (2 676)	3 796 - (506)	
Profit before taxation Income tax expense	4	176 915 (10 411)	28 895 (7 440)	32 985 (8 263)	3 290 (848)	
Profit for the period		166 504	21 455	24 722	2 442	
Other comprehensive income:						
Gain on property revaluation Deferred taxation on revaluation surplus		-	-	109 215 (26 998)	-	
Other comprehensive income for the period, net of tax				82 217		
TOTAL COMPREHENSIVE INCOME						
FOR THE PERIOD		166 504	21 455	106 939	2 442	
Earnings per share Basic earnings per share (in cents) Diluted earnings per share (in cents)		41.95 41.95	5.63 5.63	6.23 6.23	0.65 0.64	

Net (decrease)/increase in cash and cash equivalents	(20 066)	20 292	11 004	3 539
Net cash and cash equivalents at beginning of period	35 897	15 605	4 827	1 288
Cash and cash equivalents at end of period 9	15 831	35 897	15 831	4 827

# Abridged Consolidated Statement of Changes in Equity

for the six months ended 31 March 2020

INFLATION ADJUSTED					
	Share capital ZWL \$000	Share premium ZWL \$000	Revaluation reserve ZWL \$000	Retained earnings ZWL \$000	Total ZWL \$000
Balance at 1 October 2019 Total comprehensive income for the period Shares issued Dividend paid	283 - 2 -	7 888 4 206	- - -	490 471 166 504 (4 602)	498 642 166 504 4 208 (4 602)
Balance at 31 March 2020	285	12 094	-	652 373	664 752
Balance at 1 October 2018 Total comprehensive income for the period Shares issued Dividend paid	282 - 1 -	2 166 - 6 876 -	- - -	552 140 21 455 (2 061)	554 588 21 455 6 877 (2 061)
Balance at 31 March 2019	283	9 042	-	571 534	580 859

#### HISTORICAL COST

	Share capital ZWL \$000	Share premium ZWL \$000	Revaluation reserve ZWL \$000	Retained earnings ZWL \$000	Total ZWL \$000
Balance at 1 October 2019 Total comprehensive income for the period Shares issued Dividend paid	38 - 2 -	1 099 3 470 -	94 477 82 217 - -	275 560 24 722 (3 795)	371 174 106 939 3 472 (3 795)
Balance at 31 March 2020	40	4 569	176 694	296 487	477 790
Balance at 1 October 2018 Total comprehensive income for the period Functional currency change reserve Shares issued Dividend paid	37 - - 1 -	175 - - 924 -	8 - - - -	14 272 2 442 60 818 (1 497)	14 492 2 442 60 818 925 (1 497)
Balance at 31 March 2019	38	1 099	8	76 035	77 180

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



# Reviewed Abridged Interim Consolidated Financial Statements

for the six months ended 31 March 2020

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Conversion

# Notes to the abridged interim consolidated financial statements

for the six months ended 31 March 2020

#### 1 GENERAL INFORMATION

Powerspeed Electrical Limited, the Group's parent company, is a limited liability company incorporated and domiciled in Zimbabwe. Its 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.

#### Presentation currency

These abridged interim consolidated financial statements are presented in Zimbabwe (ZWL) Dollars being the functional and reporting currency of the primary economic environment in which the group operates.

#### 2 STATEMENT OF COMPLIANCE

The abridged interim 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 and other Business Entities Act (Chapter 24:31). The principal accounting policies of the Group have been applied consistently in all material respects with those of the previous year unless otherwise stated. These abridged interim consolidated financial statements have been prepared under the assumption that the Group operates on a going concern basis. The abridged interim consolidated financial statements were approved and authorized for issue by the Board of Directors on Thursday 21 May 2020.

#### **3 BASIS OF PREPARATION**

The abridged interim consolidated financial statements for the six months ended 31 March 2020 have been prepared in accordance with IAS 34 "Interim financial reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended 30 September 2019.

In preparing the abridged interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited annual consolidated financial statements as at and for the year ended 30 September 2019. The Public Accountancy and Auditors Board (PAAB) pronounced that the economy is trading under the conditions of hyperinflation in line with IAS 29. The Directors have applied the guidelines of PAAB and Accounting bodies and made various assumptions to produce the inflation adjusted consolidated financial statements.

The price Indices used were obtainable from the Zimbabwe Statistical office

	Indices	Factor
CPI as at 31 March 2020	776.390	1.000
CPI as at 30 September 2019	290.390	2.674
CPI as at 31 March 2019	104.380	7.438
CPI as at 30 March 2018	62.580	12.406

	INFLATION ADJUSTED		HISTORI	CALCOST
	REVIEWED 6 months ended 31 March 2020 ZWL \$000	UNAUDITED 6 months ended 31 March 2019 ZWL \$000	REVIEWED 6 months ended 31 March 2020 ZWL \$000	31 March 2019
INCOME TAX EXPENSE Current tax Deferred tax	11 076 (665)	6 539 901	8 791 (528)	745 103
	10411	7 440	8 263	848
<b>PROPERTY, PLANT AND EQUIPMENT</b> Cost or valuation Additions Disposals Revaluation surplus Depreciation for the period	177 329 7 863 - 109 215 (12 954)	357 232 20 976 (5) - (95 857)	177 329 7 863 - 109 215 (12 954)	48 027 2 820 (1) - (12 887)
Carrying amount at end of period	281 453	282346	281 453	37 959
<b>INVESTMENT PROPERTY</b> Carrying amount at the beginning Currency change adjustment Fair value adjustment	18 750 - -	18 409 - -	11 400 - 7 350	750 1725 -
Carrying amount at the end	18750	18409	18 750	2475

As at 31 March 2020, investment property comprised: Land and buildings located on stand number 633 in Ruwa in the district of Goromonzi. The property has been placed as security on a loan obtained from Stanbic bank.

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Notes to the abridged interim consolidated financial statements for the six months ended 31 March 2020 (continued)

	INFLATIO	NADJUSTED	HISTORI	CALCOST
	REVIEWED	UNAUDITED	REVIEWED	UNAUDITED
	6 months ended	6 months ended	6 months ended	6 months ended
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	ZWL \$000	ZWL \$000	ZWL \$000	ZWL \$000
BORROWINGS				
Long term borrowings	5 082	22 390	5082	3 0 1 0
Short term borrowings				
Other short term borrowings	8 144	3 4 6 3	8 1 4 4	461
Bankers acceptances	-	22 3 14	-	3 000
Bankoverdraft	10 555	28 644	10 555	3 851
	18 699	54 421	18699	7 312

#### 13 SUPPLEMENTARY INFORMATION

#### 13.1 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			
31 March 2020	Properties ZWL \$000	Engineering ZWL \$000	Retail ZWL \$000	Total ZWL \$000
Revenue				
From external customers	-	11 365	506 405	517 770
From other segments	-	-	46 740	46 740
Segment revenues	-	11 365	553 145	564 510
Other income (Includes Investment Income)	101	-	725	826
Fair value adjustment	7 350	-	-	7 350
Operating expenses				
Costs of material	-	(5 781)	(396 983)	(402 764)
Employee benefits expense	-	(1 007)	(30 464)	(31 471)
Depreciation and amortisation of non-financial assets	(7)	(136)	(5 548)	(5 691)
Intergroup Finance costs	-	(213)	213	-
Finance costs	-	-	(2 676)	(2 676)
Other expenses	(94)	(744)	(96 261)	(97 099)
Segment Expenses	(101)	(7 881)	(531 719)	(539 701)
Segment profit	7 350	3 484	22 151	32 985
Segment assets	19 653	15 431	842 721	877 805
Segment liabilities	1 862	6 191	391 963	400 016

#### 13.2 Sensitivity analysis

	31 MARCH 2020							
Element	Monetary Assets/ Liabilities USD \$000	Non-Monetary Assets/ Liabilities USD \$000	Total USD \$000	Total ZWL \$000 @ 25	Total ZWL \$000 @ 50	Total ZWL \$000 @ 70		
Property plant and equipment		11 258	11 258	281 450	562 900	788 060		
Investment property		750	750	18 750	37 500	52 500		
Inventories		18 897	18 897	472 425	944 850	1 322 790		
Trade and other receivables	3 574		3 574	89 350	178 700	250 180		
Bank and cash	633		633	15 825	31 650	44 310		
Long-term borrowings	(203)		(203)	(5 075)	(10 150)	(14 210)		
Short-term borrowings	(326)		(326)	(8 150)	(16 300)	(22 820)		
Bank overdraft	(422)		(422)	(10 550)	(21 100)	(29 540)		
Trade and other payables	(11 785)		(11 785)	(294 625)	(589 250)	(824 950)		

7	INVENTORIES Finished goods Raw materials Work in progress Goods in transit Provision for obsolete inventory	676 317 5 175 1 304 118 424 (141 831) 659 389	389 931 4 616 975 48 998 (46 205) 398 315	484 556 3708 934 84 846 (101 617) 472 427	51 524 610 129 6 475 (6 105) 52 633
		059389	398315	4/242/	52 633
8	TRADE AND OTHER RECEIVABLES Trade receivables Allowance for credit losses	63 433 (902)	31 082 (2 699)	63 433 (902)	4 179 (363)
	Other receivables	62 531 26 813	28 383 21 383	62 531 26 813	3 816 2 875
		89 344	49766	89 344	6 6 9 1
9	CASHAND CASH EQUIVALENTS For the purposes of statement of cash flows, cash and cash equivalents include cash on hand and in banks.				
	Cash on hand Cash at bank	217 15614	9 101 26 796	217 15 614	1 224 3 603
	Bank and cash balances	15831	35 897	15831	4 827
10	SHARE CAPITAL Authorised share capital 500 000 000 ordinary shares at ZWL \$ 0.0001 per share	50	50	50	50
	<b>Issued and fully paid</b> The movement in ordinary share capital is shown below:				
	Ordinary share capital 1 October Shares Issued in lieu of Dividend	283 2	282 1	38 2	37 1
		285	283	40	38
	Number of issued ordinary shares at 1 October Ordinary shares issued during the period	379 463 17 406	380 819 -	379 463 17 406	380 819 -
	Number of issued ordinary shares at end of period	396 869	380 819	396 869	380 819
11	<b>TRADE AND OTHER PAYABLES</b> Trade payables Other payables	132 803 161 825 294 628	80 114 30 755 110 869	132 803 161 825 294 628	10 771 4 135 14 906
11.1	Provisions	17 735	9 964	17 735	1 340

#### 13.3 Impact of COVID-19

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of Government and Central Bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods.

#### 13.4 Adoption of IFRS 16 - Leases

IFRS 16 *Leases* which is effective for annual periods beginning on or after 1 January 2019 has been adopted by the Group. However, the Group is in the process of renegotiating lease agreements and the Directors have therefore resolved to fully implement IFRS 16 at year-end.

#### 14 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 credit risk only on customers approved by management 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 ZWL Dollars.

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

By Order of the Board

M.S Gurira Group Company Secretary 21 May 2020



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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To the members of Powerspeed Electrical Limited and its subsidiaries

We have reviewed the accompanying inflation adjusted consolidated statement of financial position of Powerspeed Electrical Limited and its subsidiaries as at 31 March 2020 and the related inflation adjusted consolidated statement of profit or loss and other comprehensive income, inflation adjusted consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant group accounting policies and other explanatory notes.

Responsibilities of Management and Those Charged with Governance for the inflation adjusted consolidated interim financial information

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* and the Group's accounting policies, this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of inflation adjusted consolidated interim financial information that are free of material misstatement whether due to fraud or error.

Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity."* A review of interim financial information consists of making inquiries,

primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Adverse Conclusion**

# Non-compliance with International Accounting Standard (IAS) 21 - The Effect of Changes in <u>Foreign\_Exchange\_Rates\_and\_International Accounting Standard (IAS) 29 - Financial</u> <u>Reporting in Hyperinflationary Economies</u>

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. 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 statutory instrument (S.I.) 33/2019, with an effective date of 22 February 2019. The statutory instrument 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 information be presented at a rate that approximates the market rate. The Group had to be guided by S.I. 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 from 1 October 2018 to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA and changed to Zimbabwe Dollar as presented in the financial statements. This constitutes a departure from the requirements of IAS 21 – *The Effects of Changes in Foreign Exchange Rates.* Had the financial information 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 financial information of the non-compliance

with IAS 21 are considered material and pervasive to the financial information, taken as a whole.

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29 - *Financial Reporting in Hyperinflationary Economies*. 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 Directors have applied the IAS 29 - *Financial Reporting in Hyperinflationary Economies* with effect from 1 October 2019. However, as a result of the need to comply with the requirements of S.I. 33 of 2019, the changes in the general pricing power of the functional currency were applied on amounts that were not restated to resolve the matters which resulted in an adverse report in the prior year. This approach resulted in a consequential departure from the requirements of IAS 29 - Financial Reporting in Hyperinflationary in the prior year.

Had the Group fully applied the requirements of IAS 29 on restated base numbers, many of the elements of the financial information would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive.

### Fair value determination of transactions, assets and liabilities

The determination of fair values for transactions, assets and liabilities presented in the financial information 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 fair values.

### **Emphasis of matter**

We draw attention to **note 13.3** to the inflation adjusted consolidated interim financial information, which describes the uncertainties relating to the possible effects of the COVID-19 pandemic on the Group. The Group is unable to presently determine the impact of the Covid-19 pandemic on its operations in the year 2020. Our conclusion is not modified in respect of this matter.

## Conclusion

Based on our review, the accompanying inflation adjusted consolidated interim financial information do not present fairly, in all material respects the financial position of Powerspeed Electrical Limited and its subsidiaries as at 31 March 2020, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards.

The engagement partner on the review engagement resulting in this independent review conclusion is Edmore Chimhowa.

Grant Thourton

Edmore Chimhowa Partner

Registered Public Auditor (PAAB No: 0470)

**Grant Thornton** Chartered Accountants (Zimbabwe) Registered Public Auditors

29 May 2020

HARARE