



**Powerspeed Electrical Limited and its subsidiaries
Consolidated Annual Financial Statements
30 September 2017**

Powerspeed Electrical Limited and its subsidiaries

NATURE OF BUSINESS:

Manufacturing and trading of electrical products

DIRECTORS:

Makoni S. H. (Dr)	(Chairperson)
Macklin H. N.	(Managing director)
Zingwe T.	(Chief finance officer)
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

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These financial statements are expressed in United States Dollars (USD).

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements for the year ended 30 September 2017

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 been prepared by management in accordance with International Financial Reporting Standards (IFRSs). They are based on appropriate accounting policies which are supported by reasonable prudent judgements and estimates.

The Group's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the 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 8 to 36 were, in accordance with their responsibilities, approved by the Board of Directors on 2017 and are signed on its behalf by:

.....
Makoni S. H. (Dr)
Chairman

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Macklin H. N.
Managing Director

These consolidated financial statements were prepared under the supervision of:

.....
Tapiwa Zingwe, ACCA
Registered Public Accountant
Chief Finance Officer

INDEPENDENT AUDITORS' REPORT

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To the members of Powerspeed Electrical Limited and its subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Powerspeed Electrical Limited and its subsidiaries set out on pages 8 to 36, which comprise the consolidated statement of financial position as at 30 September 2017, 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 accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Powerspeed Electrical Limited and its subsidiaries as at 30 September 2017, 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 Opinion

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

the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The Group has a significant portion of current borrowings amounting to USD 7 813 951 and thus payable on demand. Some of these borrowings are secured against assets. Refer to note 16 to the consolidated financial statements. Therefore, there is a risk that in the event of default, the Group may lose title to some of its assets. The Group is exposed to a variety of risks associated with the Group's existing bank borrowings and its ability to satisfy debt covenants. Failure to satisfy obligations under any current or future financing arrangements could give rise to default risk and require the Group to refinance its borrowings.</p>	<ul style="list-style-type: none"> • Reviewed correspondence between the Group and financiers. • We made inquiries of management as to their plan with regards to the settlement of the borrowings. We also assessed management responses from those interviews for reasonableness. • We also obtained the budget for the 2017 financial year and we performed the following procedures: • Assessed the appropriateness of the assumptions applied by management in developing the budget for reasonableness. • Assessed the competence and experience of management. • Performed a comparison of prior year budgets to actual results to assess the ability of management to make reasonable estimates. • We are satisfied with the responses obtained from management and assumptions applied and consequently with the amounts in the 2017 budget. • We are satisfied that the going concern assumption is appropriate. The related disclosure of the borrowings in the financial statements is sufficient.

Management override

The Group has a wide geographic dispersion with branches across Zimbabwe. This means that there was a greater risk of management override of internal controls. In addition, International Standards on Auditing (ISAs) require that we consider the risk of management override of internal controls. This is a significant risk and accordingly a key audit matter.

- In response, we reduced the threshold for testing manual journal entries, incorporating unpredictability into our approach.
- We increased the nature and extent of our work in respect of the areas of the balance sheet most prone to management override, particularly accruals and provisions.
- We considered whether there was evidence of bias by the directors or by management in the significant accounting estimates and judgements relevant to the financial statements and for the material unusual and for one-off transactions impacting the income statement.
- We increased the scope of our interviews with middle and lower level management and used the information gathered to assess whether there were any indications of management override taking place.
- We also assessed the overall control environment of the Group, with a focus on those controls designed to prevent instances of fraud and the arrangements for staff to “whistle blow” inappropriate actions.
- To assess the strength of the Group’s governance and controls self-assessment, we interviewed senior management, members of the Board and the Head of Internal Audit.
- We found the Group’s internal controls to be reasonably balanced.

Allowance for obsolete inventory

The Group’s total inventory amounted to USD 14 604 823 for the year ended 30 September 2017 (Refer to note 7). With significant amounts of inventories being obsolete there is a likelihood that the full amount may not be realisable. The Group identifies slow moving and damaged inventories to provide for as an allowance for obsolete inventories. As at 30 September 2017, the Group provided for USD 501 090 as an allowance for obsolete stock. The estimation of obsolete inventories requires significant judgement and is accordingly a key audit matter.

- We evaluated the assessment made by management of the allowance for obsolete inventory to test adequacy.
- We performed an independent assessment of the allowance for obsolete inventories to test adequacy.
- The assessment was made based on aging of inventories.
- We satisfied ourselves that the allowance for obsolete inventories provided by the Group 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 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.

Report on other legal and regulatory requirements

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

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

Grant Thornton

Edmore Chimhowa
Partner

Registered Public Auditor (PAAB No: 0470)

Grant Thornton
Chartered Accountants (Zimbabwe)
Registered Public Auditors

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