AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

ZECO HOLDINGS LIMITED

We're building the future

Registered Office:

Stand 7753, Corner Canberra Road / Greenock Road, Workington, Harare, Zimbabwe

Chairman's Statement

Operating Environment
The macroeconomic environment in 2018 was a tale of two halves where the period up to October 2018 was characterized by stable, subdued but challenging environment with apprehension caused by the harmonized elections as investors held a wait-and-see attitude. Post October 2018 the environment was characterized by shortages of hard currency, tight liquidity and increasing costs of raw materials which were a result of far-reaching economic policy interventions by the authorities.

Group financial Performance
The subdued financial results reflect the challenging environment that was prevailing in 2018 during the period under review.

The **group generated revenues of US$0.620 million compared to $0.513 million** in the prior year.

Revenue could not cover operating costs in spite of cost containment resulting in a negative bottom line of **US$1,587 million, a slight improvement as compared to the US$2,133 million loss recorded in 2017**.

The **Group's asset base stood at US$38,231 million**. Please note that the group has not declared a dividend for the period.

Delward Engineering T/A ZECO
The group's flagship subsidiary based in Bulawayo relies on infrastructure projects for its core business activities. Due to the subdued economic environment and unpredictable environment, no major projects were undertaken during the period under review. We hope the long awaited positive revamping of the country's railways will happen and thus will positively impact Delward's performance.

Crittall Hope
Crittall Hope is in the construction materials sector. The subsidiary's performance was better than the previous year due to aggressive marketing and new activities in the construction industry. However, the performance was curtailed by increases in raw material costs and the quoting of materials in US dollars and shortage of foreign currency. Positive performance is expected this year as a few stalled projects are expected to take off in the industry.

Zimplastics
Remodeling of the subsidiary's business continues and a positive outlook is envisaged once the economic environment stabilizes.

Future Outlook
Positive policy pronouncement and re-engagement of the international community by the new Government will most likely result in positive economic growth and foreign direct investment into the country. The group envisages entering into positive partnership arrangements within the country and the region as revamping of the country's railways take place with a positive spillover to the Group. Positive linkages with foreign players look more realistic this year.

Acknowledgement
On behalf of the board, I would like to thank all ZECO stakeholders, Management and Staff for their continued invaluable support. We apologize for the late publication of these results which was due to circumstances beyond our control.

Dr P Chiyangwa.
CHAIRMAN
Harare
28 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME as at December 31, 2018

Income	Note	2018 US$	2017 US$
Revenue	5	620,460	513,078
Cost of sales	6	(319,522)	(364,663)
Gross profit		**300,937**	**148,415**
Other income	7	165,505	216,197
Operating profit		**466,443**	**364,612**
Expenses			
Administration costs	8	(1,892,457)	(2,278,801)
Total expenses		**(1,892,457)**	**(2,278,801)**
Loss before tax		**(1,426,014)**	**(1,914,189)**
Income tax	9	-	-
Loss for the year from continuing operations		**(1,426,014)**	**(1,914,189)**
Discontinued operations			
Loss for the year after tax from discontinued operations		(161,314)	(219,608)
Loss for the year		**(1,587,328)**	**(2,133,797)**
Attributable to:			
Equity holders of the parent company:		(1 587 328)	(2 133 797)
Loss per share (cents)			
Weighted average number of shares in issue		463,337,661	463,337,661
Basic loss per share from continuing operations		(0.31)	(0.41)
Basic loss per share from discontinued operations		(0.03)	(0.03)
Basic loss per share		**(0.34)**	**(0.45)**
Diluted earnings per share from continuing operations		(0.31)	(0.41)
Diluted earnings per share from discontinued operations		(0.03)	(0.03)
Diluted earnings per share		**(0.47)**	**(0.47)**

STATEMENT OF CHANGES IN EQUITY as at December 31, 2018

	Derived equity US$	Revaluation reserve US$	Retained income US$	Total US$
Balance as at December 31, 2016	**11,967,508**	**26,612,893**	**(15,346,289)**	**23,234,112**
Loss for the year	-	-	(2,133,797)	**(2,133,797)**
Revaluation gain	-	(4,280)	-	**(4,280)**
Balance as at December 31, 2017	**11,967,508**	**26,608,613**	**(17,480,086)**	**21,096,035**
Loss for the year	-	-	(1,587,328)	**(1,587,328)**
Balance as at December 31, 2018	**11,967,508**	**26,608,613**	**(19,067,414)**	**19,508,707**

STATEMENT OF FINANCIAL POSITION as at December 31, 2018

Assets	Note	2018 US$	2017 US$
Non-current assets			
Property, plant and equipment	25	32,196,823	33,325,015
Deferred tax		29,916	29,916
Total non-current assets		**32,226,739**	**33,354,931**
Current assets			
Inventory	10	202,537	193,687
Trade and other receivables	11	542,229	464,797
Related party receivables	12	4,904	2,912
Financial assets at fair value	13	5,726	5,726
Cash and cash equivalents	14	(2,796)	1,073
Total current assets		**752,600**	**668,195**
Assets of discontinued operations	20	5,252,235	5,413,551
Total assets		**38,231,574**	**39,436,676**
Equity and liabilities			
Equity			
Derived equity		11,967,508	11,967,508
Revaluation reserve		26,608,613	26,608,613
Retained losses		(19,067,414)	(17,480,086)
Total equity		**19,508,707**	**21,096,035**
Non-current liabilities			
Shareholders' loan		1,114,831	1,094,831
Deferred tax		8,700,082	8,725,245
Related party payables	12	29,320	29,320
Total non-current liabilities		**9,844,233**	**9,849,396**
Current liabilities			
Trade and other payables	15	5,242,707	4,855,317
Related party payables	12	776	776
Total current liabilities		**5,243,483**	**4,856,093**
Liabilities associated with discontinued operations		3,635,151	3,635,152
Total equity and liabilities		**38,231,574**	**39,436,676**

CONSOLIDATED STATEMENT OF CASHFLOWS as at December 31, 2018

Cash flow from operating activities	2018 US$	2017 US$
Loss before tax - continuing operations	(1,426,014)	(1,914,189)
Loss for the year - discontinued operations	(161,314)	(219,608)
	(1,587,328)	**(2,133,797)**
Adjustments for non-cash items		
Depreciation and impairment loss	1,128,279	1,133,793
Interest received	(211)	(160)
Depreciation for discontinued operations	161,316	161,312
Profit /(loss) on disposal	22	104,865
Net cash flows after adjustments for non-cash items	**(297,922)**	**(733,987)**
Working capital changes		
Decrease/(increase) in inventories	(8,850)	(8,936)
Increase in trade and other receivables	(77,432)	(60,180)
Decrease/(increase) in related party receivables	(1,992)	(229)
Increase/(decrease) in trade and other payables	387,190	439,117
Increase in deferred tax	-	416,668
Increase/(decrease) in discontinued operations liabilities	(1)	36,272
Net cash flows after working capital changes	**298,916**	**822,712**
Taxation	(25,163)	(102,559)
Net cash flows from operating activities	**(24,169)**	**(13,834)**
Cash flow from investing activities		
Proceeds from sale of property and equipment	(222)	14,134.56
Acquisitions of property, plant and equipment	310	-
Net cash flows from investing activities	**88**	**14,135**
Cash flow from financing activities		
Interest received	211	160
Shareholder's loan	20,000	-
Net cash flows from financing activities	**20,211**	**160**
Increase/(decrease) in cash and cash equivalents	**(3,870)**	**461**
Movement of cash and cash equivalents		
Cash and cash equivalents as at the beginning of the year	(27,525)	(27,986)
Increase/(decrease) in cash and cash equivalents	**(3,870)**	**461**
Cash and cash equivalents as at year end	(31,394)	(27,525)

Notes to the financial statements
For the year ended December 31, 2018

1 General information
ZECO Holdings Limited specialises in steel fabrication and installation, manufacture of plastic components and distribution of electric motors.

2 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation and presentation
The financial statements have been prepared in accordance with International Financial Reporting Standards, ('IFRS').

The financial statements are based on statutory records that are maintained under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 to the financial statements.

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.2.1 Accounting standards and interpretations adopted impacting the annual financial statements.
The company did not adopt any new or revised accounting standards or interpretations in the current year that would have had an impact on the amounts or disclosures reported in these financial statements.

IAS 19 Employee Benefits - clarifies how an entity should account for contributions made by employees or third parties to the defined benefit plans (applicable to annual periods beginning on or after 1 July 2015).

Annual Improvements to IFRSs 2010 - 2012 Cycle

- IFRS 13 Fair Value Measurement - clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short - term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. (effective for annual periods beginning on or after 1 July 2015).
- IAS 16 and 38 Property, Plant and Equipment and Intangible assets - clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the gross carrying amount and the carrying amount after 1 July 2015).
- IAS 24 Related Parties - clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.(effective for annual periods beginning on or after 1 July 2015).

Annual Improvements to IFRSs 2011 - 2013 Cycle

- Revision on IAS 12 Income Taxes - clarifies issues to do with deferred tax arising from debt instruments measured at fair value for accounting at cost for tax purposes,estimates for future taxable losses and utilisation of future asset tax utilisation, (effective for annual periods beginning on or after 1 January 2017).

2.3 Foreign Currencies

2.3.1 Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency').
The financial statements are presented in the United States of America dollar("US"), which is the company's functional and presentation currency

2.3.2 Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange rates and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.4 Property, Plant and Equipment
Property, plant and equipment is stated at historical cost and revaluations less subsequent depreciation and impairment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they incurred.

Depreciation on assets is calculated on the straight line basis to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Buildings	2.5%
Plant and machinery	6.25%
Cranes	10%
Motor vehicles	12.5%
Computer equipment	10%
Office equipment	10%
Furniture and fittings	10%
Tools and equipment	10%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted retrospectively if appropriate, at each reporting date. An asset's carrying amount written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount. These are included in the statement of profit or loss and other comprehensive income.

2.5 Impairment of non-financial assets
Assets that have indefinite useful lives, for example land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverableamount is the higher of an asset's fair value less costs to sell and value in use.
Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Financial assets
The company classifies its financial assets in the following categories: loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

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

2.6.1 Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the company commits to purchase or sell the asset. Financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the company's right to receive payments is established.

2.6.2 Derecognition
A financial asset is derecognised when the company loses control over the contractual rights that comprise the asset. A financial liability is derecognised when it is paid or settled.

2.6.3 Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets
The company assesses at each reporting date whether there is objective evidence that an asset or group of financial assets is impaired. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more occurred after initial recognition of the asset and prior to the reporting date, (loss event), and that loss event has had an impact on the future cash flows of the financial asset that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the company about the following loss events:
a) Significant financial difficulty of the issuer or obligor;
b) A breach of contract such as a default or delinquency in interest or principal payments.
c) It becomes evident that the borrower will enter bankruptcy or financial re-organisation.
d) The disappearance of an active market for that financial asset because of financial difficulty;
e) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
(i) adverse changes in the payment status of borrowers in the portfolio; and
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The company first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

2.7 Inventories
Inventories are stated at the lower of cost or net realisable value. Cost is determinedusing the weighted average cost method. 'Net realizable value is the estimated selling price less estimated selling expenses.

2.8 Cash and cash equivalents
In the statement of cash flows, cash and cash equivalents comprise:
- cash on hand;
- deposits held at call and short notice; and
- balances with banks.

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. Cash and cash equivalents have a maturity of less than three months. Cash and cash equivalents are carried at cost which, due to their short term nature, approximates fair value.

2.9 Accounts receivable
Accounts receivable are amounts due from sale of products by the company. If collection is expected in one year or less (or in normal operating cycle or if longer),they are classified as current assets If not, they are presented as non-current assets.
Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.10 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest rate method.
Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

2.11 Provisions
Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.12 Employee benefits
The company operates a defined contribution plan. A defined contribution plan is a plan under which the company pays fixed contributions into a separate fund.
The contributions are recognised as employee benefit expense when due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employees the benefits relating to employee service in the current and prior periods.
The company and employees also contribute to the National Social Security Authority Scheme (NSSA). This is a social security scheme which was promulgated under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions as legislated from time to time.

Termination benefits
Termination benefits are payable when the company terminates employment before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

2.13 Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company activities. The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and specific criteria have been met for each of the company's activities as described below:

Sale of products
Revenue is recognised when they satisfy a performance obligation by transferring a promised good to a customer, which is when control is passed.

Interest income
Interest income is recognised using the effective interest method.

2.14 Fair value measurements and valuation process
Some of the company's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the company makes use of market observable data to the extent that it is available. Where this is not available, the project uses third party qualified valuers to perform the valuation.

3 Financial risk management
The company's activities exposes it to a variety of financial risks, including the effect of changes in foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

Risk management is carried out by management under policies approved by the company. Management identify and evaluate financial risks such as foreign exchangerisk, interest risk, credit risk and investment of excess liquidity.

(a) Market risk

i) Foreign exchange risk
The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the South African Rand, ('ZAR').

Management aims to manage the company's foreign exchange risk against the functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the company's functional currency.

ii) Price risk
The company is exposed to commodity price risk. Commodity price risk is a threat that a change in the price of stocks and other goods/services will adversely impact company.

(b) Credit risk
Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge a contract. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposures to members, including outstanding receivables and committed transactions. For banks and financial institutions, only well established institutions with sound financial positions are used. Credit exposures are closely monitored for indications of impairment.

	2018 US$	2017 US$
Accounts receivable (excluding prepayments)	542,229	464,797
Cash and cash equivalents	(31,393)	(27,524)
Total current assets excluding prepayments	**510,836**	**437,274**

The fair value of cash and cash equivalents and accounts receivable as at December 31, 2018 approximates the carrying amount.

Analysis by credit quality of financial assets is as follows:

Neither past due nor impaired		
-Cash and cash equivalents	(31,393)	(27,524)
Past due and not impaired		
-Accounts receivable	542,229	464,797
Past due and impaired		
- Accounts receivable	-	-

(c)Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The company manages liquidity risk by continuously monitoring forecast and actual cash flows. Liquidity risk is the risk that the company may fail to meet its payment obligations when they fall due, the consequences of which may be the failure to meet the obligations to creditors. The company identifies this risk through periodic liquidity gap analysis and the maturity profile of assets and liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps.

A maturity analysis of the company's financial statements as at December 31, 2018 is as follows:

d) Financial instruments by category

	On demand less than one month US$	1 to 6 months US$	6 to 12 months US$	Total US$
At 31 December 2018				
Assets				
Accounts receivable (excluding prepayments)	542,229	-	-	542,229
Inventory	202,537	-	-	202,537
Cash and cash equivalents	(31,393)	-	-	(31,393)
Total assets	**713,373**	**-**	**-**	**713,373**
Liabilities				
Accounts payable	5,243,483	-	-	5,243,483
Total liabilities	**5,243,483**	**-**	**-**	**5,243,483**
Liquidity gap	**(4,530,110)**	**-**	**-**	**(4,530,110)**
At 31 December 2017				
Assets				
Accounts receivable (excluding prepayments)	464,797	-	-	464,797
Inventory	193,687	-	-	193,687
Cash and cash equivalents	(27,524)	-	-	(27,524)
Total assets	**630,962**	**-**	**-**	**630,962**
Liabilities				
Accounts payable	4,856,093	-	-	4,856,093
Total liabilities	**4,856,093**	**-**	**-**	**4,856,093**
Liquidity gap	**(4,225,132)**	**-**	**-**	**(4,225,132)**

3.2 The liquidity gap will be covered by income from sale of steel products.

Capital risk management	2018 US$	2017 US$
Assets as per statement of financial position		
Loans and receivables		
Accounts receivable (excluding prepayments)	542,229	464,797
Cash and cash equivalents	(31,393)	(27,524)
Total	**510,836**	**437,274**
Assets at fair value through profit or loss		
Financial assets at fair value through profit or loss	-	-
Total	**-**	**-**
Liabilities as per statement of financial position		
Other financial liabilities at amortised cost	5,242,708	4,856,093
Accounts payable	**5,242,708**	**4,856,093**

The company's objectives when managing capital reserves are to safeguard it's ability to continue as a going concern in order to continue to provide benefits for members and other stakeholders. In order to maintain or adjust the capital structure, the company may adjust the amount of borrowings or investments it holds fromtime to time.

3.3 Fair value estimation
The carrying value of accounts receivable and payables are assumed to approximate their fair values. The fair value of financial instruments is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

4 Critical accounting estimates and assumptions
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below.

a) Useful lives of property, plant and equipment
The company's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The estimate is based on projected life cycles for these assets. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write down technically obsolete or non - strategic assets that have been sold.

5.Revenue		
Sales	620,460	513,078
Total revenue	**620,460**	**513,078**
6. Cost of sales		
Direct materials	284,460	188,606
Direct labour	22,861	51,592
Production overheads	12,201	124,465
Total cost of sales	**319,522**	**364,663**
7. Other income		
Sundry income	20,857	24,714
Interest Received - Bank	211	160
Rent Received	144,436	147,057
Deferred tax	-	44,265
Total other income	**165,504**	**216,196**
8. Expenses		
Audit fees	869	32,000
Depreciation	1,128,279	1,133,793
Employee costs	407,915	333,371
Contribution to pension fund	12,356	6,990
Administration expenses	343,038	772,647
Total administration costs	**1,892,457**	**2,278,801**
9. Income tax expense		
Deferred tax	-	-
Total income tax expense	**-**	**-**

	2018 US$	2017 US$
10. Inventory		
Raw materials-contents	196,933	188,067
Work in progress	4,031	4,032
Finished goods	1,573	1,588
Total inventory	**202,537**	**193,687**
11. Trade and other receivables		
Trade	541,209	464,442
Other	4,965	4,300
Discontinued operations	(3,945)	(3,945)
Total trade and other receivables	**542,229**	**464,797**

12. Related Party balances
The company's related parties include companies under common control, key management and others as described below:

Related party receivables		
Delward Engineering (Private) Limited	2,210	218
Zimplastics (Private) Limited	2,694	2,694
Total	**4,904**	**2,912**
Related party payables		
Non-current liabilities due to:		
Crittal Hope (Private) Limited	29,320	29,320
Total	**29,320**	**29,320**
Discontinued operations		
Non-current liabilities due to:		
Pinnacle Properties (Private) Limited	1,306,105	1,306,105
Zimplastics (Private) Limited	5,000	5,000
Crittal Hope (Private) Limited	2,683	2,683
Total	**1,313,788**	**1,313,788**
Current liabilities due to:		
Native Investments (Private) Limited	776	776
Discontinued operations		
Jetmaster (Private) Limited	2,233	2,233
Total	**3,009**	**3,009**

	2018 US$	2017 US$
13. Other financial assets		
Other financial assets	5,726	5,726
Total other financial assets	**5,726**	**5,726**
14. Cash and cash equivalents		
Cash at bank	(2,796)	1,073
Bank overdraft - discontinued operations	(28,597)	(28,597
Total cash and cash equivalents	**(31,393)**	**(27,524**
15. Trade and other payables		
Trade	1,459,011	1,864,650
Other	4,565,015	3,771,986
Continued operations	6,024,025	5,636,636
Discontinued operations	(781,317)	(781,318
Total trade and other payables	**5,242,708**	**4,855,318**
16. Reconciliation of income tax expense		
Loss before tax	(1,426,014)	(1,914,189
Notational tax expense at a rate of 25.75%	(367,199)	(492,904
Allowable deductions		
Interest received	54	41
Non deductible expense		
Subscriptions	134	27
Depreciation	290,532	291,952
Legal fees	8,914	3,462
Income tax due (receivable)	**(67,564)**	**(197,421**

The company has an assessed loss therefore no tax should be charged.

ZECO HOLDINGS LIMITED

We're building the future

Registered Office:

Stand 7753, Corner Canberra Road / Greenock Road, Workington, Harare, Zimbabwe

	2018 US$	2017 US$
17. Share capital		
Authorised		
600 000 000 ordinary shares at USD nil par value	-	-
Issued and fully paid		
463 337 661 ordinary shares at USD nil par value	-	-
18. Shareholders, loans		
Pinnacle Holdings	1,063,544	1,063,544
Delward Engineering (Private) Limited	51,287	31,286.96
Total	**1,114,831**	**1,094,831**

19. Deferred taxation

Deferred tax is calculated on all temporary differences using the statement of financial position method at the principal rate of 25.75%.

The net deferred tax asset at 31 December is attributable to the following items;

	2018 US$	2017 US$
At 1 January	8,562,240	8,664,799
Charge to profit or loss	(25,163)	(102,559)
	8,537,077	8,562,240
Discontinued operations	-	(58,294)
At 31 December	**8,537,077**	**8,503,946**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances is as follows;

Deferred tax liabilities		
At 01 January	8,725,245	8,827,804
Charge to profit or loss	(25,163)	(102,559)
At 31 December	**8,700,082**	**8,725,245**
Deferred tax asset		
At 01 January	29,916	29,916
Charge to profit or loss	-	-
At 31 December	**29,916**	**29,916**

20. Discontinued operations

Zimplastics (Private) Limited

The subsidiary's operations were discontinued as it had been negatively affected by changing market dynamics and competition from cheap imports mainly from the East. The business had become unsustainable with no prospects of recovery.

	2018 US$	2017 US$
Revenue	-	-
Cost of sales	-	-
Gross profit/(loss)	-	-
Other income	-	-
Other (losses)/gains	-	-
Administration expenses	(161,314)	(161,314)
Operating loss before tax	**(161,314)**	**(161,314)**
Taxation	-	(58,294)
Loss for the year from discontinued operations	**(161,314)**	**(219,608)**
Assets		
Property, plant and equipment	5,248,290	5,409,606
Trade receivables	3,945	3,945
Assets classified as held for sale	**5,252,235**	**5,413,551**
Liabilities		
Deferred tax liability	1,509,216	1,509,216
Shareholders loan - Pinnacle Holdings (Private) Limited	1,306,105	1,306,105
Shareholders loan - T & S Marketing (Private) Limited	5,000	5,000
Trade and other payables	781,317	781,318
Related party payables	2,683	2,683
Bank overdraft	28,597	28,597
Jetmaster	2,233	2,233.00
Liabilities associated with assets classified as held for sale	**3,635,151**	**3,635,152**
Net assets associated with discontinued operations	**1,617,084**	**1,778,399**

	2018 US$	2017 US$
21. Loss per share (cents)		
Basic loss per share		
Loss for the year from continuing operations	(1,426,014)	(1,914,189)
Loss for the year from discontinued operations	(161,314)	(161,314)
Loss for the year	**(1,587,328)**	**(2,075,503)**
Weighted average number of shares in issue	463,337,661	463,337,661
Basic loss per share from continuing operations	0.31	0.41
Basic loss per share from discontinued operations	0.03	0.035
Basic loss per share (cents)	**0.34**	**0.44**

Basic loss per share is calculated by dividing the net loss attributed to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the group and held as treasury shares.

Diluted loss per share (cents)

For diluted loss per share (cents), the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares.

Net loss used to determine diluted loss per share:		
Loss for the year from continuing operations	(1,426,014)	(1,247,591)
Loss for the year from discontinued operations	(161,314)	(85,291)
Loss for the year	**(1,587,328)**	**(1,332,882)**

The weighted average number of ordinary shares in issue for the purpose of diluted loss per share, reconciles to the weighted average number of ordinary shares used in the calculations of basic loss per share as follows:

Weighted average number of ordinary shares in issue	463,337,661	463,337,661
Diluted loss per share from continuing operations	0.31	0.41
Diluted loss per share from discontinued operations	0.03	0.03
Diluted loss per share (cents)	**0.34**	**0.44**

	2018 US$	2017 US$
22. Retirement benefit obligations		

National Social Security Authority (NSSA) Scheme

The company and its employees also contribute to the National Social Security Authority Scheme. This is a social security scheme which was promulgated under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time.

Contributions to the schemes, recognised in profit or loss were as follows:

National Social Security Authority	12,356	6,990
Total contributions	**12,356**	**6,990**

23 Going concern

The company has reported a deficit of US$1,426,014 (2017:deficit US$1,914,189) for the year ended 31 December 2018. As at that date:

- the company recorded negative cash flows of US$3,870 in the current year.
- the company recorded negative working capital of US$4,490,883 in the current year.

Whilst management have put in place measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future operating results and cash flows. Management have concluded that the combination of these circumstances create material uncertainties over future operating results and cash flows. Management have concluded that the combination of these circumstances represents a material uncertainty that's casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, after considering the uncertainties described above, management have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The following are some of the key initiatives in place that support the continued preparation of the company's financial statements on a going concern basis:

- The company reduced its salaries and wage bill during the year under review.The company is no longer giving management allowances and the company no longer have permanent employees. All employees are employed on 3 and 1 month contracts .
- The company also hires workers according to the number of on-going projects so as to minimise on their staff costs.
- The company is actively applying for new tenders so as to increase revenue generation.

24 Events after the reporting period

Subsequent to the company's 31 December 2018 reporting date, on 22 February 2019, the government of Zimbabwe issued Statutory Instrument (S.I) 33 of 2019 as an amendment to the Reserve Bank of Zimbabwe Act. It introduced a new to the United States dollar.

On the same day, The Exchange Control Directive RU 28 of 2019 was issued and it introduced an interbank market for the RTGS dollar and the USD as well as other existing currencies in the multi currency system. The exchange rate between the USD and newly introduced RTGS dollar and the exchange rate were set at USD1 : RTGS2.5.

The board is of the view that the requirement to comply with the Statutory Instrument and the guidance issued by the Public Accountants and Auditors Board on 21 March 2019 has created inconsistencies with International Accounting Standard IAS 10 (Events after the reporting period). This has resulted in the accounting treatment adopted by the industry in 2018 Financial Statements being different from that which the board would have adopted if the industry had been able to fully comply with IFRS.

25 Property, plant and equipment

	Land US$	Buildings US$	Plant and machinery US$	Cranes US$	Furniture and fixtures US$	Motor vehicles US$	Office equipment US$	Computer equipment US$	Tools and equipment US$	Total US$
Year end December 31, 2017										
Opening net book value	518,950	32,867,157	928,480	240,499	-	5,399	9,261	8,247	4,093	**34,582,087**
Revaluation/Adjustment	-	-	-	-	1,078	-	(5,021)	(337)	-	**(4,280)**
Disposals	-	-	-	(119,000)	-	-	-	-	-	**(119,000)**
Depreciation for the year	-	(975,156)	(132,618)	(14,350)	(582)	(3,986)	(1,998)	(2,836)	(2,268)	**(1,133,793)**
Closing net book value	**518,950**	**31,892,002**	**795,862**	**107,149**	**496**	**1,414**	**2,242**	**5,074**	**1,825**	**33,325,015**
At December 31, 2017										
Cost	518,950	39,813,026	2,864,364	150,216	10,644	75,295	13,161	39,024	22,679	**43,507,359**
Accumulated depreciation	-	(7,921,024)	(2,068,502)	(43,067)	(10,148)	(73,881)	(10,919)	(33,950)	(20,854)	**(10,182,344)**
Net book value	**518,950**	**31,892,002**	**795,862**	**107,149**	**496**	**1,414**	**2,242**	**5,074**	**1,825**	**33,325,015**
Year end December 31, 2018										
Opening net book value	518,950	31,892,002	795,862	107,149	496	1,414	2,242	5,074	1,825	**33,325,015**
Additions	-	-	310						-	**310**
Disposals	-	-						(222)	-	**(222)**
Depreciation for the year	-	(975,156)	(132,642)	(12,149)	(496)	(1,414)	(1,787)	(2,811)	(1,825)	**(1,128,279)**
Closing net book value	**518,950**	**30,916,846**	**663,530**	**95,000**	**-**	**-**	**455**	**2,042**	**-**	**32,196,823**
At December 31, 2018										
Cost	518,950	39,813,026	2,864,674	150,216	10,644	75,295	13,161	38,802	22,679	**43,507,447**
Accumulated depreciation	-	(8,896,180)	(2,201,144)	(55,216)	(10,644)	(75,295)	(12,706)	(36,760)	(22,679)	**(11,310,624)**
Net book value	**518,950**	**30,916,846**	**663,530**	**95,000**	-	**-**	**455**	**2,042**	**-**	**32,196,823**

Independent auditor's report
To the members of ZECO Holdings Limited
Report on the audit of the financial statements

We have audited the financial statements of **ZECO Holdings (Private) Limited** set out on pages **13 to 37** which comprise the statement of financial position as at **December 31, 2018,** and the statement of profit or loss and other comprehensive income, thestatement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics StandardsBoard for Accountants' Code of Ethics for Professional Accountants (IESBA Code)together with the ethical requirements that are relevant to our audit of the financialstatements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualifiedopinion.

Adverse opinion

In our opinion, except for the effect of such adjustments, if any, as might have been deemed to be necessary to the significant non-compliance with International Accounting Standard (IAS) 21 and property, plant and equipment including land and buildings had we been able to satisfy ourselves with respect to items described in the paragraph below, financial statements give a true and fair view of the financial position of **ZECO Holdings (Private) Limited** as at **December 31, 2018** and of the results of itsoperations and its cash flows for the year ended in accordance with International FinancialReporting Standards, (IFRS) and in the manner required by the Companies Act, (Chapter 24:03) and the relevant statutory instruments.

Basis for Adverse opinion

Non-compliance with IAS 21

As described on note 20 on page 27 in the financial statements, there was significant non-compliance with International Accounting Standard (IAS 21), (The Effects of Changes in Foreign Currency) as well as with the principles embedded in the IFRS Conceptual Framework. This has resulted in the accounting treatment adopted by the company in 2018 Financial Statements being different from that which the board would have adopted if the company had been able to fully comply with International Accounting Standard 21.

Property, plant and equipment

We draw your attention to **note 25** which shows the property, plant and equipmentincluding land and buildings previously revalued at **US$45,654,000** in 2010. A recentvaluation report could show a different balance, and no adjustments have been included in the financial statements to that effect.

Report on legal and other regulatory requirements

In our opinion, except for the noted non-compliance with taxation legislature, the financial statements of ZECO Holdings (Private) Limited have in all material respects complied with the disclosure requirements of the ZECO Holdings (Private) Limited and theother relevant statutory requirements.

Emphasis of matter

We draw your attention to **page 14** in the financial statements which indicates that the company has a negative retained earnings of **US$19,067,414** for the year ended **December 31, 2018** and, as of that date, as indicated on **page 14** in the financial statements the company's current liabilities exceeded its total current assets by **US$4,490,883.** These conditions may indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Material uncertainty related to going concern

The company incurred a net deficit of **US$1,914,189** in the prior year (current year, deficit of **US$1,426,014**) which resulted in negative retained earnings of **US$19,067,414** as at**December 31, 2018**, (2017 : negative US$17,480,086). We draw your attention to note **23** where further details on going concern have been disclosed. As stated in **note 23**,these events or conditions, along with other matters as set forth in **note 23**, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The following are summaries of how the matter was addressed in the audit: We evaluated the company's going concern assessment by challenging the underlying data used to prepare the key assumptions applied within the company's cash flows; Our evaluation included an assessment of the savings made by the cutting of employee costs to improve the overall profitability and cash flows, and its effect on the timing of the company's cash flows;

We performed audit procedures to identify events subsequent to year end in order

identify revenues that have been received and evidence further of cost cutting measures. We have considered the adequacy of going concern disclosures as set out in **note 23**.

We considered the conclusion reached by the company to prepare the financial statement on the basis of a going concern, and the resultant disclosures, to be appropriate.

Key audit matters

We summarise below the matters that had the greatest effect on our audit, our key audit procedures and our findings from those procedures in order that the company's management as a body may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our audit opinion in the company's financial statements.

In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report. The key audit matters below relate to the audit of financial statements.

Key audit matter	How our audit addressed the key audit matter
Statutory deductions	
•The group has increasing statutory obligations owing to Zimbabwe Revenue Authority (ZIMRA), National Social Security Authority (NSSA) and Zimbabwe Manpower Development Fund. The company's outstanding balances are $501,927; $219,579 and $47,803 respectively.	Our audit procedures focused on: •Reviewing the company's plans to make payments to the authorities to clear this balance. •Discussing with the management the extent of adherence to payment plans in place to avoi penalties and garnishes.
Non compliance with IAS 21	
• There was significant non compliance with IAS 21, (The Effects of Changes in Foreign Currency) as well as with the principles embedded in the Conceptual Framework.	Our audit procedures focused on: • Discussing with management about which currency they used in the preparation of financial statements • Prepared a sensitivity analysis to determine the effects of the exchange rates.
Revaluation of land and buildings	
The last asset valuation report used to compile the financial statements was done in 2010. A recent valuation would certainly show a significantly lower figure than the reported $45,654,000.	Our audit procedures focused on: • Discussing with the management on the need to conduct a property valuation during this 2018 calendar year. •Modifying our audit opinion with a qualification as shown on page 7.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, (Chapter 24:03), and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

Identify and assess the risks of material misstatements of the 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 company'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 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 company'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 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 company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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 management 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 management, we determine those matters that were of most significance in the audit of the 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 Fanuel Pange.

MGI (Mazhandu) Chartered Accountants

MGI

Fanuel Pange, CA (Z)
Managing Partner
Registered Public Auditor
May 28, 2019

mgi (mazhandu) chartered accountants

2nd Floor, Methodist House
7 Central Ave, Box 6499, Harare
Zimbabwe
Tel:+263 242 795247 / 253033/4
Mobile: +263 77 474 6056 / +263 71 631 9216
Email:fpange@mazhandu.co.zw
Website:www.mazhandu.co.zw

Independent auditor's report

To the members of ZECO Holdings Limited

Report on the audit of the financial statements

We have audited the financial statements of **ZECO Holdings (Private) Limited** set out on pages **13 to 37** which comprise the statement of financial position as at **December 31, 2018,** and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Adverse opinion

In our opinion, except for the effect of such adjustments, if any, as might have been deemed to be necessary to the significant non-compliance with International Accounting Standard (IAS) 21 and property, plant and equipment including land and buildings had we been able to satisfy ourselves with respect to items described in the paragraph below, financial statements give a true and fair view of the financial position of **ZECO Holdings (Private) Limited** as at **December 31, 2018** and of the results of its operations and its cash flows for the year ended in accordance with International Financial Reporting Standards, (IFRS) and in the manner required by the Companies Act, (Chapter 24:03) and the relevant statutory instruments.

Basis for Adverse opinion

Non-compliance with IAS 21

As described on note 20 on page 27 in the financial statements, there was significant non-compliance with International Accounting Standard (IAS 21), (The Effects of Changes in Foreign Currency) as well as with the principles embedded in the IFRS Conceptual Framework. This has resulted in the accounting treatment adopted by the company in 2018 Financial Statements being different from that which the board would have adopted if the company had been able to fully comply with International Accounting Standard 21.

Independent auditor's report

To the members of ZECO Holdings Limited

Report on the audit of the financial statements

Property, plant and equipment
We draw your attention to **note 25** which shows the property, plant and equipment including land and buildings previously revalued at **US$45,654,000** in 2010. A recent valuation report could show a different balance, and no adjustments have been included in the financial statements to that effect.

Report on legal and other regulatory requirements

In our opinion, except for the noted non-compliance with taxation legislature, the financial statements of ZECO Holdings (Private) Limited have in all material respects complied with the disclosure requirements of the ZECO Holdings (Private) Limited and the other relevant statutory requirements.

Emphasis of matter

We draw your attention to **page 14** in the financial statements which indicates that the company has a negative retained earnings of **US$19,067,414** for the year ended **December 31, 2018** and, as of that date, as indicated on **page 14** in the financial statements the company's current liabilities exceeded its total current assets by **US$4,490,883.** These conditions may indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Material uncertainty related to going concern

The company incurred a net deficit of **US$1,914,189** in the prior year (current year, deficit of **US$1,426,014**) which resulted in negative retained earnings of **US$19,067,414** as at **December 31, 2018**, (2017 : negative US$17,480,086). We draw your attention to note **23** where further details on going concern have been disclosed. As stated in **note 23**, these events or conditions, along with other matters as set forth in **note 23**, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The following are summaries of how the matter was addressed in the audit:
- We evaluated the company's going concern assessment by challenging the underlying data used to prepare the key assumptions applied within the company's cash flows;
- Our evaluation included an assessment of the savings made by the cutting of employee costs to improve the overall profitability and cash flows, and its effect on the timing of the company's cash flows;
- We performed audit procedures to identify events subsequent to year end in order to

identify revenues that have been received and evidence further of cost cutting measures.
- We have considered the adequacy of going concern disclosures as set out in **note 23**.

We considered the conclusion reached by the company to prepare the financial statement on the basis of a going concern, and the resultant disclosures, to be appropriate.

Key audit matters

We summarise below the matters that had the greatest effect on our audit, our key audit procedures and our findings from those procedures in order that the company's management as a body may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our audit opinion in the company's financial statements.

In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report. The key audit matters below relate to the audit of financial statements.

Key audit matter	How our audit addressed the key audit matter
Statutory deductions	
•The group has increasing statutory obligations owing to Zimbabwe Revenue Authority (ZIMRA), National Social Security Authority (NSSA) and Zimbabwe Manpower Development Fund. The company's outstanding balances are \$501,927; \$219,579 and \$47,803 respectively.	Our audit procedures focused on: •Reviewing the company's plans to make payments to the authorities to clear this balance. •Discussing with the management the extent of adherence to payment plans in place to avoid penalties and garnishes.
Non compliance with IAS 21	
• There was significant non compliance with IAS 21, (The Effects of Changes in Foreign Currency) as well as with the principles embedded in the Conceptual Framework.	Our audit procedures focused on: • Discussing with management about which currency they used in the preparation of financial statements • Prepared a sensitivity analysis to determine the effects of the exchange rates.

Independent auditor's report

To the members of ZECO Holdings Limited

Report on the audit of the financial statements

Revaluation of land and buildings	
The last asset valuation report used to compile the financial statements was done in 2010. A recent valuation would certainly show a significantly lower figure than the reported $45,654,000.	Our audit procedures focused on: • Discussing with the management on the need to conduct a property valuation during this 2018 calendar year. •Modifying our audit opinion with a qualification as shown on page 7.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, (Chapter 24:03), and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatements of the 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 company'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 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 company'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 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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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 management 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 management, we determine those matters that were of most significance in the audit of the 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 Fanuel Pange.

MGI

MGI (Mazhandu) Chartered Accountants
Fanuel Pange, CA (Z)
Managing Partner
Registered Public Auditor
May 28, 2019

mgi chartered accountants
2nd Floor, Methodist House
7 Central Avenue
Box 6499, Harare, Zimbabwe
Tel: +263 242 795 247 / 253 033/4
Date May 29, 2019