ZECO HOLDINGS LIMITED

We're building the future

Registered Office:

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

Chairman's Statement and Review of Operations

Directors' responsibility

The Directors of Zeco Holdings Limited are responsible for the preparation and fair presentation of the group's consolidated financial statements, of which the press release represents an extract. The abridged group interim financial results have been prepared in accordance with International Financial Reporting Standards and in the manner requiredby the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange listing requirements for provisional interim financial statements (interim reports).

Operating overview

The period under review remained highly volatile for business operations as it was characterised by significant policy changes in a market faced with foreign currency shortages, tight liquidity and high inflation. Annual inflation reached 175.66% in June 2019 and the Government has discontinued publishing the year on year statistics, a phenomenon that will make measurability of performance very difficult. The Government of Zimbabwe, through Statutory Instrument 142/2019 issued on 24 June 2019, introduced the ZWL$$ as the sole tender for trading and settlement for domestic transactions. This has resulted in a number of projects, which the Group was poised to benefit from, being either shelved or delayed.

Performance review

The group recorded revenues of ZWL$$0.323 million for the six months ended June 30, 2019. Despite cost containment efforts, the group recorded a loss of ZWL$$0.886 million.

Non-current assets as at 30 June 2019 amounted to ZWL$$31.652 million. In February 2019, the Government of Zimbabwe gazetted Statutory Instrument 33 of 2019 which prescribed the take on balances for assets and liabilities on a 1:1 basis for transactions done prior to 21 February 2019 the values of the assets reflected in the financial statements were computed using 1:1 basis. A comprehensive valuation will be carried out during the course of the year taking into account the current market valuation of the entire property, plant and equipment.

The group mainly relies on infrastructure projects and construction materials, due tochallenging economic environment, the group's performance was adversely affectedas no major projects were undertaken during the period under review due to inflationary pressures resulting in the suspension of major projects.

Dividend

The was no dividend declared or paid during the period under review.

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Board changes

There were no changes in the Directorate during the period under review. However, the Group is in the process of appointing additional Directors in compliance with SI 134 of 2019 and an announcement shall be made as soon as the process is complete.

Outlook

The monetary and fiscal policies being enunciated by government should positively improve the operating environment although in the short term inflationary pressures may persist with gradual improvement. The Group will continue to innovate and maximize on any opportunity which avails itself including prospects of linkages with local and regional players.

Acknowledgments

I would like to thank all our stakeholders, fellow Board members, Management and Staff for their continued support.

Chiyangwa

Dr P Chiyangwa.
CHAIRMAN
Harare

Abridged Unaudited Statement of profit or loss and comprehensive income
For the six months ended June 30, 2019

	Note	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
Income				
Revenue	5	323,041	126,189	620,460
Cost of sales	6	(199,424)	(136,395)	(319,522)
Gross profit		**123,617**	**(10,206)**	**300,937**
Other income	7	93,842	78,924	165,505
Operating profit		**217,459**	**68,719**	**466,443**
Expenses				
Administration costs	8	(1,022,407)	(744,682)	(1,892,457)
Total expenses		**(1,022,407)**	**(744,682)**	**(1,892,457)**
Loss before tax		**(804,948)**	**(675,964)**	**(1,426,014)**
Income tax	9	-	175,535	-
Loss for the year from continuing operations		**(804,948)**	**(500,429)**	**(1,426,014)**
Discontinued operations				
Loss for the year after tax from discontinued operations		(80,657)	(80,657)	(161,314)
Loss for the year		**(885,605)**	**(581,086)**	**(1,587,328)**
Attributable to:				
Equity holders of the parent company:		(885 605)	(581 086)	(1 587 328)
Loss per share (cents)				
Weighted average number of shares in issue		463,337,661	463,337,661	463,337,661
Basic loss per share from continuing operations		(0.17)	(0.11)	(0.27)
Basic loss per share from discontinued operations		(0.02)	(0.02)	(0.02)
Basic loss per share		**(0.19)**	**(0.13)**	**(0.29)**
Diluted earnings per share from continuing operations		(0.17)	(0.11)	(0.27)
Diluted earnings per share from discontinued operations		(0.02)	(0.02)	(0.02)
Diluted earnings per share		**(0.19)**	**(0.13)**	**(0.47)**

Abridged Unaudited Statement of changes in equity
For the year ended June 30, 2019

	Derived equity ZWL$	Revaluation reserve ZWL$	Retained income ZWL$	Total ZWL$
Balance as at January 01, 2018	**11,967,508**	**26,608,613**	**(17,480,086)**	**21,096,035**
Loss for the period	-	-	(581,086)	**(581,086)**
Balance as at June 30, 2018	**11,967,508**	**26,608,613**	**(18,061,172)**	**21,096,035**
Loss for the period	-	-	(1,006,243)	**(1,006,243)**
Balance as at December 31, 2018	**11,967,508**	**26,608,613**	**(19,067,414)**	**20,514,950**
Loss for the period	-	-	(885,605)	**(885,605)**
Balance as at June 30, 2019	**11,967,508**	**26,608,613**	**(19,953,019)**	**18,623,102**

Abridged Unaudited Statement of financial position
As at June 30, 2019

	Note	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
Assets				
Non-current assets				
Property, plant and equipment	23	31,652,382	32,897,273	32,196,823
Deferred tax		29,916	29,916	29,916
Total non-current assets		**31,682,298**	**32,927,189**	**32,226,739**
Current assets				
Inventory	10	330,923	212,329	202,537
Trade and other receivables	11	477,514	455,434	542,229
Related party receivables	12	4,554	-	4,904
Financial assets at fair value through profit c	13	5,726	5,726	5,726
Cash and cash equivalents	14	43,154	49,768	(2,796)
Total current assets		**861,871**	**723,257**	**752,600**
Assets of discontinued operations	20	5,171,578	5,332,894	5,252,235
Total assets		**37,715,746**	**38,983,344**	**38,231,574**
Equity and liabilities				
Equity				
Derived equity		11,967,508	11,967,508	11,967,508
Revaluation reserve		26,608,613	26,608,613	26,608,613
Retained losses		(19,953,019)	(18,061,172)	(19,067,414)
Total equity		**18,623,102**	**20,514,949**	**19,508,707**
Non-current liabilities				
Shareholders' loan		1,111,481	749,541	1,114,831
Deferred tax		8,700,082	8,700,082	8,700,082
Related party payables	12	28,320	-	29,320
Total non-current liabilities		**9,839,883**	**9,449,623**	**9,844,233**
Current liabilities				
Trade and other payables	15	5,675,128	5,365,267	5,242,707
Related party payables	12	776	18,353	776
Total current liabilities		**5,675,904**	**5,383,620**	**5,243,483**
Liabilities associated with discontinued operations		3,576,857	3,635,152	3,635,151
Total equity and liabilities		**37,715,746**	**38,983,344**	**38,231,574**

Abridged Unaudited Statement of cash flows
For the six months ended June 30, 2019

	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
Cash flow from operating activities			
Loss before tax - continuing operations	(804,948)	(675,964)	(1,426,014)
Loss for the year - discontinued operations	(80,657)	(80,657)	(161,314)
	(885,605)	**(756,621)**	**(1,587,328)**
Adjustments for non-cash items			
Depreciation and impairment loss	544,441	537,389	1,128,279
Interest received	(35)	(34)	(211)
Depreciation for discontinued operations	80,657	-	161,316
Profit /loss on disposal	(22,613)	-	22
Fair value gain	-	5,726	-
Net cash flows after adjustments for non-cash items	**(283,155)**	**(213,540)**	**(297,922)**
Net cash flows after working capital changes	**310,806**	**97,783**	**298,916**
Taxation	-	-	(24,987)
Net cash flows from operating activities	**27,651**	**(115,757)**	**(23,993)**
Cash flow from investing activities			
Proceeds from sale of property and equipment	22,613	-	222
Purchase of fixed assets	-	-	(310)
Net cash flows from investing activities	**22,613**	**-**	**(88)**
Cash flow from financing activities			
Interest received	35	34	211
Shareholder's loan	(3,350)	-	20,000
Related party payables	(1,000)	-	-
Net cash flows from financing activities	**(4,315)**	**34**	**20,211**
Increase/(decrease) in cash and cash equivalents	**45,950**	**(115,723)**	**(3,870)**
Movement of cash and cash equivalents			
Cash and cash equivalents at the beginning of the period	(31,394)	2,953	(27,525)
Increase/(decrease) in cash and cash equivalents	**45,950**	**(115,723)**	**(3,870)**
Cash and cash equivalents at the end of the period	14,556	(112,770)	(31,394)

Notes to the financial statements
For the six months ended June 30, 2019

1 General information

ZECO Holdings Limited specializes in steel fabrication and installation, manufacture of plastic components and distribution of electric motors.

2 Currency of reference

" During the period under review, the Reserve Bank of Zimbabwe issued a monetary policy statement whose highlights among other issues were:

a) Denomination of real time gross settlement (RTGS) balances, bond notes and coins collectively known as ZWL$/RTGS dollars. RTGS dollars become part of the Multi-currencysystem.

b) Promulgated that RTGS dollars were to be used by all entities (including the Government)and individuals in Zimbabwe for purposes of pricing goods and services, record debts, accounting and settlement of domestic transactions.

c) Establishment of an inter-bank foreign exchange market where the exchange rate would be determined on a willing-buyer willing-seller basis.

d) Demonetization of foreign currency with effect from 24 June 2019."

Statutory instrument (SI) 142 of 2019 gave effect to the demonetization of foreign currency and effectively establishing ZWL$ as the sole currency. As a result of the currency changes announced by the monetary authorities, The directors assessed as required by International Accounting Standard (IAS 21), The Effects of Changes in Foreign Exchange Rates and consistent with the guidance issued by the Public Accountants and Auditors Board (PAAB) whether the use of the United States dollar as the functional and reporting currency and reporting currency remained appropriate. Based on their assessment, the Directors concluded that the company's transactional and functional currency had changed to the ZWL$ dollar. The change adopted the RTGS dollar as the new functional and reporting currency with effect from 28 February 2019.

These financial statements are therefore presented in Zimbabwean dollars (ZWL$) beingthe currency of the primary economic environment in which the Company operates. Thecompany translated the statement of financial position as at 31 December 2018 at a rateof 1US dollar to 1 RTGS dollar in line with statutory instrument 33. The translation basisprescribed by S.I.33 and adopted by the company were not consistent with IAS 21.

These abridged unaudited interim financial statements were approved for issue by the Board of ZECO Holdings Limited on 26 September 2019.

3 Statement of compliance

The abridged unaudited financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". They do not include all of the information required to fully comply with IFRSs and should be read in conjunction with the audited annual financial statements for the year ended 31 December 2018. These financials are based on statutory records that are maintained under the historical cost convention.

4 Property, Plant and Equipment

In February 2019, the Government of Zimbabwe gazetted Statutory Instrument 33 of 2019 which prescribed the take-on balances for assets and liabilities on a 1:1 basis for transactions done prior to 21 February 2019. The values of the assets reflected in financial statements were computed using the 1:1 basis. A comprehensive valuation will be carried out during the course of the year taking into account the current market valuation of the entire property and equipment.

	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
5 Revenue			
Sales	323,041	126,189	620,460
Total revenue	**323,041**	**126,189**	**620,460**
6 Cost of sales			
Cost of sales	199,424	136,395	319,522
Total cost of sales	**199,424**	**136,395**	**319,522**
7 Other income			
Sundry income	29,547	6,422	20,857
Interest Received - Bank	35	34	211
Rent Received	64,260	72,468	144,436
Total other income	**93,842**	**78,924**	**165,504**
8 Administration expenses			
Administration expenses	1,022,407	744,682	1,892,457
Total administration costs	**1,022,407**	**744,682**	**1,892,457**

	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
9 Income tax expense			
Deferred tax	-	-	-
Total income tax expense	**-**	**-**	**-**
10 Inventory			
Raw materials-contents	257,241	212,329	196,933
Work in progress	86,949	-	4,031
Finished goods	(13,267)	-	1,573
Total inventory	**330,923**	**212,329**	**202,537**
11 Trade and other receivables			
Trade	476,494	445,408	541,209
Other	4,965	10,026	4,965
Discontinued operations	(3,945)	(3,945)	(3,945)
Total trade and other receivables	**477,514**	**451,489**	**542,229**
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	1,860	-	2,210
Zimplastics (Private) Limited	2,694	-	2,694
Total	**4,554**	**-**	**4,904**
Related party payables			
Non-current liabilities due to:			
Crittal Hope (Private) Limited	28,320	-	29,320
Total	**28,320**	**-**	**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:			
Crittal hope	-	11,120	-
Native Investments (Private) Limited	776	5,000	776
Jetmaster (Private) Limited	-	2,233	-
Discontinued operations			
Jetmaster (Private) Limited	2,233	4,916	2,233
Total	**3,009**	**23,269**	**3,009**

	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
13 Other financial assets			
Gain on financial assets	5,726	5,726	5,726
Total other financial assets	**5,726**	**5,726**	**5,726**
14 Cash and cash equivalents			
Cash at bank	43,154	49,768	(2,796)
Bank overdraft - discontinued operations	(28,597)	(28,597)	(28,597)
Total cash and cash equivalents	**14,557**	**21,171**	**(31,393)**
15 Trade and other payables			
Trade	1,520,184	1,380,515	1,459,011
Other	4,936,262	3,984,752	4,565,015
Continued operations	6,456,446	5,365,267	6,024,026
Discontinued operations	(781,318)	(781,318)	(781,317)
Total trade and other payables	**5,675,128**	**4,583,949**	**5,242,709**
16 Reconciliation of income tax expense			
Loss before tax	(804,948)	(675,964)	(1,426,014)
Notational tax expense at a rate of 25.75%	(207,274)	(174,061)	(367,199)
Allowable deductions			
Interest received	9	-	54
Non deductible expenses			
Subscriptions	-	-	134
Depreciation	140,194	-	290,532
Legal fees	971	-	8,914
Income tax due (receivable)	**(66,101)**	**(174,061)**	**(67,565)**

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

	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
7 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	-	-	-
8 Shareholders loans			
Pinnacle Holdings	1,063,544	2,410,614	1,063,544
Delward Engineering (Private) Limited	47,937	28,982	51,287
Total	**1,111,481**	**2,439,596**	**1,114,831**

9 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 is attributable to the following items;

	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
At the beginning of the period	8,537,077	8,725,245	8,562,240
Charge to profit or loss	-	(175,535)	(25,163)
	8,537,077	8,549,710	8,537,077
Discontinued operations	-	-	-
At the end of the period	**8,537,077**	**8,549,710**	**8,537,077**

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

	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
Deferred tax liabilities			
At the beginning of the period	8,700,082	8,725,245	8,725,245
Charge to profit or loss	-	(175,535)	(25,163)
At the end of the period	**8,700,082**	**8,549,710**	**8,700,082**
Deferred tax asset			
At the beginning of the period	29,916	29,916	29,916
Charge to profit or loss	-	-	-
At the end of the period	**29,916**	**29,916**	**29,916**

20 Discontinued operations

Zimplastics (Private) Limited

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

	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit/(loss)	-	-	-
Other income	-	-	-
Other (losses)/gains	-	-	-
Administration expenses	(80,657)	(80,657)	(161,314)
Operating loss before tax	**(80,657)**	**(80,657)**	**(161,314)**
Taxation	-	-	-
Loss for the year from discontinued operatic	**(80,657)**	**(80,657)**	**(147,582)**
Assets			
Property, plant and equipment	5,167,633	5,328,949	5,248,290
Trade receivables	3,945	3,945	3,945
Assets classified as held for sale	**5,171,578**	**5,332,894**	**5,252,235**
Liabilities			
Deferred tax liability	1,450,922	1,509,216	1,509,216
Shareholders loan - Pinnacle Holdings (Private) l	1,306,105	1,306,105	1,306,105
Shareholders loan - T & S Marketing (Private) Li	5,000	5,000	5,000
Trade and other payables	781,317	781,317	781,317
Related party payables	2,683	2,683	2,683
Bank overdraft	28,597	28,597	28,597
Jetmaster	2,233	2,233	2,233
Liabilities associated with assets classified as held for sale	**3,576,857**	**3,635,152**	**3,635,151**
Net assets associated with discontinued op	**1,594,721**	**1,697,741**	**1,617,084**

	June 2019 ZWL$	June 2018 ZWL$	Dec 2018 ZWL$ Audited
21 Loss per share (cents)			
Basic loss per share			
Loss for the year from continuing operations	(804,948)	(500,429)	(1,426,014)
Loss for the year from discontinued operations	(80,657)	(80,657)	(161,314)
Loss for the year	**(885,605)**	**(581,086)**	**(1,587,328)**
Weighted average number of shares in issue	**463,337,661**	**463,337,661**	**463,337,661**
Basic loss per share from continuing operations	0.17	0.11	0.31
Basic loss per share from discontinued operations	0.02	0.02	0.03
Basic loss per share (cents)	**0.19**	**0.13**	**0.34**

Basic loss per share is calculated by dividing the net loss attributed to shareholders by the w average number of ordinary shares in issue during the year, excluding the average number c 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 ad assume conversion of all dilutive potential ordinary shares. The Group does not have any dilu potential ordinary shares.

	June 2019	June 2018	Dec 2018
Net loss used to determine diluted loss per share:			
Loss for the year from continuing operations	(804,948)	(500,429)	(1,426,014)
Loss for the year from discontinued operations	(80,657)	(80,657)	(161,314)
Loss for the year	**(885,605)**	**(581,086)**	**(1,587,328)**

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

	June 2019	June 2018	Dec 2018
Weighted average number of ordinary shares ir	463,337,661	463,337,661	463,337,661
Diluted loss per share from continuing operations	0.17	0.11	0.31
Diluted loss per share from discontinued operations	0.02	0.02	0.03
Diluted loss per share (cents)	**0.19**	**0.13**	**0.34**

22 Events after the reporting period

There were no events between 30 June 2019 and the date the financial statements were approved by the board that require separate disclosure.

23 Property, plant and equipment

	Land ZWL$	Buildings ZWL$	Plant and machinery ZWL$	Cranes ZWL$	Furniture and fixtures ZWL$	Motor vehicles ZWL$	Office equipment ZWL$	Computer equipment ZWL$	Tools and equipment ZWL$	Total ZWL$
Period ended June 30, 2018										
Opening net book value	518,950	31,892,002	795,862	107,149	496	1,414	2,242	5,074	1,825	**33,325,014**
Depreciation for the year	-	(367,831)	(49,171)	(6,075)	(361)	(1,637)	(564)	(968)	(1,134)	**(427,741)**
Closing net book value	**518,950**	**31,524,171**	**746,691**	**101,074**	**135**	**(223)**	**1,678**	**4,106**	**691**	**32,897,273**
At June 30, 2018										
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	-	(8,288,855)	(2,117,673)	(49,142)	(10,509)	(75,518)	(11,483)	(34,918)	(21,988)	**(10,610,086)**
Net book value	**518,950**	**31,524,171**	**746,691**	**101,074**	**135**	**(223)**	**1,678**	**4,106**	**691**	**32,897,273**
Period ended December 31, 2018										
Opening net book value	518,950	31,524,171	746,691	101,074	135	(223)	1,678	4,106	691	**32,897,273**
Additions	-	-	310	-	-	-	-	-	-	**310**
Disposal	-	-	-	-	-	-	-	(222)	-	**(222)**
Depreciation for the year	-	(607,325)	(83,471)	(6,074)	(135)	223	(1,223)	(1,843)	(691)	**(700,538)**
Closing net book value	**518,950**	**30,916,846**	**663,529**	**95,000**	**-**	**-**	**455**	**2,041**	**-**	**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**
Period ended June 30, 2019										
Opening net book value	518,950	30,916,846	663,529	95,000	-	-	455	2,041	-	**32,196,823**
Depreciation for the year	-	(487,579)	(49,171)	(6,075)	-	-	(236)	(1,380)	-	**(544,441)**
Closing net book value	**518,950**	**30,429,268**	**614,358**	**88,925**	**-**	**-**	**219**	**661**	**-**	**31,652,382**
At June 30, 2019										
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	-	(9,383,759)	(2,250,315)	(61,291)	(10,644)	(75,295)	(12,942)	(38,140)	(22,679)	**(11,855,065)**
Net book value	**518,950**	**30,429,267**	**614,359**	**88,925**	**-**	**-**	**219**	**662**	**-**	**31,652,382**