ZECO HOLDINGS LIMITED
We're building the future
Registered Office:
Stand 7753, Corner Canberra Road / Greenock Road,
Workington, Harare, Zimbabwe

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2019

Chairman's Statement

Operating Environment

The challenging macroeconomic environment persisted in 2019. Foreign currency shortages continued with the local currency depreciating from the fixed exchange rate of 1:1 to the United States Dollar to 1:15 during the period. The local currency devalued against major trading currencies further impacting consumer disposable incomes. Inflation increased to 521% by the end of December 2019.

Group financial Performance
The subdued financial results reflect the challenging environment that was prevailing in 2019 during the period under review.

The **group generated inflation adjusted revenues of $4.435 million compared to $5.055 million** in the prior year.

Revenue could not cover operating costs in spite of cost containment resulting in an inflation adjusted bottom line of **$25,998 million, as compared to the $37,626 million recorded in 2018**.

The **Group's asset base stood at $325,449 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 challenging economic environment, no major projects being undertaken during the period under review.

Crittall Hope
Crittall Hope, the construction materials sector. The performance was curtailed by increase in raw materials due to inflationary pressures and shortage of foreign currency. Positive performance is expected this year due to promising projects which are expected to take off in the industry.

Future Outlook
The economic environment will remain dampened by inflation and currency volatility in the short to medium term with the effects of Covid-19 worsening the situation. Despite these current economic challenges, the Group will continue to pursue potential synergies and expansion projects, which will enable sustainable growth and preserving value for all stakeholders.

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
16 July 2020

Statement of Financial Position
As at December 31, 2019

	Note	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
Assets					
Non-current assets					
Property, plant and equipment	14	230,678,641	199,620,303	230,678,641	32,196,823
Deferred tax		29,916	185,479	29,916	29,916
Total non-current assets		**230,708,557**	**199,805,782**	**230,708,557**	**32,226,739**
Current assets					
Inventory	10	802,163	1,255,729	802,163	202,537
Trade and other receivables	11	740,044	3,361,820	740,044	542,229
Related party receivable	12	13,641	30,405	13,641	4,904
Financial assets at fair values	13	5,726	35,501	5,726	5,726
Cash and cash equivalents	14	301,834	(17,335)	301,834	(2,796)
Total current assets		**1,863,408**	**4,666,120**	**1,863,408**	**752,600**
Assets of discontinued operations		92,877,768	32,563,857	92,877,768	5,252,235
Total assets		**325,449,734**	**237,035,759**	**325,449,734**	**38,231,575**
Equity and liabilities					
Equity					
Derived Equity		74,198,550	74,198,550	11,967,508	11,967,508
Revaluation reserve		91,392,764	26,608,613	286,707,678	26,608,613
Retained losses		72,753,581	20,146,815	(60,330,291)	(19,067,414)
Total equity		**238,344,895**	**120,953,977**	**238,344,895**	**19,508,707**
Non current liabilities					
Shareholders loan	18	85,344	6,911,952	85,344	1,114,831
Deferred tax	19	55,012,522	53,940,508	55,012,522	8,700,082
Related party payables	12	1,033,544	181,784	1,033,544	29,320
Total non current liabilities		**56,131,410**	**61,034,245**	**56,131,410**	**9,844,233**
Current liabilities					
Trade and other payables	8	6,346,806	32,504,783	6,346,806	5,242,707
Related party payables	12	776	4,811	776	776
Total current liabilities		**6,347,582**	**32,509,595**	**6,347,582**	**5,243,483**
Liabilities associated with discontinued operations		24,625,847	22,537,942	24,625,847	3,635,152
Total equity and liabilities		**325,449,734**	**237,035,759**	**325,449,734**	**38,231,575**

Statement of profit or loss and other comprehensive income
As at December 31, 2019

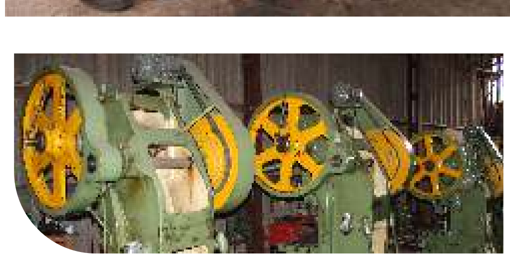
	Note	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
Income					
Revenue	9	4,435,573	5,055,430	1,939,199	620,460
Cost of sales	6	(763,493)	(2,604,104)	(280,136)	(319,522)
Gross profit		**4,435,573**	**2,451,326**	**1,659,063**	**300,938**
Other income	7	571,999	1,348,866	192,869	165,505
Operating profit		**5,007,572**	**3,800,192**	**1,851,932**	**466,443**
Expenditure					
Administration costs	10	(6,985,788)	(15,423,525)	(1,813,052)	(1,892,457)
Total expenditure		**(6,985,788)**	**(15,423,525)**	**(1,813,052)**	**(1,892,457)**
Loss before tax		**(1,978,215)**	**(11,623,333)**	**38,880**	**(1,426,014)**
Income tax		**(46,816,655)**	**-**	**(46,816,655)**	**-**
Loss for the year from continuing operations		**(48,794,871)**	**(11,623,333)**	**(46,777,775)**	**(1,426,014)**
Discontinued operations					
Loss for the year after tax from discontinued operations		**(21,093,716)**	**(1,314,709)**	**(21,093,716)**	**(161,314)**
Loss for the year		**(69,888,586)**	**(12,938,042)**	**(67,871,491)**	**(1,587,328)**
Non monetary gain/loss		95,886,740	50,564,943	-	-
Total comprehensive income		**25,998,153**	**37,626,901**	**(67,871,491)**	**(1,587,328)**
Attributable to:					
Equity holders of the parent company:		**25,998,153**	**37,626,901**	**(67,871,491)**	**1,587,329**
Loss per share (cents)					
Weighted average number of shares in issue		**463,337,661**	**463,337,661**	**463,337,661**	**463,337,661**
Basic loss per share from continuing operations		**(0.11)**	**(0.03)**	**(0.10)**	**(0.31)**
Basic loss per share from discontinued operations		**(0.05)**	**(0.00)**	**(0.05)**	**(0.03)**
Basic loss per share		**0.06**	**0.08**	**(0.15)**	**(0.34)**
Diluted earnings per share from continuing operations		(0.11)	**(0.03)**	**(0.10)**	**(0.31)**
Diluted earnings per share from discontinued operations		(0.05)	**(0.00)**	**(0.05)**	**(0.03)**
Diluted earnings per share		**0.06**	**0.08**	**(0.15)**	**(0.47)**

Statement of Changes in Equity
As at December 31, 2019

INFLATION ADJUSTED	Derived equity ZWL$	Revaluation reserve ZWL$	Retained earnings ZWL$	Total ZWL$
Restated balance as at January 1, 2018	**74,198,550**	**26,608,613**	**(17,480,086)**	**(17,480,086)**
Surplus for the year	-	-	37,626,901	37,626,901
Balance as at December 31, 2018	**74,198,550**	**26,608,613**	**20,146,815**	**120,953,977**
Realisation of revaluation reserve	**-**	(26,608,613)	26,608,613	**-**
Revaluation reserve	**-**	91,392,764	**-**	**91,392,764**
Deficit for the year	**-**	**-**	25,998,153	**25,998,153**
Balance as at December 31, 2019	**74,198,550**	**91,392,764**	**72,753,581**	**238,344,895**

HISTORICAL COST

	Derived equity ZWL$	Revaluation reserve ZWL$	Retained earnings ZWL$	Total ZWL$
Balance as at January 1, 2018	**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**
Deficit for the year	-	-	(67,871,491)	**(67,871,491)**
Realisation of revaluation	-	(26,608,613)	26,608,613	**-**
Revaluation reserve	-	286,707,678	-	**286,707,678**
Balance as at December 31, 2019	**11,967,508**	**286,707,678**	**(60,330,291)**	**238,344,894**



Statement of Cashflows As at December 31, 2019

	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
Cash flows from operating activities				
Loss before tax- continuing operations	(1,978,215)	(8,841,287)	38,880	(1,426,014)
Loss for the year- discontinued operations	(21,093,716)	(1,000,147)	(21,093,716)	(161,314)
	(23,071,931)	**(8,841,287)**	**(21,054,836)**	**(1,587,328)**
Adjustments for non-cash items				
Depreciation and impairment losses	-	6,995,330	-	1,128,279
Adjustment for revaluation	-	-	-	-
Interest received	(252)	(1,308)	(74)	-211.00
Depreciation for discontinued operations	-	1,000,159	-	161,316.00
Profit/(loss) on disposal	(9,141)	136	(9,141)	22.00
IAS 29 effects	95,886,740	(825,759)	-	-
Net cash flows after working capital changes	**72,805,416**	**(1,672,729)**	**(21,064,051)**	**(297,922)**
Working capital changes				
Increase in trade and other inventories	453,566	(54,870)	(599,626)	(8,850)
Increase/(decrease) in trade and other receivables	2,621,778	(480,078)	(197,815)	(77,432)
Increase/(decrease) in related party receivables	16,764	(12,350)	(8,737)	(1,992)
Increase/(decrease) in related party payables	847,725	-	1,004,224	-
Increase or decrease in trade and other payables	(26,157,977)	2,400,578	1,104,099	387,190
Increase/(decrease) in financial assets at fair value	29,775	-	-	-
Increase in deferred tax	1,227,577	-	46,312,440	-
Increase/decrease in discontinued operations liabilities	2,265,209	(6)	21,019,295	(1)
Increase/decrease in discontinued operations assets	20,514	-	600,327	-
Net cash outflows from working capital changes	**(18,675,067)**	**1,853,273**	**69,234,207**	**298,916**
Taxation	**(46,816,655)**	**(205,078)**	**(46,816,655)**	**(25,163)**
Cash inflows/(outflows) from operating activities	**7,313,693**	**(24,534)**	**1,353,502**	**(24,169)**
Cash flows from investing activities				
Proceeds from sale of property and equipment	9,141	**(1,376)**	9,141	(222)
Acquisition of property, plant and equipment	-	1,922	-	310
Net cash flows from investing activities	**9,141**	**546**	**9,141**	**88**
Cash flow from financing activities				
Interest received	252	1,308	74	211
Shareholder's loan	(6,826,608)	124,000	(1,029,487)	20,000
Net cash flow from financing activities	**(6,826,356)**	**125,308**	**(1,029,413)**	**20,211**
Increase/(decrease) in cash and cash equivalents	**496,477**	**(23,988)**	**333,228**	**(3,870)**
Movement of cash and cash equivalents				
Cash and cash equivalents at beginning of year	(194,643)	(170,655)	(31,394)	(27,525)
Increase/(decrease) in cash and cash equivalents	**496,477**	**(23,988)**	**333,228**	**(3,870)**
Cash and cash equivalents at end of year	301,834	(194,643)	301,834	(31,394)

Notes

1 Nature of business

ZECO Holdings Limited specializes in steel fabrication and installation, manufacture and rehabilitation of tractio wagons, and mining rolling stock and manufacture of window frames and door frames.

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, and have been inflation adjusted in accordance with IAS 29` Financial Reporting in Hyperinflationar Economies which requires the use of a general price index that reflects changes in the general purchasing pov of the presentation currency.

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

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2.2 Functional and presentation currency

The company changed its functional and presentation currency from United States Dollars (US$) to Zimbabwe dollar (ZWL$) for the financial year ended 31 December, 2019. The change in currency was effected in response to Statutory Instrument(SI) 33 of 2019 (effective from 22 February 2019), and to enable compliance with Statutory Instrument 142 of 2019 (effective from 24 June 2019).

The promulgation of SI 142 of 2019 on 24 June 2019 resulted in the Zimbabwe Dollar being the only legally accepted legal tender for transactions in Zimbabwe apart from those transactions otherwise specified therein. Through SI 142, the Zimbabwe Dollar was placed at par with bond notes and coins and Real Time Gross Settlements dollars, (RTGS$), which forms of currency were declared legal tender with the gazetting of SI 33.

Historical cost comparative financial information as at and for the year ended 31 December 2018 was converte from US$ to ZWL$ at a rate of 1US$:1ZWL$, being the official exchange rate between US$ and the defined ZW as at that date.

With effect from 22 February 2019, transactions that are in a currency other than the Zimbabwe Dollar were reported using the official exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such balances of monetary assets and liabilities denominated in foreign currencies at the exchange rates at the end of the reporting period are generally recognised in the statement of profit and loss.

2.3 Hyperinflation

On 11 October 2019, the Public Accountants and Auditors Board ("PAAB") issued a pronouncement on the application of IAS 29. The pronouncement requires the entities operating in Zimbabwe with financial periods ending on or after 1 July 2019, prepare and present financial statements in-line with the requirements of IAS 29

Management has made appropriate adjustments to reflect the changes in the general purchasing power on the Zimbabwe dollar and for the purposes of fair presentation in accordance to IAS 29, these changes have been made on the historical cost financial information. Various assumptions have been years. This was due to the limitation of data available resulting in default to the CPI. The source of the price indices used was the Reserve Bank of Zimbabwe website. Below are the indices and adjustment factors used up to December 2019.

Year end	**INDICIES**	**FACTOR**
CPI as at 31 December 2018	88.81	6.2114
CPI as at 31 December 2019	551.63	551.63
Average		
CPI average for 2018	67.63	8.15

Comparative figures for the balance sheet for the period ended 31 December 2019 are restated by applying the change in the index from 31 December 2018 to 31 December 2019.

Comparative figures for the statement of comprehensive income for the period ended 31 December 2019 are restated by applying the change in the index from Average CPI for 2018 to 31 December 2019.

The opening revaluation reserve was eliminated against retained earnings.

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 profit and loss and other comprehensive income.

2.4 Property and equipment

Property and equipment is stated at historical cost 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 organisation and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are 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 is greater than its estimated recoverable amount.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with

2.5 Impairment of non- financial assets

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

2.6 Financial assets

The organisation classifies its financial assets depending in the business cash flow model.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are quoted in an active market. They are included in current assets, except for maturities greater than 12 r after the reporting date. These are classified as non-current assets. Loans and receivables are classifi "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 th organisation commits to purchase or sell the asset.

2.6.2 Derecognition

A financial asset is derecognised when the organisation loses control over the contractual rights that c 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 posi when there is a legally enforceable right to offset the recognised amounts and there is an intention to s a net basis or realise the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets

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

Objective evidence that a financial asset or group of financial assets is impaired includes observable da comes to the attention of the organisation 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 f portfolio of financial assets since the initial recognition of those assets, although the decrease cannot 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.

Management 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 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 organisation may measure impairment on the basis of an instrument 's fair value using an observable market price .

2.7 Inventory

Inventory is stated at the lower of cost or net realisable value. Cost is determined using the first in first c 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 and
- balances with banks

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

2.9 Accounts receivable

Accounts receivable are amounts due from clients' audit fees and other services provided for by the organisation. If collection is expected in one year or less, (or in normal operating cycle or if longer), they 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 the effective interest method, less provision for impairment.

2.10 Provisions

Provisions are recognised when the organisation has a present legal or constructive obligation as a resu past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be 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 settlem 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

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 risks specific to the obligation. The increase in the provision due to passage of time is recognised as in expense.

2.11 Employee benefits

Both the employer and employees contribute to the National Social Security Authority Scheme (NSSA). is a social security scheme which was promulgated under the National Social Security Act. The organisation's obligations under the scheme are limited to specific contributions as legislated from time to time.

Termination benefits

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

2.12 Revenue recognition

Revenue is recognised when performance obligation is satisfied according to IFRS 15. The entity recogn revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer, which is when control is passed, either over time or at a point in time.

Control of an asset means having the ability to direct the use of, and obtain substantially all of the remai benefits from the asset.

Revenue is recognised to depict the transfer of promised goods or services to the customer in an amoun reflects the consideration to which the entity expects to be entitled in exchange for those goods or servi

The organisation recognises revenue when performance obligations are satisfied when (i) it can identify the contracts with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, and (iv) allocate the transaction price.

(a) Sale of products

Revenue is recognised when they satisfy a performance obligation by transferring a promised good to a custo which is when control is passed.

(b) Interest income

Interest income is recognised using the effective interest method.

2.13 Fair value measurements and valuation process

Some of the organisation's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the organisation 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 Risk management

3.1 Financial risk

The Office's activities expose it to a variety of financial risks, including the effect of changes in foreign currency exchange rates and interest rates.

The organisation'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 organisation.

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

(a) 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.

The organisation's exposure to credit risk by class of financial asset is as follows:

	Inflation Adjusted		Historical Cost	
	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
Accounts receivable (excluding prepayments)	740,044	3,361,820	740,044	542,229
Cash and cash equivalents	301,834	(194,637)	273,237	(31,393)
Total current assets excluding prepayments	**1,041,878**	**3,167,183**	**1,013,281**	**510,836**

The fair value of cash and cash equivalents and accounts receivable as at December 31, 2019 approximates the carrying amount.

Analysis by credit quality of financial assets is as follows:

Neither past due nor impaired					
-Cash and cash equivalents		301,834	-194,637	273,237	-31,393
Past due and not impaired					
-Accounts receivable		740,044	3,361,820	740,044	542,229
Past due and impaired					
- Accounts receivable	-	-	-	-	-

Neither past due nor impaired

(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 organisation manages liquidity risk by continuously monitoring forecast and actual cash flows. Liquidity risk is the risk that the organisation 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 organisation 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 organisation's financial statements as at December 31, 2019 is as follows:

(d) Financial instruments by category

	On demand less than one month ZWL$	From 1 to 6 months ZWL$	Over six months ZWL$	Total ZWL$
At 31 December 2019				
Assets				
Accounts receivable				
(excluding prepayments)	-	-	740,044	740,044
Inventory	-	-	802,163	802,163
Cash and cash equivalents	-	-	273,237	273,237
Total assets	**-**	**-**	**1,815,444**	**1,815,444**
Liabilities				
Accounts payable	-	-	6,346,806	6,346,806
Total liabilities	**-**	**-**	**6,346,806**	**6,346,806**
Liquidity gap	**0**	**0**	**(4,531,362)**	**(4,531,362)**

Financial instruments by category

	On demand less than one month ZWL$	From 1 to 6 months ZWL$	Over six months ZWL$	Total ZWL$
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			5,242,709	5,242,709
Total liabilities	**-**	**-**	**5,242,709**	**5,242,709**
Liquidity gap	-	-	**(4,529,336)**	**(4,529,336)**

The liquidity gap is negative, the gap will be covered by sales generated from the business activities of each of the subsidiary

3.2 Capital risk management

	Inflation Adjusted		Historical Cost	
	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
Assets as per statement of financial position				
Inventory	802,163	1,255,729	802,163	202,537
Accounts receivable (excluding prepayments)	740,044	3,361,820	740,044	542,229
Cash and cash equivalents	273,237	(194,637)	273,237	(31,393)
Total assets	**1,815,444**	**4,422,914**	**1,815,444**	**713,373**

	Inflation Adjusted		Historical Cost	
	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
Liabilities as per statement of financial position				
Other financial liabilities at amortised cost	6,346,806	32,504,796	6,346,806	5,242,709
Total accounts payable	**6,346,806**	**32,504,796**	**6,346,806**	**5,242,709**

The organisation'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 clients and other stakeholders. In order to maintain or adjust the capital structure, the organisation may adjust the amount of investments it holds from time to time.

3.3 Fair value estimation

The carrying value of accounts receivable and payable is 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 organisation for similar financial instruments.

4 Critical accounting estimates and judgments

Estimates and judgments 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.

4.1 Critical accounting estimates and assumptions

The organisation 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.

	Inflation Adjusted		Historical Cost	
	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
5 Revenue				
Sales	4,435,573	5,056,749	1,939,199	620,460
Total revenue	**4,435,573**	**5,056,749**	**1,939,199**	**620,460**
6 Cost of sales				
Direct materials	449,951	2,318,349	145,183	284,460
Direct labour	161,514	186,317	76,895	22,861
Production overheads	152,029	99,438	58,058	12,201
Total cost of sales	**763,493**	**2,604,105**	**280,136**	**319,522**
7 Other income				
Sundry income	167,090	129,418	80,941	20,857
Interest Received - Bank	252	1,309	74	211
Rent Received	404,658	895,503	111,854	144,436
Total other income	**571,999**	**1,026,230**	**192,869**	**165,504**
8 Administration costs				
Audit fees	104,249	7,082	33,540	869
Depreciation	(65)	6,995,330	(15)	1,128,279
Employee costs	2,017,990	3,324,507	761,168	407,915
Contribution to pension fund	57,977	100,701	20,369	12,356
Administration expenses	4,805,636	2,795,760	997,991	343,038
Total administration costs	**6,985,788**	**13,223,381**	**1,813,052**	**1,892,456**
9 Income tax expense				
Deferred tax	46,816,655	-	46,816,655	-
Total income tax expense	**46,816,655**	**-**	**46,816,655**	**-**

	Inflation Adjusted		Historical Cost	
	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
10 Inventory				
Raw materials-contents	183,197	1,220,985	183,197	196,933
Work in progress	575,010	24,992	575,010	4,031
Finished goods	43,957	9,753	43,957	1,573.00
Total inventory	**802,163**	**1,255,729**	**802,163**	**202,537**
11 Trade and other receivables				
Trade	741,246	3,355,496	741,246	541,209
Other	2,743	30,783	2,743	4,965
Discontinued operations	(3,945)	(24,459)	(3,945)	(3,945)
Total trade and other receivables	**740,044**	**3,361,820**	**740,044**	**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	10,947	13,702	10,947	2,210
Zimplastics (Private) Limited	2,694	16,703	2,694	2,694
Total	**13,641**	**30,405**	**13,641**	**4,904**
Related party payables				
Non-current liabilities due to:				
Crittal Hope (Private) Limited	-	181,784	-	29,320
Pinnacle Holdings	1,033,544		1,033,544	
Total	**1,033,544**	**181,784**	**1,033,544**	**29,320**
Discontinued operations				
Non-current liabilities due to:				
Pinnacle Properties (Private) Limited	1,306,105	8,097,851	1,306,105	1,306,105
Zimplastics (Private) Limited	5,000	31,000	5,000	5,000
Crittal Hope (Private) Limited	2,683	16,635	2,683	2,683
Total	**1,313,788**	**8,145,486**	**1,313,788**	**1,313,788**
Current liabilities due to:				
Native Investments (Private) Limited	776	4,812	776	776
Discontinued operations				
Jetmaster (Private) Limited	2,233	13,845	2,233	2,233
Total	**3,009**	**18,656**	**3,009**	**3,009**
13 Other financial assets				
Other financial assets	5,726	35,501	5,726	5,726
Total other financial assets	**5,726**	**35,501**	**5,726**	**5726**
14 Cash and cash equivalents				
Cash at bank	301,834	(17,335)	301,834	(2,796)
Bank overdraft - discontinued operations	(28,597)	(177,301)	(28,597)	(28,597)
Total cash and cash equivalents	**273,237**	**(194,637)**	**273,237**	**(31,393)**

	Inflation Adjustment		Historical Cost	
	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
15 Trade and other payables				
Trade	1,603,874	9,045,868	1,603,874	1,459,011
Other	5,429,614	28,303,093	5,429,614	4,565,015
Continued operations	7,033,489	37,348,961	7,033,489	6,024,026
Discontinued operations	(686,683)	(4,844,165)	(686,683)	(781,317)
Total trade and other payables	**6,346,806**	**32,504,796**	**6,346,806**	**5,242,709**
16 Reconciliation of income tax expense				
Loss before tax	(1,978,215)	(11,622,014)	38,880	(1,426,014)
Notational tax expense at a rate of 25.75%	(10,012)	(2,992,672)	(10,012)	(367,199)
Allowable deductions				
Interest received	252	440	74	54
Non deductible expenses				
Subscriptions	2,187	1,092	390	134
Depreciation	(65)	2,367,836	(15)	290,532
Legal fees	16,102	72,649	8,205	8,914
Income tax due (receivable)	**8,465**	**2,441,577**	**(1,358)**	**(67,565)**
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	57,024	6,593,971	57,024	1,063,544
Delward Engineering (Private) Limited	28,320	317,979	28,320	51,287
Total	**85,344**	**6,911,950**	**85,344**	**1,114,831**

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;

At 1 January	8,537,077	53,085,888	8,537,077	8,562,240
Charge to profit or loss	46,816,655	(205,078)	46,816,655	(25,163)
	55,012,522	52,880,810	55,012,522	8,537,077
Discontinued operations	21,085,331	-	21,085,331	-
At 31 December	**77,607,069**	**52,880,810**	**77,607,069**	**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;

Deferred tax liabilities

At 01 January	53,891,441	54,096,519	8,700,082	8,725,245
Charge to profit or loss	1,121,082	(205,078)	46,312,440	(25,163)
At 31 December	**55,012,522**	**53,891,441**	**55,012,522**	**8,700,082**

	Inflation Adjusted		Historical Cost	
	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
Deferred tax asset				
At 01 January	29,916	185,479	29,916	29,916
Charge to profit or loss		-		-
At 31 December	**29,916**	**185,479**	**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.

	Inflation Adjusted		Historical Cost	
	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
Revenue		-		
Cost of sales		-		-
Gross profit/(loss)		-		-
Other income		-		-
Other (losses)/gains		-		-
Administration expenses	(8,385)	(1,314,709)	(8,385)	(161,314)
Operating loss before tax	(8,385)	(1,314,709)	(8,385)	(161,314)
Taxation	(21,085,331)	-	(21,085,331)	-
Loss for the year from discontinued operations	(21,093,716)	(1,314,709)	(21,093,716)	(161,314)
Assets				
Property, plant and equipment	92,873,823	32,539,398	92,873,823	5,248,290
Trade receivables	3,945	24,459	3,945	3,945
Assets classified as held for sale	**92,877,768**	**32,563,857**	**92,877,768**	**5,252,235**
Liabilities				
Deferred tax liability	22,594,547		22,594,547	
Shareholders loan - Pinnacle Holdings (Private) Limited	1,306,105	8,097,851	1,306,105	1,306,105
Shareholders loan - T & S Marketing (Private) Limited	5,000	31,000	5,000	5,000
Trade and other payables	686,683	4,844,165	686,683	781,317
Related party payables	2,683	16,635	2,683	2,683
Bank overdraft	28,597	177,301	28,597	28,597
Jetmaster	2,233	13,845	2,233	2,233
Liabilities associated with assets classified as held for sale	**24,625,847**	**13,180,797**	**24,625,847**	**3,635,151**
Net assets associated with discontinued operations	68,251,921	10,025,921	68,251,921	1,617,084

21 Loss per share (cents)

Basic loss per share

Loss for the year from continuing operations	(48,794,871)	(11,623,333)	(46,777,775)	(1,426,014)
Loss for the year from discontinued operations	(21,093,716)	(1,314,709)	(21,093,716)	(161,314)
Loss for the year	**(69,888,586)**	**(12,938,042)**	**(67,871,491)**	**(46,777,775)**

	Inflation Adjusted		Historical Cost	
	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
Weighted average number of shares in issue	463,337,661	463,337,661	463,337,661	463,337,661
Basic loss per share from continuing operations	(0.11)	(0.03)	(0.10)	0.31
Basic loss per share from discontinued operations	(0.05)	(0.03)	(0.05)	0.03
Basic loss per share (cents)	**(0.2)**	**(0.03)**	**(0.15)**	**0.34**

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	(48,794,871)	(11,623,333)	(46,777,775)	(1,426,014)
• Loss for the year from discontinued operations	(21,093,716)	(1,314,709)	(21,093,716)	(161,341)
• **Loss for the year**	**(69,888,586)**	**(12,938,042)**	**(67,871,491)**	**(1,587,355)**

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	463,337,661	463,337,661
Diluted loss per share from continuing operations	(0.11)	(0.03)	(0.10)	0.31
Diluted loss per share from discontinued operations	(0.05)	(0.00)	(0.05)	0.03
Diluted loss per share (cents)	**(0.15)**	**(0.03)**	**(0.15)**	**0.34**

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:

	Inflation Adjusted		Historical Cost	
	2019 ZWL$	2018 ZWL$	2019 ZWL$	2018 ZWL$
National Social Security Authority	51,955	100,701	12,807	12,356
Total contributions	**51,955**	**100,701**	**12,807**	**12,356**

23 Going concern

The company has reported a deficit of ZWL$67,871,491 (2018:deficit ZWL$1,426,014) for the year ended 31 December 2019. As at that date:

the company recorded positive cash flows of ZWL$333,228 in the current year.
the company recorded negative working capital of ZWL$4,484,174 in the current year.
the company recorded negative retained earnings of ZWL$60,330,291 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 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 by about during the year under review.
- The company no longer gives management allowances and no longer has permanent employees. All employees are engaged on contract basis.
- The company also hires workers according to the number of ongoing 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 date

There are no issues after the reporting date that warrant adjustment of the financial statements. However, the company wishes to comment on the effects of Corona Virus (Covid-19) in the paragraphs below. The COVID-19 outbreak, which was declared a pandemic by the World Health Organization (WHO) on 11 March 2020, has affected the lives of people around the world. Many countries worldwide have placed either a partial or complete lockdown of their economies in order to contain the spread of the pandemic. As expected, these measures affect the performance of companies and in particular the going concern assumption and hence impact on the financial statements presentation. In response to the pandemic, the President of Zimbabwe declared a 21 Days national lockdown starting on 30 March 2020. Statutory Instruments 82 of 2220 Public Health, (Covid 19 Prevention, Containment and Treatment) (Amendment) Regulations 2020 (No. 1) and Statutory Instrument ("SI") 83 of 2020 Public Health, (Covid 19 Prevention, Containment and Treatment) (National Lockdown) Order 2020 were issued to bring legality to the lockdown. SI 83 exempts companies that provide essential services to the economy. The financial impact will be reflected in the financial statements for the year ended December 31 2020.

HISTORICAL COST

25 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$
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**
Revaluation/Adjustment	-	-	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**
Year end December 31, 2019										
Opening net book value	518,950	30,916,846	663,530	95,000	-	-	455	2,042	-	**32,196,823**
Revaluation	16,083,350	154,997,738	25,236,781	522,136	667,156	770,071	26,955	118,433	59,198	**198,481,818**
Depreciation for the year	-	-	-	-	-	-	-	-	-	**-**
Closing net book value	**16,602,300**	**185,914,584**	**25,900,311**	**617,136**	**667,156**	**770,071**	**27,410**	**120,475**	**59,198**	**230,678,641**
At December 31, 2019										
Cost/Valuation	16,602,300	185,914,584	25,900,310	617,136	667,156	770,071	27,410	120,475	59,198	**231,035,482**
Accumulated depreciation	-	-	-	-	-	-	-	-	-	
Net book value	**16,602,300**	**185,914,584**	**25,900,310**	**617,136**	**667,156**	**770,071**	**27,410**	**120,475**	**59,198**	**230,678,641**

INFLATION ADJUSTED

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$
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**
Revaluation/Adjustment	-	-	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	3,217,490	246,840,761	17,760,976	931,340	65,993	466,829	81,598	240,572	140,610	**269,746,169**
Accumulated depreciation	-	(55,156,314)	(13,647,092)	(342,340)	(65,993)	(466,829)	(78,777)	(227,914)	(140,610)	**(70,125,868)**
Net book value	**3,217,490**	**191,684,447**	**4,113,884**	**589,000**	**-**	**-**	**2,821**	**12,659**	**-**	**199,620,302**
Year end December 31, 2019										
Opening net book value	3,217,490	191,684,447	4,113,884	589,000	-	-	2,821	12,659	-	**199,620,302**
Revaluation	13,384,810	(5,769,863)	21,786,425	28,136	667,156	770,071	24,589	107,816	59,198	**31,058,339**
Depreciation for the year	-	-	-	-	-	-	-	-	-	**-**
Closing net book value	**16,602,300**	**185,914,584**	**25,900,310**	**617,136**	**667,156**	**770,071**	**27,410**	**120,475**	**59,198**	**230,678,641**
At December 31, 2019										
Cost/Valuation	16,602,300	185,914,584	25,900,310	617,136	667,156	770,071	27,410	120,475	59,198	**230,678,641**
Accumulated depreciation	-	-	-	-	-	-	-	-	-	
Net book value	**16,602,300**	**185,914,584**	**25,900,310**	**617,136**	**667,156**	**770,071**	**27,410**	**120,475**	**59,198**	**230,678,641**

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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 Limited** set out on pages 11 to 28 which comprise the statement of financial position as at December 31, 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

Adverse Opinion
In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the organisation's financial statements do not present fairly the financial position of the organisation as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, (IFRSs).

Basis of Adverse Opinion
Date of change in functional currency - Non-compliance with IAS 21 and resultant inconsistency with IAS 29. As explained in note 2.3.1, 2.3.2 and 2.3.3 to the organisation financial statements, the organisation applied the United States Dollar, (US$), as its functional currency for the period 1 October 2018 to 22 February 2019 and the Real Time Gross Settlement Dollars, (RTGS$), and Zimbabwe Dollars, (ZWL), for the period 23 February 2019 to 31 December 2019. In order to comply with Statutory Instrument 33 of 2019, issued on 22 February 2019, the organisation changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date. The organisation financial statements are presented in ZWL.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA, RTGS accounts from the FCA Nostro US$ accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar, (RTGS), and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe dollar (which comprises RTGS$, Bond notes and Bond coins) was the sole legal tender effective 24 June 2019

The events triggered the need for the organisation to assess whether there was a change in functional currency (from US$ to RTGS/ZWL) and to determine an appropriate spot rate as required by IAS 21.

Based on International Accounting Standard IAS 21 - The effects of changes in Foreign Exchange Rates ("IAS 21") the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it. In addition, paragraph 2.1 of the Conceptual Framework for Financial Reporting ("the Conceptual Framework") prescribes that for financial information to be useful, it "must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon".

We believe that events in the market and subsequent promulgation of the ZWL as a formal currency supports that there was a change in functional currency from US$ to ZWL and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL:US$ exchange rate and this occurred effective 1 October 2018. This impacts the basis for measuring transactions that occurred effective 1 October 2018. This impacts the basis for measuring transactions that occurred between 1 October 2018 and 22 February 2019, the valuation of assets and liabilities as well as the accounting for foreign current and prior period exchange differences.

Accordingly, the financial statements of the organisation include balances and transactions denominated in US$ that were not converted to ZWL at a ZWL:US$ exchange rate that reflects the economic substance of its value as required by IFRS.

Exchange rate (Non- compliance with IAS 21)

For the period 1 October 2018 to 22 February 2019 the financial statements of the organisation included balances and transactions denominated in ZWL that were not converted to USD$ at a ZWL:US$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2019, 20th of February 2019 and 1st of October 2018. We believe that the transactions in the market indicated a different rate between the two currencies through ought this period despite the legal 1:1 ZWL:US$ exchange rate.

On the 23rd of February 2019, being the date of change in functional currency for the organisation, management translated all balances using an exchange rate of 1 ZWL:1 US$. Subsequently the organisation applied relevant interbank rates up to 31 December 2019. The exchange rates used did not meet the criteria for appropriate exchange rates in terms of IFRS as defined below:

According to IAS 21, at the end of each reporting period; (a) foreign currency monetary items shall be translated using the closing rate; (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. According to paragraph 8 of IAS 21, the closing rate is defined as a) spot exchange rate at the end of the reporting period, and b) Spot exchange rate is the exchange rate for immediate delivery.

In light of the definitions above, the IFRS interpretations Committee concluded in their September 2018 paper that closing rate is the rate to which an entity would have access at the end of the reporting period through a legal exchange mechanism.

We therefore believe that the exchange rates for transactions and balances between the US$ and the RTGS $/ZWL used by the organisation (1:1 for the period 1 October 2018 to 22 February 2019 and interbank rate for transactions and balances between 23 February 2019 and 31 December 2019) did not meet the criteria for appropriate exchange rates in terms of IFRS as defined above. Had the correct rate been used, most balances would have been materially different.

Independent auditor's report

To the members of ZECO Holdings Limited

Report on the audit of the financial statements

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 **ZWL$60,330,291** for the year ended December 31, 2019 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 **ZWL$4,484,174.** 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 **ZWL$67,871,491** in the current year (2018, deficit of ZWL$1,587,328) which resulted in negative retained earnings of **ZWL$60,330,291 as at December 31, 2019, (2018:** negative **ZWL $19,067,414**). We draw your attention to **note 23** where further details on going concern have been disclosed. As stated in **note 20**, these events or conditions, along with other matters as set forth in note 20, 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.

- 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;
  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.

Independent auditor's report

To the members of ZECO Holdings

Report on the audit of the financial statements

Key audit matter	How our audit addressed the key audit matter
•The group has increasing statutory obligation owing to Zimbabwe Revenue Authority (ZIMRA), National Social Security Authority (NSSA) and Zimbabwe Manpower Development Fund. The company's outstanding balance ZWL$531,330.74 and ZWL $45,859.59 .	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.

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, (IFRSs), and for such internal control as the members determine as 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 organisation'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 members either intend to liquidate the organisation 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 judgment and maintain professional skepticism 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 controls.

Independent auditor's report

To the members of ZECO Holdings Limited

Report on the audit of the financial statements

- 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 organisation's internal controls.

- 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 organisation'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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 controls 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 chartered accountants
2nd Floor, Methodist House
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13/07/2020

MGI (Mazhandu) Chartered Accountants
Fanuel Pange, CA (Z)
Managing Partner
Registered Public Auditor, PAAB number 0457
July 13, 2020

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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 Limited** set out on pages 11 to 28 which comprise the statement of financial position as at December 31, 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

Adverse Opinion
In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the organisation's financial statements do not present fairly the financial position of the organisation as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, (IFRSs).

Basis of Adverse Opinion
Date of change in functional currency - Non-compliance with IAS 21 and resultant inconsistency with IAS 29. As explained in note 2.3.1, 2.3.2 and 2.3.3 to the organisation financial statements, the organisation applied the United States Dollar, (US$), as its functional currency for the period 1 October 2018 to 22 February 2019 and the Real Time Gross Settlement Dollars, (RTGS$), and Zimbabwe Dollars, (ZWL), for the period 23 February 2019 to 31 December 2019. In order to comply with Statutory Instrument 33 of 2019, issued on 22 February 2019, the organisation changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date. The organisation financial statements are presented in ZWL.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA, RTGS accounts from the FCA Nostro US$ accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar, (RTGS), and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe dollar (which comprises RTGS$, Bond notes and Bond coins) was the sole legal tender effective 24 June 2019

The events triggered the need for the organisation to assess whether there was a change in functional currency (from US$ to RTGS/ZWL) and to determine an appropriate spot rate as required by IAS 21.

Based on International Accounting Standard IAS 21 - The effects of changes in Foreign Exchange Rates ("IAS 21") the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it. In addition, paragraph 2.1 of the Conceptual Framework for Financial Reporting ("the Conceptual Framework") prescribes that for financial information to be useful, it "must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon".

We believe that events in the market and subsequent promulgation of the ZWL as a formal currency supports that there was a change in functional currency from US$ to ZWL and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL:US$ exchange rate and this occurred effective 1 October 2018. This impacts the basis for measuring transactions that occurred effective 1 October 2018. This impacts the basis for measuring transactions that occurred between 1 October 2018 and 22 February 2019, the valuation of assets and liabilities as well as the accounting for foreign current and prior period exchange differences.

Accordingly, the financial statements of the organisation include balances and transactions denominated in US$ that were not converted to ZWL at a ZWL:US$ exchange rate that reflects the economic substance of its value as required by IFRS.

Exchange rate (Non- compliance with IAS 21)

For the period 1 October 2018 to 22 February 2019 the financial statements of the organisation included balances and transactions denominated in ZWL that were not converted to USD$ at a ZWL:US$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2019, 20th of February 2019 and 1st of October 2018. We believe that the transactions in the market indicated a different rate between the two currencies through ought this period despite the legal 1:1 ZWL:US$ exchange rate.

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According to IAS 21, at the end of each reporting period; (a) foreign currency monetary items shall be translated using the closing rate; (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. According to paragraph 8 of IAS 21, the closing rate is defined as a) spot exchange rate at the end of the reporting period, and b) Spot exchange rate is the exchange rate for immediate delivery.

In light of the definitions above, the IFRS interpretations Committee concluded in their September 2018 paper that closing rate is the rate to which an entity would have access at the end of the reporting period through a legal exchange mechanism.

We therefore believe that the exchange rates for transactions and balances between the US$ and the RTGS $/ZWL used by the organisation (1:1 for the period 1 October 2018 to 22 February 2019 and interbank rate for transactions and balances between 23 February 2019 and 31 December 2019) did not meet the criteria for appropriate exchange rates in terms of IFRS as defined above. Had the correct rate been used, most balances would have been materially different.

Independent auditor's report

To the members of ZECO Holdings Limited

Report on the audit of the financial statements

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 **ZWL$60,330,291** for the year ended December 31, 2019 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 **ZWL$4,484,174.** 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 **ZWL$67,871,491** in the current year (2018, deficit of ZWL$1,587,328) which resulted in negative retained earnings of **ZWL$60,330,291 as at December 31, 2019, (2018:** negative **ZWL $19,067,414**). We draw your attention to **note 23** where further details on going concern have been disclosed. As stated in **note 20**, these events or conditions, along with other matters as set forth in note 20, 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.

- 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;
  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.

Independent auditor's report

To the members of ZECO Holdings

Report on the audit of the financial statements

Key audit matter	How our audit addressed the key audit matter
•The group has increasing statutory obligation owing to Zimbabwe Revenue Authority (ZIMRA), National Social Security Authority (NSSA) and Zimbabwe Manpower Development Fund. The company's outstanding balance ZWL$531,330.74 and ZWL $45,859.59 .	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.

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, (IFRSs), and for such internal control as the members determine as 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 organisation'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 members either intend to liquidate the organisation 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 judgment and maintain professional skepticism 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 controls.

Independent auditor's report

To the members of ZECO Holdings Limited

Report on the audit of the financial statements

- 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 organisation's internal controls.

- 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 organisation'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.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 controls 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.

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13/07/2020

MGI (Mazhandu) Chartered Accountants
Fanuel Pange, CA (Z)
Managing Partner
Registered Public Auditor, PAAB number 0457
July 13, 2020