



We're building the future

Registered Office:

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

Chairman's Statement

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 required by the Companies and Other Business Entities Act (24:31) and the Zimbabwe Stock Exchange listing requirements for provisional interim financial statements (interim reports).

Operating overview

The period under review was characterised by varying lockdown restrictions meant to contain the effects of the Covid-19 pandemic. Inflationary pressures slowed down in the first few months of the period, with a stable exchange rate buoyed by a bumper agricultural season. This was disrupted by the introduction of Statutory Instrument 127 of 2021 whose effects resulted in inflationary pressures as there were doubts in the use of foreign currency in local transactions. Despite this, the economy seems stabilised and a positive growth envisaged.

Performance review

The group recorded revenues of ZWL\$29.992 million (inflation adjusted \$30.643 m) for the six months ended June 30, 2021 compared to ZWL\$2.777million (inflation adjusted \$5.738m) for the same period last year. During the period, the group recorded a loss of ZWL\$8.490 million (inflation adjusted \$105.792m). Total assets as at 30 June 2021 amounted to ZWL\$231.036 million (inflation adjusted \$477.059 m).

COVID 19 IMPACT

The Group will continually review its response to Covid-19 effects and the accompanying rolling waves of the virus based on the available health and medical protocols and guidelines taking staff welfare and customers safety as paramount. We hope the vaccine roll outs will reduce the effect of the pandemic thus allowing free movement and increased business activities.

Board changes

There were no changes in the Directorate during the period under review.

Outlook

The operating environment and macro-economic conditions remain uncertain due to the COVID-19 pandemic. We however see some positive moves as the local lockdowns are not as severe as previous ones resulting in continual economic activity. The bumper agricultural season has positively impacted industry resulting in better access to foreign currency.

These positives will likely improve the group performance. The company will continue to pursue new strategic directions in order to preserve and enhance shareholder value.

Acknowledgments

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


Dr Eng. B. Rafemoyo
Chairman

Statement of Financial Position For the six months ended June 30, 2021

	Note	Inflation Adjusted June 2021 ZWL\$	June 2020 ZWL\$	Historical June 2021 ZWL\$	June 2020 ZWL\$
Assets					
Non-current assets					
Property, plant and equipment	20	381,705,317	472,437,079	161,022,355	228,626,705
Deferred tax		29,916	61,819	29,916	29,916
Total non-current assets		381,735,233	472,498,898	161,052,271	228,656,621
Current assets					
Inventory	8	2,859,494	3,742,078	2,859,495	1,810,906
Trade and other receivables	9	1,549,465	3,119,971	1,549,465	1,509,849
Related party receivables	10	14,217	28,188	14,217	13,641
Financial assets at fair value					
through profit or loss	11	5,726	11,832	5,726	5,726
Cash and cash equivalents	12	159,234	2,836,340	159,234	1,372,592
Total current assets		4,588,136	9,738,409	4,588,137	4,712,713
Assets of discontinued operations	17	90,735,709	186,719,217	65,395,732	90,359,121
Total assets		477,059,077	668,956,523	231,036,140	323,728,454
Equity and liabilities					
Equity					
Derived equity		24,729,979	24,729,979	11,967,508	11,967,508
Revaluation reserve		-	-	187,161,783	286,707,678
Retained income		356,361,911	462,074,001	(64,069,426)	(63,095,900)
Total equity		381,091,891	486,803,981	135,059,865	235,579,286
Non-current liabilities					
Shareholders' loan		1,035,480	2,234,795	1,035,480	1,081,481
Deferred tax		53,868,373	113,679,349	53,868,373	55,012,522
Related party payables	10	28,320	58,521	37,407	28,320
Total non-current liabilities		54,932,173	115,971,869	54,941,260	56,122,323
Current liabilities					
Trade and other payables	13	16,153,680	15,079,031	16,153,681	7,297,203
Related party payables	10	776	1,604	776	776
Total current liabilities		16,154,456	15,080,634	16,154,457	7,297,979
Liabilities associated with discontinued operations		24,880,557	51,100,400	24,880,557	24,728,867
Total equity and liabilities		477,059,077	668,956,523	231,036,140	323,728,454

Statement of profit or loss and other comprehensive income For the six months ended June 30, 2021

	Note	Inflation Adjusted June 2021 ZWL\$	June 2020 ZWL\$	Historical June 2021 ZWL\$	June 2020 ZWL\$
Income					
Revenue	4	30,643,058	5,738,836	29,992,248	2,777,198
Cost of sales	5	(13,463,798)	(671,741)	(13,175,599)	(325,076)
Gross profit		17,179,260	5,067,094	16,816,649	2,452,121
Other income	6	957,059	344,044	955,908	166,494
Operating profit		18,136,319	5,411,139	17,772,556	2,618,616
Expenses					
Administration costs	7	(34,667,367)	(8,843,677)	(26,163,398)	(4,279,725)
Total expenses		(34,667,367)	(8,843,677)	(26,163,398)	(4,279,725)
Loss for the year from continuing operations		(16,531,048)	(3,432,538)	(8,390,842)	(1,661,109)
Discontinued operations					
Loss for the year after tax from discontinued operations		(107,293)	(2,282,351)	(100,000)	(1,104,499)
Loss for the year before monetary loss		(16,638,341)	(5,714,889)	(8,490,842)	(2,765,608)
Monetary gain/(loss)		(89,073,749)	590,654,633	-	-
Loss for the year		(105,712,090)	584,939,744	(8,490,842)	(2,765,608)
Attributable to:					
Equity holders of the parent company:		(105 712 090)	584 939 744	(8 490 842)	(2 765 608)
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		(3.57)	126.24	(1.81)	(0.36)
Basic loss per share from discontinued operations		(0.02)	(0.49)	(0.02)	(0.24)
Basic loss per share		(3.59)	125.75	(1.83)	(0.60)
Diluted earnings per share from continuing operations		(3.57)	(0.74)	(1.81)	(0.36)
Diluted earnings per share from discontinued operations		(0.02)	(0.49)	(0.02)	(0.24)
Diluted earnings per share		(3.59)	(1.23)	(1.83)	(0.60)

Statement of Changes in Equity For the six months ended June 30, 2021

HISTORICAL	Derived equity ZWL\$	Revaluation reserve ZWL\$	Retained income ZWL\$	Total ZWL\$
Balance as at June 30, 2019	11,967,508	286,707,678	(60,330,292)	238,344,894
Loss for the year	-	-	(2,765,608)	(2,765,608)
Balance as at December 31, 2020	11,967,508	286,707,678	(63,095,900)	235,579,286
Revaluation reserve	-	(99,545,895)	-	(99,545,895)
Exchange gain	-	-	7,517,315	7,517,315
Loss for the year	-	-	(8,490,842)	(8,490,842)
Balance as at June 30, 2021	11,967,508	187,161,783	(64,069,426)	135,059,865
INFLATION ADJUSTED				
	Derived equity ZWL\$	Retained income ZWL\$	Total ZWL\$	
Balance as at June 30, 2019	24,729,979	(130,383,058)	(105,653,079)	
Exchange gain	-	7,517,315	7,517,315	
Profit for the year	-	584,939,744	584,939,744	
Balance as at December 31, 2020	24,729,979	462,074,001	486,803,981	
Loss for the year	-	(105,712,090)	(105,712,090)	
Balance as at June 30, 2021	24,729,979	356,361,911	381,091,891	

Statement of Cashflows For the six months ended June 30, 2021

	Inflation Adjusted June 2021 ZWL\$	June 2020 ZWL\$	Historical June 2021 ZWL\$	June 2020 ZWL\$
Cash flow from operating activities				
Loss before tax - continuing operations	(16,531,048)	(3,432,077)	(8,390,842)	(1,661,109)
Loss for the year - discontinued operations	(107,293)	(2,282,045)	(100,000)	(1,104,499)
	(16,638,341)	(5,714,122)	(8,490,842)	(2,765,608)
Adjustments for non-cash items				
Impairment/disposal	83,246,351	4,239,579	(31,941,545)	2,051,936
Non monetary loss	(89,073,749)	-	-	-
Interest received	-	(14)	-	(7)
Depreciation for discontinued operations	-	2,282,045	-	1,104,499
Exchange gain	7,517,315	-	7,517,315	-
Net cash flows after adjustments for non-cash items	(14,948,424)	807,488	(32,915,071)	390,821
Working capital changes				
Decrease/(increase) in inventories	882,584	(2,084,199)	(1,048,590)	(1,008,743)
Decrease/(increase) in trade and other receivables	1,570,505	(1,590,521)	(39,616)	(769,805)
Decrease/(increase) in related party receivables	13,971	-	(576)	-
Increase/(decrease) in related party payables	(828)	-	9,087	-
Increase in trade and other payables	1,074,650	1,963,649	8,856,479	950,397
Decrease in deferred tax	(59,810,190)	-	(1,144,149)	-
Decrease in financial assets	6,106	-	-	-
Increase in discontinued operations assets	95,983,508	2,921,822	24,963,389	1,414,148
Increase/(decrease) in discontinued operations liabilities	(26,219,483)	212,853	151,690	103,020
Net cash flows after working capital changes	13,500,824	1,423,603	31,747,714	689,017
Net cash flows from operating activities	(1,447,600)	2,231,091	(1,167,358)	1,079,838
Cash flow from financing activities				
Interest received	-	14	-	7
Shareholder's loan	(1,199,305)	2,058,429	(46,001)	996,137
Related party payables	(30,201)	(2,077,207)	-	(1,005,224)
Net cash flows from financing activities	(1,229,506)	(18,765)	(46,001)	(9,081)
Increase/(decrease) in cash and cash equivalents	(2,677,106)	2,212,326	(1,213,358)	1,070,758
Movement of cash and cash equivalents				
Cash and cash equivalents at the beginning of the period	2,836,340	624,014	1,372,592	301,834
Increase/(decrease) in cash and cash equivalents	(2,677,106)	2,212,326	(1,213,358)	1,070,758
Cash and cash equivalents at the end of the period	159,234	2,836,340	159,234	1,372,592

Notes to the Financial Statements

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

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 30 June 2021. The change in currency was effected in accordance 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 converted 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.

Hyperinflation

The Public Accountants and Auditors Board issued pronouncement 01/2019 on the application of International Accounting Standard (IAS 29) Financial Reporting in Hyperinflationary Economies in Zimbabwe. The pronouncement requires that companies generally recognised in statement of profit and loss and other comprehensive income within that prepare and financial periods ended on or after 1 July 2019 to apply present financial statements for the requirements of IAS29 Financial Reporting in Hyperinflationary Economies. Appropriate adjustments and reclassifications, including restatements for currency changes and general purchasing power of the Zimbabwe dollar and for the purposes of fair presentation in accordance with IAS 29 have been made in these financial statements to the historical financial information. For inflation adjustments, the following indices from the Zimbabwe: Statistical Office were used. Trade economics journal from June 2020 to December 2021

	INDICES	FACTOR
CPI as at 31 December 2020	551.63	5.41
CPI as at June 2020	1,445.21	2.07
CPI as at 31 June 2021	2,986	1

The indices and adjusting factors have been applied to the historical cost of transactions and balances as follows

All items in income statement are restated by applying relevant monthly adjusting factors;

The net effect of inflation adjustment on the net monetary position of the company is included in the income statement as a monetary loss or gain;

Comparative information is restated using the inflation indices in terms of the measuring unit current at the reporting date;

The application of the IAS29 restatement procedures has the effect of amending certain accounting policies which are used in the preparation of the financial statements under historical cost convention. The policies affected are;

- Monetary assets and liabilities are not restated as they are already stated in terms of the measuring unit current at the reporting date;
- Non monetary assets and liabilities are not carried at amounts current at the reporting date and components of shareholders equity are restated by applying the relevant monthly adjusting factor

Inventories are carried at the lower of indexed cost and net realisable value

Deferred tax is provided in respect of temporary differences arising from the restatement of assets and liabilities; and

All items of cash flow statement are expressed in terms of measuring unit current at the reporting date

3 Statement of compliance

The abridged unaudited financial statements for the six months ended 30 June 2021 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 2020. These financials are based on statutory records that are maintained under the historical cost convention.

	Inflation Adjusted June 2021 ZWL\$	June 2020 ZWL\$	Historical June 2021 ZWL\$	June 2020 ZWL\$
4 Revenue				
Sales	30,643,058	5,738,875	29,992,248	2,777,198
Total revenue	30,643,058	5,738,875	29,992,248	2,777,198
5 Cost of sales				
Direct materials	12,601,951	11,541	12,314,752	5,585
Direct labour	861,847	403,007	860,847	195,026
Production overheads	-	257,198	-	124,465
Total cost of sales	13,463,798	671,746	13,175,599	325,076
6 Other income				
Sundry income	957,059	99,908	955,906	48,348
Interest Received - Bank	-	14	-	7
Rent Received	-	244,127	-	118,140
Total other income	957,059	344,049	955,906	166,494
7 Administration expenses				
Depreciation	1,742,638	206,027	1,739,838	99,702
Employee costs	12,560,315	2,400,121	12,117,078	970,429
Contribution to pension fund	67,838	3,887	64,982	1,881
Administration expenses	12,684,392	2,388,327	12,241,500	1,155,776
Total administration costs	34,667,367	35,832,809	26,163,398	4,279,725

8 Inventory				
Raw materials-contents	-	2,163,031	-	1,046,750
Work in progress	1,126,617	769,324	1,126,617	372,297
Finished goods	1,732,878	809,725	1,732,878	391,859
Total inventory	2,859,494	3,742,078	2,859,495	1,810,906
9 Trade and other receivables				
Trade	1,525,110	3,117,884	1,525,110	1,508,829
Other	28,301	10,260	28,301	4,965
Discontinued operations	(3,549)	(8,173)	(3,549)	(3,545)
Total trade and other receivables	1,549,461	3,119,971	1,549,461	1,509,489



Independent auditor's report

To the members of ZECO Holdings Limited

The review of inflation adjusted interim financial information

We have reviewed the accompanying inflation adjusted condensed consolidated statement of financial position of ZECO Holdings Limited and its subsidiaries ("the Group") as at 30 June 2021 and the inflation adjusted condensed consolidated statement of comprehensive income, inflation adjusted condensed consolidated statement of changes in equity and inflation adjusted condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Companies and Other Business Entities Act (24:31). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

Impact of incorrect date of application of International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" on comparative financial information

The Group and Company did not comply with IAS 21 in the prior financial period, as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19"). Had the assessment required by IAS 21 occurred in the correct period from 1 October, 2018, the adjustments that were recognised in the comparative 2019 period would have been materially different. Therefore, the departure from the requirements of IAS 21 were considered to be pervasive in the prior period. The financial effects on the inflation adjusted consolidated financial statements of this departure were not determined.

Furthermore, our conclusion on the current period's financial results is modified because of the possible effects of the matter on the comparability of the current period's financial results with that of the prior year.

Independent auditor's report

To the members of ZECO Holdings Limited

The review of inflation adjusted interim financial information

Adverse conclusion

Due to the significance of the matters described in the Basis for Adverse Conclusion paragraphs, we conclude that the accompanying interim financial information of the Group does not present fairly, in all material respects, the consolidated interim inflation adjusted financial position of the Group as at 30 June 2021, and of its consolidated interim inflation adjusted financial performance and cash flows for the six month period then ended in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Companies and Other Business Entities Act (24:31).

Fanuel Pange, CA (Z)
PAAB number 0457
Managing Partner
Registered Public Auditor

MP

MGI chartered accountants
2nd Floor, Methodist House
7 Central Avenue
Box 6498, Harare, Zimbabwe
T: +263 242 755 247 / 253 033/4
29107121

MGI (Mazhandu) Chartered Accountants
Registered Public Auditors
Harare
July 22, 2021