

Chairman’s Statement

Operating overview

The Zimbabwean economy continued to experience hyperinflationary environment throughout in the year which were exacerbated by the delayed funding of successful bids at the auction market. According to the ZimStats report, year on year inflation was recorded at 61% from the 348% recorded in the same period prior year. The Covid-19 effects were felt throughout the year but eased towards to some normalcy, although relaxed curfew was still in place.

Performance review

The group recorded revenues of ZWL24.354 million (inflation adjusted \$30.831 m) for the year ended December 31, 2021 as compared to ZWL4.155 million (inflation adjusted \$10.471m) in 2020. The group recorded a profit of ZWL 52,521 million (Inflation adjusted +\$319.547 million) as compared to a loss of ZWL\$3.153 million (inflation adjusted +\$2,507m) the previous year. Total assets were ZWL1 769.982 million (Inflation adjusted \$2 585.845m) as at 31 December 2021.

Please note that the group has not declared a dividend for the period.

Operations

The group's performance in the construction sector was positive as projects continued in spite of the few lockdown restrictions. Positive performance is expected this year due to less covid-19 restrictions and expected new projects.

Outlook

The operating environment and macro-economic conditions though affected by the pandemic, should remain under inflationary and exchange rate pressures which may result in further devaluation of the currency and increase prices. We expect projects within the industry to continue which should increase shareholder value.

Despite challenging operating circumstances, we believe the business will thrive on the back of new initiatives and business direction thereby enhancing shareholder value.

Acknowledgments

On behalf of the board, I would like to thank all ZECO stakeholders, Management and Staff for their continued invaluable support and commitment.

Eng. Dr B. Rafemoyo
Chairman

Statement of Financial Position As at December 31, 2021

| Note | INFLATION ADJUSTED | | HISTORICAL | |
|---|--------------------|----------------------|----------------------|----------------------|
| | 2021 ZWL\$ | 2020 ZWL\$ | 2021 ZWL\$ | 2020 ZWL\$ |
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 25 | 1,230,655,484 | 1,072,424,184 | 695,516,884 |
| Investment property | | 489,015,000 | | 489,015,000 |
| Deferred tax | | 48,165 | | 29,916 |
| Total non-current assets | | 1,719,718,649 | 1,072,472,348 | 1,184,561,800 |
| | | | | |
| Current assets | | | | |
| Inventory | 10 | 10,125,202 | 2,240,070 | 10,125,202 |
| Trade and other receivables | 11 | 1,855,738 | 230,872 | 1,855,738 |
| Related party receivable | 12 | 13,641 | 21,962 | 13,641 |
| Other financial assets | 13 | 5,726 | 9,219 | 5,726 |
| Cash and cash equivalents | 14 | 220,690 | 298,309 | 220,690 |
| Total current assets | | 12,220,997 | 2,800,432 | 12,220,997 |
| Assets of discontinued operations | | 853,906,066 | 1,231,792,436 | 573,199,822 |
| Total assets | | 2,585,845,712 | 2,307,065,216 | 1,769,982,619 |
| | | | | |
| Equity and liabilities | | | | |
| Equity | | | | |
| Derived Equity | | 86,285,733 | 86,285,733 | 11,967,508 |
| Revaluation reserve | | - | 397,815,856 | 976,707,421 |
| Retained earnings | | 2,390,457,341 | 2,072,265,027 | 1,251,096,617 |
| Total equity | | 2,476,743,074 | 2,158,550,760 | 1,660,879,981 |
| | | | | |
| Non current liabilities | | | | |
| Shareholders loan | 18 | 28,320 | 45,595 | 28,320 |
| Deferred tax | 19 | 53,868,373 | 42,505,409 | 53,868,373 |
| Related party payables | 12 | 425,743 | 1,664,005 | 425,743 |
| Total non current liabilities | | 54,322,436 | 44,215,009 | 54,322,436 |
| | | | | |
| Current liabilities | | | | |
| Trade and other payables | 15 | 29,521,626 | 13,364,531 | 29,521,626 |
| Related party payables | 12 | 1,249 | 776 | 776 |
| Total current liabilities | | 29,522,402 | 13,365,781 | 29,522,402 |
| Liabilities associated with discontinued operations | | 25,257,800 | 90,933,666 | 25,257,800 |
| Total equity and liabilities | | 2,585,845,712 | 2,307,065,216 | 1,769,982,619 |

Statement of Changes in Equity As at December 31, 2021

| INFLATION ADJUSTED | Derived equity ZWL\$ | Revaluation reserve ZWL\$ | Retained earnings ZWL\$ | Total ZWL\$ |
|--|-------------------------|------------------------------|----------------------------|----------------------|
| | | | | |
| Restated balance as at January 1, 2020 | 86,285,733 | - | (434,981,405) | (348,695,673) |
| Loss for the year | - | - | 2,507,246,432 | 2,507,246,432 |
| Balance as at December 31, 2020 | 86,285,733 | - | 2,072,265,027 | 2,158,550,760 |
| Profit for the year | - | - | 319,547,933 | 319,547,933 |
| Foreign exchange loss | - | - | (1,355,619) | (1,355,619) |
| Balance as at December 31, 2021 | 86,285,733 | - | 2,390,457,342 | 2,476,743,074 |
| | | | | |
| HISTORICAL | | | | |
| Balance as at January 1, 2020 | 11,967,508 | 286,707,678 | (60,330,292) | 238,344,894 |
| Loss for the year | - | - | (3,153,951) | (3,153,951) |
| Realisation of revaluation | - | (286,707,678) | 286,707,678 | - |
| Revaluation reserve | - | 976,707,421 | - | 976,707,421 |
| Balance as at December 31, 2020 | 11,967,508 | 976,707,421 | 223,223,435 | 1,211,898,364 |
| Loss for the year | - | - | 52,521,380 | 52,521,380 |
| Foreign exchange loss | - | - | (1,355,619) | (1,355,619) |
| Realisation of revaluation | - | (976,707,421) | 976,707,421 | - |
| Revaluation reserve | - | 397,815,856 | - | 397,815,856 |
| Balance as at December 31, 2021 | 11,967,508 | 397,815,856 | 1,251,096,617 | 1,660,879,981 |

Statement of Profit or Loss and Other Comprehensive Income As at December 31, 2021

| Note | INFLATION ADJUSTED | | HISTORICAL | |
|---|--------------------|---------------------|----------------------|---------------------|
| | 2021 ZWL\$ | 2020 ZWL\$ | 2021 ZWL\$ | 2020 ZWL\$ |
| Income | | | | |
| Revenue | 5 | 30,831,846 | 10,471,167 | 24,354,451 |
| Cost of sales | 6 | (7,791,193) | (1,136,452) | (6,561,464) |
| Gross profit | | 23,040,653 | 9,334,715 | 17,792,987 |
| Other income | 7 | 61,666 | 136,009 | 49,921 |
| Profit on disposal of assets | | 59,456,114 | - | 59,456,114 |
| Operating profit | | 82,558,433 | 9,470,724 | 77,299,022 |
| | | | | |
| Expenditure | | | | |
| Administration costs | 8 | (29,342,900) | (18,847,347) | (24,477,642) |
| Total expenditure | | (29,342,900) | (18,847,347) | (24,477,642) |
| Profit/(loss) before tax | | 53,215,533 | (9,376,623) | (3,720,882) |
| Income tax | | - | - | - |
| Profit/(loss) from continuing operations | | 53,215,533 | (9,376,623) | 52,821,380 |
| | | | | |
| Discontinued operations | | | | |
| Profit/(loss) for the year after tax from discontinued operations | | (300,000) | 1,428,666 | (300,000) |
| Profit/(loss) before monetary gain | | 52,915,533 | (7,947,957) | 52,521,380 |
| Monetary gain | | 266,632,400 | 2,515,194,389 | - |
| Profit/(loss) for the year | | 319,547,933 | 2,507,246,432 | 52,521,380 |
| | | | | |
| Attributable to: | | | | |
| Equity holders of the parent company: | | 319,547,933 | 2,507,246,432 | 52,521,380 |
| Loss per share (cents) | | 463,337,661 | 463,337,661 | 463,337,661 |
| Weighted average number of shares in issue | | | | |
| Basic loss per share from continuing operations | | 0.11 | (0.02) | 0.11 |
| Basic loss per share from discontinued operations | | (0.00) | 0.00 | (0.00) |
| Basic profit/(loss) per share | | 0.69 | 5.41 | 0.11 |
| | | | | |
| Diluted earnings per share from continuing operations | | 0.11 | (0.02) | 0.11 |
| Diluted earnings per share from discontinued operations | | (0.00) | 0.00 | (0.00) |
| Diluted earnings per share | | 0.69 | 5.41 | 0.11 |

Statement of Cashflows As at December 31, 2021

| | INFLATION ADJUSTED | | HISTORICAL | |
|--|---------------------|--------------------|--------------------|--------------------|
| | 2021 ZWL\$ | 2020 ZWL\$ | 2021 ZWL\$ | 2020 ZWL\$ |
| Cash flows from operating activities | | | | |
| Profit/(loss) before tax- continuing operations | 53,215,533 | (9,376,623) | 52,821,380 | (3,720,882) |
| Profit/(loss) for the year- discontinued operations | (300,000) | 1,428,666 | (300,000) | 566,931 |
| | 52,915,533 | (9,376,623) | 52,521,380 | (3,153,951) |
| | | | | |
| Adjustments for non-cash items | | | | |
| Interest received | (1,461) | (408) | (1,153) | (162) |
| Profit on disposal of assets | (59,456,114) | - | (59,456,114) | - |
| Monetary gain | 266,632,400 | 2,515,194,389 | - | - |
| Foreign exchange loss | (1,355,619) | - | (1,355,619) | - |
| IAS 29 effects | (213,011,777) | (2,511,856,312) | - | - |
| Net cash flows after working capital changes | 45,722,963 | (6,038,954) | (8,291,506) | (3,154,113) |
| | | | | |
| Working capital changes | | | | |
| Decrease/(increase) in trade and other inventories | (7,885,131) | (948,588) | (8,733,854) | (589,185) |
| Decrease/(increase) in trade and other receivables | (1,624,866) | 960,598 | (1,712,339) | 596,645 |
| Increase/(decrease) in related party receivables | 8,321 | - | - | - |
| Increase/(decrease) in related party payables | (1,238,262) | - | (607,801) | - |
| Increase or decrease in trade and other payables | 16,157,095 | 3,146,175 | 21,220,675 | 1,954,146 |
| Increase/(decrease) in financial assets at fair value | 3,493 | - | - | - |
| Increase/(decrease) in deferred tax liability | 11,362,964 | (46,064,752) | 27,467,498 | (28,611,647) |
| Decrease in current related party payables | (473) | - | - | - |
| Increase/decrease in discontinued operations liabilities | (65,675,866) | 51,286,051 | (31,222,739) | 31,854,690 |
| Increase/decrease in discontinued operations assets | 3,220,502 | (3,397,457) | 1,998,817 | (2,110,222) |
| Net cash outflows from working capital changes | (45,672,224) | 4,982,027 | 8,410,258 | 3,094,427 |
| Cash inflows/(outflows) from operating activities | 50,739 | (1,056,926) | 118,752 | (59,686) |
| | | | | |
| Cash flows from investing activities | | | | |
| Proceeds from sale of property and equipment | (112,543) | - | (84,500) | - |
| Acquisition of investment property | (489,015,000) | - | (489,015,000) | - |
| Proceeds from sale of land and building | 489,015,000 | - | 489,015,000 | - |
| Net cash flows from investing activities | (112,543) | - | (84,500) | - |
| | | | | |
| Cash flow from financing activities | | | | |
| Interest received | 1,461 | 1,667 | 1,153 | 162 |
| Shareholder's loan | (17,275) | (91,809) | - | (57,024) |
| Net cash flow from financing activities | (15,815) | (90,142) | 1,153 | (56,862) |
| Increase/(decrease) in cash and cash equivalents | (77,619) | (1,056,926) | 35,405 | (116,549) |
| | | | | |
| Movement of cash and cash equivalents | | | | |
| Cash and cash equivalents at beginning of year | 298,309 | 1,355,235 | 185,285 | 301,834 |
| Increase/(decrease) in cash and cash equivalents | (77,619) | (1,056,926) | 35,405 | (116,549) |
| Cash and cash equivalents at end of year | 220,690 | 298,309 | 220,690 | 185,285 |

Independent Auditor's Report

We have audited the financial statements of **ZECO Holdings Limited** set out on pages **11 to 31** which comprise the statement of financial position as at **December 31, 2021**, 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 company's financial statements do not present fairly the financial position of the company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion
Inappropriate application of International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) on comparative information - Impact of incorrect date of application of International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies (IAS 29), classification of deferred tax and depreciation

As a result of the pronouncement by the Public Accountants and Auditors Board (PAAB), entities reporting in Zimbabwe were required to apply the requirements of IAS 29 with effect from 1 July 2019. The Directors applied the requirements of IAS 29 from the date of change in functional currency adopted of 22 February 2019. However, in accordance with International Accounting Standard 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21) the date of change in functional currency was determined to be 1 October 2018. Consequently, the changes in the general pricing power of the functional currency should have been applied from 1 October 2018. As disclosed in Note 3.1 of the inflation adjusted consolidated financial statements, the company did not comply with IAS 21, as the Directors elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19"). IAS 29 was only applied from 22 February 2019, and not 1 October 2018, as required by IAS 21.

Management resolved to correct the inconsistencies arising due to the decision to apply the requirements of IAS 29 from 22 February 2019 as opposed to 1 October 2018 as would have been required to comply with International Financial Reporting Standards as described above. The impact of this correction was only effected as a restatement of the opening equity in the current year statement of changes in equity, for reasons explained in Note 3.2. This is not in compliance with International Financial Reporting Standards, IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors as the requirement would have required retrospective restatement. We have not been able to quantify the prior year impact of this adjustment as the cumulative effects of non-compliance with IAS 21 and its consequent impact on IAS 29 could not be ascertained for the year ended 29 February 2020. In prior year management incorrectly disclosed deferred tax liabilities and assets separately in the statement of financial position. In current year the deferred tax assets and liabilities were set off with no retrospective adjustment to the comparative information, as would be required by IAS 8 for the correction of an error. The prior year audit report included a qualification on the valuation of property, plant and equipment in the 2020 financial year.

These valuation matters remained unresolved and therefore affected the valuation of assets recorded in the comparatives. Our opinion on the current year's inflation adjusted consolidated financial statements is qualified because of the possible effects of these matters on the comparability of the current year's inflation adjusted consolidated financial statements with that of the prior year.

Exchange rates used in current year

As disclosed in Note 3.1 management has translated all foreign denominated monetary assets and liabilities at a transaction- based rate from USD to ZWL functional currency. Transactions denominated in foreign currency during the year were translated to the reporting currency using the management transaction based rate, however, balances at the end of the period were translated to the reporting currency using auction rate. We disagree with the use of the transaction-based rate for translating foreign denominated balances to ZWL during the year end as we believe that the transaction based exchange rate used for the translation of foreign denominated balances does not meet the definition of a spot exchange rate as per International Financial Reporting Standards - IAS 21 - The Effects of Changes in Foreign Exchange Rates. Furthermore, we disagree with the use of two different rates for translation of transactions and balances in the financial statements. Whilst management have used the auction rate for all transactions in the statement of financial position and the transaction-based exchange rate for the Statement of comprehensive income balances, in our opinion the

average auction rate should have been used for translation of transactions in the statement of comprehensive income and the spot auction rate as at 31 December 2021 for balances in the statement of financial position. As a result, had the correct exchange rate had been used, the following elements of the inflation adjusted consolidated statement of financial position relating to the Zimbabwean operations would have been materially different:

Valuation of property, plant and equipment

As set out in note 4.3 to the inflation adjusted financial statements, the Group performed a revaluation of property, plant and equipment as at 31 December 2021, valued at ZWL 1,08 billion (2020: ZWL 537 million). The Group engaged professional valuers to determine fair values in United States Dollars (USD), which were subsequently translated to Zimbabwe Dollars (ZWL) using the closing ZWL/USD auction exchange rate as at 31 December 2021. Whereas the determined USD values are reflective of fair value in that currency, the conversion to ZWL, for purposes of reporting in the Group's functional currency, is not in compliance with International Financial Reporting Standard 13 - Fair Value Measurement (IFRS 13), for the reasons stated below. IFRS 13 defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at a measurement date. While we found the assumptions and methods used by the professional valuers to determine the USD valuations reasonable and appropriate in determining fair value in USD, however, we were unable to obtain sufficient appropriate evidence to support the appropriateness of the application of the ZWL/USD auction exchange rate in the determination of the final ZWL fair valuations presented. IFRS 13 requires:

- Fair value to be determined using the assumptions that market participants would use when pricing the asset, assuming market participants act in their economic best interests; and
- Fair value to reflect the price that would be received to sell the asset in an orderly transaction in the principal market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. We were therefore unable to obtain sufficient evidence to support the appropriateness of simply applying the closing ZWL/USD auction exchange rate in determining the ZWL fair value of property, plant and equipment, without any further adjustments to reflect how the economic conditions within the country as at that measurement date would impact the assumptions that market participants would use in pricing the items of property, plant and equipment in ZWL. Such matters include, but are not limited to:
 - The correlation of the responsiveness of ZWL valuations of property, plant and to the auction exchange rate and related underlying USD values; and
 - The extent to which supply and demand for the items of property, plant and equipment reflects the implications on market dynamics of the auction exchange rate.

Material uncertainty related to going concern

The company incurred a historical profit of **ZWL\$52,521,380** in the current year (2020, loss of **ZWL\$3,153,951**) which resulted in positive retained earnings of **ZWL\$1,251,096,617** as at December 31, 2021, (2020: **positive ZWL \$223,223,436**. We draw your attention to **note 23** where further details on going concern have been disclosed. As stated in **note 23**, these events or conditions, along with other matters as set forth in note 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

Except for the matters in the Basis for Adverse Opinion section, we have determined that there were no key audit matters.

Other information

Management are responsible for the other information. The other information comprises the Management's Responsibility Statement and the Historical Cost Financial Information, which we obtained prior to the date of this report. The other information does not include the inflation adjusted financial statements and our auditor's report thereon. Our opinion on the inflation adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the company did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect

Notes to the Financial Statements

1 General Information

ZECO Holdings Limited specializes in steel fabrication and installation, manufacture and rehabilitation of traction, 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 group's financial statements for the year ended 31 December 2021 have been prepared in accordance with the requirements of the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE). The financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The group's financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and are presented in Zimbabwean Dollars (ZWL). The principal accounting policies applied in the preparation of the group financial statements are in terms of IFRS except for the non-compliance with IAS 21 (The Effects of Change in Foreign Exchange Rates), and its consequential impact on the inflation adjusted amounts determined in terms of IAS 29 (Financial Reporting in Hyperinflationary Economies) and have been applied consistently in all material respects with those of the previous annual financial statements. In the current year, the group has adopted the requirements of IAS 29.

IAS 21 (The Effects of Changes in Foreign Exchange Rates)

As noted in the group's 2021 financial statements, Government promulgated Statutory Instrument ("SI") 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be Zimbabwe Dollars at the rate which was at par with the United States Dollar (USD). Guidance issued by the Public Accountants and Auditors Board (PAAB) noted that the requirements of SI 33 were contrary to the provisions of IAS 21. The management has always ensured compliance with IFRS but were unable to do so in respect of the comparative financial information due to the conflict between IAS 21 and local statutory requirements. In respect of the current financial year financial information, and as a result of the absence of an observable foreign exchange market throughout the period, the group continues to be unable to meet the full requirements of IAS 21. Due to the material and pervasive impact of these technicalities, management would like to advise users to exercise caution in their use of these inflation adjusted financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Functional and presentation currency

The financial statements have been presented in Zimbabwe Dollars ("ZWL"), being the functional and presentation currency. The group had been using United States Dollars ("USD") as its presentation and functional currency since 2009 until the 22nd of February 2019, when Statutory Instrument ("SI") 33 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act (Chapter 22:15) which introduced a local currency.

The authorities formally changed the country's functional currency with effect from 22 February 2019 and the group only concluded the necessary system configurations on 31 March 2019. The group maintained amounts prior to the configuration date at an exchange rate of 1USD:1ZWL. On the date of the configuration, foreign currency balances were converted at a rate of 1USD:2.5ZWL. Subsequently, foreign currency amounts were translated on a daily basis using the interbank rates as published by the RBZ and all local transactions were now being conducted in local currency.

3.2 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.

The 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 made, with the significant assumption being use of consumer price indices ("CPI"), for the various 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 2021.

| Year end | INDICES | FACTOR |
|----------------------------|---------|--------|
| CPI as at 31 December 2018 | 551.63 | 7.21 |
| CPI as at 31 December 2020 | 2474.51 | 1.61 |
| CPI as at 31 December 2021 | 3977.46 | 1.00 |
| Average | | |
| CPI average for 2020 | 1579.09 | 2.52 |

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

- i All items in income statements are restated by applying relevant monthly adjusting factors;
 - i The net effect of the inflation adjustments on the net monetary position of the group is included in the income statement as a monetary loss or gain;
 - i Comparative information is restated using the inflation indices in terms of the measuring unit current at the reporting date.
- The application of the IAS 29 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;

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

3.3 Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. This is a change in the accounting policy from a cost approach in the prior year. The group will conduct regular valuations going forward given the volatility in the economic environment to ensure that carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting date. The change in policy was done in line with the requirements of IAS 8 and was applied prospectively as required.

Any revaluation increase arising on the revaluation of such property plant and equipment is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation

of such property plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.4 Financial Instruments

3.4.1 Financial assets

(a) Classification and measurement under IFRS 9

With effect from 1 January 2018, the group classifies its financial assets into the following categories, depending on the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI); or
- Financial assets fair value through profit or loss (FVPL).

A financial asset is classified at amortised cost if it is held in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest on the principal amount owing. The group's debt instruments are currently classified as financial assets at amortised cost.

A financial asset is classified at fair value through other comprehensive income (OCI) if it is held both to collect contractual cash flows and to sell, and if the contractual cash flows are solely payments of principal and interest on the principal amount owing. The group has no financial assets classified as assets at fair value through OCI. If the financial asset does not satisfy the criteria to be classified as an asset at amortised cost or at fair value through OCI, the asset is classified as an asset at fair value through profit or loss. Listed equities held by the group are classified as assets at fair value through profit or loss.

For an equity instrument that are held for other than to generate investment returns that would otherwise be classified as assets at fair value through profit or loss, the group may make an irrevocable election at the time of initial recognition to account for the equity investment as an asset at fair value through OCI. When this election is made, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit and loss.

The group has not taken this election on any of its assets.

Classification of debt instruments

Debt instruments are contracts that entitle the group to fixed or determinable payments from another entity, such as loans, government and corporate bonds and trade receivables. The group's debt instruments include trade, loan and other receivables, cash and deposits with banks, and bonds and other similar instruments.

Based on the factors indicated above, all of the debt instruments currently held by the group were classified as financial assets at amortised cost as they are all held in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest on the principal amount owing.

The group reclassifies debt instruments between amortised cost and fair value categories only if its business model for managing those assets changes

Classification of equity instruments

Equity instruments are contracts that evidence a residual interest in the issuer's net assets. Such instruments do not contain a contractual obligation to pay any cash flows as cash flows are, amongst other factors, subject to the financial performance of the issuer.

The equity instruments held by the group do not meet the criteria to be classified as financial assets at amortised cost nor at fair value through OCI. The group has also not elected to classify any of its equity instruments as assets at fair value through OCI. Consequently the group's equity instruments have been classified as financial assets at fair value through profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss in fair value gains and losses on equities. Dividend income from such assets is recorded in 'investment income' when the right to the payment has been established.

When the group elects to classify equity instruments as assets at fair value through OCI, the fair value gains and losses are recognised directly in OCI. In such instances, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as investment income when the group's right to receive payments is established.

Subsequent measurement

Financial assets at fair value through profit and loss are subsequently measured at fair value. Net gains and losses including any interest on dividend income are recognised in the profit and loss.

Financial asset at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gain and losses and impairment are recognised in profit or loss.

3.4.2 Impairment

(a) Impairment of financial assets under IFRS 9

The group uses forward looking probability weighted expected credit loss models to determine the impairment allowance on the financial assets at amortised cost and at FVOCI. The group recognises a separate loss allowance for such losses at each reporting date.

3.4.3 Financial liabilities

The group's financial liabilities include borrowings and trade and other payables. These are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense on the balance of the liability carried in the statement of financial position is at a constant rate over the period to the date of repayment. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

The principal or the most advantageous market must be accessible by the group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3.4.4 Offsetting financial assets and liabilities

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

3.4.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3.5 Fair value measurement

The group measures financial instruments and non-financial assets such as investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability or
 - (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.
- Level 1 – Quoted (unadjusted) market prices active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.6 Income tax

3.6.1 Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Corporate tax assets arising from companies within the group are not offset against

liabilities in other entities within the group. Corporate tax liabilities and assets are disclosed separately in the Statement of Financial Position. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable rights exists to set off current tax assets against current income tax liabilities and the deferred tax assets relates to the same taxable entity and the same taxation authority.

3.6.2 Value added taxed (VAT)

Revenues, expenses and assets are recognised net of the amount of Value Added Taxes except: (i) Where the Value Added Tax incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; (ii) Receivables and payables that are stated with the amount of VAT included.

Outstanding net amounts of VAT recoverable from, or payable to, the taxation authority are included as part of receivables or payables in the statement of financial position

3.6.3 Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises costs of purchase, direct materials and, where applicable, direct labour costs, costs of conversion and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs are assigned using the first-in-first-out method for raw materials, work in progress and finished goods, and using the weighted average cost method for maintenance spares. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.8 Prepayments and deposits

The group makes advance payments in respect of some key goods and services associated with its overall operations. The prepayments are initially recognised as assets in the balance sheet and subsequently expensed to profit or loss or capitalised to other assets on delivery.

3.9 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 commitments rather than for investing or other purposes. Cash and cash equivalents have a maturity of less than three months. Cash and cash equivalents are carried at cost which, due to their short term nature, approximates fair value.

3.10 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3.11 Leases

The group adopted IFRS 16 on 1 July 2019 as a replacement of IAS 17 Leases.

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessor

Leases in which the company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.12 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Retirements benefits are provided for the group's employees through an independently administered defined contribution fund and the Zimbabwe government's National Social Security Authority (NSSA). With the group's independent fund, contributions are charged to profit or loss so as to spread the cost of pension over the employee's working life within the group. The amounts payable to the National Social Security Authority are determined by the systematic recognition of legislated contributions. Payments to the two retirement benefit schemes are charged as an expense as they fall due.

3.13 Termination benefits

Termination benefits are recognised at the earlier of when the group can no longer withdraw the offer for the benefits or when the entity recognises costs for a restructuring that involves the payment of termination benefits. The calculation takes into account the employees' basic salary at agreed rate over the years of service.

3.14 Revenue recognition

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

For sales of steel metal products, revenue is recognised when control of the goods has transferred, being when the goods have been collected by the customer from the group's premises, or shipped to the customer's specific location (delivery). Following collection or delivery, the customer has full discretion over the manner in which it handles the goods, and also bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the group when the goods are collected by, or shipped to, the customer as appropriate, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest income

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income from the group's building is recognised on the basis of the amount of time that the tenants have used of the group's offices.

3.15 Cost of sales

Cost of sales comprises of raw materials, packaging and consumables used and any other direct handling costs incurred.

3.16 Borrowings

A Unsecured

The group did not obtain any new borrowings during the year under review. The group has an outstanding shareholder loan of **ZWL28,320**.

b Borrowing powers

In terms of the group's Articles of Association, management may exercise the powers of the group to borrow as they deem necessary.

3.17 Financial risk management

The group is exposed through its operations to the following financial risks:-

- a. Foreign exchange risk
- b. Credit risk
- c. Liquidity risk

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note.

(a) Foreign currency risk management

The group is mainly exposed to the United States Dollar and Rand.

The group undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group defines counterparties as having similar characteristics if they are related entities.

(c) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Borrowing facilities in the form of bank overdrafts and acceptance credits are negotiated with approved and registered financial institutions at acceptable interest rates. Expended overdraft facilities are repayable on demand. Approved financial institutions with sound capital bases are utilised to both borrow funds and invest surplus funds.

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments:

| | 0 - 12 months ZWL | 1 - 5 years ZWL | >5 years ZWL | Total ZWL |
|--------------------------------|----------------------|--------------------|-----------------|-------------------|
| INFLATION ADJUSTED 2021 | | | | |
| As at 31 December 2021 | | | | |
| Trade payables | - | 29,521,626 | - | 29,521,626 |
| Other payables | - | 426,519 | - | 426,519 |
| | - | 29,948,145 | - | 29,948,145 |
| INFLATION ADJUSTED 2020 | | | | |
| As at 31 December 2020 | | | | |
| Trade payables | - | 13,364,531 | - | 13,364,531 |
| Other payables | - | 1,665,255 | - | 1,665,255 |
| | - | 15,029,786 | - | 15,029,786 |

3.18 Capital management

The group manages its capital to ensure that it will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from previous years. The capital structure of the group consists of debt and equity of the group comprising issued capital, reserves and retained earnings. The group is not subject to any externally imposed capital requirements.

Gearing ratio

| | INFLATION ADJUSTED | | HISTORICAL | |
|--------------------------|--------------------|---------------|---------------|---------------|
| | 2021 ZWL | 2020 ZWL | 2021 ZWL | 2020 ZWL |
| Debt | 28,320 | 45,595 | 28,320 | 28,320 |
| Equity | 2,476,743,074 | 2,158,550,760 | 1,660,879,981 | 1,211,898,364 |
| Net debt to equity ratio | 0% | 0% | 0% | 0% |

- (i) Debt is defined as long term and short term borrowings
- (ii) Equity includes all capital and reserves of the group that are managed as capital.
- (iii) Target debt to equity ratio is 0%.
- (iv) The group does not consider overdraft to be debt as it uses it intermittently to cover short term working capital requirements.

4 Critical accounting estimates and judgments

In the application of the group's accounting policies, which are described in note 3, management are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Useful lives and residual values of property, plant and equipment

The group assesses useful lives and

Notes, Continued...

any exchange differences between 22 February 2019 and 31 December 2019 having been adjusted for through the group's Income Statement. Since the entity undertook its asset re-basing exercise in February 2019, the Zimbabwe Dollar has experienced significant devaluation against major currencies. If sustained, the devaluation could result in a material understatement of the group's asset base and consequently shareholders' equity. The group continues to measure all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

4.4 Functional Currency

The group's financial statements are presented in Zimbabwean Dollars, which was determined to be the parent group's functional currency. The group applied this judgement after Government promulgated Statutory Instrument 33 of 2019 (SI 33) on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on this effective date would be deemed to be Zimbabwe Dollars at a rate which was at par with the United States Dollar (USD).

4.5 Exchange Rate

The group entered into foreign currency transactions throughout the year. Transactions in foreign currencies are initially recorded by the group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. In determining transactional and closing exchange rates, the group made use of the prevailing interbank rate and trading arrangements.

| | INFLATION ADJUSTED | | HISTORICAL | |
|-------------------------------------|--------------------|-------------------|-------------------|-------------------|
| | 2021 ZWL\$ | 2020 ZWL\$ | 2021 ZWL\$ | 2020 ZWL\$ |
| 5 Revenue | | | | |
| Sales | 30,831,846 | 10,471,167 | 24,354,451 | 4,155,225 |
| Total revenue | 30,831,846 | 10,471,167 | 24,354,451 | 4,155,225 |
| 6 Cost of sales | | | | |
| Direct materials | 7,791,193 | 1,136,452 | 6,561,464 | 450,973 |
| Total cost of sales | 7,791,193 | 1,136,452 | 6,561,464 | 450,973 |
| 7 Other income | | | | |
| Sundry income | 1,160 | 135,601 | 893 | 53,810 |
| Interest Received - Bank | 1,461 | 408 | 1,153 | 162 |
| Scrap sales | 59,046 | - | 47,875 | - |
| Total other income | 61,666 | 136,009 | 49,921 | 53,972 |
| 8 Administration costs | | | | |
| Audit fees | 1,123,319 | 433,201 | 1,123,319 | 171,905 |
| Employee costs | 11,364,533 | 11,343,238 | 9,154,707 | 4,501,285 |
| Contribution to pension fund | 423,728 | 537,624 | 376,425 | 213,343 |
| Administration expenses | 16,431,320 | 6,533,284 | 13,823,191 | 2,592,573 |
| Total administration costs | 29,342,900 | 18,847,347 | 24,477,642 | 7,479,106 |
| 9 Deferred tax liability | | | | |
| Deferred tax | 53,868,373 | 42,505,409 | 53,868,373 | 26,400,875 |
| Total deferred tax liability | 53,868,373 | 42,505,409 | 53,868,373 | 26,400,875 |
| 10 Inventory | | | | |
| Raw materials-contents | 1,343,263 | - | 1,343,263 | - |
| Work in progress | 8,517,208 | 1,813,853 | 8,517,208 | 1,126,617 |
| Finished goods | 264,731 | 426,217 | 264,731 | 264,731.00 |
| Total inventory | 10,125,202 | 2,240,070 | 10,125,202 | 1,391,348 |

| | INFLATION ADJUSTED | | HISTORICAL | |
|---|--------------------|-------------------|-------------------|------------------|
| | 2021 ZWL\$ | 2020 ZWL\$ | 2021 ZWL\$ | 2020 ZWL\$ |
| 11 Trade and other receivables | | | | |
| Trade | 1,839,718 | 3,119,705 | 1,839,718 | 1,937,705 |
| Other | 19,965 | 32,144 | 19,965 | 19,965 |
| Discontinued operations | (3,945) | (2,920,976) | (3,945) | (1,814,271) |
| Total trade and other receivables | 1,855,738 | 230,872 | 1,855,738 | 143,399 |
| 12 Related Party balances | | | | |
| The group's related parties include companies under common control, key management and others as described below: | | | | |
| Related party receivables | | | | |
| Delward Engineering (Private) Limited | 10,947 | 17,625 | 10,947 | 10,947 |
| Zimplastics (Private) Limited | 2,694 | 4,337 | 2,694 | 2,694 |
| Total | 13,641 | 21,962 | 13,641 | 13,641 |
| Related party payables | | | | |
| Non-current liabilities due to: | | | | |
| Pinnacle Holdings | 425,743 | 1,664,005 | 425,743 | 1,033,544 |
| Total | 425,743 | 1,664,005 | 425,743 | 1,033,544 |
| Discontinued operations | | | | |
| Non-current liabilities due to: | | | | |
| Pinnacle Properties (Private) Limited | 1,306,105 | 2,102,829 | 1,306,105 | 1,306,105 |
| Shareholders loan | 57,024 | 91,809 | 57,024 | 57,024 |
| Zimplastics (Private) Limited | 5,000 | 8,050 | 5,000 | 5,000 |
| Critical Hope (Private) Limited | 2,683 | 4,320 | 2,683 | 2,683 |
| Total | 1,370,812 | 2,207,007 | 1,370,812 | 1,370,812 |
| Current liabilities due to: | | | | |
| Native Investments (Private) Limited | 776 | 1,249 | 776 | 776 |
| Discontinued operations | | | | |
| Jetmaster (Private) Limited | 2,233 | 3,595 | 2,233 | 2,233 |
| Total | 3,009 | 4,845 | 3,009 | 3,009 |
| 13 Other financial assets | | | | |
| Other financial assets | 5,726 | 9,219 | 5,726 | 5,726 |
| Total other financial assets | 5,726 | 9,219 | 5,726 | 5,726 |
| 14 Cash and cash equivalents | | | | |
| Cash at bank | 220,690 | 298,309 | 220,690 | 185,285 |
| Total cash and cash equivalents | 220,690 | 298,309 | 220,690 | 185,285 |
| 15 Trade and other payables | | | | |
| Trade | 28,325,508 | 4,398,712 | 28,325,508 | 2,732,119 |
| Other | 2,294,205 | 17,042,950 | 2,294,205 | 10,585,683 |
| Continued operations | 30,619,713 | 21,441,661 | 30,619,713 | 13,317,802 |
| Discontinued operations | (1,098,087) | (8,077,130) | (1,098,087) | (5,016,851) |
| Total trade and other payables | 29,521,626 | 13,364,531 | 29,521,626 | 8,300,951 |

| | INFLATION ADJUSTED | | HISTORICAL | |
|--|---------------------|------------------|---------------------|----------------|
| | 2021 ZWL\$ | 2020 ZWL\$ | 2021 ZWL\$ | 2020 ZWL\$ |
| 16 Reconciliation of income tax expense | | | | |
| Loss before tax | 53,215,533 | (9,376,623) | 52,821,380 | (3,720,882) |
| Notational tax expense at a rate of 25.75% | (13,703,000) | 2,414,480 | (13,601,505) | 958,127 |
| Allowable deductions | | | | |
| Interest received | 1,461 | 440 | 1,153 | 162 |
| Non deductible expenses | | | | |
| Subscriptions | - | 1,092 | - | 66,275 |
| Legal fees | 60,363 | 72,649 | 41,846 | 188,177 |
| Income tax due (receivable) | (13,641,176) | 2,441,577 | (13,558,506) | (1,358) |

ZECO Holdings has cumulative assessed loss from prior periods hence no tax charge is applicable.

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| 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 | | | | |
| Delward Engineering (Private) Limited | 28,320 | 45,595 | 28,320 | 28,320 |
| Total shareholders loans | 28,320 | 45,595 | 28,320 | 28,320 |
| 19 Deferred taxation | | | | |
| Deferred tax liabilities | | | | |
| At 01 January | 26,400,875 | 88,570,160 | 26,400,875 | 55,012,522 |
| Charge to profit or loss | 27,467,498 | (46,064,752) | 27,467,498 | (28,611,847) |
| At 31 December | 53,868,373 | 42,505,409 | 53,868,373 | 26,400,875 |
| Deferred tax asset | | | | |
| At 01 January | 48,165 | 48,165 | 29,916 | 29,916 |
| Charge to profit or loss | - | - | - | - |
| At 31 December | 48,165 | 48,165 | 29,916 | 29,916 |

20 Discontinued operations

Zimplastics (Private) Limited and Delward T/A ZECO (Private) Limited
The subsidiaries' operations were discontinued as it had been negatively affected by changing market dynamics and competition from cheap imports mainly from the East. The businesses had become unsustainable with no prospects of recovery.

| | | | | |
|--|------------------|---------------------|------------------|--------------------|
| Revenue | - | 11,811,411 | - | 4,687,068 |
| Cost of sales | - | - | - | - |
| Gross profit/(loss) | - | 11,811,411 | - | 4,687,068 |
| Administration expenses | (300,000) | (10,382,745) | (300,000) | (4,120,137) |
| Operating loss before tax | (300,000) | (10,382,745) | (300,000) | (4,120,137) |
| Taxation | - | - | - | - |
| Profit/(loss) for the year from | (300,000) | 1,428,666 | (300,000) | 566,931 |

| | INFLATION ADJUSTED | | HISTORICAL | |
|---|--------------------|----------------------|--------------------|--------------------|
| | 2021 ZWL\$ | 2020 ZWL\$ | 2021 ZWL\$ | 2020 ZWL\$ |
| Assets | | | | |
| Property, plant and equipment | 853,902,122 | 1,228,567,988 | 573,195,877 | 763,085,707 |
| Trade receivables | 3,945 | 2,920,976 | 3,945 | 1,814,271 |
| Inventory | - | 294,946 | - | 183,196 |
| Cash and bank | - | 8,525 | - | 5,295 |
| Assets classified as held for sale | 853,906,067 | 1,231,792,435 | 573,199,822 | 765,088,469 |
| Liabilities | | | | |
| Deferred tax liability | 22,758,071 | 80,599,892 | 22,758,071 | 50,062,045 |
| Pinnacle Holdings (Private) Limited | 1,306,105 | 2,102,829 | 1,306,105 | 1,306,105 |
| T & S Marketing (Private) Limited | 5,000 | 8,050 | 5,000 | 5,000 |
| Trade and other payables | 1,098,087 | 8,077,130 | 1,098,087 | 5,016,851 |
| Shareholders loan | 57,024 | 91,809 | 57,024 | 57,024 |
| Related party payables | 2,683 | 4,320 | 2,683 | 2,683 |
| Bank overdraft | 28,597 | 46,041 | 28,597 | 28,597 |
| Jetmaster | 2,233 | 3,595 | 2,233 | 2,233 |
| Liabilities associated with assets classified as held for sale | 25,257,800 | 90,933,666 | 25,257,800 | 56,480,538 |
| Net assets associated with discontinued operations | 828,648,267 | 1,140,858,769 | 547,942,022 | 708,607,931 |

21 Loss per share (cents)

| | | | | |
|--|-------------------|--------------------|-------------------|---------------------|
| Basic loss per share | | | | |
| Loss for the year from continuing operations | 53,215,533 | (9,376,623) | 52,821,380 | (3,720,882) |
| Loss for the year from discontinued operations | (300,000) | 1,428,666 | (300,000) | 566,931 |
| Loss for the year | 52,915,533 | (7,947,957) | 52,521,380 | (67,871,491) |
| 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 operation | 0.11 | (0.02) | 0.11 | (0.10) |
| Basic loss per share from discontinued operati | (0.00) | (0.02) | (0.00) | (0.05) |
| Basic loss per share (cents) | 0.1 | (0.02) | 0.11 | (0.15) |

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 | 53,215,533 | (9,376,623) | 52,821,380 | (3,720,882) |
| Loss for the year from discontinued operations | (300,000) | 1,428,666 | (300,000) | 566,931 |
| Loss for the year | 52,915,533 | (7,947,957) | 52,521,380 | (67,871,491) |

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:

| | INFLATION ADJUSTED | | HISTORICAL | |
|---|--------------------|---------------|---------------|---------------|
| | 2021 ZWL\$ | 2020 ZWL\$ | 2021 ZWL\$ | 2020 ZWL\$ |
| Weighted average number of ordinary shares i | 463,337,661 | 463,337,661 | 463,337,661 | 463,337,661 |
| Diluted loss per share from continuing operatio | 0.11 | (0.02) | 0.11 | (0.10) |
| Diluted loss per share from discontinued opera | (0.00) | 0.00 | (0.00) | (0.05) |
| Diluted loss per share (cents) | 0.11 | (0.02) | 0.11 | (0.15) |

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, 2020 | | | | | | | | | | |
| Opening 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 |
| Revaluation | 64,359,900 | 720,710,024 | 100,404,247 | 2,392,368 | 2,586,274 | 2,985,231 | 106,257 | 467,029 | 229,485 | 894,240,815 |
| Discontinued operations | (65,422,746) | (396,591,841) | (114,740,503) | (3,009,504) | (3,253,430) | (3,714,409) | (117,183) | (495,573) | (288,683) | (587,633,872) |
| Closing net book value | 15,539,454 | 510,032,767 | 11,564,055 | - | - | 40,893 | 16,484 | 91,931 | - | 537,285,584 |

| | | | | | | | | | | |
|-----------------------------|-------------------|--------------------|-------------------|----------|----------|---------------|---------------|---------------|----------|--------------------|
| At December 31, 2020 | | | | | | | | | | |
| Cost/Valuation | 15,539,454 | 510,032,767 | 11,564,055 | - | - | 40,893 | 16,484 | 91,931 | - | 537,285,584 |
| Net book value | 15,539,454 | 510,032,767 | 11,564,055 | - | - | 40,893 | 16,484 | 91,931 | - | 537,285,584 |

| <u>Year end December 31, 2021</u> | | | | |
|-----------------------------------|-------------------|--------------------|-------------------|--|
| Opening net book value | 15,539,454 | 510,032,767 | 11,564,055 | |
| Transfer of assets | 79,016,358 | 85,301,150 | 138,279,835 | |
| Revaluation | 31,090,802 | 215,475,706 | 29,358,628 | |
| Disposal | (104,997,648) | (150,016,895) | (165,372,740) | |
| Addition | - | - | - | |
| Closing net book value | 20,648,966 | 660,792,728 | 13,829,778 | |

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 31** which comprise the statement of financial position as at **December 31, 2021**, 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 company's financial statements do not present fairly the financial position of the company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Inappropriate application of International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) on comparative information - Impact of incorrect date of application of International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies (IAS 29), classification of deferred tax and depreciation

As a result of the pronouncement by the Public Accountants and Auditors Board (PAAB), entities reporting in Zimbabwe were required to apply the requirements of IAS 29 with effect from 1 July 2019. The Directors applied the requirements of IAS 29 from the date of change in functional currency adopted of 22 February 2019. However, in accordance with International Accounting Standard 21 – The Effects of Changes in Foreign Exchange Rates (IAS 21) the date of change in functional currency was determined to be 1 October 2018. Consequently, the changes in the general pricing power of the functional currency should have been applied from 1 October 2018. As disclosed in Note 3.1 of the inflation adjusted consolidated financial statements, the company did not comply with IAS 21, as the Directors elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19"). IAS 29 was only applied from 22 February 2019, and not 1 October 2018, as required by IAS 21.

Management resolved to correct the inconsistencies arising due to the decision to apply the requirements of IAS 29 from 22 February 2019 as opposed to 1 October 2018 as would have been required to comply with International Financial Reporting Standards as described above. The impact of this correction was only effected as a restatement of the opening equity in the current year statement of changes in equity, for reasons explained in Note 3.2. This is not in compliance with International Financial Reporting Standards, IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors as the requirement would have required retrospective restatement. We have not been able to quantify the prior year impact of this adjustment as the cumulative effects of non-compliance with IAS 21 and its consequent impact on IAS 29 could not be ascertained for the year ended 29 February 2020. In prior year management incorrectly disclosed deferred tax liabilities and assets separately in the statement of financial position. In current year the deferred tax assets and liabilities were set off with no retrospective adjustment to the comparative information, as would be required by IAS 8 for the correction of an error. The prior year audit report included a qualification on the valuation of property, plant and equipment in the 2020 financial year.

Independent auditor's report

To the members of ZECO Holdings Limited

Report on the audit of the financial statements

These valuation matters remained unresolved and therefore affected the valuation of assets recorded in the comparatives. Our opinion on the current year's inflation adjusted consolidated financial statements is qualified because of the possible effects of these matters on the comparability of the current year's inflation adjusted consolidated financial statements with that of the prior year.

Exchange rates used in current year

As disclosed in Note 3,1 management has translated all foreign denominated monetary assets and liabilities at a transaction- based rate from USD to ZWL functional currency. Transactions denominated in foreign currency during the year were translated to the reporting currency using the management transaction based rate, however, balances at the end of the period were translated to the reporting currency using auction rate. We disagree with the use of the transaction-based rate for translating foreign denominated balances to ZWL during the year end as we believe that the transaction based exchange rate used for the translation of foreign denominated balances does not meet the definition of a spot exchange rate as per International Financial Reporting Standards - IAS 21 - The Effects of Changes in Foreign Exchange Rates. Furthermore, we disagree with the use of two different rates for translation of transactions and balances in the financial statements. Whilst management have used the auction rate for all transactions in the statement of financial position and the transaction-based exchange rate for the Statement of comprehensive income balances, in our opinion the average auction rate should have been used for translation of transactions in the statement of comprehensive income and the spot auction rate as at 31 December 2021 for balances in the statement of financial position. As a result, had the correct exchange rate had been used, the following elements of the inflation adjusted consolidated statement of financial position relating to the Zimbabwean operations would have been materially different:

Valuation of property, plant and equipment

As set out in note 4.3 to the inflation adjusted financial statements, the Group performed a revaluation of property, plant and equipment as at 31 December 2021, valued at ZWL 695 million (2020: ZWL 537 million). The Group engaged professional valuers to determine fair values in United States Dollars (USD), which were subsequently translated to Zimbabwe Dollars (ZWL) using the closing ZWL/USD auction exchange rate as at 31 December 2021. Whereas the determined USD values are reflective of fair value in that currency, the conversion to ZWL, for purposes of reporting in the Group's functional currency, is not in compliance with International Financial Reporting Standard 13 - Fair Value Measurement (IFRS 13), for the reasons stated below. IFRS 13 defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at a measurement date. While we found the assumptions and methods used by the professional valuers to determine the USD valuations reasonable and appropriate in determining fair value in USD, however, we were unable to obtain sufficient appropriate evidence to support the appropriateness of the application of the ZWL/USD auction exchange rate in the determination of the final ZWL fair valuations presented. IFRS 13 requires:

- Fair value to be determined using the assumptions that market participants would use when pricing the asset, assuming market participants act in their economic best interests; and
- Fair value to reflect the price that would be received to sell the asset in an orderly transaction in the principal market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. We were therefore unable to obtain sufficient evidence to support the appropriateness of simply applying the closing ZWL/USD auction exchange rate in determining the ZWL fair value of property, plant and equipment, without any further adjustments to reflect how the economic conditions within the country as at that measurement date would impact the assumptions that market participants would use in pricing the items of property, plant and equipment in ZWL. Such matters include, but are not limited to:

Independent auditor's report

To the members of ZECO Holdings Limited

Report on the audit of the financial statements

- The correlation of the responsiveness of ZWL valuations of property, plant and to the auction exchange rate and related underlying USD values; and
- The extent to which supply and demand for the items of property, plant and equipment reflects the implications on market dynamics of the auction exchange rate.

Material uncertainty related to going concern

The company incurred a historical profit of **ZWL\$52,521,380** in the current year (2020, loss of **ZWL\$3,153,951**) which resulted in positive retained earnings of **ZWL\$1,251,096,617** as at December 31, 2021, (2020: positive ZWL \$223,223,436. We draw your attention to **note 23** where further details on going concern have been disclosed. As stated in **note 23**, these events or conditions, along with other matters as set forth in note 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

Except for the matters in the Basis for Adverse Opinion section, we have determined that there were no key audit matters.

Other information

Management are responsible for the other information. The other information comprises the Management's Responsibility Statement and the Historical Cost Financial Information, which we obtained prior to the date of this report. The other information does not include the inflation adjusted financial statements and our auditor's report thereon. Our opinion on the inflation adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the company did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items included therein and affected by the failure to comply with the referred standard.

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.

Independent auditor's report

To the members of ZECO Holdings

Report on the audit of the financial statements

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion. We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matters discussed in the Basis for Adverse of Opinion section of our report, the accompanying inflation adjusted financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) with regards to the requirement to comply with the International Financial Reporting Standards.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Fanuel Pange (PAAB Practicing Certificate Number 0457).

MGI

MGI (Mazhandu) Chartered Accountants
Registered Public Auditors

Harare
31 March 2022



31-03-2022