Proplastics
Pipe Systems That Last

Unaudited Abridged Results
for the period ended 30 June 2016

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CHAIRMAN'S STATEMENT

INTRODUCTION

It is my pleasure to present to you the financial results for Proplastics Limited for the six month period ended 30 June 2016.

The first half of the year was fraught with significant challenges as the economic environment further deteriorated.

The liquidity situation worsened from prior year, and payments for imported raw materials posed a tremendous challenge for the Group, despite such materials being listed as priority 1 on the imports priority schedule released by the Reserve Bank of Zimbabwe. More than 80% of the raw materials used in the production of our products are imported.

Furthermore, as a consequence of the liquidity crisis, the Reserve Bank announced a raft of measures that included the intention to introduce bond notes at some future date. This announcement had the effect of severely reducing domestic demand for our product range and the last two months of the period recorded a decline in business as customers appeared to hold back as they reflected on the implications of this new measure.

However, it is gratifying to note that the Group has managed to weather the temporary downturn, and for now, business seems to be slowly returning to levels that were anticipated prior to the announcement by the Reserve Bank. The operating environment remains a major concern and the ability to source raw materials will be critical in achieving production and sales targets set by the Group going forward.

The Group has over the last 2 years embarked on a significant plant replacement and modernization programme in order to ensure that locally produced products remain competitive compared to imported products in terms of both price and quality. In addition, the plant upgrade programme was designed to open up new export markets in the region and this has already shown positive results with good orders having been achieved recently across our borders. Government is fully aware of the importance of many of our products in the critical agriculture and mining sectors, and it is pleasing to record the positive dialogue and cooperation that we have developed with the Ministry of Industry in this regard.

As mentioned above, the Group continued with its phased modernization programme. The latest acquisition, the new PVC machine, has been received, and will be commissioned during the third quarter of the year.

FINANCIAL PERFORMANCE

The Group posted a break-even set of financial results.

Turnover dropped 11% to $5,879,529, largely on the back of reduced selling prices as the Group adopted a strategy to trim margins and drive volumes. Consequently, despite all the negative challenges, volumes were maintained at last year's levels.

The Gross profit margin eased to 21% from 22% in the prior year, as the drop in selling prices was largely offset by improved factory efficiencies. We anticipate that the introduction of new machinery will increase production efficiencies, thus lowering unit costs further.
Gross profit was down 15% to $1,216,376, largely driven by the drop in sales. Overheads grew by 11% as the Group incurred some staff rationalization expenses in order to align staff levels to current business volumes. Finance costs were 15% below prior year on the back of favourable rates on borrowings. EBITDA dropped 33% to $529,097. Consequently, profit before tax dropped 75% to $88,956 and profit after tax dropped 65% to $91,243.

The statement of financial position remains strong with total assets amounting to $11,958,997. The Gearing level is currently at 8% as the Group strives to maintain low levels of borrowings. The effective borrowing rate remains at 8.5% per annum.

Improved credit control procedures and stringent working capital management resulted in improved cash flow generation by the business. Cash and cash equivalents at the end of the period amounted to $984,454 which is a sound position given the plant replacement programme over the last 2 years largely funded from internal resources.

OUTLOOK

Despite the persisting economic challenges, demand for the Group's products has started to pick up again and is still under pinned by housing development projects, and the rehabilitation of the old piping infrastructure. As reported in prior year, these projects are being carried out through private public partnerships and non-governmental organizations. In addition, recent orders for mining projects have been very encouraging and will bolster the performance in the second half of the year.

The recent restriction on imports for certain products, including some plastic pipes, will likely result in increased local demand for the Group's products. However, the strategy going forward will be to ensure the business is viable and regionally competitive as the plant modernisation and capital rationalization exercises continue. The capital rationalisation programme aims to ensure that the company achieves an appropriate return on capital employed for shareholders.

Both the plant replacement and modernisation programme and the capital rationalization programme are progressing well, and the Group is confident of surviving the significant challenges that evidently lie ahead.

DIVIDEND DECLARATION

As referred to above, the half year results were negatively impacted by the initial reaction to the new RBZ policy announcement which initially hit the market.

The initial sentiment now appears to have eased, but in view of the impact and also the need to conserve cash for plant modernisation, the Board found it prudent not to declare an interim dividend.

ACKNOWLEDGEMENTS

Lastly, I wish to extend my appreciation to my fellow Board members for their valuable contribution during the period, as well as to management and staff for their dedication and effort in such a tough environment.

I would also like to extend my appreciation to all stakeholders for their continued support for the Group.

G. SEBBORN
16 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six month period ended 30 June 2016

	Six months to 30 June 2016 Unaudited US$	Proforma Six months to 30 June 2015 Unaudited US$	Proforma Twelve months to 31 December 2015 Unaudited US$
Revenue	**5,879,529**	**6,604,857**	**14,152,915**
Cost of sales	(4,663,153)	(5,181,985)	(10,881,242)
Gross profit	**1,216,376**	**1,422,872**	**3,271,673**
Other income	49,130	(4,280)	113,854
Distribution costs	(293,187)	(321,116)	(462,751)
Administrative expenses	(855,233)	(710,136)	(2,008,650
Finance cost	(28,130)	(33,271)	(81,701)
Profit before tax	**88,956**	**354,069**	**832,425**
Income tax	2,287	(91,173)	(180,044)
Profit for the period	**91,243**	**262,896**	**652,381**
Comprehensive income			
Other comprehensive income	-	-	-
Total Comprehensive income for the period	**91,243**	**262,896**	**652,381**
Basic earnings per share (US cents)	**0.04**	**0.11**	**0.27**
Diluted Earnings per share (US cents)	**0.04**	**0.11**	**0.27**

Consolidated Statement of Financial Position as at 30 June 2016

	Notes	30 June 2016 Unaudited US$	30 June 2015 Unaudited US$	31 December 2015 Audited US$
Assets				
Non-Current Assets				
Property, plant & equipment	2	3,919,574	4,721,922	4,478,669
Total Non- Current Assets		**3,919,574**	**4,721,922**	**4,478,669**
Current Assets				
Inventories	3	4,215,838	3,953,630	4,411,264
Trade and other receivables	4	2,839,131	2,651,663	3,102,222
Cash and cash equivalents		984,454	589,461	281,785
Total Current Assets		**8,039,423**	**7,194,754**	**7,795,271**
Total Assets		**11,958,997**	**11,916,676**	**12,273,940**
Equity And Liabilities				
Equity				
Share capital		24,499	24,499	24,499
Reserves		8,663,410	8,662,297	8,663,410
Retained earnings		159,048	45,810	435,295
Total Equity		**8,846,957**	**8,732,606**	**9,123,204**
Non-Current liabilities				
Long-term borrowings	6	333,333	-	525,000
Deferred tax		507,560	595,459	555,319
Total Non-Current Liabilities		**840,893**	**595,459**	**1,080,319**
Current Liabilities				
Trade and other payables	5	1,917,318	1,820,162	1,772,579
Short-term borrowings	6	333,333	736,223	225,000
Current tax payable		20,496	32,226	72,838
Total Current Liabilities		**2,271,147**	**2,588,611**	**2,070,417**
Total Liabilities		**3,112,040**	**3,184,070**	**3,150,736**
Total Equity and Liabilities		**11,958,997**	**11,916,676**	**12,273,940**

Consolidated Statement of Cash Flows for the six month period ended 30 June 2016

	Six months to 30 June 2016 Unaudited US$	Proforma Six months to 30 June 2015 Unaudited US$	Proforma Twelve months to 31 December 2015 Unaudited US$
Cash flows from operating activities	**925,123**	**845,373**	**849,551**
Interest paid	(28,130)	(33,271)	(81,701)
Income tax paid	(97,814)	(246,063)	(334,462)
Net cash flows from operating activities	**799,179**	**566,039**	**433,388**
Net cash flows from investing activities	193,153	(284,134)	(472,936)
Net cash flows from financing activities	(289,663)	135,750	149,527
Net increase in cash and cash equivalents	**702,669**	**417,655**	**109,979**
Opening cash balance	281,785	171,806	171,806
Closing cash and cash equivalents	**984,454**	**589,461**	**281,785**

Consolidated Statement of Changes in Equity for the six month period ended 30 June 2016

	Share Capital US$	Reserves US$	Retained earnings US$	Twelve months equity US$
Balance at 30 June 2015	**24,499**	**8,662,297**	**45,810**	**8,732,606**
Share based payments	-	1,113	-	1,113
Profit for the period	-	-	389,485	389,485
Balance at 31 December 2015	**24,499**	**8,663,410**	**435,295**	**9,123,204**
Profit for the period	-	-	91,243	91,243
Dividend	-	-	(367,490)	(367,490)
Balance at 30 June 2016	**24,499**	**8,663,410**	**159,048**	**8,846,957**

Notes to the financial results

1. Accounting policies and reporting currency

There have been no changes in the Group's accounting polices since the date of the last audited financial statements. The financial results are presented in United States dollars which is the functional currency of the Group.

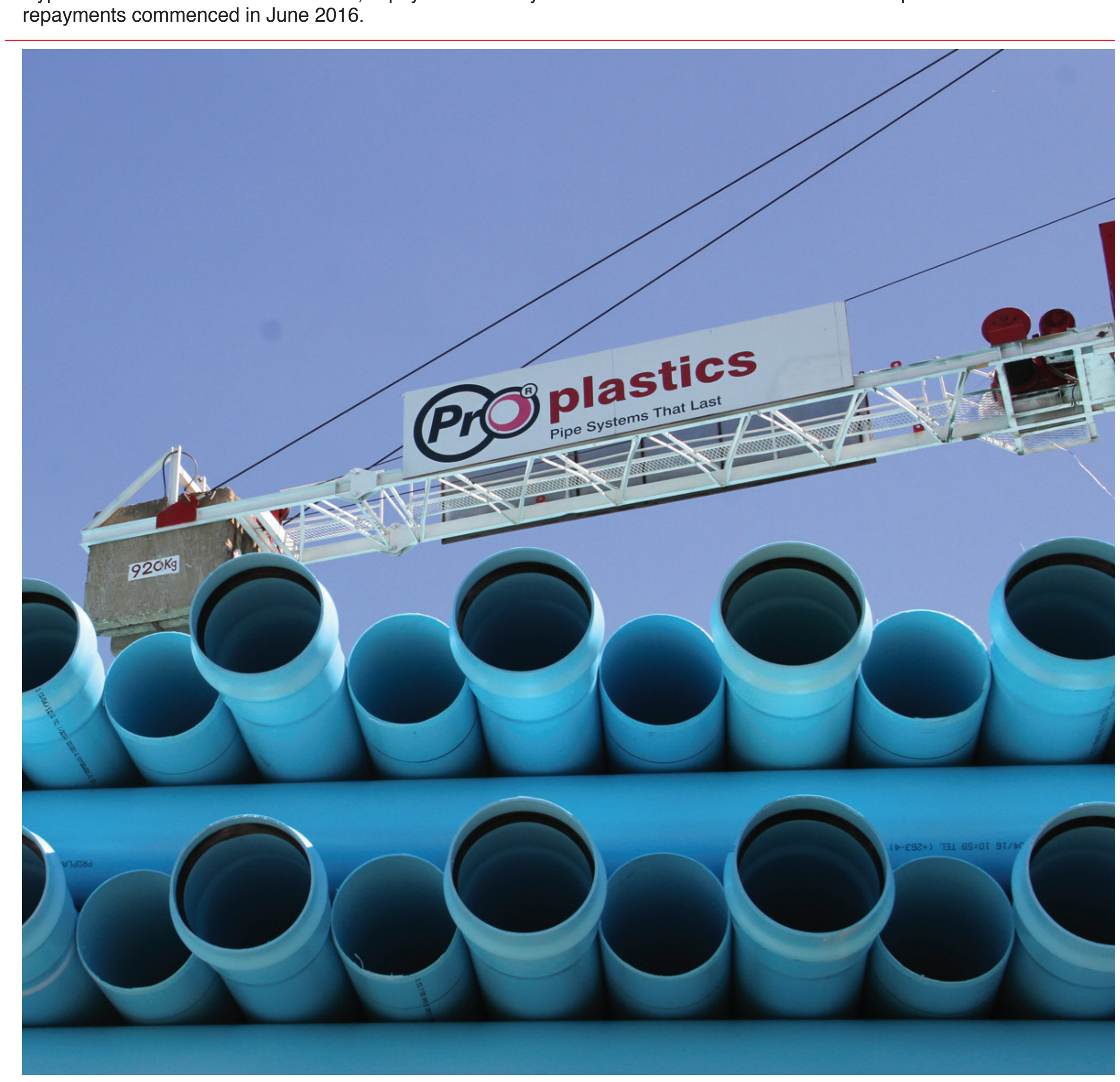
2. Property, plant and equipment

Movement for the period

	Six months to 30 June 2016 Unaudited US$	Proforma Six months to 30 June 2015 Unaudited US$	Proforma Twelve months to 31 December 2015 Unaudited US$
Balance at the beginning of the period	4,478,669	3,451,209	3,451,209
Additions	18,695	1,691,333	487,538
Acquisition of a subsidiary	-	-	1,405,208
Depreciation	(412,011)	(406,952)	(834,860)
Disposals	(165,779)	(13,668)	(30,426)
Balance at end of the period	**3,919,574**	**4,721,922**	**4,478,669**

3. Inventories	30 June 2016 Unaudited US$	30 June 2015 Unaudited US$	31 December 2015 Audited US$
Raw materials	724,679	690,726	686,416
Work in progress	913,174	570,661	775,495
Finished goods	2,112,788	2,080,860	2,410,251
Spares and consumables	672,572	805,759	743,477
Provision for slow moving inventories	(207,375)	(194,376)	(204,375)
Total inventories at end of the period	**4,215,838**	**3,953,630**	**4,411,264**
4. Trade and other receivables			
Trade receivables	2,186,780	2,715,997	2,672,620
Prepayments	415,713	256,790	482,898
Deposits and other receivables	371,241	301,236	145,654
	2,973,734	3,274,023	3,301,172
Less: Allowances for doubtful receivables	(134,603)	(622,360)	(198,950)
Total trade and other receivables at end of the period	**2,839,131**	**2,651,663**	**3,102,222**
5. Trade and other payables			
Trade payables	959,184	1,276,593	1,055,840
Accruals and other payables	796,974	543,569	716,739
Dividend payable	161,160	-	-
Total trade and other payables at end of the period	**1,917,318**	**1,820,162**	**1,772,579**
6. Borrowings			
Long term loan	333,333	-	525,000
Short term loan	333,333	736,223	225,000
Total borowings at end of the period	**666,666**	**736,223**	**750,000**

The loan, which is secured by NGCB over movable assets including cession of book debts and First Ranking Deed of Hypothecation over immovable assets, is payable over 3 years at an effective interest rate of 8.5% per annum. The repayments commenced in June 2016.



Directors: G Sebborn (Chairman) K Chigiya (CEO)* P Changunda* S Sithole P T Zhanda (Jnr.) (*Executive)