Proplastics

Pipe Systems That Last

Civils | Mining | Irrigation | Casings | Ducting

SABS ISO 9001 | SABS ISO 14001 | SABS ISO 18001 | SAPPMA

ANNUAL REPORT 2017

Contents

COMPANY PROFILE

Name of Company:	Proplastics Limited
Address:	5 Spurn Road Ardbennie P.O. Box CY 1199 Causeway Harare Zimbabwe
Telephone:	+ 263 4 621651-5
Cell:	+263 773894561-2
Fax:	+ 263 4 660545
E-mail:	info@proplastics.co.zw
Web:	www.proplastics.co.zw
Description of Company:	Manufacturer of Polyvinyl Chloride (PVC); High-Density Polyethylene (HDPE); Low-Density Polyethylene (LDPE) Pipes and related fittings
Company Established:	1965
Chief Executive Officer:	Kudakwashe Leo Chigiya
E-mail:	kchigiya@proplastics.co.zw

Proplastics Limited Inimitable Offering

Proplastics Limited (formerly Murray & Roberts and Masimba Industries (Private) Limited), is the only Zimbabwean plastic pipes and fittings manufacturer listed on the Zimbabwe Stock Exchange.

Proplastics Limited is Zimbabwe's leading plastic pipe manufacturer, specialising in the production of Polyvinyl Chloride (PVC), High-Density Polyethylene (HDPE), Low-Density Polyethylene (LDPE) pipes and related fittings. The pipes are manufactured for various applications in irrigation, water and sewer reticulation, mining, telecommunications and building construction.

Proplastics Limited was established in 1965 and has over 50 years of experience in manufacturing complete range of plastic pipes and fittings in Zimbabwe with a significant market share in the SADC region.

Proplastics pipes and fittings are easy to install and are adapted to a variety of conditions encountered during use. Our products are corrosion-resistant, light in weight, have zero failure rates, are energy efficient which ensures long-term performance.

We request that in your next project "Invest in pipe material of choice, invest in Pipe Systems That Last; invest in Proplastics PVC and HDPE pipes and fittings."

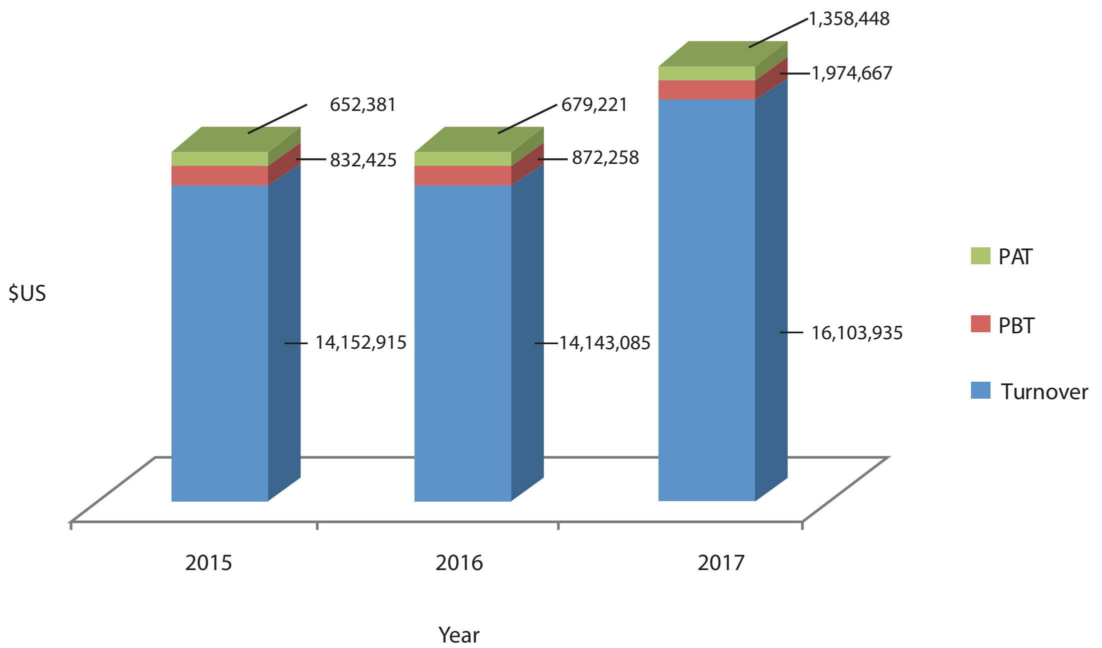
Please watch out for cheap imitations and products made from recycled materials and always insist on a minimum of 50 years performance guarantee on your next purchase……remember "Cheap Always Cost a Fold."

PROPLASTICS UNIQUE PROPOSITION

Proplastics Cause	Top of Client's Mind.
Proplastics Vision	Unrivalled Leadership in Plastic Piping Systems.
Proplastics Mission	To Deliver World Class Plastic Piping Systems.
What makes us unique	Game Changing Capabilities.
Scope of the game	Plastic Piping Systems.
Our Brand Expression	Pipe Systems that Last.
Our Strategic Focus Areas	Value | Growth | Innovation | Zero harm.
Our Behaviours	Learning | Caring | Performance Driven | Excellence | Team Proplastics.
Our values	Integrity | Respect | Leadership | Communication | Teamwork.

FINANCIAL HIGHLIGHTS

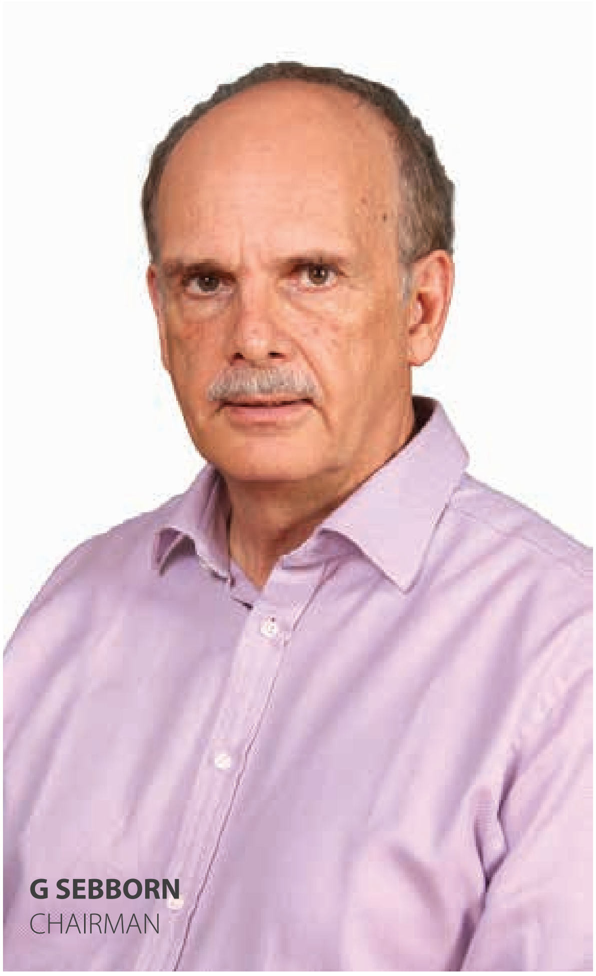
Turnover	↑	14% to US$16,103,935
EBT	↑	126% to US$1,974,667
Sales volumes	↑	5% to 5,023 tons
Profit for the year	↑	100% to US$1,358,448
Gross profit margins	↑	to 30% from 24%
Overheads	↑	8% to US$2,756,976
Quick ratio	↑	to 1.9:1 from 1.6 :1
ROCE	↑	to 19% from 10%
Current ratio	↓	to 3.1:1 from 3.2 :1.
ROA	↑	to 10% from 7%
Debt/Equity	↓	to 4% from 10%
EBITDA	↑	at 18% (Prior year 13%) of revenue
Cash generated from operating activities to revenue	↑	26% (Dec. 2016 ,19%)
Dividend per share	↑	at US0.26 cents(Dec 2016, US 0.15 cents)
Basic EPS	↑	at US0.55 cents (Dec 2016,US0.28 cents)



	Group	
	31 December 2017 Audited	31 December 2016 Audited
Earnings (US cents)		
Basic earnings per share	0.55	0.28
Diluted earnings per share	0.54	0.27
Profitability		
Profit before interest and tax on turnover (%)	12%	7%
Return on capital employed (%)	19%	10%
Productivity		
Payroll cost on turnover (%)	9%	10%
Total average assets (excluding bank balances and cash) (US$)	10,789,157	11,852,702
Finance		
Debt to equity	4%	10%
Current assets to current liabilities	3.1	3.2
Share performance		
Ordinary shares in issue (millions)	245	245
Share price at period end (US cents)	7.6	4.2
Market capitalisation (US$-millions)	18.6	10.3
Other		
Number of employees at year end	230	263

Definitions

Average	Arithmetic average between consecutive year ends.
Earnings per ordinary shares	Earnings after tax net of non-operating items, divided by the weighted average ordinary shares in issue.
Net asset value	Ordinary shareholders' funds.
Permanent capital	Ordinary shareholders' funds.
Total liabilities	Borrowings and non-interest bearing debt.



G SEBBORN
CHAIRMAN

INTRODUCTION
It is my pleasure to present the operational and financial results for the year ended 31 December 2017.

The operating environment presented many challenges throughout the year. The most significant of these challenges were the persistent liquidity constraints throughout the 12 month period, and in the second half of the year, a rapidly declining availability of foreign exchange for the purchase of raw materials and equipment.

Whilst our bankers have supported us remarkably well with foreign currency allocations for most of the year, turnover was negatively impacted towards the end of the reporting period as we failed to secure sufficient allocations to allow factory operations to meet the demand for our products.

The availability of foreign currency for the importation of raw materials remains the single most critical challenge we face as we enter the new reporting period. The erratic availability of foreign currency has resulted in a rise in foreign currency liabilities. However, we have enjoyed good support from our suppliers and we continue to engage them so as to minimise disruption to our production processes where possible.

Demand for our products was depressed in the early months of the year as unusual heavy rains delayed many projects related to our product base. Demand was far stronger in the second half of the year which resulted in the Group closing the year in a strong financial position.

The tight liquidity situation required us to adopt a more rigorous credit management policy which we extended to export sales as well. This action was necessary but did affect export performance.

We witnessed significant political change towards the end of the year, with a new administration promising to revitalise the economy through a raft of policy reforms. We hope that these intended reforms will materialise so that economic activity improves.

Proplastics has always adopted a forward looking strategy and is actively gearing up for a more open operating environment. In this regard, it is pleasing to report that work has now commenced on the construction of a new and more modern factory. The commissioning of this new factory will see an increase in production efficiencies and a reduction in unit costs which we believe will enable us to compete in the region for sales of our products. Further details on the transaction are contained in the complete set of financial statements.

FINANCIAL PERFORMANCE

The Group posted a solid financial performance for the year.

Turnover at $16 103 935 was 14% up on the previous year, with overall volumes increasing by 5%. Improved factory efficiencies resulted in cost of sales being contained to a 6% increase despite inflationary pressures and the resultant gross profit was a healthy $4 801 711.

Overheads did increase by 8%, but financing costs were reduced by 59% as a result of stronger cash flow management and the resultant decrease in debt.

EBITDA improved by 61% to $2 912 061 and profit before tax was 126% ahead of prior year at $1 974 667. Profit after tax was $1 358 448, which is a 100% increase over the previous year.

The financial position remains solid and gearing reduced from 10% in prior year to 4% as the Group reduced a significant proportion of its debt. Total borrowings at year end were $374 667 compared to $916 000 at the end of the previous reporting period.

Cash and cash equivalents closed at $4 396 251 on the back of tight credit controls and delays in settling foreign liabilities due to shortages in foreign currency allocations.

OUTLOOK

It is heartening to note that demand for the Group's products remains robust and this is primarily underpinned by an increase in agricultural and mining activity. There is also significant activity in housing development as well as the rehabilitation of old piping infrastructure.

As stated earlier, the single biggest challenge going forward will be the ability to fund raw material imports given the critical shortage of foreign currency.

The construction of a new and more modern factory has commenced. It is envisaged that the construction will take approximately 10 months, and it should be ready for opening when the Group returns from the annual shutdown at the end of the year. Again, the major risk facing the project is the ability to fund the foreign currency component of the construction cost. Shareholders will be kept updated on the progress on this project.

DIVIDEND DECLARATION

In view of the performance for the year, as well as the available cash resources, the Board proposes a final dividend of US0.26 cents per share. The full announcement was made on 08 February 2018.

ACKNOWLEDGEMENTS

I wish to extend my appreciation to my fellow Board members for their efforts during the year as well as thank management and staff for their dedication and hard work throughout the year.

I also wish to extend my appreciation to all stakeholders for their continued support.

G. SEBBORN
22 March 2018

Mr. Kudakwashe Chigiya
CHIEF EXECUTIVE OFFICER

INTRODUCTION

It is my pleasure to present to you my report on the operational performance of Proplastics Limited for the year ended 31 December 2017.

The operating environment continued to present challenges, chief among them being the declining availability of foreign currency to fund the business. However, the business managed to go through the year with minimum interruption to the operations.

FINANCIAL PERFORMANCE

The Group posted yet another solid financial performance in the year ended 31 December 2017.

Turnover grew by 14% to $16,103,935 on the back of a 5% growth in volumes and a 9% increase in average selling prices. The Gross margin improved significantly to 30% from 24% in prior year as the operations benefited from the investment in new equipment. Consequently, EBITDA grew 61% to US$2,912,061.

The statement of financial position remained strong with total assets growing by 8% to US$14,261,315. Current ratio eased to 3.1:1 from 3.2:1 in prior year as the current liabilities grew by 26%. This was driven mainly by creditors as a result of deposits by our clients as well as bottlenecks on foreign payments. Total foreign creditors at year-end amounted to US$841,000.

Trade and other receivables dropped by 34% on the back of improved credit control procedures.

Borrowings reduced from US$916,000 in prior year to close the year at US$374,667. Consequently, the debt equity ratio eased to 4% from 10% in prior year.

Cash generated from operations improved to 26% from 19% of revenue driven by the reduction in receivables and growth in creditors. The Group, therefore, closed the year with a healthy balance of US$4,396,251 in cash and cash equivalents.

OPERATIONAL PERFORMANCE

Factory volumes, at 4,953 tonnes for the year were flat on prior year. However, we were pleased to record huge improvement in operational efficiencies which resulted in improved gross profit margins. It is pleasing to note that the supply of both electricity and water was relatively stable throughout the year.

The biggest challenge, as alluded earlier, remained the ability to secure foreign currency to fund the importation of raw materials. Unfortunately, the factory had to scale down operations towards the end of the year, as the foreign currency shortages became more pronounced. We estimate to have lost about US$1 million in potential revenues.

Management has continued with the engagement of the Group's suppliers to ensure continued supply of raw materials despite the challenges obtaining in the economy. Engagement efforts with the bankers and treasury will also continue to be prioritised.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY MANAGEMENT SYSTEMS (SHEQMS)

Proplastics prides itself in Business Excellence and this is demonstrated through its quest for continuous improvement. An upgrade of the SHEQMS to meet the new requirements of the ISO 9001 and 14001 2015 standards is nearing completion. This upgrade will assist Proplastics to continually grow and remain resilient as it addresses the needs of modern day business.

Quality products and services which exceed customer expectation remains top of our business priorities. Proplastics has maintained certification with SABS and SAZ thereby upholding business integrity and customer satisfaction. We gain and monitor customer feedback to ensure that the organization continues to meet their requirements. The organisation also anticipates other interested parties' needs and expectations and plan accordingly.

The adopted risk-based approach (through the new standard) throughout the value chain ensures current processes are aligned with the business strategy. Proplastics identifies risks associated with its processes, activities and products and comes up with mitigation measures. The organisation also grabs opportunities in order to achieve sustainable performance in a cost effective manner. The continued assessment of these risks and opportunities has seen us achieve commendable compliance levels and a zero tolerance culture to non-compliance.

CORPORATE SOCIAL RESPONSIBILITY

Proplastics Limited continued with its Corporate Social Responsibility programs/initiatives as follows: -

- Maintained payment of school fees for 10 disadvant aged children at Jairosi Jiri.
- Donated assorted groceries to Mathew Rusike Children's Home.
- Donated clothing and funded Christmas party for Chiedza Child Care Centre.
- Over and above the unveiling of industrial attachment to students from various institutions of higher learning across the country, the company has opened its doors for educational tours to enable students to learn about its industry and choose certain career paths.
- The company continues to enroll student attachés from different universities and polytechnic colleges.

The above contributions assisted to deliver public value outcomes by focusing on how our services can make a difference in the community.

FUTURE PROSPECTS

It is pleasing to note that the demand for the Group's products remains high and we have been working to clear the supply backlog since the beginning of the new reporting period. With the coming in of the new political dispensation, and with it a new economic order, we expect demand to remain on the rise.

The commencement of the construction of a modern factory is a very welcome development. This investment will further consolidate the strides made in improving production efficiencies. This will, no doubt, make the Group's products more competitive, thus assisting in penetrating the export market. This in itself is of paramount importance as the economy opens up under the new political dispensation.

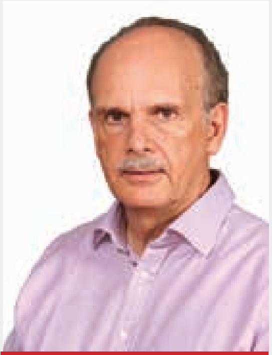
ACKNOWLEDGEMENTS

May I take this opportunity to thank all our stakeholders who have stood with the Group over the years. Without your support, Proplastics would not be where it is today.

May I also thank the Proplastics employees, who are the real force driving this business, for their unwavering commitment throughout the year.

I wish to conclude by thanking the Board, for the wise council and support throughout the year.

KUDAKWASHE CHIGIYA
22 MARCH 2018



Mr. Gregory Sebborn
Non-Executive Board Chairman.

Gregory served as Managing Director of the Zimbabwe and Southern African operations of the Rennies Group of Companies. He is also a founding Director and former Group Managing Director of Zimplats Holdings Limited and Managing Director of Zimbabwe Platinum Mines. He served as a Partner at Renaissance Partners, a Russian based Investment Bank. Gregory is currently a consultant for special mining projects and developments in Africa and serves as a non-executive Director of several companies including Stanbic Bank Zimbabwe.

Mr. Kudakwashe Chigiya
Chief Executive Officer.

Kudakwashe is a holder of a Diploma in Rubber & Plastics Technology and an MBA. Kudakwashe started his career at Proplastics in 1993 as a Graduate Trainee in Plastics Technology rising through the ranks of Quality Controller, Quality Assurance Manager and Technical Manager. During the period, he superintended pioneering of manufacturing projects. Kudakwashe left Proplastics for South Africa in 2003 to advance his career in Plastics Technology. Up to his appointment, he was employed at DPI Plastics as Process Engineer for Quality and Technical management functions. He was appointed Chief Executive Officer of the company on 29 May 2015.

Mr. Brett Childs
Non- Executive Director

Brett, who is originally from Zimbabwe, is a qualified Chartered Accountant, but has worked in South Africa and the United Kingdom for a number of years, before moving to Mauritius as Chairman of Brait Mauritius Limited. Brett has held several senior positions in London and Mauritius, and has a wealth of experience in the financial services sector which includes treasury, group structuring, investor relations and listings. Brett currently sits on a number of private and public owned companies and funds in various jurisdictions.

Mr. Herbert S. Mashanyare
Non- Executive Director

Herbert is a former mining executive and until recently was an Executive Director for Mimosa Mines in Zimbabwe. Prior to that, Herbert held several senior positions with Union Carbide and Zimasco. Herbert holds a Bachelor of Science in Chemistry and a Masters of Philosophy in Process Research from the University of Zimbabwe. He also holds a Master of Science in Process Engineering Design from the University of London.

Mrs. Sandra Roberts
Non- Executive Director

Sandra is a proven Agribusiness Specialist and Project Manager with over twenty years of experience in commercial crop production, donor funded agricultural initiatives and horticultural research. Sandra holds a Master of Science Agriculture (Horticulture) (Cum Laude) and a Bachelor of Science Agriculture (Horticulture) Cum Laude, Dux student from the University of Natal, Pietermariztburg, South Africa. In addition, Sandi holds the following membership: - Crops life International, formerly Agricultural Chemical Industry Association (ACIA); Women's University in Africa Council; African Women in Agriculture – Zimbabwean chapter of the Graca Machel Trust; Facilitator of Investment in Excellence Program with the Pacific Institute and Chair of Market Linkage Association (MLA) Zimbabwe.

Mr. Paddy Tongai Zhanda (Jnr)
Non-Executive Director.

Paddy holds a Bachelor of Commerce in Accounting Science from the University of South Africa and completed his Articles of Clerkship with Deloitte & Touche. Paddy is a Director of a number of companies including Aurora Agricultural Ventures & Processors (Private) Limited.

Mr. Paschal Changunda
Finance Director

Paschal is a qualified Chartered Accountant (Zimbabwe) and is a holder of a Masters Degree in Business Leadership (MBL) from the University of South Africa (UNISA). He served his articles with Deloitte & Touche. Paschal has previously worked for Cairns Foods where he was Finance Manager, and Rainbow Tourism Group, where he joined as Finance Manager and became Finance Director in 2004 until 2013. Prior to joining Proplastics, he was Director – Finance & Administration with ZimTrade.

Corporate Governance

The Board of PROPLASTICS LIMITED is committed to adherence to the principles of good corporate governance in order to attain the goal of responsible corporate behaviour and full accountability to its shareholders and stakeholders.

THE BOARD OF DIRECTORS

Composition and appointment

The Board comprises of 7 directors; 5 Non-executive and 2 Executive. The Board is chaired by a non- executive director, thus ensuring a separation of powers and authority.

The election of non-executive Directors is subject to confirmation by shareholders. In terms of the Group's Articles of Association and the Companies Act (Chapter 24:03), at least one third of the Directors must retire at every Annual General Meeting and, if eligible, can stand for re-election. Also, a Director appointed during the course of the year must retire at the annual general meeting and, if eligible, stand for re-election.

Accountability and delegated functions

The Board meets formally at least once every quarter to review the entity's performance. There is an agenda of matters which are brought to its consideration and review and where appropriate, for decision so that it maintains full and effective control over strategic, financial, operational and compliance issues. There are procedures which allow Directors to avail themselves for independent professional advice in the furtherance of their duties and to select non-executive Directors.

Performance management reporting

The entity operates in Zimbabwe in a regulated environment. Business is conducted within a well-developed control framework, underpinned by procedures and control manuals. The Board has established a management structure which clearly defines roles, responsibilities and reporting lines.

The business performance of the Group is reported regularly to management, the Executive Committee and the Board. Performance trends and performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies which are consistently applied, in all material respects, from year to year. Where a change in accounting policy occurs, the change is specifically noted in the financial statements.

The system of internal financial control is monitored regularly by management, the Executive Committee and the Board.

Internal Audit reports regularly to the Audit and Risk Committee of the Board. They also report to management for actioning. The scope of the Internal Audit department includes an assessment of the risks and controls and its findings are reported to management. All adverse findings are reported to the Chief Executive Officer for immediate management action.

The external auditors review the system of internal financial controls to the extent necessary for them to form the opinion they express on the financial statements. They also report to the Audit and Risk Committee on matters arising from this review.

Composition of the Board

Mr. Gregory Sebborn^	Non-Executive Board Chairman
Mr. Kudakwashe Chigiya	Chief Executive Officer
Mr. Paschal Changunda	Finance Director
Mr. Paddy Tongai Zhanda*	Non-Executive Director
Mr. Brett Childs^	Non-Executive Director
Mrs. Sandra Roberts*	Non- Executive Director
Mr. Herbert Stanley Mashanyare*	Non-Executive Director

(sits on the audit Committee, ^sits on the remuneration committee)*

Board Committees
The Board has established and mandated a number of committees to perform work on its behalf in various key areas affecting the business of the entity. The committees are chaired by non-executive directors. They submit reports to the main Board on the Committee's deliberations and findings.

The Remuneration Committee
The Committee is chaired by a non-executive director and Chairman of the Board, Mr. Gregory Sebborn. Its mandate is to set the remuneration of executive directors and considers appointment of new directors and senior executives before the final approval by the Board. The remuneration policies of the Committee are as follows: -

- To ensure that individual rewards and incentives relate directly to the performance of the individuals, the operations and functions for which they are responsible and the Group as a whole.
- To maintain competitive rewards that enables the entity to attract and retain executives of the highest quality.

In order to determine the competitiveness of executive remuneration, the Committee receives independent professional advice on remuneration packages and practices of comparable organisations within the region.

Audit Committee

Mrs. Sandra Roberts, an independent non-executive director, chairs this Committee which deals with compliance, internal control and risk management.

The Committee: -
- Considers changes to the Group's accounting policies and reviews its interim and annual financial statements before the Board, with whom ultimate responsibility remains, approves them.
- Reviews the effectiveness of the system of internal controls during the period and reports thereon to the Board. The Board is responsible for establishing systems of internal control, which provide reasonable assurance that the entity's assets are safeguarded, that proper accounting records are maintained and the financial information used in the business and for publication is reliable. They attach great importance to maintaining a strong control environment. However, any system of internal financial control can provide only reasonable, not absolute, assurance against material misstatement or loss.

Code of Conduct
The Board has approved a Code of Conduct for the entity, which sets out the entity's core values relating to lawful and ethical conduct of business. All employees have a copy of the Code and are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the entity operates. Policies exist for monitoring compliance with the Code.

Going Concern
The Board confirms that the Group has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on the basis that the Group is a going concern.

Auditors
A resolution will be proposed at the Annual General Meeting to reappoint Deloitte & Touche as auditors of the Group.

Sandra Roberts
Chairman - Audit and Risk Committee
22 March 2018

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their Annual Report and the Audited Financial Statements of the Group for the year ended 31 December 2017. In the report "Group" refers to Proplastics Limited and its subsidiary company, Promouldings (Private) Ltd.

Period's Results

Profit attributable to Shareholders	US$1,358,448
Final Dividend	US0.26 cents per share

Capital Expenditure
Capital Expenditure for the period to 31 December 2017 amounted to $371,472. The budgeted capital expenditure for the period to 31 December 2018 is $3,699,212.

Proplastics Limited is constructing a new factory owned by a Company called Dudway Investments (Private) Limited. The estimated cost of constructing the factory is five million United States Dollars (US$5,000,000). Dudway Investments (Private) Limited will be jointly owned by Proplastics Limited and Masimba Holdings Limited. Proplastics Limited's shareholding will be around 35%. Masimba Holdings, a related party are the main contractor on the project.

Share Capital
The authorized share capital of the Company is $87,500, comprising of 875,000,000 ordinary shares of a nominal value of $0.0001 each. The issued share capital of the Company is $24,499 divided into 244,993,024 ordinary shares of $0.0001 each.

Auditors
The auditors of the Company are Deloitte & Touche. Shareholders will be asked at the forthcoming Annual General Meeting to approve their remuneration in respect of the past audit and to re-appoint them auditors for the coming year. The Auditors remuneration for the past year was US$46,200.

Reserves
The movement in the Reserves of the Group is disclosed on the Consolidated Statement of Changes in Equity.

Dividends
The directors recommended a final dividend of US0.26 cents per share for the year ended 31 December 2017 payable in respect of all the ordinary shares of the Company. Shareholders will be asked to approve the payment of this dividend.

Borrowing Powers
In terms of the Articles of Association, the Company is authorised to borrow funds amounting to three (3) times of:

1) The total of the nominal amount of the issued and paid up share capital of the Company, and
2) The aggregate of the amounts standing to the credit of all capital and revenue reserve accounts and share premium account and profit and loss account as set out in the latest consolidated audited statement of financial position of the Company and its subsidiaries which has been drawn up to be laid before the members of the Company in general meeting at the relevant time.
3) The directors confirm that during the year under review, the Company's borrowings are within the above limits.

Directorate
The following are the Directors of the Company and they held office for the year under review: -

Mr. Gregory Sebborn	Non –Executive Board Chairman.
Mr. Kudakwashe Chigiya	Chief Executive Officer.
Mr. Paschal Changunda	Finance Director.
Mr. Paddy Tongai Zhanda	Non-Executive Director.
Mr. Brett Childs	Non- Executive Director.
Mrs. Sandra Roberts	Non-Executive Director.
Mr. Herbert Stanley Mashanyare	Non-Executive Director.

Mr Gregory Sebborn and Mr Kudakwashe Chigiya will retire on rotation at the conclusion of this Annual General Meeting. Being eligible, they have offered themselves for re-election and Shareholders will be asked to re-appoint them as Directors for the ensuing year.

Directors' Fees
Shareholders will be asked to approve the remuneration of the Directors for their services as Directors during the past year. Your board recommends that an amount of $81,250 be approved.

The Proplastics Limited Senior Executive Share Option Scheme 2017
The scheme was approved by shareholders in 2015, the purpose of which is to promote the retention of senior executives responsible for the management of the Group. The details of the movement in the outstanding option during the year to 31 December 2017 are shown on note 8 of the financial statements.

Statement of Compliance
The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as well as the disclosure requirements of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange listing requirements.

The Group's independent external auditors, Deloitte & Touche, have audited the financial statements and their report appears on pages 16-19. The Directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect material misstatement and loss.

The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for the foreseeable future.

G Sebborn
Chairman
22 March 2018

Proplastics Limited is the only Zimbabwean, PVC and HDPE plastic pipes and fittings manufacturer accredited to the ISO 9001 & 14001, both SAZ and SABS product mark schemes, OHSAS 180001, IFPA and SAPPMA. The pipes and related fitiings are manufactured to a minimum perfomance gaurantee of 50 years. An upgrade of the SHEQMS is currently being worked on to meet the new requirements of the ISO 9001 and 14001 2015 standards and is nearing completion.

PO Box 267
Harare
Zimbabwe

Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

Tel: +263(0) 8677 000261
+263(0) 8644 041005
Fax: +263 (0) 4 852130
www.deloitte.com

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF PROPLASTICS LIMITED

for the year ended 31 December 2017

OPINION

We have audited the financial statements of Proplastics Limited set out on pages 20 to 63, which comprise the consolidated and company statements of financial position as at 31 December 2017 and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the financial position of Proplastics Limited as at 31 December 2017, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/96).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF PROPLASTICS LIMITED

for the year ended 31 December 2017 (continued)

Key audit matter	How our audit addressed the key audit matter
Occurrence of revenue recorded in the financial statements	
There is a presumed fraud risk with regards to revenue recognition as guided by International Standards on Auditing. This risk has been pinpointed to the occurrence of revenue for the Group. Management remuneration is partly based on profitability of the group. Therefore there is a risk that sales may be deliberately overstated as a result of management override, motivated by pressure management may feel, to achieve planned results. The Group revenue for the year was $16 103 935 (2016: $14 143 085).	Our audit procedures incorporated a combination of tests of the Group's controls relating to revenue recognition and the appropriateness of revenue recognition policies as well as substantive procedures in respect of testing the occurrence assertion. Our substantive procedures included but were not limited to the following: • Obtaining an understanding of the appropriateness of management's revenue recognition policies, particularly regarding sales near year end and in relation to customer discounts. • Performing various sales analytical reviews to assess the reasonableness of the sales amount for the year. • Comparing the date on signed customer invoices to that of recording in the ledger and ensuring that delivery took place and was recorded in the appropriate period. We found the Group to have appropriately recognised revenue in accordance with its policies, and in compliance with IFRS.
Valuation of receivables	
The macroeconomic environment is characterised by liquidity constraints. There is therefore a risk that trade receivables are over-valued due to inadequate allowance for credit losses. The balance of trade receivables as at year end was $1 116 665 (2016: $2 351 500). The trade receivables balance is disclosed in Note 7 to the annual report.	In evaluating the valuation of receivables, we performed the following tests: • Evaluated the design and implementation of controls applied by management in determining the allowance for credit losses. • Tested the accuracy of the receivables age analysis and the recoverability of amounts due from debtors through circularisation, testing of subsequent receipts and corroborative enquiry. • Confirmed the existence and assessed the valuation of significant receivables as at year end by tracing to subsequent/ recent receipts. • Confirmed with the Group's legal counsel concerning any litigation against debtors and their assessment of success for the Group. • Assessed the reasonableness of the methods and assumptions used by the management to estimate the allowance for credit losses. The basis used in the determination of doubtful debts was assessed to be appropriate.

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF PROPLASTICS LIMITED

for the year ended 31 December 2017 (continued)

Other information

The Directors are responsible for the other information. The other information comprises the Company Profile, Proplastics' Unique Proposition, Financial Highlights, Ratios and Statistics, Chief Executive Officer's Report, Chairman's Statement, Corporate Governance Statement and the Report of the Directors, which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03), and Statutory Instruments (SI 33/99 and SI 62/96), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group'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 Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement 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 control.
- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' use of the 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 Group's ability to continue as a going concern.

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF PROPLASTICS LIMITED

for the year ended 31 December 2017 (continued)

- 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. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 Group to express an opinion on the consolidated and separate financial and separate statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors 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.

We also provide the Directors 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 the Directors, 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 auditors' 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, the Group and Company financial statements have been prepared in accordance with the disclosure requirements of the Companies Act (Chapter 24:03) and Statutory Instruments (SI33/99 and SI 62/96).

The engagement partner on the audit resulting in this independent auditor's report is Graham Dombodzvuku.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per Graham Dombodzvuku
PAAB Registration Number: 0441
Partner
22 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	31 December 2017 Audited US$	31 December 2016 Audited US$
Assets			
Non-current assets			
Property, plant & equipment	4	4,365,160	4,923,500
		4,365,160	4,923,500
Current assets			
Inventories	6	3,724,401	4,092,256
Trade and other receivables	7	1,775,503	2,697,280
Cash and cash equivalents		4,396,251	1,441,741
Investment		-	213
Total current assets		**9,896,155**	**8,231,490**
Total assets		**14,261,315**	**13,154,990**
Equity and liabilities			
Equity			
Share capital	8	24,499	24,499
Reserves		8,678,149	8,671,445
Retained earnings		1,737,756	747,026
Total equity		**10,440,404**	**9,442,970**
Non-current liabilities			
Long-term borrowings	9	-	582,667
Deferred tax	10	576,357	559,615
Total non-current liabilities		**576,357**	**1,142,282**
Current liabilities			
Trade and other payables	11	2,764,198	2,218,251
Short-term borrowings	9	374,667	333,333
Current tax payable		105,689	18,154
Total current liabilities		**3,244,554**	**2,569,738**
Total liabilities		**3,820,911**	**3,712,020**
Total equity and liabilities		**14,261,315**	**13,154,990**

G. Sebborn
Chairman
22 March 2018

K. Chigiya
Chief Executive Officer
22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

as at 31 December 2017

	Notes	31 December 2017 Audited US$	31 December 2016 Audited US$
Revenue		16,103,935	14,143,085
Cost of sales		(11,302,224)	(10,698,105)
Gross profit		**4,801,711**	**3,444,980**
Other (expenses)/ income	12	(45,346)	50,911
Distribution expenses		(477,435	(530,345)
Administrative expenses	13	(2,279,537)	(2,033,033)
Profit before interest and tax		**1,999,393**	**932,513**
Finance costs		(24,726)	(60,255)
Profit before tax	**14**	**1,974,667**	**872,258**
Income tax expense	15	(616,219)	(193,037)
Profit for the year		**1,358,448**	**679,221**
Attributable profit for the year		**1,358,448**	**679,221**
Comprehensive income			
Other comprehensive income		-	-
Total Comprehensive income for the year		**1,358,448**	**679,221**
Earnings per share			
Number of shares (millions)		**245**	**245**
Basic earnings per share (cents)	**16**	**0.55**	**0.28**
Diluted earnings per share (cents)	**16**	**0.54**	**0.27**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	31 December 2017 Audited US$	31 December 2016 Audited US$
Cash flows from operating activities		
Profit for the year before interest and tax	**1,999,393**	**932,513**
Adjustments for:		
Depreciation of non-current assets	912,668	876,219
Expense recognised in respect of equity-settled share based payments	6,704	8,035
Profit on disposal of property, plant and equipment	(6,169)	(46,067)
Net cash from operations before working capital changes	**2,912,596**	**1,770,700**
Decrease in trade and other receivables	921,397	405,322
Decrease in inventories	367,855	319,008
Increase in payables	545,947	445,672
Cash generated from operations	**4,747,795**	**2,940,702**
Net interest paid	(24,726)	(60,255)
Income tax paid	(511,562)	(243,805)
Net cash generated from operating activities	**4,211,507**	**2,636,642**
Cash flow from investing activities		
Purchase of property, plant and equipment	(371,472)	(1,486,832)
Proceeds from disposal of property, plant and equipment	23,313	211,849
Investments	(15)	(213)
Net cash utilised in investing activities	**(348,174)**	**(1,275,196)**
Cash flow from financing activities		
(Decrease)/increase in borrowings	(541,333)	166,000
Dividend paid	(367,490)	(367,490)
Net cash utilised in financing activities	**(908,823)**	**(201,490)**
Net increase in cash and cash equivalents	**2,954,510**	**1,159,956**
Cash and cash equivalents at the beginning of the year	1,441,741	281,785
Cash and cash equivalents at the end of the year	**4,396,251**	**1,441,741**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share Capital US$	Reserves US$	Retained Earnings US$	Total Equity US$
Balance as at 31 December 2015	**24,499**	**8,663,410**	**435,295**	**9,123,204**
Dividend paid	-	-	(367,490)	(367,490)
Share based payments	-	8,035	-	8,035
Profit for the year	-	-	679,221	679,221
Balance as at 31 December 2016	**24,499**	**8,671,445**	**747,026**	**9,442,970**
Dividend paid	-	-	(367,490)	(367,490)
Share based payments	-	6,704	-	6,704
Share buy back	-	-	(228)	(228)
Profit for the year	-	-	1,358,448	1,358,448
Balance as at 31 December 2017	**24,499**	**8,678,149**	**1,737,756**	**10,440,404**

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	31 December 2017 Audited US$	31 December 2016 Audited US$
Assets			
Non-current assets			
Property, plant & equipment	4	3,027,119	3,559,459
Investment in subsidiary	5	1,123,289	1,123,289
		4,150,408	4,682,748
Current assets			
Inventories	6	3,724,401	4,092,256
Trade and other receivables	7	1,775,503	2,696,900
Cash and cash equivalents		4,396,251	1,441,741
Investment		-	213
Total current assets		**9,896,155**	**8,231,110**
Total assets		**14,046,563**	**12,913,858**
Equity and liabilities			
Equity			
Share capital	8	24,499	24,499
Reserves		8,678,149	8,671,445
Retained earnings		1,686,207	706,097
Total equity		**10,388,855**	**9,402,041**
Non-current liabilities			
Long-term borrowings	9	-	582,667
Deferred tax	10	329,506	308,710
Total non-current liabilities		**329,506**	**891,377**
Current liabilities			
Trade and other payables	11	2,848,680	2,268,953
Short-term borrowings	9	374,667	333,333
Current tax payable		104,855	18,154
Total current liabilities		**3,328,202**	**2,620,440**
Total liabilities		**3,657,708**	**3,511,817**
Total equity and liabilities		**14,046,563**	**12,913,858**

K. Chigiya

G. Sebborn
Chairman
22 March 2018

K. Chigiya
Chief Executive Officer
22 March 2018

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

		31 December 2017 Audited US$	31 December 2016 Audited US$
Revenue		**16,103,935**	**14,143,085**
Cost of sales		(11,302,224)	(10,698,105)
Gross profit		**4,801,711**	**3,444,980**
Other (expenses)/ income	12	(45,346)	50,911
Distribution expenses		(502,448)	(530,345)
Administrative expenses	13	(2,273,156)	(2,049,823)
Profit before interest and tax		**1,980,761**	**915,723**
Finance costs		(24,726)	(60,255)
Profit before tax	**14**	**1,956,035**	**855,468**
Income tax expense	15	(608,207)	(189,142)
Profit for the year		**1,347,828**	**666,326**
Comprehensive income			
Other comprehensive income		-	-
Total Comprehensive income for the year		**1,347,828**	**666,326**
Earnings per share			
Number of shares (millions)		**245**	**245**
Basic earnings per share (cents)	**16**	**0.55**	**0.27**
Diluted earnings per share (cents)	**16**	**0.54**	**0.27**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	31 December 2017 Audited US$	31 December 2016 Audited US$
Cash flows from operating activities		
Profit for the year before interest and tax	**1,980,761**	**915,723**
Adjustments for:		
Depreciation of non-current assets	886,668	850,219
Expense recognised in respect of equity-settled share based payments	6,704	8,035
Profit on disposal of property, plant and equipment	(6,169)	(46,067)
Net cash from operations before working capital changes	**2,867,964**	**1,727,910**
Decrease in trade and other receivables	921,397	405,322
Decrease in inventories	367,855	319,008
Increase in payables	579,727	472,260
Cash generated from operations	**4,736,943**	**2,924,500**
Net interest paid	(24,726)	(60,255)
Income tax paid	(500,710)	(227,329)
Net cash generated from operating activities	**4,211,507**	**2,636,916**
Cash flow from investing activities		
Purchase of property, plant and equipment	(371,472)	(1,486,832)
Proceeds from disposal of property, plant and equipment	23,313	211,849
Investments	(15)	(213)
Net cash utilised in investing activities	**(348,174)**	**(1,275,196)**
Cash flow from financing activities		
(Decrease)/increase in borrowings	(541,333)	166,000
Dividend paid	(367,490)	(367,490)
Net cash utilised by financing activities	**(908,823)**	**(201,490)**
Net increase in cash and cash equivalents	**2,954,510**	**1,160,230**
Cash and cash equivalents at the beginning of the year	1,441,741	281,511
Cash and cash equivalents at the end of the year	**4,396,251**	**1,441,741**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share Capital US$	Reserves US$	Retained Earnings US$	Total Equity US$
Balance as at 31 December 2015	**24,499**	**8,663,410**	**407,261**	**9,095,170**
Dividend paid	-	-	(367,490)	(367,490)
Share based payments	-	8,035	-	8,035
Profit for the year	-	-	666,326	666,326
Balance as at 31 December 2016	**24,499**	**8,671,445**	**706,097**	**9,402,041**
Dividend paid	-	-	(367,490)	(367,490)
Share based payments	-	6,704	-	6,704
Share Buy back	-	-	(228)	(228)
Profit for the year	-	-	1,347,828	1,347,828
Balance as at 31 December 2017	**24,499**	**8,678,149**	**1,686,207**	**10,388,855**

STANDARDS ASSOCIATION OF ZIMBABWE

SABS ISO 9001

SABS ISO 14001

SABS ISO 18001

SAPPMA
southern african plastic pipe manufacturers association

IFPA

1. GENERAL INFORMATION

Proplastics Limited is a limited Company incorporated in the Republic of Zimbabwe. The address of its registered office is 5 Spurn Road, Ardbennie, Harare. The Group consists of Proplastics Limited and its wholly owned subsidiary, Promouldings (Private) Limited.

1.1 Nature of Business

The principal activities of the Group are manufacturing and distribution of PVC and HDPE sewer and water reticulation pipes.

1.2 Reporting period

The statutory reporting period for the Group is 1 January 2017 to 31 December 2017.

1.3 Statement of compliance

The Group's financial results have been prepared in accordance with the accounting policies consistent with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

The Group and company annual financial statements have been prepared under the supervision of P. Changunda CA(Z), Group Finance Director of Proplastics Limited, Registered Public Accountant, PAAB Number 2847.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's)

2.1 Amendments to IFRSs that are mandatorily effective for the current year

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2017 and are relevant to the Group. The application of these standards, amendments and interpretations has had no material effect on the disclosures of amounts in these financial statements.

Standard/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 12 (amendments)	Disclosure of Interests in Other Entities	1 January 2017
IAS 7 (amendments)	Statement of Cash Flows-Disclosure initiatives	1 January 2017
IAS 12 (amendments)	Income taxes-Recognition of Deferred tax assets for unrealised losses	1 January 2017

IFRS 12 (amendments) Disclosure of Interests in Other Entities:

States that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for distribution to owners. The amendments clarify that this is the only concession from the disclosure requirements of IFRS12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements.

Amendments to IAS 7 disclosure initiative:

The amendments require an entity to provide disclosure that enable users of the financial statements to evaluate changes in liabilities arising from financial activities, including both cash and non-cash changes.

The application of these amendments has had no material impact on the Group's consolidated financial statements.

IAS 12 (amendments) Income Taxes-Recognition of Deferred tax assets for unrealized losses.

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's)(continued)

2.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted

The following new standards, amendments and interpretations have been issued but are not yet effective and are relevant to the Group's operations:

Standard/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 2 (amendments)	Share based Payment	1 January 2018
IFRS 4 (amendments)	Insurance contracts	1 January 2018
IFRS 9 (amendments and all versions)	Financial instruments	1 January 2018
IFRS 10 and IAS 28 amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date not set
IFRS 15 (new)	Revenue from contracts with customers	1 January 2018
IFRS 16 (new)	Leases	1 January 2019
IAS 40 (amendments)	Investment Property	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 2 (amendments) 'Share based payment': adds clarification on the classification and measurement of share-based payment transactions. The amendment deals with the effects of vesting conditions on the measurement of a cash settled share-based payment and accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash settled to equity settled. The amendments also consider the classification of share-based payment with net settlement features.

Application of this standard will not have a material impact on the Group.

IFRS 4 (amendments) 'Insurance contracts': Provides an additional guidance which states that an entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. These are amendments regarding the interaction of IFRS 4 and IFRS 9.

Application of this standard will not have a material impact on the Group.

IFRS 9 – Financial Instruments: Classification and Measurement (as revised in 2014)
Effective annual periods beginning on or after 1 January 2018, early application permitted.

The standard contains requirements in the following areas:
Classification and measurement. - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
Impairment. - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
Hedge accounting. - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
De-recognition. - The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39. The standard is set to replace the current IAS 39.

Application of this standard will not have a material impact on the Group.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (continued)

2.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted (continued)

IFRS 10 and IAS 28 amendments:

Amends IFRS10 Consolidated Financial Statements and IAS28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS3 Business Combinations)
- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.
- These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Application of this standard will not have a material impact on the Group.

IFRS 15 - Revenue from Contracts with Customers

Effective annual periods beginning on or after 1 January 2018, early application permitted.

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.
The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The standard is set to replace IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

Application of this standard will not have a material impact on the Group.

IFRS 16 (new):

Introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by model where a right of use and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Application of this standard will have a material impact on the Company.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (CONTINUED)

2.2 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted (continued)

IAS 40 (amendments):

Provides that Transfers to, or from, investment property should only be made when there is a change in use, evidenced by one or more of the following:

- Commencement of owner-occupation (transfer from investment property to owner-occupied property).
- Commencement of development with a view to sale (transfer from investment property to inventories).
- End of owner-occupation (transfer from owner-occupied property to investment property).
- Commencement of an operating lease to another party (transfer from inventories to investment property)
- End of construction or development (transfer from property in the course of construction/development to investment property. When an entity decides to sell an investment property without development, the property is not re-classified as inventory but is dealt with as investment property until it is de-recognised.

Application of this standard will not have a material impact on the Group.

IFRIC 22 (Amendments):

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements. This is because the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

The Directors of the Company do not anticipate that the application of these new standards, amendments and interpretations will have a material effect on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Where necessary, prior year figures have been reclassified to improve comparability of the information and to ensure relevance to the understanding of the current year's financial results.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share- based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

The financial statements are presented in United States Dollars (US$), the functional currency of the Company and the country and are rounded off to the nearest dollar.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at re-valued amounts or fair values at the end of each reporting period, as explained in the accounting policies below:

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee and
- has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have the current ability to direct the relevant activities at the time that the decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company and to the non- controlling interests even if this results in the non-controlling interests having a deficient balance.
When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.
All intergroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consideration.

3.2.1 Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassifies to profit or loss or transferred to another category of equity as specified /permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group, in exchange for the control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at the fair value except that: -

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquirer's share- based payments awards are measured in accordance with IFRS 2 Share- based Payment; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non- current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3.4 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Interests in joint operations (continued)

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3.5. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.5.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.5.2 Dividend and interest revenue

Revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).
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 revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.5.3 Rental income

Rental income from investment properties is recognised on a straight line basis over the term of the relevant lease.

3.6 Property, plant and equipment

Property, plant and equipment are tangible assets that the Group holds for its own use or for rental to others and which the Group expects to use for more than one period. The consumption of property, plant and equipment is reflected through a depreciation charge designed to reduce the asset to its residual value over its useful life.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment (continued)

3.6.1 Measurement

Property, plant and equipment are shown at cost less the related depreciation. It is the policy of the Group to revalue its freehold land and buildings frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation increase arising is recognised in other comprehensive income, 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 revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve of that asset.

3.6.2 Subsequent costs

Subsequent costs are included in an asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

3.6.3 Components

The amount initially recognised in respect of an item of property, plant and equipment is allocated to its significant components and where they have different useful lives, are recorded and depreciated separately. The remainder of the cost, being the parts of the item that are individually not significant or have similar useful lives, are compiled together and depreciated as one component.

3.6.4 Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following average useful lives are used in the calculation of depreciation:

Land is not depreciated		
Buildings	40 years	on a straight – line basis
Plant and equipment	8 years	on a straight – line basis
Motor vehicles	5 years	on a straight – line basis
Other Assets	3-10 years	on a straight – line basis

3.6.5 Useful lives and residual values

The property, plant and equipment's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. The estimated useful life is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors such as number of shifts for which the asset is to be used and the repair and maintenance program and technological obsolescence arising from changes and residual value.

3.7 Impairment of assets

At each statement of financial position date the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the asset is tested for impairment by estimating the recoverable amount of the related asset. Irrespective of whether there is any indication of impairment, an intangible asset with an indefinite useful life, intangible assets not yet available for use and goodwill acquired in a business combination, are tested for impairment on an annual basis.

When performing impairment tests, the recoverable amount is determined for the individual asset for which an objective indication of impairment exists. If the asset does not generate cash flows from continuing use that are largely independent from other assets or Group of assets, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment of assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3.8 Taxation and deferred taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.8.1 Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using rates that have been enacted by the statement of financial position date.

3.8.2 Deferred taxation

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

3.8.3 Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except where the goods supplied are exempted or zero rated. The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9. Advance payments received

Advance payments received are assessed on initial recognition to determine whether it is probable that they will be repaid in cash or another financial asset. If it is probable that the advance payments will be repaid with goods or services, the liability is carried at historic cost.

3.10. Inventories

Inventories comprise raw materials, work in progress, finished goods and manufactured components. They are valued at the lower of cost or net realisable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.11 Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States Dollars, which is the functional currency of the Group and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise except for:

- those which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks, and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group are expressed in United States dollars using exchange rates prevailing at the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are classified as equity and transferred to the Group's
foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On the disposal of a foreign operation (i.e. disposal of a Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non controlling interest and are not recognised in profit or loss. For all partial disposals i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Foreign currency translation (continued)

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

3.12 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.12.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments:
- Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

3.12.1 Financial assets (continued)

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to- maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)
AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for- sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period.

The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

3.12.1 Financial assets (continued)

Impairment of financial assets (continued)
For all other financial assets, objective evidence of impairment could include:
- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

De-recognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset,

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

3.12.1 Financial assets (continued)

De-recognition of financial assets (continued)

the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.12.2 Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Compound instruments
The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

3.12.2 Financial liabilities and equity instruments (continued)

Compound instruments (continued)

option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.
Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Other financial liabilities
Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12.2 Financial liabilities and equity instruments (continued)

Other financial liabilities (continued)
The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

De-recognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.13 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

3.14 Share based payments

Senior executives of the Group receive remuneration in the form of share based payments, whereby they receive equity instruments as consideration for rendering services. The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity settled transactions, no account is taken of any performance conditions, other than linked to the price of the shares of the Group. The cost of equity settled transactions is recognised, together with corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Details regarding the determination of the fair value of equity settled share based transactions are set out in note 8.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Investment properties

Investment property is property held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods or services, for administrative purposes, or sale in the ordinary course of business. This classification is performed on a property-by-property basis. Initially, investment property is measured at its cost, including transaction costs. Subsequent to initial measurement, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in profit or loss in the period in which the property is derecognised.

3.16 Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.17 Provisions and contingencies

3.17.1 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 statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.17.2 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Provisions and contingencies (continued)

3.17.3 Contingent assets

A contingent asset is a possible asset that arises from past events and existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Group. In the ordinary course of business, the Group may pursue a claim against a subcontractor or client. Such contingent assets are only recognised in the financial statements where the realisation of income is virtually certain. If the flow of economic benefits is only probable, the contingent asset is disclosed as a claim in favour of the Group but not recognised on the statement of financial position.

3.18 Employee benefits

3.18.1 Defined contribution plans

The Group operates pension schemes in terms of the Pension and Provident Funds Act and current contributions to defined contribution schemes are charged against income as incurred. The Group also participates in the National Social Security Authority scheme. Under defined contribution plans the Group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the actuarial risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits is borne by the employee.

3.18.2 Short term employee benefits

Wages, salaries, paid annual leave; bonuses and non-monetary benefits are recognised as employee benefit expenses and accrued when the associated services are rendered by the employees of the Group.

3.18.3 Termination benefits

Termination benefits are payable when employment is terminated by the Group before retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

3.18.4 Retirement benefit costs

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

3.19 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all executive and non- executive directors.

Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

4 Property, plant and equipment

Group

Cost /Valuation	Freehold Land & Buildings US$	Lease hold Improvements US$	Plant & Equipment US$	Motor Vehicles US$	Furniture & Office Equipment US$	TOTAL US$
Balance at 31 December 2015	**1,405,208**	**-**	**5,937,459**	**658,273**	**215,519**	**8,216,459**
Additions	-	-	1,332,414	122,839	31,579	1,486,832
Disposals	-	-	(2,280)	(319,333)	(1,993)	(323,606)
Balance at 31 December 2016	**1,405,208**	**-**	**7,267,593**	**461,779**	**245,105**	**9,379,685**
Additions	-	98,710	22,841	145,803	104,118	371,472
Disposals	-	-	-	(84,722)	(11,002)	(95,724)
Balance at 31 December 2017	**1,405,208**	**98,710**	**7,290,434**	**522,860**	**338,221**	**9,655,433**
Accumulated Depreciation						
Balance at 31 December 2015	**(15,167)**	**-**	**(3,172,475)**	**(411,229)**	**(138,919)**	**(3,737,790)**
Depreciation for the year	(26,000)	-	(798,332)	(26,591)	(25,296)	(876,219)
Disposals	-	-	1,898	153,935	1,991	157,824
Balance at 31 December 2016	**(41,167)**	**-**	**(3,968,909)**	**(283,885)**	**(162,224**	**(4,456,185)**
Depreciation for the year	(26,000)	-	(804,562)	(46,148)	(35,958)	(912,668)
Disposals	-	-	-	70,016	8,564	78,580
Balance at 31 December 2017	**(67,167)**	**-**	**(4,773,471)**	**(260,017)**	**(189,618)**	**(5,290,273)**
Carrying Amount						
Balance at 31 December 2016	**1,364,041**	**-**	**3,298,684**	**177,894**	**82,881**	**4,923,500**
Balance at 31 December 2017	**1,338,041**	**98,710**	**2,516,963**	**262,843**	**148,603**	**4,365,160**

4 Property, plant and equipment

Company

Cost /Valuation	Lease hold Improvements US$	Plant & Equipment US$	Motor Vehicles US$	Furniture & Office Equipment US$	TOTAL US$
Balance at 31 December 2015	**-**	**5,937,459**	**658,273**	**215,519**	**6,811,251**
Additions	-	1,332,414	122,839	31,579	1,486,832
Disposals	-	(2,280)	(319,333)	(1,993)	(323,606)
Balance at 31 December 2016	**-**	**7,267,593**	**461,779**	**245,105**	**7,974,477**
Additions	98,710	22,841	145,803	104,118	371,472
Disposals	-	-	(84,722)	(11,002)	(95,724)
Balance at 31 December 2017	**98,710**	**7,290,434**	**522,860**	**338,221**	**8,250,225**
Accumulated Depreciation					
Balance at 31 December 2015	**-**	**(3,172,475)**	**(411,229)**	**(138,919)**	**(3,722,623)**
Depreciation for the year	-	(798,332)	(26,591)	(25,296)	(850,219)
Disposals	-	1,898	153,935	1,991	157,824
Balance at 31 December 2016	**-**	**(3,968,909)**	**(283,885)**	**(162,224)**	**(4,415,018)**
Depreciation for the year		(804,562)	(46,148)	(35,958)	(886,668)
Disposals	-	-	70,016	8,564	78,580
Balance at 31 December 2017	**-**	**(4,773,471)**	**(260,017)**	**(189,618)**	**(5,223,106)**
Carrying Amount					
Balance at 31 December 2016	**-**	**3,298,684**	**177,894**	**82,881**	**3,559,459**
Balance at 31 December 2017	**98,710**	**2,516,963**	**262,843**	**148,603**	**3,027,119**

4 Property, plant and equipment (continued)

4.1 Encumbrances on property, plant and equipment

Freehold land and buildings with a carrying amount of $1.3 million have been pledged to secure borrowings of the Group. This was done by way of a Deed of Hypothecation over Lot 12 Block Y Ardbennie, The Remaining Extent of Lot 5 Block Y Ardbennie Township of Ardbennie, Lot 1 of Lot 11 Block Y Ardbennie Township of Ardbennie and The Remainder of Lot 11 Block Y Ardbennie Township of Ardbennie. Refer to note 9.

4.2 Revaluation

The Directors are of the view that the property market has not fundamentally changed and, therefore, the valuation carried out by an independent valuer, Intergrated Properties (Pvt) Ltd effective 4 October 2017 still reflects the fair value of the land and buildings.

5 Investment in subsidiary

Company

	31 December 2017 Audited US$	31 December 2016 Audited US$
At fair value		
Balance at beginning of the year	1,123,289	1,123,289
Additions	-	-
Balance at end of year	**1,123,289**	**1,123,289**

The investment is in a property owning Company, Promouldings (Private) Limited.
The Directors are of the view that this valuation still reflects the fair value of the Investment in subsidiary.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

2017				
	Level 1 US$	Level 2 US$	Level 3 US$	Total carrying amount US$
Freehold land & buildings	-	1,338,041	-	1,338,041

There were no transfers between level 1 and level 2 during the current year.

6. Inventories

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Raw materials	1,137,656	692,163	1,137,656	692,163
Work in progress	667,974	625,552	667,974	625,552
Finished goods	1,399,776	2,170,780	1,399,776	2,170,780
Goods in transit	-	268,005	-	268,005
Spares and consumables	667,391	601,963	667,391	601,963
Provision for slow moving inventories	(148,396)	(266,207)	(148,396)	(266,207)
Total inventories	**3,724,401**	**4,092,256**	**3,724,401**	**4,092,256**

7. Trade and other receivables

Trade receivables	1,305,190	2,444,698	1,305,190	2,444,698
Prepayments	290,177	74,992	290,177	74,992
Deposits and other receivables	368,661	270,408	368,661	270,408
Tax asset	-	380	-	-
	1,964,028	2,790,478	1,964,028	2,790,098
Less: Allowances for doubtful receivables	(188,525)	(93,198)	(188,525)	(93,198)
Trade and other receivables	**1,775,503**	**2,697,280**	**1,775,503**	**2,696,900**

The average credit period for trade receivables is 39 days. No interest is charged on the overdue trade receivables. The entity has recognised an allowance for credit losses against all receivables on a case by case basis.

Trade receivables disclosed include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group and Company have not recognised an allowance for credit losses because there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group and Company do not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by it to the counterparty.

Ageing of past due but not impaired trade receivables	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
60 days	121,897	472,294	121,897	472,294
61-90 days	36,562	25,896	36,562	25,896
91 days +	120,055	429,914	120,055	429,914
	278,514	**928,104**	**278,514**	**928,104**

7. Trade and other receivables (continued)

	Group		Company	
	31 December 2017 Audited Days	31 December 2016 Audited Days	31 December 2017 Audited Days	31 December 2016 Audited Days
Debtor days	39	61	39	61

Movement in the allowance for doubtful debts	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Balance at the beginning of the year	93,198	198,950	93,198	198,950
Net movement in provision for the year	101,260	110,013	101,260	110,013
Bad debts written off	(5,933)	(215,765)	(5,933)	(215,765)
Balance at the end of the year	**188,525**	**93,198**	**188,525**	**93,198**

Book debtors are encumbered as shown in note 9.
In determining recoverability of trade receivables, the Group and Company consider any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risks is limited due to the customer base being large and unrelated.

Six of the Group and Company`s trade receivables constitute 54% of the total receivable balance, with Masimba Holdings, a related party, owing 14% (one hundred and sixty- one thousand one hundred and eighty -nine United States Dollars (USD 161,189) of the total balance. However, as at reporting date Masimba Holdings had paid (eighty -seven thousand seven hundred and fifty -one United States Dollars (USD 87,751) towards their account.

The entire Group and Company`s impaired trade receivable balances are older than 180 days.

	Group		**Company**	
Ageing of impaired trade receivables	**31 December 2017 Audited US$**	**31 December 2016 Audited US$**	**31 December 2017 Audited US$**	**31 December 2016 Audited US$**
180+ days	**188,525**	**93,198**	**188,525**	**93,198**

8. Share capital and reserves

	Group		Company	
	31 December 2017 Audited US$	**31 December 2016 Audited US$**	**31 December 2017 Audited US$**	**31 December 2016 Audited US$**
Authorised and issued share capital				
Authorised				
875,000,000 ordinary shares of $0.0001 each	87,500	87,500	87,500	87,500
Issued				
244,993,024 ordinary shares of $0.0001 each	24,499	24,499	24,499	24,499

Of the total shares in issue, some 7,476 shares are held in treasury.

Unissued share capital
This is the share capital which Directors may allot, grant options over or deal with at their discretion (in terms of the articles of Association) subject to the limitations of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange without further restrictions.

Unissued share capital	63,001	63,001	63,001	63,001

8. Share capital and reserves (continued)

Shares under options

The Directors are empowered to grant share options to senior executives of the Group up to a maximum of 20,000,000 share options. The options are granted for a period of 5 years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the dealing date immediately preceding the day on which the options are granted. Details of share options outstanding as at 31 December 2017 were as follows:

	Group		Company	
	31 December 2017 Audited shares	31 December 2016 Audited shares	31 December 2017 Audited shares	31 December 2016 Audited shares
Balance at the beginning of year	6,000,000	6,000,000	6,000,000	6,000,000
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Balance at end of year	**6,000,000**	**6,000,000**	**6,000,0000**	**6,000,000**

A valuation was carried out by Proplastics Directors as at 31 December 2017. The estimated fair values of options granted were determined using Black Scholes model in accordance with IFRS 2 with the following inputs and assumptions:

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Grant date share price (US$)	0.023	0.023	0.023	0.023
Exercise price (US$)	0.023	0.023	0.023	0.023
Expected volatility	25.30%	25.30%	25.30%	25.30%
Dividend yield	7.14%	7.14%	7.14%	7.14%
Risk -free interest rate	6%	6%	6%	6%

Valuation Inputs

Exercise price

The scheme rules state that the price for the shares comprised in an option shall be the middle market price ruling on the Zimbabwe Stock Exchange on the dealing day immediately preceding the day on which the options are granted.

Expected Volatility

Expected volatility is a measure of the amount by which the price is expected to fluctuate during a period, for example between grant date and the exercise date.

Volatility was calculated as the standard deviation of log normal daily returns for the period starting 08 June 2015 to 02 February 2016.

Expected dividends

When estimating the fair value of options, the projected valuation of shares is reduced by the present value of dividends expected to be paid during the vesting period. This is because the payment of dividends reduces the value of the Company.

Risk free rate of return

A risk free rate of return is the interest rate an investor would expect to earn on an investment with no risk which is usually taken to be a government issued security. It is the interest rate earned on a riskless security over a specified time horizon. The risk free rate was based on long term bonds being issued in the market.

All options expire, if not exercised, 5 years after the date of grant.

9. Borrowings

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Long term loan	-	582,667	-	582,667
Short term loan	374,667	333,333	374,667	333,333
Total borrowings	**374,667**	**916,000**	**374,667**	**916,000**

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

10. Deferred tax

Balance at beginning of the year	559,615	555,319	308,710	298,207
Charge to income statement	16,742	4,296	20,796	10,503
Balance at 31 December 2017	**576,357**	**559,615**	**329,506**	**308,710**
Comprising of:				
Accelerated wear and tear	660,190	667,262	412,515	416,357
Unrealised exchange gains	(10,263)	(9,938)	(10,263)	(9,938)
Prepayments	11,424	1,156	11,424	1,156
Revenue received in advance	128,020	52,243	128,020	52,243
Provision for bad debt	(48,545)	(23,999)	(48,545)	(23,999)
Provision for obsolete stock	(38,212)	(68,548)	(38,212)	(68,548)
Other provisions	(126,257)	(58,561)	(125,433)	(58,561)
	576,357	**559,615**	**329,506**	**308,710**

11. Trade and other payables

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Trade payables	1,124,732	1,320,699	1,124,732	1,320,697
Accruals and other payables	1,639,466	897,552	1,723,948	948,256
Total trade and other payables	**2,764,198**	**2,218,251**	**2,848,680**	**2,268,953**

The average credit period on purchases of goods and services from suppliers is 36 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within pre-agreed credit terms.

12. Other (expenses)/income

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Exchange loss	(68,528)	(38,595)	(68,528)	(38,595)
Deilly write off	(15,553)	-	(15,553)	-
Container deposit write off	(1,365)	-	(1,365)	-
Insurance claim	2,160	-	2,160	-
Profit on disposal of property, plant and equipment	6,169	46,067	6,169	46,067
Zimdef/NSSA refunds	4,949	-	4,949	-
Debtors write back	-	27,209	-	27,209
Export incentive	18,349	12,395	18,349	12,395
Interest on staff loans	1,225	-	1,225	-
Handling charges	1,143	1,011	1,143	1,011
Scrap sales	6,105	2,824	6,105	2,824
Total other (expenses)/ income	**(45,346)**	**50,911**	**(45,346)**	**50,911**

13. Administrative expenses

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Audit fees	46,200	42,000	46,200	42,000
Bad debt expense	6,078	16,375	6,078	16,375
Increase in allowance for credit losses	101,260	110,013	101,260	110,013
Bank charges	71,616	41,417	71,616	41,143
Communication	29,468	24,542	29,468	24,542
Computer printing and stationery expenses	25,590	36,974	25,590	36,974
Consultancy /technical fees	7,545	22,100	7,545	22,100
Donations	7,339	5,473	7,339	5,473
Depreciation	105,930	75,766	79,930	49,766
Directors Fees	81,250	58,975	81,250	58,975
Internal audit	33,425	22,980	33,425	22,980
Legal and professional fees	2,956	21,219	2,956	21,219
Insurance	19,734	24,441	17,534	23,053
Licenses and levies	15,607	16,727	15,607	16,727
Repairs and maintenance	12,895	14,850	12,895	12,484
Security expenses	33,516	21,471	33,516	21,471
Share based payments	6,704	8,035	6,704	8,035
Other	207,744	84,349	229,563	131,167
Staff	1,464,680	1,385,326	1,464,680	1,385,326
	2,279,537	**2,033,033**	**2,273,156**	**2,049,823**

14. Profit before taxation

Profit before taxation has been arrived at after taking into account the following items which have not been disclosed separately:

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Depreciation	912,668	876,219	886,688	850,219
Pension	150,374	131,914	150,374	131,914
Compensation to directors and key management	551,650	484,775	551,650	484,775
Share option expenses	6,704	8,035	6,704	8,035
Profit on disposal of property, plant and equipment	(6,169)	(46,067)	(6,169)	(46,067)

15. Income tax expense

Current income tax	599,477	188,741	587,411	178,639
Deferred tax movement	16,742	4,296	20,796	10,503
Tax per income statement	**616,219**	**193,037**	**608,207**	**189,142**
Reconciliation of current income taxation				
Profit before tax	1,974,667	872,258	1,956,035	855,468
Tax at standard rate	508,477	224,606	503,679	220,283
Effects of expenses not deductible for tax	91,000	(30,481)	83,732	(30,053)
Effects of other permanent differences	16,742	(1,088)	20,796	(1,088)
Effective income tax expense	**616,219**	**193,037**	**608,207**	**189,142**

16. Earnings per share

Basic earnings per share

The calculation is based on the profit attributable to ordinary shareholders and the number of shares in issue at the end of the period, which participated in the profit of the Company.

Diluted earnings basis

The calculation is based on the profit attributable to ordinary shareholders and the number of shares in issue after adjusting to assume conversion of share options not yet exercised.

The calculation of basic and diluted earnings per share attributable to ordinary shareholders of the Company is based on the following data:

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Earnings				
Earnings attributable to the equity holders of the Company (US$)	1,358,448	679,221	1,347,828	666,326
Number of shares				
Weighted average number of shares in issue used in the determination of:				
Basic earnings per share	244,993,024	244,993,024	244,993,024	244,993,024
Diluted earnings per share	250,993,024	250,993,024	250,993,024	250,993,024
Earnings per share (US cents):				
Basic	0.55	0.28	0.55	0.27
Diluted	0.54	0.27	0.54	0.27

17. Retirement benefit costs

Pension funds

The Group operations and all permanent employees contribute to the funds below:

17.1 Masimba Holdings Limited Pension Fund

All entity employees are members of this fund administered by Old Mutual. The Fund is a defined contribution scheme. All members joining the fund automatically participate on the defined contribution pension benefit basis.

As at 31 December 2017, there were 89 members on the scheme.

17.2 National Social Security Authority (NSSA)

The entity and its employees contribute to the National Social Security Authority. This is a social security scheme promulgated under the National Social Security Act 1989. The Group's obligations under the scheme are limited to specific contributions legislated from time to time.

Pension costs recognised as an expense for the period.

	Group		Company	
	31 December 2017 Audited US$	**31 December 2016 Audited US$**	**31 December 2017 Audited US$**	**31 December 2016 Audited US$**
Masimba Holdings Pension Fund	119,213	101,463	119,213	101,463
National Social Security Authority	31,161	30,451	31,161	30,451
	150,374	**131,914**	**150,374**	**131,914**

18. Capital commitments

Capital expenditure authorised, but not contracted for is US$3,699,212. The expenditure is to be financed from internal resources and existing facilities.

Proplastics Limited is constructing a new factory owned by a Company called Dudway Investments (Private) Limited. The estimated cost of constructing the factory is five million United States Dollars (US$5,000,000). Dudway Investments (Private) Limited will be jointly owned by Proplastics Limited and Masimba Holdings Limited. Proplastics Limited's shareholding will be around 35%. Masimba Holdings, a related party are the main contractor on the project.

19. Directors' interests

The Directors directly/indirectly hold the following number of shares in the Group:

	Group		Company	
	2017 Audited Shares	**2016 Audited Shares**	**2017 Audited Shares**	**2016 Audited Shares**
G Sebborn	-	-	-	-
S. Roberts	-	-	-	-
H. Mashanyare	-	-	-	-
K Chigiya	-	-	-	-
P Changunda	-	-	-	-
Zumbani Capital	102,713,272	102,713,272	102,713,272	102,713,272

Zumbani Capital (Private) Limited is an indigenous investment vehicle that is 51% owned by Musasa Capital (Private) Limited and 49% by their international partners Capital Africa Investments Holdings Limited of Mauritius (CAIHL). The representative of Musasa Capital on the board is Mr. Paddy Tongai Zhanda (Jnr). The representative of CAIHL is Mr. Brett Childs. All Directors seconded to the Board of Proplastics by Zumbani Capital (Private) Limited are non-executive Directors of the Group.

20. Borrowing powers

Authority is granted in the Articles of Association for directors to borrow a sum not exceeding 300% of the ordinary shareholders' funds without the prior sanction of an ordinary resolution of the Group.

21. Insurance cover

In the opinion of the Directors, the Group's assets are adequately insured at full replacement cost.

22. Contingent liabilities and contingent assets

The Group is from time to time involved in various disputes, claims and legal proceedings arising in the ordinary course of the business. The Board does not believe that adverse decisions in any pending proceedings or claims against the Group will have a material adverse effect on the financial conditions or future of the Group.

23. Related party disclosures

Balances and transactions between entities within the Group have been eliminated on consolidation and are not disclosed in this note.

The Company had significant transactions with Masimba Holdings Limited, a significant shareholder in Proplastics Limited. In addition, the major shareholders in Proplastics Limited are also major shareholders in Masimba Holdings. All transactions with Masimba Holdings are at arm's length. Below are the sales made to and balances owing (to)/from Masimba Holdings as at 31 December 2016:

Sales to Related Parties	**Group**		**Company**	
	31 December 2017 Audited US$	**31 December 2016 Audited US$**	**31 December 2017 Audited US$**	**31 December 2016 Audited US$**
Sales to Masimba Holdings	468,331	843,214	468,331	843,214

Balances owing (to)from Related Parties

	Group		**Company**	
	31 December 2017 Audited US$	**31 December 2016 Audited US$**	**31 December 2017 Audited US$**	**31 December 2016 Audited US$**
Balance owing from Masimba Holdings	161,189	489,335	161,189	489,335
Balance owing to Masimba Holdings	(36,126)	(36,126)	(36,126)	(36,126)
Balance owing to Promouldings (Private) Limited	-	-	(87,681)	(50,702)

23. Related party disclosures(continued)

The remuneration of directors and other members of key management during the period were as follows:

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Short term benefits	551,650	484,775	551,650	484,775
Terminal benefits	56,742	94,276	56,742	94,276
For services rendered as directors	81,250	58,975	81,250	58,975
For managerial services	470,400	425,800	470,400	425,800

The remuneration of Directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Loans and advances to Directors	67,247	90,967	67,247	90,967

Terms and Conditions: The loan amount limit ranges between 6-12 months' salary and is subject to cash flow availability and Remuneration Committee approval. The annual interest rate is 6% per annum. The repayment period is 6 months to 5 years.

24. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liability and equity instruments are disclosed per note 3.

	Group		Company	
	31 December 2017 Audited US$	31 December 2016 Audited US$	31 December 2017 Audited US$	31 December 2016 Audited US$
Financial Assets				
Cash and cash equivalents	4,396,251	1,441,741	4,396,251	1,441,741
Trade and other receivables	1,775,503	2,697,280	1,775,503	2,696,900
Investments	-	213	-	213
Financial Liabilities				
Borrowings and payables	3,138,865	3,134,251	3,223,347	3,184,953

(b) Cash and cash equivalents

Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis. The Central Bank through Exchange Operating Guide 8(ECOGAD 8) introduced a foreign payments priority list that has to be followed when making foreign payments. Any foreign payments that we make from the bank balances above are ranked based on the Central Bank prioritisation criteria and paid subject to the Bank having adequate funds with its Foreign Correspondent Banks. This has resulted in increase in foreign creditor balances compared to prior year.

Cash and cash equivalents include bond notes. Bond notes are a debt instrument which has been disclosed under cash and cash equivalents since it meets the definition of cash and cash equivalents and is pegged at 1:1 with the US$.

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities approximate the carrying values in the statement of financial position as at 31 December 2017.

25. Financial risk management

The entity's financial liabilities comprise bank loans and trade and other payables. The main purpose of these financial instruments is to raise finance for the entity's operations. The entity has various financial assets such as trade receivables, cash and short term deposits which arise directly from its operations. The entity does not use derivative financial instruments in its management of foreign currency risk. Derivative financial instruments are not held or issued for trading purposes.

The main risks arising from entity's financial instruments are cash flow risk, foreign currency risk, interest rate risk, credit risk and liquidity risks. Senior executives of the Group meet on a regular basis to review and agree on policies to manage each of these risks. Treasury management strategies together with currency and interest rate exposures are re-evaluated against revised economic forecasts. Compliance with the Group policies and exposure limits are reviewed at Audit and Risk Committee meetings.

25.1 Foreign exchange risk management

The Group undertakes certain transactions denominated in currencies other than the US$ hence exposure to exchange rate fluctuations arises.

The Group's net foreign asset /liability exposure as at period end determined at the fair market rate of US$1: ZAR12.77 (2016 US$1: ZAR13.23), US$1: EUR1.23 (2016 US$1:1.02), is summarised as:

Group	Currency	**Foreign Balance outstanding**	**2017 US$ equivalent**	**Foreign balance outstanding**	**2016 US$ equivalent**
Payables	ZAR	(11,173,916)	(875,013)	(1,380,043)	(104,311)
	EUR	(11,531)	(9,375)	(500)	(510)
Total			**(884,388)**		**(104,821)**
Company					
Payables	ZAR	(11,173,916)	(875,013)	(1,380,043)	(104,311)
	EUR	(11,531)	(9,375)	(500)	(510)
Total			**(884,388)**		**(104,821)**

Given the amounts and types of currency held, the Group has no significant exposure to foreign currency risk at period end.

Abbreviation of currencies

ZAR - South African rand

US$ - United States dollar

EUR- European currency

25. Financial risk management (continued)

25.1 Foreign exchange risk management (continued)

Sensitivity analysis

A 20% fluctuation of the United States dollar against other currencies would have increased/ (decreased) equity and [profit or loss] by the amounts reflected below. The analysis is based on foreign currency rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes all other currencies remain the same.

Group		
ZAR	**Equity**	**Profit or loss**
31 December 2017		
20% appreciation	(218,753)	(218,753)
20% depreciation	145,835	145,835
ZAR		
31 December 2016		
20% appreciation	(26,128)	(26,128)
20% depreciation	17,407	17,407
EUR		
31 December 2017		
20% appreciation	(2,344)	(2,344)
20% depreciation	1,562	1,562
EUR		
31 December 2016		
20% appreciation	(102)	(102)
20% depreciation	102	102

Company		
ZAR	**Equity**	**Profit or loss**
31 December 2017		
20% appreciation	(218,753)	(218,753)
20% depreciation	145,835	145,835
ZAR		
31 December 2016		
20% appreciation	(26,128)	(26,128)
20% depreciation	17,407	17,407
EUR		
31 December 2017		
20% appreciation	(2,344)	(2,344)
20% depreciation	1,562	1,562
EUR		
31 December 2016		
20% appreciation	(102)	(102)
20% depreciation	102	102

25. Financial risk management (continued)

25.1 Foreign exchange risk management (continued)

Sensitivity analysis (continued)

The estimated net fair values of all financial instruments approximate the carrying amounts shown in the financial statements. Assets and liabilities denominated in currencies other than the USD which were on hand at the statement of financial position date have been valued for the purpose of these financial statements at official rates of exchange as the Directors are of the opinion that the official rate fairly reflects the value of such assets and liabilities for accounting purposes as required by IAS 21: The Effects of Changes in Foreign Exchange Rates.

25.2 Interest risk

The entity's treasury policy limits exposure to interest rate fluctuations by adopting a non-speculative approach to managing interest rate risk and only deals in approved financial instruments. Implementation of treasury policy ensures limited exposure to funding instruments while investment instruments are those which provide risk free returns at variable interest rates and mature within one year.

25.3 Credit risk

Financial assets which potentially subject the entity to concentration of credit risk consists principally of cash, short - term deposits and trade receivables. The entity's surplus cash equivalents and short term deposits are placed with high quality creditworthy financial institutions. The trade receivables are presented net of the allowance for credit losses and comprise a large, widespread customer base and the Group monitors the performance and financial condition of its customers so that the exposure to bad debts is not significant.

25.4 Liquidity risk

The entity monitors its risk of shortage of funds using a liquidity planning tool. The entity considers the maturity of both its financial investments and financial assets (e.g. receivables) and projected cash flows from operations. The entity's main objective is to maintain short term bank loans at a manageable level.
The liquidity risk on foreign creditors and lenders has increased due to delay of foreign payments. Refer to note 24 for additional disclosures under cash and cash equivalents note 24b.

25.5 Capital risk management

The entity manages its capital structure to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of debt and equity.

The capital structure of the entity consists of debt, which includes borrowings disclosed in Note 9, interest bearing borrowings and equity attributable to equity holders, comprising issued share capital, reserves and retained earnings.

The Group's Audit and Risk Committee reviews the capital structure on a quarterly basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on the recommendations of the committee, the entity will balance its overall structure through payments of dividends, new share issues and share buy backs as well as the issue of new debt or the redemption of existing debt.

26. Critical accounting estimates and judgements

The entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Revenue recognition

The entity uses certain assumptions and key factors in the management of and reporting for its revenue.

Management is satisfied that at period end the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

Other estimates made:

The entity also makes estimates for:

- The calculation of the provision for credit losses. In determining trade recoverability of trade receivables, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group therefore recognises an allowance for credit losses against receivables on a case by case basis.
- The determination of useful lives and residual values of items of property, plant and equipment. (Refer to property, plant and equipment accounting policy).
- The determination of the fair value of share options. (Refer to note 8).
- Included in provisions (note 11) is a liability for long service awards which are awarded to employees on reaching certain employment period milestones. The amount recognised is the present value of future cash flows adjusted for life expectancy, salary levels and probability of early terminations. Management uses market and non- market related information to come up with these estimates.

27. Going concern

The Directors have assessed the ability of the entity to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the entity to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

28. Events after reporting period

28.1 The Directors are not aware of any material events after reporting date that may significantly impact on the information contained in this report.

28.2 On 31 January 2018, the Proplastics Limited Board declared a final dividend of 0.26 cents per share for the year ended 31 December 2017 payable in respect of all the ordinary shares of the Company.

29. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2018.

SHAREHOLDERS' ANALYSIS

Consolidated top 20 as at 31 December 2017

Rank	Account Name	Shares	% Of Total
1	Zumbani Capital (Pvt)Ltd,	102,713,272	41.92
2	Old Mutual Life Ass Co Zim Ltd	31,250,157	12.76
3	Masimba Holdings Limited,	28,147,353	11.49
4	Stanbic Nominees	21,736,088	8.87
5	Old Mutual Zimbabwe Limited	9,734,883	3.97
6	SCB Nominees	9,603,565	3.92
7	Stanbic Nominees Nr	7,967,806	3.25
8	SCB Nominees Nr	4,923,146	2.01
9	Turner , Roy	2,756,599	1.13
10	National Social Security Authority (W.C.I.F)	2,540,728	1.04
11	National Foods Pension Fund	1,434,529	0.59
12	Catering Industry Pension Fund	1,198,058	0.49
13	Lobb, Marcus Richard	1,177,650	0.48
14	Guramatunhu Family Trust	961,027	0.39
15	Fbc Holdings Pf	707,297	0.29
16	HIT Pension Fund	610,965	0.25
17	Mimosa Mining Co Pension Fund	601,755	0.25
18	El-Khoury, Philippe Elias Farid	540,921	0.22
19	Tsoka, Morris	485,725	0.20
20	Dairibord Holdings Lpf- Imara	479,383	0.20
	Total	**229,570,907**	**93.72**
	Other Shareholders	**15,422,117**	**6.28**
	Total Shares	**244,993,024**	**100.00**
	Number of Shareholders	**870**	

SHAREHOLDERS' ANALYSIS (continued)

Company Statistics as at 31 December 2017

Country	Holders	% of Holders	Shares	% of Shares
Australia	5	0.57	15,148	0.01
Canada	2	0.23	5,772	0.00
Ireland	3	0.34	2,328	0.00
Kenya	1	0.11	11,003	0.00
Malawi	1	0.11	5,774	0.00
Mauritius	2	0.23	4,923,146	2.01
New Zealand	1	0.11	8,660	0.00
South Africa	45	5.17	337,631	0.14
Sweden	1	0.11	10,000	0.00
Turkey	1	0.11	540,921	0.22
United Kingdom	9	1.03	252,023	0.10
United States	3	0.34	7,910,859	3.23
Warrant Not Presentable	216	24.83	1,340,888	0.55
Zimbabwe	580	66.71	229,628,871	93.74
Total	**870**	**100.00**	**244,993,024**	**100.00**

Industry	Holders	% of Holders	Shares	% of Shares
Companies	97	11.15	134,171,582	54.76
Employee	5	0.57	38,638	0.02
Estate Late	10	1.15	61,541	0.03
Fund Managers	2	0.23	447,569	0.18
Insurance Companies	7	0.80	41,017,841	16.74
Investment Trusts And Property	15	1.72	1,691,004	0.69
Local Resident	521	59.91	10,011,103	4.09
Nominees Local	34	3.91	10,775,933	4.40
Non Residents	5	0.57	12,893,337	5.26
Non Resident Individual	96	11.03	1,206,755	0.49
Other Corporate Holdings	1	0.11	149,171	0.06
Pension Fund	77	8.85	32,528,550	13.28
Total	**870**	**100.00**	**244,993,024**	**100.00**

Range	Holders	% of Holders	Shares	% of Shares
0 - 500	134	15.40	26,844	0.01
501 - 1,000	105	12.07	73,429	0.03
1,001 - 5,000	284	32.65	746,845	0.30
5,001 - 10,000	108	12.41	782,631	0.32
10,001 - 50,000	121	13.91	2,589,880	1.06
50,001 - 100,000	27	3.10	1,889,067	0.77
100,001+	91	10.46	238,884,328	97.51
Total	**870**	**100.00**	**244,993,024**	**100.00**

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Third Annual General Meeting of the Members of Proplastics Limited will be held at the Monomotapa Hotel, 54 Parklane, Harare, Ophir Room, 1st Floor on Thursday 24 May 2018 at 10.00 hours.

ORDINARY BUSINESS

1. Approval of Financial Statements and Reports
To receive, consider and adopt the financial statements for the year ended 31 December 2017, together with the reports of the Directors and Auditors thereon.

2. Dividend
To declare a final dividend of US0.26 cents per ordinary share in the capital of the Company.

3. Directors' Fees
To approve the fees of the Directors for the year ended 31 December 2017.

4. Election of Directors
To re-elect retiring Directors Messrs. Gregory Sebborn and Kudakwashe Chigiya who retire by rotation and being eligible, offer themselves for re-election.

5. Auditors
5.1 To approve the remuneration of the Auditors for the previous year.
5.2 To approve re-appointment of Deloitte & Touche Chartered Accountants Zimbabwe as auditors for the current year.

SPECIAL BUSINESS

To resolve as a special resolution, with or without amendment:

6. Loans to Executive Directors
That the Company be and is hereby authorized, in terms of section 177(d) of the Companies Act (Cap 24:03) as read with section 73 of the said Act, to make any loan to any Executive Director or to enter into any guarantee or to provide any security in connection with a loan to such Executive Director for the purpose of enabling him to purchase or subscribe for fully paid shares in the Company to be held by him or in trust for him, repayable on such terms as may be determined by the Remuneration Committee of the Board of Directors, and provided that the amount of the loan or the extent of the guarantee or security shall not exceed two and a half times the annual remuneration of that Director. Any such loans, securities or guarantees made or provided during the six months preceding this Annual General Meeting are hereby ratified.

By Order of the Board

P. Changunda
Company Secretary
2 May 2018

NOTE: In terms of the Companies Act (Chapter 24:03) a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not to be a member of the Company. Proxy forms must be lodged with the secretary not less than forty-eight (48) hours before the time for holding the meeting.

PROXY FORM

For the Third Annual General Meeting of the Members of Proplastics Limited to be held Monomotapa Hotel, 54 Parklane, Harare, Ophir Room, 1st Floor on Thursday 24 May 2018 at 10.00 hours.

1/We ....
(Name in block letters)

Of ....

Being the holder of .... shares in the Company hereby appoint:

1 .... of .... or failing him/her

2 ....… of ....… or failing him/her

3 the Chairman of the AGM.

As my/our proxy to act for me/us at the AGM for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat, and at each adjournment thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name (see note 2) in accordance with the following instructions:

Resolution	For	Against	Abstain
1. Ordinary Resolution number 1 Adoption of the 2017 Annual Financial Statements and Directors' and External Auditors' reports			
2. Ordinary Resolution number 2 Approval of final dividend			
3. Ordinary Resolution number 3 Approval of Directors' remuneration			
4. Ordinary Resolution number 4 4.1 To re-elect Gregory Sebborn as a Director of the Company 4.2 To re-elect Kudakwashe Chigiya as a Director of the Company			
5. Ordinary Resolution number 5 5.1 Approval of Audit fees 5.2 Appointment of External Auditors			
6. Special Business: Special Resolution number 6 Approval of loans to Executive Directors			

Every person present and entitled to vote at the AGM shall, on a show of hands, have one vote only, but in the event of a poll, every share shall have one vote.

Signed at ____ on _________________________ 2018

Signature (s) ____

Assisted by me ____
Full name (s) of signatory/ries if signing in a representative capacity (see note 2). (PLEASE USE BLOCK LETTERS)

PROXY FORM

INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the AGM", but any such deletion must be initialed by the Shareholder. The person whose name appears first on the form of proxy will, unless his/her name has been deleted, be entitled to act as proxy to the exclusion of those whose names follow.

2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space/s provided as well as by means of a cross whether the Shareholder wishes to vote, for, against or abstain from the resolutions. Failure to comply with the above will be deemed to authorize the proxy to vote or abstain from voting at the AGM as he/she deems fit in respect of the entire Shareholder's votes exercisable thereat. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by his/her proxy, or cast them in the same way.

3. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialed. Any alteration or correction must be initialed by the signatory/ries.

4. The Chairman shall be entitled to decline to accept the authority of a person signing the proxy form:
   i. Under a power of attorney
   ii. On behalf of a company

   Unless that person's power if attorney or authority is deposited at the offices of the Company's transfer secretaries, or the registered office of the Company, not less that forty-eight (48) hours before the meeting.

5. If two or more proxies attend the meeting then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted, shall be regarded as the validly appointed proxy.

6. When there are joint holders of shares, any one holder may sign the form of proxy. In the case if joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.

7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof should such member wish to do so.

8. In order to be effective, completed proxy forms must reach the Company's transfer secretaries or the registered office of the Company not less than 48 hours before the time appointed for the holding of the AGM.

9. Please ensure that name(s) of the member(s) on the form of proxy and the voting form are exactly the same as those on the share register.

10. Please be advised that the number of votes a member is entitled to will be determined by the number of shares recorded on the Share Register by 16.00 hours on 22 May 2018.

Office of the Transfer Secretaries	Registered office of the Company
First Transfer Secretaries (Private) Limited	5 Spurn Road
1 Armagh Road Eastlea	Ardbennie
Harare	Harare
Zimbabwe	Zimbabwe

www.proplastics.co.zw

Registered Office
5 Spurn Road, Ardbennie, Harare, Zimbabwe