Proplastics
Pipe Systems That Last

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ABRIDGED AUDITED RESULTS for the year ended 31 December 2018

CHAIRMAN'S STATEMENT

INTRODUCTION

It is my pleasure to present to you the operational and financial results for the year ended 31 December 2018.

This commentary and the accompanying financial statements were prepared in accordance with the provisions of Statutory Instrument 33 of 2019: [(Presidential Powers (Temporary Measures) (Amendment of Reserve Bank of Zimbabwe Act & Issue of Real Time Gross Settlement Electronic Dollars (RTGS Dollars) Regulations, 2019-Implementing Monetary Policy Statement of 20 February 2019], which states that the RTGS dollar is at par with the US dollar for accounting and other purposes. In February 2019, the Reserve Bank of Zimbabwe, in their monetary policy pronouncement, introduced the RTGS dollar. The effect of the pronouncement is covered in note 8, Events after the reporting period.

OPERATING ENVIRONMENT

Whilst we remain optimistic about the future, the operating environment remained very challenging throughout the year. The single most difficult challenge faced by the Group was securing foreign currency for the importation of raw materials and capital equipment

We, however, continued to enjoy good support from our foreign suppliers and this allowed operations to run largely uninterrupted.

The economic challenges also negatively impacted on the construction of the new factory. Notwithstanding the challenges, we proceeded with construction and I am pleased to announce that the project will be completed in the first half of 2019. Its completion will improve production efficiencies, thereby positioning the Group well both domestically and in the region.

I would like to extend our appreciation to our bankers who have continued to support us in order to keep this dream alive.

Demand for the Group's products was high for the greater part of the year, but was negatively affected by the economic instability that escalated in the last quarter. Notwithstanding that set back, the Group posted a solid performance overall for the period under review.

FINANCIAL PERFORMANCE

Revenue at $24,091,989 was 50% up on previous year, with volumes up 5% driven by relatively strong demand during the year, although declining in the last quarter. Cost of sales increase was contained at 34% as efficiencies in the factory improved as a result of the investment in modern equipment over recent years paying dividends. Resultantly, the Group posted a Gross Profit of $8,895,568.

Overheads increased by 45%, mainly driven by the inflationary pressures in the economy and finance costs increased to $84,077 from $24,726, driven by costs incurred in establishing new facilities.

EBITDA improved from $2,912,061 to $5,713,962. Profit before tax rose from $1,974,667 to $4,834,792. Profit after tax was $3,597,876 up from $1,358,448 in prior year.

The financial position remains strong with total assets amounting to $21,163,981.Total borrowings were $1,271,091 at the end of the period giving a debt equity ratio of 10%.

Cash and cash equivalents closed at $1,173,304 as we used the available cash resources to secure raw materials and to fund the construction of the new factory. A total of $4,729,751 was utilized towards the construction of the factory.

OUTLOOK

From the last quarter of 2018, demand has generally remained subdued into the first quarter of 2019. Although we welcome the recent changes contained in the monetary policy statement by the central bank, we are still to see its impact in stimulating business performance and easing foreign currency bottlenecks.

The new factory is now 97% complete and the focus during the first half of 2019 will be on bringing in the required pieces of equipment in order to make it fully operational.

DIVIDEND DECLARATION

In view of the performance of the business, the Board proposes a final dividend of RTGS 0.56 cents per share with a scrip option. This is in addition to an interm dividend of US 0.25 cents paid during the year. The details on the dividend will be published separately.

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
10 April 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	31 Dec 2018 Audited $	31 Dec 2017 Audited $
Assets Non-Current Assets			
Property, plant & equipment	3	9,362,739	4,365,160
Total Non-Current Assets		**9,362,739**	**4,365,160**
Current Assets			
Inventories	4	6,843,511	3,724,401
Trade and other receivables	5	3,784,427	1,775,503
Cash and cash equivalents		1,173,304	4,396,251
Total Current Assets		**11,801,242**	**9,896,155**
Total Assets		**21,163,981**	**14,261,315**
Equity and Liabilities			
Equity			
Share capital		24,649	24,499
Reserves		8,984,242	8,678,149
Retained earnings		4,103,255	1,737,756
Total Equity		**13,112,146**	**10,440,404**
Non-Current liabilities			
Long term borrowings	6	848,818	-
Deferred tax		815,516	576,357
Total Non-Current Liabilities		**1,664,334**	**576,357**
Current Liabilities			
Trade and other payables	7	5,681,188	2,764,198
Short-term borrowings	6	422,273	374,667
Current tax payable		284,040	105,689
Total Current Liabilities		**6,387,501**	**3,244,554**
Total Liabilities		**8,051,835**	**3,820,911**
Total Equity and Liabilities		**21,163,981**	**14,261,315**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 Audited $	31 Dec 2017 Audited $
Revenue	**24,091,989**	**16,103,935**
Cost of sales	(15,196,421)	(11,302,224)
Gross profit	**8,895,568**	**4,801,711**
Other income/(expenses)	12,367	(45,346)
Distribution costs	(591,002)	(477,435)
Administrative expenses	(3,398,064)	(2,279,537)
Finance costs	(84,077)	(24,726)
Profit before tax	**4,834,792**	**1,974,667**
Income tax	(1,236,916)	(616,219)
Profit for the year	**3,597,876**	**1,358,448**
Comprehensive income		
Other comprehensive income	340,833	-
Tax effect	(87,765)	-
Total Comprehensive income for the year	**3,850,944**	**1,358,448**
Basic earnings per share (cents)	**1.46**	**0.55**
Diluted earnings per share (cents)	**1.41**	**0.54**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 Audited $	31 Dec 2017 Audited $
Cash flows from operating activities	**3,550,680**	**4,747,795**
Interest paid	(84,077)	(24,726)
Income tax paid	(913,575)	(511,562)
Net cash flows from operating activities	**2,553,028**	**4,211,507**
Net cash flows utilised in investing activities	(5,457,434)	(348,174)
Net cash flows utilised in financing activities	(318,541)	(908,823)
Net (decrease)/ increase in cash and cash equivalents	**(3,222,947)**	**2,954,510**
Opening cash balance	4,396,251	1,441,741
Closing cash and cash equivalents	**1,173,304**	**4,396,251**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital $	Reserves $	Retained earnings $	Total equity $
Balance at 31 December 2017	**24,499**	**8,678,149**	**1,737,756**	**10,440,404**
Dividend paid	-	-	(1,249,465)	(1,249,465)
Other comprehensive income	-	253,069	-	253,069
Impact of adopting IFRS 9	-	-	17,088	17,088
Share based payments	-	18,674	-	18,674
Share premium	-	34,350	-	34,350
Share options exercised	150	-	-	150
Profit for the year	-	-	3,597,876	3,597,876
Balance at 31 December 2018	**24,649**	**8,984,242**	**4,103,255**	**13,112,146**

NOTES TO THE ABRIDGED AUDITED RESULTS

1. Basis of preparation

The principal accounting policies of the Group have been applied consistently in all material respects, with the exception of the International Accounting Standard 21(IAS21): Effects of Changes in Foriegn Exchange Rates as highlighted in note 8: Events after the reporting period.These financial statements were approved for issue by the Board of Directors on 10 April 2019.

2. Statement of compliance

The Group's financial results, where practicable, have been prepared in accordance with the accounting policies consistent with International Financial Reporting Standards (IFRS)) and in the manner required by the Companies Act (Chapter 24:03). Due to the requirements of Statutory Instrument 33 of 2019, it was not practical to comply with requirements of IAS21: Effects of Changes in Foreign Exchange Rates. This had a significant impact on the Group's financial statements (Refer to note 8: Events after the reporting period).

3. Property, plant and equipment

Cost /Valuation	Freehold Land & Buildings $	Capital Work in Progress $	Leasehold Improvements $	Plant & Equipment $	Motor Vehicles $	Furniture & Office Equipment $	TOTAL $
Balance at 31 December 2017	**1,405,208**	**-**	**98,710**	**7,290,434**	**522,860**	**338,221**	**9,655,433**
Additions	-	4,729,751	-	433,449	264,760	63,251	5,491,211
Revaluation	340,833	-	-	-	-	-	340,833
Disposals	-	-	-	(541,583)	-	(67,158)	(608,741)
Balance at 31 December 2018	**1,746,041**	**4,729,751**	**98,710**	**7,182,300**	**787,620**	**334,314**	**14,878,736**
Accumulated depreciation							
Balance at 31 December 2017	**(67,167)**	**-**	**-**	**(4,773,471)**	**(260,017)**	**(189,618)**	**(5,290,273)**
Depreciation for the year	(22,500)	-	(9,085)	(624,265)	(82,493)	(56,750)	(795,093)
Disposals	-	-	-	510,055	-	59,314	569,369
Balance at 31 December 2018	**(89,667)**	**-**	**(9,085)**	**(4,887,681)**	**(342,510)**	**(187,054)**	**(5,515,997)**
Carrying Amount							
Balance at 31 December 2017	**1,338,041**	**-**	**98,710**	**2,516,963**	**262,843**	**148,603**	**4,365,160**
Balance at 31 December 2018	**1,656,374**	**4,729,751**	**89,625**	**2,294,619**	**445,110**	**147,260**	**9,362,739**

3.1 Freehold land and buildings with a carrying amount of $1.2 million have been pledged to secure borrowings of the Company. This was done by way of a deed of hypothecation over the remaining extent of Lot 5 Block Y Ardbennie Township of Ardbennie.

	31 Dec 2018 Audited $	31 Dec 2017 Audited $
4. Inventories		
Raw materials	2,809,095	1,137,656
Work in progress	711,316	667,974
Finished goods	2,756,444	1,399,776
Spares and consumables	680,715	667,391
Provision for slow moving inventories	(114,059)	(148,396)
Total inventories at end of the year	**6,843,511**	**3,724,401**
5. Trade and other receivables		
Trade receivable	1,171,953	1,305,190
Prepayments	1,162,985	290,177
Deposits and other receivables	1,586,660	368,661
Current tax asset	477	-
	3,922,075	1,964,028
Less: Allowances for doubtful receivables	(137,648)	(188,525)
Total trade and other receivables at end of the year	**3,784,427**	**1,775,503**
6. Borrowings		
Long term loan	848,818	-
Short term loan	422,273	374,667
Total borrowings at end of the year	**1,271,091**	**374,667**

The loan which is secured by Notorial General Covering Bond (NGCB) over movable assets including cession of book debts and first ranking deed of hypothecation over immovable assets, is payable over 3 years at an effective interest rate of 8.5% per annum.

	31 Dec 2018 Audited $	31 Dec 2017 Audited $
7. Trade and other payables		
Trade payables	2,970,934	1,124,732
Accruals and other payables	2,710,254	1,639,466
Total trade and other payables at end of the year	**5,681,188**	**2,764,198**

8. Events after the reporting period

8.1 On 20 March 2019, the Proplastics Limited Board declared a final dividend of RTGS 0.56 cents per share with a scrip option for the year ended 31 December 2018 payable in respect of all ordinary shares of the Company.

8.2 The key events below took place after the reporting period and has had a significant impact on the financial statements of the Group.

Monetary Policy Statement (MPS) of 20 February 2019;

On 20 February 2019, the RBZ Governor announced the new monetary policy statement whose highlights were:

- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars.
- RTGS dollars become part of the multi -currency system.
- RTGS dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- Establishment of inter-bank foreign exchange market where the exchange rate will be determined by market forces.

The inter-bank market opened trading at a rate of US$1 to RTGS $2.5. The monetory policy announcement was followed by the publication of Statutory Instrument 33 of 2019 (SI 33) on 22 February 2019. The statutory instrument gave effect to the introduction of the RTGS dollar as legal tender and prescribed that "for accounting and other purposes", certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US dollar and would become opening RTGS dollar values from the effective date.

The Directors, based on their interpretation of IFRS, considered the MPS of 20 February 2019 and the subsequent emergence of an inter-bank exchange rate to be an adjusting event in terms of International Accounting Standard 10 (IAS10) "Events after the reporting period" as it was considered to be shaped by underlying conditions as at the reporting date of 31 December 2018, in particular the promulgation of the RTGS dollar.

The Financial Statements have been prepared on the basis that the RTGS dollar was at par with the US dollar as at 31 December 2018 in line with the Statutory Instrument 33 of 2019 but contrary to the requirements of International Financial Reporting Standards (IFRS), which requires consideration of substance over legal form.

The Board has assessed the impact of the Group's inability to comply with the requirements of IAS 21: The Effects of Changes in Foreign Exchange Rates, and concluded that this has had a significant impact on the Group's financial statements.

Below is the sensitivity analysis of the monetary assets, non-monetary assets and liabilities as at 31 December 2018:

	Components of reported amounts					Sensitivity analysis		
Element	**Monetary Assets & Liabilities**		**Non-Monetary Assets & Liabilities**		**TOTAL US$**	**Total RTGS$**	**Total RTGS$**	**Total RTGS$**
	US$	**RTGS$**	**US$**	**RTGS$**	**@1:1**	**@1:2.5**	**@1:3**	**@1:4**
Property and equipment	-	-	-	9,362,739	9,362,739	9,362,739	9,362,739	9,362,739
Cash and cash equivalents	45,403	1,127,901	-	-	1,173,304	1,241,408	1,264,109	1,309,512
Trade receivables	1,298,001	2,486,426	-	-	3,784,427	5,731,428	6,380,429	7,678,430
Inventory	-	6,843,511	-	-	6,843,511	6,843,511	6,843,511	6,843,511
Total Assets	**1,343,404**	**10,457,838**	**-**	**9,362,739**	**21,163,981**	**23,179,086**	**23,850,788**	**25,194,192**
Shareholders' equity	-	4,347,894	-	8,513,921	13,078,844	13,404,387	13,512,901	13,729,930
Deferred tax liabilities	-	-	-	848,818	848,818	848,818	848,818	848,818
Borrowings	-	1,271,091	-	-	1,271,091	1,271,091	1,271,091	1,271,091
Trade and other payables	1,126,375	4,838,853	-	-	5,965,228	7,654,790	8,217,978	9,344,353
Total equity & liabilities	**1,126,375**	**10,457,838**	**-**	**9,362,739**	**21,163,981**	**23,179,086**	**23,850,788**	**25,194,192**

The Group remain solvent and sufficiently funded at the various exchange rate sensitivities.The above figures do not necessarily reflect opening balances in RTGS dollars for the 2019 financial statements.

Auditors Statement

These financial results should be read in conjunction with the full set of financial statements for the year ended 31 December 2018, which have been audited by Deloitte & Touche. An adverse opinion was issued thereon, in respect of functional currency, as requirements of IAS 21, The Effects of Changes in Foreign Exchange Rates were not complied with. The Auditors' report includes Key Audit Matters (KAMs) to the extent that they are not impacted by the basis for adverse opinion. The KAMs relate to Revenue Recognition and Valuation of Receivables. The Auditors' report on these financial statements is available for inspection at the Company's registered office.

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REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF PROPLASTICS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Adverse Opinion

We have audited the consolidated and separate financial statements of Proplastics Limited and its subsidiaries (together 'the Group' and individually, 'the Company') set out on pages 17 to 90, which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and separate financial statements do not present fairly, the consolidated and separate financial position of the Group and Company as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act (Chapter 24:03).

Basis for Adverse Opinion

The Group and Company transacted using a combination of United States Dollars (USD), bond notes and bond coins. An acute shortage of USD cash, other foreign currencies, bond notes and bond coins in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. The RTGS system was employed as a mode of electronic settlement, intended to be representative of physical currency. During the year there was a significant divergence in market perception of the relative values between bond notes, bond coins, mobile money settlements and RTGS settlements in comparison to the USD. Although RTGS and mobile money platform settlements were not legally recognised as currency during the year ended 31 December 2018, the substance of the economic phenomenon, from an accounting perspective, suggested that were currency.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, Real Time Gross Settlement Foreign Currency Account (RTGS FCA) and Nostro Foreign Currency Account (Nostro FCA). This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increase in multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates."

As a result of these factors, the Directors performed an assessment on the functional currency of the Group and Company in accordance with IAS 21 and acknowledged that the functional currency of the Group and Company is no longer USD.

Subsequent to year-end, as indicated in note 26 to the consolidated and separate financial statements, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. In addition, SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes as currency.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Basis for Adverse Opinion (Continued)

Although the directors acknowledge, in note 1.3, that there was a functional currency change and that the rates of exchange rate between the USD and local currency was not 1:1, they have maintained their functional currency as the USD and have presented the financial statements in USD using an exchange rate of 1:1, in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21, and therefore the financial statements have not been prepared in conformity with IFRS. Had the Group and Company applied the requirements of IAS 21, many of the elements of the accompanying consolidated and separate financial statements would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the consolidated and separate financial statements of this departure have not been determined. A comparative analysis of how different exchange rates would impact on the consolidated statements of financial position has been presented in note 26 to the consolidated and separate financial statements. However, these amounts presented may not reflect the opening balances, in RTGS Dollars, going forward.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 and Company 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 financial statements in Zimbabwe. We have fulfilled our 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 adverse 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, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Adverse Opinion* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the matter was addressed in the audit
Revenue Recognition	
There was a presumed fraud risk with regards to revenue recognition as guided by International Standards on Auditing. There was a risk that revenue might be recognised prematurely, particularly with regards to export sales. Management remuneration is partly based on the profitability of the group. Therefore there was a risk that sales may have been deliberately overstated as a result of management override, motivated by pressure on management to achieve planned results. As a result, we identified revenue recognition as a key audit matter. The Group revenue for the year was US$24,091,989 (2017: US$16,103,935) Disclosure on the revenue recognition policy has been presented in Note 5 of the financial statements.	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 with respect to 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 with particular focus on export sales to assess the reasonableness of the sales amounts for the year. • Selecting, reviewing and testing journal entries to revenue ledger accounts. • Assessing management's revenue recognition policy for compliance with IFRS 15: Revenue from Contracts with Customers and consistent application thereof. We found the Group to have appropriately recognised revenue in accordance with its policies, and in compliance with IFRS.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)
TO THE SHAREHOLDERS OF PROPLASTICS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in the audit
Valuation of receivables	
Due to the liquidity constraints prevalent in the economy, there was a risk of non-recoverability of receivables from third party entities who failed to meet their obligations. The assessment of the provision for doubtful debts involves significant estimation uncertainty and judgments made by management. The expected credit losses on trade receivables are estimated using a provision matrix by reference to - past default experience of the debtor ; and - an analysis of the debtor's current financial position. The above are adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The recoverability of trade receivables has therefore been considered a key audit matter as it is subject to significant estimation and subjective judgement Trade and other receivables and the related provisions are disclosed in notes 2.1 and 7.	In evaluating the valuation of receivables, we performed the following tests: • Evaluated the design and implementation of controls applied by management in determining the provision for doubtful debts; • 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 a sample of receivables at year end; • Established by way of confirmation with the Group's legal counsel if there were any litigations by the Group against its debtors and their assessment of success for the Group; and • Assessed the reasonableness of the methods and assumptions used by the management to estimate the provision for doubtful debts and tested these against IFRS 9: Financial Instruments requirements. We found that the Directors applied reasonable judgement in determining the allowance for credit losses.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, Information on the Directorate, Executive Committees & Corporate Governance and the Report of the Directors included in the Proplastics' Limited's Financial Statements for the year ended 31 December 2018, (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other reports, which are expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 obtained, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Adverse Opinion section above, the Group and Company maintained their functional currency as the USD and have presented the consolidated and separate financial statements in USD using an exchange rate of 1:1, in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21. We have determined that the other information is materially misstated for the same reason.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)
TO THE SHAREHOLDERS OF PROPLASTICS LIMITED

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 auditor's report. However, future events or conditions may cause the Group and / or the Company 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 financial 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)
TO THE SHAREHOLDERS OF PROPLASTICS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per. Charity Mtwazi
Partner
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Harare
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Date: 10 April 2019