Proplastics
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# ABRIDGED AUDITED RESULTS for the year ended 31 December 2019

## CHAIRMAN'S STATEMENT

### INTRODUCTION

It is my pleasure to present to you the operational and financial results for the year ended 31 December 2019.

These results are presented in the local currency following its re-introduction in February 2019. Inflation in the country has been on the rise ever since the introduction of the local currency and as a result, the Public Accountants and Auditors Board (PAAB) assessed the environment and declared Zimbabwe as a hyperinflationary economy. Accordingly, the financial statements have also been prepared in accordance with the provisions of IAS 29, "Financial Reporting in Hyperinflationary Economies".

### OPERATING ENVIRONMENT

The operating environment was extremely challenging during the period under review. Certain policy pronouncements made during the year relating to functional currency and exchange controls have had negative impact on the business. Since the introduction of the Zimbabwe dollar in February 2019, its value has continued to slide and this has brought economic instability and has created a difficult environment for future planning and value retention.

The introduction of the Interbank market for foreign exchange has not brought about the desired effect for access to foreign currency as this market is very limited. This has posed significant challenges as the bulk of the raw materials for the business are imported.

Demand for the Group's products remained subdued throughout the year, mainly as a result of the difficult trading environment that the country is facing which has resulted in the erosion of our customers' purchasing power. The non-availability of utilities, in particular electricity, for the greater part of the year, posed additional challenges. The Group had to rely on the standby generator to keep operations running and this added considerably to production costs, with the fuel itself also being a scarce commodity on the market.

Notwithstanding the difficult operating environment, the Group still managed to post a solid financial performance both in historical and inflation adjusted terms.

The new factory is now complete and operational. The new mixing plant has been successfully installed and awaits commissioning. As envisaged when the Group embarked on this project, we expect a vast improvement in operational efficiencies thus enabling us to serve both the domestic and export markets more effectively.

### FINANCIAL PERFORMANCE

Turnover for the year was ZWL 114,300,451 in historical cost terms, up from ZWL 24,091,989 in prior year. In inflation adjusted terms, turnover was ZWL 234,429,046 up from ZWL 198,087,755 in prior year. Volumes for the year declined 26% compared to the previous year.

Despite lower volumes and the inflationary pressures in acquiring raw materials, cost of sales was contained within reasonable levels resulting in a Gross profit of ZWL 70,017,962 in historical cost terms and ZWL 99,345,163 in inflation adjusted terms.

Despite the inflationary pressures, overheads were also contained resulting in a profit before tax of ZWL 43,788,629 in historical cost terms and ZWL 81,950,992 after adjusting for inflation.

Consequently, profit after tax was ZWL 32,627,403 in historical cost terms and ZWL 52,023,514 after adjusting for inflation.

The financial position remained strong with total assets amounting to ZWL 240,399,245 in historical cost terms after the revaluation of property, plant and equipment. After adjusting for inflation, total assets amount to ZWL 310,830,195.

Total borrowings remained minimal with the debt equity ratio at 7% despite substantial outlays for the construction of the factory. The working capital position weakened as all available resources were channeled towards the completion of the factory project, which was financed fully from internal resources at the same time, ensuring that raw materials were adequate. These are notable achievements for the business.

Cash and cash equivalents closed at ZWL 5,603,045.

### OUTLOOK

After the successful migration to the new factory, we cleared all production backlogs by end of the first quarter. We also expect the demand for the Group's products to improve slightly as infrastructural development continues in both Government and the private sector. The need to mitigate against the effects of drought will also help improve volumes in certain product lines. The current exports drive is further expected to help grow the volumes and generate the much needed foreign currency.

However, the threat of COVID-19 looms large on the business and the commissioning of the new mixing plant has already been delayed. The team of engineers who were working on the commissioning have been recalled, putting the exercise on hold indefinitely. With most of the raw material supplies and spare parts coming from beyond our borders, the effects of the pandemic will be further felt. The Management and Board remain alive to this threat.

### DIVIDEND DECLARATION

Given the current circumstances relating to COVID-19 and specifically the threat it poses to business, the Board found it prudent not to declare a final dividend.

### ACKNOWLEDGEMENTS

I wish to extend my appreciation to my fellow Board members, Management and Staff for all their efforts during these challenging times, as well as their efforts towards the successful completion of the new factory.

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

**G. SEBBORN**
14 May 2020

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
**as at 31 December 2019**

| | Notes | Inflation adjusted 31 Dec 2019 Audited ZWL | Inflation adjusted 31 Dec 2018 Audited ZWL | *Historical 31 Dec 2019 Audited ZWL | *Historical 31 Dec 2018 Audited ZWL |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant & equipment | 3 | 228,593,727 | 70,817,008 | 197,398,299 | 9,362,739 |
| Right of use assets | 3 | 1,737,779 | - | 483,039 | - |
| **Total non- current assets** | | **230,331,506** | **70,817,008** | **197,881,338** | **9,362,739** |
| **Current assets** | | | | | |
| Inventories | 4 | 62,701,219 | 48,708,203 | 26,034,898 | 6,843,511 |
| Trade and other receivables | 5 | 12,194,425 | 31,525,052 | 10,879,964 | 3,784,427 |
| Cash and cash equivalents | | 5,603,045 | 7,287,741 | 5,603,045 | 1,173,304 |
| **Total current assets** | | **80,498,689** | **87,520,996** | **42,517,907** | **11,801,242** |
| **Total assets** | | **310,830,195** | **158,338,004** | **240,399,245** | **21,163,981** |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Share capital | | 213,737 | 212,126 | 25,343 | 24,649 |
| Reserves | | 44,494,746 | 76,674,083 | 110,703,279 | 8,984,242 |
| Retained earnings | | 190,126,623 | 31,351,302 | 33,262,299 | 4,103,255 |
| **Total equity** | | **234,835,106** | **108,237,511** | **143,990,921** | **13,112,146** |
| **Non-current liabilities** | | | | | |
| Long term borrowings | 6 | 3,906,667 | 5,272,814 | 3,906,667 | 848,818 |
| Lease liability | | 392,852 | - | 392,852 | - |
| Deferred tax | | 7,230,601 | 2,939,362 | 31,531,885 | 815,516 |
| **Total non-current liabilities** | | **11,530,120** | **8,212,176** | **35,831,404** | **1,664,334** |
| **Current liabilities** | | | | | |
| Trade and other payables | 7 | 45,967,224 | 37,501,743 | 42,079,175 | 5,681,188 |
| Short-term borrowings | 6 | 6,447,879 | 2,622,314 | 6,447,879 | 422,273 |
| Current tax payable | | 12,049,866 | 1,764,260 | 12,049,866 | 284,040 |
| **Total current liabilities** | | **64,464,969** | **41,888,317** | **60,576,920** | **6,387,501** |
| **Total liabilities** | | **75,995,089** | **50,100,493** | **96,408,324** | **8,051,835** |
| **Total equity and liabilities** | | **310,830,195** | **158,338,004** | **240,399,245** | **21,163,981** |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
**for the year ended 31 December 2019**

| | Inflation adjusted 12 months to 31 Dec 2019 Audited ZWL | Inflation adjusted 12 months to 31 Dec 2018 Audited ZWL | *Historical 12 months to 31 Dec 2019 Audited ZWL | *Historical 12 months to 31 Dec 2018 Audited ZWL |
|---|---|---|---|---|
| **Revenue** | **234,429,046** | **198,087,755** | **114,300,451** | **24,091,989** |
| Cost of sales | (135,083,883) | (126,851,015) | (44,282,489) | (15,196,421) |
| **Gross profit** | **99,345,163** | **71,236,740** | **70,017,962** | **8,895,568** |
| Net exchange loss | (2,195,975) | (1,217,204) | (3,980,888) | (85,553) |
| Net monetary gain/(loss) | 29,557,888 | (22,751,188) | - | - |
| Other income | 219,141 | 574,186 | 80,350 | 97,920 |
| Distribution costs | (10,147,995) | (6,342,508) | (4,975,614) | (591,002) |
| Administrative expenses | (33,525,971) | (25,961,886) | (16,303,279) | (3,398,064) |
| Finance costs | (1,301,259) | (685,559) | (1,049,902) | (84,077) |
| **Profit before tax** | **81,950,992** | **14,852,581** | **43,788,629** | **4,834,792** |
| Income tax | (29,927,478) | (10,926,397) | (11,161,226) | (1,236,916) |
| **Profit for the year** | **52,023,514** | **3,926,184** | **32,627,403** | **3,597,876** |
| **Comprehensive income** | | | | |
| Other comprehensive income | 104,308,332 | 2,116,918 | 131,613,986 | 340,833 |
| Related tax | (25,748,797) | (545,106) | (32,116,999) | (87,765) |
| **Other comprehensive income net of tax** | **78,559,535** | **1,571,812** | **99,496,987** | **253,068** |
| **Total comprehensive income for the year** | **130,583,049** | **5,497,996** | **132,124,390** | **3,850,944** |
| **Basic earnings per share (cents)** | **20.53** | **1.60** | **12.87** | **1.46** |
| **Diluted earnings per share (cents)** | **20.02** | **1.56** | **12.56** | **1.41** |
| **Headline earnings per share (cents)** | **20.51** | **1.63** | **13.09** | **1.47** |

## CONSOLIDATED STATEMENT OF CASH FLOWS
**for the year ended 31 December 2019**

| | Inflation adjusted 12 months to 31 Dec 2019 Audited ZWL | Inflation adjusted 12 months to 31 Dec 2018 Audited ZWL | *Historical 12 months to 31 Dec 2019 Audited ZWL | *Historical 12 months to 31 Dec 2018 Audited ZWL |
|---|---|---|---|---|
| **Net cash flows from operating activities** | **67,690,164** | **71,554,135** | **55,947,849** | **2,553,028** |
| Net cash flows utilised in investing activities | (66,440,105) | (60,008,515) | (57,716,121) | (5,457,434) |
| Net cash flows (utilised in)/ generated from financing activities | (2,934,745) | (4,895,309) | 6,198,013 | (318,541) |
| **Net (decrease)/increase in cash and cash equivalents** | **(1,684,696)** | **6,650,311** | **4,429,741** | **(3,222,947)** |
| Opening cash balance | 7,287,741 | 637,430 | 1,173,304 | 4,396,251 |
| **Closing cash and cash equivalents** | **5,603,045** | **7,287,741** | **5,603,045** | **1,173,304** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
**for the year ended 31 December 2019**

| **Inflation adjusted** | Share capital ZWL | Reserves ZWL | Retained earnings ZWL | Total equity ZWL |
|---|---|---|---|---|
| **Balance at 31 December 2018** | **212,126** | **76,674,083** | **31,351,302** | **108,237,511** |
| Dividend paid | - | - | (4,939,093) | (4,939,093) |
| Other comprehensive income | - | 78,559,535 | - | 78,559,535 |
| Impact of adopting IFRS 16 | - | - | (309,820) | (309,820) |
| Share capital issued | 1,263 | - | - | 1,263 |
| Share premium on share options | - | 214,283 | - | 214,283 |
| Share based payments | - | 1,047,565 | - | 1,047,565 |
| Share options exercised | 348 | - | - | 348 |
| Share premium on scrip dividend | - | 1,140,135 | (1,140,135) | - |
| Elimination of revaluation reserve on IAS 29 adpotion | - | (113,140,855) | 113,140,855 | - |
| Profit for the year | - | - | 52,023,514 | 52,023,514 |
| **Balance at 31 December 2019** | **213,737** | **44,494,746** | **190,126,623** | **234,835,106** |
| ***Historical** | | | | |
| **Balance at 31 December 2018** | **24,649** | **8,984,242** | **4,103,255** | **13,112,146** |
| Dividend paid | - | - | (2,278,344) | (2,278,344) |
| Other comprehensive income | - | 99,496,987 | - | 99,496,987 |
| Impact of adopting IFRS 16 | - | - | (49,880) | (49,880) |
| Share based payments | - | 1,047,565 | - | 1,047,565 |
| Share capital issued | 544 | - | - | 544 |
| Share options exercised | 150 | - | - | 150 |
| Share premium on scrip dividend | - | 1,140,135 | (1,140,135) | - |
| Share premium on share options | - | 34,350 | - | 34,350 |
| Profit for the year | - | - | 32,627,403 | 32,627,403 |
| **Balance at 31 December 2019** | **25,343** | **110,703,279** | **33,262,299** | **143,990,921** |

* The historical amounts are shown as supplementary information. This information does not comply with International Financial Reporting Standards in that it has not taken account of the requirements of International Accounting Standard 29:Financial Reporting in Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on the historical financial information.

## NOTES TO THE ABRIDGED AUDITED RESULTS

**1. Basis of preparation**

The Group adopted IAS 29 "Financial Reporting in Hyper-Inflationary Economies" with effect from 1 January 2018 as per the guidance issued by the Public Accountants and Auditors Board (PAAB) through pronouncement 1/2019. These financial statements were approved by the Board of Directors on 14 May 2020.

**1.1 Statement of compliance**

The audited abridged financial results are prepared and presented on the basis that they reflect the information necessary to be a fair summary of the audited annual financial statements from which they are derived. This includes financial results that agree with or can be recalculated from the related information in the audited financial statements and that contain the information necessary so as not to be misleading in the circumstances. The information contained in these financial results does not contain all the disclosures required by International Financial Reporting Standards and the Zimbabwe Companies Act (Chapter 24:03), which are disclosed in the full annual financial statements from which this set of financial results were derived.

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# ABRIDGED AUDITED RESULTS for the year ended 31 December 2019

## NOTES TO THE ABRIDGED AUDITED RESULTS (continued)

**1.1 Statement of compliance (continued)**

While full compliance has been achieved in the past, due to the requirements of Statutory Instrument 33 of 2019 (SI33/19) issued by the Government, which directed that all assets and liabilities that were in United States Dollars (US$) before 22 February 2019 be deemed to have become RTGS dollars (and subsequently ZWL as of 24 June 2019) at a rate of 1:1 to the US$, it was not practical to comply with requirements of IAS21: The Effects of Changes in Foreign Exchange Rates.

For a better understanding of the Group's financial position, its financial performance and cash flows for the year, these financial results should be read in conjunction with the audited annual financial statements. The full signed annual report can be obtained upon request from the company secretary at the registered office of the Group.

**1.2 New and amended IFRS Standards that are effective for the current year**

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2019 and are relevant to the Group and Company. The application of the 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 16(new) | Impact of initial application of IFRS 16 Leases | 1 January 2019 |
| IFRS 9 (amendments) | Prepayment features with negative compensation | 1 January 2019 |
| IAS 28 (amendments) | Long-term interests in Associates and Joint Ventures | 1 January 2019 |
| Annual improvements to IFRS Standards 2015-2017 Cycle (amendments ) | IRS 3 Business Combinations<br>IFRS 11 Joint Arrangements<br>IAS 12 Income Taxes and<br>IAS 23 Borrowing Costs | 1 January 2019 |
| IAS 19 (amendments) | Employee Benefits Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| IFRIC 23 (amendments) | Uncertainty over Income Tax Treatments | 1 January 2019 |

**1.3 Hyperinflation**

The Group adopted IAS 29 " Financial Reporting in Hyper-Inflationary Economies" with effect from 1 January 2018 as per the guidance issued by the Public Accountants and Auditors Board(PAAB) through pronouncement 1/2019.
The conversion factors have been computed from the consumer price index (CPI) data prepared by the Zimbabwe Central Statistics Office as reported on the Reserve Bank of Zimbabwe website. The conversion factors used to restate the financial results are as follows:

| | Indices | Conversion factor |
|---|---|---|
| CPI as at 31 December 2019 | 551.60 | 1 |
| CPI as at 1 October 2018 | 640.60 | 8.61 |
| CPI as at 31 December 2018 | 88.81 | 6.21 |

**2. Reporting Currency**

The Group's financial statements are presented in Zimbabwe dollars (ZWL), which became the functional currency of the Group from 22 February 2019.

Statutory Instrument 33 of 2019 (SI33/19) issued by the Government, directed that all assets and liabilities that were in United States Dollars (US$) before 22 February 2019 be deemed to have become RTGS dollars and subsequently ZWL as of 24 June 2019) at a rate of 1:1 to the US$. The financial reporting and auditing guidance on currency considerations under the prevailing environment issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019 urged preparers of the financial statements to comply with the laws and regulations of the country although this would result in an inability to comply with IAS 21. The Group has reported transactions for the period 1 October 2018 to 22 February 2019 in the Statement of Profit or loss and Other Comprehensive Income on a 1:1 basis in compliance with SI33 of 2019. All transactions post this date are translated to ZWL in accordance with IAS 21 at the official interbank rate prevailing at the time of transacting.

As a result of the above, the functional currency of the Group changed in the current year from United States Dollars (US$) to Zimbabwe Dollar (ZWL). The consolidated Financial Statements for the year ended 31 December 2019 are, therefore, presented in ZWL. The comparative information was translated to ZWL using a rate of 1:1 in line with Statutory Instrument 133 of 2019 (SI133/19).

**3. Property, plant and equipment**

| Inflation adjusted | Freehold Land & Buildings ZWL | Capital Work in Progress ZWL | Leasehold Improvements ZWL | Right of Use Assets ZWL | Plant & Equipment ZWL | Motor Vehicles ZWL | Furniture & Office Equipment ZWL | TOTAL ZWL |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2018** | **14,307,318** | **32,530,547** | **849,986** | **-** | **61,361,029** | **6,599,659** | **2,951,896** | **118,600,435** |
| Additions | - | 34,261,240 | - | 2,058,827 | 30,604,391 | 834,767 | 746,107 | 68,505,332 |
| Revaluation | 19,314,754 | - | - | - | 76,449,455 | 5,819,435 | 2,724,689 | 104,308,333 |
| Disposals | - | - | - | - | - | - | (3,416) | (3,416) |
| **Balance at 31 December 2019** | **33,622,072** | **66,791,787** | **849,986** | **2,058,827** | **168,414,875** | **13,253,861** | **6,419,276** | **291,410,684** |
| **Accumulated Depreciation** | | | | | | | | |
| Balance at 31 December 2018 | (858,979) | - | (74,100) | - | (42,298,150) | (2,891,199) | (1,660,999) | (47,783,427) |
| Depreciation for the year | (291,478) | - | (11,324) | (321,048) | (10,464,876) | (1,330,399) | (878,510) | (13,297,635) |
| Disposals | - | - | - | - | - | - | 1,884 | 1,884 |
| **Balance at 31 December 2019** | **(1,150,457)** | **-** | **(85,424)** | **(321,048)** | **(52,763,026)** | **(4,221,598)** | **(2,537,625)** | **(61,079,178)** |
| **Carrying Amount** | | | | | | | | |
| **Balance at 31 December 2018** | **13,448,339** | **32,530,547** | **775,886** | **-** | **19,062,879** | **3,708,460** | **1,290,897** | **70,817,008** |
| **Balance at 31 December 2019** | **32,471,615** | **66,791,787** | **764,562** | **1,737,779** | **115,651,849** | **9,032,263** | **3,881,651** | **230,331,506** |

| *Historical | Freehold Land & Buildings ZWL | Capital Work in Progress ZWL | Leasehold Improvements ZWL | Right of Use Assets ZWL | Plant & Equipment ZWL | Motor Vehicles ZWL | Furniture & Office Equipment ZWL | TOTAL ZWL |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2018** | **1,746,041** | **4,729,751** | **98,710** | **-** | **7,182,300** | **787,620** | **334,314** | **14,878,736** |
| Additions | - | 34,261,240 | - | 794,018 | 22,599,592 | 573,007 | 288,682 | 58,516,539 |
| Revaluation | 30,845,262 | - | - | - | 89,709,957 | 7,724,850 | 3,333,917 | 131,613,986 |
| Disposals | - | - | - | | - | - | (2,643) | (2,643) |
| **Balance at 31 December 2019** | **32,591,303** | **38,990,991** | **98,710** | **794,018** | **119,491,849** | **9,085,477** | **3,954,270** | **205,006,618** |
| **Accumulated Depreciation** | | | | | | | | |
| **Balance at 31 December 2018** | **(89,667)** | **-** | **(9,085)** | **-** | **(4,887,681)** | **(342,510)** | **(187,054)** | **(5,515,997)** |
| Depreciation for the year | (30,021) | - | (9,085) | (310,979) | (1,046,008) | (125,747) | (88,836) | (1,610,676) |
| Disposals | - | - | - | | - | - | 1,393 | 1,393 |
| **Balance at 31 December 2019** | **(119,688)** | **-** | **(18,170)** | **(310,979)** | **(5,933,689)** | **(468,257)** | **(274,497)** | **(7,125,280)** |
| **Carrying Amount** | | | | | | | | |
| **Balance at 31 December 2018** | **1,656,374** | **4,729,751** | **89,625** | **-** | **2,294,619** | **445,110** | **147,260** | **9,362,739** |
| **Balance at 31 December 2019** | **32,471,615** | **38,990,991** | **80,540** | **483,039** | **113,558,160** | **8,617,220** | **3,679,773** | **197,881,338** |

Freehold land and buildings with a carrying amount of $32.5 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.

## NOTES TO THE ABRIDGED AUDITED RESULTS (continued)

**3.2. Right of use assets**

The Group leases several assets including buildings. The average lease term is 3 years (2018 - 2 years).

| | Inflation adjusted 31 Dec 2019 Audited ZWL | Inflation adjusted 31 Dec 2018 Audited ZWL | *Historical 31 Dec 2019 Audited ZWL | *Historical 31 Dec 2018 Audited ZWL |
|---|---|---|---|---|
| **4. Inventories** | | | | |
| Raw materials | 15,395,371 | 19,039,964 | 6,995,551 | 2,809,095 |
| Work in progress | 17,800,774 | 4,863,041 | 8,519,576 | 711,316 |
| Finished goods | 26,952,441 | 20,469,940 | 10,762,308 | 2,756,444 |
| Spares and consumables | 6,082,407 | 5,485,696 | 1,523,932 | 680,715 |
| Provision for slow moving inventories | (3,529,774) | (1,150,439) | (1,766,469) | (114,059) |
| | **62,701,219** | **48,708,203** | **26,034,898** | **6,843,511** |
| **5. Trade and other receivables** | | | | |
| Trade receivables | 5,491,215 | 9,868,099 | 5,491,215 | 1,171,953 |
| Prepayments | 5,062,964 | 12,961,237 | 3,748,503 | 1,162,985 |
| Deposits and other receivables | 3,346,691 | 9,547,723 | 3,346,691 | 1,586,660 |
| Tax refundable | - | 2,968 | - | 477 |
| | **13,900,870** | **32,380,027** | **12,586,409** | **3,922,075** |
| Less: Allowances for expected credit losses | (1,706,445) | (854,975) | (1,706,445) | (137,648) |
| | **12,194,425** | **31,525,052** | **10,879,964** | **3,784,427** |
| **6. Borrowings** | | | | |
| Long term loan | 3,906,667 | 5,272,814 | 3,906,667 | 848,818 |
| Short term loan | 6,447,879 | 2,622,314 | 6,447,879 | 422,273 |
| | **10,354,546** | **7,895,128** | **10,354,546** | **1,271,091** |

The loan 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. It is payable over 3 years at an effective interest rate of 30% per annum.

| | Inflation adjusted 31 Dec 2019 Audited ZWL | Inflation adjusted 31 Dec 2018 Audited ZWL | *Historical 31 Dec 2019 Audited ZWL | *Historical 31 Dec 2018 Audited ZWL |
|---|---|---|---|---|
| **7. Trade and other payables** | | | | |
| Trade payables | 14,704,488 | 18,452,471 | 14,704,488 | 2,970,934 |
| *Accruals and other payables | 31,262,736 | 19,049,272 | 27,374,687 | 2,710,254 |
| | **45,967,224** | **37,501,743** | **42,079,175** | **5,681,188** |

*Includes revenue received in advance of ZWL 10,974,289 - inflation adjusted, ZWL 7,059,237 - historical (2018-ZWL 5,887,044 - inflation adjusted, ZWL 1,453,887 - historical).

**8. Contingent liabilities**

There were no contingent liabilities as at reporting date (2018-ZWL nil).

**9. Capital commitments**

Capital expenditure for the year to 31 December 2019 amounted to ZWL 58,516,539. The budgeted capital expendture for the year to 31 December 2020 is ZWL 100,903,704. The expenditure will be financed from internal resources and existing facilities.

**10. Events after the reporting period**

**10.1** The Reserve Bank of Zimbabwe has controlled the interbank forex trading market since its introduction in February 2019. As at 31 December 2019 the Group held foreign obligations amounting to US$ 784,530 and the exchange rate remains volatile.

On 11 March 2020 the Minister of Finance announced the introduction of an electronic trading forex platform which will allow foreign currency to be traded freely. The floating of the exchange rate and its subsequent movement is expected to have a significant impact on the Consolidated Financial Statements of the Group.

**10.2 COVID-19 pandemic**

Subsequent to the Group's reporting period ended 31 December 2019, the World Health Organisation (WHO) declared COVID-19 a world pandemic and the Government of Zimbabwe declared COVID-19 a national disaster. In addition to serious health implications on people and the healthcare system, COVID-19 is having a significant impact on business and the global economy. The Directors have concluded that the COVID-19 pandemic is a non-adjusting event at the reporting date. However, to ensure business continuity amidst the challenges posed by the raging pandemic, the Directors carried out an impact assessment and came up with a raft of measures to mitigate the impact of the pandemic.

The expectation is that the crisis will negatively affect the gross domestic product at national level and demand will follow suit. However, opportunities are to be tapped in the immediate response to the sanitation and irrigation sector demands.

After the comprehensive assessment, the Directors are of the view that preparing the financial statements on a going concern basis is still appropriate.

**Auditors Statement**

These audited abridged financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019, which have been audited by Deloitte & Touche and an adverse opinion has been issued thereon. The auditor's report, which has an adverse opinion in respect of compliance with International Accounting Standard 21 (Effects of Changes in Foreign Exchange Rates), is available for inspection at the Group's registered address.

In addition to this, the auditor's opinion contains a key audit matter relating to valuation of property, plant and equipment. The auditor's report has been made available to management and those charged with the governance of the Group. The engagement partner on the audit resulting in the independent auditor's report is Charity Mtwazi.

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**INDEPENDENT AUDITOR'S REPORT**
**To the Shareholders of Proplastics Limited**

**Report on the audit of the inflation adjusted consolidated financial statements**

**Adverse opinion**

We have audited the inflation adjusted consolidated financial statements of Proplastics Limited (Proplastics) set out on pages 14 to 69, which comprise the inflation adjusted consolidated statement of financial position as at 31 December 2019, and the inflation adjusted consolidated statement of profit or loss and other comprehensive income, the inflation adjusted consolidated statement of changes in equity and the inflation adjusted consolidated statement of cash flows for the year then ended, and the notes to the inflation adjusted consolidated 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 inflation adjusted consolidated financial statements do not present fairly, the inflation adjusted consolidated financial position of Proplastics as at 31 December 2019, and its inflation adjusted consolidated financial performance and inflation adjusted consolidated 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)

**Basis for adverse opinion**

**<u>Impact of incorrect date of application of International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates.</u>**

On 20 February 2019, a currency called the Real Time Gross Settlement Dollar (RTGS Dollar) was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the United States Dollar (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 Reserve Bank of Zimbabwe (RBZ) at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency prior to 22 February 2019 as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates":

Proplastics transacted using a combination of United States Dollars (USD), bond notes and bond coins. The acute shortage of USD cash and other foreign currencies 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. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS Dollar in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. 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 increased proliferation of 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.

The Directors had not re-assessed the change in functional currency for the year ended 31 December 2018, because Proplastics transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency only on 22 February 2019 in accordance with SI 33/19 resulted in material misstatement to the consolidated financial performance and consolidated cash flows of Proplastics , as transactions denominated in USD were not appropriately translated during that period. An adverse opinion was issued on the consolidated financial statements for the year ended 31 December 2018.

**INDEPENDENT AUDITOR'S REPORT**
**To the Shareholders of Proplastics Limited**

**Report on the audit of the inflation adjusted consolidated financial statements**

**Basis for adverse opinion (continued)**

**<u>Impact of incorrect date of application of International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates (continued)</u>**

If the assessment required by IAS 21 occurred in the correct period, the adjustments that would have been recognised in the 2018 and 2019 financial statements would have been materially different. These misstatements are considered to be material and pervasive in the 2019 financial year.

Furthermore, our opinion in the current year's consolidated financial statements is modified because of the possible effects of the matter on the comparability of the current year's financial statements with that of the prior year.

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 inflation adjusted consolidated financial statements section of our report. We are independent of Proplastics 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 inflation adjusted consolidated 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.

**Emphasis of matter**

We draw attention to Note 25.2 of the consolidated financial statements, which describes the uncertainties related to the possible effects of the COVID-19 outbreak on Proplastics and its inability to quantify the possible impact. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted consolidated 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.

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| **Valuation of Property, plant and equipment (PPE)** | |
| As set out in note 2.1.1 to the inflation adjusted financial statements, the valuation model for property, plant and equipment changed from the cost model to the revaluation model .As noted in noted 4, the directors made use of an independent external valuer in determining the fair values of property, plant and equipment.<br><br>Valuations by their nature involve the use of judgment and estimates which involve significant unobservable inputs such as:<br>- Market rentals ; and<br>- Risk yields.<br><br>Valuers also rely on historic market evidence for calculation inputs such as transactions processed for comparable properties rentals and capitalization rates.<br><br>The current economic environment is extremely volatile hence the valuation intricacies impacting property, specifically land and buildings, in the Zimbabwean market since the change in functional currency. | We assessed the competence, capabilities, objectivity and independence of the directors' independent valuer, and assessed their qualifications.<br><br>We made enquiries of the directors' independent external valuer to obtain an understanding of the valuation techniques and judgements adopted.<br><br>We engaged an independent valuer as our internal expert to , on a sample basis, review the assumptions and valuation techniques used by the director's indepedent external valuer.<br><br>We assessed the work performed by the independent external valuer in valuing property, plant and equipment by performing the following:<br>• Reviewed the valuation methods used and assessed whether they are appropriate and consistent with the reporting requirements;<br>• Assessed the reasonableness of underlying assumptions by comparing to historic trends; |

**INDEPENDENT AUDITOR'S REPORT**
**To the Shareholders of Proplastics Limited**

**Report on the audit of the inflation adjusted consolidated financial statements**

**Key Audit Matters (continued)**

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| **Valuation of Property, plant and equipment (PPE)- continued** | |
| We identified the valuation of Property, plant and equipment as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the level of judgement associated with determining the fair values. | • We performed physical verification of a sample of assets to determine whether the conclusion reached by the expert where consistent with the physical condition of the asset; and<br>• Evaluated the financial statement disclosures for appropriateness and adequacy. |

**Other Information**

The directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's statement, Corporate governance, directorate and executive committees report and the historic cost financial information which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the inflation adjusted consolidated financial statements and our auditor's report thereon.

Our opinion on the inflation adjusted consolidated 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 inflation adjusted consolidated financial statements , our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated 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.

As described in the Basis for Adverse Opinion section above, Proplastics changed its functional currency to the RTGS Dollar effective 22 February 2019. The date of change in functional currency as determined in accordance with IFRS is 1 October 2018. Consequently the measurement of transactions between 1 October 2018 and 22 February 2019 does not comply with the requirements of IAS 21, as such, transactions have not been appropriately translated in accordance with these Standards. We have determined that the other information is misstated for that reason.

**Responsibilities of the Directors for the inflation adjusted consolidated financial statements**

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) 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 inflation adjusted consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated financial statements, the directors are responsible for assessing Proplastics' 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 Proplastics or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the inflation adjusted consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated 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 inflation adjusted consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT**
**To the Shareholders of Proplastics Limited**

**Report on the audit of the inflation adjusted consolidated financial statements**

**Auditor's responsibilities for the audit of the inflation adjusted consolidated financial statements (continued)**

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

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated 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 Proplastics' 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 Proplastics' 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 inflation adjusted consolidated 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 Proplastics to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated financial statements, including the disclosures, and whether the inflation adjusted consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 inflation adjusted consolidated 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

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Date: 18 May 2020