Pro plastics

Pipe Systems That Last

Civils| Mining| irrigation| Casings| Ducting

SABS ISO 9001 SABS ISO 14001 SABS ISO 18001 SAPPMA IFPA

ANNUAL REPORT 2019

Contents

Company Profile

Name of Company:	Proplastics Limited
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Fax:	+ 263 242 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, Proplastics 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 "You should 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."

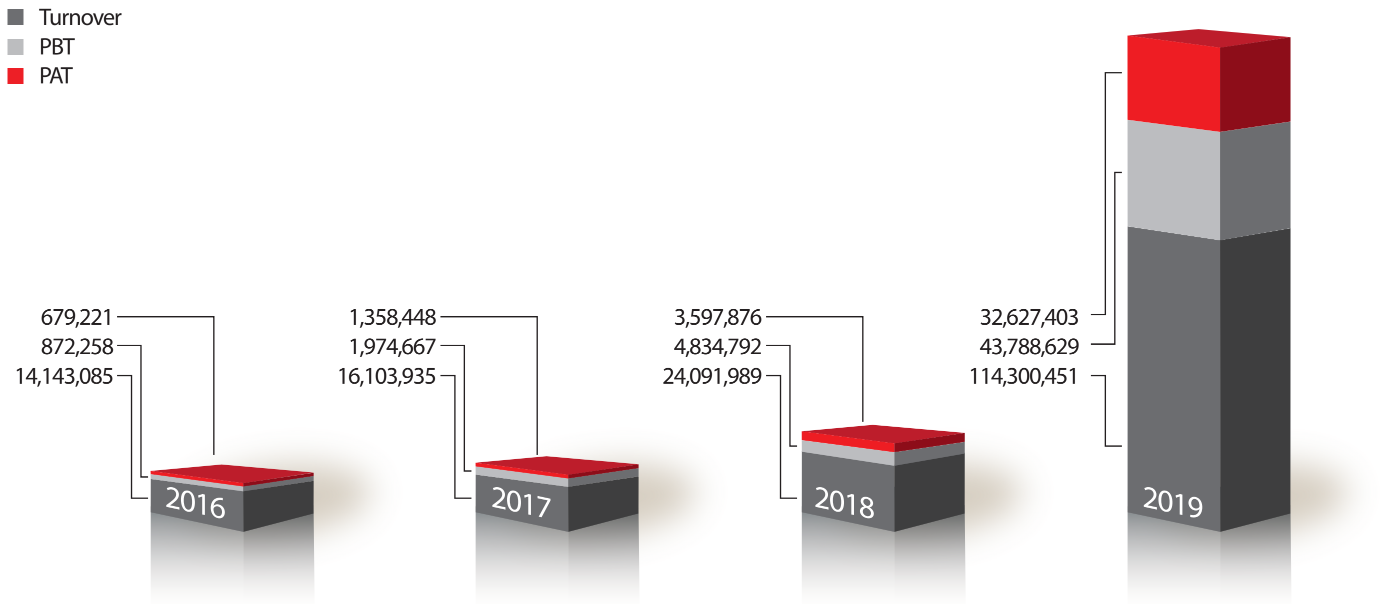
Proplastics Unique Proposition

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 | Risk.
Our Behaviours	Learning | Caring | Performance Driven | Excellence | Team Proplastics.
Our Values	Integrity | Respect | Leadership | Communication | Teamwork.

Financial Highlights

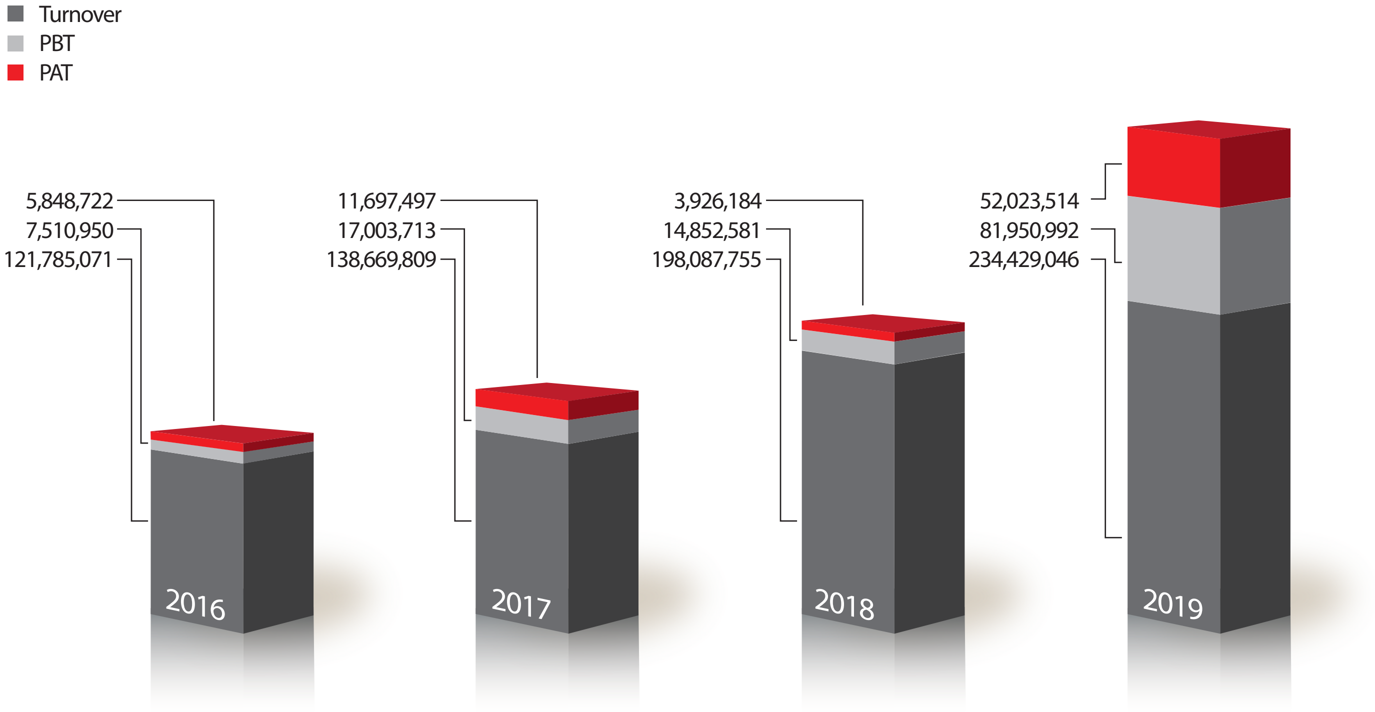
	Inflation adjsuted		Historical	
Turnover	▲	18% to ZWL 234,429,046	▲	374% to ZWL114,300,451
EBT	▲	452% to ZWL 81,950,992	▲	806% to ZWL 4,834,792
Sales volumes	▼	26% to 3,915 tons	▼	26% to 3,915 tons
Profit for the year	▲	1,225 % to ZWL 52,023,514	▲	807 % to ZWL 32,627,403
Gross profit margins	▲	to 42% from 36%	▲	to 61% from 37%
Overheads	▲	19% to ZWL 43,673,966	▲	433% to ZWL 21,278,893
Quick ratio	▼	to 0.28:1 from 0.93 :1	▼	to 0.27:1 from 0.8 :1
ROCE	▲	34% from 13%	▼	25% from 35%
Current ratio	▼	to 1.25 from 2.1 :1.	▼	to 0.7:1 from 1.8 :1.
ROA	▲	to 17% from 2%	▼	to 14% from 17%
Debt/Equity	▼	to 4% from 7%	▼	to 7% from 10%
EBITDA	▲	at 41% (Prior year 11%) of revenue	▲	at 41% (Prior year 27%) of revenue
Cash generated from operating activities to revenue	▼	29% (Dec. 2018 ,36%)	▲	49% (Dec. 2018 ,11%)
Dividend per share	▼	at ZWL 0.80 cents (Dec 2018, ZWL 0.56 cents)	▲	at ZWL 0.80 cents (Dec 2018, ZWL 0.56 cents)
Basic EPS	▲	at ZWL 20.53 cents (Dec 2018, ZWL 1.60 cents)	▲	at ZWL 12.87 cents (Dec 2018, ZWL 1.46 cents)

Turnover, PBT and PAT - historical



Financial Highlights (continued)

Turnover, PBT and PAT - inflation adjusted



Ratios and Statistics

	Inflation adjusted		Historical	
	31-Dec 2019 Audited	31-Dec 2018 Audited	31-Dec 2019 Audited	31-Dec 2018 Audited
Earnings (ZWL cents)				
Basic earnings per share	20.53	1.60	12.87	1.46
Diluted earnings per share	20.02	1.56	12.56	1.41
Profitability				
Profit before interest and tax on turnover(%)	36%	8%	39%	20%
Return on capital employed (%)	22%	4%	23%	35%
Productivity				
Payroll cost on turnover(%)	7%	8%	6%	9%
Total average assets (excluding bank balances and cash) (ZWL)	305,227,150	151,050,263	234,796,200	14,916,363
Finance				
Debt to equity	4%	7%	7%	10%
Current assets to current liabilities	1.25	2.09	0.70	1.8
Share performance				
Ordinary shares in issue (millions)	260	251	260	246
Share price at period end (ZWL cents)	82	121	82	19.5
Market capitalisation (ZWL-millions)	213	304	213	48
Other				
Number of employees at year end	235	268	235	268

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.
Weighted number of shares	Ordinary shares plus outstanding share options
Net asset value	Ordinary shareholders' funds.
Permanent capital	Ordinary shareholders' funds.
Total liabilities	Borrowings and non-interest bearing debt.

Chairman's Statement

G. SEBBORN
CHAIRMAN

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 a 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.

Chairman's Statement (continued)

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
18 May 2020

Chief Executive Officer's Report

K. 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 2019.

The trading environment was extremely challenging. Monetary policy announcements made during the year regarding the functional currency and exchange controls negatively affected the business. The introduction of the Zimbabwe dollar in February 2019 also caused uncertainty in the market. The value of the local currency continued to decline making it difficult to plan for the future and to preserve value for the business.

Despite the introduction of the Interbank market for foreign exchange, hard currency remained limited posing significant challenges to the business as the bulk of the raw materials are imported. Notwithstanding these challenges, the business posted a solid performance for the year.

FINANCIAL PERFORMANCE

Turnover grew by 18% to ZWL 234,429,046 in inflation adjusted terms and by 374% to ZWL 114,300,451 in historical cost terms in the period under review, sales volumes reduced by 26%. It is important to note the difficult trading environment eroded customers' purchasing power resulting in reduced product demand for the Group. The Gross margin improved to 42% from 36% in inflation adjusted terms and to 61%

Chief Executive Officer's Report (continued)

from 37% in historical terms from prior year. The operations continued to benefit from the investment in modern and efficient equipment over the years. Consequently, EBITDA grew 297% to ZWL 87,397,864 in inflation adjusted terms and by 713% to ZWL46,459,277 in historical terms.

The statement of financial position remained strong with total assets growing by 1,035% to ZWL 240,399,245 in historical terms and by 96% to ZWL 310,830,195 after adjusting for inflation. Current ratio eased to 0.7:1 from 1.8:1 in prior year with current liabilities growing by 848%driven by internal utilization of cash resources, exposure on foreign creditors and customer advance payments. At the end of the period under review total foreign creditors in value amounted to US$561,000.

Trade and other receivables increased by 187% as a result of growth in revenue and increased supplier prepayments.

Borrowings went up from ZWL 1,271,091 in prior year to close the year at ZWL 10,354,546, resulting in a debt equity ratio of 7 % despite substantial outlay towards the construction of the new factory largely financed from utilization of internal resources.

Cash generated from operations went up to 49% from 11% of turnover in prior year. The Group closed the year with a balance of ZWL 5,603,045 in cash and cash equivalents.

OPERATIONAL PERFORMANCE

Factory volumes, at 3,915 tonnes for the year, were 26% below prior year. The reduced product demand and unforgiving power cuts affected production. The use of a backup generator to run operations increased production costs and reduced operational efficiencies significantly.

The ability to secure foreign currency to fund the importation of raw materials remains the biggest challenge faced by the business.

Management continues with the engagement of the Group's suppliers to ensure uninterrupted availability of raw materials despite the challenges prevailing in the economy. Engagement efforts with the bankers and treasury will remain a priority.

SUSTAINABILITY

The Group embarked on a journey to strengthen its commitment to sustainability by complying with SI 134 of 2019 (Zimbabwe Stock Exchange (ZSE) listing requirements and guided by the Global Reporting Initiative (GRI) standards for sustainability reporting framework. The journey was manageable as a result of a preexisting culture of a risk based approach and commitment to the provision of quality products and services, care for the health and safety of our all our employees and stakeholders in the environment that we operate. A vibrant sustainability steering committee comprising of representatives from Safety Health Environment and Quality (SHEQ), Governance and Risk (Internal Audit), Sales, Human Capital, Finance, Production, Engineering and other support functions is in place, capacitated and trained to identify and report on pertinent issues relevant to the organization's operations.

The business had zero fatalities but regrettably recorded four non-fatal injuries which resulted in the loss of production time. Unfortunately, we had an employee who passed on in our premises due to natural causes in the year under review. We continue to monitor the health and safety of our employees through a risk based approach, continuous engagement in Occupational Health and Safety (OHS) issues complimented by exposure driven medical surveillance programs.

The business also strives to make a difference in its operations through a dedicated community and social responsibility program. In 2019 the business undertook the following initiatives:

- Donation to the Cyclone IDAI victims through the Civil Protection Unit.
- Sponsorship of the Arcadia 2019 Enduro tournament.
- Donation of PVC pipes to ZAOGA children's ministry for their horticulture project.
- Continued payment of school fees for 10 disadvantaged children at Jairos Jiri.
- Donation of assorted groceries to Mathew Rusike Children's Home.
- Donation of clothing and funding Christmas party for Chiedza Child Care Centre.
- Significant contribution towards the COVID-19 pandemic through

the SOTZim foundation for the rehabilitation of St Anne's Hospital.

- Over and above the unveiling of industrial attachment to students from various institutions of higher learning across the country, the Group has opened its doors for educational tours to enable students to learn about its industry and choose certain career paths.
- The Group continues to enroll student attachés from different universities and polytechnic colleges.
- Dedicated annual employees' wellness day which attracts the invitation of various specialists practitioners in areas of cancer, stress management, chronic illnesses, diet management and voluntary counselling and testing (VCT).

It is worth noting that business has maintained its Safety, Health and Quality Management Systems (SHEQMS) certification throughout the year.

COVID -19 PANDEMIC

Proplastics Limited, like all other businesses in the world, was affected by the COVID-19 pandemic. The commissioning of the new mixing plant was delayed as the team of engineers who were working on the commissioning were recalled resulting in the exercise being put on hold indefinitely.

The business was closed on the 24th of March 2020, as a precaution against the threat posed by COVID–19. Subsequent to that, the government pronounced a 21-day national lockdown from 30 March 2020. This was further extended to the 3rd of May and thereafter to the 17th of May 2020.

As an important contributor to the economy, on the 31st of March 2020, the business was granted special exemption to operate as an essential services provider during the lockdown period. The business resumed partial operations on the 21st of April to date.

COVID-19 preventive measures, which include social distancing, temperature screening, washing of hands and disinfecting public places, have been instituted to ensure safety of our staff and that of our customers.

We did not experience raw material supply disruptions and continued to receive stable supplies during the lockdown period. It is however disheartening to report that the business had to terminate all contract employment and work with a minimal headcount during the period.

To ensure business continuity amidst the risks posed by the pandemic; an impact assessment of the environment, extent and severity of COVID-19, sensitivity analysis on the profitability and cash flows, key assumptions in the aftermath of COVID-19 and economic projections was carried out and the operations remain a going concern.

OUTLOOK

The availability of foreign currency to fund the importation of raw materials and capital expansions remains a major challenge.

Following the introduction of the Zimbabwe dollar, the local currency continues to lose value. The government policy, through the introduction of SI 85 of 2020 t allowing use of free funds to pay for local goods and services in foreign currency will enable the business to generate the much-needed foreign currency to fund raw materials and capital expenditure.

We anticipate demand for the Groups products to improve slightly driven by infrastructural development and the need to mitigate against the effects of drought. Foreign currency for raw material will continue to be sourced through exports, direct local sales, toll arrangements, our bankers and bureau de changes.

ACKNOWLEDGEMENTS

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 given the circumstances.

I wish to conclude by thanking the Board, for the wise counsel and support throughout a very difficult and challenging year.

K. Chigiya

KUDAKWASHE CHIGIYA
18 May 2020

Directorate, Executive Committees and Corporate Governance

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.

Mrs. Sandra Robert
(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. 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.

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.

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. Mark Mario Di Nicola
(Non – Executive Director)

Mark has over 25 years' experience with companies listed on the Johannesburg Stock Exchange and is the former Chief Executive Officer of Beige Holding Limited. He is a director of several other companies in Mauritius and the SADC region including Kotso Holdings Limited and the Reinforcing Steel Contractors Group.

Directorate, Executive Committees and Corporate Governance (continued)

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 Company'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 Group'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

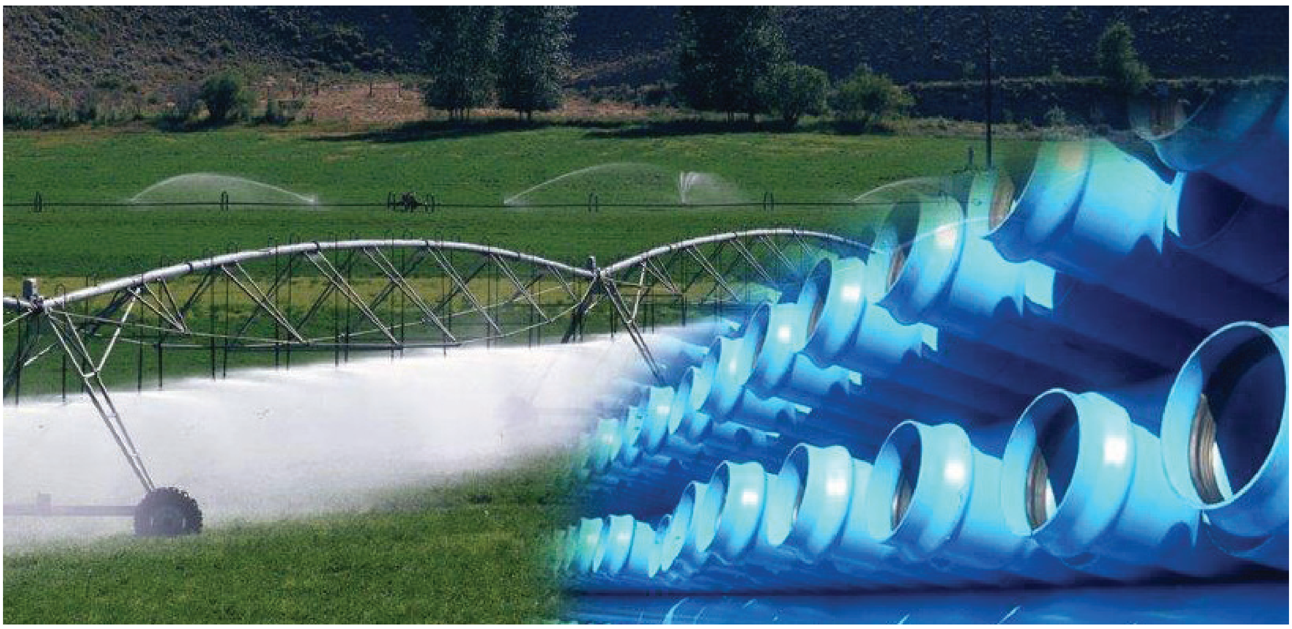
The Group operates in Zimbabwe in a regulated environment. Business is conducted within a well-developed control framework, underpinned by procedures and control manuals. The Board has established a management structure which clearly defines roles, responsibilities and reporting lines.

The business performance of the Group is reported regularly by management to 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 are 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.



Directorate, Executive Committees and Corporate Governance (continued)

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.
Mrs. Sandra Roberts *	Non-Executive Director.
Mr. Herbert Stanley Mashanyare*	Non-Executive Director.
Mr. M. Di Nicola^ (Alt. Mr Malcolm McCulloch)	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 deliberation 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 Group, which sets out the Group'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 in the aftermath of COVID-19 and in the foreseeable future. Accordingly, the financial statements have been prepared on the basis that the Group is a going concern.

Auditors

Deloitte and Touche have carried out the audit of the Group since unbundling from Masimba Holdings in 2015. In order to ensure good corporate governance, the board proposes to put the audit to tender.

Sandra Roberts
Chairman - Audit and Risk Committee
18 May 2020

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 2019. In the report "Group" refers to Proplastics Limited and its subsidiary companies, Promouldings (Private) Limited and Dudway Investments (Private) Limited.

Period's Results

	Historical	Inflation adjusted
	ZWL	ZWL
Profit attributable to Shareholders	32,627,403	52,023,514
Final Dividend	Nil	Nil

Capital Expenditure

Capital expenditure for the year to 31 December 2019 amounted to ZWL 58,516,539 in historical terms and ZWL 68,505,332 in inflation adjusted terms. The budgeted capital expenditure for the year to 31 December 2020 is ZWL 100,903,740. The expenditure is to be financed from internal resources and existing facilities.

Construction of the new Factory is complete, and the estimated cost of constructing the factory was US$4,100,000. The new factory is owned by Dudway Investments (Private) Limited, a Company which is 100% owned by Proplastics Limited. Installation of equipment, the new extruder, the mixing plant and the automated material handling system was completed. Migration of the plant to the new factory commenced on 2 January 2020. Commissioning of the new factory will however be affected by Covid -19 pandemic.

Share Capital

The authorized share capital of the Company is ZWL 87,500, comprising of 875,000,000 ordinary shares of a nominal value of ZWL0.0001 each in historical terms and ZWL 647,095 comprising 875,000,000 ordinary shares of a nominal value of ZWL0.0007 each in inflation adjusted terms.

The issued share capital of the Company is ZWL 25,343 divided into 253,435,628 ordinary shares of ZWL0.0001 each in historical terms and ZWL 213,737 divided into 253,435,628 ordinary shares of ZWL0.0008 each in inflation adjusted terms.

Auditors

The auditors of the Group are Deloitte & Touche. Shareholders will be asked at the forthcoming Annual General Meeting to approve their remuneration in respect of the past audit. The Auditors remuneration for the past year was ZWL 1,101,898.

Deloitte and Touche have carried out the audit of the Group since unbundling from Masimba Holdings in 2015. In order to ensure good corporate governance, the board proposes to put the audit to tender.

Reserves

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

Dividend

The Board is aware of the circumstances relating to COVID-19, and the effect it has on business and found it prudent not to declare a final dividend. Shareholders will be asked to approve the total dividend of ZWL 0.80 cents per share which was paid in September 2019.

Borrowing Powers

In terms of the Articles of Association, the Company is authorized 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.

Report of the Directors (continued)

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.
Mrs. Sandra Roberts	Non-Executive Director.
Mr. Herbert Stanley Mashanyare	Non- Executive Director
Mark Di Nicola (Alt. Mr. Malcolm McCulloch)	Non-Executive Director.

Mr. Paddy Tongai Zhanda and Mr. Herbert Stanley Mashanyare will retire 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 $647,659 be approved.

The Proplastics Limited Senior Executive Share Option Scheme 2015

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 2019 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 Group financial results, where practicable, have been prepared in accordance with the accounting policies consistent with International Financial Reporting Standards (IFRS) except for non-compliance with IAS 21 "Effects of Changes in Foreign Exchange Rates", and in the manner required by the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements. Due to the requirements of Statutory Instrument 33 of 201 (SI33/19)9, 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.

The Group's independent external auditors, Deloitte & Touche, have audited the financial statements and their report appears on pages 18-22. 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.

After a comprehensive assessment of the impact of COVID-19 pandemic on the business, the Directors came up with a raft of measures to mitigate the impact of the pandemic.

The Directors are, therefore, of the view that preparing these set of accounts on a going concern basis is still appropriate.

Sustainability

Introduction

The Group, being a responsible Corporate citizen, remains committed to the achievement of Sustainable Development Goals (SDGs) through imbedding and monitoring of sustainability issues in all operations. Protection of the people and planet remains one of our business anchors. As a business, 2019 was a year of key milestone as we started reporting on sustainability issues. Systems that address both environmental and social aspects of the business were already in place. This made a good starting point for the Group to adopt the Global Reporting Initiatives (GRI) Sustainability Reporting Standards.

Report of the Directors (continued)

Approach
Sustainability issues anchor the value of our business and as such the organisation is going to firm up and improve its commitment to environmental, social, good corporate governance and human capital development issues that are of material effect to our operations. The Board of Directors is committed to mainstreaming sustainability in the strategic direction of the organisation. Sustainability issues are prioritised at Board level and delegated to the Chief Executive Officer of the organisation in a manner that facilitates attainment of tangible results throughout the organisation.

Responsibility
During the year under review, the Board continued to ensure that all initiatives in support of the goal for attaining sustainable development were adequately resourced in terms of human (skills development), technical and financial needs. The Board mandates the Chief Executive Officer as the driver of this thrust to ensure that issues of sustainability continue to get the attention and support it requires. Further engagements of experts in the field of sustainability will remain a priority in determining all issues of materiality. The organisation will remain committed despite the challenges that we are facing in our operations. We will incorporate sustainability issues in our budgets and ensure efficient allocation of resources in all facets of the business.

Stakeholder engagement
In order to align business strategy and stakeholder expectations, the Group adopted a Stakeholder Management Strategy (SMS) which is inclusive and requires continuous engagement will all key stakeholders. This process helps to us to identify issues from all our stakeholders and enables the Group to deliver both stakeholder and business values alike.

Performance
It is unfortunate that one of our employees passed on in our premises due to natural causes during the period under review.
We recorded four lost time injuries and we are geared to change this course through:

- Occupational Health and Safety (OHS) training and awareness
- medical surveillance programs
- rigorous risk assessments and continuous improvement projects
- responsible initiatives that ensure that OHS and environmental risks are managed throughout the value chain

Key Result Areas
We are pleased to report that our environmental performance is in the right trajectory as we recorded no significant incidents. Greenhouse gas emissions from our operations were in the green band. The organisation uses the 3R (Reduce, Reuse, Recycle) waste management principles which enabled us to achieve 37% recycling rate of waste in 2019. We are looking towards achieving a target of 50% in 2020 and 90% by 2023 through more robust waste management initiatives and improved operational efficiencies.

Compliance with legal and other requirements remains our key focus with zero penalties recorded in the business. Our philosophy is anchored on being a law-abiding corporate, which is focused on enhancing productivity.

The Group remains responsive to the needs of communities around us through various corporate social responsibility activities that were carried out during the year. During the year under review, the Group invested ZWL 78,965 into social responsibility activities. The Group also partnered with waste collection organisations by empowering women in the local community. In addition to these initiatives in the year under review the Group also ensured creation of green jobs.

Key Focus Areas
Focus areas remain on sustainability issues across our operations in ensuring that the business achieve its goals in Global Reporting Initiatives (GRI) and stakeholders thrive into the future. Our outlook into the future points to greater commitment to the attainment of the Sustainable Development Goals (SDGs).

The next few years present new frontiers in scaling up sustainability within our business.

G Sebborn
Chairman
18 May 2020

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Zimbabwe

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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 23 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

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

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).

Basis for adverse opinion (continued)

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

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.

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.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Valuation of Property, plant and equipment (PPE)</td></tr>
<tr><td>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.

Valuations by their nature involve the use of judgment and estimates which involve significant unobservable inputs such as:
- Market rentals ; and
- Risk yields.

Valuers also rely on historic market evidence for calculation inputs such as transactions processed for comparable properties rentals and capitalization rates.

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 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.</td><td>We assessed the competence, capabilities, objectivity and independence of the directors' independent valuer, and assessed their qualifications.

We made enquiries of the directors' independent external valuer to obtain an understanding of the valuation techniques and judgements adopted.

We engaged an independent valuer to , on a sample basis, review the assumptions and valuation techniques used by the director's expert.

We assessed the work performed by the independent external valuer in valuing property, plant and equipment by performing the following:
• Reviewed the valuation methods used and assessed whether they are appropriate and consistent with the reporting requirements;
• Assessed the reasonableness of underlying assumptions by comparing to historic trends;
• 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
• Evaluated the financial statement disclosures for appropriateness and adequacy.</td></tr>
</table>

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.

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

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per. Charity Mtwazi
Partner
(PAAB Practice Certificate Number 0585)
Harare
Zimbabwe

Date: 18 May 2020

Consolidated Statement of Financial Position
as at 31 December 2019

	Notes	Inflation adjusted 31 December 2019 Audited ZWL	Inflation adjusted 31 December 2018 Audited ZWL	*Historical 31 December 2019 Audited ZWL	*Historical 31 December 2018 Audited ZWL
Assets					
Non-current assets					
Property, plant & equipment	4	228,593,727	70,817,008	197,398,299	9,362,739
Right of use assets	4	1,737,779	-	483,039	-
Total non- current assets		**230,331,506**	**70,817,008**	**197,881,338**	**9,362,739**
Current assets					
Inventories	6	62,701,219	48,708,203	26,034,898	6,843,511
Trade and other receivables	7	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	8	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	9	3,906,667	5,272,814	3,906,667	848,818
Lease liability		392,852	-	392,852	-
Deferred tax	10	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	11	45,967,224	37,501,743	42,079,175	5,681,188
Short-term borrowings	9	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**

*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.

G. Sebborn
Chairman
18 May 2020

K. Chigiya
Chief Executive Officer
18 May 2020

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2019

		Inflation adjusted		*Historical	
		12 months to 31 Dec 2019 ZWL	12 months to 31 Dec 2018 ZWL	12 months to 31 Dec 2019 ZWL	12 months to 31 Dec 2018 ZWL
Revenue	12	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	13.1	(2,131,746)	(1,217,204)	(3,980,888)	(85,553)
Net monetary gain/(loss)		29,557,888	(22,751,188)	-	-
Other income	13.1	219,141	574,186	80,350	97,920
Distribution costs		(10,147,995)	(6,342,508)	(4,975,614)	(591,002)
Administrative expenses	13.2	(33,525,971)	(25,961,886)	(16,303,279)	(3,398,064)
Profit before interest and tax	14	83,252,251	15,538,140	44,838,531	4,918,869
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	15	(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
Other comprehensive income					
Revaluation surplus		104,308,332	2,116,918	131,613,986	340,833
Related tax		(25,748,797)	(545,106)	(32,116,999)	(87,764)
Total 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)	16	20.53	1.60	12.87	1.46
Diluted Earnings per share (cents)	16	20.02	1.56	12.56	1.43

*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.

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 2017	**210,959**	**74,719,487**	**38,004,230**	**112,934,676**
Dividend paid	-	-	(10,759,052)	(10,759,052)
Other comprehensive income	-	1,571,812	-	1,571,812
Impact of adopting IFRS 9	-	-	106,139	106,139
Share premium	-	295,785	-	295,785
Share options exercised	1,167	-	-	1,167
Elimination of revaluation reserve on IAS 29 adoption	-	(73,801)	73,801	-
Share based payments	-	160,800	-	160,800
Profit for the year	-	-	3,926,184	3,926,184
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 adoption	-	(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**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

*Historical	Share Capital ZWL	Reserves ZWL	Retained earnings ZWL	Total equity ZWL
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
Profit for the year	-	-	3,597,876	3,597,876
Share options exercised	150	-	-	150
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.

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Inflation adjusted		*Historical	
	31 December 2019 ZWL	31 December 2018 ZWL	31 December 2019 ZWL	31 December 2018 ZWL
Cash flows from operating activities				
Profit for the year before interest and tax	83,252,251	15,538,140	44,838,531	4,918,869
Adjustments for:				
Depreciation of non-current assets	13,297,635	6,502,328	1,610,676	795,093
Expense recognised in respect of equity-settled share- based payments	1,047,565	160,800	1,047,565	18,674
Impact of impairment losses	-	142,953	-	23,015
Monetary (gain)/loss	(29,557,888)	22,751,188	-	-
Non cash adjustments	2,214,488	-	-	-
(Profit)/loss on disposal of property, plant and equipment	(4,870)	82,129	(5,150)	5,596
Net cash from operations before working capital changes	70,249,181	45,177,538	47,491,622	5,761,247
Decrease/(increase) in trade and other receivables	19,330,627	25,973,125	(7,096,014)	(2,008,447)
Increase in inventories	(13,993,016)	(11,642,544)	(19,191,387)	(3,119,110)
Increase in payables	8,465,482	18,375,357	36,397,986	2,916,990
Cash generated from operations	84,052,274	77,883,476	57,602,207	3,550,680
Net interest paid	(1,011,488)	(685,559)	(858,808)	(84,077)
Income tax paid	(15,350,632)	(5,643,782)	(795,550)	(913,575)
Net cash generated from operating activities	67,690,154	71,554,135	55,947,849	2,553,028
Cash flow from investing activities				
Purchase of property, plant and equipment to maintain operations	(32,185,265)	(42,097,250)	(23,461,281)	(761,460)
Purchase of property, plant and equipment to expand operations	(34,261,240)	(20,559,523)	(34,261,240)	(4,729,751)
Proceeds from disposal of property, plant and equipment	6,400	2,648,258	6,400	33,777
Net cash utilised in investing activities	(66,440,105)	(60,008,515)	(57,716,121)	(5,457,434)
Cash flow from financing activities				
Increase in borrowings	2,459,417	5,567,958	9,083,455	896,424
Dividend paid	(4,939,093)	(10,759,052)	(2,278,344)	(1,249,465)
Share options exercised	214,283	295,785	34,500	34,500
Repayment of lease liability	(669,352)	-	(641,598)	-
Net cash (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)
Cash and cash equivalents at the beginning of the year	7,287,741	637,430	1,173,304	4,396,251
Cash and cash equivalents at the end of the year	5,603,045	7,287,741	5,603,045	1,173,304

*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.

Accounting Policies

for the year ended 31 December 2019

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 subsidiaries, Promouldings (Private) Limited and Dudway Investments (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 2019 to 31 December 2019.

1.3 Determination of functional 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 despite the fact that 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 IAS21 at the official interbank rate prevailing at the time of transacting. As at 31 December 2019 all foreign currency balances were translated using the official interbank rate.

As a result of the above, the functional currency of the Group changed in the current year from United States Dollar (US$) to Zimbabwe Dollar (ZWL). The Financial Statements for the year ended 31 December are therefore presented in ZWL.

1.4. 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) and the Zimbabwe Stock Exchange Listing Requirements.

While full compliance has been achieved in the past, due to the requirements of Statutory Instrument 33 of 201 (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.

The Group's 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.

1.5. Basis of preparation

Adoption of IAS 29: Financial Reporting in Hyperinflationary Economies

The Group adopted IAS 29 "Financial Reporting in Hyper-Inflationary Economies" as per the guidance issued by the Public Accountants and Auditors Board (PAAB) through pronouncement 1/2019.

The Group adopted the Zimbabwe Consumer Price Index (CPI) to restate the transactions and balances. 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. Below are the conversion factors used to restate the financial results:

1. GENERAL INFORMATION (continued)

1.5. Basis of preparation (continued)

	Indices	Conversion factor
CPI as at 31 December 2019	551.60	1
CPI as at 31 December 2018	88.81	6.21
CPI as at 1 October 2018	64.06	8.61
Average CPI 2019	240.29	
Average CPI 2018	67.63	

Monetary assets and liabilities are not restated while non-monetary assets and liabilities that are not carried at amounts current at the financial reporting date and components of shareholders' equity are restated by the relevant monthly conversion factors. All items in the Statement of Profit and Loss are restated by applying the relevant monthly, yearly average or year-end conversion factors. The effect of inflation on the net monetary position of the Group is included in the Statement of Profit and Loss as a monetary gain/loss adjustment. All corresponding figures as of, and for the prior period year ended, are restated by applying the change in the index from the end of the prior year to the end of the current year;

The inflation adjusted figures form the primary set of financial statements and the unadjusted historical figures are supplementary information.

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

2.1. 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. 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 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 IFRS 11 Joint Arrangements IAS 12 Income Taxes and 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

Impact on initial application of IFRS 16-Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group applied IFRS 16 Leases from 1 January 2019. The Group used the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated, it is presented, as previously reported under IAS 17 Leases and related interpretations. The details of the changes in accounting policy are disclosed below.

Additionally, the disclosure requirements in IFRS 16 have generally not been applied to comparative information.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (continued)
2.1. New and amended IFRS Standards that are effective for the current year (continued)
Impact on initial application of IFRS 16-Leases (continued)

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right of use asset adjusted by the amount of any prepaid or accrued lease payments;
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less and leases of low-value), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS's) (continued)
2.1. New and amended IFRS Standards that are effective for the current year (continued)
Impact on initial application of IFRS 16-Leases (continued)

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets. Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

d) Financial impact of the initial application of IFRS 16

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 30%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on the statement of financial position as at 1 January 2019	
Increase in assets	ZWL 483,039
Increase in liabilities	ZWL 483,039
Impact on retained earnings	ZWL 49,880

Impact on the statement of comprehensive income	
Depreciation expense	ZWL 310,979
Interest expense	ZWL 240,432

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also leases portions of its owner occupied properties. Leases for which the Group is a lessor are classified as finance or operating leases.

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 January 2019

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.

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

2.1. New and amended IFRS Standards that are effective for the current year (continued)

Impact on initial application of IFRS 16-Leases (continued)

The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The application of these amendments has had no impact on the Group's Consolidated Financial Statements.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The Group has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of long term interests required by IAS 28 (i.e., adjustments to the carrying amount of long term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The application of these amendments has had no impact on the Group's Consolidated Financial Statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3
Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Group has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

This amendment has not had a significant impact on the Group's Consolidated Financial Statements.

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

2.1. New and amended IFRS Standards that are effective for the current year (continued)

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 (continued)
Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs (continued)

IFRS 3 Business Combinations

The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including re measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

The application of this amendment has had no impact on the Group's financial statements

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of a joint operation that is a business and obtains joint control of such a joint operation, the Group does not re-measure its PHI in the joint operation.

The application of this amendment has had no impact on the Group's financial statements

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as re-measured under IAS 19:99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The application of these amendments has had no significant impact on the Group's Consolidated Financial Statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The Group has determined its tax position is consistent with the tax treatment that will be used in its income tax filings.

The application of this amendment has had no impact on the Consolidated Financial Statements of the Group.

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

2.1. New and amended IFRS Standards that are effective for the current year (continued)

2.1.1 Adoption of alternative accounting policy under an existing IFRS

IAS 16- Property, plant and equipment

IAS 16 presents two accounting policy choices in terms of how measurement after initial recognition of an asset can be done. The two choices are:

- Cost model
- Revaluation model

Under the cost model, after initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Under the revaluation model, an item of property, plant and equipment, whose fair value can be measured reliably, is carried at revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses.

The revaluations will be required to be done with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The Group accounting policy on property and equipment has previously been as follows:

- land and buildings were subsequently measured using the revaluation model;
- all other property and equipment were measured using the cost model.

The Group has changed its accounting policy on the measurement after initial recognition for all other property and equipment that were previously measured using the cost model. The Group has with effect from 31 December 2019 adopted the revaluation model on this category of assets. This change in accounting policy results in the Group applying the revaluation model on all its property and equipment.

IAS 16- Property, plant and equipment

Reason for change in accounting policy

The Group has significant assets that were acquired in foreign currency during the multi-currency period and in the mono currency period. The local currency has experienced significant devaluation during the period under review following currency reforms that were implemented on 22 February 2019. In addition, due to the prevailing hyperinflationary environment, there has been significant erosion of monetary values for assets including those acquired using the local currency with passage of time. These developments have resulted in the carrying amounts of assets in historical cost terms not representing the true and fair values of these assets in the financial statements. In an effort by the Group to improve the fair presentation of values of these assets in the financial statements, it has become necessary to adopt the revaluation model for these assets.

An independent valuation exercise of the assets was performed by an independent external valuer to determine the fair value of the assets as at 31 December 2019.

The revaluation surplus net of deferred income tax was credited to other comprehensive income and is shown as 'revaluation reserves' in shareholders' equity. Details of the valuation techniques employed are reported under note 3.6.

The revaluation model has been applied prospectively as permitted by the accounting standard. The prior period financial statements have therefore not been restated.

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 2019 and not early adopted.

The following new standards, amendments and interpretations have been issued but are not yet effective:

Standard/Interpretation beginning on/after	Content	Applicable for financial years
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 3	Definition of a business	1 January 2020
Amendments to IAS 1 -and IAS 8	Definition of material	1 January 2020
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 10 Consolidated Financial Statements	Sale or Contribution of Assets between an	Effective date not set
and IAS 28(amendments)	Investor and its Associate or Joint Venture	

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The Directors of the Group do not anticipate that application of this standard in future will have an impact on the Group's Consolidated Financial Statements

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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 2019 and not early adopted (continued).

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Directors anticipate that the application of these amendments may have an impact on the Group's Consolidated Financial Statements in future periods should such transactions arise.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The Directors of the Group do not anticipate that application of this standard in future will have an impact on the Groups Consolidated Financial Statements

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Directors of the Group do not anticipate that application of this standard in the future will have an impact on the Group's Consolidated Financial Statements

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

The Directors of the Group do not anticipate that application of this standard in future will have an impact 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 property, plant and equipment and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below as well as under the current cost basis as per the provision of IAS 29 "Financial Reporting in Hyperinflationary Economies". The Group adopted IAS 29 effective 1 January 2018 as per guidance issued by the local accounting regulatory board, the Public Accountants and Auditors Board "PAAB" which relates to financial reporting on or after 1 July 2019. The Group used the price indices provided by Zimbabwe Statistical Office as reported on the Reserve Bank of Zimbabwe website. 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 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 Group 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 IFRS 16, 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.

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 consolidated financial statements are presented in Zimbabwe dollars (ZWL), which became the functional currency of the Group and the country on 22 February 2019 and are rounded off to the nearest dollar.

The key accounting policies are as documented below:

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. 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 reassesses 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Basis of consolidation (continued)

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.

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 consolidation.

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, the gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), less 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. reclassified to profit or loss or transferred to another category of equity as specified /permitted by applicable IFRS Standards). 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 IFRS 9 Financial Instruments when applicable, or 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 Group) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Interests in joint operations (continued)

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:

- 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.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

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

The Group recognises revenue from sale of PVC and HDPE sewer and water reticulation pipes.

Revenue comprises the fair value of the consideration received or receivable for goods and services offered by the Group during the course of the year. Revenue is recognised as per the five-step model 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.

The Group recognises revenue when it satisfies a performance obligation, that is;

- Both parties, the customer and the Group commit to the contract by signing an agreement, which specifies terms such as product quantity and specification, unit price, payment terms, form of payment, expected delivery date, any after sales service to be offered to the customer.
- The contract can be in the form of a quotation accompanied by the terms and conditions, which both parties sign.
- The Group only recognises revenue after satisfying the contract performance obligation.

The customer has a right to return product within seven days.

Dividend and interest revenue

Dividend 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.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease. Initial costs of negotiating a lease are included as part of the carrying value of the investment property and subsequently as an expense over the lease term on the same basis as the rental income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Revenue recognition (continued)

Rental income (continued)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also leases portions of its owner occupied properties. Leases for which the Group is a lessor are classified as finance or operating leases.

Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

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.

Measurement

Plant and equipment have always been shown at cost less the related depreciation in prior year periods.

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.

On 31 December 2019, the directors approved revaluation of the owned property, plant and equipment by the Group and classified under property, plant and equipment, after assessing the valuations made by duly appointed independent professional valuer, Edinview Property Group (EPG Global). The valuations for land and buildings were based on open market values after considering the intrinsic value of the property and net potential returns and the valuations were done in United States Dollars (US$) at the interbank rate.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Property, plant and Equipment (continued)

Measurement (continued)

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.

Depreciation

Depreciation is recognised in the profit or loss 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 accumulated depreciation is restated proportionately with the gross carrying amount of the asset such that the net book value of the assets after revaluation equals its revalued amount. The estimated useful lives, residual values and depreciation methods 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

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 reporting 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.

Where impairment losses occur, they are either recognised through the cost model or the revaluation model depending on whether the debited amount was charged through the new adjusted fair market valuation. The impairment loss is recorded in the statement of profit and loss for assets carried at cost. Any impairment loss recognised in prior periods for an asset other than goodwill is required to be reversed if there has been a change in the estimates used to determine the asset's recoverable amount. Where the asset is to be disposed of, the costs associated with the disposal are added back into the net of the future net value less the carrying value.

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.

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.

If due to any event the impaired asset regains its value, the gain is recorded in statement of profit and loss and other comprehensive income to the extent of original impairment loss and any excess is considered a revaluation and is credited to revaluation surplus.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Taxation and deferred taxation

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

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss 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 at the financial reporting date.

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 financial reporting 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 reporting 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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

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.

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. Weighted average cost method is used to determine the cost of inventories.

3.11 Foreign currency translation

The financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of the Group are expressed in Zimbabwe Dollars (ZWL), which became the functional currency on 22 February 2019. 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 financial reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the financial reporting 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 Zimbabwe Dollars using exchange rates prevailing for the Zimbabwe Dollar to other currencies at the financial reporting date. Income and expense items are translated using the exchange rates prevailing at the dates of the transactions.

3.12 Financial instruments

3.12.1 Financial assets

Financial assets and liabilities are recognised in the Group's statement of financial position when and only when the Group becomes a party to the contractual provisions of the particular instrument.

All financial assets and liabilities are measured at fair value on the date of initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets are expensed in profit or loss for financial assets initially classified at fair value through profit or loss. For financial assets not classified at fair value through profit or loss, transaction costs are added to or deducted from the fair value at initial recognition. The Group derecognises a financial asset when and only when:

- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Group; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'Fair value through other comprehensive income' FVOCI, 'amortised cost'. The classification depends on the business model 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.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments

3.12.1 Financial assets

Amortised cost and Effective interest method
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.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Effective interest method
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 IFRS 9 Financial Instruments; or
- Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Foreign exchange gains and losses
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.
- for debt instruments measured at fair value through other comprehensive income (FVTOCI) that are not part of a designated hedging relationship, exchange differences on the amortised cost of debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve.
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses (ECL) on trade receivables and contract assets, the amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

3.12.1 Financial assets (continued)

The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. As for the loans to related and other parties, as disclosed in note 21, lifetime ECL has been provided for them upon initial application of IFRS 9 until these financial assets are derecognised as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

In particular, the following information is considered when assessing whether credit risk has increased significantly since initial recognition.

- An actual or expected significant deterioration in the financial instrument's external or internal credit rating;
- Significant deterioration in external market indications of credit risk for a particular financial instrument;
- Existing or forecast changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic or technological environments of the debtors that results in a significant decrease in the debtor's ability to meets it obligations.

Irrespective of the above, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when the contractual payments are more than 60 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on financial instrument has not increased significantly since initial recognition if the financial instrument is considered to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near future;
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily reduce the debtor's ability to fulfil its contractual cash flow obligations;
- When the financial asset has external low credit rating in accordance with the globally understood definition or if the asset has an internal rate of 'perfoming'.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate otherwise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
3.12 Financial instruments (continued)
3.12.1 Financial assets (continued)

Credit-impaired financial assets
A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flow of that financial asset have occurred. Evidence that a financial asset is credit –impaired includes observable data about the following events:

- Significant financial difficulty of the debtor;
- A default of contract such as a default or past due event;
- It is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Write–off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into some bankruptcy proceedings, or when the amounts are over two years past due, whichever occurs first. Financial assets written off may still be subject to enforcement activities under the Group's credit control procedures, taking into account legal advice where appropriate. Any bad debts recovered are recognised in profit or loss.

Measurement and recognition of expected credit losses

The Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 –month ECL at the current reporting date.

The Group recognises an impairment gains or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance.

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, 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, 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.

Classification as debt or equity
Debt and equity instruments issued by a Group entity are classified either as 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

3.12.1 Financial assets (continued)

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 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.

3.12.2 Financial liabilities and equity instruments

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
- a derivative 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 IFRS 9 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)

3.12.2 Financial liabilities and equity instruments (continued)

Financial liabilities (continued)

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.

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 Leases

The Group assesses whether a contract is a lease in scope of IFRS 16: Leases, by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than twelve months, unless the underlying asset is of low value.

Where the Group is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. The lease liability is recognised in "Other liabilities". A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in "Property, plant and equipment". The lease term includes any extension options contained in the contract that the Group is reasonably certain it will exercise.

The Group subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in "Depreciation and amortisation", and interest on the lease liability is recognised in "Interest expense".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.15 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 investment 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 reporting 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Provisions and contingencies (continued)

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.

3.17.3 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 reporting date are discounted to present value.

3.18 Employee benefits

3.18.4 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Inventory assumptions
2019 inventory balances for the purposes of the hyper financial statements was based on a period aging of current, 180 days, 360 days and 721 days rather than monthly aging due to accounting system configuration. As a result, average period conversion factors were used to restate balances. The Directors have assessed this and noted that this is representative of the aging of their inventories and therefore no material variations are expected.

Significant increase in credit risk
As explained in note 7, expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Calculation of loss allowance
When measuring expected credit losses, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.
Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the ECL rates on trade receivables above 91days past due had been 10 per cent higher as of December 2019, the loss allowance on trade receivables would have been ZWL $383,124 (2018: ZWL 146,995) higher (lower).

If the ECL rates on trade receivables between 61 and 90 and 60 days past due had been 10% per cent higher as of December 2019, the loss allowance on trade receivables would have been ZWL 6 (2018: ZWL 3,470 higher (lower).

Discount rate used to determine the carrying amount of the Group's defined benefit obligation
The determination of the Group's defined benefit obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's financial statements within the next year. Further information on the carrying amounts of the Group's defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in note 59.

Fair value measurements and valuation processes
Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

Property valuations rely on historical market evidence for calculation of inputs such as
- Rates of return on comparable properties;
- Risk;
- Obsolescence;
- Inflation (perceptions);
- Gross market rental growth rates;
- Rates of return on alternative investments; and
- Property expenditure.

The change in functional currency occurred on the 22nd of February 2019 and therefore the market dynamics are still adjusting. The Group's independent valuers adopted the approach of converting US$ valuation inputs at the interbank foreign exchange rate at 31 December 2019.Refer to note 4.2 for sensitivity analysis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
3.20 Critical judgement and significant estimates (continued)

Impairment testing
The Group assesses its property, plant and equipment for impairment at each reporting date. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying amount of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections, which have been discounted at an appropriate rate.

Determining residual values and useful lives
The Group is required to assess the remaining useful lives of its property, plant and equipment on an annual basis. This affects the amount of depreciation that is recognisable in the financial statements. The Group has assessed the residual values for the revalued equipment taking into account the state of the equipment and the expected remaining economic useful lives.

Uncertain tax provisions
The Group's current tax provision relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with Zimbabwe Revenue Authority (ZIMRA). There is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ. The accounting has currently been based on the most likely outcome.

Valuation of share options;
Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. 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 the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. 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 reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

The announcement of Statutory Instrument (SI 33) of 2019
The SI 33 of 2019 which deemed all assets and liabilities to be valued at par with the US $ and other currencies has introduced uncertainties into the future which may have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year. Refer to note 1.3: Determination of functional currency.

IAS 29- "Financial reporting in hyperinflationary economies"
- The standard is applied as if the economy had always been hyper-inflationary.
- The standard also requires that financial statements for all entities that report in the currency of a hyper-inflationary economy apply the standard at the same date.
- 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

4. PROPERTY, PLANT AND EQUIPMENT

Group 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 ZWL	TOTAL Equipment ZWL
Balance at 31 December 2017	8,725,381	11,971,024	849,986	-	28,810,811	4,466,599	2,914,620	57,738,421
Additions	-	20,559,523	-	-	36,775,845	2,133,060	540,088	60,008,516
Revaluation	5,581,937	-	-	-	-	-	-	5,581,937
Disposals	-	-	-	-	(4,225,627)	-	(502,812)	(4,728,439)
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 2017	(684,072)	-	-	-	(41,133,709)	(2,230,387)	(1,625,601)	(45,673,768)
Depreciation for the year	(174,907)	-	(74,100)	-	(5,129,869)	(660,812)	(462,639)	(6,502,328)
Disposals	-	-	-	-	3,965,428	-	427,241	4,392,669
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

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4. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group *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 ZWL	TOTAL Equipment ZWL
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
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 2017	(67,167)	-	(4,542)	-	(4,928,752)	(292,880)	(212,005)	(5,505,346)
Depreciation for the year	(22,500)	-	(4,543)	-	(290,982)	(49,630)	(28,700)	(396,355)
Disposals	-	-	-	-	332,053	-	53,651	385,704
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

As at 31 December 2019, the carrying amount of property, plant and equipment would have been ZWL $66,267,352 (2018: ZWL $9,362,739) had these assets been included in the financial statements at historical cost less depreciation.

*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 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.

4.1 Encumbrances on property, plant and equipment

Freehold land and buildings with a carrying amount of $32.5 million have been pledged to secure borrowings of the Group. This was done by way of a Deed of Hypothecation over The Remaining Extent of Lot 5 Block Y Ardbennie Township of Ardbenne. Refer to note 9.

The Group's property, plant and equipment are insured at full replacement cost.

4.2 Revaluation

The Directors engaged an independent professional valuer, Edinview Property Group (EPG Global), to do the valuation of the property. The valuation conforms to International Valuation Standards.

Property valuations rely on historical market evidence for calculation of inputs. The change in functional currency occurred on the 22nd of February 2019 and therefore the market dynamics are still adjusting. The Group's independent professional valuer adopted the approach of converting US$ valuation inputs at the interbank foreign exchange rate at 31 December 2019.

4. PROPERTY, PLANT AND EQUIPMENT (continued)

4.2 Revaluation (continued)

Had the valuer used different exchange rates, the impact on the statement of financial position would be as demonstrated below:

Inflation adjusted				
Element	Total ZWL$ @ revaluation @1: 17.24	Total ZWL$ @1:25	Total ZWL$ @1: 32	Total ZWL$ @1: 45
Property, plant and equipment	125,853,421	182,485,125	233,580,960	328,473,225
Immovable property	32,471,616	47,083,250	60,266,560	84,749,850
Total non -current assets	**158,325,037**	**229,568,375**	**293,847,520**	**413,223,075**
Increase in property, plant& equipment		71,243,338	64,279,145	119,375,555
Impact on statement of comprehensive income		44,971,367	40,575,319	75,354,165

Historical				
Element	Total ZWL$ @ revaluation @1: 17.24	Total ZWL$ @1:25	Total ZWL$ @1: 32	Total ZWL$ @1: 45
Property, plant and equipment	125,853,421	182,485,125	233,580,960	328,473,225
Immovable property	32,471,616	47,083,250	60,266,560	84,749,850
Total non - current assets	**158,325,037**	**229,568,375**	**293,847,520**	**413,223,075**
Increase in property, plant& equipment		71,243,338	64,279,145	119,375,555
Impact on statement of comprehensive income		44,971,367	40,575,319	75,354,165

4.3 Right of use asset

The Group leases several assets including buildings. The average lease term is 5 years (2018: 5 years).

5. PRINCIPAL SUBSIDIARIES NOTE

Name	Nature of business	Proportion of ordinary shares held directly by the parent (%)	Proportion of ordinary shares held by non-controlling interest (%)
Promouldings	Property Holding	100	-
Dudway	Property Holding	100	-

All subsidiaries were incorporated in Zimbabwe and are property holding companies.

6. INVENTORIES

	Inflation Adjusted		Historical	
	31 December 19 ZWL	31 December 18 ZWL	31 December 19 ZWL	31 December18 ZWL
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	5,485,697	1,523,932	680,715
Provision for slow moving inventories	(3,529,774)	(1,150,439)	(1,766,469)	(114,059)
Total inventories	62,701,219	48,708,203	26,034,898	6,843,511

The cost of inventories recognised as an expense during the year in respect of continuing operations was ZWL141million (2018: ZWL 135million).

The cost of inventories recognised as an expense includes ZWL nil (2018: ZWL nil) in respect of write downs of inventory to net realisable value, and has been reduced by ZWL nil (2018: ZWL nil) in respect of the reversal of such write-downs.

No inventories (2018- ZWL nil) are expected to be recovered after more than 12 months.

No Inventories have been pledged as security for certain of the Group's bank overdrafts. (2018- ZWL nil)

7. TRADE AND OTHER RECEIVABLES

	Inflation Adjusted		Historical	
	31 December 19 ZWL	31 December 18 ZWL	31 December 19 ZWL	31 December 18 ZWL
Trade receivables	5,491,215	7,279,356	5,491,215	1,171,953
Prepayments	5,031,395	12,961,237	3,685,365	1,162,985
Deposits and other receivables	3,378,260	12,136,466	3,409,829	1,586,660
Tax refundable	-	2,968	-	477
	13,900,870	32,380,027	12,586,409	3,922,075
Less: Expected credit losses	(1,706,445)	(854,975)	(1,706,445)	(137,648)
Total trade and other receivables at end of the year	12,194,425	31,525,052	10,879,964	3,784,427

Bad debts written off during the year nil, (2018- Inflation adjusted ZWL841174, Historical -ZWL200,449).

The average credit period on sales of goods is 22 days. No interest is charged on outstanding trade receivables.

The Group has always measured the loss allowance for trade receivables at an amount equal to lifetime ECL. In prior years the expected credit losses on trade receivables were estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, 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 Group has recognised a loss allowance of ZWL 1,706,445 compared to ZWL854,975 in 2018 against trade receivables in hyper inflated terms. There has been a change in the estimation techniques or significant assumptions made during the current reporting period. This change will likely have a significant impact on the financial position of the Group in future.

Export debtors above 120 days past due were provided for in full at interbank rate as it has become evident that the recoverability of these amounts are doubtful.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities. The following table details the risk profile of trade receivables based on the Group's provision matrix and also the risk profile for the current year assuming we had used the same provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

7. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables-days past due 31 December 2018 Inflation adjusted	Not past due Past due ZWL	1-30 days past due ZWL	31-60 past due ZWL	61-90 past due ZWL	91> ZWL	Total ZWL
Expected credit loss rate(A)	0.5324%	1.0002%	2.0008%	10.0009%	49.9998%	**14.5792%**
Estimated total gross carrying amount at default (B)	3,531,489	385,024	114,553	216,507	1,616,762	**5,865,335**
Lifetime expected credit loss (ECL) AXB	**18,802**	**3,851**	**2,292**	**21,651**	**808,379**	**854,975**

Trade receivables-days past due 31 December 2019 Inflation adjusted	Not past due Past due ZWL	1-30 days past due ZWL	31-60 days past due ZWL	61-90 days past due ZWL	91> days ZWL	Total ZWL
Expected credit loss rate(A)	0.53%	1.00%	2.00%	10.00%	100%	**14.58%**
Estimated total gross carrying amount at default (B)	1,638,437	3,155,845	342	-	1,666,150	**6,460,774**
Lifetime expected credit loss (ECL) AXB	**8,723**	**31,565**	**7**	**-**	**1,666,150**	**1,706,445**

Trade receivables-days past due 31 December 2018 Historical	Not past due Past due ZWL	1-30 days past due ZWL	31-60 days past due ZWL	61-90 days past due ZWL	91> ZWL	Total ZWL
Expected credit loss rate(A)	0.5324%	1.0002%	2.0008%	10.0009%	49.9998%	**14.5792%**
Estimated total gross carrying amount at default (B)	568,559	61,986	18,443	34,857	260,293	**944,138**
Lifetime expected credit loss (ECL) AXB	**3,027**	**620**	**369**	**3,486**	**130,146**	**137,648**

Trade receivables-days past due 31 December 2019 Historical	Not past due Past due ZWL	1-30 days past due ZWL	31-60 days past due ZWL	61-90 days past due ZWL	91> days ZWL	Total ZWL
Expected credit loss rate(A)	0.53%	1.00%	2.00%	10.00%	100%	**14.58%**
Estimated total gross carrying amount at default (B)	1,638,437	3,155,845	342	-	1,666,150	**6,460,774**
Lifetime expected credit loss (ECL) AXB	**8,723**	**31,565**	**7**	**-**	**1,666,150**	**1,706,445**

7. TRADE AND OTHER RECEIVABLES (continued)

Group

	Inflation Adjusted		Historical	
	31 December 19	31 December 18	31 December 19	31 December18
	Days	Days	Days	Days
Debtor days	22	17	22	17

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9.

	Inflation Adjusted		Historical	
	31 December 19	31 December 18	31 December 19	31 December18
	ZWL	ZWL	ZWL	ZWL
Balance at the beginning of the year	854,975	1,170,929	137,648	188,525
Net movement in provision for the year	851,470	525,220	1,568,797	149,572
Bad debts written off	-	(841,174)	-	(200,449)
Balance at the end of the year	**1,706,445**	**854,975**	**1,706,445**	**137,648**

Book debtors are encumbered as shown in note 9.

In determining recoverability of trade receivables, the Group considers any changes in the credit quality of trade receivables from the date credit was initially granted up to the reporting date. The concentration risk is limited due to the customer base being large and unrelated.

Five of the Group's trade receivables constitute 66% of the total receivable balance, with Masimba Holdings, a related party, owing a negligible amount ZWL 20,033 (2018-ZWL 91,367) of the total balance.

8. SHARE CAPITAL AND RESERVES

	Inflation Adjusted		Historical	
	31 December 19	3 1 December 18	31 December 19	31 December18
	ZWL	ZWL	ZWL	ZWL
Authorised and issued share capital				
Authorised				
875,000,000 ordinary shares of ZWL0.0001 each	647,095	647,095	87,500	87,500
Issued				
253,435,628 ordinary shares of ZWL0.0001 each	213,737	212,126	25,343	24,649

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	433,358	434,969	62,157	62,851

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 2019 were as follows:

8. SHARE CAPITAL AND RESERVES (continued)
Shares under options (continued)

	Inflation Adjusted		Historical	
	31 December 19 shares	3 1 December 18 shares	31 December 19 shares	31 December18 shares
Balance at the beginning of year	7,900,000	6,000,000	7,900,000	6,000,000
Granted during the year	-	3,400,000	-	3,400,000
Forfeited during the year	-	-	-	-
Exercised during the year	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Balance at end of year	**6,400,000**	**7,900,000**	**6,400,000**	**7,900,000**

Proplastics Directors carried out a valuation as at 31 December 2019. The estimated fair values of options granted were determined using Black Scholes model in accordance with IFRS 2 with the following inputs and assumptions:

	Inflation Adjusted		Historical	
	31 December 19 ZWL	31 December 18 ZWL	31 December 19 ZWL	31 December18 ZWL
Grant date share price ($)	0.1205	0.1205	0.1205	0.1205
Exercise price ($)	0.1205	0.1205	0.1205	0.1205
Expected volatility	497%	497%	497%	497%
Dividend yield	1.03%	1.03%	1.03%	1.03%
Risk-free interest rate	25%	7%	25%	7%

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 lognormal daily returns for the period starting 10 October 2018 to 04 March 2020.

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

	Inflation Adjusted		Historical	
	31 December 19 ZWL	3 1 December 18 ZWL	31 December 19 ZWL	31 December18 ZWL
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
Total borrowings	10,354,546	7,895,128	10,354,546	1,271,091

The loan is secured by Notarial 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.

10. DEFERRED TAX

	Inflation Adjusted		Historical	
	31 December 19	3 1 December 18	31 December 19	31 December18
	ZWL	ZWL	ZWL	ZWL
Balance at beginning of the year	2,939,362	4,962,968	815,516	576,357
Impact of IFRS 9	-	36,806	-	5,926
Charge to income statement	4,291,239	(2,060,412)	30,716,369	233,233
Balance at end of year	7,230,601	2,939,362	31,531,885	815,516
Comprising of:				
Accelerated wear and tear	14,799,253	3,722,477	33,846,046	921,411
Unrealised exchange gains	(6,263,031)	(162,916)	(1,008,540)	(22,030)
Prepayments	-	59,317	-	8,021
Revenue received in advance	-	1,499,739	-	202,799
Provision for bad debts	(439,410)	(218,292)	(439,410)	(29,518)
Provision for obsolete stock	(454,866)	(217,197)	(454,866)	(29,370)
Other provisions	(411,345)	(1,743,766)	(411,345)	(235,797)
	7,230,601	2,939,362	31,531,885	815,516

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply. Critical judgements and estimates are made when determining deferred tax and these may change within the next year.

11. TRADE AND OTHER PAYABLES

	Inflation Adjusted		Historical	
	31 December 19	3 1 December 18	31 December 19	31 December18
	ZWL	ZWL	ZWL	ZWL
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

The average credit period on purchases of goods and services from suppliers is 129 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. Included in other payables is 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).

The directors consider that the carrying amount of trade payables approximates to their fair value.

12 REVENUE

Market Segment

	Inflation Adjusted		Historical	
	31 December 19	31 December 18	31 December 19	31 December18
	ZWL	ZWL	ZWL	ZWL
Civils	52,949,142	80,092,034	25,816,386	9,741,018
Merchants	65,014,334	57,920,542	31,699,006	7,044,459
Irrigation	61,971,396	39,587,811	30,215,362	4,815,997
Mining	17,605,999	7,204,085	8,584,148	876,181
Local authorities	18,974,808	9,334,063	9,251,538	1,135,235
Borehole drillers	17,913,367	3,939,220	8,734,011	479,099
Total	234,429,046	198,087,755	114,300,451	24,091,989

12 REVENUE (continued)

12.1. Other income/(expenses)

Group	Inflation Adjusted		Historical	
	31 December 19	31 December 18	31 December 19	31 December18
	ZWL	ZWL	ZWL	ZWL
Exchange loss	(2,195,975)	(1,217,204)	(3,980,888)	(85,553)
Insurance claim	32,073	23,352	5,717	3,760
Profit/(loss) on disposal of property, plant and equipment	4,869	(82,129)	5,149	(5,596)
Other deposits	112	1,869	20	301
Zimdef/NSSA refunds	36,377	113,482	6,486	18,274
Cost recoveries	-	82,991	-	13,364
Export incentive	(232,157)	181,842	(52,451)	29,282
Interest on staff loans	181,327	93,218	31,958	15,011
Handling charges	5,318	17,090	1,806	2,752
Scrap sales	191,221	142,469	81,665	20,772
Total other income	(1,976,835)	(643,018)	(3,900,538)	12,367

13 ADMINISTRATIVE EXPENSES

	Inflation Adjusted		Historical	
	31 December 19	31 December 18	31 December 19	31 December18
	ZWL	ZWL	ZWL	ZWL
Audit fees	2,392,901	347,760	1,101,898	56,000
Increase in allowance for credit losses	851,470	525,220	1,568,797	149,572
Bank charges	745,528	587,276	537,123	94,554
2% (IMT) Government Tax	2,236,314	637,480	1,735,145	102,637
Communication	238,857	179,078	123,096	28,837
Computer, printing and stationery expenses	322,843	267,713	176,906	43,103
Consultancy /technical fees	40,387	19,642	17,965	3,163
Donations	311,059	64,801	76,465	10,435
Depreciation	1,337,970	1,041,425	566,824	167,674
Directors Fees	1,914,156	548,809	647,659	88,375
Legal and professional fees	264,279	310,040	118,353	49,926
Insurance	373,266	258,962	125,803	41,694
Licenses and levies	354,282	172,610	272,011	27,791
Repairs and maintenance	233,547	223,119	72,308	35,929
Security expenses	264,344	255,579	110,919	41,156
Share based payments	1,047,565	160,800	1,047,565	18,674
Other	5,317,868	3,865,082	779,493	316,903
Staff costs	15,279,335	16,676,490	7,224,979	2,121,641
	33,525,971	25,961,886	16,303,279	3,398,064

14. PROFIT BEFORE TAXATION

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

Depreciation	13,297,635	6,502,328	1,610,676	795,093
Pension	704,462	1,230,439	214,775	198,106
Compensation to directors and key management	10,196,320	3,947,565	3,108,634	635,575
Share option expenses	1,047,565	115,984	1,047,565	18,674
Loss/(profit) on disposal of property, plant and equipment	4,870	(82,129)	5,149	(5,596)

	Inflation Adjusted		Historical	
	31 December 19 ZWL	31 December 18 ZWL	31 December 19 ZWL	31 December18 ZWL
15. INCOME TAX EXPENSE				
Current income tax	25,636,239	8,698,775	12,561,855	1,091,448
Deferred tax movement	4,291,239	2,227,622	(1,400,629)	145,468
Tax per income statement	**29,927,478**	**10,926,397**	**11,161,226**	**1,236,916**
Reconciliation of current income taxation				
Profit before tax	81,950,992	14,852,581	43,852,858	4,834,792
Tax at standard rate	21,102,380	3,824,540	11,275,572	1,244,959
Effects of expenses not deductible for tax	4,533,859	4,874,235	1,286,283	(153,511)
Effects of other permanent differences	4,291,239	2,227,622	(1,400,629)	145,468
Effective income tax expense	**29,927,478**	**10,926,397**	**11,161,226**	**1,236,916**

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.

	Inflation Adjusted		Historical	
	31 December 19 ZWL	31 December 18 ZWL	31 December 19 ZWL	31 December18 ZWL
Earnings				
Earnings attributable to the equity holders of the Company	52,023,514	3,926,184	32,627,403	3,597,876
Number of shares ZWL				
Weighted average number of shares in issue used in the determination of:				
Basic earnings per share	253,435,628	244,993,024	253,435,628	244,993,024
Diluted earnings per share	259,835,628	250,993,024	25049,835,628	250,993,024
Earnings per share (cents):				
Basic	20.53	1.60	12.87	1.47
Diluted	20.02	1.56	12.56	1.43
Headline earnings per share (cents)	20.51	1.63	12.87	1.47

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:

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 2019, there were 98 members on the scheme.

17. RETIREMENT BENEFIT COSTS (continued)

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.

	Inflation Adjusted		Historical	
	31 December 19	31 December 18	31 December 19	31 December18
	ZWL	ZWL	ZWL	ZWL
Masimba Holdings Pension Fund	574,800	1,017,540	175,244	163,855
National Social Security Authority	129,662	212,699	39,531	34,251
	704,462	**1,230,239**	**214,775**	**198,106**

18. CAPITAL COMMITMENTS

Capital Expenditure for the period to 31 December 2019 amounted to $58,516,539. The budgeted capital expenditure for the period to 31 December 2020 is ZWL 100,903,740. The expenditure will be financed from internal resources and existing facilities.

Construction of the new Factory is now complete, and the estimated cost of construction is US$4,000,000). The new factory is owned by Dudway Investments (Private) Limited, a Company which is 100% owned by Proplastics Limited. Migration of the plant to the new factory was completed in February 2020. The automated handling system was successfully installed and awaits commissioning.

19. DIRECTORS' INTERESTS

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

	Inflation Adjusted		Historical	
	31 December 19	31 December 18	31 December 19	31 December18
	ZWL	ZWL	ZWL	ZWL
G. Sebborn	-	-	-	-
S. Roberts	-	-	-	-
H. Mashanyare	-	-	-	-
K. Chigiya	6,666,667	7,266,667	6,666,667	7,266,667
P. Changunda	3,333,133	3,783,333	3,333,133	3,783,333
P. Zhanda	23,829,479	23,829,479	23,829,479	23,829,479
M.McCulloch	54,733,312	53,327,963	54,733,312	53,327,963
M.Di Nicola	54,733,312	53,327,963	54,733,312	53,327,963

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. 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 2019:

Sales to Related Parties

	Inflation Adjusted		Historical	
	31 December 19 ZWL	31 December 18 ZWL	31 December 19 ZWL	31 December18 ZWL
Sales to Masimba Holdings	59,439	3,697,423	20,033	499,976
Purchases from Masimba	16,214,787	-	16,214,787	-
Balances owing (to)from Related Parties				
Balance owing from Masimba Holdings	416,916	238,967	416,916	38,481
Balance owing to Masimba Holdings	(13,945,308)	-	(13,945,308)	-

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

	Inflation Adjusted		Historical	
	31 December 19 ZWL	31 December 18 ZWL	31 December 19 ZWL	31 December18 ZWL
Short term benefits	12,110,476	4,496,463	3,756,293	635,575
Terminal benefits	274,615	424,764	83,724	68,400
For services rendered as directors	1,914,156	548,898	647,659	88,375
For managerial services	10,196,320	3,947,565	3,108,634	547,200

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

Loans and advances to Directors

	Inflation Adjusted		Historical	
	31 December 19 ZWL	31 December 18 ZWL	31 December 19 ZWL	31 December18 ZWL
Short -term	88,124	899,401	88,124	144,831
Long term	531,245	3,229,827	531,245	520,101
Total	**619,369**	**4,129,228**	**619,369**	**664,932**

Terms and Conditions: The loan amount limit ranges between 6-30 months' salary and is subject to cash flow availability and Remuneration Committee approval. The annual interest rate is 6-12% per annum. The repayment period is 6 months to 5 years.

These loans have been assessed to have low credit risk. Accordingly, the Group recognises lifetime ECL for these loans until they are derecognised.

22. 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.

(b) Financial assets and financial liabilities

	Inflation Adjusted		Historical	
	31 December 19 ZWL	31 December 18 ZWL	31 December 19 ZWL	31 December18 ZWL
Financial Assets				
Cash and cash equivalents	5,603,045	7,287,741	5,603,045	1,173,304
Trade and other receivables	8,470,059	24,301,400	7,936,189	2,621,442
Financial Liabilities				
Borrowings and payables	45,347,482	34,133,483	45,374,484	5,498,392

Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis.
The Zimbabwe dollar became the functional currency effective 22 February 2019. Foreign denominated cash balances were converted at interbank rate of 17.24 to 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 2019.

23. FINANCIAL RISK MANAGEMENT

The Group and Company financial liabilities comprise bank loans and trade and other payables. The main purpose of these financial instruments is to raise finance for the Group and Company's operations. The Group and Company has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations. The Group and Company 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 Group and Company's financial instruments are cash flow risk, foreign currency risk, interest rate risk, credit risk and liquidity risks. Senior executives of the Group and Company 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 and Company policies and exposure limits are reviewed at Audit and Risk Committee meetings.

23.1 Foreign exchange risk management

The Group undertakes certain transactions denominated in RTGS electronic transfers, bond notes, US dollar and other currencies hence exposure to exchange rate fluctuations arises.
The Group's net foreign asset /liability exposure as at reporting date, is summarised as:

Historical Group	Currency	Foreign Balance outstanding	2019 ZWL equivalent	Foreign balance outstanding	2018 ZWL equivalen
Payables	ZAR	(6,862,493)	(8,313,910)	(13,479,608)	(1,026,627)
	EUR	(90,000)	(1,726,416)	(9,824)	(11,986)
	PULA	-	-	(594,686)	(65,494)
Total			(10,040,326)		(1,104,107)

Abbreviation of currencies
ZAR - South African rand
$ - United States dollar
EUR- European currency
PULA- Botswana Pula

Refer to the sensitivity analysis shown under note 26: Events after reporting period.

23. FINANCIAL RISK MANAGEMENT (continued)

23.2 Interest risk

The Group'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.

Directors of the Group anticipate that the current volatile environment will result in upward interest rate movements which may impact significantly on the financial position of the Group.

23. FINANCIAL RISK MANAGEMENT (continued)

23.3 Credit risk

Financial assets, which potentially subject the Group to concentration of credit risk consists principally of cash, short - term deposits and trade receivables. The Group'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.

23.4 Liquidity risk

The Group monitors its risk of shortage of funds using a liquidity-planning tool. The Group considers the maturity of both its financial investments and financial assets (e.g. receivables) and projected cash flows from operations. The Group'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 21 for additional disclosures under cash and cash equivalents note 21b.

Liquidity and interest rate tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods and fixed interest rate. There are no financial liabilities with floating rates. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. All interest rate cash flows are fixed in nature. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Historical					
31-Dec-19	Weighted average effective interest rate	0-2months ZWL	2-12 months ZWL	12-36 months ZWL	Total ZWL
Fixed interest rate instruments	30	894,730	6,036,757	4,003,437	10,934,924
Trade and other payables	-	14,700,129	2,377,977	-	17,078,106
	-	**15,594,859**	**8,414,734**	**4,003,437**	**28,013,030**
31-Dec-18					
Fixed interest rate instruments	8.5	49,937	573,573	756,128	1,379,638
Trade and other payables	-	851,038	1,992,051	127,845	2,970,934
	-	**900,975**	**2,565,624**	**883,973**	**4,350,572**

23. FINANCIAL RISK MANAGEMENT (continued)

23.4 Liquidity risk (continued)

Inflation adjusted					
31-Dec-19	Weighted average effective interest rate	0-2months ZWL	2-12 months ZWL	12-36 months ZWL	Total ZWL
Fixed interest rate instruments	30	894,730	6,036,757	4,003,437	10,934,924
Trade and other payables	-	14,700,129	2,377,977	-	17,078,106
	-	**15,594,859**	**8,414,734**	**4,003,437**	**28,013,030**
31-Dec-18					
Fixed interest rate instruments	8.5	49,937	573,573	756,128	1,379,638
Trade and other payables	-	851,038	1,992,051	127,845	2,970,934
	-	**900,975**	**2,565,624**	**883,973**	**4,350,572**

The Group has access to financing facilities of which were fully utilised at the end of the reporting period. The Group expect to meet its obligations from operating cash flows. Included in trade and other payables were foreign obligations amounting to US$784,530, (2018 - US$1,012,759).

The Group also has capacity to generate revenue in both foreign currency and ZWL balances which will enable it to liquidate its foreign obligations while also accessing foreign currency on the interbank market to liquidate its foreign obligations.

23.5 Capital risk management

The Group 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 Group 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 Group 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.

24. GOING CONCERN

Despite the downward risk and uncertainty posed by corona virus (COVID-19), the business is forecasting growth in the provision of water reticulation for sanitation and irrigation. The Directors have assessed the ability of the Group to continue operating as a going concern in the aftermath of COVID-19 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 Group 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. Refer to note 25.2.

25. EVENTS AFTER THE REPORTING PERIOD

25.1 Interbank forex trading market

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 will have a significant impact on the Consolidated Financial Statements of the Group.

Below is the sensitivity analysis assuming different exchange rates.

SENSITIVITY ANALYSIS

Group	Monetary Assets and Liabilities		Total ZWL Dollar	Total ZWL Dollar	Total ZWL Dollar	Total ZWL Dollar
Element	Nostro FCA	RTGS Dollar	@US$1: ZWL17.24	@US$1: ZWL25	@1US$: ZWL32	@US1: ZWL45
Cash and cash equivalents	91,911	1,584,695	5,603,045	6,316,128	6,959,506	8,154,351
Trade receivables	339,472	5,853,034	10,879,964	13,968,760	16,345,061	20,758,193
Borrowings	-	6,447,879	6,447,879	6,447,879	6,447,879	6,447,879
Trade and other payables	784,530	13,526,546	58,428,560	48,165,868	53,657,575	63,856,461

The Group remain solvent and sufficiently funded at the various exchange rate sensitivities.

25.2 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 the serious health implications on people and the healthcare system, coronavirus (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 GDP 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 these set of accounts on a going concern basis is still appropriate.

In making the assessment the following assumptions were made:

- Based on April sales, demand will continue being depressed up to end of May. However, based on customer inquiries, demand will start to peak up mid-May.
- Export sales will not be significantly affected due to the inherent nature of the sales. The bulk of export sales are project based rather than repeat sales.
- Supply of raw materials will continue to gradually improve as our major suppliers have assured us of constant supply.
- The business can flexibly deal with head count as most employees are on a contract basis and will continue to pay wages in full.
- No COVID-19 induced retrenchment are envisaged in 2020.
- The company established a temporary facility with Standard Chartered bank to deal with any cash pressures and cover critical creditors payments.
- The business has not been offering credit terms due to the prevailing operating environment. The business will continue with same trading terms. Therefore, no credit losses are expected other than the ones already provided for.
- We do not envisage the non-honouring of any contracts.
- The business will benefit from COVID-19 related projects by councils and government departments & the agricultural sector due to the nature of our business, which is the manufacture and distribution of PVC and HDPE pipes.

25. EVENTS AFTER THE REPORTING DATE (continued)

25.2 COVID-19 Pandemic (continued)

Estimate of financial effect

Whilst the exact financial impacts of the COVID pandemic at this stage are uncertain, management have done an assessment of the potential impact of the pandemic based on the assumptions above. There could therefore be variation in the assumptions and projections provided above as this cannot be estimated accurately at this stage therefore users are encouraged to exercise caution in the interpretation of the below

- The volumes and revenues are expected to decline by 30% and 20% respectively from initial projections done by management
- Reduction of Gross Profit percentage by 3% more than had been forecasted.
- Expenses are expected to be higher due to the ensuing economic decline pushing cost of services and products upwards. Expenses to sales ratio is expected to increase to 21% from 14%.
- Access to finance has not been affected and is unlikely to be impacted as the company has managed to establish required facilities.
- Capital expenditure for non-critical expenditure will be frozen until the situation normalises.

25.3 New Companies and business entities Act (Chapter 24:31

The new Act came into effect on 13 February 2020 and repeals the Companies Act (Chapter 24:03) and the Private Business Corporations Act (Chapter 24:11). The new Act has a number of significant changes, which seeks to modernise the way of operation of businesses in the Country and align to other businesses world over. Notable changes have been made in the following areas:
The new act has made changes to the types of entities to which the act applies.

- The changes naturally extended to the registration, administration, inspection, investigation and penalties on the same entities.
- The act has made changes to share capital with a new provision for issuance of non –par-value shares together with the valuation for the same.
- Minority shareholders have been accommodated in the new measures introduced to protect shareholders and investors.
- Mergers, takeovers and acquisitions which were inadequately catered for in the Current Companies Act have been expressly dealt with.
- New corporate governance provisions have been enhanced and/or introduced specifically to deal with Directors duties, Accounts, Auditors and Officers of companies as well as Board Members' duties to improve accountability and good corporate governance.
- Changes have been made to the beneficial ownership of companies and entities with a view of bringing more transparency to deter money laundering and terrorism.
- Licensing of business entity incorporation agents and business entity service providers.
- The declaring and selling of unclaimed company property by the state.

26. DIVIDEND DECLARATION

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

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 18 May 2020.

Company Statement of Financial Position

as at 31 December 2019

		Inflation adjusted		*Historical	
		31 December 2019 ZWL	31 December 2018 ZWL	31 December 2019 ZWL	31 December 2018 ZWL
Assets					
Non-current assets					
Property, plant & equipment	1	196,122,114	57,368,668	164,926,683	7,706,365
Right of use asset	1	1,892,169	-	637,430	-
Investment in subsidiary	2	9,672,558	9,672,558	1,123,289	1,123,289
		207,686,841	67,041,226	166,687,402	8,829,654
Current assets					
Inventories		62,701,219	48,708,203	26,034,898	6,843,511
Trade and other receivables		12,194,425	31,522,084	10,879,964	3,783,950
Cash and cash equivalents		5,598,636	7,257,129	5,598,636	1,168,375
Inter-company balances in debit		31,939	31,057	31,939	5,000
Total current assets		80,526,219	87,518,473	42,545,437	11,800,836
Total assets		288,213,060	154,559,699	209,232,839	20,630,490
Equity and liabilities					
Equity					
Share capital		213,737	212,126	25,343	24,649
Reserves		40,709,611	75,109,457	85,774,001	8,731,173
Retained earnings		171,006,925	26,940,303	33,218,606	4,031,868
Total equity		211,930,273	102,261,886	119,017,950	12,787,690
Non-current liabilities					
Long-term borrowings		3,906,667	5,272,814	3,906,667	848,818
Lease Liability		547,243	-	547,243	
Deferred tax		7,230,601	4,404,825	25,050,750	488,653
Total non-current liabilities		11,684,511	9,677,639	29,504,660	1,337,471
Current liabilities					
Trade and other payables	11	46,104,217	38,233,600	42,216,170	5,799,016
Short-term borrowings	9	6,447,879	2,622,314	6,447,879	422,273
Current tax payable		12,046,180	1,764,260	12,046,180	284,040
Total current liabilities		64,598,2766	42,620,174	60,710,229	6,505,329
Total liabilities		76,282,787	52,297,813	90,214,889	7,842,800
Total equity and liabilities		288,213,060	154,559,699	209,232,839	20,630,490

G. Sebborn
Chairman
18 May 2020

K. Chigiya
Chief Executive Officer
18 May 2020

Company Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2019

	Notes	Inflation adjusted		*Historical	
		31 December 2019 ZWL	31 December 2018 ZWL	31 December 2019 ZWL	31 December 2018 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)		26,519,784	(25,945,705)	-	-
Other income		219,140	574,186	80,350	97,920
Distribution expenses		(10,312,155)	(6,750,589)	(5,025,646)	(641,034)
Administrative expenses		(33,202,726)	(25,666,080)	(16,219,088)	(3,372,351)
Profit before interest and tax		80,373,231	12,231,348	44,872,690	4,894,550
Finance costs		(1,709,697)	(685,559)	(1,099,240)	(84,077)
Profit before tax		78,663,534	11,545,789	43,773,450	4,810,473
Income tax expense		(28,427,245)	(10,344,237)	(11,167,689)	(1,232,435)
Profit for the year		50,236,289	1,201,552	32,605,761	3,578,038
Comprehensive income					
Other - comprehensive income		84,993,578	-	100,768,724	-
Related tax		(21,885,846)	-	(25,947,946)	-
Other Comprehensive Income net of tax		63,107,732	-	74,820,778	-
Total other comprehensive income for the year		113,344,021	1,201,552	107,426,539	3,578,038
Earnings per share					
Number of shares (millions)		260	246	260	246
Basic earnings per share (cents)		19.84	0.49	12.87	1.46
Diluted earnings per share (cents)		19.33	0.48	12.55	1.43

Company 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 as at 31 December 2017	**210,959**	**74,726,673**	**36,317,863**	**111,255,495**
Dividend paid	-	-	(10,759,052)	(10,759,052)
Impact of IFRS 9 on credit gain	-	-	106,139	106,139
Share premium reserve	-	295,785	-	295,785
Share options exercised	1,167	-	-	1,167
Share based payments	-	160,800	-	160,800
Elimination of revaluation reserve	-	(73,801)	73,801	-
Profit for the year	-	-	1,201,552	1,201,552
Balance as at 31 December 2018	**212,126**	**75,109,457**	**26,940,303**	**102,261,886**
Other comprehensive income	-	63,107,732	-	63,107,732
Share options exercised	348	-	-	348
Share based payments	-	1,047,565	-	1,047,565
Share premium on scrip dividend	-	1,140,135	(1,140,135)	-
Share premium on share options	-	214,283	-	214,283
Share capital issued	1,263	-		1,263
Dividend paid	-	-	(4,939,093)	(4,939,093)
Elimination of revaluation reserve	-	(99,909,561)	99,909,561	-
Profit for the year	-	-	50,236,289	50,236,289
Balance as at 31 December 2019	**213,737**	**40,709,611**	**171,006,925**	**211,930,273**

Company Statement of Changes In Equity

for the year ended 31 December 2019

Historical*	Share Capital ZWL	Reserves ZWL	Retained earnings ZWL	Total equity ZWL
Balance as at 31 December 2017	**24,499**	**8,678,149**	**1,686,207**	**10,388,855**
Impact of IFRS 9 on credit gain	-	-	17,088	17,088
Dividend paid	-	-	(1,249,465)	(1,249,465)
Share based payments	-	18,674	-	18,674
Share options exercised	150	-	-	150
Share premium reserve	-	34,350	-	34,350
Profit for the year	-	-	3,578,038	3,578,038
Balance as at 31 December 2018	**24,649**	**8,731,173**	**4,031,868**	**12,787,690**
Revaluation reserve	-	74,820,778	-	74,820,778
Share options exercised	150	-	-	150
Share based payments	-	1,047,565	-	1,047,565
Share premium reserve	-	34,350	-	34,350
Scrip dividend	-	1,140,135	(1,140,135)	-
Share capital issued	544	-	(544)	-
Dividend paid	-	-	(2,278,344)	(2,278,344)
Profit for the year	-	-	32,605,761	32,605,761
Balance as at 31 December 2019	**25,343**	**85,774,001**	**33,218,606**	**119,017,950**

Company Statement of Cash Flows

for the year ended 31 December 2019

	Inflation adjusted		*Historical	
	31 December 2019 ZWL	31 December 2018 ZWL	31 December 2019 ZWL	31 December 2018 ZWL
Cash flows from operating activities				
Profit for the year before interest and tax	80,373,231	12,231,348	44,872,690	4,894,550
Adjustments for:				
Depreciation of non-current assets	13,145,864	6,327,420	1,590,724	772,593
Expense recognised in respect of equity –settled share based payments	1,047,565	160,800	1,047,565	18,674
Impact of IFRS 9	-	142,953	-	23,015
Monetary (gain)/loss	(26,519,784)	25,945,705	-	-
Non-cash adjustments	3,299,813	-	-	-
(Profit) /loss on disposal of property, plant and equipment	(4,869)	82,129	(5,148)	5,595
Net cash from operations before working capital changes	71,341,820	44,890,355	47,505,831	5,714,427
Decrease/(increase) in trade and other receivables	19,326,776	28,854,097	(7,122,954)	(2,013,447)
Increase in inventories	(13,993,016)	(11,642,544)	(19,191,387)	(3,119,110)
Increase in payables	7,870,620	15,696,087	36,417,154	2,950,335
Cash generated from operations	84,546,200	77,797,995	57,608,645	3,532,205
Net interest paid	(1,419,926)	(685,559)	(809,470)	(84,077)
Income tax paid	(15,319,549)	(5,588,912)	(791,399)	(900,029)
Net cash generated from operating activities	67,806,725	71,523,524	56,007,776	2,548,099
Cash flow from investing activities				
Purchase of property, plant and equipment-to maintain operations	(32,185,265)	(39,448,993)	(23,461,281)	(761,460)
Purchase of property, plant and equipment-to expand operations	(34,261,240)	(20,559,523)	(34,261,240)	(4,729,751)
Proceeds from disposal of property, plant and equipment	6,400	-	6,400	33,777
Net cash utilised in investing activities	(66,440,105)	(60,008,516)	(57,716,121)	(5,457,434)
Cash flow from financing activities				
Increase in borrowings	2,459,417	5,567,958	9,083,455	896,424
Dividend paid	(4,939,093)	(10,759,052)	(2,278,344)	(1,249,465)
Repayments of lease liability	(759,720)	-	(701,005)	-
Share options exercised	214,283	295,785	34,500	34,500
Net cash (utilised in)/generated from financing activities	(3,025,113)	(4,895,309)	6,138,606	(318,541)
Net(decrease)/increase in cash and cash equivalents	(1,658,493)	6,619,699	4,430,261	(3,227,876)
Cash and cash equivalents at the beginning of the year	7,257,129	637,430	1,168,375	4,396,251
Cash and cash equivalents at the end of the year	5,598,636	7,257,129	5,598,636	1,168,375

Notes to the Company Financial Statements

for the year ended 31 December 2019

1. PROPERTY, PLANT AND EQUIPMENT

Company Inflation adjusted	Leasehold Improvements ZWL	Capital Work in Progress ZWL	Right of Use Assets ZWL	Plant & Equipment ZWL	Motor Vehicles ZWL	Furniture & Office Equipment ZWL	TOTAL ZWL
Balance at 31 December 2017	849,986	11,971,024	-	28,810,811	4,466,599	2,914,619	49,013,039
Additions	-	20,559,523		36,775,845	2,133,060	540,088	60,008,516
Disposals	-	-		(4,225,627)	-	(502,812)	(4,728,439)
Balance at 31 December 2018	849,986	32,530,547	-	61,361,029	6,599,659	2,951,895	104,293,116
Additions		-	34,261,240	2,352,924	30,604,391	834,767	746,107
68,799,429							
Revaluation	-	-	-	76,449,455	5,819,435	2,724,689	84,993,579
Disposals	-	-		-	-	(3,416)	(3,416)
Balance at 31 December 2019	849,986	66,791,787	2,352,924	168,414,875	13,253,861	6,419,275	258,082,708
Accumulated Depreciation							
Balance at 31 December 2017	-	-	-	(41,133,709)	(2,230,387)	(1,625,600)	(44,989,696)
Depreciation for the year	(74,100)	-	-	(5,129,869)	(660,812)	(462,639)	(6,327,420)
Disposals	-	-	-	3,965,428	-	427,240	4,392,668
Balance at 31 December 2018	(74,100)	-	-	(42,298,150)	(2,891,199)	(1,661,999)	(46,924,448)
Depreciation for the year	(11,324)	-	(460,754)	(10,464,876)	(1,330,399)	(878,510)	(13,145,863)
Disposals		-	-	-	-	1,886	1,886
Balance at 31 December 2019	(85,424)	-	(460,754)	(52,763,025)	(4,221,597)	(2,537,623)	(60,068,425)
Carrying Amount							
Balance at 31 December 2018	775,886	32,530,547	-	19,062,879	3,708,460	1,290,896	57,368,668
Balance at 31 December 2019	764,562	66,791,787	1,892,170	115,651,850	9,032,263	3,881,652	198,014,283

Notes to the Company Financial Statements (continued)
for the year ended 31 December 2019

1. PROPERTY, PLANT AND EQUIPMENT

Company *Historical	Leasehold Improvements ZWL	Capital Work in Progress ZWL	Right of Use Assets ZWL	Plant & Equipment ZWL	Motor Vehicles ZWL	Furniture & Office Equipment ZWL	TOTAL ZWL
Balance at 31 December 2017	98,710	-	-	7,290,434	522,860	338,221	8,250,225
Additions	-	4,729,751		433,449	264,760	63,251	5,491,211
Disposals	-	-		(541,583)	-	(67,158)	(608,741)
Balance at 31 December 2018	98,710	4,729,751	-	7,182,300	787,620	334,314	13,132,695
Additions	-	34,261,240	958,478	22,599,592	573,007	288,682	58,680,999
Revaluation	-	-		89,709,957	7,724,850	3,333,917	100,768,724
Disposals	-	-		-	-	(2,643)	(2,643)
Balance at 31 December 2019	98,710	38,990,991	958,478	119,491,849	9,085,477	3,954,270	172,579,775
Accumulated Depreciation							
Balance at 31 December 2017	-	-	-	(4,773,471)	(260,017)	(189,618)	(5,223,106)
Depreciation for the year	(9,085)	-	-	(624,265)	(82,493)	(56,750)	(772,593)
Disposals	-	-	-	510,055	-	59,314	569,369
Balance at 31 December 2018	(9,085)	-	-	(4,887,681)	(342,510)	(187,054)	(5,426,330)
Depreciation for the year	(9,085)	-	(321,048)	(1,046,008)	(125,747)	(88,836)	(1,590,724)
Disposals	-	-		-	-	1,392	1,392
Balance at 31 December 2019	(18,170)	-	(321,048)	(5,933,689)	(468,257)	(274,498)	(7,015,662)
Carrying Amount							
Balance at 31 December 2018	89,625	4,729,751	-	2,294,619	445,110	147,260	7,706,365
Balance at 31 December 2019	80,540	38,990,991	637,430	113,558,160	8,617,220	3,679,773	165,564,113

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2019

2. INVESTMENT IN SUBSIDIARY

Company	Inflation adjusted		Historical	
	31 December 2019 ZWL	31 December 2018 ZWL	31 December 2019 ZWL	31 December 2018 ZWL
At fair value				
Balance at beginning of the year	9,672,558	9,672,558	1,123,289	1,123,289
Disposal from Promouldings (Private) Limited	-	(2,648,215)	-	(426,375)
Investment in Promouldings	-	-	-	-
Investment in Dudway Investments (Private) Limited	-	2,648,215	-	426,375
Balance at end of year	9,672,558	9,672,558	1,123,289	1,123,289

The investment is in the property owning Companies, Promouldings (Private) Limited and Dudway Investments (Private) Limited, which are 100 % owned by Proplastics Limited. The Directors are of the view that this valuation reflects the fair value of the Investment in subsidiaries.

- 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. Directors believe that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

Shareholder Analysis

Consolidated Top 20 as at 31 December 2019

Rank	Account Name	Shares	% Of Total
1	Zumbani Capital (Pvt)Ltd,	54,733,312	21.60
2	Old Mutual Life Ass Co Zim Ltd	47,693,076	18.82
3	Stanbic Nominees	27,236,796	10.75
4	Amalgamated African Ventures	23,829,479	9.40
5	Giona Capital (Pvt) Ltd	15,964,746	6.30
6	Masimba Holdings Limited,	14,520,177	5.73
7	Scb Nominees	11,328,165	4.47
8	Old Mutual Zimbabwe Limited	9,991,426	3.94
9	Stanbic Nominees Nr	7,969,362	3.14
10	Bulkwood Investments	6,666,667	2.63
11	Streamcoast Investments P/L	3,333,133	1.32
12	Estate Late Roy Turner	2,756,599	1.09
13	National Social Security Authority (W.c.i.f)	2,607,684	1.03
14	National Foods Pension Fund	1,404,810	0.55
17	Zesa Staff Pension Fund	1,338,590	0.53
15	Catering Industry Pension Fund	1,229,630	0.49
16	Lobb, Marcus Richard	1,205,581	0.48
18	Guramatunhu Family Trust	983,820	0.39
19	Fbc Holdings Pf	920,684	0.36
20	Hit Pension Fund - Imara	775,640	0.31
	Total	**236,489,377**	**93.31**
	Other Shareholders	**16,946,251**	**6.69**
	Total Number Of Shares	**253,435,628**	**100.00**

Shareholder Analysis (continued)

Company Statistics as at 31 December 2019

Country	Holders	% of Holders	Shares	% of Shares
Australia	5	0.57	15,148	0.01
Belgium	1	0.11	7,902,199	3.12
Botswana	1	0.11	500	0.00
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	1	0.11	1,099	0.00
New Zealand	1	0.11	8,660	0.00
South Africa	45	5.09	337,675	0.13
Sweden	1	0.11	10,237	0.00
Turkey	1	0.11	553,750	0.22
United Arab Emirates	1	0.11	18,338	0.01
United Kingdom	8	0.90	239,059	0.09
United States	3	0.34	23,284	0.01
Warrant Not Presentable	209	23.64	1,257,474	0.50
Zimbabwe	600	67.87	243,043,328	95.90
Total	**884**	**100.00**	**253,435,628**	**100.00**

Industry	Holders	% of Holders	Shares	% of Shares
Companies	108	12.22	124,787,953	49.24
Estate Late	11	1.24	133,706	0.05
Fund Managers	2	0.23	447,569	0.18
Insurance Companies	13	1.47	64,274,817	25.36
Investment Trusts And Property	13	1.47	800,521	0.32
Local Resident	535	60.52	9,252,264	3.65
Nominees Local	34	3.85	11,977,795	4.73
Non Residents	5	0.57	7,972,846	3.15
Non Resident Individual	96	10.86	1,241,864	0.49
Pension Fund	67	7.58	32,546,293	12.84
Total	**884**	**100.00**	**253,435,628**	**100.00**

Range	Holders	% of Holders	Shares	% of Shares
0 - 500	141	15.95	38,098	0.02
501 - 1,000	112	12.67	89,731	0.04
1,001 - 5,000	284	32.13	819,460	0.32
5,001 - 10,000	111	12.56	893,575	0.35
10,001 - 50,000	114	12.90	2,673,848	1.06
50,001 - 100,000	27	3.05	2,197,358	0.87
100,001 -	95	10.75	246,723,558	97.35
Total	**884**	**100.00**	**253,435,628**	**100.00**

Notice to Shareholders

Notice is hereby given that the Fifth Annual General Meeting of the Members of Proplastics Limited will be held virtually on Thursday, 23 July 2020 at 10.00 hours.

1. SPECIAL RESOLUTION

1.1 Resolution on Holding of Shareholder Meetings Electronically

To approve the holding of the Annual General Meetings and other Shareholder Meetings by virtual /electronic means, in terms of section 170(10)(b), Companies And Other Business Entities Act [Chapter 24:31].

1.2 Resolution on Electronic Communication

That due to the automation and technological developments, the Directors of the Company be and are hereby authorised to amend the communication to members as detailed hereunder:

1.2.1 Any notice required to be sent to members may, notwithstanding anything to the contrary, be sent by electronic means to the electronic address last furnished by such members.

1.2.2 Electronic copies of the Report of Directors, Statements of Financial Position, Profit or Loss and Other Comprehensive Income, Changes in Shareholders' Equity and Cash Flows and all other documents required to be annexed thereto publicised on the Company's website and delivered by electronic means to every member shall be deemed to be sufficient delivery to members. Provided that should a member request a hard copy of the Report of Directors, Statements of Financial Position, Profit or Loss and Other Comprehensive Income, Changes in Shareholders' Equity and Cash Flows and all other documents required to be annexed thereto from the Company, the documents shall be provided to the member in hard copy format.

1.2.3 Any other documents that may be required to be sent to members in terms of the Articles of Association or of the Companies and Other Business Entities Act [Chapter 24:31]. may be sent to the electronic address of the members and shall be posted on the Company's official website.

2. ORDINARY BUSINESS

2.1 Approval of Financial Statements and Reports

To receive, consider and adopt the financial statements for the year ended 31 December 2019, together with the reports of the Directors and Auditors thereon.

2.2 Dividend

To declare a total dividend of RTGS 0.80 cents per ordinary share in the capital of the Company.

2.3 Directors' Fees

To approve the fees of the Directors for the year ended 31 December 2019.

2.4 Election of Directors

To re-elect retiring Directors Mr. Paddy Zhanda Jnr. and Mr. Herbert Mashanyare who retire by rotation and being eligible, offer themselves for re-election.

2.5 Auditors

2.5.1 To approve the remuneration of the Auditors for the previous year.

2.5.2 Deloitte and Touche have carried out the audit of the Group since unbundling from Masimba Holdings in 2015. In order to ensure good corporate governance, the board proposes to put the audit to tender.

Note: In terms of the Companies And Other Business Entities Act (Chapter 24:31) 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 of holding of the meeting.

By Order of the Board

P. Changunda
Company Secretary
30 June 2020

Proxy Form

For the Fifth Annual General Meeting of the Members of Proplastics Limited to be held virtually on Thursday 23 July 2020 at 10.00 hours

I/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:

No.	Resolution	For	Against	Abstain
1.1	Approval to conduct meetings electronically			
1.2.1	Approval to circulate any notice required to be sent to members electronically			
1.2.2	Approval to circulate ectronic copies of financial statements to members electronically			
1.2.3	Approval to circulate any other documents to members in terms of the Articles of Association or of the Companies and Other Business Entities Act (Chapter 24:31) electronically			
2.1	Adoption of the 2019 Annual Financial Statements and Directors' and External Auditors' reports			
2.2	Approval of dividend			
2.3	Approval of Directors' remuneration			
2.4.1	To re-elect Paddy Zhanda Jnr. as a Director of the Company.			
2.4.2	To re-elect Herbert Mashanyare as a Director of the Company.			
2.5.1	Approval of Audit fees			
2.5.2	Approval to put the Audit to tender			

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 ____ 2020

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 (continued)

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.

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