SABS ISO 9001 SAPPMA IFPA

Pro plastics
Pipe Systems That Last

CONSOLIDATED AUDITED RESULTS for the year ended 31 December 2020

CHAIRMAN'S STATEMENT

INTRODUCTION
It is my pleasure to present to you the operational and financial results for the year ended 31 December 2020.

Zimbabwe is still classified as a hyper-inflationary economy. The results, therefore, have been prepared in accordance with the provisions of IAS 29 "Financial Reporting in Hyperinflationary Economies" for both Group and Company. In the report "Group" refers to Proplastics Limited and its subsidiary companies, Promouldings (Private) Limited and Dudway Investments (Private) Limited.

OPERATING ENVIRONMENT
The operating environment remained extremely challenging in 2020 with persistent foreign currency shortages as well as the negative effects of the COVID -19 pandemic. Resultantly, consumer purchasing power was heavily eroded, thus negatively affecting aggregate demand for the Group's products.

The introduction of the foreign currency auction bidding system during the year resulted in some stability in the exchange rate and as a result, there was a welcome slowdown in inflation. We expect the authorities to continue with efforts to improve this system. The introduction of SI185, which allowed consumers with free funds to pay for their goods and services in United States Dollars, eased the foreign currency pressures in the economy and provided some relief in the acquisition of inputs for the Group.

Operationally, the year started on a slow note as the Group migrated to the new factory in the first two months. This resulted in anticipated delays in the resumption of production after the December annual shutdown. However, as soon as production started, the first COVID-19 induced lockdown was announced. This remained in place until May 2020. Although the Group and Company managed to secure a special waiver as an essential service provider to operate during the lockdown period, most sectors of the value chain were affected, resulting in significantly depressed demand. Moreover, consumer spending power was curtailed, and a number of key infrastructural projects were put on hold. The combination of these factors resulted in a poor first half of the year.

Despite the challenges, the Group managed to operate smoothly during the second half of the year, recording a decent performance, thus overturning the slump in the first half of the year.

The new factory together with the automated mixing plant is now fully functional with production in full swing in this new state of the art facility. The new mixing plant, whose commissioning had been delayed as the project Engineers from Italy could not travel due to COVID-19 restrictions, was finally commissioned in December 2020 and is running smoothly. The commissioning was completed without any challenges. This augurs well for the future as the Group is poised to benefit from this new investment, with the initial assessment showing that targets set at the onset of the project are being exceeded.

Overall, the Group managed to post a solid performance for the year, despite the challenges encountered. The fact that the new mixing plant is now available from the end of the year will foster overall equipment effectiveness in the new factory in the future, impacting positively on the unit cost of production.

FINANCIAL PERFORMANCE
The commentary is based on the inflation adjusted figures, which form the primary reporting framework.

Turnover grew by 4% to ZWL1,096 billion. A significant amount of the revenue was received in United States Dollars after the introduction of SI 85 and was recorded at the interbank rate. Given the gap between the Interbank and the alternative market rate, the reporting does not necessarily reflect the true market conditions. Volumes were up 19% from prior year on the back of a strong second half performance.

Cost of sales increased given the slow start to the year and pressures in the economy. Significant improvement is expected in cost of sales going forward given the efficiencies that come along with the new factory and the mixing plant.

Despite the effects of the lockdown and relocation costs, which had a huge impact on overheads, the Group posted an inflation adjusted profit before tax of ZWL174 million, and a profit after tax of ZWL 84 million after taking into account both current and deferred tax. Total comprehensive income for the year was ZWL 244 million. EBITDA for the year was ZWL 275 million. This is a notable achievement considering that a fixed exchange rate was applied to foreign currency receipts prior to the introduction of the auction system. Thereafter, the gap between the Interbank rate and market rate continued to widen yet the Group had a significant amount of its revenues receipts in United States Dollars during the year.

The statement of financial position remained solid with total assets amounting to ZWL1.7 billion. Borrowing remained minimal with the debt equity ratio on 3.6%. The current ratio was solid at 1:6. This is particularly pleasing coming soon after the settlement of almost all expenditure relating to the new factory and the mixing plant.

The Group closed the year with cash and cash equivalents of ZWL28 million.

OUTLOOK
With the business environment improving, we foresee a strong rise in the demand for the Group's products. This, coupled with the investment in the new plant, which is beginning to bear fruit, we forecast an improved performance going forward.

We expect demand to continue being underpinned by infrastructural development, mining, agriculture and the borehole drilling segment.

The Group will focus on consolidating the capital investments made to date and ensure that requisite returns are realised. To this end, the only major investment in the coming year will be the acquisition of a new PVC 500mm extrusion production line as demand for large PVC diameter pipes continues to grow yet the current maximum capacity is limited to 400mm diameter pipes. This further investment will ensure maximum use of the new factory. The new machine is expected to be commissioned in the last quarter of the year.

The business continues to observe all COVID-19 protocols as enunciated by the Ministry of Health and Child Welfare as well as the World Health Organisation for the wellbeing of our employees and all our stakeholders.

DIVIDEND DECLARATION
In view of the performance for the year, the Board proposes a final dividend of ZWL20.50 cents per share. The dividend will have an option to be paid in United States Dollars converted at the ruling interbank rate at the closing date.

ACKNOWLEDGEMENTS
I wish to extend my appreciation to Management and Staff for their hard work during these challenging times, my fellow Board members for the wisdom and direction throughout the year as well as all our stakeholders for their continued support.

G. SEBBORN
14 May 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Notes	Inflation adjusted 31 Dec 2020 ZWL Audited	Inflation adjusted 31 Dec 2019 ZWL *Restated Audited	Historical 31 Dec 2020 ZWL Unaudited	Historical 31 Dec 2019 ZWL Unaudited
Assets					
Non-current assets					
Property, plant & equipment	3	1,224,946,011	1,025,485,142	1,220,648,915	197,398,299
Right of use assets	4	13,806,195	7,795,782	4,650,527	483,039
Total non-current assets		**1,238,752,206**	**1,033,280,924**	**1,225,299,442**	**197,881,338**
Current assets					
Inventories	5	317,882,267	281,281,420	250,792,776	26,034,898
Trade and other receivables	6	145,930,664	54,704,922	140,757,651	10,879,964
Cash and cash equivalents		28,265,471	25,135,595	28,265,471	5,603,045
Total current assets		**492,078,402**	**361,121,937**	**419,815,898**	**42,517,907**
Total assets		**1,730,830,608**	**1,394,402,861**	**1,645,115,340**	**240,399,245**
Equity and liabilities					
Equity					
Share capital		959,137	958,837	25,643	25,343
Reserves		866,782,086	707,493,820	875,272,300	110,703,279
Retained earnings		278,468,756	194,887,349	194,648,690	33,262,299
Total equity		**1,146,209,979**	**903,340,006**	**1,069,946,633**	**143,990,921**
Non-current liabilities					
Long-term borrowings	7	31,326,583	17,525,543	31,326,583	3,906,667
Long-term lease liability		4,347,937	930,460	4,347,937	207,413
Deferred taxation		247,094,575	182,581,251	239,200,496	31,531,885
Total non-current liabilities		**282,769,095**	**201,037,254**	**274,875,016**	**35,645,965**
Current liabilities					
Trade and other payables	8	230,877,775	206,211,715	229,319,932	42,079,175
Short-term borrowings	7	10,000,000	28,925,568	10,000,000	6,447,879
Current tax payable		58,173,630	54,056,422	58,173,630	12,049,866
Short-term lease liability		2,800,129	831,896	2,800,129	185,439
Total current liabilities		**301,851,534**	**290,025,601**	**300,293,691**	**60,762,359**
Total liabilities		**584,620,629**	**491,062,855**	**575,168,707**	**96,408,324**
Total equity and liabilities		**1,730,830,608**	**1,394,402,861**	**1,645,115,340**	**240,399,245**

*** Refer to note 10.**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Inflation Adjusted 12 months to 31 Dec 2020 ZWL Audited	Inflation Adjusted 12 months to 31 Dec 2019 ZWL *Restated Audited	Historical 12 months to 31 Dec 2020 ZWL Unaudited	Historical 12 months to 31 Dec 2019 ZW Unaudited
Revenue	**1,095,912,509**	**1,051,662,732**	**813,367,893**	**114,300,451**
Cost of sales	(775,269,730)	(605,994,385)	(418,694,893)	(44,282,489)
Gross profit	**320,642,779**	**445,668,347**	**394,673,000**	**70,017,962**
Net monetary gain	166,891,028	17,088,088	-	-
Other income	1,351,395	983,080	986,186	80,350
Distribution costs	(37,411,190)	(45,524,513)	(27,366,773)	(4,975,614)
Administrative expenses	(242,565,976)	(160,250,789)	(163,343,597)	(20,284,167)
Profit before interest and tax	**208,908,036**	**257,964,213**	**204,948,816**	**44,838,531**
Finance costs	(35,122,974)	(5,837,444)	(10,617,810)	(1,049,902)
Profit before tax	**173,785,062**	**252,126,769**	**194,331,006**	**43,788,629**
Income tax expense	(90,203,655)	(168,890,508)	(32,944,615)	(11,161,226)
Profit for the year	**83,581,407**	**83,236,261**	**161,386,391**	**32,627,403**
Comprehensive income				
Other comprehensive income	204,030,203	467,933,421	1,009,725,228	131,613,986
Related tax	(43,855,823)	(115,510,645)	(244,270,093)	(32,116,999)
Other comprehensive income net of tax	**160,174,380**	**352,422,776**	**765,455,135**	**99,496,987**
Total comprehensive income for the year	**243,755,787**	**435,659,037**	**926,841,526**	**132,124,390**
Basic earnings per share (cents)	**32.59**	**32.84**	**62.93**	**12.87**
Diluted earnings per share (cents)	**32.27**	**32.03**	**62.30**	**12.56**
Headline earnings per share (cents)	**32.50**	**32.78**	**62.88**	**12.87**

*** Refer to note 10.**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

Inflation adjusted	Share capital ZWL	*Restated Reserves ZWL	*Restated Retained earnings ZWL	Total equity ZWL
Balance at 31 December 2018 as previously presented	**951,610**	**343,964,526**	**140,643,816**	**485,559,952**
Impact of correction of error	-	331,076	(331,076)	-
Restated Balance at 31 December 2018	**951,610**	**344,295,602**	**140,312,740**	**485,559,952**
Dividend paid	-	-	(22,157,067)	(22,157,067)
Other comprehensive income	-	352,422,776	-	352,422,776
Impact of adopting IFRS 16	-	-	(1,389,871)	(1,389,871)
Share capital issued	5,666	-	-	5,666
Share premium	-	961,286	-	961,286
Share options exercised	1,561	-	-	1,561
Share premium on scrip dividend	-	5,114,714	(5,114,714)	-
Share based payments	-	4,699,442	-	4,699,442
Profit for the year	-	-	83,236,261	83,236,261
Balance at 31 December 2019	**958,837**	**707,493,820**	**194,887,349**	**903,340,006**
Other comprehensive income	-	160,174,380	-	160,174,380
Share options exercised	300	-	-	300
Share based payments	-	(954,814)	-	(954,814)
Share premium on share options	-	68,700	-	68,700
Profit for the year	-	-	83,581,407	83,581,407
Balance at 31 December 2020	**959,137**	**866,782,086**	**278,468,756**	**1,146,209,979**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

Historical Unaudited	Share capital ZWL	Reserves ZWL	Retained earnings ZWL	Total equity ZWL
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 premium on scrip dividend	-	1,140,135	(1,140,135)	-
Share premium on share options	-	34,350	-	34,350
Share options exercised	150	-	-	150
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**
Other comprehensive income	-	765,455,135	-	765,455,135
Share options exercised	300	-	-	300
Share based payments	-	(954,814)	-	(954,814)
Share premium on share options	-	68,700	-	68,700
Profit for the year	-	-	161,386,391	161,386,391
Balance at 31 December 2020	**25,643**	**875,272,300**	**194,648,690**	**1,069,946,633**

*** Refer to note 10.**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Inflation Adjusted 31 Dec 2020 ZWL Audited	Inflation Adjusted 31 Dec 2019 ZWL *Restated Audited	Historical 31 Dec 2020 ZWL Unaudited	Historical 31 Dec 2019 ZW Unaudited
Cash flows from operating activities	**3,979,014**	**367,129,019**	**75,457,763**	**57,602,207**
Interest paid	(20,855,641)	(4,537,596)	(8,780,472)	(858,808)
Income tax paid	(36,623,024)	(68,863,854)	(23,422,331)	(795,550)
Net cash flows from operating activities	**(53,499,651)**	**293,727,569**	**43,254,960**	**55,947,849**
Net cash flows utilised in investing activities	(57,093,355)	(298,054,288)	(48,512,157)	(57,716,121)
Net cash flows generated from (utilised in) financing activities	20,079,121	(13,165,439)	27,919,623	6,198,013
Net (decrease)/ increase in cash and cash equivalents	**(90,513,885)**	**(17,492,158)**	**22,662,426**	**4,429,741**
Opening cash balance	25,135,595	32,693,381	5,603,045	1,173,304
Effect of inflation on cash and cash equivalent	93,643,761	9,934,372	-	-
Closing cash and cash equivalents	**28,265,471**	**25,135,595**	**28,265,471**	**5,603,045**

*** Refer to note 10.**

NOTES TO THE FINANCIAL RESULTS
for the year ended 31 December 2020

1. **Basis of preparation**
   The consolidated financial statements have been prepared on the historical cost basis in accordance with IFRS Standards except for certain elements of property, plant and equipment and financial instruments that are measured at fair values, as well as under the current cost basis as per the provision of IAS 29 "Financial Reporting in Hyper-inflationary Economies". The Group adopted IAS 29 effective 1 July 2019 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. These financial statements were approved by the Board of Directors on 14 May 2021.

CONSOLIDATED AUDITED RESULTS for the year ended 31 December 2020

NOTES TO THE FINANCIAL RESULTS
for the year ended 31 December 2020 (continued)

1.1 Determination of the Company's functional currency

The functional currency of the Company in the prior year (2019) was Zimbabwe dollar (ZWL). On 29 March 2020, the Government of Zimbabwe issued statutory instrument "SI" 85 of 2020 which permitted use of US$ free funds for domestic transactions. As a result, the Directors noted a mix of US$ and ZWL sales affecting the determination of the functional currency of the Company. The Directors have applied their judgement and believe that the functional currency for the year ended 31 December 2020 remains ZWL.

1.2 Statement of compliance

The Group's financial results , where practicable, have been prepared in accordance with the accounting policies consistent with International Financial Reporting Standards (IFRS) except for non-compliance with IAS 21 "Effects of Changes in Foreign Exchange Rates", and in the manner required by the "Companies and Other Business Entities Act" and the Zimbabwe Stock Exchange Listing Requirements. Due to the requirements of Statutory Instrument 33 of 2019, it was not practical to comply with requirements of IAS21: Effects of Changes in Foreign Exchange Rates, in the current and prior period.

1.3 Hyper-inflation

The Group adopted IAS 29 " Financial Reporting in Hyper-Inflationary Economies" with effect from 1 October 2018 as per the guidance issued by the Public Accountants and Auditors Board (PAAB) through pronouncement 1/2019. The restated approach was applied as if the economy had been hyper-inflationary from October 2018.

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. The conversion factors used to restate the financial results are as follows:

	Indices	Conversion factor
CPI as at 31 December 2020	2,474.51	1.00
CPI as at 31 December 2019	552	4.49

2. Reporting Currency

The Group's financial statements are presented in Zimbabwe dollars (ZWL), which is the Group's presentation currency as at year ended 31 December 2020 and as prescribed by statutory instrument 33 of 2019 and statutory instrument 142 of 2019 and became the functional currency of the Company from 22 February 2019. All the Group's subsidiaries operate in Zimbabwe and Zimbabwe dollar (ZWL) is their functional and presentation currency.

3. Property, plant and equipment

Group Inflation adjusted	Freehold Land & Buildings ZWL	Capital Work in Progress ZWL	Leasehold Improvements ZWL	Plant & Equipment ZWL	Motor Vehicles ZWL	Furniture & Office Equipment ZWL	TOTAL ZWL
Cost							
Balance at 1 Janaury 2019	**64,183,485**	**145,933,981**	**3,813,088**	**275,269,249**	**29,606,465**	**13,242,386**	**532,048,654**
Additions	-	153,697,973	-	137,293,130	3,744,815	3,347,081	298,082,999
Revaluation	86,647,143	-	-	342,956,831	26,106,334	12,223,113	467,933,421
Disposals	-	-	-	-	-	(15,323)	(15,323)
Balance at 31 December 2019	**150,830,628**	**299,631,954**	**3,813,088**	**755,519,210**	**59,457,614**	**28,797,257**	**1,298,049,751**
Additions	-	40,590,885	-	369,061	14,148,961	2,097,995	57,206,902
Revaluation/(impairment)	144,672,065	-	-	(234,943,230)	(27,429,305)	(11,972,991)	(129,673,461)
Transfer in/out	322,753,145	(331,674,051)	-	3,755,736	5,165,170	-	-
Disposals	-	-	-	-	(57,636)	(177,752)	(235,388)
Balance at 31 December 2020	**618,255,838**	**8,548,788**	**3,813,088**	**524,700,777**	**51,284,804**	**18,744,509**	**1,225,347,804**
Accumulated Depreciation							
Balance at 1 Janaury 2019	**(3,853,431)**	**-**	**(332,417)**	**(189,752,033)**	**(12,970,093)**	**(7,451,341)**	**(214,359,315)**
Depreciation for the year	(1,307,588)	-	(50,800)	(46,946,060)	(5,968,250)	(3,941,048)	(58,213,746)
Disposals	-	-	-	-	-	8,452	8,452
Balance at 31 December 2019	**(5,161,019)**	**-**	**(383,217)**	**(236,698,093)**	**(18,938,343)**	**(11,383,937)**	**(272,564,609)**
Depreciation for the year	(1,287,717)	-	(18,576)	(50,790,980)	(5,970,549)	(3,697,089)	(61,764,911)
Disposals	-	-	-	-	61,384	162,679	224,063
Reversal of accumulated depreciation	6,448,736	-	-	287,489,073	24,847,508	14,918,347	333,703,664
Balance at 31 December 2020	**-**	**-**	**(401,793)**	**-**	**-**	**-**	**(401,793)**
Carrying Amount							
Balance at 31 December 2019	**145,669,609**	**299,631,954**	**3,429,871**	**518,821,117**	**40,519,271**	**17,413,320**	**1,025,485,142**
Balance at 31 Decembe 2020	**618,255,838**	**8,548,788**	**3,411,295**	**524,700,777**	**51,284,804**	**18,744,509**	**1,224,946,011**

Freehold land and buildings with a carrying amount of $618million have been pledged to secure borrowings of the Company.

This was done by way of a Deed of Hypothecation over The Remaining Extent of Lot 5 Block Y Ardbennie Township of of Ardbennie.

Group Historical Unaudited	Freehold Land & Buildings ZWL	Capital Work in Progress ZWL	Leasehold Improvements ZWL	Plant & Equipment ZWL	Motor Vehicles ZWL	Furniture & Office Equipment ZWL	TOTAL ZWL
Cost							
Balance at 1 Janaury 2019	**1,746,041**	**4,729,751**	**98,710**	**7,182,300**	**787,620**	**334,314**	**14,878,736**
Additions	-	34,261,240	-	22,599,592	573,007	288,682	57,722,521
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**	**119,491,849**	**9,085,477**	**3,954,270**	**204,212,600**
Additions	-	32,699,407	-	300,095	13,723,094	1,889,415	48,612,011
Revaluation	524,955,464	-	-	402,715,338	27,307,281	13,074,370	968,052,453
Transfer in/(out)	60,707,903	(64,097,702)	-	2,193,496	1,196,303	-	-
Disposals	-	-	-	-	(27,351)	(173,544)	(200,895)
Balance at 31 December 2020	**618,254,670**	**7,592,696**	**98,710**	**524,700,778**	**51,284,804**	**18,744,511**	**1,220,676,169**
Accumulated Depreciation							
Balance at 1 Janaury 2019	**(89,667)**	**-**	**(9,085)**	**(4,887,681)**	**(342,510)**	**(187,054)**	**(5,515,997)**
Depreciation for the year	(30,021)	-	(9,085)	(1,046,008)	(125,747)	(88,836)	(1,299,697)
Disposals	-	-	-	-	-	1,393	1,393
Balance at 31 December 2019	**(119,688)**	**-**	**(18,170)**	**(5,933,689)**	**(468,257)**	**(274,497)**	**(6,814,301)**
Depreciation for the year	(629,766)	-	(9,084)	(28,623,655)	(3,761,415)	(2,043,409)	(35,067,329)
Disposals	-	-	-	-	28,015	153,586	181,601
Reversal of accumulated depreciation	749,454	-	-	34,557,344	4,201,657	2,164,320	41,672,775
Balance at 31 December 2020	**-**	**-**	**(27,254)**	**-**	**-**	**-**	**(27,254)**
Carrying Amount							
Balance at 31 December 2019	**32,471,615**	**38,990,991**	**80,540**	**113,558,160**	**8,617,220**	**3,679,773**	**197,398,299**
Balance at 31 December 2020	**618,254,670**	**7,592,696**	**71,456**	**524,700,778**	**51,284,804**	**18,744,511**	**1,220,648,915**

Freehold land and buildings with a carrying amount of $618 million have been pledged to secure borrowings of the Company.

This was done by way of a Deed of Hypothecation over The Remaining Extent of Lot 5 Block Y Ardbennie Township of of Ardbennie.

NOTES TO THE FINANCIAL RESULTS
for the year ended 31 December 2020

	Group			
	Inflation Adjusted		Historical	
	Audited 31 Dec 2020 ZWL	Audited 21 Dec 2019 ZWL	Unaudited 31 Dec 2020 ZWL	Unaudited 31 Dec 2019 ZWL
4. Right of use asset				
Balance at 1 January	**7,795,782**	**-**	**483,038**	**-**
Additions to right of use	10,557,514	9,235,899	8,039,609	794,018
Depreciation charge for the year	(4,547,101)	(1,440,117)	(3,872,120)	(310,979)
Balance as 31 December	**13,806,195**	**7,795,782**	**4,650,527**	**483,039**
5. Inventories				
Raw materials	134,518,290	69,064,556	108,841,635	6,995,551
Work in progress	58,047,438	79,855,338	52,007,736	8,519,576
Finished goods	152,951,376	120,910,264	88,167,769	10,762,308
Spares and consumables	28,425,050	27,286,042	4,835,951	1,523,932
Provision for slow moving inventories	(56,059,887)	(15,834,780)	(3,060,315)	(1,766,469)
Total inventories at end of the year	**317,882,267**	**281,281,420**	**250,792,776**	**26,034,898**
6. Trade and other receivables				
Trade receivables	32,371,405	24,655,555	32,371,405	5,491,215
Prepayments	67,326,904	22,590,964	62,303,469	3,685,365
Deposits and other receivables	46,864,772	15,120,340	46,715,194	3,409,829
	146,563,081	**62,366,859**	**141,390,068**	**12,586,409**
Less Expected credit losses	(632,417)	(7,661,937)	(632,417)	(1,706,445)
Total trade and other receivables at end of the year	**145,930,664**	**54,704,922**	**140,757,651**	**10,879,964**
7. Borrowings				
Long term loan	31,326,583	17,525,543	31,326,583	3,906,667
Short term loan	10,000,000	28,925,568	10,000,000	6,447,879
Total borrowings at end of the year	**41,326,583**	**46,451,111**	**41,326,583**	**10,354,546**

The loan is secured by Notorial General Covering Bond (NGCB) over movable assets including cession of book debts and First Ranking Deed of Hypothecation over immovable assets. It is payable over 3 years at an effective interest rate of 45% per annum.

8. Trade and other payables				
Trade payables	155,297,968	65,965,213	155,297,968	14,704,488
Accruals and other payables	75,579,807	140,246,502	74,021,964	27,374,687
Total trade and other payables at end of the year	**230,877,775**	**206,211,715**	**229,319,932**	**42,079,175**

9. Earnings per share

Basic earnings per share amounts are calculated by dividing profit attributable to ordinary equity holders of the parent for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Headline earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent adjusted for profits or losses for disposal of assets and insurance claim.

10. Restatement due to prior period errors

The Group identified the following errors relating to the financial statements for the year ended 31 December 2019.:

I. Prior year revaluation reserves were misclassified by way of elimination to retained earnings.
This arose on adoption of the application of IAS29, Financial Reporting in Hyperinflationary Economies. In the 2019 financial statements, revaluation reserves were required to be eliminated in the first year of application of IAS29. However, the eliminations were incorrectly recorded against revaluation movements presented in both 2018 and 2019 in the Group and Company financial statements for the year ended 31 December 2019.

The effect was that reserves were understated by ZWL 508 million for the Group and ZWL 448 million for the Company, whilst retained earnings were overstated by the same figures. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The impact of the error in respect of the opening position as of 1 January 2019, only relates to a reclassification between reserves and retained earnings with the correction increasing reserves by ZW$331,076 and reducing retained earnings by the same amount. No other statements were impacted as of 1 January 2019 and, therefore, a separate statement of financial position as of 1 January 2019 has not been presented. There was no impact on statement of cash flows.

II. Deferred tax balances for the Group and Company were understated in 2019, due to the use of incorrect temporary differences in their respective calculations.

The effect was that deferred tax liability was understated by ZWL 150 million for the Group and ZWL 121 million for the Company, whilst profit for the year was overstated by the same figures.

Consequently, Group and Company basic and diluted earnings per share were overstated.

The errors have been corrected by restating each of the affected financial statement line items for prior periods. The numbers presented have been indexed by 4.49 being the factor of CPI upliftment from 31 December 2019 to 31 December 2020.

11. Contingent Liabilities

There were no contingent liabilites at reporting date (2019-ZWL nil).

12. Capital Commitments

Capital expenditure for the year to 31 December 2020 amounted to ZWL 57,206,902. The budgeted capital expenditure for the year to 31 December 2021 is ZWL 307,190,173. The expenditure will be financed from internal resources and existing facilities.

13. Going concern

The Board confirms that the Group has adequate resources to continue in businesss in the foreseeble future. Accordingly, the financial statements have been prepared on the assumption that the Group is a going concern.

14. Events after the Reporting Date

On 24 March 2021, the Proplastics Limited Board declared a final dividend of ZWL20.50 cents per share for the year ended 31 December 2020 payable in respect of all ordinary shares of the Company. The dividend will have an option to be paid in United states Dollars at the ruling interbank rate at closing date.

15. Auditor's statement

The abridged consolidated inflation adjusted financial results should be read in conjunction with the complete set of Group inflation adjusted financial statements as at and for the year ended 31 December 2020, which have been audited by KPMG Chartered Accountants (Zimbabwe). An adverse audit opinion has been issued thereon in respect of non-compliance with International Accounting Standards (IAS) 21, The Effects of Changes in Foreign Exchange Rates, IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and IAS 29, Financial Reporting in Hyperinflationary Economies.

The opinion includes key audit matters in respect of valuation of owner-occupied property, plant and equipment for the Group and Company and the determination of the Company's functional currency for the year ended 31 December 2020.

The engagement Partner responsible for the audit was Vinay Ramabhai (PAAB Practice Certificate Number 0569). The independent auditor's report is available for inspection at the Company's registered office.

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Independent Auditors' Report

To the shareholders of Proplastics Limited

Report on the audit of the inflation adjusted consolidated and separate financial statements

Adverse opinion

We have audited the inflation adjusted consolidated and separate financial statements of Proplastics Limited (Group and Company) set out on pages 16 to 69, which comprise the inflation adjusted consolidated and company statements of financial position as at 31 December 2020, and the inflation adjusted consolidated and company statements of profit or loss and other comprehensive income, the inflation adjusted consolidated and company statements of changes in equity, the inflation adjusted consolidated and company statements of cash flows for the year then ended, accounting policies and notes to the inflation adjusted consolidated and company financial statements.

In our opinion, because of the significance of the matters described in the *Basis for adverse opinion* section of our report, the inflation adjusted consolidated and separate financial statements do not present fairly the inflation adjusted consolidated and separate financial position of Proplastics Limited as at 31 December 2020, and its inflation adjusted consolidated and separate financial performance and inflation adjusted consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Other Business Entities Act [Chapter 24:31].

Basis for adverse opinion

Non-compliance with International Financial Reporting Standards IAS 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21) in the prior financial year and inappropriate application of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)

As disclosed in accounting policy note 1.3 to the inflation adjusted consolidated and separate financial statements, for the period 1 October 2018 to 22 February 2019, the Group and Company applied the United States dollar (US$) as its functional currency in order to comply with Statutory Instrument 33 (SI 33), issued on 22 February 2019. The Group and Company changed its functional currency to the Zimbabwe dollar (ZWL) with effect from 23 February 2019. SI 33 precluded the use of any other currency other than US$ as functional currency prior to 22 February 2019 and this resulted in material misstatements in the financial statements as at 31 December 2018 and as at 31 December 2019.

The directors, based on their interpretation of IAS 21, acknowledged that there was a functional currency change from the US$ to RTGS dollar, with effect from 1 October 2018, and that the market exchange rate between the US$ and RTGS dollar was no longer 1:1 after 1 October 2018. However, the Group and Company only accounted for the change in functional currency prospectively from 23 February 2019, in compliance with SI 33. This constitutes a departure from the requirements of IAS 21, due to the need to comply with local regulations as enunciated under SI 33. Had the Group and Company applied the requirements of IAS 21, many elements of the inflation adjusted consolidated and separate financial statements as at 31 December 2019 would have been materially impacted. This departure from IAS 21 led to an adverse opinion being issued on the comparative information during the prior year. The financial effects of this departure on the prior year inflation adjusted consolidated and separate financial statements, whilst considered to be material, have not been determined.

The Group and Company have not restated the inflation adjusted consolidated and separate financial statements, as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, to resolve the matters which resulted in the adverse opinion in the prior years relating to the non-compliance with IAS 21.

Our opinion on the current year's inflation adjusted consolidated and separate financial statements are modified because of the possible effects of the matter on the comparability of the current year's inflation adjusted consolidated and separate financial statements with that of the prior year.

Non-compliance with International Financial Reporting Standards IAS 21 – The Effects of Changes in Foreign Exchange Rates (IAS 21) in the current financial year

As described in accounting policy notes 1.3 and 3.18, during the period 1 January 2020 to 23 June 2020, the Group and Company translated foreign denominated transactions and balances using the interbank rate. During this period, due to the lack of access to foreign currency for immediate delivery through the interbank foreign currency market. The interbank rate did not satisfy the requirements to be considered an appropriate exchange rate in accordance with IAS 21. The impact of this departure from IAS 21 affects the inflation adjusted consolidated and separate financial statements for the year ended 31 December 2020, and whilst considered to be material it was impractical to quantify the misstatement, due to the lack of an appropriate alternate rate that would satisfy the requirements of IAS 21.

Non-compliance with International Financial Reporting Standards IAS 29 - Financial Reporting in Hyperinflation Economies (IAS 29)

In addition, as described in note 1.4 to the inflation adjusted consolidated and separate financial statements, Zimbabwe became a hyperinflationary economy with effect from 1 July 2019. IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29) has been applied to incorrect balances due to the non-compliance with IAS 21 in the current and prior years, as commented on above.

The effects of the above departures from International Financial Reporting Standards are material and pervasive to the inflation adjusted consolidated and separate financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the inflation adjusted consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the inflation adjusted consolidated and separate financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Emphasis of matter - comparative information

We draw attention to note 27 to the inflation adjusted consolidated and separate financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2020 has been restated. 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 and separate financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *basis for adverse opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of property, plant and equipment

(This key audit matter is applicable to both the inflation adjusted consolidated and separate financial statements)

Refer to accounting policy note 3.6 on property, plant and equipment, note 3.17 in respect of significant estimates in applying the Group's and Company's accounting policies and property, plant and equipment note 4.

Key audit matter	**How the matter was addressed in our audit**
As disclosed in note 4, the directors made use of an independent external valuer in determining the fair values and depreciated replacement cost of the Group's and Company's property, plant and equipment. Valuations by their nature involve the use of judgement and estimates which involve significant unobservable inputs such as: • Market rentals; and • Capitalisation rates. Valuers rely on historic market evidence for calculation inputs such	Our audit procedures included the following: • Holding discussions with the independent property valuer to understand the assumptions and methodologies applied in valuing the properties, plant and equipment and the market evidence supporting the valuation assumptions; • Evaluating the appropriateness of the inputs to the valuations by reviewing supporting market transactions used for the valuations; • Assessing the competency,

Key audit matter	How the matter was addressed in our audit
as transactions processed for comparable property rentals and capitalisation rates. The current economic environment is extremely volatile hence the valuation intricacies impacting property, specifically land and specialised buildings, in the Zimbabwean market since the change in currency laws and regulations, from US$ to ZWL. We identified the valuation of property, plant and equipment as representing a key audit matter due to the significance of the balance to the inflation adjusted consolidated and separate financial statements as a whole, combined with the level of judgement associated with determining the fair values.	capability and objectivity of the qualified, independent valuer and inquiring about interests and relationships that may pose a threat to the valuer's objectivity, as well as validating their professional memberships; • Evaluating the appropriateness of the methodology applied for translation of the US$ valuations to ZWL in line with the requirements of the applicable financial reporting standards; • Assessing the adequacy of the disclosures in respect of the revaluation model and assumptions adopted as per the requirements of IAS 16, *Property, plant and equipment* and IFRS 13, *Fair value measurement*.

Functional currency assessment
(This key audit matter is applicable to both the consolidated and separate inflation adjusted financial statements)

Refer to accounting policy note 3.18, critical judgements in applying the Group and Company's accounting policies in the determination of the Company's functional currency.

Key audit matter	How the matter was addressed in our audit
As disclosed in accounting policy note 3.18, the directors have concluded that ZWL remains the functional currency for the Company for the year ended 31 December 2020. With the introduction of Statutory Instrument 85 of 2020, which permitted the use of US$ free funds for the settlement of domestic transactions with effect from 29 March 2020 in response to the COVID-19 pandemic, the directors have applied their judgement in determining the functional currency with reference to the requirements of IAS 21 paragraph 12 particularly given the mix of foreign and local currencies used. We identified the assessment of the functional currency of Proplastics	Our audit procedures included the following: • With the assistance of our technical accounting specialists, we evaluated the functional currency assessment prepared by management considering the primary and secondary indicators as set out in IAS 21 *The Effects of Changes in Foreign Exchange Rates;* • Inspecting and evaluating the underlying data that was used in the quantitative analysis of the functional currency assessment, against source documents; • Evaluating the nature and extent of disclosures made in respect of this critical judgement made in respect

Limited as representing a key audit matter due to the judgement applied and the significance that the functional currency has on the inflation adjusted consolidated and separate financial statements, as a whole.	of the determination of the functional currency.

Other matter - comparative information

The inflation adjusted consolidated financial statements of Proplastics Limited as at and for the year ended 31 December 2019, excluding the adjustments described in note 27 to the inflation adjusted consolidated financial statements, were audited by another auditor who expressed an adverse opinion on those inflation adjusted consolidated financial statements on 18 May 2020 as a result of non-compliance with the requirements of IAS 21.

No separate audit opinion was issued on the inflation adjusted separate financial statements by the predecessor auditor as at 31 December 2019, which were presented as supplementary information to the inflation adjusted consolidated financial statements for the year ended 31 December 2019. Accordingly, we draw attention to the fact that we have not audited the inflation adjusted accompanying company statement of financial position as at 31 December 2019, the inflation adjusted company statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, or any of the related notes and accordingly, we do not express an opinion on them.

As part of our audit of the inflation adjusted consolidated and separate financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in note 27 that were applied to restate the comparative information presented as at and for the year ended 31 December 2019. We were not engaged to audit, review, or apply any procedures to the inflation adjusted consolidated and separate financial statements for the year ended 31 December 2019, other than with respect to the adjustments described in note 27 to the inflation adjusted consolidated and separate financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective inflation adjusted consolidated and separate financial statements taken as a whole. However, in our opinion, the adjustments described in note 27 are appropriate and have been properly applied.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement; the Corporate Governance, Directorate and Executive Committees' report; the Report of the Directors, and the unaudited financial information in the inflation adjusted consolidated and separate financial statements titled "Historical Unaudited", which we obtained prior to the date of this auditors' report and the Annual Report which is expected to be made available to us after that date, but does not include the inflation adjusted consolidated and separate financial statements.

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

In connection with our audit of the inflation adjusted consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' 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, the Group and Company should have translated local currency transactions and balances to ZWL$ using a rate determined in accordance with IAS 21. We have, therefore, concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Chairman's Statement; the Report of the Directors and the unaudited financial information in the inflation adjusted consolidated and separate financial statements titled "Historical Unaudited".

Responsibilities of the directors for the inflation adjusted consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and separate financial statements in accordance with International Financial Reporting Standards and the manner required by the Companies and Other Business Entities Act [Chapter 24:31], and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the inflation adjusted consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and separate 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 and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the

directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and/or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the inflation adjusted consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated and separate financial statements, including the disclosures, and whether the inflation adjusted consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated inflation adjusted financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

KPMG

Vinay Ramabhai
Chartered Accountant (Zimbabwe)
Registered Auditor
PAAB Practicing Certificate Number 0569
14 May 2021

For and on behalf of, KPMG Chartered Accountants (Zimbabwe), Reporting Auditors

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