

Proplastics

Pipe Systems That Last

Reviewed Condensed Consolidated Inflation Adjusted Interim Financial Results for the six month period ended 30 June 2021

CHAIRMAN'S STATEMENT

INTRODUCTION

It is my pleasure to present to you the Reviewed Condensed Consolidated Inflation Adjusted Interim financial results, herein referred to as condensed financial results for the business for the period ended 30th of June 2021.

While inflation is slowing down, the economy is still classified as hyperinflationary. As such, the condensed financial results have been prepared in accordance with the provisions of IAS 29, "Financial Reporting in Hyperinflationary Economies".

OPERATING ENVIRONMENT

Despite the worldwide impact of the COVID 19 pandemic, the macroeconomic environment continued to improve, with inflation slowing down and the exchange rates more stable compared to the same period prior year. In the period under reporting, the disbursement of foreign currency on the auction platform continued to lag behind despite the liquidation of the local balances at the time of participation. We urge the authorities to address this matter with urgency as the massive delays are now a huge performance hindrance for industries and the economy at large. Moreso, the gap between the official exchange rate and the alternative market offering continues to widen.

Going into the second quarter, the world experienced crippling raw material shortages accompanied by global price increases of the main ingredients used in the manufacture of our key products. The trend was forecasted in the prior year and adequate mitigatory measures had been put in place to minimize supply gaps despite the price increases. The factory was, therefore, able to run largely uninterrupted during the period under review. The supply of electricity was unstable during the period as consistent and intermittent power cuts were experienced interrupting production.

The demand for the Group's products was, however, strong in the period under review, and as a result, the performance for the period was encouraging despite the disruptions.

FINANCIAL PERFORMANCE

The commentary is based on the inflationary adjusted figures, which form the primary reporting framework.

Turnover grew by 120% to ZWL889 million from ZWL404 million in the prior period on the back of a 71% increase in sales volumes. Notably, exports grew by 240% and contributed 11% of total turnover for the period under review. A significant portion of the Group's revenue was recorded at the interbank rate having been received in United States Dollars.

Cost of sales increased sharply given the global raw material shortages which in turn resulted in sharp upward price adjustments. Consequently, the Group recorded a gross profit of ZWL257 million compared to ZWL209 million in the prior period.

Overheads were contained to minimum levels during the period and as a result the Group posted an EBITDA of ZWL211 million

compared to negative ZWL3 million in the prior period and a profit before tax of ZWL140 million compared to a loss of ZWL104 million in the prior period. Profit for the period was ZWL57 million compared to a loss of ZWL58 million in the prior period.

The statement of financial position remained strong with total assets amounting to ZWL2.1 billion. Borrowings remained minimal with a debt-to-equity ratio of 2%. The current ratio was at 1.9.

The Group closed the period with cash and cash equivalents of ZWL98 million.

OUTLOOK

With the business environment improving, and plans put in place to ensure consistent supply of raw materials, it is expected that the demand for the Group's products will continue to firm, and product supply gaps minimised into the second half of the year.

Despite sound supplier relationships and arrangements, raw material acquisition to meet rising demand will depend on foreign currency availability through the auction system. In addition, further delays in settling allocated amounts will result in the worsening of the Group's foreign currency exposure. The backlog at the end of the period stretched to almost 2 months and arrears to foreign creditors stood at USD1.7 million. The position exposes the Group to huge exchange rate risks as well as negative impact on supplier relations.

The new PVC 500mm extrusion production line is expected at the end of the year, for commissioning in the first quarter of 2022. This new line will help address the demand for large bore PVC diameter pipes, which continues to grow and will increase production capacity.

The Board is pleased to announce that 90% of its staff have received both the first and second inoculations against the COVID 19 virus. As such, the business will continue 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 well-being of all our stakeholders.

DIVIDEND

Given the acute global shortage of crude oil byproducts, the need to clear off foreign related obligations and uncertainties posed by the COVID 19 pandemic, the Board proposes that no interim dividend be declared.

ACKNOWLEDGEMENTS

I would like to extend my appreciation to management and staff for their hard work during this period, my fellow Board members for their commitment and guidance as well as all our stakeholders for their continued support.

G. SEBBORN
08 September 2021

Condensed Consolidated Inflation Adjusted Interim Statement of Financial Position as at 30 June 2021

| Notes | Inflation adjusted | | Historical cost | |
|--------------------------------------|---------------------------------|-------------------------------|-----------------------------------|---------------------------------|
| | 30 June 2021 ZWL Reviewed | 31 Dec 2020 ZWL Audited | 30 June 2021 ZWL Unreviewed | 31 Dec 2020 ZWL Unaudited |
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant & equipment | 3 1,427,550,936 | 1,478,387,341 | 1,184,006,588 | 1,220,648,915 |
| Right of use assets | 4 17,239,361 | 16,662,697 | 5,206,588 | 4,650,527 |
| Total non-current assets | 1,444,790,297 | 1,495,050,038 | 1,189,213,176 | 1,225,299,442 |
| Current assets | | | | |
| Inventories | 5 384,708,794 | 383,652,108 | 305,765,818 | 250,792,776 |
| Trade and other receivables | 6 182,687,292 | 176,123,718 | 177,765,546 | 140,757,651 |
| Cash and cash equivalents | 98,139,143 | 34,113,597 | 98,139,143 | 28,265,471 |
| Total current assets | 665,535,229 | 593,889,423 | 581,670,507 | 419,815,898 |
| Total assets | 2,110,325,526 | 2,088,939,461 | 1,770,883,683 | 1,645,115,340 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | 1,157,583 | 1,157,583 | 25,643 | 25,643 |
| Reserves | 1,046,141,139 | 1,046,119,299 | 875,294,140 | 875,272,300 |
| Retained earnings | 347,113,786 | 336,083,940 | 264,942,117 | 194,648,690 |
| Total equity | 1,394,412,508 | 1,383,360,822 | 1,140,261,900 | 1,069,946,633 |
| Non-current liabilities | | | | |
| Long-term borrowings | 7 20,640,582 | 37,808,053 | 20,640,582 | 31,326,583 |
| Long-term lease liability | 5,657,185 | 5,247,525 | 5,657,185 | 4,347,937 |
| Deferred taxation | 334,467,508 | 298,218,442 | 251,507,263 | 239,200,496 |
| Total non-current liabilities | 360,765,275 | 341,274,020 | 277,805,030 | 274,875,016 |
| Current liabilities | | | | |
| Trade and other payables | 8 275,810,983 | 278,646,389 | 273,479,993 | 229,319,932 |
| Short-term borrowings | 7 8,500,000 | 12,069,000 | 8,500,000 | 10,000,000 |
| Current tax payable | 70,192,660 | 70,209,754 | 70,192,660 | 58,173,630 |
| Short-term lease liability | 644,100 | 3,379,476 | 644,100 | 2,800,129 |
| Total current liabilities | 355,147,743 | 364,304,619 | 352,816,753 | 300,293,691 |
| Total liabilities | 715,913,018 | 705,578,639 | 630,621,783 | 575,168,707 |
| Total equity and liabilities | 2,110,325,526 | 2,088,939,461 | 1,770,883,683 | 1,645,115,340 |

Condensed Consolidated Inflation Adjusted Interim Statement of Profit or Loss and other Comprehensive Income for the period 30 June 2021

| | Inflation adjusted | | Historical cost | |
|---|--|---|--|--|
| | 6 months to 30 June 2021 Reviewed ZWL | 6 months to 30 June 2020 *Restated Reviewed ZWL | 6 months to 30 June 2021 Unreviewed ZWL | 6 months to 30 June 2020 Unreviewed ZWL |
| Revenue | 888,905,402 | 404,086,570 | 835,845,508 | 128,183,801 |
| Cost of sales | (632,242,589) | (195,431,741) | (494,359,260) | (60,588,741) |
| Gross profit | 256,662,813 | 208,654,829 | 341,486,248 | 67,595,060 |
| Net monetary gain/(loss) | 63,178,655 | (131,612,178) | - | - |
| Other income | 2,528,222 | 901,448 | 1,826,936 | 332,355 |
| Distribution costs | (23,146,464) | (15,002,287) | (21,890,261) | (4,464,797) |
| Administrative expenses | (144,552,829) | (151,342,175) | (132,429,173) | (40,214,177) |
| Credit losses | (2,837,931) | (5,799,962) | (2,691,727) | (2,806,781) |
| Profit/(loss) before interest and tax | 151,832,466 | (94,200,325) | 186,302,023 | 20,441,660 |
| Finance costs | (11,559,608) | (9,639,517) | (10,876,447) | (3,073,119) |
| Profit/(loss) before tax | 140,272,858 | (103,839,842) | 175,425,576 | 17,368,541 |
| Income tax | (83,649,240) | 45,734,663 | (59,706,943) | (8,248,507) |
| Profit/(loss) for the period | 56,623,618 | (58,105,179) | 115,718,634 | 9,120,034 |
| Comprehensive income | | | | |
| Other comprehensive income | - | - | - | - |
| Related tax | - | - | - | - |
| Other comprehensive income net of tax | - | - | - | - |
| Total comprehensive income/(loss) for the period | 56,623,618 | (58,105,179) | 115,718,634 | 31,604,820 |
| Basic earnings/(loss) per share (cents) | 22.08 | (22.93) | 45.13 | 3.60 |
| Diluted earnings/(loss) per share (cents) | 21.86 | (22.36) | 44.67 | 3.51 |
| Headline earnings/(loss) per share (cents) | 21.50 | (22.93) | 44.57 | 3.60 |

* Refer to Note 11

Condensed Consolidated Inflation Adjusted Interim Statement of Changes in Equity for the period ended 30 June 2021

| Inflation adjusted reviewed | Share capital | Reserves | Retained earnings | Total equity |
|---------------------------------------|------------------|----------------------|--------------------|----------------------|
| | ZWL | ZWL | ZWL | ZWL |
| Balance as of 01 January 2020 | 1,157,221 | 853,874,291 | 235,209,542 | 1,090,241,054 |
| Revaluation surplus net of tax | - | 193,314,459 | - | 193,314,459 |
| Share options exercised net of tax | 362 | 82,914 | - | 83,276 |
| Share based payments | - | (1,152,365) | - | (1,152,365) |
| Profit for the year | - | - | 100,874,398 | 100,874,398 |
| Balance as of 31 December 2020 | 1,157,583 | 1,046,119,299 | 336,083,940 | 1,383,360,822 |
| Dividend paid | - | - | (45,593,772) | (45,593,772) |
| Share based payments | - | 21,840 | - | 21,840 |
| Profit for the period | - | - | 56,623,618 | 56,623,618 |
| Balance as of 30 June 2021 | 1,157,583 | 1,046,141,139 | 347,113,786 | 1,394,412,508 |

Condensed Consolidated Inflation Adjusted Interim Statement of Changes in Equity

| Historical unaudited | Share capital | Reserves | Retained earnings | Total equity |
|---------------------------------------|---------------|--------------------|--------------------|----------------------|
| | ZWL | ZWL | ZWL | ZWL |
| Balance as of 01 January 2020 | 25,343 | 110,703,279 | 33,262,299 | 143,990,921 |
| Revaluation surplus net of tax | - | 765,455,135 | - | 765,455,135 |
| Share based payments | - | (954,814) | - | (954,814) |
| Share options exercised net of tax | 300 | 68,700 | - | 368,700 |
| Profit for the year | - | - | 161,386,391 | 161,386,391 |
| Balance as of 31 December 2020 | 25,643 | 875,272,300 | 194,648,690 | 1,069,946,633 |
| Dividend paid | - | - | (45,425,207) | (45,425,207) |
| Share based payments | - | 21,840 | - | 21,840 |
| Profit for the period | - | - | 115,718,634 | 115,718,634 |
| Balance as of 30 June 2021 | 25,643 | 875,294,140 | 264,942,117 | 1,140,261,900 |

Condensed Consolidated Inflation Adjusted Interim Financial Results of Cash Flows for the period ended 30 June 2021

| | Inflation adjusted | | Historical Cost | |
|--|--|---|--|--|
| | 6 months to 30 June 2021 Reviewed ZWL | 6 months to 30 June 2020 *Restated Reviewed ZWL | 6 months to 30 June 2021 Unreviewed ZWL | 6 months to 30 June 2020 Unreviewed ZWL |
| Profit for the year before interest and tax | 151,832,466 | (94,200,325) | 186,302,023 | 20,441,660 |
| Net cash from operations before working capital changes | 146,494,828 | 128,118,062 | 230,530,731 | 38,552,606 |
| Cash flow from operating activities | 136,193,874 | 156,151,979 | 182,709,855 | 41,169,392 |
| Net interest paid | (11,559,607) | (9,639,517) | (11,313,711) | (3,073,119) |
| Income tax paid | (37,189,460) | (65,514,906) | (35,381,144) | (12,183,483) |
| Net cash generated from operating activities | 87,444,807 | 80,997,556 | 136,015,000 | 25,912,790 |
| Cash flow from investing activities | | | | |
| Purchase of property, plant and equipment | (14,505,891) | (34,485,775) | (13,165,067) | (8,453,005) |
| Proceeds from disposal of property, plant and equipment | 9,535,541 | 260,681 | 9,153,061 | 95,813 |
| Net cash utilised in investing activities | (4,970,350) | (34,225,094) | (4,012,006) | (8,357,192) |
| Cash flow from financing activities | | | | |
| Repayment of borrowings | (12,186,001) | (40,636,652) | (12,186,001) | (2,890,606) |
| Dividend paid | (45,593,772) | - | (45,425,208) | - |
| Repayment of lease liability | (5,786,955) | (1,574,469) | (4,518,112) | (42,273) |
| Net cash utilised in financing activities | (63,566,728) | (42,211,121) | (62,129,321) | (2,932,879) |
| Net increase in cash and cash equivalents | 18,907,729 | 4,561,341 | 69,873,672 | 14,622,719 |
| Opening cash balance | 41,794,731 | 30,335,266 | 28,265,471 | 5,603,045 |
| Effect of inflation on cash and cash equivalent | 37,436,683 | 6,898,124 | - | - |
| Closing Cash and cash equivalents | 98,139,143 | 41,794,731 | 98,139,143 | 20,225,764 |

Notes to the Condensed Consolidated Inflation Adjusted Interim Financial Results for the period ended 30 June 2021

1. Basis of preparation

The Condensed Consolidated Inflation Adjusted Interim Financial Results are prepared in accordance IAS 34 - Interim Financial Reporting, as well as under the current cost basis as per the provision of the IAS 29: Financial Reporting in Hyperinflationary 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 period on or after 1 July 2019. These financial statements were approved by the Board of Directors on 08 September 2021.

Reviewed Condensed Consolidated Inflation Adjusted Interim Financial Results for the six month period ended 30 June 2021

Notes to the Condensed Consolidated Inflation Adjusted Interim Financial Results for the period ended 30 June 2021 (continued)

1.1 Determination of functional currency

The functional currency of the Company in the prior periods was Zimbabwe dollars (ZWL). The Government of Zimbabwe issued statutory instrument "SI"85 of 2020 which permitted use of free funds for domestic transactions. As a result, Directors noted a mix of US\$ and ZWL sales affecting determination of the functional currency of the Company. The Directors have applied their judgement and believe that the functional currency for the period to 30 June 2021 remains ZWL.

1.2 Statement of compliance

The Group's Condensed Consolidated Inflation Adjusted Interim Financial Results, where practicable, have been prepared in accordance with IAS 34, except for non-compliance with IAS 21 "Effects of Changes in Foreign Exchange Rates", in the comparative statement of profit and loss and other comprehensive income, and in the manner required by 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 IAS 21: "Effects of Changes in Foreign Exchange Rates", in the prior period, the effect on the current period is immaterial.

1.3 Hyperinflation

The Group adopted IAS 29 "Financial Reporting in Hyperinflationary Economies" with effect from 1 July 2019 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 hyperinflationary 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 Condensed Consolidated Inflation Adjusted Interim Financial Results are as follows:

| | Indices | Conversion factor |
|----------------------------|----------|-------------------|
| CPI as at 30 June 2021 | 2,986.40 | 1.00 |
| CPI as at 31 December 2020 | 2,474.51 | 1.21 |
| CPI as at 30 June 2020 | 1,445.21 | 2.07 |

2 Reporting Currency

The Group's Condensed Consolidated Inflation Adjusted Interim Financial Results are presented in Zimbabwe dollars (ZWL), which is the Group's presentation currency for the period ended 30 June 2021. All the Group's subsidiaries operate in Zimbabwe and Zimbabwe dollar (ZWL) is both their functional and presentation currency.

3. Property, plant and equipment

| Group | Freehold Land & Buildings | Capital Work in Progress | Leasehold Improvements | Plant & Equipment | Motor Vehicles | Furniture & Office Equipment | TOTAL |
|--------------------------------------|---------------------------|--------------------------|------------------------|---------------------|--------------------|------------------------------|----------------------|
| Reviewed inflation adjusted | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| Cost | | | | | | | |
| Balance at 1 January 2020 | 182,037,485 | 361,625,805 | 4,602,016 | 911,836,135 | 71,759,394 | 34,755,409 | 1,566,616,244 |
| Additions | - | 48,989,139 | - | 445,420 | 17,076,381 | 253,200 | 69,043,009 |
| Revaluation/impairment | 174,604,715 | - | - | (283,552,984) | (33,104,428) | (144,502,202) | (156,502,900) |
| Transfer in/(out) | 389,530,771 | (400,297,412) | - | 4,532,798 | 6,233,844 | - | - |
| Disposals | - | - | - | - | (69,561) | (214,529) | (284,090) |
| Balance at 31 December 2020 | 746,172,971 | 10,317,532 | 4,602,016 | 633,261,369 | 61,895,630 | 22,622,748 | 1,478,872,664 |
| Additions | 1,459,345 | 2,765,913 | - | 3,562,665 | 475,983 | 624,195 | 14,505,891 |
| Transfer in/(out) | - | (235,915) | - | 195,790 | - | 40,125 | - |
| Disposals | - | - | - | - | (8,308,754) | (402,732) | (8,711,486) |
| Balance at 30 June 2021 | 747,632,316 | 12,847,530 | 4,602,016 | 637,019,853 | 54,062,859 | 28,502,097 | 1,484,666,671 |
| Accumulated Depreciation | | | | | | | |
| Balance at 1 January 2020 | (6,228,834) | - | (462,505) | (285,670,928) | (22,856,686) | (13,739,274) | (328,958,227) |
| Depreciation for the period | (1,554,146) | - | (22,419) | (61,299,634) | (7,205,856) | (3,697,322) | (73,793,777) |
| Disposals | - | - | - | - | 74,084 | 196,337 | 270,422 |
| Reversal of Accumulated Depreciation | 7,782,979 | - | - | 346,970,562 | 29,988,457 | 17,240,259 | 401,982,258 |
| Balance at 31 December 2020 | - | - | (484,924) | - | - | - | (484,924) |
| Depreciation for the period | (8,398,135) | - | (48,774) | (39,657,137) | (6,197,496) | (2,973,200) | (57,230,842) |
| Disposals | - | - | - | - | 553,928 | 46,102 | 600,130 |
| Balance at 30 June 2021 | (8,398,135) | - | (489,798) | (39,657,137) | (5,643,568) | (2,927,098) | (57,115,736) |
| Carrying Amount | | | | | | | |
| Balance at 31 December 2020 | 746,172,971 | 10,317,532 | 4,117,092 | 633,261,369 | 61,895,630 | 22,622,748 | 1,478,387,341 |
| Balance at 30 June 2021 | 739,234,181 | 12,847,530 | 4,112,218 | 597,362,717 | 48,419,291 | 25,574,999 | 1,427,550,936 |

Freehold land and buildings with a carrying amount of ZWL739,234,181 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 Ardbennie.

Historical Cost Unreviewed

| Group | Freehold Land & Buildings | Capital Work in Progress | Leasehold Improvements | Plant & Equipment | Motor Vehicles | Furniture & Office Equipment | TOTAL |
|--------------------------------------|---------------------------|--------------------------|------------------------|---------------------|--------------------|------------------------------|----------------------|
| Historical Cost Unreviewed | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL | ZWL |
| Cost | | | | | | | |
| Balance at 1 January 2020 | 32,591,303 | 38,990,991 | 98,710 | 119,491,849 | 9,085,477 | 3,954,270 | 204,212,601 |
| Additions | - | 32,699,407 | - | 300,095 | 13,723,093 | 1,889,415 | 48,612,011 |
| Revaluation | 524,955,464 | - | - | 402,715,338 | 27,307,281 | 13,074,370 | 968,052,453 |
| Disposals | - | - | - | - | (27,351) | (173,544) | (200,895) |
| Transfer in/(out) | 60,707,903 | (64,097,702) | - | 2,193,496 | 1,196,304 | - | - |
| 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 |
| Additions | 1,400,572 | 1,962,402 | - | 3,456,182 | 475,983 | 5,869,928 | 13,165,067 |
| Transfer (out)/in | - | (227,098) | - | 188,472 | - | 38,626 | - |
| Disposals | - | - | - | - | (6,299,766) | (391,911) | (6,691,677) |
| Balance at 30 June 2021 | 619,655,242 | 9,328,000 | 98,710 | 528,345,432 | 45,461,021 | 24,261,154 | 1,227,149,559 |
| Accumulated Depreciation | | | | | | | |
| Balance at 1 January 2020 | (119,688) | - | (18,170) | (5,933,689) | (468,257) | (274,498) | (6,814,302) |
| Depreciation for the period | (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 | 2,164,321 | 41,672,776 |
| Balance at 31 December 2020 | - | - | (27,254) | - | - | - | (27,254) |
| Depreciation for the period | (7,804,500) | - | (4,542) | (28,527,224) | (4,745,848) | (2,611,798) | (43,693,914) |
| Disposals | - | - | - | - | 533,228 | 44,968 | 578,196 |
| Balance at 30 June 2021 | (7,804,500) | - | (31,796) | (28,527,223) | (4,212,620) | (2,566,830) | (43,142,972) |
| Carrying Amount | | | | | | | |
| 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 |
| Balance at 30 June 2021 | 611,850,742 | 9,328,000 | 66,914 | 499,818,208 | 41,248,400 | 21,694,324 | 1,184,006,588 |

Freehold land and buildings with a carrying amount of ZWL611,850,742 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 Ardbennie.

Notes to the Condensed Consolidated Inflation Adjusted Interim Financial Results for the period ended 30 June 2021 (continued)

| | Inflation adjusted | | Historical Cost | |
|---|---------------------------------|-------------------------------|-----------------------------------|---------------------------------|
| | 30 June 2021 ZWL Reviewed | 31 Dec 2020 ZWL Audited | 30 June 2021 ZWL Unreviewed | 31 Dec 2020 ZWL Unaudited |
| 4 Right of use asset | | | | |
| Balance at beginning of the period | 16,662,697 | 9,408,729 | 4,650,527 | 483,038 |
| Additions | 2,649,305 | 12,741,864 | 2,492,527 | 8,039,609 |
| Depreciation charge for the period | (2,072,641) | (5,487,896) | (1,936,466) | (3,872,120) |
| Balance at the end of the period | 17,239,361 | 16,662,697 | 5,206,588 | 4,650,527 |
| 5. Inventories | | | | |
| Raw materials | 145,738,056 | 162,350,124 | 123,041,678 | 108,841,635 |
| Work in progress | 102,382,642 | 70,057,453 | 84,343,288 | 52,007,736 |
| Finished goods | 154,198,691 | 184,597,016 | 105,597,035 | 88,167,769 |
| Spares and consumables | 30,285,848 | 34,306,193 | 6,500,982 | 4,835,951 |
| Provision for slow moving inventories | (47,896,443) | (67,658,678) | (13,717,165) | (3,060,315) |
| Total inventories | 384,708,794 | 383,652,108 | 305,765,818 | 250,792,776 |
| 6. Trade and other receivables | | | | |
| Trade receivables | 40,163,960 | 39,069,049 | 40,163,960 | 32,371,405 |
| Prepayments | 108,044,710 | 75,194,056 | 108,044,710 | 62,303,469 |
| Deposits and other receivables | 37,802,766 | 62,623,877 | 32,881,019 | 46,715,194 |
| | 186,011,436 | 176,886,982 | 181,089,689 | 141,390,068 |
| Less: Allowances for doubtful receivables | (3,324,144) | (763,264) | (3,324,143) | (632,417) |
| Total trade and other receivables | 182,687,292 | 176,123,718 | 177,765,546 | 140,757,651 |
| 7. Borrowings | | | | |
| Long term loan | 20,640,582 | 37,808,053 | 20,640,582 | 31,326,583 |
| Short term loan | 8,500,000 | 12,069,000 | 8,500,000 | 10,000,000 |
| Total borrowings | 29,140,582 | 49,877,053 | 29,140,582 | 41,326,583 |

The long term loan is secured by a 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 45% per annum.

8. Trade and other payables

| | | | | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Trade payables | 213,126,989 | 187,429,118 | 213,126,988 | 155,297,968 |
| Accruals and other payables | 62,683,994 | 91,217,270 | 60,353,005 | 74,021,964 |
| Total trade and other payables | 275,810,983 | 278,646,388 | 273,479,993 | 229,319,932 |

9. Revenue

| | Inflation adjusted | | Historical cost | |
|-------------------|--|--|--|--|
| | 6 months to 30 June 2021 Reviewed ZWL | 6 months to 30 June 2020 Reviewed ZWL | 6 months to 30 June 2021 Unreviewed ZWL | 6 months to 30 June 2020 Unreviewed ZWL |
| Civils | 193,983,972 | 105,522,457 | 182,404,822 | 33,473,692 |
| Merchants | 206,227,659 | 141,210,828 | 193,917,668 | 44,794,710 |
| Irrigation | 329,883,508 | 93,377,460 | 310,192,342 | 29,621,073 |
| Mining | 63,351,481 | 15,258,275 | 59,569,950 | 4,840,210 |
| Local Authorities | 24,274,398 | 18,875,864 | 22,825,428 | 5,987,776 |
| Borehole drillers | 71,184,385 | 29,841,686 | 66,935,298 | 9,466,340 |
| | 888,905,402 | 404,086,570 | 835,845,508 | 128,183,801 |

10. Earnings per share

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

Diluted earnings per share amounts are calculated by dividing profit attributable to ordinary equity holders of the parent for the period by the weighted average number of ordinary shares outstanding during the period plus 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 period attributable to ordinary equity holders of the parent adjusted for profits or losses on disposal of assets for the period.

11. Effect of prior period error on 30 June 2020 Comparatives

The Group identified an error relating to the financial statements for the period ended 31 December 2019. This will only affect the 30 June 2020 comparatives deferred tax movement. Deferred tax balances for the Group were understated in 2019 due to the use of incorrect temporary taxable differences in the respective calculations. The effect was that the opening deferred tax liability as at 01 January 2019 was understated by ZWL181,229,441. The loss before tax as at 30 June 2020 will increase due to the reversal of the monetary gain by ZWL158,737,752. This will affect the 30 June 2020 comparative Statement of Profit and loss and other comprehensive income on income tax expense as the deferred tax movement was overstated by ZWL322,291,880. More-over, the total effect on 30 June 2020 comparative Statement of Profit and loss and other comprehensive is a decrease of loss for the period by ZWL163,554,127. Consequently, the basic and diluted earnings per share were understated by 32.31 and 31.56 respectively. The error has been corrected by restating each of the affected financial statement line items for the prior periods. The prior year deferred tax balance has been indexed by 2.07, the factor of CPI upliftment from 30 June 2020 to 30 June 2021. More-over, the 2020 deferred tax liability balance has been indexed by 1.21, the CPI factor upliftment from 31 December 2020 to 30 June 2021.

12. Contingent Liabilities

There were no contingent liabilities at the reporting date (30 June 2020-ZWL nil).

13. Capital Commitments

Capital Expenditure for the period to 30 June 2021 amounted to ZWL 14,505,891 (June 2020 - ZWL 16,688,734). The budgeted capital expenditure for the period to 31 December 2021 was ZWL 307,190,173 (December 2020 is ZWL 326,747,360). The expenditure will be financed from internal resources and existing facilities.

14. Going Concern

The Board confirms that the Group has adequate resources to continue in business in the foreseeable future. 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. Accordingly, the Group's Condensed Consolidated Inflation Adjusted Financial Results have been prepared on the assumption that the Group is a going concern.

15. Events after the Reporting Date

No events after the reporting date were noted.

16. Dividends Paid

Dividend amounting to ZWL45 593 772 was paid during the period.

17. Review Conclusion

Statement on review report

These Condensed Consolidated Inflation Adjusted financial results for the period ended 30 June 2021 have been reviewed by Messrs KPMG Chartered Accountants (Zimbabwe) who expressed a qualified review conclusion because of non-compliance with International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates in the prior years, IAS 8, Accounting policies, Changes in Accounting Estimates and Errors, and the consequential impact on the inflation adjusted amounts determined in terms of IAS 29, Financial Reporting in Hyperinflationary Economies. A copy of the auditor's review conclusion is available for inspection at the Company's registered office. The engagement partner for this review is Vinay Ramabhai (PAAB Practising Certificate Number 0569).



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Independent Auditor's Report on Review of Condensed Consolidated Inflation Adjusted Interim Financial Results

To the shareholders of Proplastics Limited

Introduction

We have reviewed the accompanying condensed consolidated inflation adjusted interim financial results of Proplastics Limited and its subsidiaries (the "Group"), which comprise the condensed consolidated inflation adjusted interim statement of financial position as at 30 June 2021, the condensed consolidated inflation adjusted interim statement of profit or loss and other comprehensive income, condensed consolidated inflation adjusted interim statement of changes in equity and condensed consolidated inflation adjusted interim statement of cash flows for the six month period then ended, and notes to the condensed consolidated inflation adjusted interim financial results.

The Directors are responsible for the preparation and presentation of these condensed consolidated inflation adjusted interim financial results in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange (ZSE) Listings Requirements) Rules, 2019. Our responsibility is to express a conclusion on the condensed consolidated inflation adjusted interim financial results based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Basis for Qualified Conclusion

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)

During the period 1 January 2020 to 23 June 2020, the Group 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 affected the consolidated inflation adjusted 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. This departure from IAS 21 led to an adverse audit opinion being issued on the annual financial statements for the year ended 31 December 2020.

The Group has not restated the condensed consolidated inflation adjusted interim financial results, as required by IAS 8, to resolve the matters which resulted in the adverse opinion in the prior year relating to the non-compliance with IAS 21.

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

In addition, IAS 29 has been applied to the incorrect balances due to the non-compliance with IAS 21 in the prior year, as commented on above.

Our conclusion on the condensed consolidated inflation adjusted interim financial results is modified because of the possible effects of the matter on the comparability of the current year's condensed consolidated inflation adjusted interim financial results with that of the prior year.

Qualified Conclusion

Based on our review, except for the effects of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated inflation adjusted interim financial results of Proplastics Limited for the six month period ended 30 June 2021, are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019.

Emphasis matter-*Restatement of comparative information presented*

We draw attention to note 11 to the condensed consolidated inflation adjusted interim financial results which indicates that the comparative information presented in respect of the reviewed condensed consolidated inflation adjusted interim statement of profit or loss and other comprehensive income, reviewed condensed consolidated inflation adjusted interim statement of changes in equity and reviewed condensed consolidated inflation adjusted interim statement of cash flows for the six month period ended 30 June 2020 have been restated. Our conclusion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information included in the Reviewed Condensed Consolidated Inflation Adjusted Interim Financial Results for the period ended 30 June 2021. The other information comprises the Chairman's Statement and the financial information in the condensed consolidated inflation adjusted interim financial results titled "Unaudited Historical cost" and "Unreviewed



historical cost" but does not include the condensed consolidated inflation adjusted interim financial results.

Our conclusion on the condensed consolidated inflation adjusted interim financial results does not cover the other information and we do not express a conclusion or any form of assurance conclusion thereon.

In connection with our review of the condensed consolidated inflation adjusted interim financial results, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the condensed consolidated inflation adjusted interim financial results or our knowledge obtained in the review, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, 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 Qualified Conclusion section above, the Group has not restated the condensed consolidated inflation adjusted interim financial results, as required by IAS 8, to resolve the matters which resulted in the adverse opinion in the prior years relating to the non-compliance with IAS 21. We have, therefore, concluded that the other information is materially misstated for the same reason with respect to the financial information in the Chairman's Statement and the financial information in the condensed consolidated inflation adjusted interim financial results titled "Unaudited Historical cost" and "Unreviewed historical cost", affected by the failure to comply with the requirements of IAS 21.

KPMG

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

8 September 2021

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

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