

Reviewed Condensed Consolidated Inflation Adjusted Interim Financial Results

for the six months period ended 30 June 2022

Chairman's Statement

Introduction

It is my pleasure, once again, to present to you the operational and financial performance of the Group for the half year ended 30 June 2022.

Since 2019, the Country has been classified as a hyperinflationary economy, and this position persists to date. As a result, the financial performance has been prepared in accordance with the provisions of IAS 29 "Financial Reporting in Hyperinflationary Economies". In the report, "Group" refers to Proplastics Limited and its subsidiary companies; Promouldings (Private) Limited and Dudway Investments (Private) Limited.

Operating Environment

The general macroeconomic environment was turbulent during the period under review, characterized by foreign currency shortages, multiple exchange rates and the upward movement in prices. Inflation, which had slowed down in prior year, began to rise significantly and was reported at 192% by the end of June. This was driven mainly by the movement in the exchange rate on the alternative market.

The settlement of foreign currency allocations from the Auction platform continued to lag and this caused significant pressure on the procurement of requisite raw materials for the business and on relationships with preferred suppliers of these raw materials.

The official exchange rate also deteriorated during the period under review with the rate closing the period at ZWL366 to 1USD from a December 2021 rate of ZWL111. This translates to a 203% increase. In the same vein, the CPI index rose from a closing rate of 3,977 to 8,707, which translate to a 120% movement. All these changes had a significant impact on the financial performance of the business which, despite recording a trading profit from normal operations, reflected a loss for the period as a result of having to account for significant exchange losses arising from the inability to pay foreign creditors timeously.

In addition to these economic challenges, several policy pronouncements were made during the period whose effect, regrettably, was negative on the business and the economy at large. Borrowing rates were significantly increased towards the end of the period, impacting negatively on the cost of doing business.

Raw material supply situation was stable despite the Russia/Ukraine conflict and post effects of the COVID-19 pandemic. The factory was, therefore, able to run largely uninterrupted by shortage of raw materials for the period under review.

The supply of electricity was unstable during the period, causing massive interruptions to production with the business having to shut the factory on several occasions. It is estimated that business lost approximately 19 days of production due to power supply interruptions during the period.

Given the above stated challenges, the business went into a value preservation mode and resultantly the financial performance was subdued.

Financial Performance

The commentary is based on inflation adjusted figures, which form the basis of the reporting framework. However, reference to historical cost information is provided to enhance clarity.

Turnover grew 21% to ZWL 3.1 billion (historical ZWL 2.1 billion) from ZWL 2.6 billion (historical ZWL 836 million) in prior year. This was on the back of price adjustments considering local and global economic fundamentals. Volumes retreated 2% compared to similar period last year. Exports contributed 8% to total revenue in the period under review which is just under our target of 10%. It is still important to note that a significant portion of the Group's revenue was recorded at the auction interbank rate having been received in United States Dollars. Although there was a significant movement in the rate during the period under review, the gap with the alternative market rate remained high.

Cost of sales rose 8% as the Group enjoyed the benefits of the efficiencies that comes with the recently constructed factory. Resultantly, the Group posted a gross profit of ZWL1 billion (historical ZWL 919 million) compared to ZWL 748 million

(historical ZWL 341 million) in prior period.

As a result of the massive movement in the exchange rate and the fact that the business holds a significant number of foreign obligations given that 90% of its raw materials are imported, the Group recorded significant exchange losses. Exchange losses amounted to ZWL 255 million (historical ZWL 441 million) for the period, compared to ZWL 29 million in prior period (historical ZWL 9 million).

Outstanding foreign obligations as of 30 June 2022 amounted to US\$3.7 million. As a result, the Group recorded an EBITDA of ZWL 297 million (historical ZWL 54 million) compared to ZWL 616 million (historical ZWL 232 million) in the prior period. The Group recorded a break-even position before tax and loss position after tax.

The statement of financial position remained strong with total assets now sitting at ZWL 8 billion (historical ZWL 5 billion) with non-current assets alone amounting to ZWL 5 billion (historical ZWL 2.5 billion). The exposure from foreign obligations resulted in the working capital easing to 1.22 from 1.87 in prior period.

The debt equity ratio remained low at 7% at the close of the period. The Group will be leveraging on this and will increase its borrowings to improve working capital position and enable direct and smart procurement of imported raw materials for the business.

The Group closed the period with cash and cash equivalents amounting to ZWL 166 million. The outstanding amounts from the Auction were accounted for under receivables and not cash and cash equivalents as they were long overdue.

Outlook

Although we expect the operating environment to continue being fraught with challenges, we still expect demand for the Group's products to improve thereby increasing the Group's performance in the second half of the year. We expect this demand to be underpinned by both public and private sector-initiated projects.

With the new 500mm PVC line having been successfully commissioned, demand for large bore pipes will be effectively and efficiently addressed as has already been experienced towards the end of the first half of the year. This will augment the reduction in fuel prices as well as the reduction in the price of the major component of our raw materials which we have started to experience. In addition, the power supply situation seems to have improved slightly from the beginning of the year.

The operating environment is showing that customers are preferring to settle their transactions in United States Dollars. This, coupled with the liquidity constraints following the introduction of gold coins and the tightening of money supply, is likely to see the Group trading less in Zimbabwe dollars, thus signaling a change in functional currency to the United States Dollars. This will, in my view, help the Group to be able to report fairly on its financial performance going forward. In the same vein, participation on the Auction platform will be reduced with most of the foreign obligations being settled through internal resources.

With the current debt/equity ratio very low, the Group is working on increasing its levels of borrowing to bolster its working capital position. This will, inadvertently, result in an upward movement in the debt/equity ratio, which will still be maintained within manageable levels.

Dividend

Given the obtaining operating environment and the need to reduce foreign related obligations, the Board proposes that no interim dividend be declared.

Acknowledgments

I would like to extend my appreciation to management and all the employees for their hard work during the period under review. I would also like to thank my fellow Board members for their commitment and guidance to the Group during these challenging times as well as all our stakeholders for their continued support.



G. SEBBORN
21 September 2022

CONDENSED CONSOLIDATED INFLATION ADJUSTED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 30 JUNE 2022

	Inflation adjusted		Historical cost	
	6 months to 30 Jun. 2022 Reviewed ZWL 000	6 months to 30 Jun. 2021 Reviewed ZWL 000	6 months to 30 Jun. 2022 Unreviewed ZWL 000	6 months to 30 Jun. 2021 Unreviewed ZWL 000
Revenue	3,129,309	2,591,782	2,113,397	835,845
Cost of sales	(2,124,172)	(1,843,430)	(1,194,335)	(494,359)
Gross profit	1,005,137	748,352	919,062	341,486
Net monetary gain	157,816	184,210	-	-
Other income	1,947	7,372	2,404	1,827
Distribution costs	(135,988)	(67,488)	(97,886)	(21,890)
Administrative expenses	(852,727)	(421,473)	(822,259)	(132,429)
Credit losses	(20,224)	(8,275)	(11,455)	(2,692)
Profit/(loss) before interest and tax	155,961	442,698	(10,134)	186,302
Finance costs	(117,337)	(33,704)	(73,465)	(10,876)
Profit/(loss) before tax	38,624	408,994	(83,599)	175,426
Income tax expense	(303,449)	(243,896)	(6,077)	(59,707)
(Loss)/profit for the period	(264,825)	165,098	(89,676)	115,719
Comprehensive income				
Other comprehensive income	-	-	-	-
Related tax	-	-	-	-
Other comprehensive income net of tax	-	-	-	-
Total comprehensive (loss)/income for the period	(264,825)	165,098	(89,676)	115,719
Basic (loss)/earnings per share (cents)	(103.01)	64.38	(34.88)	45.13
Diluted (loss)/earnings per share (cents)	(101.49)	63.27	(34.37)	44.35
Headline (loss)/ earnings per share (cents)	(103.04)	62.69	(34.90)	44.57

CONDENSED CONSOLIDATED INFLATION ADJUSTED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022

	Inflation adjusted audited		Retained Earnings		Total equity ZWL 000
	Share capital ZWL 000	Reserves ZWL 000	ZWL 000	ZWL 000	
Balance at 31 December 2020	3,375	3,050,135	979,912	4,033,422	
Dividend paid	-	-	(158,540)	(158,540)	
Revaluation surplus (net of tax)	-	543,329	-	543,329	
Share based payments	-	4,499	-	4,499	
Share options exercised (net of tax)	-	171	-	171	
Profit for the period	-	-	511,224	511,224	
Balance at 31 December 2021	3,375	3,598,134	1,332,596	4,934,105	
Dividend paid	-	-	(14,778)	(14,778)	
Share based payments	-	4,362	-	4,362	
Loss for the period	-	-	(264,825)	(264,825)	
Balance at 30 June 2022	3,375	3,602,496	1,052,993	4,658,864	

The Reserves primarily comprise two material elements being the revaluation surplus reserve (ZWL 2,882,185 thousand) and the unbundling reserve (ZWL 720,311 thousand) which was created during unbundling from Masimba Holdings.

	Historical unreviewed		Retained earnings		Total equity ZWL 000
	Share capital ZWL 000	Reserves ZWL 000	ZWL 000	ZWL 000	
Balance at 31 December 2020	26	875,272	194,648	1,069,946	
Dividend paid	-	-	(54,431)	(54,431)	
Revaluation surplus (net of tax)	-	761,959	-	761,959	
Share based payments	-	2,055	-	2,055	
Share options exercised	-	78	-	78	
Profit for the period	-	-	306,534	306,534	
Balance at 31 December 2021	26	1,639,364	446,751	2,086,141	
Dividend paid	-	-	(14,778)	(14,778)	
Share based payments	-	4,362	-	4,362	
Loss for the period	-	-	(89,676)	(89,676)	
Balance at 30 June 2022	26	1,643,726	342,297	1,986,049	

The Reserves primarily comprise two material elements being the revaluation surplus reserve (ZWL 1,636,380 thousand) and the unbundling reserve (ZWL 7,346 thousand) which was created during unbundling from Masimba Holdings.

CONDENSED CONSOLIDATED INFLATION ADJUSTED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2022

	Inflation adjusted		Historical cost	
	6 months to 30 Jun. 2022 Reviewed ZWL 000	6 months to 30 Jun. 2021 Reviewed ZWL 000	6 months to 30 Jun. 2022 Unreviewed ZWL 000	6 months to 30 Jun. 2021 Unreviewed ZWL 000
Profit/(loss) for the period before interest and tax	155,961	442,698	(10,134)	186,302
Net cash from operations before working capital changes	178,146	427,135	21,257	230,531
Cash flow from operating activities	825,455	397,100	321,720	182,709
Interest paid	(141,317)	(33,704)	(73,465)	(10,876)
Income tax paid	(17,512)	(108,433)	(9,778)	(35,381)
Net cash generated from operating activities	666,626	254,963	238,477	136,452
Cash flow from investing activities				
Purchase of property, plant, and equipment	(555,841)	(42,295)	(427,882)	(14,863)
Proceeds from disposal of property, plant, and equipment	98	27,803	63	10,414
Net cash utilised in investing activities	(555,743)	(14,492)	(427,819)	(4,449)
Cash flow from financing activities				
Repayment of borrowings	(550,935)	(35,531)	(265,110)	(12,186)
Proceeds from loans and borrowings	501,969	-	241,547	-
Dividend paid	(14,778)	(132,938)	(14,778)	(45,425)
Repayment of lease liability	(8,070)	(16,873)	(5,894)	(4,518)
Net cash utilised in financing activities	(71,814)	(185,342)	(44,235)	(62,129)
Net increase/(decrease) in cash and cash equivalents	39,069	55,129	(233,577)	69,874
Opening cash balance	718,196	99,465	328,063	28,265
Effects of IAS 29 on inflation adjustment on cash flow items	(702,985)	131,550	-	-
Effects of currency translation on cash and cash equivalents	111,363	-	71,157	-
Closing cash and cash equivalents	165,643	286,144	165,643	98,139

NOTES TO THE CONDENSED CONSOLIDATED INFLATION ADJUSTED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

1 Basis of preparation

The Group's condensed financial results are based on statutory records that are maintained under the historical cost convention, except for financial assets at fair value through profit and loss, which are carried at fair value. Appropriate adjustments for changes in the general purchasing power of the Zimbabwe Dollar for the purposes of fair presentation in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies", have been made in these financial statements to the historical cost financial information of the Group. These financial statements were approved by the Board of Directors on 21 September 2022.

The same accounting policies and methods of computation are followed in these Condensed Consolidated Inflation Adjusted Interim Financial Results as compared with the most recent Annual Financial Statements. These financial results are presented in Zimbabwe dollars (ZWL) and all values were rounded to the nearest ZWL 1000, except where otherwise indicated.

1.1 Determination of functional currency

The functional currency of the Group in the prior periods was Zimbabwe dollars (ZWL). The Government of Zimbabwe issued statutory instrument "SF 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 Group. The Directors have applied their judgement and believe that the functional currency for the period to 30 June 2022 remains ZWL. The Directors will continue reviewing this position going forward as they believe it's a close call.

CONDENSED CONSOLIDATED INFLATION ADJUSTED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

Notes	Inflation adjusted		Historical cost	
	30 Jun. 2022 ZWL 000 Reviewed	31 Dec. 2021 ZWL 000 Audited	30 Jun. 2022 ZWL 000 Unreviewed	31 Dec. 2021 ZWL 000 Unaudited
Assets				
Non-current assets				
Property, plant & equipment	3 5,131,727	4,702,487	2,502,710	2,136,207
Right of use assets	4 92,983	105,622	6,063	6,433
Total non-current assets	5,224,710	4,808,109	2,508,773	2,142,640
Current assets				
Inventories	5 1,577,325	1,093,825	976,077	384,034
Trade and other receivables	6 1,161,709	964,921	1,137,682	394,521
Cash and cash equivalents	165,643	718,196	165,643	328,063
Total current assets	2,904,677	2,776,942	2,279,402	1,106,618
Total assets	8,129,387	7,585,051	4,788,175	3,249,258
Equity and liabilities				
Equity				
Share capital	3,375	3,375	26	26
Reserves	3,602,496	3,598,134	1,643,726	1,639,364
Retained earnings	1,052,993	1,332,596	342,297	446,751
Total equity	4,658,864	4,934,105	1,986,049	2,086,141
Non-current liabilities				
Long-term borrowings	7 255,844	249,302	255,844	113,878
Long-term lease liability	19,731	12,586	19,731	5,749
Deferred taxation	972,786	1,131,678	326,690	472,140
Total non-current liabilities	1,248,361	1,393,566	602,265	591,767
Current liabilities				
Trade and other payables	8 1,930,251	602,656	1,907,950	272,280
Short-term borrowings	7 76,018	528,795	76,018	241,547
Current tax payable	195,631	117,958	195,631	53,882
Short-term lease liability	20,262	7,971	20,262	3,641
Total current liabilities	2,222,162	1,257,380	2,199,861	571,350
Total liabilities	3,470,523	2,650,946	2,802,126	1,163,117
Total equity and liabilities	8,129,387	7,585,051	4,788,175	3,249,258

Reviewed Condensed Consolidated Inflation Adjusted Interim Financial Results

for the six months period ended 30 June 2022

NOTES TO THE CONDENSED CONSOLIDATED INFLATION ADJUSTED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

1.2 Statement of compliance

The Group's Condensed Consolidated Inflation Adjusted Interim Financial Results have been prepared in accordance with IAS 34- "Interim financial Reporting", and in the manner required by the Securities and Exchange (Zimbabwe Stock Exchange Listing Requirements), Rules, 2019.

1.3 Hyperinflation

The Group adopted IAS 29 "Financial Reporting in Hyper-Inflationary 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 Statistical Office as reported on the Reserve Bank of Zimbabwe website. The conversion factors used to restate the Financial Statements are as follows:

	Indices	Conversion factor
CPI as at 30 June 2022	8,707.35	1.00
CPI 31 December 2021	3,977.46	2.19
CPI as at 30 June 2021	2,986.40	2.92

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 as for the period ended 30 June 2022. All the Group's subsidiaries operate in Zimbabwe and the Zimbabwe dollar (ZWL) is both their functional currency and presentation currency.

3.1 Property, plant, and equipment

Group

Reviewed Inflation adjusted

	Group						Total
	Freehold Land & Buildings	Lease hold Improvements	Capital Work in Progress	Plant & Equipment	Motor Vehicles	Furniture & Office Equipment	
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Cost							
Balance at 31 December 2020	2,175,593	13,418	30,082	1,846,380	180,467	65,960	4,311,900
Additions	7,436	2,491	9,627	11,448	15,339	21,942	68,283
Revaluation gains/(losses)	942,470	-	-	(32,580)	(25,276)	(1,218)	883,396
Disposals	-	-	-	(616,691)	30,436	26,721	(559,534)
Transfer (out)/in	-	-	(799)	663	-	136	-
Balance at 31 December 2021	3,125,499	15,909	38,910	1,209,220	200,966	113,541	4,704,045
Additions	960	-	28,077	504,292	13,575	8,937	555,841
Disposals	-	-	-	-	-	(22)	(22)
Transfer (out)/in	-	-	(3,531)	3,531	-	-	-
Balance at 30 June 2022	3,126,459	15,909	63,456	1,717,043	214,541	122,456	5,259,864
Accumulated depreciation							
Balance at 31 December 2020	-	(1,414)	-	-	-	-	(1,414)
Depreciation for the period	(54,475)	(144)	-	(225,741)	(31,923)	(18,830)	(331,113)
Disposals	-	-	-	2,772	1,808	135	4,715
Elimination of accumulated Depreciation	54,475	-	-	222,969	30,115	18,695	326,254
Balance at 31 December 2021	-	(1,558)	-	-	-	-	(1,558)
Depreciation for the period	(36,967)	(96)	-	(55,237)	(20,323)	(13,956)	(126,579)
Disposals	-	-	-	-	-	-	-
Balance at 30 June 2022	(36,967)	(1,654)	-	(55,237)	(20,323)	(13,956)	(128,137)
Carrying amount							
Balance at 31 December 2021	3,125,499	14,351	38,910	1,209,220	200,966	113,541	4,702,487
Balance at 30 June 2022	3,089,492	14,255	63,456	1,661,806	194,218	108,500	5,131,727

Freehold land and buildings with a carrying amount of \$3,126 million has been pledged to secure borrowings for 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. The Group's property, plant and equipment are insured at full replacement cost.

3.2 Property, plant and equipment

Group

Historical cost unreviewed

	Group						Total
	Freehold Land & Buildings	Capital Work in Progress	Lease hold Improvements	Plant & Equipment	Motor Vehicles	Furniture & Office Equipment	
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Cost							
Balance at 31 December 2020	618,255	7,592	99	524,700	51,285	18,744	1,220,675
Additions	2,772	4,239	876	3,949	6,173	7,343	25,352
Revaluation gains	806,663	-	-	36,393	42,819	26,148	912,023
Disposals	-	-	-	(12,873)	(8,478)	(410)	(21,761)
Transfer (out)/in	-	(227)	-	188	-	39	-
Balance at 31 December 2021	1,427,690	11,604	975	552,357	91,799	51,864	2,136,289
Additions	462	20,674	-	384,277	13,575	8,894	427,882
Disposals	-	-	-	-	-	(10)	(10)
Transfer (out)/in	-	(1,613)	-	1,613	-	-	-
Balance at 30 June 2022	1,428,152	30,665	975	938,247	105,374	60,748	2,564,161
Accumulated depreciation							
Balance at 31 December 2020	-	-	(27)	-	-	-	(27)
Depreciation for the period	(14,733)	-	(55)	(56,757)	(9,275)	(5,783)	(86,603)
Disposals	-	-	-	1,098	621	46	1,765
Elimination of accumulated Depreciation	14,733	-	-	55,659	8,654	5,737	84,783
Balance at 31 December 2021	-	-	(82)	-	-	-	(82)
Depreciation for the period	(16,886)	-	(59)	(28,510)	(9,406)	(6,508)	(61,369)
Disposals	-	-	-	-	-	-	-
Balance at 30 June 2022	(16,886)	-	(141)	(28,510)	(9,406)	(6,508)	(61,451)
Carrying amount							
Balance at 31 December 2021	1,427,690	11,604	893	552,357	91,799	51,864	2,136,207
Balance at 30 June 2022	1,411,266	30,665	834	909,737	95,968	54,240	2,502,710

Freehold land and buildings with a carrying amount of \$1,428 million has been pledged to secure borrowings for 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. The Group's property, plant and equipment are insured at full replacement cost.

4 Right of use assets

Group

	Inflation adjusted		Historical cost	
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2022	31 Dec. 2021
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Balance at 1 January	105,622	48,583	6,433	4,651
Additions to right of use	1,991	71,871	1,991	6,787
Depreciation charge for the period	(14,630)	(14,832)	(2,361)	(5,005)
Balance as 31 December	92,983	105,622	6,063	6,433

5 Inventories

Raw materials	628,409	429,429	453,367	177,611
Work in progress	282,299	308,844	127,144	102,410
Finished goods	697,391	358,090	387,437	95,354
Spares and consumables	114,646	101,151	22,129	18,026
Provision for slow moving inventories	(145,420)	(103,689)	(14,000)	(9,367)
Total inventories	1,577,325	1,093,825	976,077	384,034

NOTES TO THE CONDENSED CONSOLIDATED INFLATION ADJUSTED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

6 Trade and other receivables

	Group		Historical cost	
	Inflation adjusted	Inflation adjusted	Historical cost	Historical cost
	30 Jun. 2022	31 Dec. 2021	30 Jun. 2022	31 Dec. 2021
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
	Reviewed	Audited	Unreviewed	Unaudited
Trade receivables	221,560	96,380	221,560	44,025
Prepayments	86,918	671,007	62,893	260,317
Deposits and other receivables	867,728	219,888	867,726	100,390
	1,176,206	987,275	1,152,179	404,732
Less: Allowances for doubtful receivables	(14,497)	(22,354)	(14,497)	(10,211)
Total trade and other receivables	1,161,709	964,921	1,137,682	394,521

7 Borrowings

Long term loan	255,844	249,302	255,844	113,878
Short term loan	76,018	528,795	76,018	241,547
Total borrowings	331,862	778,097	331,862	355,425

The loan is secured by Notarial General Covering Bond (NGCB) with cession of book debts i.e., trade receivables accruing to the group with a carrying amount of ZWL\$ 6 million, and First Ranking Deed of Hypothecation over immovable assets. There are no specific covenants relating to the loan. It is payable over 3 years at an effective interest rate of 45% per annum. The borrowings are measured at amortized cost.

8 Trade and other payables

Trade payables	1,539,718	349,585	1,539,718	159,686
Accruals and other payables	390,533	253,071	368,232	112,594
Total trade and other payables	1,930,251	602,656	1,907,950	272,280

9 Revenue

	Inflation adjusted		Historical cost	
	6 months	6 months	6 months	6 months
	30 Jun. 2022	30 Jun. 2021	30 Jun. 2022	30 Jun. 2021
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
	Reviewed	Reviewed	Unreviewed	Unreviewed
Civils	1,288,701	565,599	892,383	182,405
Merchants	960,692	601,298	629,499	193,918
Irrigation	642,187	961,841	413,528	310,193
Mining	151,104	184,714	116,845	59,570
Local Authorities	48,691	70,777	36,119	22,825
Borehole drillers	37,934	207,553	25,023	66,934
Total revenue	3,129,309	2,591,782	2,113,397	835,845

10 Financial assets and financial liabilities

	Inflation adjusted		Historical cost	
	30 June 2022	30 Dec 2021	30 June 2022	30 Dec 2021
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
	Reviewed	Audited	Unreviewed	Unaudited
Assets as per statement of financial position				
Trade and other receivables (excluding prepayments)	1,089,286	316,267	1,089,286	144,467
Loans to directors	4,282	6,342	4,282	2,897
Cash and Cash equivalents	165,643	718,196	165,643	328,063
Total	1,259,211	1,040,805	1,259,211	475,427
Liabilities as per statement of financial position				
Borrowings and other payables (excluding statutory payments)	2,091,303	1,116,577	2,091,303	510,039
Lease Liability	39,993	20,557	39,993	9,390
Total	2,131,296	1,137,134	2,131,296	519,429

11 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.

12 Contingent liabilities

There were no contingent liabilities at reporting date (June 2021-ZWL nil).

13 Capital commitments

Capital Expenditure for the period to 30 June 2022 amounted to ZWL 555,840 million. The budgeted capital expenditure for the period to 31 December 2022 was ZWL 888,903 million. The expenditure is financed from internal resources and existing facilities.

14 Going concern

Proplastics limited is reporting a loss position for the period ending 30 June 2022 (ZWL 264,825) due to exchange loss from foreign liabilities. To mitigate the current position, the Group is now geared towards generating more foreign currency through increase in local and export sales, thereby reducing foreign liabilities exposure.

However, management has assessed that the Group has adequate resources to continue in business and into the foreseeable future. Consideration was made on the following critical issues:

- The Group's current exposure in foreign liabilities is manageable.
- The Group has ability to service its current ZWL loan.
- The Group has enough capacity to increase borrowings, if need be, to finance working capital.
- Demand for the Group's products remains firm.
- The impact of Covid-19 has eased, and critical raw materials supply has improved.

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

Since the 30th of June 2022, the interbank exchange rates have continued to depreciate at the auction market. As at the reporting date, the rate had increased from a closing rate of 1:366 to 1:613. This represents an average of 67% increase in a period of 3 months. Should this trend continue, the situation obtaining at half year in terms of the financial impact on the business will likely continue into the full year.

In addition to the rate movement, the CPI index has significantly increased to a current rate of 12,283 from 8,707 as at end of the reporting period, which is a 41% upward movement.

Further, the Central bank directed that borrowing rates be reviewed to a minimum of 200% per annum, effective 01 July 2022. This has a huge bearing on the cost of borrowing.

The Directors have also noted a shift in which most customers are preferring to trade in United States Dollars at a scale that is



KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe
Tel: +263 (242) 303700, 302600
Fax: +263 (242) 303699

Independent auditor's Report on Review of the Condensed Consolidated Inflation Adjusted Interim Financial Results for the six months period ended 30 June 2022

To the shareholders of Proplastics Limited

Introduction

We have reviewed the accompanying condensed consolidated inflation adjusted interim statement of financial position of Proplastics Limited (“the Group”) as at 30 June 2022, the condensed consolidated inflation adjusted interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended, and notes to the condensed consolidated inflation adjusted interim financial results including a summary of significant accounting policies and other explanatory information.

Directors’ responsibility for the condensed consolidated inflation adjusted interim financial results

The directors are responsible for the preparation and fair presentation of these condensed consolidated inflation adjusted interim financial results 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.

Auditor’s responsibility for the condensed consolidated inflation adjusted interim financial results

Our responsibility is to express a conclusion on these condensed consolidated inflation adjusted interim financial results based on our review. We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

A review of interim financial results 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 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.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated inflation adjusted interim financial results as at 30 June 2022 is 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.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's Statement and the financial information in the condensed inflation adjusted interim financial results titled "historical cost unreviewed" and "historical cost unaudited" but does not include the condensed consolidated inflation adjusted interim financial results and the review report thereon.

Our conclusion on the condensed consolidated inflation adjusted interim 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.

KPMG

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

22 September 2022

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

Mutual Gardens
100 The Chase (West)
Emerald Hill
P.O Box 6, Harare
Zimbabwe