Proplastics

Pipe Systems That Last

Abridged Audited Financial Results

For the year ended 31 December 2022

Chairman's Statement

Introduction

It is my pleasure to present to you the operational and financial performance of the Group for the full year ended 31 December 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, its subsidiary companies; Promouldings (Private) Limited and Dudway Investments (Private) Limited and Joint Venture; Protank (Private) Limited.

Operating Environment

The general macroeconomic environment was turbulent during the year under review, particularly in the first seven months. Foreign currency shortages persisted, multiple exchange rates remained in place, and prices continued to increase. Inflation, which had slowed down in the prior year, rose significantly, and was reported at 244% by the end of the year.

The settlement of foreign currency allocations from the Auction platform continued to lag and this caused significant pressures on the payment of suppliers of requisite raw materials. The Group had no option but to temporarily suspend participation on the Auction platform in the second half of the year and instead, focused on generating the much-needed foreign currency from internal resources.

The official exchange rate deteriorated during the current year with the rate closing at ZWL671 to 1 USD from a December 2021 rate of ZWL111. This translates to a massive 504% increase and had a huge bearing on the significant exchange losses on foreign liabilities that the business recorded during the year. The exchange rate on the alternative market also moved significantly upwards and this was the main driver of inflation.

In addition to these economic challenges, several policy pronouncements were made whose aggregate effect had a negative impact on the Group's ability to conduct business. Borrowing rates in local currency increased to levels that were not sustainable for the business, and the Group had to liquidate its entire Zimbabwe dollar borrowings at a substantial cost. The resultant impact on cashflows affected funding of the requisite raw materials despite an improvement in the availability of these worldwide.

Unfortunately, the supply of electricity remained a major challenge, causing massive disruptions to production. We estimate that the business may have lost a month of planned production due to power interruptions and the Group incurred considerable supplementary costs in operating the large backup generator.

The relative stability that ensued towards the end of the year as well as the success of the various strategies deployed by the Board and Management in value preservation, ensured the turnaround of the business from a loss-making position at half year to profitability, although at subdued levels, by the close of the year. This augurs well for the future as the Group enters the new year with renewed confidence.

The Group invested in a modern plastic pipe waste recycling plant towards the end of the year to minimize impact of scrapped products on the environment. Subsequent to the year end, indications are the plant can manage to recycle most of the internally generated plastic pipe waste for reuse within the Group's operations with minimum impact on the carbon footprint.

Financial Performance

The following commentary is based on inflation adjusted figures, which form the basis of the reporting framework. Reference has also been made to historical cost information to enhance clarity.

Turnover grew by 23% to ZWL11.7 billion (historical ZWL8,4 billion) from ZWL9.5 billion (historical ZWL2.2 billion) in prior year.

This was on the back of price adjustments considering economic fundamentals, both locally and globally. Sales volumes were down 7% on prior year given depressed domestic demand as economic challenges persisted. Exports contributed 6% to total sales, which was below the internally set target of 10%. It is important to note that a significant portion of the Group's revenue was recorded at the interbank rate, having been received in United States dollars. With the gap between the official and alternative market still significant, this had an impact on the recorded revenues.

As cost of sales were managed to increase by only 7% on prior year, on the back of operational efficiencies in the new factory and more direct and smart procurement of raw materials, gross profit margins improved significantly to 42% from 34% in the prior year. Resultantly, the Group posted a gross profit of ZWL4,9 billion (historically ZWL4,7 billion) up from ZWL3,2 billion (historically ZWL923 million) in the prior year.

Inevitably, given the movement in exchange rates and the fact that the Group imports about 90% of its raw materials, thus holding significant amounts of foreign liabilities at any given point, the Group recorded net exchange losses amounting to ZWL896 million (historical ZWL1,3 billion). This is compared to prior year net exchange loss of ZWL146 million (historical ZWL39 million).

The Group recorded EBITDA of ZWL1,5 billion (historical ZWL1,7 billion) compared to ZWL2,2 billion (historical ZWL572 million) in the prior year. The Group then recorded a profit before tax of ZWL 600 million (historical ZWL1,3 billion) and a profit after tax of ZWL110 million (historical ZWL733 million).

The statement of financial position remained strong with total assets amounting to ZWL18 billion (historical ZWL17,5 billion). The current ratio closed the year on 1,11. The gearing ratio remained low at 3% giving the Group leverage to borrow further for the funding of raw materials.

The Group closed the year with cash and cash equivalents of ZWL516 million.

Sustainability

The Group's commitment to environmental stewardship, social responsibility, and corporate governance issues remains a key performance indicator. Compliance with the three system certifications namely ISO 9001 (Quality Management), ISO 45001 (Safety and Health) and ISO 14001 (Environmental Management) was maintained during the period. Since inception of the sustainability approach in 2020, the Group's carbon footprint has significantly improved.

During the period under review, the Group recorded four lost time injuries. The Group's zero harm approach will be premised on the following initiatives:

- Training and awareness on Occupational, Health and Safety (OHS) issues.
- Assessment of all manual processes towards potential for mechanization.
- Rigorous employee engagement in safety health and environment issues.
- Responsible initiatives that ensure OHS and environmental risks are managed throughout the value chain.
- Robust wellness programs that enhance the health and safety of our employees.

Compliance with legal and other requirements remains our key focus with zero penalties recorded in the business in the period under review. Our environmental performance remains encouraging with no significant incidences recorded in the year.

The Group remained responsive to the needs of communities around us through the provision of the following:

- School fees payment for the less privileged.
- Road rehabilitation within our area of influence.
- Funds to support the drug and substance awareness campaigns in Norton.
- Employment of locals in our area of influence.
- Donation of stationery to our local Police station.
- Office equipment for the Gweru Rural Police Station through our Gweru Sales Office.
- Contribution of Water and Sewer pipes to Matei Dei hospital through our Bulawayo Sales Office.
- Providing basic food stuffs for the underprivileged children's homes.
- Donation of pipes to NOSA for small scale garden and orchard project.
- Student attachment from all the Institution of higher learning in the Country.

Outlook

Although challenges persist in the operating environment, we expect demand to improve underpinned by both public and private sector – initiated projects. In addition, we expect the current relatively less turbulent economic environment to remain at least till the harmonised elections.

The new 500mm PVC line is producing the desired outputs and is effectively fulfilling the demand for big bore pipes. Demand for these bigger bore pipes seem to be growing and this augurs well for this investment. Unfortunately, the power supply situation has not improved, and this will be the major risk going forward. The Group is working hard to ensure this risk is mitigated and the market does not suffer supply gaps.

With the economic environment demonstrating a clear desire to settle transactions in United States dollars, indications are that the Group will trade more in that currency in the new year as was the case towards the end of the reporting period. As a result, the Group has shifted to United States Dollars as its functional currency since the beginning of the new year. This, in my view, will enable the Group to report more appropriately on its performance going forward.

As Zimbabwean dollar interest borrowing rates remain high, the Group has extinguished all its Zimbabwean dollar debts and opened United States Dollar credit lines with the banks. In the same vein, participation on the Auction platform will be reduced as the Group utilizes its internally generated foreign currency.

Dividend

Given the turbulent operating environment for the year and the need to stabilize the business amidst the shift in functional currency, the Board proposes that no dividend be declared for the year.

Acknowledgements

I would like to extend my appreciation to management, staff, and my fellow Board members and all our stakeholders for their commitment and support during these difficult times.

G. SEBBORN
31 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 DECEMBER 2022

	Notes	Inflation adjusted 31 Dec 2022 ZWL 000 Audited	Inflation adjusted 31 Dec 2021 ZWL 000 Audited	Historical 31 Dec 2022 ZWL 000 Unaudited	Historical 31 Dec 2021 ZWL 000 Unaudited
Assets					
Non-current assets					
Property, plant & equipment	3	11,605,826	7,384,103	11,584,283	2,136,207
Right of use assets	4	197,788	165,854	41,586	6,433
Investment in joint venture		56,118	-	46,849	-
Total non- current assets		**11,859,732**	**7,549,957**	**11,672,718**	**2,142,640**
Current assets					
Inventories	5	4,076,211	1,717,583	3,283,139	384,034
Trade and other receivables	6	2,018,087	1,515,170	1,993,513	394,521
Cash and cash equivalents		516,846	1,127,749	516,846	328,063
Total current assets		**6,611,144**	**4,360,502**	**5,793,498**	**1,106,618**
Total assets		**18,470,876**	**11,910,459**	**17,466,216**	**3,249,258**
Equity and liabilities					
Equity					
Share capital		5,301	5,301	26	26
Reserves		8,516,087	5,649,984	8,482,880	1,639,364
Retained earnings		2,047,260	2,092,515	1,080,422	446,751
Total equity		**10,568,648**	**7,747,800**	**9,563,328**	**2,086,141**
Non-current liabilities					
Long-term borrowings	7	33,333	391,467	33,333	113,878
Long-term lease liability		37,417	19,763	37,417	5,749
Deferred taxation		1,859,464	1,777,023	1,876,220	472,140
Total non-current liabilities		**1,930,214**	**2,188,253**	**1,946,970**	**591,767**
Current liabilities					
Trade and other payables	8	4,469,918	946,323	4,453,822	272,280
Short-term borrowings	7	333,865	830,342	333,865	241,547
Current tax payable		1,144,831	185,225	1,144,831	53,882
Short-term lease liability		23,400	12,516	23,400	3,641
Total current liabilities		**5,972,014**	**1,974,406**	**5,955,918**	**571,350**
Total liabilities		**7,902,228**	**4,162,659**	**7,902,888**	**1,163,117**
Total equity and liabilities		**18,470,876**	**11,910,459**	**17,466,216**	**3,249,258**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Inflation Adjusted 12 months to 31 Dec 2022 Audited ZWL 000	Inflation Adjusted 12 months to 31 Dec 2021 Audited ZWL 000	Historical 12 months to 31 Dec 2022 Unaudited ZWL 000	Historical 12 months to 31 Dec 2021 Unaudited ZWL 000
Revenue	**11,713,380**	**9,532,458**	**8,419,778**	**2,215,369**
Cost of sales	(6,781,566)	(6,323,850)	(3,675,970)	(1,292,733)
Gross profit	**4,931,814**	**3,208,608**	**4,743,808**	**922,636**
Net monetary (loss) / gain	(239,155)	298,930	-	-
Other (expenses) / income	(35,155)	(10,894)	23,370	(3,423)
Distribution costs	(562,066)	(317,620)	(421,832)	(76,286)
Administrative costs	(2,930,227)	(1,578,862)	(2,674,697)	(364,499)
Impairment loss on trade receivables*	(104,487)	-	(78,912)	-
Profit before interest and tax	**1,060,724**	**1,600,162**	**1,591,737**	**478,428**
Finance costs	(460,816)	(197,460)	(320,370)	(43,270)
Profit before tax	**599,908**	**1,402,702**	**1,271,367**	**435,158**
Income tax expense	(489,466)	(599,950)	(538,543)	(128,624)
Profit for the year	**110,442**	**802,752**	**732,824**	**306,534**
Other comprehensive income				
Items that will not be reclassified to Profit and Loss				
Revaluation of Property, Plant and Equipment	3,592,743	1,113,611	8,890,835	996,806
Related tax	(867,932)	(260,447)	(2,140,495)	(234,847)
	2,724,811	**853,164**	**6,750,340**	**761,959**
Items that may be reclassified to Profit and Loss	**-**	**-**	**-**	**-**
Other comprehensive income net of tax	**2,724,811**	**853,164**	**6,750,340**	**761,959**
Total comprehensive income for the year	**2,835,253**	**1,655,916**	**7,483,164**	**1,068,493**
Basic earnings per share (cents)	**42.54**	**312.25**	**282.24**	**119.23**
Diluted earnings per share (cents)	**42.02**	**307.64**	**278.80**	**117.47**
Headline earnings per share (cents)	**42.55**	**308.62**	**282.23**	**119.20**

*Prior year impairment loss on trade receivables was recognized under Administrative costs

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

Inflation adjusted Audited	Share capital ZWL 000	Reserves ZWL 000	Retained Earnings ZWL 000	Total equity ZWL 000
Balance at 31 December 2020	**5,301**	**4,789,488**	**1,538,711**	**6,333,500**
Dividend paid	-	-	(248,948)	(248,948)
Revaluation surplus (net of tax)	-	853,164	-	853,164
Share based payments	-	7,064	-	7,064
Share options exercised (net of tax)	-	268	-	268
Profit for the year	-	-	802,752	802,752
Balance at 31 December 2021	**5,301**	**5,649,984**	**2,092,515**	**7,747,800**
Dividend paid*	-	-	(155,697)	(155,697)
Revaluation surplus (net of tax)	-	2,724,811	-	2,724,811
Share based payments	-	8,723	-	8,723
Share options exercised	-	78	-	78
Issue of ordinary shares	-	132,491	-	132,491
Profit for the year	-	-	110,442	110,442
Balance at 31 December 2022	**5,301**	**8,516,087**	**2,047,260**	**10,568,648**

The Reserves primarily comprises two material elements being the revaluation surplus reserve (ZWL 6,981,814 thousand) and the unbundling reserve (ZWL 1,131,084 thousand) which was created during unbundling from Masimba Holdings.

Historical Unaudited	Share capital ZWL 000	Reserves ZWL 000	Retained earnings ZWL 000	Total equity 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 (net of tax)	-	78	-	78
Profit for the year	-	-	306,534	306,534
Balance at 31 December 2021	**26**	**1,639,364**	**446,751**	**2,086,141**
Dividend paid*	-	-	(99,153)	(99,153)
Other comprehensive income	-	6,750,340	-	6,750,340
Share based payments	-	8,723	-	8,723
Share options exercised (net of tax)	-	78	-	78
Issue of ordinary shares	-	84,375	-	84,375
Profit for the year	-	-	732,824	732,824
Balance at 31 December 2022	**26**	**8,482,880**	**1,080,422**	**9,563,328**

The Reserves primarily comprises two material elements being the revaluation surplus reserve (ZWL 8,377,592 thousand) and the unbundling reserve (ZWL 7,346 thousand) which was created during unbundling from Masimba Holdings.

*Dividend paid was declared in 2021.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Inflation adjusted 12 months to 31 Dec 2022 Audited ZWL 000	Inflation adjusted 12 months to 31 Dec 2021 Audited ZWL 000	Historical 12 months to 31 Dec 2022 Unaudited ZWL 000	Historical 12 months to 31 Dec 2021 Unaudited ZWL 000
Cash flows from operating activities	**2,168,008**	**870,036**	**1,204,569**	**234,552**
Interest paid	(562,586)	(197,459)	(320,370)	(43,270)
Income tax paid	(428,243)	(568,950)	(184,009)	(134,824)
Net cash flows from operating activities	**1,177,179**	**103,627**	**700,190**	**56,458**
Net cash flows utilised in investing activities	(1,150,233)	(58,927)	(723,335)	(14,425)
Net cash flows from financing activities	58,036	861,538	(32,737)	251,455
Net increase/(decrease) in cash and cash equivalents	**84,982**	**906,238**	**(55,882)**	**293,488**
Opening cash balance	1,127,749	156,184	328,063	28,265
Effects of IAS 29 on inflation adjustment on cash flow items	(1,012,944)	33,230	-	-
Effects of currency translation on cash and cash equivalents	317,059	32,097	244,665	6,310
Closing cash and cash equivalents	**516,846**	**1,127,749**	**516,846**	**328,063**

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS

for the year ended 31 December 2022

1. Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with IFRS as well as under the current cost basis as per provision of 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, "PAAB" the Public Accountants and Auditors Board which relates to financial reporting period on or after 1 July 2019.These financial statements were approved by the Board of Directors on 31 March 2023..

1.1 Determination of Functional currency

The functional currency of the Company in the prior year 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. However, overall proportion of US$ revenue to total revenue, one of the most important determinants of the functional currency, is now skewed towards the USD.

Pipe Systems That Last

Abridged Audited Financial Results

For the year ended 31 December 2022

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS

for the year ended 31 December 2022

1.1 Determination of Functional currency (continued)

The Directors have applied their judgement and believe that the functional currency for the year ended 31 December 2022 changed to United States Dollars with effect from 01 October 2022. However, the functional currency change was only implemented effective 01 January 2023 which coincides with the beginning of a new financial year. The annual financial statements for year ended 31 December 2022 are, however, presented in ZWL being the currency of the primary economic environment in which the Group and company operates. The Directors will continue reviewing this position going forward.

1.2 Statement of compliance

The Group's Financial Statements, where practicable, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Standards") and in the manner required by the Companies and Other Business Entities Act (Chapter (24:31) and The Zimbabwe Stock Exchange (ZSE) listing requirements, except for non-compliance with IAS 21 "Effects of Changes in Foreign Exchange Rates", in relation to the functional currency.

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 Statistics Office as reported on the Reserve Bank of Zimbabwe website. The conversion factors used to restate the Financial Statements are as follows:

Date	Indices	Conversion Factor
31 December 2021	13,672.99	1
31 December 2022	3,977.46	3,4376
Average CPI 2022	9,198.69	
Average CPI 2021	3,135.23	

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 2022. All the Group's subsidiaries operate in Zimbabwe and Zimbabwe dollar (ZWL) is both their functional currency and presentation currency.

3.1 Property, Plant, and Equipment

Group

Inflation adjusted	Freehold Land & Buildings	Leasehold Improvements	Capital Work in Progress	Plant & Equipment	Motor Vehicles	Furniture &Office Equipment	Total
Cost	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Balance at 31 December 2020	**3,416,232**	**21,069**	**47,236**	**2,899,289**	**283,375**	**103,575**	**6,770,776**
Additions	11,678	3,912	15,119	17,975	24,087	34,455	107,226
Revaluation gains	1,479,918	-	-	(968,362)	47,793	41,959	601,308
Disposals	-	-	-	(51,158)	(39,691)	(1,911)	(92,760)
Transfer (out)/in	-	-	(1,255)	1,042	-	213	-
Balance at 31 December 2021	**4,907,828**	**24,981**	**61,100**	**1,898,786**	**315,564**	**178,291**	**7,386,550**
Additions	-	-	-	1,034,323	67,906	45,602	1,147,831
Revaluation gains	1,612,363	-	-	1,549,418	(1,506)	15,558	3,175,833
Disposals	-	-	-	-	(99,419)	(2,307)	(101,726)
Transfer in/(out)	54,500	-	(61,100)	6,600	-	-	-
Balance at 31 December 2022	**6,574,691**	**24,981**	**-**	**4,489,127**	**282,545**	**237,144**	**11,608,488**
Accumulated Depreciation							
Balance at 31 December 2020	**-**	**(2,220)**	**-**	**-**	**-**	**-**	**(2,220)**
Depreciation for the year	(85,541)	(227)	-	(354,472)	(50,127)	(29,567)	(519,934)
Disposals	-	-	-	4,352	2,839	212	7,403
Elimination of Accumulated Depreciation	85,541	-	-	350,120	47,288	29,355	512,304
Balance at 31 December 2021	**-**	**(2,447)**	**-**	**-**	**-**	**-**	**(2,447)**
Depreciation for the year	(116,771)	(215)	-	(204,942)	(54,674)	(49,075)	(425,677)
Disposals	-	-	-	-	8,180	372	8,552
Elimination of Accumulated Depreciation	116,771	-	-	204,942	46,494	48,703	416,910
Balance at 31 December 2022	**-**	**(2,662)**	**-**	**-**	**-**	**-**	**(2,662)**
Carrying Amount							
Balance at 31 December 2021	**4,907,828**	**22,534**	**61,100**	**1,898,786**	**315,564**	**178,291**	**7,384,103**
Balance at 31 December 2022	**6,574,691**	**22,319**	**-**	**4,489,127**	**282,545**	**237,144**	**11,605,826**
Reconciliation of Revaluation gains							
31 December 2021							
Revaluations gains/(losses)	1,479,918	-	-	(968,362)	47,793	41,959	601,308
Elimination of Accumulated Depreciation	85,540	-	-	350,119	47,288	29,356	512,303
Total revaluation gains as per OCI	**1,565,458**	**-**	**-**	**(618,243)**	**95,081**	**71,315**	**1,113,611**
31 December 2022							
Revaluations gains/(losses)	1,612,363	-	-	1,549,418	(1,506)	15,558	3,175,833
Elimination of Accumulated Depreciation	116,771	-	-	204,942	46,494	48,703	416,910
Total revaluation gains as per OCI	**1,729,134**	**-**	**-**	**1,754,360**	**44,988**	**64,261**	**3,592,743**

Freehold land and buildings with a carrying amount of $6,575 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 and Company property, plant and equipment are insured at full replacement cost.

3.2 Property, Plant and Equipment

Group

Historical unaudited	Freehold Land & Buildings	Leasehold Improvements	Capital Work in Progress	Plant & Equipment	Motor Vehicles	Furniture & Office Equipment	Total
Cost	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Balance at 31 December 2020	**618,255**	**99**	**7,592**	**524,700**	**51,285**	**18,744**	**1,220,675**
Additions	2,772	876	4,239	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**	**975**	**11,604**	**552,357**	**91,799**	**51,864**	**2,136,289**
Additions	-	-	-	626,192	60,165	36,060	722,417
Revaluation gains	5,137,316	-	-	3,308,655	159,509	149,889	8,755,369
Disposals	-	-	-	-	(28,920)	(670)	(29,590)
Transfer in/(out)	9,684	-	(11,604)	1,920	-	-	-
Balance at 31 December 2022	**6,574,690**	**975**	**-**	**4,489,124**	**282,553**	**237,143**	**11,584,485**
Accumulated Depreciation							
Balance at 31 December 2020	**-**	**(27)**	**-**	**-**	**-**	**-**	**(27)**
Depreciation for the year	(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
	-	**(82)**	**-**	**-**	**-**	**-**	**(82)**
Depreciation for the year	(33,888)	(120)	-	(69,490)	(18,508)	(17,344)	(139,350)
Disposals	-	-	-	-	3,572	192	3,764
Elimination of Accumulated Depreciation	33,888	-	-	69,490	14,936	17,152	135,466
Balance at 31 December 2022	**-**	**(202)**	**-**	**-**	**-**	**-**	**(202)**
Carrying Amount							
Balance at 31 December 2021	**1,427,690**	**893**	**11,604**	**552,357**	**91,799**	**51,864**	**2,136,207**
Balance at 31 December 2022	**6,574,690**	**774**	**-**	**4,489,124**	**282,553**	**237,143**	**11,584,283**
Reconciliation of Revaluation gains							
31 December 2021							
Revaluation gains	806,663	-	-	36,393	42,819	26,148	912,023
Elimination of Accumulated Depreciation	14,733	-	-	55,659	8,654	5,737	84,783
Total revaluation gains as per OCI	**821,396**	**-**	**-**	**92,052**	**51,473**	**31,885**	**996,806**
31 December 2022							
Revaluation gains	5,137,316	-	-	3,308,655	159,509	149,889	8,755,369
Elimination of Accumulated Depreciation	33,888	-	-	69,490	14,936	17,152	135,466
Total revaluation gains as per OCI	**5,171,204**	**-**	**-**	**3,378,145**	**174,445**	**167,041**	**8,890,835**

Freehold land and buildings with a carrying amount of $6,575 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 and Company property, plant and equipment are insured at full replacement cost.

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS

for the year ended 31 December 2022

	Group			
	Inflation adjusted		Historical	
	31 Dec 2022 ZWL 000 Audited	31 Dec 2021 ZWL 000 Audited	31 Dec 2022 ZWL 000 Unaudited	31 Dec 2021 ZWL 000 Unaudited
4. Right of use asset				
Balance at 1 January	**165,854**	**76,287**	**6,433**	**4,651**
Additions to right of use	42,404	112,857	42,403	6,787
Depreciation charge for the year	(10,470)	(23,290)	(7,250)	(5,005)
Balance as 31 December	**197,788**	**165,854**	**41,586**	**6,433**
5. Inventories				
Raw materials	1,836,442	674,313	1,558,035	177,611
Finished goods	1,649,880	562,292	1,176,975	95,354
Work in progress	567,620	484,963	523,817	102,410
Spares and consumables	219,743	158,833	48,895	18,026
Provision for slow moving inventories	(197,474)	(162,818)	(24,583)	(9,367)
Total inventories	**4,076,211**	**1,717,583**	**3,283,139**	**384,034**
6. Trade and other receivables				
Trade receivables	854,953	151,340	854,953	44,025
Prepayments	559,024	1,053,652	534,450	260,317
Deposits and other receivables	686,064	345,279	686,064	100,390
	2,100,041	**1,550,271**	**2,075,467**	**404,732**
Less: Allowances for doubtful receivables	(81,954)	(35,101)	(81,954)	(10,211)
Total trade and other receivables	**2,018,087**	**1,515,170**	**1,993,513**	**394,521**
7. Borrowings				
Long term loan	33,333	391,467	33,333	113,878
Short term loan	333,865	830,342	333,865	241,547
Total borrowings	**367,198**	**1,221,809**	**367,198**	**355,425**

The loans are secured by Notarial Covering Bond (NGCB) with cession of book debts i.e., trade receivables accruing to the group and company. There are no specific covenants relating to the loans. The USD loan is payable over 1 year at an effective interest rate of 10% per annum. The ZWL loan is payable over a period of 2 years with an interest rate of 120% per annum.

8. Trade and other payables

	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Trade payables	3,534,230	548,937	3,534,230	159,686
Accruals and other payables	935,688	397,386	919,592	112,594
Total trade and other payables	**4,469,918**	**946,323**	**4,453,822**	**272,280**

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 profit attributable to ordinary equity holders of the parent for the year by the weighted average number of ordinary shares outstanding during the year 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 year attributable to ordinary equity holders of the parent adjusted for profits or losses on disposal of assets for the year.

10. Contingent Liabilities

There were no contingent liabilities at reporting date (December 2022-ZWL nil).

11. Capital Commitments

Capital Expenditure for the year ended 31 December 2022 amounted to ZWL 1,1 billion. The budgeted capital expenditure for the year ended 31 December 2023 is ZWL 2,6 billion. The expenditure will be financed from internal resources and existing facilities.

12. Going Concern

The Board has performed a thorough assessment and confirms that the Group and Company has adequate resources to continue in business and into the foreseeable future. This is supported by both current performance and financial forecasts as well as regular upgrade of property plant and equipment. Consideration was made on the following critical issues:

- The Group's current exposure in foreign exchange is manageable.
- The Group has ability to service its current loans.
- 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 financial statements have been prepared on the basis that the Group and Company are going concerns.

13. Events after the Reporting Date

The Company changed its functional currency to the United States dollar effective 01 October 2022. This is after the Directors applied their judgement and concluded that the functional currency shifted in the second half of 2022. However, implementation was only carried out at the beginning of the year to coincide with the new financial year.

There were no other events that occurred between the end of the reporting period and the date when the financial statements were authorized for issue that require adjustments to the reported amounts in the financial statements or disclosure in the financial statements.

14. Dividend Declaration

There were no dividends declared during the year

15. Auditors' 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 2022, 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, and IAS 29, Financial Reporting in Hyperinflationary Economies, in respect of the date of the Companies' change in functional currency to the United States Dollar.

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

Adverse opinion

We have audited the inflation adjusted consolidated and separate financial statements of Proplastics Limited (the Group and Company) set out on pages 27 to 91, which comprise the inflation adjusted consolidated and company statements of financial position as at 31 December 2022, 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 and 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 separate financial Statements.

In our opinion, because of the significance of the matters described in the *Basis for adverse opinion* section of our report, the accompanying 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 2022, 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 as issued by the International Accounting Standards Board (IFRS Standards) and 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 current financial year.

As disclosed in notes 3.17 the directors concluded that there was a change in functional currency with effect from the 1 October 2022 to the USD. However, the inflation adjusted consolidated and separate financial statements for the year ended 31 December 2022 have continued to be prepared on a ZWL functional currency basis. The directors effected the change in functional currency on 1 January 2023 to coincide with the beginning of a new financial year. This constitutes a departure from IAS 21 which stipulates that when there is a change in a Group's or Company's functional currency, the Group and Company shall apply the translation procedures applicable to the new functional currency prospectively from the date of the change, which based on the director's evaluation should have been 1 October 2022.

Non-compliance with International Financial Reporting Standards IAS 29 - *Hyperinflationary Economies (IAS29)*

The directors have continued to apply IAS 29 to the full year results as they have maintained the functional currency of the Group and Company as the ZWL for the year ended 31 December 2022. Had the directors applied the change in functional currency from 1 October 2022, IAS 29 accounting would have only applied up to the date of change in functional currency. This constitutes a departure from the requirements of IAS 29.

The departures from IAS 21 and IAS 29, the effects of which have not been determined, are considered to be material and pervasive to this 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.

Other information

The directors are responsible for the other information. The other information comprises all other information included in the document title "Proplastics Limited Annual Report for the year ended 31 December 2022", including any columns throughout the document titled "Historical Unaudited" but does not include the inflation adjusted consolidated and separate financial statements and our auditors' report thereon.

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, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis of adverse opinion section above, the Companies within the Group should have changed their functional currency prospectively and stopped applying the requirements of IAS 29 with effect from the 1st of October 2022 and not the 1st of January 2023. We have therefore concluded that the other information is materially misstated for the same reason.

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 IFRS Standards as issued by the International Accounting Standards Board (IFRS 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 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's 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 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 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 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

31 March 2023

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

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