Proplastics

Pipe Systems That Last

Abridged Audited Financial Results

For the year ended 31 December 2023

Chairman's Statement

Introduction

It is my pleasure to present to you the operational and financial performance of the Group for the year ended 31 December 2023.

As highlighted in the 2022 Annual Report, on 29 March 2020 the Government of Zimbabwe issued Statutory Instrument SI 85 of 2020 which permitted use of USD free funds for domestic transactions. As a result, your Board noted a mix of USD and ZWL sales affecting the determination of the functional currency of the Company. After monitoring the determinants of the functional currency over the last 3 years, the Board resolved that the functional currency had changed to USD with effect from 01 October 2022. The Board, however, found it prudent to effect the change at the beginning of a new financial year. As a result, functional currency change was implemented from 01 January 2023.

The results are, therefore, presented in USD, being the functional and reporting currency of the companies within the Group effective 01 January 2023.

Prior year figures have also been converted to the new functional currency.

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

Operating Environment

The year 2023 began positively, with some stability in the exchange rate and slowdown in inflation in the first quarter of the year, on the back of a relatively stable operating environment at the end of 2022.

Volatility returned to the market in the second quarter, which saw the official exchange rate rising sharply from around ZWL 700 to ZWL 6,900 to 1 USD, while the alternative market rate was even higher. Although the post-election period saw the official rate coming down, the market remained unstable for the remainder of the year. The official exchange rate eventually closed the year at ZWL 6,100 to 1 USD as the gap between the official and the alternative rate continued to widen.

The foreign currency auction floor was slow, and though the introduction of the interbank market brought some optimism at some point, this ceased to be a reliable source of foreign currency by the end of the year. Allocations were consistently below the required amounts and the settling of the allocated amounts remained a challenge. To that effect, the Group had to rely on internally generated foreign currency to service its foreign obligations.

The flow of business was severely affected as the local currency continued to rapidly lose value. This resulted in an even bigger shift towards the settling of transactions in foreign currency and demand for the Group's products was subdued in the period.

Raw material supply was stable during the greater part of the year with a glitch in the last quarter due to adverse weather conditions at the Durban port of entry. Disruption to production was minimal due to proactive strategies in the management of the supply chain. The prices of the major raw materials continued to retreat in the market from the high prices of the previous year. Raw material prices for the Group's products have, in our view, now reached equilibrium. Management has adopted an approach to the procurement of raw materials which involve careful and long-term planning to mitigate the effect of price volatility in the supply chain.

Electricity supply remained a significant challenge and the business continued to encounter outages related to load shedding which resulted in the use of expensive backup generator to ensure continuity of production. A total of fourty seven days of back-up generator usage was recorded during the period resulting in a significantly higher cost of production.

Financial Performance

Turnover for the full year grew by 22% to USD 21.3 million from USD 17.4 million in the prior year. The growth was underpinned by a 22% increase in sales volumes compared to prior year. The contribution from the recently commissioned new plant was significant and should continue anchoring sales volumes going forward. Exports sales recorded a 102% growth, with a contribution of 11% to total sales. The Group secured some lucrative contracts in the region some of which will continue into the new financial year.

Cost of Sales rose up by 47% with gross profit margins dipping 13%, mainly on the back of reduced selling prices in the face of competitive pressures in the market as well as the aligning of costs as the business moved to a USD functional currency. Certain elements of cost of sales, for instance electricity tariffs, rose sharply during the year under review. Gross profit for the group was USD 6.4 million, compared to USD 7.3 million in the prior year.

Overheads fell 4% from the prior year. Profit before tax of USD 1,4 million was significantly higher than the prior year figure of USD 893 thousand. EBITDA was USD 2.5 million, up from USD 2.2 million in the prior year.

The statement of financial position reduced slightly with total assets amounting to USD 22.8 million compared to USD 24.6 million in the prior year as the Group used available resources to reduce its liabilities, in particular foreign obligations. The valuation of property, plant, and equipment for the purposes of conversion to a USD functional currency was carried out using united states dollar-based inputs at the date of conversion. The prior year figures were restated accordingly. The current ratio closed the period at 1.37, which is an improvement from 1.11 in prior year. The gearing ratio remained manageable at 1.5%, thus providing room for the Group to leverage on borrowings to fund operations.

The Group closed the year with cash and cash equivalents of USD 377 thousand.

Outlook

The trading environment is likely to remain subdued, with liquidity constraints, in the short to medium term. There seems to be no significant shift in policies after the election period and the challenges that the business has been grappling with will largely remain unchanged. The region is likely to experience El-Nino induced drought and this will negatively impact the economic performance at large.

The plastic tank manufacturing business which was commissioned towards the end of 2023 is anticipated to contribute positively to the volumes.

Raw material pricing is anticipated to remain stable during the year, from a pricing point of view as well as availability. This will augur well for the business as it will ensure an uninterrupted supply of product to the market. Although the supply of electricity is relatively stable now, this remains a risk for the business. The solar generating project, which was reported on at half year, will commence before the end of the first quarter as the procurement process for the requisite materials is already underway. This project will not only reduce the Group's carbon footprint, but will, in addition, have a significant positive effect on the production costs as it will be fully integrated into the existing ZESA and generator supply model. We expect the project to be up and running by end of the first half of the year.

Directorate

Mr. Canada Malunga, the former Group Chief Executive Officer for Masimba Holdings, has been appointed to the Board as a non-executive Director. Canada brings a wealth of experience in this industry, and we look forward to his contribution to the success of the Group going forward. We welcome Canada onto the Board.

Dividend

During the year, the Board proposed and paid an interim dividend of USD 0.0011 per share. Given the subdued performance for the year, and the need to conserve cash, the Board proposes that no final dividend be declared.

Acknowledgements

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

G. SEBBORN
25 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	31 Dec 2023 USD	31 Dec 2022 USD *Restated
Assets			
Non-current assets			
Property, plant & equipment	3	13,912,931	14,346,176
Intangible asset	4	193,950	-
Right of use assets	5	182,438	294,570
Investment in joint venture		-	83,578
Total non- current assets		**14,289,319**	**14,724,324**
Current assets			
Inventories	6	5,623,511	6,070,790
Trade and other receivables	7	2,483,919	3,005,583
Cash and cash equivalents		376,994	769,750
Total current assets		**8,484,424**	**9,846,123**
Total assets		**22,773,743**	**24,570,447**
Equity and liabilities			
Equity			
Share capital		7,894	7,894
Reserves		10,444,849	10,443,398
Retained earnings		3,283,296	3,049,029
Total equity		**13,736,039**	**13,500,321**
Non-current liabilities			
Long-term borrowings	8	-	49,644
Long-term lease liability		17,313	55,726
Deferred taxation		2,796,760	2,070,503
Total non-current liabilities		**2,814,073**	**2,175,873**
Current liabilities			
Trade and other payables	9.1	4,276,794	5,524,857
Short-term borrowings	8	200,000	497,233
Contract liabilities	9.2	967,498	1,132,290
Current tax payable		740,548	1,705,022
Short-term lease liability		38,791	34,851
Total current liabilities		**6,223,631**	**8,894,253**
Total liabilities		**9,037,704**	**11,070,126**
Total equity and liabilities		**22,773,743**	**24,570,447**

* Refer to prior period error-Note 11.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

	12 months to 31 Dec 2023 USD	12 months to 31 Dec 2022 USD *Restated
Revenue	**21,289,027**	**17,444,991**
Cost of sales	(14,870,464)	(10,099,933)
Gross profit	**6,418,563**	**7,345,058**
Net monetary loss	-	(356,179)
Other income/ (expenses)	102,693	(52,358)
Distribution costs	(1,077,649)	(837,096)
Administrative expenses	(3,918,274)	(4,364,051)
Impairment loss on trade receivables	(38,149)	(155,615)
Profit before interest and tax	**1,487,184**	**1,579,759**
Finance costs	(103,847)	(686,304)
Profit before tax	**1,383,337**	**893,455**
Income tax expense	(863,460)	(728,973)
Profit for the period	**519,877**	**164,482**
Other Comprehensive income		
Items that will not be reclassified to Profit and Loss		
Revaluation of Property, Plant and Equipment	-	2,412,113
Related tax	-	(593,790)
	-	**1,818,323**
Items that may be reclassified to Profit and Loss		
Other comprehensive income net of tax	-	-
Total comprehensive income for the year	-	**1,818,323**
	519,877	**1,982,805**
Basic earnings per share (cents)	**0.20**	**0.06**
Diluted earnings per share (cents)	**0.20**	**0.06**
Headline earnings per share (cents)	**0.20**	**0.06**

* Refer to prior period error-Note 11.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Share capital USD	Reserves USD *Restated	Retained Earnings USD	Total equity USD *Restated
Balance at 1 January 2022	**7,894**	**8,414,645**	**3,116,429**	**11,538,968**
Dividend paid	-	-	(231,882)	**(231,882)**
Revaluation surplus(net of tax)	-	4,058,120	-	**4,058,120**
Share based payments	-	12,991	-	**12,991**
Share options exercised (net of tax)	-	117	-	**117**
Issue of ordinary shares	-	197,322	-	**197,322**
Profit for the year	-	-	164,482	**164,482**
Balance at 31 December 2022	**7,894**	**12,683,195**	**3,049,029**	**15,740,118**
Impact of correction of errors	-	(2,239,797)	-	**(2,239,797)**
Restated balance at 31 December 2022	**7,894**	**10,443,398**	**3,049,029**	**13,500,321**
Dividend paid	-	-	(285,610)	**(285,610)**
Share based payments	-	1,431	-	**1,431**
Share options exercised (net of tax)	-	20	-	**20**
Issue of ordinary shares	-	-	-	**-**
Profit for the year	-	-	519,877	**519,877**
Balance at 31 December 2023	**7,894**	**10,444,849**	**3,283,296**	**13,736,039**

The reserves primarily comprise two material elements being the revaluation surplus reserve (USD 8,16 million) and the unbundling reserve (USD 1,68 million) which was created during Masimba unbundling in 2015. The Masimba unbundling was through a dividend in specie to Masimba Shareholders.

* Refer to prior period error-Note 11.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	12 months to 31 Dec 2023 USD	12 months to 31 Dec 2022 USD
Cash flows from operating activities	**1,987,007**	**3,228,862**
Interest paid	(103,847)	(686,304)
Income tax paid	(891,724)	(637,791)
Net cash flows from operating activities	**991,436**	**1,904,767**
Net cash flows utilised in investing activities	(294,010)	(1,713,067)
Net cash flows (utilised)/generated from financing activities	(699,443)	86,434
Net increase in cash and cash equivalents	**(2,017)**	**278,134**
Opening cash balance	769,750	1,679,582
Effects of IAS 29 on inflation adjustment on cash flow items	-	(1,660,168)
Effects of currency translation on cash and cash equivalents	(390,739)	472,202
Closing cash and cash equivalents	**376,994**	**769,750**

1 Basis of preparation

The Group's consolidated financial results are based on statutory records that are maintained under the historical cost convention, except for elements of property, plant and equipment which are recorded at revalued amounts. The same accounting policies and methods of computation are followed in these Consolidated Financial Results as compared with the most recent Annual Financial Statements. These financial statements were approved by the Board of Directors on 25 March 2024. These financial results are presented in United States Dollars (USD).

1.1 Determination of functional currency

The Government of Zimbabwe issued statutory instrument "SI"85 of 2020 which permitted use of free funds for domestic transactions. As a result, the Directors noted a mix of USD and ZWL sales affecting the determination of the functional currency of the Company.

The functional currency of the Company was resolved to have 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 Group used the interbank exchange rates to convert all Zimbabwean Dollar transactions and balances to the Group's functional currency, the United States Dollar (USD). Prior year comparatives were arrived at by applying the interbank exchange rate on the inflation adjusted amounts for the prior year period.

The Consolidated statements comparatives were derived from applying an exchange rate on 31 December 2022 to the ZWL inflation adjusted figures including period October 2022 to December 2022 when functional currency had changed to USD. The closing interbank exchange rates used are as follows:
31 December 2022 – 671.45
31 December 2023 - 6,104.72

The Directors have applied their judgement and believe that the functional currency for the year ended 31 December 2023 is still United States Dollars (USD).

1.2 Statement of compliance

The Group's Financial Statements, where practicable, have been prepared in accordance with International Financial Reporting Standards, except for non-compliance with IAS 21 "Effects of Changes in Foreign Exchange Rates", in relation to the change in functional currency affecting the prior year.

Abridged Audited Financial Results

For the year ended 31 December 2023

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023 (continued)

1.3 Hyperinflation

In 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement that factors and characteristics for the application of IAS 29 "Financial Reporting in Hyper-Inflationary Economies" in Zimbabwe were met and, therefore, mandated IAS 29 to be applied in the preparation and presentation of financial statements for entities in Zimbabwe. Hyper-inflation financial reporting is, however, applicable to entities whose functional currency is the currency in hyper-inflation.

The Group's functional currency is USD, which is not a currency in hyper-inflation and, therefore, IAS 29 "Financial Reporting in Hyper-Inflationary Economies" is not applicable to the financial statements of the Group.

2. Reporting Currency

The Group's Consolidated Financial Results are presented in United States dollars (USD), which is the Group's functional and presentation currency for the year ended 31 December 2023. All the Group's subsidiaries operate in Zimbabwe and United States dollar (USD) is both their functional and presentation currency.

3. Property, plant, and equipment

Cost	Freehold Land & Buildings USD *Restated	Leasehold Improvements USD	Capital Work in Progress USD	Plant & Equipment USD	Motor Vehicles USD *Restated	Furniture & Office Equipment USD *Restated	Total USD *Restated
Balance at 31 December 2021	**7,309,334**	**37,205**	**90,997**	**2,827,899**	**469,981**	**265,531**	**11,000,947**
Additions	-	-	-	1,540,440	101,135	67,916	1,709,491
Revaluation (losses)/gains	(325,502)	-	-	2,307,581	(107,638)	(83,241)	1,791,200
Disposals	-	-	(81,167)	-	(148,063)	(3,436)	(232,666)
Transfer in/(out)	81,168	-	(9,830)	9,830	-	-	81,168
Balance at 31 December 2022	**7,065,000**	**37,205**	**-**	**6,685,750**	**315,415**	**246,770**	**14,350,140**
Additions	-	-	-	69,806	190,240	46,190	306,236
Disposals	-	-	-	-	(5,782)	(1,776)	(7,558)
Transfer in	-	-	-	149,727	-	-	149,727
Balance at 31 December 2023	**7,065,000**	**37,205**	**-**	**6,905,283**	**499,873**	**291,184**	**14,798,545**
Accumulated Depreciation							
Balance at 31 December 2021	**-**	**(3,643)**	**-**	**-**	**-**	**-**	**(3,643)**
Depreciation for the year	(173,910)	(321)	-	(305,225)	(81,427)	(73,088)	(633,971)
Disposals	-	-	-	-	12,183	554	12,737
Elimination of Accumulated Depreciation	173,910	-	-	305,225	69,244	72,534	620,913
Balance at 31 December 2022	**-**	**(3,964)**	**-**	**-**	**-**	**-**	**(3,964)**
Depreciation for the year	(166,425)	(10,851)	-	(566,377)	(76,761)	(62,261)	(882,675)
Disposals	-	-	-	-	482	543	1,025
Balance at 31 December 2023	**(166,425)**	**(14,815)**	**-**	**(566,377)**	**(76,279)**	**(61,718)**	**(885,614)**
Carrying Amount							
Balance at 31 December 2022	**7,065,000**	**33,241**	**-**	**6,685,750**	**315,415**	**246,770**	**14,346,176**
Balance at 31 December 2023	**6,898,575**	**22,390**	**-**	**6,338,906**	**423,594**	**229,466**	**13,912,931**

Freehold land and buildings with a carrying amount of USD 6,90 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.

* Refer to prior period error-Note 11.

4. Intangible asset

	Group 31 Dec 2023 USD	31 Dec 2022 USD
Balance at 1 January	-	-
Capitalisation of intangible asset	215,500	-
Amortisation charge for the period	(21,550)	-
Balance at 31 December	**193,950**	**-**

5. Right of use asset

	31 Dec 2023 USD	31 Dec 2022 USD
Balance at 1 January	294,570	247,010
Additions to right of use	41,273	63,153
Amortisation charge for the period	(153,405)	(15,593)
Balance at 31 December	**182,438**	**294,570**

6. Inventories

	31 Dec 2023 USD	31 Dec 2022 USD
Raw materials	2,063,527	2,735,056
Finished goods	2,373,906	2,457,202
Work in progress	1,111,767	845,368
Spares and consumables	333,097	327,267
Provision for slow moving inventories	(258,786)	(294,103)
Total inventories	**5,623,511**	**6,070,790**

7. Trade and other receivables

	31 Dec 2023 USD	31 Dec 2022 USD
Trade receivables	2,162,947	1,273,300
Prepayments	218,907	832,569
Deposits and other receivables	252,267	1,021,770
	2,634,121	**3,127,639**
Less: Allowances for doubtful receivables	(150,202)	(122,056)
Total trade and other receivables	**2,483,919**	**3,005,583**

8. Borrowings

	31 Dec 2023 USD	31 Dec 2022 USD
Long term loan	-	49,644
Short term loan	200,000	497,233
Total borrowings	**200,000**	**546,877**

The loan is secured by Notarial General Covering Bond (NGCB) over movable assets including cession of book debts and First Ranking Deed of Hypothecation over immovable assets. It is payable over 3 years at an effective interest rate of 12% per annum.

9.1 Trade and other payables

	31 Dec 2023 USD	31 Dec 2022 USD
Trade payables	3,451,994	4,763,382
Accruals and other payables	824,800	761,475
Total trade and other payables	**4,276,794**	**5,524,857**

9.2 Contract liabilities

	31 Dec 2023 USD	31 Dec 2022 USD
Contract liabilities- Masimba	500,223	500,223
Other contract liabilities	467,275	632,067
Total contract liabilities	**967,498**	**1,132,290**

10. 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.

11. Restatement due to prior period error

The Group identified the following error relating to the financial statements for the year ended 31 December 2022.

a) Prior year property, plant and equipment was overstated

The valuation of certain elements of Property, Plant and Equipment was not compliant with IFRS 13 Fair Value Measurement in the prior period due to use of ZWL inputs in the valuation process despite the change in functional currency to USD on 1 October 2022. The functional currency change was only implemented in January 2023 to coincide with the new financial year. Consequently, prior year Property, Plant and Equipment, reserves and deferred tax have been overstated.

Management implemented an alternative method of obtaining a USD valuation of Property, Plant and Equipment (PPE) as at 1 January 2023 using USD inputs. This resulted in a material difference to the value of Property, Plant and Equipment derived using the provisions of IAS 21 "The Effects of Changes in Foreign currency rates" resulting in a prior period error.

- There was no impact on retained earnings/earnings based ratios.
- There was no impact on statement of cash flows.

The error has been corrected by restating each of the affected financial statements line items for prior period. Certain comparative amounts in the statement of profit or loss and other comprehensive income, Statement of Financial position and Statement of Changes in Equity have been restated. Details of the restatement are specified below.

Statement of financial position

	As Previously reported USD	Adjustment USD	Restated USD
Property, Plant & Equipment	17,284,811	(2,938,635)	14,346,176
Reserves	(12,683,195)	2,239,797	(10,443,398)
Deferred Tax	(2,769,341)	698,838	(2,070,503)

Statement of profit and loss and other comprehensive income

	As Previously reported USD	Adjustment USD	Restated USD
Other comprehensive income	(5,350,748)	2,938,635	(2,412,113)
Related tax	1,292,628	(698,838)	593,790
Other comprehensive income net of tax	**(4,058,120)**	**2,239,797**	**(1,818,323)**
Total comprehensive income for the period	**4,222,603**	**(2,239,797)**	**1,982,805**

b) Prior year contract liabilities were disclosed under trade and other payables and not separately although significant and material

- There was no impact on statement of cash flows, statement of profit and loss and other comprehensive income and statement of changes in equity.

The error has been corrected by disclosing the contract liabilities separately under current liabilities in the statement of financial position and disclosed on note 9.2.

12. Contingent Liabilities

As at 31 December 2023, the Group had a customer performance guarantee from the bank totaling USD 420 thousand.

13. Capital Commitments

Capital Expenditure for the year ended 31 December 2023 amounted to USD 306 thousand. The budgeted capital expenditure for the year ended 31 December 2024 is USD 1.3 million. 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 for the foreseeable future. Accordingly, the Group's Consolidated Financial Results have been prepared on the assumption that the Group is a going concern.

15. Events after the Reporting Date

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 disclosures.

16. Dividend Declaration

During the year, the Board declared and paid an interim dividend of USD 0.0011 per share. Given the subdued performance for the year, and the need to conserve cash, the Board proposes that no final dividend be declared.

17. Auditors' Statement

The abridged consolidated financial results should be read in conjunction with the complete set of Group financial statements as at and for the year ended 31 December 2023, which have been audited by KPMG Chartered Accountants (Zimbabwe).

A Qualified 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 change of the Companies' change in functional currency to the United States Dollar, and the resulting impact on the comparative performance statements.

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

KPMG
Mutual Gardens 100 The Chase (West)
Emerald Hill, Harare, Zimbabwe
Telephone +263 430 2600
Internet www.kpmg.com/zw

Independent Auditors' Report

To the shareholders of Proplastics Limited

Qualified opinion

We have audited the consolidated and separate financial statements of Proplastics Limited (the Group and Company) set out on pages 23 to 70 which comprise the consolidated and company statements of financial position as at 31 December 2023, and the consolidated and company statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and material accounting policies and other explanatory information and notes.

In our opinion, except for the possible effect of the matter described in the Basis for qualified opinion section of our report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Proplastics Limited as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

Basis for qualified opinion

Non-compliance with International Financial Reporting Standards IAS 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21) and IAS 29 - Hyperinflationary Economies (IAS 29) in the prior year.

As disclosed in note 3.15, the directors concluded that there was a change in functional currency with effect from 1 October 2022 from ZWL to the USD. However, the inflation adjusted consolidated and separate financial statements for the year ended 31 December 2022 continued to be prepared and presented based on a ZWL functional currency. This constituted a departure from IAS 21 and IAS 29 and an adverse opinion was issued for the year ended 31 December 2022. The directors effected the change in functional currency on 1 January 2023, for which a restatement was made to the comparative consolidated and company statements of financial position.

The consolidated and company statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2022 were not restated except for property, plant and equipment related accounts, and our opinion is qualified because of the possible effects of this matter on the comparability of the current year's financial performance and cash flows with that of the prior year.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 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 qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. In addition to the matter described in the Basis for qualified opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the company profile, Proplastics unique proposition, financial highlights, ratios and statistics, Chairman's statement, corporate governance, directorate and executive committees, sustainability and report of the directors, Shareholders analysis, but does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the 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 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 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 qualification opinion section above, we were unable to obtain sufficient appropriate evidence about the change of the functional currency on the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2022. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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.

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

25 March 2024

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