

Unaudited Condensed Consolidated Interim Financial Results

for the half year ended 30 June 2024

Chairman's Statement

Introduction

It is my pleasure to present to you the operational and financial performance of the Group for the half year ended 30 June 2024.

The Group adopted the United States Dollar (USD) as the reporting and functional currency effective 1 January 2023. The financial results, therefore, continue to be presented in USD together with the prior year comparative figures.

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

Operating Environment

Trading during the first half of the year was characterized by exchange rate volatility, severe power outages, depreciation of the local currency, effects of delays in fiscal policy pronouncement coupled with the adverse effects of the El Nino induced drought. These factors created a challenging business environment which saw demand for the group products being subdued. Major projects were stalled with some reduced in size as the market struggled with liquidity. Demand was also affected by the low activity from the Zimbabwean Government and its related agencies in the implementation of water reticulation infrastructure projects.

Exchange rate volatility, which was more prevalent in the first quarter of the year, rendered Zimbabwe Dollar (ZWL) transactions difficult which resulted in the USD being the dominant currency for transacting. The local currency lost value by over 380% on both the official and the alternative markets during the first quarter.

In response, during the first week of April 2024, the Reserve Bank of Zimbabwe introduced a new structured gold backed currency, the Zimbabwe Gold (ZWG), with an initial rate of 13.5 against the USD. This move stabilised the exchange rate and prices. However, the new currency was largely in short supply in the first two months of trading with inflows starting to trickle into the business towards the end of the first half. The ZWG month-on-month inflation remained stable at 0% in June from -2.4% in May 2024.

Electricity supply remained a huge challenge during the closing months of the period under review as the business continued to encounter significant outages related to load shedding, thereby resorting to the use of the expensive standby generator to power the plant.

Financial Performance

Turnover for the first half dropped by 18% to USD8.6 million from USD10.4 million in the prior period. The decline was due to subdued demand for the group's products which saw sales volumes declining by 8% compared to the prior period. Exports sales contributed only 1% to total sales due to risk and competitive issues given the 25% foreign currency surrender policy coupled with the unavailability of foreign currency on the formal market. Cost of Sales declined by 15%, in line with the decline in sales volumes. Gross profit declined by 24% to USD2.5 million, compared to USD3.3 million in the prior period.

Profit before tax of USD418 thousand was 58% below the prior period amount of USD1.1 million. EBITDA was at USD 1 million, down from USD 1,6 million in the prior period. Resultantly, the business was in a loss position of USD 72 thousand after accounting for normal and deferred tax.

The statement of financial position also weakened with total assets at USD22.7 million compared to USD24.6 million in the prior period. Current ratio closed the period at 1.59 from 1.28 in the prior period. The gearing ratio increased to 5%, still providing some leverage if required, to bolster working capital requirements.

The Group closed the half year with cash and cash equivalents of USD268 thousand. Any outstanding amounts from the auction system were accounted for under receivables, not cash and cash equivalents.

Outlook

The business expects the operating environment to remain challenging due to liquidity constraints and the continuing effects of the devastating drought in the region. However, the business has put in place initiatives to recover in the second half of the year. Government and non-government agencies are introducing measures to mitigate effects of the drought through drilling of boreholes and setting up of community-based irrigation schemes which has a positive impact on the demand of the company's products.

We anticipate that the complementary measures introduced to support the ZWG currency will also help create demand for our products. The civil construction industry has also maintained high demand for our products which we anticipate continuing into the second half of the year.

Product availability will be enhanced in the second half of the year as the group is installing additional equipment to augment current capacity and factory efficiencies. The business is well-positioned to capitalize opportunities emanating from improved liquidity.

With the installation and commissioning of the solar plant now complete, the business is expected to generate about 50,000 kilo watt hour (kWh) of energy per month thus reducing electricity bill and generator fuel consumption. This will result in significant savings which will be reflected in the second half of the year.

Raw material pricing is expected to remain stable during the second half of the year and we continue to monitor the environment for possible supply options.

Dividend

Given the challenging operating environment and performance for the period, the Board proposes that no interim dividend be declared.

Acknowledgments

It would like to extend my appreciation to management and staff for their hard work during the 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
13 September 2024

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

Notes	Historical cost	
	30 June 2024 USD Unaudited	31 Dec 2023 USD Audited
Assets		
Non-current assets		
Property, plant & equipment	3 13,534,442	13,912,931
Intangible Asset	4 183,175	193,950
Right of use assets	5 311,312	182,438
Total non-current assets	14,028,929	14,289,319
Current assets		
Inventories	6 5,088,300	5,623,511
Trade and other receivables	7 2,734,036	2,483,919
Cash and cash equivalents	267,675	376,994
Total current assets	8,090,011	8,484,424
Total assets	22,118,940	22,773,743
Equity and liabilities		
Equity		
Share capital	7,894	7,894
Reserves	10,444,967	10,444,849
Retained earnings	3,211,421	3,283,296
Total equity	13,664,282	13,736,039
Non-current liabilities		
Long-term borrowings	8 214,529	-
Long-term lease liability	139,970	17,313
Deferred taxation	3,001,193	2,796,760
Total non-current liabilities	3,355,692	2,814,073
Current liabilities		
Trade and other payables	9 3,763,602	4,276,794
Contract liabilities	616,767	967,498
Short-term borrowings	8 476,716	200,000
Current tax payable	160,765	740,548
Short-term lease liability	81,116	38,791
Total current liabilities	5,098,966	6,223,631
Total liabilities	8,454,658	9,037,704
Total equity and liabilities	22,118,940	22,773,743

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2024

	6 months to 30 June 2024 Unaudited USD	6 months to 30 June 2023 Reviewed USD
Revenue	8,578,089	10,484,571
Cost of sales	(6,088,731)	(7,143,388)
Gross profit	2,489,358	3,341,183
Other (expenses)/income	(8,069)	21,212
Distribution costs	(371,518)	(569,025)
Administrative expenses	(1,542,748)	(1,768,029)
Impairment (loss)/income on trade receivables	(101,628)	26,914
Profit before interest and tax	465,395	1,052,255
Finance costs	(46,971)	(46,777)
Profit before tax	418,424	1,005,478
Income tax expense	(490,299)	(444,180)
(Loss)/profit for the period	(71,875)	561,298
Comprehensive income		
Other comprehensive income	-	-
Related tax	-	-
Other comprehensive income net of tax	-	-
Total comprehensive (loss)/income for the period	(71,875)	561,298
Basic (loss)/earnings per share (cents)	(0.03)	0.22
Diluted (loss)/earnings per share (cents)	(0.03)	0.21
Headline (loss)/earnings per share (cents)	(0.03)	0.22

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2024

	Share capital USD	Reserves USD	Retained Earnings USD	Total equity USD
June 2024				
Balance at 1 January 2024	7,894	10,444,849	3,638,296	13,736,039
Share based payments	-	118	-	118
Loss for the period	-	-	(71,875)	(71,875)
Restated Balance at 30 June 2024	7,894	10,444,967	3,211,421	13,664,282
June 2023				
Balance at 1 January 2023	7,894	12,683,202	3,049,022	15,740,118
Share based payments	-	759	-	759
Foreign currency translation	-	67,629	-	67,629
Profit for the period	-	-	561,298	561,298
Balance at 30 June 2023	7,894	12,751,590	3,610,320	16,369,804

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.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2024

	6 months to 30 June 2024 Unaudited USD	6 months to 30 June 2023 Reviewed USD
Profit for the period before interest and tax	465,395	1,052,255
Net cash from operations before working capital changes	1,029,830	1,847,090
Cash flow from operating activities	451,002	670,053
Interest paid	(42,380)	(46,777)
Income tax paid	(788,717)	(89,686)
Net cash (utilised)/generated from operating activities	(380,095)	533,590
Cash flow from investing activities		
Purchase of property, plant and equipment	(107,124)	(105,263)
Purchase of intangible asset	-	(215,500)
Proceeds from disposal of property, plant and equipment	5,923	12,353
Net cash utilised in investing activities	(101,201)	(308,410)
Cash flow from financing activities		
Repayment of borrowings	(19,914)	(307,108)
Proceeds from loans and borrowings	514,529	-
Dividend paid	-	-
Repayment of lease liability	(46,607)	(33,021)
Net cash generated/(utilised) in financing activities	448,008	(340,129)
Net decrease in cash and cash equivalents	(33,288)	(114,949)
Opening cash balance	376,994	769,810
Effects of currency translation on cash and cash equivalents	(76,031)	(372,602)
Closing cash and cash equivalents	267,675	282,259

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 elements of property and equipment at revalued amounts. The same accounting policies and methods of computation are followed in these Condensed Consolidated Interim Financial Results as compared with the most recent Annual Financial Statements. These financial statements were approved by the Board of Directors on 13 September 2024. These financial results are presented in United States Dollars (USD).

1.1 Determination of functional currency

The Group adopted the United States Dollar (USD) as the reporting and functional currency effective 1 January 2023.

The Reserve Bank of Zimbabwe (RBZ) introduced the Zimbabwe Gold (ZWG) as the new currency on the 5th of April 2024, replacing the Zimbabwean Dollar (ZWL). The Group's ZWL balances as of April 5th, 2024, were translated to ZWG at a rate of 2,499.

The Group converted its ZWL transactions and balances up to 5 April 2024 and ZWG transactions and balances from 6 April 2024 to 30 June 2024 to the Group's functional currency, the United States Dollar (USD), using the interbank exchange rates.

The closing interbank exchange rates used are as follows:

30 June 2023- 5,739.80 (ZWL)
31 December 2023 - 6,104.72 (ZWL)
30 June 2024 - 13.43 (ZWG)

The Directors have applied their judgement and believe that the functional currency for the period to 30 June 2024 remains the United States Dollars (USD).

Unaudited Condensed Consolidated Interim Financial Results

for the half year ended 30 June 2024

1.2 Statement of compliance

The condensed consolidated financial statements of the Group have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB) and 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

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 Condensed Consolidated Interim Financial Results are presented in United States dollars (USD), which is the Group's functional and presentation currency for the period ended 30 June 2024. 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

Group

Cost	Freehold Land & Buildings	Lease hold Improvements	Plant & Equipment	Motor Vehicles	Furniture & Office Equipment	Total
	USD	USD	USD	USD	USD	USD
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
Additions for the period	-	-	27,030	74,501	5,593	107,124
Disposals	-	-	(17,513)	(5,298)	(1,536)	(24,347)
Balance at 30 June 2024	7,065,000	37,205	6,914,800	569,076	295,241	14,881,322
Accumulated Depreciation						
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)
Depreciation for the period	(83,213)	(5,597)	(287,854)	(52,294)	(36,343)	(465,301)
Disposals	-	-	1,946	1,413	676	4,035
Balance at 30 June 2024	(249,638)	(20,412)	(852,285)	(127,160)	(97,385)	(1,346,880)
Carrying Amount						
Balance at 31 December 2023	6,898,575	22,390	6,338,906	423,594	229,466	13,912,931
Balance at 30 June 2024	6,815,362	16,793	6,062,515	441,916	197,856	13,534,442

Freehold land and buildings with a carrying amount of USD 6,815 thousand 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 Intangible asset

	Group	
	30 June 2024 USD Unaudited	31 Dec 2023 USD Audited
Balance at 1 January	193,950	-
Capitalisation of development costs	-	215,500
Amortisation charge for the period	(10,775)	(21,550)
Balance as at 30 June 2024	183,175	193,950

The total intangible asset figure relates to the acquisition and implementation of SAP B1 ERP software. The asset was capitalised on 1 June 2023 and will be amortised over 10 years.

5 Right of use asset

Balance at 1 January	182,438	294,570
Additions to right of use	211,588	41,273
Amortisation charge for the period	(82,714)	(153,405)
Balance as at 30 June 2024	311,312	182,438

6 Inventories

Raw materials	1,506,243	2,063,527
Finished goods	2,414,855	2,373,906
Work in progress	1,185,013	1,111,767
Spares and consumables	343,405	333,097
Provision for slow moving inventories	(361,216)	(258,786)
Total inventories	5,088,300	5,623,511

7 Trade and other receivables

Trade receivables	2,061,654	2,162,947
Prepayments	570,982	218,907
Deposits and other receivables	353,229	252,267
	2,985,865	2,634,121
Less: Allowances for doubtful receivables	(251,829)	(150,202)
Total trade and other receivables	2,734,036	2,483,919

8 Borrowings

Long term loan	214,529	-
Short term loan	476,716	200,000
Total borrowings	691,245	200,000

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 Trade and other payables

Trade payables	3,337,129	3,451,994
Accruals and other payables	426,473	824,800
Total trade and other payables	3,763,602	4,276,794

10 Financial assets and liabilities

	30 June 2024 USD Unaudited	31 Dec 2023 USD Audited
Assets as per statement of financial position		
Trade and other receivables (Excluding prepayments and statutory receivables)	2,328,041	2,277,652
Loans to directors (Included in trade and other receivables)	92,356	66,695
Cash and cash equivalents	267,675	376,994
Total	2,688,072	2,721,341

Liabilities as per statement of financial position

Borrowings and other payables (excluding statutory payments)	4,255,672	4,234,626
Lease liability	221,086	56,104
Total	4,476,758	4,290,730

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 the reporting date (June 2024-USD nil).

13 Capital Commitments

Capital Expenditure for the period to 30 June 2024 amounted to USD 107,124. The budgeted capital expenditure for the period to 31 December 2024 is USD 1,262,990. 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 Condensed Consolidated Interim Financial Results have been prepared on the assumption that the Group is a going concern.

15 Events after the Reporting Date

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

16 Dividends paid

No dividend has been declared with respect to the half year ended 30 June 2024.



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