Lafarge Cement Zimbabwe Limited

Audited Financial Results for the Year Ended 31 December 2014

LAFARGE
Building better cities™

CHAIRMAN'S STATEMENT

Introduction

We hereby present the financial results of the Company for the year ended 31 December 2014.

Operating environment

The liquidity constraints and the low average manufacturing capacity utilisation, which was reported at 36.3% compared to 39.6% for 2013, continued to have an adverse impact on business activities. The continued frequent power outages and retreating commodity prices did not spare economic performance. Due to the under performance by the major economic pillars, a GDP growth of 3.1% was recorded which was 0.4 percentage points lower than the 2013 level. The year on year rate of inflation was -0.8% compared to 0.33% for 2013. The economy continues to suffer from weak aggregate demand arising from tight liquidity and reduced disposable incomes.

The overall annual domestic demand for cement remained flat at 1 million tonnes compared to 2013 levels. The construction sector remained heavily dependent on individual home building and small scale projects.

Results

The gross turnover recorded in 2014 declined by 11% to USD60.4 million following a 7% reduction in local sales volumes and 3% reduction on average cement selling prices. Demand for cement and clinker exports in the Company's traditional markets remained low, and clinker export volumes declined by 15kt compared to the same period last year.

The Company incurred high maintenance costs in the first half of the year, following major plant maintenance works undertaken to improve the plant's performance. Despite the high maintenance costs that led to a half year loss, the Company returned to profitability in the second half of the year. Resultantly, the Company recorded a modest operating profit before other income, finance costs and tax of $1.1 million which was $4.6 million adverse to that achieved in 2013. The decline in operating profit was a result of low sales revenue and high production costs incurred during the year. Consequently, the profit before tax declined by $4.8 million to $0.4 million compared to 2013.

The impact of low sales volumes and late payments by customers due to the prevailing liquidity crisis resulted in an increase in debt. The Company incurred an additional $0.2 million in finance costs as short term borrowings were increased to meet its working capital requirements.

Basic earnings per share declined to 0.1 cents per share from 4.4 cents in 2013.

The current assets of the Company, excluding cash and cash equivalents, increased by $2.0 million to $29.6 million due to an increase in critical maintenance spares required to shorten plant stoppage durations due to breakdowns.

Cash generated from operations decreased to $5.7 million in 2014 compared to $11.6 million recorded in 2013. The adverse change was mainly a result of a lower EBITDA of $6.1 million compared to $13.6 million for 2013. Although inventory levels went up as a result of an increase in clinker stocks and maintenance spare parts, this was mitigated by a good performance on receivables due to stringent collections being implemented by the Company.

Capital expenditure

Despite the prevailing harsh economic environment, the Company invested $7.2 million in capital expenditure, of which $4.9 million went towards limestone quarry development.

Outlook

Although trading conditions are expected to remain difficult in 2015, I continue to be optimistic about the Zimbabwean economy. Some growth will be recorded from the anticipated increased activity in mining, construction and infrastructural development. The prospects for further growth, in the medium term, for domestic cement demand remain strong and the Company is well positioned to capture that growth.

Appreciation

I would like to express my appreciation to the management team, employees, my fellow directors as well as shareholders and various other stakeholders for their continued support and commitment. We continue to receive tremendous financial and technical support from the Lafarge Group and I take this opportunity to once again thank them in earnest for having been resilient: a clear demonstration of their confidence in our country.

J. Shoniwa
CHAIRMAN
6 March 2015

Dividend

The Directors have recommended that no dividend be declared due to the low profitability recorded by the Company during the year under review.

By order of the Board

F. Matanhire
COMPANY SECRETARY
6 March 2015

Registered Office
Manresa Works
Arcturus Road, Harare

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2014

	2014 $	2013 $
Revenue	**60,448,745**	**67,601,367**
Operating profit before other income, finance costs and tax	**1,051,580**	**5,612,785**
Other income	240,565	220,631
Profit before finance costs and tax	**1,292,145**	**5,833,416**
Finance costs	(934,350)	(692,677)
Profit before tax	**357,795**	**5,140,739**
Income tax expense	(276 845)	(1,648,269)
Profit for the year	80,950	3,492,470
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	**80,950**	**3,492,470**
Earnings per share		
Number of shares in issue	80,000,000	80,000,000
Basic earnings per share based on 80,000,000 shares in issue (cents per share)	0.1	4.4

ABRIDGED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	2014 $	2013 $
Profit for the year	**80,950**	**3,492,470**
Net cash from operations before working capital changes	**4,872,416**	**13,948,066**
Cash generated from operations	**5,708,424**	**11,552,680**
Net cash generated from operating activities	**3,557,873**	**9,071,439**
Net cash used in investing activities	**(7,027,162)**	**(9,045,367)**
Net cash generated from / (used in) financing activities	**3,839,030**	**(1,354,835)**
Net increase / (decrease) in cash and cash equivalents	**369,741**	**(1,328,763)**
Cash and cash equivalents at the beginning of the year	1,523,510	2,852,273
Cash and cash equivalents at the end of the year	**1,893,251**	**1,523,510**

ABRIDGED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	2014 $	2013 $
ASSETS		
Non-current assets		
Property, plant and equipment, intangibles and other non-current receivables	**38,401,967**	**36,923,280**
Current assets		
Current assets other than cash and cash equivalents	29,645,851	27,577,153
Cash and cash equivalents	1,893,251	1,523,510
Total current assets	**31,359,102**	**29,100,663**
Total assets	**69,941,069**	**66,023,943**
EQUITY AND LIABILTIES		
Capital and reserves		
Issued capital	800,000	800,000
Revaluation reserve	10,664,627	10,676,939
Share based payment reserve	47,785	71,677
Retained earnings	26,061,086	25,943,932
Total equity	**37,573,498**	**37,492,548**
Non-current liabilities		
Deferred tax	7,096,632	6,819,787
Provision for quarry rehabilitation	808,263	808,263
Total non-current liabilities	**7,904,895**	**7,628,050**
Current liabilities		
Trade and other payables, accruals and provisions	9,204,155	10,175,156
Related party payables	10,419,491	8,834,931
Borrowings	4,839,030	1,000,000
Current tax payable	-	893,258
Total current liabilities	**24,462,676**	**20,903,345**
Total equity and liabilities	**69,941,069**	**66,023,943**

ABRIDGED STATEMENT OF CHANGES IN EQUITY
for year ended 31 December 2014

	Issued capital $	Revaluation reserve $	Share-based payment reserve $	Retained earnings $	Total $
Balance at 31 December 2012	**800,000**	**10,914,209**	**95,569**	**22,190,300**	**34,000,078**
Total comprehensive income for the year	-	-	-	3,492,470	3,492,470
Transfer from share-based payments to retained earnings	-	-	(23,892)	23,892	-
Transfer from revaluation reserve to retained earnings	-	(237,270)	-	237,270	-
Balance as 31 December 2013	**800,000**	**10,676,939**	**71,677**	**25,943,932**	**37,492,548**
Total comprehensive income for the year	-	-	-	80,950	**80,950**
Transfer from share-based payments to retained earnings	-	-	(23,892)	23,892	-
Transfer from revaluation reserve to retained earnings	-	(12,312)	-	12,312	-
Balance at 31 December 2014	**800,000**	**10,664,627**	**47,785**	**26,061,086**	**37,573,498**

SUPPLEMENTARY INFORMATION
for the year ended 31 December 2014

Statement of compliance

The underlying financial statements to these results have been prepared in accordance with International financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements.

Accounting policies and reporting currency

There have been no changes in the Company's accounting policies since the date of the last audited financial statements. The underlying financial statements to these results are presented in United States dollars, which is the functional currency of the Company.

Contingent liabilities

The Company had no material contingent liabilities as at 31 December 2014.

Profit before tax

Profit before tax is shown after charging the following items of significance:

	2014 $	2013 $
Auditor's remuneration	86,535	83,000
Amortisation of intangible assets	28,289	10,143
Directors' fees	60,000	35,058
Technical fees	2,417,950	3,040,000
Employee benefits expense	10,105,769	9,060,595
Capital expenditure:		
Property, plant and equipment	2,217,763	3,718,658
Capitalised quarry stripping costs	4,942,901	6,964,892
	7,160,664	10,683,550
Depreciation and amortisation:		
Depreciation expense	3,771,098	3,958,712
Amortised quarry stripping costs	1,008,590	3,782,791
	4,779,688	7,741,503
Approved capital commitments at the date of approval of the financial statements	5,152,841	7,074,783

Borrowings

The Company's borrowings are all short term, secured and measured at amortised cost. Interest rates range from 4% per annum to 6.5% per annum. No loan terms were breached during the period.

The Company has provided security for its loan facilities by way of a deed of hypothecation for $3 million in favour of its bankers over Lots 1, 3a and 5 of Manresa which had a value of $ 2.4 million at 31 December 2014, and cession of fire policy over Lots 1, 3a and 5 of Manresa for $ 9.4 million. The Company also has an unconditional parental guarantee from Financiere Lafarge S.A. for $ 3 million.

Related party payables

Related party payables comprise broadly of the following:

Amounts payable to fellow group subsidiaries on non-trade related transactions	10,120,039	8,550,914
Amounts payable to fellow group subsidiaries on trade related transactions	299,452	284,017

The amounts due or payable are unsecured and will be settled in cash. No guarantees have been given or received.

Approval and events after the reporting period

The underlying financial statements to these results were approved by the Board on 6 March 2015. Subsequent to the reporting period date, there were no material adjusting or non-adjusting events warranting disclosure in this press statement.

Audit opinion

The Company's auditors, Deloitte & Touche, have issued an unqualified opinion on the underlying financial statements to these results.

Directors: J. Shoniwa (Chairman), I.F. Bingwa, D.L. Cruttenden*, M.A. Masunda, F. Matanhire▲, C.Moloseni*, S.M. Mutangadura*, A. Tantawi (Managing)▲
Audit Committee Members ▲Executive Directors