

LAFARGE CEMENT ZIMBABWE LIMITED

ABRIDGED FINANCIAL RESULTS

For the Year Ended 31 December 2020

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CHAIRMAN'S STATEMENT

The COVID19 pandemic was an unanticipated experience which tested the agility, resilience and tenacity of the Company. The operating environment in the first half of the year was characterised by a slowdown in economic activity caused by the work restrictions arising from the nationwide COVID-19 response initiatives instituted by government. The second half, however, saw a gradual improvement in business activity owing to the phased re-opening of the economy, albeit under strict public health protocols as COVID-19 lock down conditions were relaxed. The Company moved swiftly to define and implement measures to protect the business and strengthen the Company's resilience. Priorities for the year became focused on managing the health of employees, cash and costs.

A number of monetary policy adjustments were noted during the year and these included easing of trading currency restrictions to allow multicurrency transactions and the introduction of the foreign currency auction system. These policy changes improved the ease of doing business for the period under review.

It is pleasing to report that notwithstanding the COVID-19 pandemic impact and the challenging operating environment, the Company achieved a significant growth in profit for the year 2020 compared to prior year.

On behalf of the Board of Directors, I hereby present the financial results for the year ended 31 December 2020.

STRATEGIC AGENDA

Like other businesses in the country, the Company faced challenges as normal work routines, social structures, supply chains and operations were disrupted. However, in line with the LafargeHolcim 2022 Vision – Building for Growth, the Company maintained focus on the key strategic pillars of Winning at the customer, Creating sustainable industrial performance, Building winning teams and Restoring profitability. The targets set for the year for these pillars were successfully met through focused implementation underpinned by the Company's core values of performance, agility and proactiveness, collaboration and fairness.

HEALTH, SAFETY AND ENVIRONMENT

The Company continues to uphold the highest standards of Health and Safety through a robust cocktail of policies and programmes tailored to achieve zero harm in the Company's operations. In the context of the COVID-19 pandemic, the Company implemented a business resilience programme prioritising employee wellness and business continuity. This programme saw the Company carry out rigorous infection prevention mechanisms complemented by robust COVID-19 case management protocols and support systems.

In addition to health and safety, the Company is committed to sustainable environmental practices and subscribes to the Net Zero Pledge to reduce carbon emissions by 2030 as part of the LafargeHolcim Group global commitment. There is no letting up on continuous improvement to reduce dust emissions and other environmental impacts.

INFLATION ADJUSTED FINANCIAL PERFORMANCE

The business posted a much-improved financial performance for the year in spite of the COVID-19 induced operational challenges. Revenue for the year grew by 68.5% to ZW\$6.9 billion (ZW\$4.1 billion). This is attributed to significant volume growth in the Dry Mortars business and a market shift towards high strength cement which influenced a significant change in the cement product mix.

Despite losing a full month of production and sales in April 2020 due to the COVID-19 induced national lockdown the cement volumes recovered in subsequent months, with particularly strong performance in the third quarter closing at full year cement volume performance at 6% below prior year. Whilst demand was strong, volume growth was limited by capacity constraints owing to the loss of production during the April 2020 lockdown.

In the Dry Mortars business, volumes grew by a remarkable 115% compared to the prior year. This is attributed to the relaunch of the Supagrow and Supafix range backed by active market sensitisation of the products which has led to wider product adoption.

The gross profit margins grew by 12.4% to 60.6% (53.9%: 2019). The recognition and realisation of the RBZ instruments improved the Company's overall operating costs through reduction of foreign currency exchange losses ZW\$336 million (2019: ZW\$3.5 billion). The combination of the revenue growth, reduced costs and reduction in foreign exchange losses resulted in the Company turning an operating profit of ZW\$1.9 billion compared to prior year loss of ZW\$2.7 billion. The Company's net monetary position during the period remained favourable in inflation terms which resulted in an increase in the net monetary gain to ZW\$406 million (2019: ZW\$759 million) culminating in a profit for the year of ZW\$3.1 billion (2019: loss ZW\$3.5 billion)

HYPERINFLATION AND REGULATORY ENVIRONMENT

As previously reported, the Public Accountants and Auditors Board (PAAB), declared that Zimbabwe met the conditions for financial reporting of an economy in hyperinflation with effect from 1 July 2019. Consequently, all entities reporting under International Financial Reporting Standards (IFRS) are required to comply with IAS 29 'Financial Reporting in Hyperinflationary Economies'. Consequently, the business continues to present hyperinflation adjusted financial statements on which the commentary is based. Historical information has been presented as unaudited supplementary information.

Lafarge Cement Zimbabwe Limited ("Lafarge" or "the Company") is currently assisting authorities with investigations pertaining to allegations of transactions suspected to have been made in contravention of the Exchange Control Regulations. These investigations began on 25 August 2020 and the Company initiated an internal investigation in order to determine whether or not there had been any breaches of Exchange Control Regulations or internal controls. Company internal investigations showed non-compliance in company internal control procedures and breaches of the company Code of Conduct. The necessary corrective actions have been taken in line with the Lafarge Cement Zimbabwe Code of Conduct.

These breaches in regulations and internal controls during the year resulted in a consequential weakening of the general internal control environment. The Company made a number of bold and significant changes in the finance and internal control team. A seasoned Chief Finance Officer was added to the team among other senior staff changes. Leveraging from LafargeHolcim Group, a thorough review of the various processes and procedures was done. The board considers that the corrective measures which have been implemented since these problems came to light will lead to necessary improvement in the current year.

Lafarge Cement Zimbabwe Limited at all times conducts its business in compliance with the highest standards of integrity and transparency, while adhering to the LafargeHolcim Code of Business Conduct and the local laws. As a company listed on the Zimbabwe Stock Exchange, Lafarge is subject to regular external audits and periodic publication of the company's financial performance.

CAPITAL EXPENDITURE

The business continues with the implementation of the previously announced USD 25 million capital expansion programme. This three-pronged investment plan is now in its final phase of implementation following the successful installation of alternative power infrastructure in 2019 and the successful completion of the automated Dry Mortars Plant in 2021. The production capacity for the Dry Mortars business has effectively increased from 7 000t per annum to 100 000t per annum, making the Company the biggest producer of Dry Mortar products in Zimbabwe. Significant volume growth is therefore foreseen in the Dry Mortars business following the plant commissioning in April 2021.

The third investment project is the installation of the Vertical Cement Mill (VCM), earmarked to double cement milling capacity. The supply contract was signed in August 2020 and the manufacturing of the plant commenced the following month. Civil works for the VCM have since started and expected completion date for the project is February 2022.

BOARD AND MANAGEMENT

Following the transfer of Kaziwe Kaulule to Lafarge South Africa in March 2020, Precious Murena was appointed CEO of Lafarge Cement Zimbabwe effective 1 March 2020. The Board is confident that she will lead the business effectively to deliver shareholder value.

Two Non-Executive Directors resigned from the Board in the same year. I would like to thank Mr. Dominique Gilbert Francis Drouet who resigned on 31 March 2020 and Mr. Pierre Marie Santiago Deleplanque who resigned from the Board on 10 November 2020 for their dedicated service to the organisation during their respective tenures. Mr. Fungai Kovihiwa, Executive Director also resigned from the Board on 23 September 2020.

Further to those changes, we welcomed two new directors to the Board in 2020. Gloria Zvaravanhu was appointed as an Independent Non-Executive Director with effect from 21 May 2020. Gloria brings to the board a wealth of experience and knowledge in financial and general management. Virginie Darbo, who is with the LafargeHolcim Group, was appointed as a Director with effect from 10 November 2020.

DIVIDEND

Due to the uncertainties that prevail in the economic environment and the desire to ensure that adequate working capital is maintained in the business, the Directors have not declared a dividend.

APPRECIATION

The 2020 results reflect the focused leadership demonstrated by the directors and management during a difficult and unprecedented pandemic season. I would like to express my sincere gratitude for this performance.

I also want to extend a very special word of gratitude to all the employees for facing up to the challenges, for trusting and cooperating with the leadership direction to finally deliver the continually improving results.

OUTLOOK

The protracted impact of the COVID-19 pandemic on the business environment is anticipated to remain for the greater part of the year 2021, given that the year began with yet another COVID-19 induced lockdown. COVID-19 accelerated a number of trends globally that have also been seen in the Zimbabwean market. The Company will continue to adapt its business strategy so as to thrive in the changing environment.

CHAIRMAN'S STATEMENT (continued)

The combination of a reduced COVID-19 disruption and the anticipated good harvest from the 2020/2021 agricultural season should be positive for the economy. The Company is optimistic on the possible opportunities in the infrastructure sector as the Government has announced that the 2021 National Budget has a provision of ZW\$4.3 billion for infrastructure development. Furthermore, with a good agricultural season, the Company sees growing opportunities in the Individual Home Builder segment. The Company is optimistic for continued profitable growth.

By Order of the Board

K. C. Katsande

K. C. Katsande
Chairman of the Board of Directors

9 July 2021

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the period ending 31 December 2020

	Inflation Adjusted		Historical	
	2020 ZW\$ 000	Restated 2019 ZW\$ 000	Unaudited 2020 ZW\$ 000	Unaudited Restated 2019 ZW\$ 000
Revenue	6,926,386	4,119,780	2,854,212	422,272
Operating profit/ (loss) before other income, finance costs and tax	1,802,482	(2,746,591)	595,782	(516,932)
Other income	155,893	11,965	60,600	726
Profit/ (loss) before finance costs and tax	1,958,376	(2,734,626)	656,382	(516,206)
Finance costs	(372,223)	(213,364)	(154,191)	(23,326)
Net Monetary gain on Inflation Adjustment	406,201	759,937		
Profit / (loss) before tax	1,992,354	(2,188,053)	502,191	(539,531)
Income tax	1,122,057	(1,334,723)	86,895	(128,390)
Profit / (loss) for the year	3,114,411	(3,522,776)	589,085	(667,921)
Other comprehensive income, net of tax	-	1,391,373	1,279,635	310,267
Total comprehensive income / (loss) for the year	3,114,411	(2,131,403)	1,868,720	(357,654)
Earnings per share				
Number of shares in issue	80,000,000	80,000,000	80,000,000	80,000,000
Basic / Diluted earnings / (loss) per share based on 80,000,000 shares in issue (ZW\$ per share)	38.930	(44.035)	7.364	(8.349)
Headline Earnings per share	38.864	(44.469)	7.323	(8.383)

ABRIDGED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Inflation Adjusted		Historical	
	2020 ZW\$ 000	Restated 2019 ZW\$ 000	Unaudited 2020 ZW\$ 000	Unaudited Restated 2019 ZW\$ 000
ASSETS				
Non-current assets				
Property, plant and equipment	2,806,798	2,454,326	2,481,595	482,922
Current assets				
Inventories	516,158	786,940	365,840	58,146
Prepayments and deposits	381,006	507,258	329,852	39,578
Trade and other receivables	406,049	116,175	406,049	25,906
Related Party Receivables	55,789	71,479	55,789	15,939
Short term investments	10,004	19	10,004	4
Cash and cash equivalents	127,480	421,889	127,480	94,079
Total current assets	1,496,486	1,903,761	1,295,014	233,652
Total assets	4,303,284	4,358,087	3,776,609	716,574
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital	22,284	22,284	800	800
Revaluation reserve	1,391,373	1,391,373	1,589,902	310,267
Retained earnings/(accumulated loss)	663,386	(2,451,025)	(40,335)	(629,420)
Total equity / (deficit)	2,077,043	(1,037,368)	1,550,367	(318,353)
Non-current liabilities				
Long term borrowings	294,202	2,220,658	294,202	495,193
Deferred tax liabilities	366,146	1,668,988	366,146	203,948
Provision for quarry rehabilitation	84,522	102,005	84,522	22,746
Total non-current liabilities	744,870	3,991,651	744,870	721,887
Current liabilities				
Trade and other payables	455,440	679,686	455,440	151,566
Related party payables	783,330	658,976	783,330	146,947
Provisions	48,957	23,909	48,957	5,332
Borrowings	47,575	8,138	47,575	1,815
Current tax payable	146,070	33,094	146,070	7,380
Total current liabilities	1,481,372	1,403,804	1,481,372	313,040
Total equity and liabilities	4,303,284	4,358,087	3,776,609	716,574

K. C. Katsande

K. C. Katsande

Chairman
9 July 2021

P. Murena

P. Murena

Chief Executive Officer
9 July 2021

NEW PRODUCT

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ABRIDGED FINANCIAL RESULTS

For the Year ended 31 December 2020

ABRIDGED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2020

Inflation Adjusted

	Share capital ZWS '000	Revaluation Reserve ZWS '000	Retained earnings ZWS '000	Total equity ZWS '000
Balance at 1 January 2019	22,284	348,409	723,342	1,094,035
Net loss for the period (restated)	-	-	(3,522,776)	(3,522,776)
Transfer from revaluation reserve to retained earnings	-	(348,409)	348,409	-
Revaluation gain net of tax	-	1,391,373	-	1,391,373
Balance at 31 December 2019 (restated)	22,284	1,391,373	(2,451,025)	(1,037,368)
Net profit for the period	-	-	3,114,411	3,114,411
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	3,114,411	3,114,411
Balance at 31 December 2020	22,284	1,391,373	663,386	2,077,043

*Historical cost

	Share capital ZWS '000	Revaluation Reserve ZWS '000	Retained earnings ZWS '000	Total equity ZWS '000
Balance at 1 January 2019	800	12,508	25,969	39,277
Net loss for the period (restated)	-	-	(667,921)	(667,921)
Transfer from revaluation reserve to retained earnings	-	(12,508)	12,508	-
Revaluation gain net of tax	-	310,267	-	310,267
Prior period adjustment	-	-	25	25
Balance at 31 December 2019 (restated)	800	310,267	(629,420)	(318,353)
Net profit for the period	-	-	589,085	589,085
Revaluation gain net of tax	-	1,279,635	-	1,279,635
Balance at 31 December 2020	800	1,589,902	(40,335)	1,550,367

ABRIDGED STATEMENT OF CASH FLOWS

for the period ending 31 December 2020

	Inflation Adjusted		Historical	
	2020 ZWS '000	2019 ZWS '000	Unaudited 2020 ZWS '000	Unaudited 2019 ZWS '000
Profit / (loss) for the year	3,114,411	(3,522,776)	589,085	(667,921)
Net cash generated from operations before working capital changes	2,596,447	1,661,997	801,760	85,731
Cash generated from (used in) operations	2,585,972	(199,515)	709,201	120,714
Net cash generated from (used in) operating activities	2,204,422	(520,388)	581,075	78,677
Net cash (used in)/ generated from investing activities	(611,810)	99,988	(392,443)	(30,146)
Net cash (used in) / generated from financing activities	(1,887,021)	449,802	(155,231)	31,457
Net (decrease) / increase in cash and cash equivalents	(294,409)	29,403	33,401	79,988
Cash and cash equivalents at the beginning of the year	421,889	392,486	94,079	14,091
Cash and cash equivalents at the end of the year	127,480	421,889	127,480	94,079

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Lafarge Cement Zimbabwe Limited ("the Company") is incorporated in Zimbabwe and is engaged in the manufacture and distribution of cement and allied products. Its parent company is Lafarge (SA), a French company, and its ultimate holding company is LafargeHolcim Ltd, a Swiss company which is listed on the SIX, Zurich and Euronext, Paris Stock Exchanges. The address of its registered office and principal business is Manresa Works, Arcturus Road, Greendale, Harare, Zimbabwe.

The Company's financial statements are presented in Zimbabwe dollar (ZWL). Amounts have been rounded to the nearest thousand dollars (ZWL'000). The historical cost amounts have been presented as supplementary information, and the auditors have not expressed any opinion on those numbers.

2. APPROVAL OF ABRIDGED FINANCIAL STATEMENTS

The abridged financial statements were approved by the Board of Directors and authorised for issue on 9 July 2021.

3. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis except for certain property, plant and equipment items that are measured at revalued amounts, and certain financial instruments measured at amortised cost, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Appropriate adjustments for changes in the general purchasing power of the Zimbabwe dollar for the purposes of fair presentation in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, have been made in these financial statements to the historical cost financial information of the Company.

IAS 29 Financial Reporting in Hyperinflationary Economies, requires that the financial statements be prepared in the currency of a hyperinflationary economy and be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement was calculated by means of conversion factors derived from the Zimbabwe Consumer Price Index (CPI) issued by the Zimbabwe Central Statistical Office.

The indices and conversion factors used to restate the accompanying financial statements at 31 December 2020, are as follows:

Dates	Indices	Conversion Factor
CPI as at 31 December 2020	2 474.5	1.000
CPI as at 31 December 2019	551.63	4.49
Average CPI 2020	1 579.09	
Average CPI 2019	240.27	

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The financial statements have been prepared on the going concern basis which the Directors believe to be appropriate.

4. GOING CONCERN

In preparing the financial statements, the Directors and management are required to make an assessment of the Company's ability to continue as a going concern. At the time of preparing the financial statements, there were no material uncertainties related to events and conditions prevailing within the country's economic environment that could cast significant doubt on its ability to continue as a going concern.

The Directors and management are continuously monitoring and evaluating the Company's operating landscape to re-assess and appropriately adapt its strategies around the existing Covid-19 pandemic. This is to ensure the continued operation of the Company into the foreseeable future. Such strategies include taking advantage of government policies and initiatives intended to support the continued operation of the Company, and continuously engaging related parties within the LafargeHolcim Group to ensure intercompany obligations are managed and settled in a manner that does not negatively impact operations.

The Directors have concluded that the Company's various responses are adequate, and that there are no uncertainties which can hinder the ability of the Company to continue operating as a going concern.

5. BLOCKED FUNDS REGISTRATION

In April of 2020, the Company successfully registered, with the Reserve Bank of Zimbabwe ("RBZ"), blocked funds amounting to US\$31 million. These blocked funds are in respect of outstanding amounts towards loans and foreign suppliers. The registration is consistent with the blocked funds guidelines provided in the Exchange Control Directive RU28 dated 21 February 2019 and Exchange Control Circular No. 8 of 24 July 2019. Of the total amount registered, the Company managed to draw down US\$3.7 million during the year. The related amount has been recognized in the 2020 financial results.

6. RELATED PARTY TRANSACTIONS

	Inflation Adjusted		Historical	
	2020 ZWS '000	2019 ZWS '000	Unaudited 2020 ZWS '000	Unaudited 2019 ZWS '000
Purchases of goods from related parties	1,015,856	998,464	485,103	186,854
Balances owed to related parties for goods and services	783,330	658,976	783,330	146,947
Balances receivable from related parties for goods and services	55,789	71,479	55,789	15,939

7. 2019 RESTATEMENT DUE TO RECLASSIFICATION OF RELATED PARTY LOAN

	INFLATION ADJUSTED ZWL '000		HISTORICAL COST ZWL '000	
	As previously reported	Restated	As previously reported	Restated
Other gains and losses	(1,364,672)	(3,491,482)	(183,709)	(572,993)
Profit before interest and finance costs	(607,816)	(2,734,626)	(126,922)	(516,206)
Profit before tax	2,133,873	(2,188,053)	(150,247)	(539,531)
Profit after tax	799,150	(3,522,776)	(278,637)	(667,921)
Total profit and loss and other comprehensive income	2,190,523	(2,131,403)	31,630	(357,654)

In 2019, the entity reported exchange losses from the related party loan into other components of equity. This was reclassified to profit and loss.

Statement of financial position

	INFLATION ADJUSTED ZWL '000		HISTORICAL COST ZWL '000	
	As previously reported	Restated	As previously reported	Restated
Other equity reserve	(2,101,268)	-	105,909	-
Retained Earnings	1,870,902	(2,451,025)	(240,136)	(629,420)
Total equity	1,183,290	(1,037,368)	176,840	(318,352)
Long term borrowings	-	2,220,658	-	495,193
Total non-current liabilities	1,770,993	3,991,652	226,695	721,887

The loan from group related company was classified and presented as a quasi-equity loan and presented as equity as other equity reserve. This classification was changed in the current year and presented as a liability. The above illustrates the impact of the reclassification.

8. Auditors statement

The abridged financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2020, which have been audited by Deloitte & Touche, with the responsible partner being Stelios Michael.

A disclaimer of opinion was issued thereon, in respect of:

- Functional currency and exchange rates, as requirements of IAS 21 The Effects of Foreign Exchange Rates were not complied with in both the current year and prior periods;
- The IAS 21 non-compliance also has consequential impact on the inflation adjusted amounts determined in terms of IAS 29 and translation to presentation currency of foreign currency determined fair values;
- Recognition of blocked funds in the absence of direct contractual agreement between the company and the Reserve Bank of Zimbabwe, and
- The limitations on evidence around transactions with respect to matters mentioned in the Chairman's Statement, and ineffectiveness of related internal controls over foreign currency transactions.

The auditor's report on the financial statements, which forms the basis of these financial results, is available for inspection at the Company's registered office.