PPC Ltd
(Incorporated in the Republic of South Africa)
(Company registration number 1892/000667/06)
JSE ISIN: ZAE000170049
JSE code: PPC ZSE code: PPC
("PPC" or "Company")

RESTATEMENT OF PRIOR YEAR RESULTS, TRADING STATEMENT, DELAY IN REPORTING OF 31 MARCH 2020 FINANCIAL RESULTS AND OPERATIONAL UPDATE

RESTATEMENTS TO PRIOR PERIOD FINANCIAL RESULTS

Shareholders of the Company ("Shareholders") are referred to the audited financial statements for the year ended 31 March 2019 ("Prior year"), announced on Stock Exchange News Service ("SENS") on 26 July 2019. The Company wishes to advise shareholders that during the audit process for the year ended 31 March 2020, prior year errors were identified and corrected. The corrections and financial impact are detailed below.

1) Equity-accounted investment in Habesha

Habesha Cement Share Company ("Habesha") is an Ethiopian equity accounted investment held by PPC (refer note 20 of the prior year annual financial statements). In the prior year PPC concluded that no impairment of the investment was required. The Board is however of the opinion that the investment of R146 million should have been fully impaired in the prior year. It follows that the impairment of R93 million and the equity accounted losses of R54 million in the interim results dated 30 September 2019 will also be reversed following full impairment of the investment as at 31 March 2019.

2) Zimbabwe financial asset fair value

The PPC Zimbabwe financial asset arose when its US$ denominated Zimbabwe loan was registered with the Reserve Bank of Zimbabwe ("RBZ") (refer note 8 of prior year annual financial statements). The loan qualifies as legacy debt and a Zimbabwe dollar ("ZWL") amount equivalent to the US$ loan balance was transferred to the RBZ, which amount qualifies for the 1:1 conversion of US$ to ZWL. The financial asset represents the difference between the prevailing ZWL:US$ exchange rate as at 31 March 2020 and the 1:1 rate approved by the Zimbabwe authorities for the settlement of the US$ Zimbabwe loan.

No adjustment was applied for credit risk as at 31 March 2019. Considering the fact that PPC did raise an expected credit loss adjustment on the Zimbabwe government bonds as at that date, the Board believes it would also have been appropriate to apply the same percentage fair value credit risk adjustment against the Zimbabwe financial asset as at that date. As a result, the prior year results will be restated to take into account a pre-tax fair value adjustment of R36.7 million. It follows that the pre-tax income statement impact of the fair value adjustment in the interim results dated 30 September 2019 will be reduced from R76 million to R39.3 million.

3) Foreign currency translation reserve and exchange differences

At 31 March 2019, PPC Ltd recognised exchange gains of R116 million that arose from translation of the Democratic Republic of the Congo ("DRC") deficiency loan in the statement of profit or loss in its separate financial statements. In the Group consolidated annual financial statements, the exchange differences were accounted for in other comprehensive income and accumulated in the foreign currency translation reserve, as the Group considered the exchange differences to have arisen from the net investment in the foreign operation. The Board believes it was not appropriate to consider the loan as part of the net investment in the foreign operation and accordingly the pre-tax exchange gain of R116 million should have been recorded in the statement of profit or loss in the PPC consolidated financial statements in the prior year. As a result the prior year results will be restated to reflect the exchange gain. This adjustment has no impact on the 30 September 2019 interim results.

4) Other individually immaterial errors

Several smaller individually immaterial errors have been noted relating to reallocation of intangible assets, reallocation between reserves and reclassification of investments as treasury shares. Cumulatively these errors have no impact on earnings.

The cumulative after-tax impact of all the above-mentioned prior year restatements is a decrease in basic earnings per share from the previously stated 16 cents per share to 9 cents per share, and an increase headline earnings per share from the previously stated 20 cents per share to 23 cents per share. Net asset value is decreased by R174 million from R9.3 billion in the prior year. Management has initiated, and will continue to implement, improvements to the internal control environment and related governance processes to ensure integrity of the information published.

TRADING STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

Further to the announcement on the 23 June 2020, indicating that financial results for the period ended 31 March 2020 will differ by more than 20% from those of the previous corresponding period 31 March 2019, the Company would like to update its Shareholders as outlined below.

Group revenue for the year ended 31 March 2020 is expected to decrease by less than 5% compared to the prior year (March 2019: R10.409 billion). Earnings before interest, tax, depreciation and amortisation ("EBITDA"), is expected to decrease by a range of 15% to 20% compared to prior year (March 2019: R1.946 billion). Basic earnings per share is expected to reflect a loss per share of between 110 and 130 cents per share (reflecting a difference of more than 100%), compared with the restated 9 cents per share achieved for the prior comparable period ended 31 March 2019. Headline earnings per share is expected to be between 25 cents and 30 cents per share (reflecting a difference of between 8.7% and 30.4%) compared with the restated 23 cents per share achieved for the prior comparable period ended 31 March 2019.

The difference between the basic earnings per share and headline earnings per share relates to the impairment of property, plant and equipment in South Africa Cement, PPC Barnet DRC and Readymix, as well as impairment of certain intangible assets and goodwill. These impairment considerations were affected by the economic impact of the Covid-19 pandemic. The financial consequences of the closure of the Group's plants during lockdown periods of varying lengths depending on the jurisdiction, and the uncertain economic outlook and recovery periods resulting from the economic impact of Covid-19 have been factored into the cash flow forecasts utilised in impairment assessment of the cash generating units of the Group.

Included in headline earnings per share is a net monetary gain of between R625 million and R675 million relating to the hyperinflation accounting in Zimbabwe.

DELAY IN REPORTING OF 31 MARCH 2020 FINANCIAL RESULTS

PPC announced on 23 July 2020 that the Company's financial results for the year ended 31 March 2020 would be published on or about 31 August 2020. The Company took advantage of the dispensation granted by the JSE to delay the publication of its results by two months and at the time expected to be able to meet that publication date.

The impact of the Covid-19 pandemic on the year-end and audit process has however been more severe than initially anticipated. This was due to various levels and extensions of lockdowns in the countries in which the Group trades, challenges and delays caused by working remotely during this period and additional analyses required due to the financial impact of Covid-19 on accounting judgements and estimates.

In addition, and as communicated to the shareholders of PPC in the announcement on 13 August 2020 on SENS, the Company is undertaking a restructuring and refinance project with the objective of implementing a sustainable capital structure. PPC expects to reach certain key milestones on this project in the coming weeks, which will have an impact on the finalisation of the Company's financial results.

Given these matters outlined above, PPC is unable to publish audited results by 31 August 2020. PPC, therefore, expects to announce the year ended 31 March 2020 financial results by no later than 30 September 2020. PPC is conscious of its reporting obligations to regulators and shareholders and is doing everything within its control to fulfil its obligations.

OPERATIONAL UPDATE APRIL 2020 – JULY 2020

As reported to investors in the company's 30 April 2020 and 23 July 2020 operational updates, PPC's cement operations ramped up in May 2020 post the Covid-19 restrictions imposed at the end of March 2020 across most of the jurisdictions in which the Group operates. The double digit year-on-year growth of cement volumes in South Africa during June continued in July as cement sales volumes in South Africa once again showed double digit growth compared to July 2019. This was achieved on the back of the strong reduction of imports. Also, the resumption of construction activities and the temporary effect of high activity in construction projects to catch up on the delivery of these projects have had a positive impact. As some of these positives might be temporary and given the economic outlook, PPC continues with the implementation of measures to reduce costs and increase cash generation from its operations. The total cement volumes sold by the international subsidiaries also showed double digit growth comparing July 2020 with July 2019. The demand is especially strong in Zimbabwe and Rwanda and the growth of sales volumes during July has been positive in the DRC as well. The increased sales volumes and the effect of the cost reduction and cash preservation measures have resulted in cash flows for the last months showing a positive trajectory.

The financial information contained in this announcement has neither been reviewed nor reported on by the Company's external auditors.

Sandton
18 August 2020
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