

KHAYAH CEMENT LIMITED UNAUDITED PRELIMINARY FINANCIAL RESULTS

For the Six Months Ended 30 June 2023



CHAIRMAN'S STATEMENT

INTRODUCTION

I hereby present the business performance report for Khayah Cement Limited [formerly Lafarge Cement Zimbabwe Limited] (the Company) for the six months period covering 1 January to 30 June 2023.

NAME CHANGE

The company changed its name from Lafarge Cement Zimbabwe Limited to Khayah Cement Limited with effect from 9 May 2023 following the passing of a Special Resolution by the company's shareholders.

TRADING ENVIRONMENT

The first quarter of 2023 witnessed a continuation of the positive effect of the tight monetary fiscal stance adopted by Government in the third quarter of 2022 which was aimed at stabilising both the foreign currency exchange rate and the prices of basic commodities. The interventions implemented by Government resulted in the following positive effects on economic performance;

- Annual inflation declining from 101.5% in December 2022 to 75.2% in April 2023.
- Month-on-month inflation at 2.4% in April 2023, remained at the same level recorded in December 2022.

The country, though, experienced a significant depreciation of the foreign currency exchange rate between April 2023 and June 2023 primarily driven by both demand and supply factors which resulted in considerable inflationary pressures. Consequently, month-on-month inflation increased from 2.4% at the start of the second quarter to 74.5% in June 2023 with annual inflation increasing from 75.2% at the start of the quarter to 175.8% in June 2023 mainly driven by a weak foreign currency exchange rate as well as the spillover effect of the global supply chains disruptions and rising commodity prices emanating from the Russia-Ukraine conflict.

Notwithstanding the negative effect of the foreign currency exchange rate instability and high inflation levels experienced during the second quarter of 2023, the company benefitted from the following measures implemented by the monetary authorities during the first half of the year;

- Increase in the foreign currency retention rate from 75% to 85% which effectively resulted in an increase in cash generation; and
- Decrease in the bank lending rate to individuals from 100% per annum to 75% per annum which resulted in increased purchasing power for individual home builders.

It is also worth noting that the demand for both low and high strength cement remained strong during the period under review.

On behalf of the Board of Directors, I hereby present the unreviewed financial results for the half year ended 30 June 2023. The publication of the reviewed financial results for the period under review has been impacted by the delay in finalising the year ended 31 December 2022 external audit. The reviewed results for the half year ended 30 June 2023 will be published by 31 March 2024.

INFLATION ADJUSTED FINANCIAL PERFORMANCE

The company's main focus during the period under review was on stabilising the business which was successfully achieved.

Inflation adjusted revenues increased by 210% to close at ZWL 99.8 billion (2022: ZWL32.2 billion) over the comparative period. Cement volumes increased by 117% as production ramped up following the restoration of the collapsed cement mill roof and commissioning of the new Vertical Cement Mill (VCM) whilst aggregates and Dry Motor (DMO) volumes increased by 213% and 211% respectively versus the same period last year. The company earned 89% of its revenue in foreign currency, an increase of 100% from the previous year's comparative period. The Gross Profit margin decreased slightly from 37.1% recorded in the prior year comparative period to 35.3% recorded in the period under review. The proportion of sales, general and administration expenses to revenue improved from 54% recorded in the prior year's comparative period to 41% during the period under review as management focused on cost containment as well as operational efficiencies.

The Company incurred an inflation adjusted Operating Loss of ZWL378.4 billion up from the ZWL38.7 billion registered in the prior period. The increase in the Operating Loss position was primarily driven by the foreign currency exchange losses arising from the revaluation of the foreign currency denominated long term borrowing. This was, in turn, a result of the depreciation of the local currency against the US\$ which moved from US\$1: 671.45 at the end of December 2022 to US\$1: 5,739.80 at the end of June 2023. The Company recorded an overall loss position of ZWL265.2 billion, up from ZWL48.8 billion recorded in the prior year's comparative period.

BORROWINGS

The Company had net long term borrowings of ZWL 268.3 billion as at 30 June 2023 (30 June 2022: ZWL 62.6 billion).

HEALTH, SAFETY AND ENVIRONMENT

Health, safety and environmental issues continue to be at the core of the Company's values, supported by policies and programmes tailored to achieve zero harm in its operations. The Company has a zero-tolerance attitude towards negligence in the workplace. Health, safety, environment and quality systems are continually upgraded and improved, in line with world class standards to enhance performance in accordance with the Company's Zero Harm policy

The Board and Management are committed to providing a safe and healthy working environment for employees, contractors and all our stakeholders. During the period under review, it is pleasing to report that no fatalities or serious injuries were recorded at any of the Company's operations or projects. During the same period, the Company did not incur any environmental penalties.

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 International Accounting Standard (IAS) 29 'Financial Reporting in Hyperinflationary Economies'. The business therefore continues to present hyperinflation adjusted financial statements on which the commentary is based. Historical information has been presented as unaudited supplementary information.

DIVIDEND

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

APPRECIATION

I would like to extend a very special word of gratitude to our customers, suppliers and various stakeholders who have supported the business through thick and thin, to all the employees for facing up to the challenges as well as trusting and co-operating with the leadership's direction to manage the relentless headwinds which were encountered during the period under review.

OUTLOOK

We welcome and support efforts by Government and regulatory agencies to stabilise the macro-economic environment and maintain the viability of the cement industry. Dominant factors in the second half of the year will likely be centered around maintaining stability in the country, especially after the harmonised elections which were held in August 2023 and also focus on effective solutions to sustain economic growth into the future. We maintain a positive view of the outlook in the medium to long-term, with sustainable growth expected to be anchored on growth in agriculture, the individual household sector and Government-funded infrastructure projects. The medium to long-term outlook remains positive.

By Order of the Board

K. C. Katsande
Chairman of the Board of Directors

2 February 2024

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the period ended 30 June 2023

Notes	Inflation Adjusted		Historical Cost		
	Unreviewed June 2023 ZWL'000	Reviewed June 2022 ZWL'000	Unreviewed June 2023 ZWL'000	Unreviewed June 2022 ZWL'000	
Revenue	5	99,793,331	32,185,705	58,263,011	4,424,897
Cost of sales		(64,521,858)	(20,243,496)	(37,115,267)	(2,248,739)
Gross profit		35,271,473	11,942,209	21,147,744	2,176,158
Other losses	12	(372,639,921)	(33,325,364)	(277,171,383)	(6,736,207)
Quarry rehabilitation movement		(92,263)	(89,407)	(49,382)	12,123
Distribution expenses		(6,658,903)	(1,205,624)	(4,298,761)	(155,006)
Administration expenses		(34,426,674)	(16,045,001)	(17,223,632)	(2,142,764)
Other income		164,927	51,671	138,435	6,715
Operating loss		(378,381,361)	(38,671,516)	(277,456,979)	(6,838,981)
Finance costs		(7,755,368)	(2,292,537)	(4,737,728)	(335,729)
Gain on net monetary position		168,816,524	(6,481,105)	-	-
Loss before tax		(217,320,205)	(47,445,158)	(282,194,707)	(7,174,710)
Income tax (expense) / credit	8	(47,919,034)	(1,337,139)	(53,594,259)	1,698,619
Loss for the period		(265,239,239)	(48,782,297)	(335,788,966)	(5,476,091)
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive loss for the period		(265,239,239)	(48,782,297)	(335,788,966)	(5,476,091)
Number of shares		80,000,000	80,000,000	80,000,000	80,000,000
Basic and diluted loss per share (ZWL per share)	6	(3,315.49)	(609.78)	(4,197.36)	(68.45)
Headline loss per share (ZWL per share)		(3,327.06)	(610.10)	(4,203.98)	(68.51)

ABRIDGED STATEMENT OF FINANCIAL POSITION as at 30 June 2023

Notes	Inflation Adjusted		Historical Cost		
	Unreviewed June 2023 ZWL'000	Reviewed June 2022 ZWL'000	Unreviewed June 2023 ZWL'000	Unreviewed June 2022 ZWL'000	
ASSETS					
Non-current assets					
Property, plant and equipment	10	143,900,502	148,236,046	44,398,731	45,039,601
Financial asset @ amortised cost		20,313,623	7,298,053	20,313,623	2,336,313
Total non-current assets		164,214,125	155,534,099	64,712,354	47,375,914
Current assets					
Inventories		28,620,867	20,194,810	20,599,047	4,234,532
Prepayments and deposits		11,764,929	5,297,321	5,449,635	1,145,863
Trade and other receivables		25,741,007	3,678,339	25,741,007	1,152,186
Related party receivables	7	-	299,276	-	95,807
Current tax asset		2,244,168	-	2,244,168	-
Cash and bank balances		4,385,108	5,779,262	4,385,108	1,850,105
Total current assets		72,756,079	35,249,008	58,418,965	8,478,493
Total assets		236,970,204	190,783,107	123,131,319	55,854,407
Capital and reserves					
Issued capital		244,938	244,938	800	800
Revaluation reserve		79,989,617	79,989,617	26,985,692	26,985,692
Accumulated loss		(297,255,627)	(30,883,695)	(357,846,449)	(21,044,372)
Total equity		(217,021,072)	49,350,860	(330,859,957)	5,942,120
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities		60,169,324	27,112,034	60,169,324	2,905,244
Long term borrowings	11	268,266,425	62,633,539	268,266,425	30,018,891
Provision for quarry rehabilitation		6,941,326	2,443,589	6,941,326	782,262
Total non-current liabilities		335,377,075	92,189,162	335,377,075	33,706,397
Current liabilities					
Trade and other payables		74,127,527	31,369,619	74,127,527	9,218,821
Related party payables		42,534,357	8,985,108	42,534,357	4,057,794
Short term provisions		1,952,317	3,996,765	1,952,317	1,279,477
Short term borrowings		-	465,308	-	148,958
Current tax payable		-	4,426,285	-	1,500,840
Total current liabilities		118,614,201	49,243,085	118,614,201	16,205,890
Total liabilities		453,991,276	141,432,247	453,991,276	49,912,287
Total equity and liabilities		236,970,204	190,783,107	123,131,319	55,854,407

K. C. Katsande
Chairman
2 February 2024

Innocent Chikwata
CEO
2 February 2024

Khayah Cement Limited

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