LAFARGE CEMENT ZIMBABWE LIMITED
ABRIDGED AUDITED FINANCIAL RESULTS
For the year ended 31 December 2018

INTRODUCTION

On behalf of the Board of Directors, I hereby present the audited financial results for the year ended 31 December 2018.

BUSINESS ENVIRONMENT
The 2018 financial year began on an optimistic note for the country following historic changes in the socio-political environment which ushered in a fresh wave of interest in the Zimbabwean economy from the international community. The renewed confidence and heightened expectations for macro-economic and political reforms boosted medium to long term investment potential, and the construction sector grew on this background. Demand for cement was generally firm throughout the year, while an unprecedented spike was witnessed at the begining of the second quarter. This spike in demand was attributed to a rise in disposable incomes following a successful agricultural marketing season, as well as increased financing options and improved mortgage terms by financial institutions. This demand was largely driven by individual home builders (IHB), road rehabilitation programmes driven by the Government and housing developments by both the Government and private sector. Unfortunately, this increased demand coincided with a period of unplanned plant down time due to major breakdowns which subsequently slowed down supply. Eventually demand outstripped supply and according to the Reserve Bank of Zimbabwe, the construction sector only achieved growth of 7.7% compared to the initial growth projection of 14%. The business resorted to complementing stocks with imported cement as an interim stop gap measure.

Although the economic environment was largely stable during the first half of the year, with deflation of 0.05% being recorded in June 2018, fundamentals began to shift significantly in the second half of the year and year-on year inflation closed at 42.09% according to Reserve Bank of Zimbabwe Monthly Economic Review for June and December 2018. The highly inflationary environment encouraged investors to seek hedging options to offset the impact of inflation and construction presented a more stable option to store value. Foreign currency shortages worsened as the year progressed, resulting in delays of up to six months to replenish critical spares for the plant and to import raw materials.

This context led local suppliers to either adjust their prices relative to the unofficial USD exchange rate or to request payment strictly in USD which significantly increased operating costs for the business.

HEALTH AND SAFETY
Health and Safety is Lafarge's core value and the business has embarked on a zero harm target, "Ambition 0". This is a commitment to eliminate any incidents and injuries associated with any of our business processes. The company has a robust Health and Safety Management System which has ensured minimal lost time due to injury and no fatalities during the year under review.

BRAND EQUITY
In spite of the product supply challenges experienced during the third quarter of the period under review, the Lafarge brand health was maintained through a variety of market facing programmes. These included sales promotions such as the "Pick a Load and Win", sponsorships for prime sporting occasions such as the Lafarge Golf Day and exhibitions that included Zimbabwe International Trade Fair and Harare Agricultural Show. These activities maintained necessary momentum for brand growth and stability in a considerably competitive market.

DIVERSE PRODUCT OFFERING FOR CUSTOMER CONVENIENCE
Lafarge is committed to providing the best value to the customer through offering a wide range of cement based products such as the Dry Mortars (DMX). The Tavaka containers located around local business centres continue to provide the convenience of location to our customers. In the year under review, the business introduced the Binastore model in which franchisees are encouraged to stock other hardware products in addition to cement.

LAFARGE BUILDING BETTER COMMUNITIES
Positive social impact continues to be one of Lafarge's key priorities. The company's corporate social investment programmes targeting support for education, empowerment, the environment, as well as health and safety for local communities continues to transform lives and improve wellbeing for target groups. The company's programmes reached and positively impacted 15% more beneficiaries in 2018 compared to 2017, comprising a mixed demographic of the population, who included the elderly and people living with disabilities.

FINANCIAL PERFORMANCE
Revenue was up by 24% on prior year to $72.3m due to the better average selling price achieved following price adjustments in the last quarter of the year and a favourable product mix skewed in favour of higher strength cements. The business expanded its distribution footprint into regional markets.

Profit before tax increased to $4.4m compared to $0.4m achieved in prior year.

The business took advantage of the tax amnesty announced by the Government and reassessed its risk on a previously disclosed contingent liability of $7.9m. Although the matter was heard in the courts in June and judgment is yet to be handed down, the business booked a tax provision of $3m towards this case. Despite the high tax expense, the prior year after tax loss of $0.6m was reversed and a profit of $1.3m recorded.

There was a reduction in prepayments and inventories from the consumption of prepaid strategic raw materials. Trade and related party payables also significantly reduced following the settlement of long outstanding third party balances and restructuring of related party forex balances. The inability to access foreign currency to settle foreign obligations resulted in an accumulation of cash balances ($14m) and short term money market investments ($11.9m). Whilst the cash position of the business closed strong for 2018, this high level of cash poses a risk to the business as subsequent to year end, the balance is all denominated as RTGS dollars which can only be transacted with locally.

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BORROWINGS
The business secured external and local facilities amounting to $38.4m and utilised $24.8m of this amount for working capital and to clear some long outstanding foreign obligations.

CAPITAL EXPENDITURE
The business invested $2.4m (prior year $3.7m) in new plant and machinery upgrades. These were investments towards critical projects such as the cement mills aimed at improving plant reliability.

OUTLOOK
Although the full impact of the October 2018 and February 2019 Monetary Policy Statements is just beginning to unfold, management believes that demand for cement will continue to be firm in 2019 as housing remains the only stable investment to lock value against inflation. As such, the business will focus on improving profitability with the anticipation of closing the year strong and in the lead. This will be done by implementing measures to improve plant reliability, creating and developing new business avenues through product development and growing the franchise channel, building stronger and more agile teams and restoring value through interventions such as asset protection.

BOARD AND MANAGEMENT
The previous Chief Executive Officer, Amal Tantawi left the organisation on the 31st of December 2018. I wish to thank her for her contribution to the business. She was succeeded by Kaziwe Kaulule.

I warmly welcome Kaziwe to the company and wish him every success during his tenure.

DIVIDEND
In view of the need to reinvest in the business, no dividend has been declared.

APPRECIATION
I would like to thank the Board of Directors, management and staff for their dedication and hard work despite the prevailing economic circumstances. Most importantly, I would like to extend my sincere gratitude to our customers and other stakeholders for their continued support.

K. C. Katsande

K. C. Katsande
Chairman
29 April 2019

By order of the Board of Directors:

Flora Chinhaire

F. Chinhaire
Company Secretary
29 April 2019

DIRECTORS REPORT

The Directors of the Company are responsible for the maintenance of adequate accounting records and the preparation of the annual financial statements and related information. The financial statements are prepared with the intention to comply with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), the Companies (Financial Statements) Regulations, 1996, and the Zimbabwe Stock Exchange Listing Requirements. The Company's independent external auditors, Deloitte & Touche, have audited the financial statements.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to safeguard, verify and maintain accountability of assets and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis. The Directors have reviewed the Company's budget and projected cash flows for the year ending 31 December 2019. On the basis of this review and assessment of the current financial position, believe that the Company will remain a going concern for the foreseeable future.

Compliance with IFRSs
The financial statements are prepared with the aim of complying fully with International Financial Reporting Standards (IFRSs). IFRSs comprise standards issued by the International Accounting Standards Board (IASB) and interpretations developed and issued by the International Financial Reporting Interpretations Committee (IFRIC) or by the former Standing Interpretations Committee (SIC). Complying with IFRSs is intended to achieve consistency with the financial reporting framework adopted by the ultimate parent company, LafargeHolcim Limited, which is incorporated in Switzerland and is listed on the Euronext Paris and Swiss SIX Stock Exchanges. Using a globally recognized reporting framework also allows comparability with similar businesses and consistency in the interpretation of the financial statements.

While full compliance with IFRSs has been possible in previous reporting periods, only partial compliance has been achieved for the year ended 31 December 2018. The IASB's Conceptual Framework for Financial Reporting, provides that in applying fair presentation to the financial statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the financial statements to also consider the underlying economic substance therein.

International Accounting Standard 21 The Effects of Changes in Foreign Exchange Rates ("IAS 21") requires an entity to apply certain parameters in determining the functional currency of an entity, for use in preparing financial statements. IAS 21 also requires an entity to make certain judgements around appropriate exchange rates to be applied between currencies where exchangeability through a legal exchange mechanism (such as a formal currency market) is not achievable.

In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our legal interpretation, for accounting and other purposes, prescribes parity between the US Dollar and local mediums of exchange as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the financial statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe.

In our opinion, the requirement to comply with Statutory Instrument 33 of 2019 has created inconsistencies with IAS 21, as well as with the principles embedded in the Conceptual Framework For Financial Reporting as also enunciated in the guidance issued by the Public Accountants and Auditors Board on 21 March 2019. This has resulted in an accounting treatment being adopted in the 2018 financial statements which is different from that which would have been adopted if the Company had been able to fully comply with IFRSs.

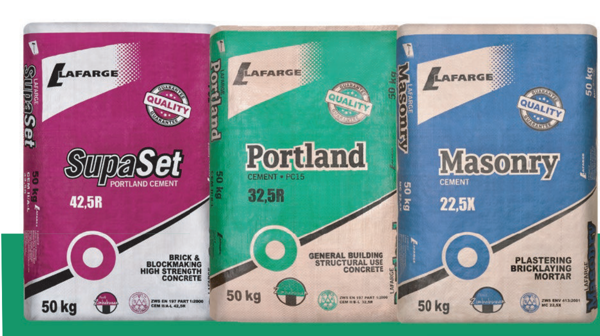
As such, the Directors and management have been unable to produce financial statements which in their view would be true and fair and urge users of the financial statements to exercise due caution. Note 8 seeks to provide users with more information given the context and the aforementioned guidance.

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ending 31 December 2018

	Audited December 2018 $	Audited December 2017 $
Revenue	72 334 809	58 476 212
Operating profit before other income, finance costs and tax	**4 871 326**	**149 068**
Other income	675 579	712 732
Profit before finance costs and tax	**5 546 905**	**861 800**
Finance costs	(1 143 100)	(485 263)
Profit before tax	**4 403 805**	**376 537**
Income tax expense	(3 073 583)	(986 126)
Profit / (loss) for the year	**1 330 222**	**(609 589)**
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income / (loss) for the year	**1 330 222**	**(609 589)**
Basic / Diluted earnings / (loss) per share based on 80,000,000 shares in issue ($ per share)	0.017	(0.008)

ABRIDGED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Audited December 2018 $	Audited December 2017 $
ASSETS		
Non-current assets		
Property, plant and equipment and other non-current receivables	**40 061 008**	**42 968 392**
Current assets		
Current assets other than cash and cash equivalents	36 860 784	36 613 675
Cash and cash equivalents	14 090 648	2 346 712
Assets held for sale	189 000	348 000
Total current assets	**51 140 432**	**39 308 387**
Total assets	**91 201 440**	**82 276 779**
EQUITY AND LIABILTIES		
Capital and reserves		
Issued capital	800 000	800 000
Revaluation reserve	12 508 225	12 508 225
Retained earnings	25 968 708	24 638 486
Total equity	**39 276 933**	**37 946 711**
Non-current liabilities		
Borrowings	24 000 000	-
Deferred tax	2 839 835	4 945 698
Provision for quarry rehabilitation	1 303 998	1 202 228
Total non-current liabilities	**28 143 833**	**6 147 926**
Current liabilities		
Trade and other payables	15 429 598	11 428 226
Related party payables	6 438 137	24 688 342
Bank Overdraft	348	933 594
Borrowings	800 306	-
Provisions	1 112 285	1,131,981
Total current liabilities	**23 780 675**	**38 182 143**
Total equity and liabilities	**91 201 440**	**82 276 779**



TRIED AND TRUSTED STRENGTH

A member of LafargeHolcim

Directors: K. C. Katsande (Chairman); D. L. Cruttenden; P. M. S. Deleplanque, D. G. F. Drouet; M. A. Masunda; S.M. Mutangadura; M. Nayah*; K. S. Kaulule* (Chief Executive Officer)
*Executive

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www.lafargeholcim.com

LAFARGE CEMENT ZIMBABWE LIMITED
ABRIDGED AUDITED FINANCIAL RESULTS
For the year ended 31 December 2018

ABRIDGED STATEMENT OF CHANGES IN EQUITY
for the year ending 31 December 2018

	Issued capital $	Revaluation reserve $	Retained earnings $	Total $
Balance at 31 December 2016	**800 000**	**12 508 225**	**27 270 755**	**40 578 980**
Total comprehensive loss for the year	-	-	(609 589)	(609 589)
Dividends	-	-	(2 022 680)	(2 022 680)
Balance at 31 December 2017	**800 000**	**12 508 225**	**24 638 486**	**37 946 711**
Total comprehensive income for the year	-	-	1 330 222	1 330 222
Balance at 31 December 2018	**800 000**	**12 508 225**	**25 968 708**	**39 276 933**

ABRIDGED STATEMENT OF CASH FLOWS
for the year ending 31 December 2018

	Audited December 2018 $	Audited December 2017 $
Profit before tax	**4 403 805**	**376,537**
Net cash generated from operations before working capital changes	**9 875 623**	**5 610 979**
Cash generated from operations	**6 197 347**	**8 903 771**
Net cash (utilised in) /generated from operating activities	**(2 287 433)**	**6 035 177**
Net cash used in investing activities	**(9 835 691)**	**(7 579 439)**
Net cash generated from financing activities	**23 867 060**	**283 143**
Net increase/(decrease) in cash and cash equivalents	**11 743 937**	**(1 261 119)**
Cash and cash equivalents at the beginning of the year	2 346 712	3 607 831
Cash and cash equivalents at the end of the year	14 090 648	2 346 712

SUPPLEMENTARY INFORMATION

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, a Swiss company which is listed on the Euronext and Swiss stock exchanges. The address of its registered office and principal business is Manresa Works, Arcturus Road, Greendale, Harare, Zimbabwe.

2. **Statement of compliance**
While full compliance with IFRSs has been possible in previous reporting periods, only partial compliance has been achieved for the year ended 31 December 2018. The IASB's Conceptual Framework for Financial Reporting, provides that in applying fair presentation to the financial statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the financial statements to also consider the underlying economic substance therein. The financial statements do not comply with IFRSs as the Directors have had to comply with the legal requirements of Statutory Instrument 33 of 2019, which implicitly inhibits an ability to apply the requirements of IAS 21"The Effects of Changes in Exchange Rates". The application of IAS 21 would have had a material impact on the results and position of the company.

3. **Accounting policies and reporting currency**
There have been no material changes in the Company's accounting policies since the date of the last financial statements, other than those arising from the application of IFRS 9 Financial Instruments. The Company's financial results are presented in United States dollars, on the basis of the 1:1 parity that was prescribed by law between bond notes, bond coins and United States dollars as at 31 December 2018. Amounts have been rounded to the nearest dollar.

4 **Profit before tax**

Auditor's remuneration:	**46 000**	**45 000**
Half year agreed upon procedures	-	2 715
Final Audit fees	46 000	42 285
Amortisation of quarry stripping costs	900 554	874 394
Depreciation of property, plant and equipment:	**4 014 518**	**3 608 446**
- Cost of sales	3 853 937	3 464 108
- Administration expenses	160 581	144 338
Directors' fees	85 843	53 752
Technical fees	2 382 924	1 893 182
Employee benefits expense:	**11 657 799**	**11 825 147**
- Post employment benefits	764 327	858 293
- Short term employment benefits	9 795 707	10 408 799
- Termination benefits	1 097 765	558 054

5. **Contingent liabilities**
The Company has contingent liabilities related to the tax authorities. Although the business submitted an application for tax amnesty legislated in the Finance Act No 1 of 2018 that was published on 15 March 2018, no response has yet been received from the tax authorities.

The company reassessed its risk against this previously disclosed contingent liability of $7.9m. Although judgment is still to be handed down in this matter, a provision of $3m was booked in the current financial year following the hearing of the matter in the courts in June 2018 and $2.7m relating to interest and penalties is covered by the amnesty. An amount of $2.2m remains a contingent liability.

6. **Borrowings**
The Company obtained a long term loan facility from the LafargeHolcim Group of US$30m to enable settlement of long outstanding obligations. A short term loan facility of US$4.4m was also obtained from a local bank to cover working capital requirements. These facilities are unsecured and no guarantees have been given. Average interest on both facilities is 7.5%.

As at 31 December 2018, the Company had utilised US$24m of the group facility and US$0.8m of the local facility.

7. **Related party payables**

Related party payables comprise broadly of the following:	2018 $	2017 $
Amounts payable to fellow group subsidiaries on non-trade related transactions	5,362,139	18,398,846
Amounts payable to fellow group subsidiaries on trade related transactions	1,075,998	6,289,496
Amounts payable to LafargeHolcim Group for loans	24,000,000	-

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

Subsequent to year end, the amounts above were registered as legacy debt with the Reserve Bank of Zimbabwe in line with Exchange Control Directive RU 28/2019 which provides for the creation of a roadmap to expunge the debt in an orderly manner.

8. **Events after the reporting period**
On 20 February 2019, the Reserve Bank of Zimbabwe governor announced a monetary policy statement whose highlights were:
- Denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS dollars become part of the multi-currency system.
- RTGS dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions.
- Establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$2.5.

The monetary policy announcement was followed by the publication of Statutory Instrument 33 of 2019 on 22 February 2019. The statutory instrument gave legal effect to the introduction of the RTGS dollar as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US dollar and would become opening RTGS dollar values from the effective date. The Directors, based on their interpretation of IFRS had considered the monetary policy statement of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of International Accounting Standard 10 Events After the Reporting Period, as it is was considered to be shaped by underlying conditions as at the reporting date of 31 December 2018.

In particular the promulgation of RTGS dollar as currency, in the opinion of the Directors, was a response to market perception which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However, given the accounting restrictions imposed by Statutory Instrument 33 of 2019, these post balance sheet events have not been adjusted for.

The impact on the 2018 statement of financial position (which is based on the assumption of parity and interchangeability between the USD and RTGS balances) of applying different exchange rates is shown in the sensitivity analysis below. Management performed a sensitivity analysis of the effect of using different exchange rates following the change in functional currency from US dollars to RTGS dollars. The table below illustrates the different RTGS dollar equivalent amounts for the scenarios based on US dollar exchange rates to the RTGS dollar of 1:1, 1:2.5 and 1:4.

The balances shown on the sensitivity analysis do not reflect actual opening balances that would apply for the 2019 financial year.

The impact of registration of the legacy debts with the Reserve Bank of Zimbabwe has not been taken into account in the sensitivity analysis below.

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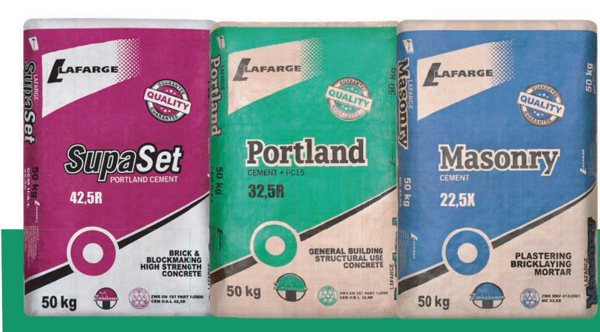
SENSITIVITY ANALYSIS FOR THE EVENTS AFTER THE REPORTING DATE
AS AT 31 DECEMBER 2018

	Components of reported amounts				Sensitivity Analysis		
	2018 Monetary Assets/ liabilities FCA US$	2018 Monetary Assets/ liabilities RTGS Dollars	2018 Non Monetary Assets/ liabilities FCA US$	2018 Non Monetary Assets/ liabilities RTGS Dollars	2018 US$: RTGS Dollar @1:1 (as currently reported)	2018 RTGS Dollars @1:2.5	2018 RTGS Dollars @1:4
ASSETS							
Non Current Assets							
Property, plant and equipment and other non-current assets			11 798 992	28 262 016	40 061 008	57 759 496	75 457 984
Current assets							
Current assets other than cash and cash equivalents	1 036 813	4 562 075	-	19 392 323	24 991 211	26 546 431	28 101 650
Cash and cash equivalents	1 137 479	12 953 169	-	-	14 090 648	15 796 867	17 503 085
Short term investments	-	11 869 573	-	-	11 869 573	11 869 573	11 869 573
Assets held for sale	-	-	189 000	-	189 000	472 500	756 000
Total current Assets	**2 174 292**	**29 384 817**	**189 000**	**19 392 323**	**51 140 432**	**54 685 370**	**58 230 308**
Total Assets	**2 174 292**	**29 384 817**	**11 987 992**	**47 654 339**	**91 201 440**	**112 444 866**	**133 688 292**
EQUITY AND LIABILTIES							
Capital and reserves							
Issued capital	-	-	-	800 000	800 000	800 000	800 000
Revaluation reserve	-	-	-	12 508 225	12 508 225	12 508 225	12 508 225
Retained earnings	-	-	-	25 968 708	25 968 708	25 005 305	25 005 305
Currency Adjustments	-	-	-	-	-	(35 149 552)	(71 262 506)
Total equity	**-**	**-**	**-**	**39 276 933**	**39 276 933**	**3 163 979**	**(32 948 976)**
Non-current liabilities							
Long Term Borrowings	24 000 000	-	-	-	24 000 000	60 000 000	96 000 000
Deferred tax	-	-	-	2 839 835	2 839 835	2 839 835	2 839 835
Provision for quarry rehabilitation	1 303 998	-	-	-	1 303 998	3 259 995	5 215 992
Total non-current liabilities	**25 303 998**	**-**	**-**	**2 839 835**	**28 143 833**	**66 099 830**	**104 055 827**
Current liabilities							
Trade and other payables	6 495 452	8 934 146	-	-	15 429 598	25 172 776	34 915 954
Related party payables	6 438 137	-	-	-	6 438 137	16 095 343	25 752 548
Bank Overdraft	-	348	-	-	348	348	348
Borrowings	-	800 306	-	-	800 306	800 306	800 306
Provisions	-	1 112 285	-	-	1 112 285	1 112 285	1 112 285
Total current liabilities	**12 933 589**	**10 847 085**	**-**	**-**	**23 780 674**	**43 181 058**	**62 581 441**
Total equity and liabilities	**38 237 587**	**10 847 085**	**-**	**42 116 768**	**91 201 440**	**112 444 866**	**133 688 292**

9. **Audit opinion**
These financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2018, which have been audited by Deloitte & Touche. A disclaimer of opinion has been issued thereon, on the basis of an inability to comply with IAS 21 "The Effects of Changes in Foreign Exchange Rates ", the significance of events and conditions before and after the reporting period on use of the going concern assumption, and an inability to comply with IFRS 9 Financial Instruments. The auditor's report on the financial statements (from which these results were extracted) is available for inspection at the Company's registered office.

10. **Approval of financial statements**
The underlying financial statements to the results were approved by the Board on 29 April 2019.



Directors: K. C. Katsande (Chairman); D. L. Cruttenden; P. M. S. Deleplanque, D. G. F. Drouet; M. A. Masunda; S.M. Mutangadura; M. Nayah*; K. S. Kaulule* (Chief Executive Officer)
*Executive

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LAFARGE CEMENT ZIMBABWE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the financial statements of Lafarge Cement Zimbabwe Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

In arriving at the basis for disclaimer of opinion, we have applied the guidance issued by the Public Accountants and Auditors Board titled 'Financial Reporting and Auditing Guidance on Currency Considerations Under the Environment Prevailing for Financial Years Beginning on or After 1 January 2018', which was issued for application by preparers and auditors of financial statements of Zimbabwean registered entities.

<u>Inability to comply with International Accounting Standard ("IAS") 21 – 'The Effects of Changes in Foreign Exchange Rates'</u>

During the year, the Company transacted using a combination of United States Dollars ("USD"), bond notes and bond coins. Acute shortages of USD cash and other foreign currencies in the country resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement ("RTGS") system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS and mobile money platforms were not legally recognised as currency during the year ended 31 December 2018, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. USD, British pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by IAS 21.

As a result of these factors, the Directors performed an assessment on the functional currency of the Company in accordance with IAS 21 and acknowledged that the functional currency of the Company is no longer USD.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LAFARGE CEMENT ZIMBABWE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Basis for Disclaimer of Opinion (continued)

Inability to comply with International Accounting Standard ("IAS") 21 – 'The Effects of Changes in Foreign Exchange Rates' (continued)

Subsequent to year-end, as indicated in note 29 to the financial statements, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19"), with an effective date of 22 February 2019. In addition, SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes as currency.

The functional currency of the Company has been maintained as the USD and the financial statements have been presented in USD using an exchange rate of 1:1, in compliance with SI33/19. This constitutes a departure from the requirements of IAS 21, and therefore the financial statements have not been prepared in conformity with International Financial Reporting Standards ("IFRSs"). Had the Company applied the requirements of IAS 21, many of the elements of the accompanying financial statements would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the financial statements of this departure have not been determined. A comparative analysis of how different exchange rates would impact on the statement of financial position has been presented in note 29 to the financial statements. However, these amounts presented may not reflect the opening balances, in RTGS Dollars, going forward.

Significance of events and conditions before and after the reporting period on use of the going concern assumption

Given the nature and extent of the Company's foreign currency denominated transactions and balances, the measurement of a number of monetary and non-monetary assets and liabilities in the Company's statement of financial position may have changed significantly, as partly demonstrated by the sensitivity analysis in note 29. This would have a fundamental impact on a number of key categories of financial ratios such as solvency and liquidity, debt, asset turnover, profitability and market value, and consequently the nature of the Company's assessment of its ability to continue as a going concern.

The Directors' assessment of the Company's ability to continue as a going concern as set out in note 30 also involves making a judgment, at a particular point in time, about inherently uncertain future outcomes or events or conditions. This judgment is impacted by:

i. The degree of uncertainty of future outcomes, which increases when the Company has less control over the outcome of macro-economic conditions directly impacting it;
ii. How the nature and condition of the Company's business is significantly impacted or linked to the level of economic activity in very specific sectors; and
iii. The dependency of judgments about the future on the degree of reliability of information available at the time.

As a result of the significance and pervasiveness of the interactions of the foregoing matters to the financial statements as a whole, we are unable to conclude on the appropriateness of the use of the going concern assumption in the preparation of the financial statements.

Inability to comply with IFRS 9 'Financial Instruments'
The Company is a subsidiary of a foreign parent and is obliged to comply with group wide accounting policies, appropriately tailored where necessary to local circumstances and conditions. During the year, the Company adopted IFRS 9, whose requirements for the measurement of expected credit losses on financial instruments requires that such measurement reflects:

i. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
ii. time value of money; and

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LAFARGE CEMENT ZIMBABWE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Basis for Disclaimer of Opinion (continued)

Inability to comply with IFRS 9 'Financial Instruments' (continued)

iii. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company adopted a generic group wide provisioning matrix for purposes of determination of expected credit losses on its trade receivables, but did not localise that matrix to adjust the expected credit loss rates for relevant country specific conditions and circumstances, such as historical loss rates, economic conditions as at 31 December 2018 and expected future economic conditions. The Company also did not develop a specific expected credit loss model for its other financial assets measured at amortised cost. Consequently, we could not obtain sufficient and appropriate evidence on the appropriateness of the valuation of the expected credit losses recognised in respect of trade and other receivables, short term investments and related party receivables as set out in notes 15, 16.1 and 22.1 respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management and the Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act (Chapter 24:03), the Companies (Financial Statements) Regulations, 1996 and the Zimbabwe Stock Exchange Listing Requirements, and for such internal control as Management and the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management and the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management and the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per Stelios Michael
Partner
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Harare
Zimbabwe
30 April 2019