LAFARGE CEMENT ZIMBABWE LIMITED ABRIDGED FINANCIAL RESULTS

For the Year Ended 31 December 2019

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the abridged financial results for the year ended 31 December 2019.

OPERATING ENVIRONMENT

The year was characterised by a number of major monetary and fiscal reforms, chief of which was the discontinuation of the multicurrency trading environment and the return of the Zimbabwe dollar as the functional and reporting currency. At its introduction, the Zimbabwe dollar was pegged at ZWL 2.5 to the USD but closed the year at ZWL 16.77, a depreciation of 571%. The continued weakening of the Zimbabwe dollar over the course of the year and liquidity constraints saw lending rates being adjusted to between 15% and 25%.

General supply of foreign currency continued to be low, resulting in rapid deterioration of the local currency. The Government transitioned to a market determined exchange rate in order to address business concerns about forex availability through the introduction of the interbank market in February 2019. This mechanism however did not yield the expected results as businesses continued to be plagued with shortages of foreign currency required for operations. This may be attributed to the strong and hyper-active parallel market, which continued to influence the pricing of commodities and services.

A comparatively sizeable number of major infrastructure projects were initiated in the year, with the largest being bankrolled by the Government. Significant investments were made into rehabilitation projects in Manicaland, following the destruction of roads and bridges by Cyclone Idai in March 2019.

Power supply shortages increased, leading to load shedding, which caused considerable operating challenges across business sectors. Consequently, there was an upsurge in investment in alternative power solutions.

HYPERINFLATION

In October 2019, the Public Accountants and Auditors Board (PAAB), declared that Zimbabwe had met the conditions requiring financial reporting for an economy in hyperinflation. All entities reporting under International Financial Reporting Standards were required to comply with IAS 29 'Financial Reporting in Hyperinflationary Economies', by publishing financial statements that are restated for hyperinflation.

Hyperinflation had a major impact on costs as inflationary pressures drove up operating costs. This resulted in constrained consumer purchasing power as wage reviews lagged behind inflation.

In order to comply with the PAAB guidelines, the business has produced hyperinflation adjusted financials on which this commentary is based.

STRATEGIC AGENDA

At the beginning of the year, the business launched its 2019 – 2022 strategic agenda which is focused on winning at the customer, creating sustainable industrial performance, building winning teams and restoring profitability. This strategic agenda formed the basis for a renewed organisational culture, which yielded very encouraging results in the business for the year.

HEALTH AND SAFETY

The Company continues to uphold health and safety as a core value premised on its Ambition "0", a vision for zero harm in all operations. Generally, the Company's performance on all health and safety indicators were progressive. However, in the second half of the year, the Company recorded a fatality in the quarry operations. This most regrettable incident was the first fatality in the business since the late 1990s.

Meanwhile, in a quest for continuous improvement under this core value, the Company operationalised a robust Health and Safety Improvement Plan throughout the year. This plan is focused on delivering positive step change in all segments of the business. The strong focus on health and safety has since positioned the Company as a market leader, and key stakeholders such as the National Social Security Authority (NSSA) have awarded the Company recognition as partners in the national agenda for zero harm in the workplace. This positioning inspired the Company to establish a Health and Safety Academy that provides bespoke training to other companies. The academy offers practical simulation environments for most safety hazards found in industry today. The first of its kind in Zimbabwe, this safety training school managed to train teams from 8 institutions.

Lafarge subscribes to international standards in Health and Safety, leveraging on the wealth of best practices that come with being part of the global network under LafargeHolcim, as well as international certification standards. In this regard, the Company qualified for recertification for ISO 140001:2015 (Environmental Management Systems) and OHSAS 18001:2007 (Occupational Health and Safety Assessment Series) through the Standards Association of Zimbabwe.

CORPORATE SOCIAL RESPONSIBILITY

The Company maintained a strong foothold in Strategic Social Investment programmes. This buttressed its commitment to sustainable business practices. To this end, the Company maintained support in programmes under the key pillars of Education, Environment, Empowerment, as well as Health and Safety. In the period under review, the Company scaled up support for environmental stewardship programmes in partnership with community groups with the objective of improving local solid waste management and recycling. The Company also launched the second intake of the flagship "Shine: Simuka Upenye" young women's empowerment programme, targeting 125 girls from the local communities; a 25% increase in beneficiaries from the previous year.

In response to the devastating impact of Cyclone Idai witnessed in Manicaland towards the end of the first quarter, the Company committed to supporting rebuilding initiatives, with a focus on empowerment and health. The Company therefore supported a basic mason training programme for 110 young people from the affected communities, creating a ready pool of local manpower to support the various rebuilding projects that were under way. The Company also embarked on the construction of a waiting mother's shelter at a clinic in one of the affected communities. This project, which is still under way, was initiated with the objective of improving maternal health care and eliminating vulnerability for expectant mothers in the wake of a future disaster.

INFLATION ADJUSTED FINANCIAL PERFORMANCE

The business maintained its volumes flat on prior year at 323,000 tons. This was commendable performance as growth in the construction sector declined by 14% according to the Reserve Bank of Zimbabwe. Inflation adjusted revenues for the Company grew from ZWL 449 million in 2018 to ZWL 919 million in 2019, with the Individual Home Builder (IHB) category continuing to contribute significantly to the business' top line.

The business achieved improved margins as gross profit was ZWL 496 million in 2019 versus ZWL 141 million in 2018. The improved margins realised were a result of focus on agile pricing and disciplined cost management across the business.

Finance costs were ZWL 48 million compared to ZWL 7 million in 2018 and this was largely attributable to full year interest costs on the US dollar denominated group loan advanced to the business in 2018.

The business revalued its property, plant and equipment. The outcome of the valuation resulted in a net after tax revaluation gain of ZWL 310 million. Subsequently, full year comprehensive income was ZWL 488 million compared to ZWL 8 million in 2018.

CHAIRMAN'S STATEMENT (continued)

BORROWINGS

The business did not have any new borrowings during the year under review. Subsequent to 31 December 2019, the Reserve Bank of Zimbabwe issued confirmation that it had ring-fenced part of the group loan as legacy debt. The Company is currently working with the Reserve Bank to issue a financial instrument to secure the legacy debt.

CAPITAL EXPENDITURE

The business began to implement the previously announced USD 25 million capital expansion programme. The major projects that the business will invest in are set to improve cement milling capacity, automate the Dry Mortar Mix (DMX) plant and improve production of agricultural lime and other key projects to improve power supply and cement storage. The manufacturing of the USD 2 million DMX equipment was completed and installation of the equipment on site is set to be completed in the second half of 2020. The Directors are positive that these investments will elevate the business' manufacturing platform and allow it to boost its productive capacity.

OUTLOOK

The Zimbabwean economy is expected to continue to experience challenges in the short to medium term. More policy reforms are needed to counter the dynamics prevailing around parallel market foreign currency trading. The impact of the COVID-19 pandemic on the economy is yet to be fully quantified, but is projected to further influence the slowing down of economic activity. Demand will inevitably decline in response to the new fundamentals that come with the impact of COVID-19. However, new opportunities are likely to be present in the coming year as the economy continues to evolve. With a dynamic strategic agenda in place and the capital investment to support it, this should go a long way to mitigate the negative effects of a difficult economic environment.

BOARD AND MANAGEMENT

The Board of Directors is pleased to announce the appointment of Mrs. Precious Nyika as the Company's Chief Executive Officer with effect from 1 March 2020. Precious takes over from Kaziwe Siame Kaulule following his reassignment to Lafarge South Africa. I would like to take this opportunity to thank Kaziwe for his outstanding contribution to the business and wish him all the best. I would also like to wish Precious success in her new role.

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

I would like to extend my sincere appreciation to our valued stakeholders who continue to support Lafarge as a key player in the construction industry. Our customers, suppliers and regulators play a vital role in promoting the business and setting it up for a strong future. I would also like to express my appreciation to the management and staff of Lafarge for the commitment and resilience in the face of a difficult operating environment. This has set the business on a growth trajectory in the midst of adversity. I would like to also thank my fellow colleagues on the Board of Directors for the wise counsel and continued support throughout 2019.

K. C. Katsande
Chairman
26 June 2020

By order of the Board of Directors:

F. Kovhiwa
CFO/Acting Company Secretary
26 June 2020

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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, were engaged to audit 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 2020. 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.

In preparing its financial statements, the Company has complied with the requirements of Statutory Instrument 33 of 2019 ("SI/33/2019") for the periods prior, and up to, 22 February 2019, and thereafter adopted the prescribed interbank exchange rates for translation of foreign currency amounts in to the Zimbabwe dollar ("ZWL") functional currency.

The need to comply with SI33/2019 has made it impossible to comply fully with the requirements of IAS 21 'The Effects of Changes in Foreign Exchange Rates' and IAS 29 'Financial Reporting in Hyperinflationary Economies' in respect of both the current and prior period amounts presented. The Directors urge the users of these financial statements to exercise due caution.

LAFARGE CEMENT ZIMBABWE LIMITED
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LAFARGE

ABRIDGED FINANCIAL RESULTS
For the year ended 31 December 2019

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Inflation Adjusted		*Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Revenue	918 684 501	449 296 821	422 271 737	72 334 809
Operating (loss) / profit before other income, finance costs and tax	**(138 207 233)**	**30 257 513**	**(127 648 237)**	**4 871 325**
Other income	2 668 148	4 196 260	726 480	675 579
(Loss)/profit before finance costs	**(135 539 085)**	**34 453 773**	**(126 921 757)**	**5 546 905**
Finance costs	(47 578 860)	(7 100 196)	(23 325 600)	(1 143 100)
Net gain on monetory position	658 957 970	-	-	-
Profit / (loss) before tax	**475 840 025**	**27 353 577**	**(150 247 357)**	**4 403 805**
Income tax	(297 634 642)	(19 091 102)	(128 389 694)	(3 073 583)
Profit / (loss) for the year	**178 205 383**	**8 262 475**	**(278 637 051)**	**1 330 222**
Other comprehensive income, net of tax	**310 267 171**	**-**	**310 267 171**	**-**
Total comprehensive income for the year	**488 472 554**	**8 262 475**	**31 630 120**	**1 330 222**
Basic and diluted earnings per share based on 80,000,000 shares in issue	6.106	0.103	0.395	0.017
Headline earnings/ (loss) per share based on 80,000,000 shares in issue	2.327	0.189	(3.492)	0.039

ABRIDGED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Inflation Adjusted		*Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
ASSETS				
Non-current assets				
Property, plant and equipment, intangibles and other non-current receivables	**547 298 999**	**248 832 945**	**482 921 798**	**40 061 008**
Current assets				
Current assets other than cash and cash equivalents	330 447 934	228 955 234	139 574 163	36 860 784
Cash and cash equivalents	94 078 501	87 521 947	94 078 501	14 090 648
Assets held for sale	-	1 173 945	-	189 000
Total current assets	**424 526 435**	**317 651 126**	**233 652 664**	**51 140 432**
Total assets	**971 825 434**	**566 484 071**	**716 574 462**	**91 201 440**
EQUITY AND LIABILTIES				
Capital and reserves				
Issued capital	4 969 080	4 969 080	800 000	800 000
Revaluation reserve	310 267 171	77 692 964	310 267 171	12 508 225
Other Components of equity	(468 569 230)	149 072 402	105 908 724	24 000 000
Retained earnings	417 199 083	161 300 736	(240 135 525)	25 968 708
Total equity	**263 866 104**	**393 035 182**	**176 840 370**	**63 276 933**
Non-current liabilities				
Deferred tax	372 173 610	17 639 209	203 948 372	2 839 835
Provision for quarry rehabilitation	22 746 498	8 099 588	22 746 498	1 303 998
Total non-current liabilities	**394 920 108**	**25 738 797**	**226 694 870**	**4 143 833**
Current liabilities				
Trade and other payables	151 565 707	95 838 635	151 565 707	15 429 598
Related party payables	146 947 429	39 989 523	146 947 429	6 438 137
Bank Overdraft	-	2 162	-	348
Borrowings	1 814 829	4 970 980	1 814 829	800 306
Current tax payable	7 379 740	-	7 379 740	-
Provisions	5 331 517	6 908 792	5 331 517	1 112 285
Total current liabilities	**313 039 222**	**147 710 092**	**313 039 222**	**23 780 674**
Total equity and liabilities	**971 825 434**	**566 484 071**	**716 574 462**	**91 201 440**

ABRIDGED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Inflation Adjusted				
	Issued capital ZWL	Revaluation reserve ZWL	Other equity reserve ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 January 2018	**4 969 080**	**77 692 964**	**-**	**153 038 261**	**235 700 305**
Total comprehensive income for the year	-	-	-	8 262 475	8 262 475
Balance at 31 December 2018	**4 969 080**	**77 692 964**	**149 072 402**	**161 300 736**	**393 035 182**
Profit for the year	-	-	-	178 205 383	178 205 383
Transfers from revaluation reserve to retained earnings	-	(77 692 964)	-	77 692 964	-
Revaluation gain net of tax	-	310 267 171	-	-	310 267 171
Other components of equity	-	-	(1 112 834 237)	-	(1 112 834 237)
Quasi Equity loan	-	-	495 192 605	-	495 192 605
Balance at 31 December 2019	**4 969 080**	**310 267 171**	**(468 569 230)**	**417 199 083**	**263 866 104**

ABRIDGED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	*Historical				
	Issued capital ZWL	Revaluation reserve ZWL	Other components of equity ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 January 2018	**800 000**	**12 508 225**	**-**	**24 638 486**	**37 946 711**
Profit for the year	-	-	-	1 330 222	1 330 222
Balance at 31 December 2018	**800 000**	**12 508 225**	**24 000 000**	**25 968 708**	**63 276 933**
Total comprehensive loss for the year	-	-	-	(278 637 051)	(278 637 051)
Transfers from revaluation reserve to retained earnings	-	(12 508 225)	-	12 508 225	-
Revaluation gain net of tax	-	310 267 171	-	-	310 267 171
Other components of equity	-	-	(413 283 881)	-	(413 283 881)
Quasi Equity loan	-	-	495 192 605	-	495 192 605
Prior period Equity adjustment	-	-	-	24 593	24 593
Balance at 30 June 2019	**800 000**	**310 267 171**	**105 908 724**	**(240 135 525)**	**176 840 370**

ABRIDGED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Inflation Adjusted		*Historical	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Profit / (loss) for the year	**178 205 383**	**8 262 475**	**(278 637 051)**	**1 330 222**
Net cash generated from operations before working capital changes	**370 614 752**	**61 340 952**	**85 731 230**	**9 875 623**
Cash (utilised in) / generated from operations	**(44 490 478)**	**39 422 935**	**120 713 586**	**6 346 919**
Net cash (utilised in) / generated from operating activities	**(116 043 245)**	**(14 208 044)**	**78 676 982**	**(2 287 433)**
Net cash generated from / (utilised) in investing activities	**22 296 744**	**(61 092 919)**	**(30 145 781)**	**(9 835 691)**
Net increase / (decrease) in cash and cash equivalents	**100 303 055**	**148 246 665**	**31 456 652**	**23 867 060**
Net (decrease) / increase in cash and cash equivalents	**6 556 554**	**72 945 702**	**79 987 853**	**11 743 937**
Cash and cash equivalents at the beginning of the year	**87 521 947**	**14 576 247**	**14 090 648**	**2 346 712**
Cash and cash equivalents at the end of the period	**94 078 501**	**87 521 947**	**94 078 501**	**14 090 648**

*The historical unrestated amounts have been presented as supplementary information, and the auditors have not expressed any opinion on those numbers.

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 SIX Stock Exchanges. The address of its registered office and principal business is Manresa Works, Arcturus Road, Greendale, Harare, Zimbabwe.

2. **Basis of Preparation**
The abridged financial statements of Lafarge Cement Zimbabwe have been prepared in accordance with International Financial Reporting Standards (IFRS) except for non-compliances with IAS 21 'Effects of Changes in Foreign Exchange Rates' and consequential impact on the inflation adjusted amounts required by IAS 29 'Financial Reporting in Hyperinflationary Economies'. The financial statements have been prepared in the manner required by the Companies Act (Chapter 24:03) and in compliance with the Zimbabwe Stock Exchange Listing Requirements.

In preparing its financial statements, the Company has complied with the requirements of Statutory Instrument 33 of 2019 ("SI/33/2019") for the periods prior, and up to, 22 February 2019, and thereafter adopted the prescribed interbank exchange rates for translation of foreign currency amounts in to the Zimbabwe dollar ("ZWL") functional currency.

The need to comply with SI33/2019 has made it impossible to comply fully with the requirements of IAS 21 'The Effects of Changes in Foreign Exchange Rates' and IAS 29 'Financial Reporting in Hyperinflationary Economies' in respect of both the current and prior period amounts presented. The Directors urge the users of these financial statements to exercise due caution.

The inflation adjusted annual financial statements have been prepared based on the restatement of the statutory records that are maintained under the historical cost basis, except for property, plant and equipment that has been revalued and is now carried at the revalued amounts.

3. **Auditors Statement**
These abridged financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019. Deloitte & Touche were engaged to audit the financial statements, and a disclaimer of opinion has been issued thereon. The bases of the disclaimer of opinion relate to;

- Prior Year Carryover and Current Year Impact of Date of Change of Functional Currency Required by International Accounting Standard ("IAS") 21 – 'The Effects of Changes in Foreign Exchange Rates';
- Restatement Approach Required by IAS 29 'Financial Reporting in Hyperinflationary Economies';
- Incorrect Financial Statement Classification and Measurement of Group Loan with Requirements of IAS 32 'Financial Instruments: Presentation' and IAS 21;
- Reliability of ZWL Valuation of Property, Plant and Equipment Based on Attributes of Market Participants and Price as Prescribed in IFRS 13 'Fair Value Measurements'; and
- Inability to Obtain Sufficient and Appropriate Evidence on the Use of the Going Concern Assumption

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

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ABRIDGED FINANCIAL RESULTS
For the year ended 31 December 2019

SUPPLEMENTARY INFORMATION (continued)

The auditor's report on the financial statements, from which these abridged results were extracted, is available for inspection at the Company's registered office.

4. Accounting Policies and Functional and Presentation Currency

There have been no material changes in the Company's accounting policies since the date of the last audited financial statements, except as amended for new financial reporting standards that became effective on 1 January 2019, and the change to the revaluation method for all other classes of property, plant and equipment other than quarry stripping costs.

On 22 February 2019, the Company determined that the functional currency had changed from USD to RTGS dollars (now ZWL) as a result of the issuance of Statutory Instrument 33 of 2019 'Presidential Powers (Temporary Measures) (Amendment of Reserve Bank of Zimbabwe Act and Issue of Real Time Gross Settlement Electronic Dollars (RTGS Dollars)) Regulations, 2019'. As a result of above, the functional and presentation currency of the Company changed from the United States dollar (USD) to the Zimbabwe Dollar (ZWL). Financial statements for the year ended 31 December 2019 are therefore presented in Zimbabwe dollars. The comparative information was translated into ZWL using a rate of 1:1 in line with SI 33/2019.

5. Adoption of IAS 29 Financial Reporting in Hyperinflationary Economies

In October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement prescribing that IAS 29 be applied to all financial statements for periods ending on or after 1 July 2019. The financial results have been prepared using the restatement approach in line with the provisions of IAS 29. The Directors have applied the guidance provided by the PAAB and made various assumptions to produce inflation adjusted financial statements.

The Company adopted the Consumer Price Index (CPI) as the general price index to restate transactions and balances.

The following All Items CPI indices were used to prepare the financial statements:

Dates	All items CPI Indices	Conversion factors
31 December 2019	551.6	1
31 December 2018	88.8	6.212

Current period monetary assets and liabilities are not restated while non-monetary assets and liabilities that are not carried at amounts current at reporting period end and components of shareholders' equity are restated by the relevant monthly conversion factors. All items in the income statement are restated by applying the relevant monthly, yearly average or year-end conversion factors.

Monetary assets and liabilities and non-monetary assets and liabilities carried at fair value have not been restated, as they are presented at the measuring unit current at the end of the reporting period. A net monetary adjustment was recognised in the statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

Comparative amounts have been restated to reflect a change in the general price index from 31 December 2018 to the end of the reporting period. All items in the statement of cashflows are expressed based on the restated financial information for the period.

6. Profit before Tax

Profit for the year has been arrived at after charging / (crediting);

	2019 Inflation Adjust-ed ZWL	2018 Inflation Adjusted ZWL	2019 *Historical ZWL	2018 *Historical ZWL
Auditor's remuneration:	996 198	285 722	996 198	46 000
Amortisation of quarry stripping costs	6 559 271	5 593 656	1 246 468	900 554
Depreciation of property, plant and equipment:	58 924 068	24 935 579	9 486 516	4 014 518
- Cost of sales	56 567 105	23 938 156	9 107 054	3 853 937
- Administration expenses	2 356 963	997 423	379 462	160 581
Directors' fees	796 485	533 201	354 748	85 843
Technical fees	32 507 887	14 801 175	10 900 000	2 382 924
Employee benefits expense:	108 914 166	72 410 670	46 687 268	11 657 799
- Post employment benefits (note 24)	5 318 459	4 747 500	2 343 661	764 327
- Short term employment benefits	96 144 572	60 844 565	42 334 930	9 795 707
- Termination benefits	7 451 135	6 818 605	1 999 677	1 097 765

* The historical unrestated amounts have been presented as supplementary information, and the auditors have not expressed any opinion on those numbers.

7. Related Party Payables

Related party payables comprise broadly of the following:

	2019 Inflation Adjusted ZWL	2018 Inflation Adjusted ZWL	2019 *Historical ZWL	2018 *Historical ZWL
Amounts payable to fellow group subsidiaries on non-trade related transactions	111 299 796	33 306 123	111 299 796	5 362 139
Amounts payable to fellow group subsidiaries on trade related transactions	35 647 633	6 683 400	35 647 633	1 075 998
Amounts payable to LafargeHolcim group for loans	495 192 605	149 072 402	495 192 605	24 000 000

* The historical unrestated amounts have been presented as supplementary information, and the auditors have not expressed any opinion on those numbers.

8. Contingent Liabilities

The Company previously disclosed a contingent liability of ZWL 13.7 million (ZWL 2.2 million in historical terms) relating to the tax authorities. The tax appeal was heard in the courts in June 2018 and judgement was handed down in March 2020. The business submitted an application for tax amnesty legislated in Finance Act No 1 of 2018 that was published on 15 March 2018, but no response had been received from the tax authorities at the time of authorization of the financial statements. The tax amnesty protects the business against interest and penalties which the judge had ordered the Company to bear. As a result, in the current period, the Company is no longer disclosing a contingent liability as it had fully paid the principal amount required for it qualify for the tax amnesty against interest and penalties in accordance with the provisions of the tax amnesty.

9. Borrowings

The Company did not incur any new borrowings during the year under review. The Company has an outstanding shareholder loan of USD 30 million in principal, with an interest rate of 6 months Libor plus 5%. The Company obtained this unsecured loan facility from the LafargeHolcim Group, through a subsidiary Cemasco B.V., amounting to USD 30 million, to finance foreign currency denominated long outstanding payables and working capital requirements. The loan is repayable at the option of the borrower, but must be settled in full by at least 1 August 2023. Although the loan has a redemption date and contractual interest rate, the Company has considered the loan as a quasi-equity arrangement with owners and accounted for it as an item of equity. The conclusion of the accounting treatment was reached in consultation with the holder of the instrument.

USD 15 million of the loan and the related outstanding interest were submitted for registration as legacy debt with the Reserve Bank of Zimbabwe (RBZ) subsequent to 31 December 2019. Successful registration will result in the amounts payable being paid through support from the RBZ at a rate of 1:1 with the USD under the Blocked Funds Framework.

The Company also utilised ZWL 1.8 million of its Short Term Loan (STL) facility of ZWL 8.4 million from a local bank to cover working capital requirements. The loan has an interest rate on the loan drawdowns of 7.5% per annum.

There were no breaches of loan covenants during the period.

10. Supplementary Information

	2019 Inflation Adjusted ZWL	2018 Inflation Adjusted ZWL	2019 *Historical ZWL	2018 *Historical ZWL
Capital commitments	103 850 829	20 497 455	103 850 829	3 300 000
Capital expenditure	51 613 774	15 623 077	42 199 799	2 515 247
Depreciation expense	58 924 068	24 935 579	9 486 516	4 014 518
Contingent Liabilities	-	13 666 400	-	2 200 000

* The historical unrestated amounts have been presented as supplementary information, and the auditors have not expressed any opinion on those numbers.

11. Events After Reporting Period

COVID-19

The Government of Zimbabwe declared a national lockdown to be effected from the 30th March 2020 in response to the World Health Organisation declaration of the COVID-19 outbreak as a pandemic. The Company considers this outbreak to be a non-adjusting event occurring after the reporting date.

The Company has invoked its response plan which ensures that it continues to offer essential services to customers in line with national guidance and regulations. This entails allowing staff members to work from home in order to decongest the work place. The plan also includes putting in place measures to ensure adherence to social distancing methods for essential staff on the premises. There has also been a restriction of visitors to the work site and mandatory screening tests for all returning staff and contractors.

To date the Company has recorded nil infections confirmed amongst its staff members and contractors. The initial assessment of the Company is that although the COVID-19 pandemic will adversely impact volumes in H1, it will not affect the ability of the Company to continue as a going concern due to the measures being implemented.

The lockdown has had an inevitable impact on previously forecast 2020 volumes due to the complete lockdown of the company's distribution channels. It is projected that Q2 2020 volumes will decline by 30%, with the possibility of spill over risks impacting the second half of the year. The ripple effects of the lockdown and border closures are still to be fully quantified, but the Company expects to continue to feel the effects of the COVID-19 outbreak well into the second half of the year.

The net effect will be a slowdown in aggregate demand in the core individual home builder market with foreign funded projects becoming more and more essential in sustaining operations. Overall, the Company will focus on Health, Cash and Cost so as to close the year in a profitable position.

BLOCKED FUNDS

On the 27th of August 2019,the Company submitted an application to the RBZ through its bankers, to register its outstanding foreign obligations under the blocked funds framework (RU 28 of 2019 and Exchange Control Circular No 8 of 2019). The RBZ approved the blocked funds registration in April 2020 and the business transferred cash cover of ZWL31 million to the RBZ to secure its legacy debt in line with the provisions of RU28 of 2019.

Although the approval and the transfer of the cash cover confirms the conclusion of the registration process which commenced prior to year end, management has determined that no asset should be recognised as at 31 December 2019. Management believes that the registration was not substantially complete to recognise any asset as at 31 December 2019.

The Company is still engaged in discussions with the RBZ on the modalities of settlement. Thus there is still uncertainty on the timing and the nature of instrument through which the amount will be settled. Nevertheless, the Company is expected to receive an equivalent of USD31 million (undiscounted) from this arrangement.

12. Going Concern

The financial statements have been prepared on a going concern basis.

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, management was aware of a number of 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. These uncertainties include, but are not limited to the following;

- accessibility of foreign currency from in-country sources
- expected levels of domestic infrastructure building activity at individual and national level
- expected competition from domestic and imported products

The Directors and management are continuously monitoring and evaluating the Company's operating landscape to re-assess and appropriately adapt its strategies. 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 intergroup obligations are managed and settled in a manner that does not negatively impact operations.

13. Approval of Financial statements

The underlying financial statements to these abridged financial statements were approved by the Board of Directors on 26 June 2020.

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

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the inflation adjusted financial statements of Lafarge Cement Zimbabwe Limited ("the Company"), which comprise the inflation adjusted statement of financial position as at 31 December 2019, the inflation adjusted statement of profit or loss and other comprehensive income, inflation adjusted statement of changes in equity and inflation adjusted statement of cash flows for the year then ended, and the notes to the inflation adjusted financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying inflation adjusted financial statements of the Company. Because of the significance of and interaction between 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 inflation adjusted financial statements.

Basis for Disclaimer of Opinion

Our basis for disclaimer of opinion, was arrived at following consideration of the following matters.

1. Prior Year Carryover and Current Year Impact of Date of Change of Functional Currency Required by International Accounting Standard ("IAS") 21 – 'The Effects of Changes in Foreign Exchange Rates'

   On 20 February 2019, a currency called the Real Time Gross Settlement Dollar ("RTGS Dollar", now subsequently called the Zimbabwe Dollar ("ZWL")) was legislated through Statutory Instrument 33 of 2019 ("SI 33/2019") with an effective date of 22 February 2019. SI 33/2019 fixed the exchange rate between the RTGS Dollar (and its prior forms) and the United States Dollar ("USD") at a rate of 1:1 for the period up to its effective date. The rate of 1:1 was consistent with the rate mandated by the Reserve Bank of Zimbabwe ("RBZ") at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency prior to 22 February 2019 as required by IAS 21:

   - The Company transacted using a combination of USDs, bond notes and bond coins. The acute shortage 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. Prior to 22 February 2019, there was a significant divergence in market perception of the relative values between bond notes, bond coins, mobile money platform and RTGS system balances in comparison to the USD. Although RTGS system balances were not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that they were currency.

   - In October 2018, banks were instructed by the RBZ to separate and create distinct bank accounts for depositors, namely, RTGS Foreign Currency Account ("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. United States Dollar, British Pound, and South African Rand).

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

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS (continued)

Basis for Disclaimer of Opinion (continued)

Prior to October 2018, 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.

While RTGS system balances were not legally recognised as currency up until 22 February 2019, in substance, under IAS 21, such balances would have been deemed to be currency from October 2018.

1. Prior Year Carryover and Current Year Impact of Date of Change of Functional Currency Required by International Accounting Standard ("IAS") 21 – 'The Effects of Changes in Foreign Exchange Rates' (continued)

   As a result of SI 33/2019, the Directors did not change the Company's functional currency for the year ended 31 December 2018. Because the Company transacted using a combination of USDs, bond notes and coins, mobile money platform and RTGS system balances during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency on 22 February 2019 in accordance with SI 33/2019 resulted in a material misstatement to the inflation adjusted financial performance, position and cash flows of the Company for the year ended 31 December 2018, as transactions were not appropriately translated in line with the requirements of IAS 21.

   If the assessment of and related change in functional currency required by IAS 21 had occurred in the correct period, the period specific and carryover adjustments that would have been recognised in the 2018 and 2019 financial years respectively would have been material and pervasive. The effect of these misstatements for the year ended 31 December 2019 are considered to be material and pervasive, and we have been unable to obtain sufficient and appropriate evidence to quantify the impact.

2. Restatement Approach Required by IAS 29 'Financial Reporting in Hyperinflationary Economies'

   On 11 October 2019, the Public Accountants and Auditors Board ("PAAB") issued out Pronouncement 01/2019 citing that the factors and characteristics to apply the requirements of IAS 29 by reporting entities in Zimbabwe had been met. The requirements of IAS 29 were to be applied by reporting entities with periods ended on or after 1 July 2019.

   IAS 29 requires the restatement of financial statements, including the related corresponding figures, of an entity whose functional currency is the currency of a hyperinflationary economy to the measuring unit current at the end of the reporting period. While application of the requirements of IAS 21 would have determined a change in the Company's functional currency from the USD to another currency, namely the RTGS Dollar (now subsequently called the ZWL), as at 1 October 2018, the directors were unable to make this determination as a result of the promulgation of SI 33/2019.

   Based on the PAAB pronouncement, the ZWL is a currency of a hyperinflationary environment for IAS 29 purposes, and restatements would generally have been required to be performed as follows in respect of transactions and balances emanating from the financial year ended 31 December 2018:

   - transactions and balances originating from periods on or before 30 September 2018 – restated to the measuring unit current at 31 December 2019 by using the restatement index for 30 September 2018; and
   - transactions and balances originating during the period 1 October 2018 to 31 December 2018 – restated to the measuring unit current at 31 December 2019 by using the relevant monthly restatement index for the month in which the transaction or balance originated.

While RTGS system balances were not legally recognised as currency up until 22 February 2019, in substance, under IAS 21, such balances would have been deemed to be currency from October 2018.

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

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS (continued)

Basis for Disclaimer of Opinion (continued)

2. Restatement Approach Required by IAS 29 'Financial Reporting in Hyperinflationary Economies' (continued)

   Consequently, restatements of transactions and balances originating from the 2018 financial year to the measuring unit current at 31 December 2019 have been done by applying the restatement index for 31 December 2018. In substance, the Directors have applied the requirements of IAS 29 from 1 January 2019, and not 1 October 2018. This approach is not in compliance with the requirements of IAS 29, nor the related PAAB pronouncement.

   We have been unable to obtain sufficient and appropriate evidence to accurately determine the effects on the inflation adjusted financial statements of this departure from the requirements of IAS 29. This is further compounded by the effects of the underlying pre-existing non-compliances with IAS 21 cited in item 1 of the Basis of Disclaimer section.

3. Incorrect Financial Statement Classification and Measurement of Group Loan with Requirements of IAS 32 'Financial Instruments: Presentation' and IAS 21

As set out in note 23 to the inflation adjusted financial statements, the Company has a foreign currency denominated borrowing of USD 29.5 million from a fellow subsidiary within the LafargeHolcim group. Cumulative interest due and outstanding in respect of this loan amounted to USD 910,000. The USD loan is repayable at the option of the Company, or upon demand by the lender, at a date no later than 1 August 2023.

For the year ended 31 December 2019, management reclassified the loan to a component of equity, under the 'Other Equity Reserve' in the statement of changes in equity, with the reclassification being done retrospectively from 1 January 2018. The loan has also been measured at a net amount of negative ZWL 468,569,233 (positive ZWL 105,908,724 in historical terms), which represents the net of:

- the gross amount of USD 30.4 million outstanding, translated to ZWL 495,192,605 (ZWL 495,192,605 in historical terms) as at 31 December 2019; less
- exchange losses of ZWL 1 112 834 237 (ZWL 413 283 881 in historical terms) for exchange differences between the ZWL and USD that were recognised in respect of the year end re-measurement of the loan.

The closing spot rate at 31 December 2019 was ZWL 16.77 to USD 1.

Based on the requirements of IAS 32 – Financial Instruments: Presentation ("IAS 32"), the terms of the loan do not give rise to a compound financial instrument with a liability and equity component, nor do they give rise to an equity instrument. The loan balance, and its comparative, should have therefore been presented under liabilities.

In addition, based on the requirements of IAS 21, exchange losses arising on the translation of the foreign loan should have been determined on the full amount of the loan balance outstanding at year end and recognised in profit or loss for the year then ended.

Had the Company complied with IAS 32 and IAS 21 in respect of the classification and measurement of its foreign currency denominated borrowing, the expense and liability elements of the inflation adjusted financial statements, together with related disclosures, would have been materially affected. This error is considered material and pervasive.

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS (continued)

Basis for Disclaimer of Opinion (continued)

4. Reliability of ZWL Valuation of Property, Plant and Equipment Based on Attributes of Market Participants and Price as Prescribed in IFRS 13 'Fair Value Measurements'

   As set out in note 12 to the inflation adjusted financial statements, the Company revalued all its property, plant and equipment as at 31 December 2019. This constituted a change in accounting policy from the cost model to the revaluation model for classes of property, plant and equipment other than freehold land and buildings.

   The Company engaged professional valuers to determine fair values for revaluation purposes in USDs, and management subsequently determined the ZWL equivalent fair values by translating those USD valuations using the closing ZWL/USD spot exchange rate as at 31 December 2019.

   IFRS 13 defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at a measurement date.

   While we found the assumptions and methods used by the professional valuers to determine the USD valuations reasonable, we were unable to obtain sufficient appropriate evidence to support the appropriateness of the application of the ZWL/USD spot exchange rate in the determination of the final ZWL fair valuations presented.

   IFRS 13 requires:

   - a fair value to be determined using the assumptions that market participants would use when pricing the asset, assuming market participants act in their economic best interests; and
   - fair value to reflect the price that would be received to sell the asset in an orderly transaction in the principal market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

   We were therefore unable to obtain sufficient appropriate evidence to support the appropriateness of simply applying the closing ZWL/USD interbank exchange rate in determining the ZWL fair value of property, plant and equipment, without any further adjustments to reflect how the economic conditions within the country as at that measurement date would impact the assumptions that market participants would use in pricing the items of property, plant and equipment in ZWL. Such matters include, but are not limited to:

   - the correlation of the responsiveness of ZWL valuations of property, plant and equipment to the interbank exchange rate and related underlying USD values; and
   - the extent to which supply and demand for the items of property, plant and equipment reflects the implications on market dynamics of a managed floating exchange rate.

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

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS (continued)

Basis for Disclaimer of Opinion (continued)

5. Inability to Obtain Sufficient and Appropriate Evidence on the Use of the Going Concern Assumption
The Company's inflation adjusted financial statements have been prepared on a going concern basis and, as indicated in note 30, management are aware of material uncertainties related to events and conditions that could cast significant doubt on its ability to continue as a going concern.

We have been unable to obtain sufficient and appropriate audit evidence in respect of management's bases for the use of the going concern assumption in the preparation of the financial statements. In particular, we are of the view that the following matters, among others, have compounded our inability to obtain sufficient and appropriate audit evidence to enable us to conclude in respect of going concern:

a. *Foreign Currency Constraints*
The Company has not recognised exchange losses attributable to the re-measurement of the foreign currency denominated borrowing of USD 30.4 million that it has with a fellow subsidiary within the LafargeHolcim group within profit or loss. The Company has also not correctly classified this loan as a liability in the inflation adjusted statement of financial position. The foregoing matters have been cited in item 3 of the Basis of Disclaimer section. The correct recognition of the exchange loss and correct classification of the loan would result in the following:

- a material total comprehensive loss for the year;
- a material increase in liabilities as at year end;
- a negative equity and negative net assets position as at year end; and
- adverse key financial ratios.

The above matters would be further compounded by the loss in value of the ZWL against the USD subsequent to year end.

As set out in note 29, while the Company has been able to register USD 15 million of the loan as legacy debt with the RBZ subsequent to yearend, there are uncertainties surrounding its ability to secure the full balance of foreign currency from internal and external sources to make actual repayments of the loan.

As set out in note 22, the Company also has related party balances payable of ZWL 146,947,429 to fellow subsidiaries. These related party balances are all payable in foreign currency.

b. *Uncertainties created by COVID-19*
As set out in note 29, management acknowledge that the COVID-19 pandemic and related lockdown will have an inevitable adverse impact on the Company's outlook for the 2020 financial year. There is uncertainty as to the medium to long term impact of COVID-19 on the Company or the industry as a whole.

The Directors' assessment of the Company's ability to continue as a going concern 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.

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

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED FINANCIAL STATEMENTS (continued)

Basis for Disclaimer of Opinion (continued)

5. Inability to Obtain Sufficient and Appropriate Evidence on the Use of the Going Concern Assumption (continued)

   In addition, as a result of the significance and pervasiveness of the interactions of the foregoing matters with the other matters in respect of which we have disclaimed our opinion, we are further unable to conclude on the appropriateness of the use of the going concern assumption in the preparation of the inflation adjusted financial statements.

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 inflation adjusted 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 inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted 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 Inflation Adjusted Financial Statements

Our responsibility is to conduct an audit of the Company's inflation adjusted 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 inflation adjusted financial statements.

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

The engagement partner on the audit resulting in this independent auditor's report is Stelios Michael.

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Date: 29 June 2020