Building for the FUTURE

ANNUAL REPORT 2019

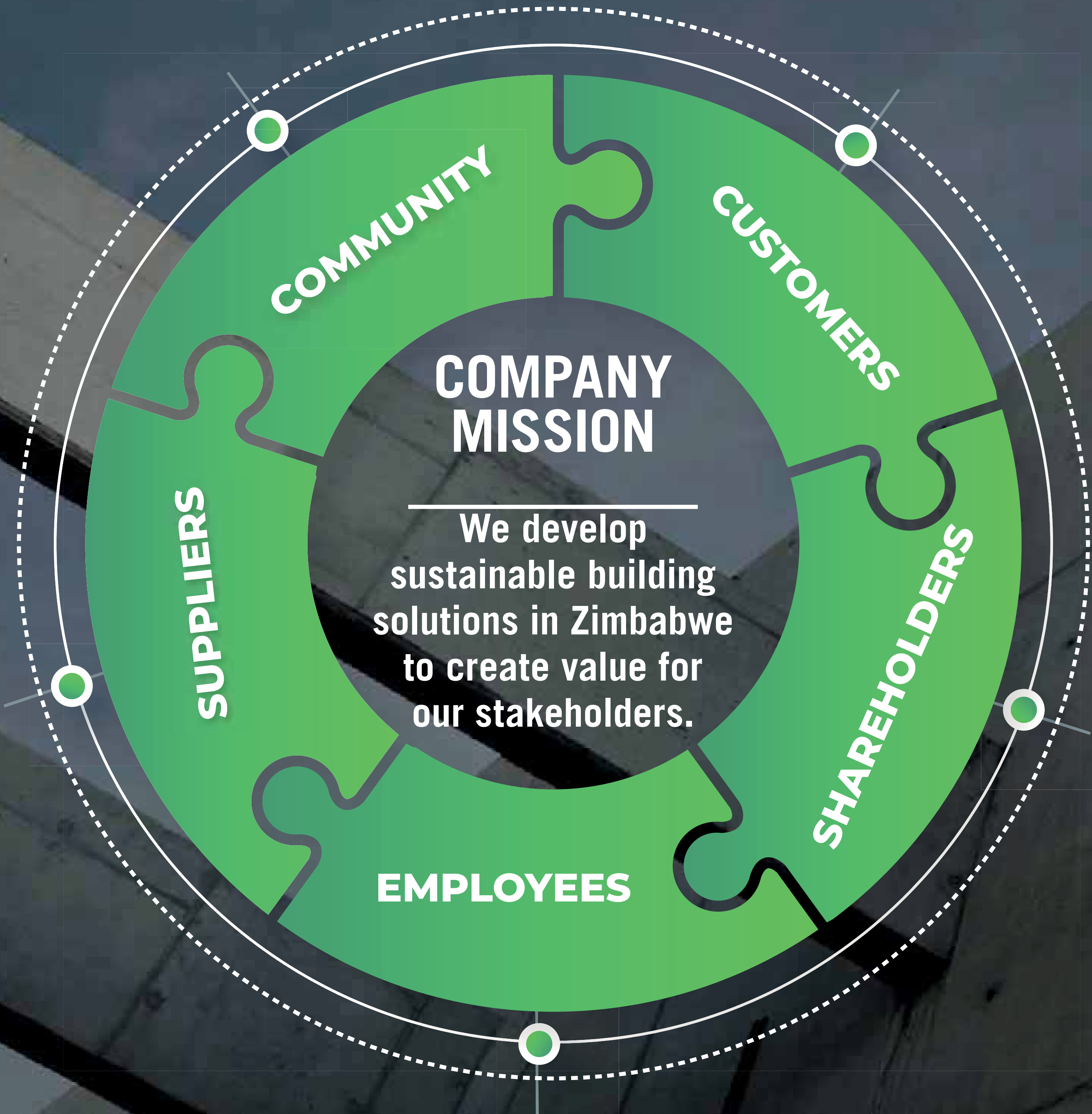
A member of LafargeHolcim

LAFARGE
Building better cities™

www.lafarge.co.zw

COMPANY MISSION

We develop sustainable building solutions in Zimbabwe to create value for our stakeholders.



OUR VALUES

Collaboration

We believe in the power of working together. We are committed to **communicate openly** without fear. We commit to work **cross functionally** to achieve common goals.

Agility & Proactiveness

Our uniqueness is anchored our ability to be proactive and agile. We commit to **quick decision making**, without compromising on the quality of our decisions. We commit to having the **courage to challenge** the status quo. We commit to **proactively** anticipate change.

Performance & Results Driven

High performance and a **results focus** underpins everything we do. We commit to delivering results every time. **Accountability** is clear and personal. We commit to **continuous improvement** in order to enhance performance.

Fairness

Fairness and equity are demonstrated consistently in all our interactions. We strive to achieve a **win-win** situation in all our interactions with all our stakeholders. We commit to be **consistent** in the application of our decisions.

Content

ABOUT THIS REPORT

The Lafarge Cement Zimbabwe Limited Annual Report 2019 provides a view of the business activities during the past financial year, which ended 31 December 2019.

This report is available to view on https://www.lafarge.co.zw/investor-relations.

Company Profile

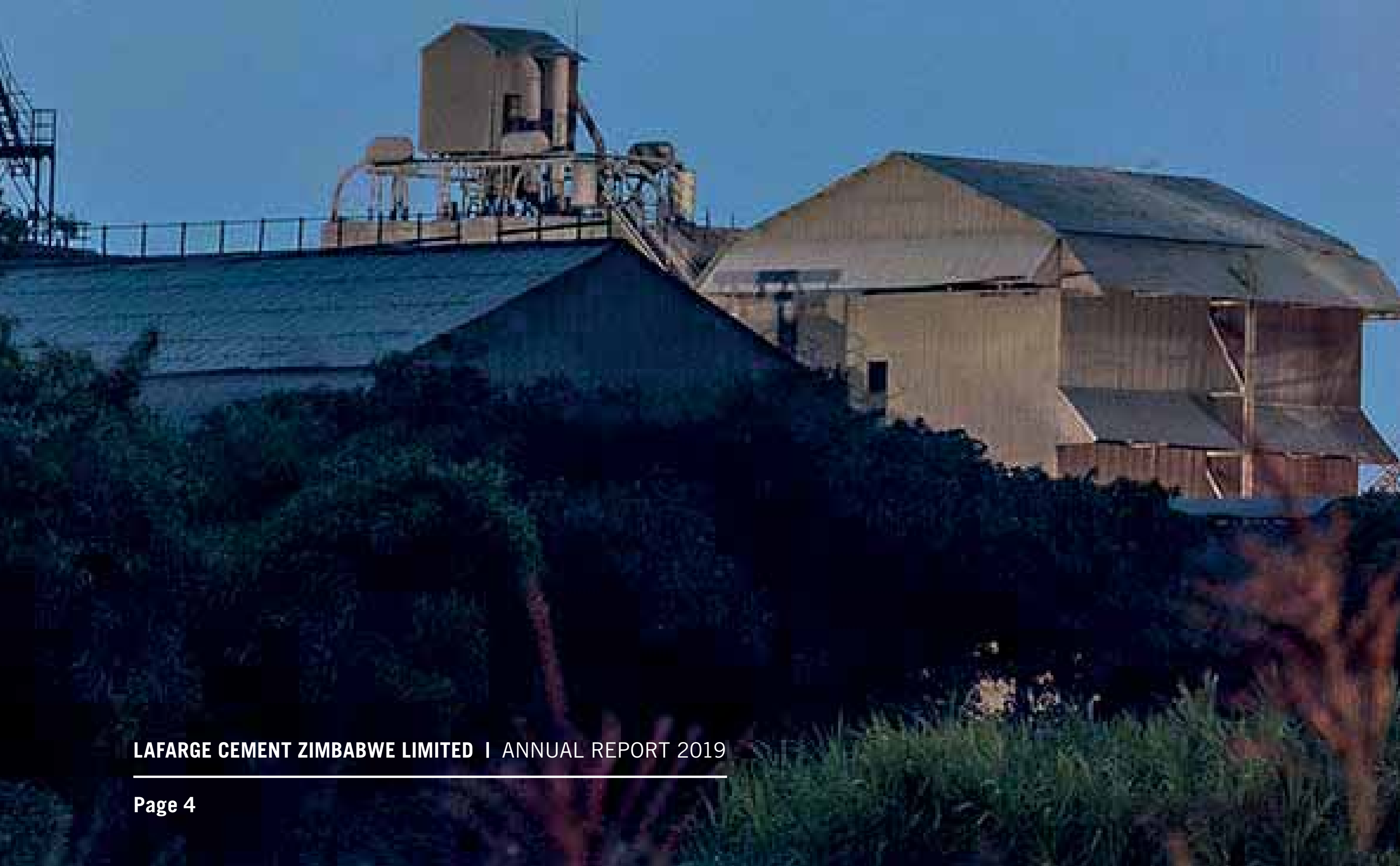
TRIED AND TRUSTED STRENGTH ACROSS GENERATIONS

With close to six decades of operations in the country, Lafarge Cement Zimbabwe (Limited) has earned the respect and trust of many generations of Zimbabweans as a reliable manufacturer and supplier of high quality and innovative building solutions. Over the years, the company has maintained its commitment to supporting the various sectors of the economy through infrastructure development and enhancing agricultural productivity. As such, Lafarge offers a range of cement and allied products suitable for various construction needs. These range from aggregates, to cement and dry mortar products applied for the finest finishes in construction work. The company also offers a range of soil strengthening compounds in the form of agricultural lime and continues to innovate in products and services in order to meet the changing demands of the customer.

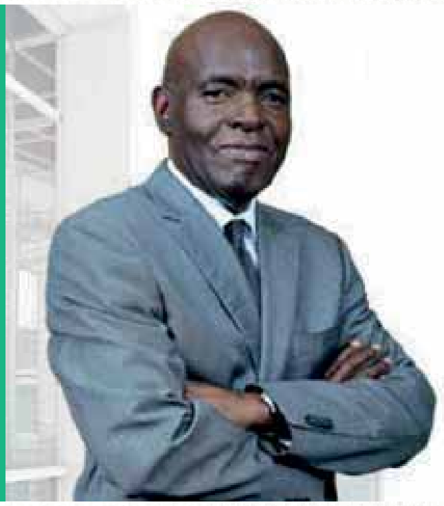
Lafarge serves in most provinces across the country with a current installed capacity to produce 450kt of cement annually. Through its operations, Lafarge employs about 800 people directly and creates thousands of upstream and downstream employment in its value chain. The company promotes diversity and inclusion thereby actively enforcing policies that support the participation of all persons regardless of gender, age and race.

As a subsidiary of the Swiss headquartered LafargeHolcim, Lafarge Cement Zimbabwe (Limited) taps into world class standards in building solutions supply as well as health and safety standards. As a market leader in the construction industry in Zimbabwe, Lafarge commits to leading in sustainable operations ensuring a healthy footprint on the natural environment as well as the communities surrounding the business.

Lafarge Cement Zimbabwe(Limited) is incorporated under the laws of Zimbabwe and listed on the Zimbabwe Stock Exchange



Chairman's Statement



"The business achieved improved margins as gross profit was ZWL 496 million in 2019 versus ZWL 173 million in 2018. The improved margins realised were a result of focus on agile pricing and disciplined cost management across the business."

K. C. Katsande
Chairman

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 a 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 173 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 revaluation gain of ZWL310 million. Subsequently, full year comprehensive income was ZWL 488 million compared to ZWL 8 million in 2018.

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 all 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

CEO's letter to Shareholders

2019 was generally a positive year for Lafarge Cement Zimbabwe, in spite of a less than stable operating environment. The company committed to an ambitious growth strategy focused on Winning at the Customer, Creating Sustainable Plant Performance, Restoring Profitability and Building Winning Teams. This strategy yielded numerous positive results for the business, positioning it as a formidable player in the sector as well as stamping the company's commitment to supporting Zimbabwe's development agenda. The overriding strategic target was to strengthen business EBITDA margins to reach at least 25%. The business managed to meet and surpass this target achieving a EBITDA margin of 27%.

2019 Review

The business enjoyed a relatively strong start to the year as the market demand remained strong in the trading environment where the local currency which was instituted as the official sole functional currency, held at relative parity with the US Dollar. However, rapid changes to the exchange rate ensued as the year progressed following the liberalisation of the currency exchange market, while a strong and influential parallel market prevailed. This impacted the business' cost structure as input prices were pegged against parallel trading rates. The business took a firm position and enforced a cost rationalisation drive to mitigate the impact of hyper inflationary trading environment on the company's overall revenue. The company also focused on improved product mix to enhance customer value proposition and convenience. Binastore - the retail franchise model which poses as a one stop shop for all construction requirements in addition to the products manufactured by the Lafarge has been instrumental in achieving this.

Operations Review

Further in line with the 2019 Strategic agenda, the company focused on building sustainable plant performance by improving plant reliability, increasing production output and reducing the production costs to better serve the customer and expand latitude for profitability. This strong drive hinged on the experiences of 2018 where total local demand for cement outstripped local supply giving indications of the opportunities of a growing market. In the immediate term, significant investment was channelled towards plant maintenance projects which influenced improved plant availability. Production costs reduced by 30% vs prior year and closed the year in line with the Strategic Agenda target for cement cash cost reduction.

The company also invested in a 3-megawatt generator dedicated to powering the kiln to mitigate the challenges faced due to power instability. The quality of power has been detrimental to productivity and plant stability so this investment will ensure a stable, consistent and good quality power supply.

In the company's medium to long term vision, the company set off on a three pronged capacity expansion project which is set to increase capacity for the production of Agricultural lime, automation of the DMX plant and doubling of capacity for cement milling. This investment was granted National Project Status and is set to be rolled out over the next three years. The company is confident that as the new investments come on stream, Lafarge Cement Zimbabwe will thrive as the preferred building materials supplier.

The Franchise business has also been a key focus in the year. The company invested in the development of new players in Binastore which saw the total number of franchisees trebling in the year under review. Subsequently, franchise contribution to cement volume shot up from 8% in 2018 to 15% in 2019.

Health and Safety continues to be the core value of the business and a key imperative for the growth and future of the company. In this regard, in the period under review, the business continued on a rigorous focus on improving workplace health and safety by activating a campaign on Minimum Safe Behaviours in addition to the annual Health and Safety Improvement Plan. Through this programme, key health and safety behaviours were reinforced and these translated to enhanced awareness, leading up to an overall improvement on the workplace health and safety indicators. Regrettably, the company witnessed a fatal mining accident at the Sternblick East Quarry. Many key lessons were drawn from this incident and the business has since revised procedures and processes across the business unit to ensure that no one is harmed as a result of our operations.

The workforce at Lafarge Cement Zimbabwe continues to play the backbone role for the business, positioning the company competitively in the market. The company therefore invests considerably in identifying and nurturing talent while also ensuring mutual success for the business and for its employees.

In the year under review 20,006 training hours were achieved focusing on enhancing skills to strengthen capacities to deliver on the strategic agenda. This was a 2% improvement on prior year.

In its long-standing commitment to support the communities surrounding its operations, the company maintained support in education, empowerment, community development and environmental stewardship programmes impacting 26% more beneficiaries than prior year. In response to the devastation left behind by Cyclone Idai in Q1 of the year under review, Lafarge went beyond rendering relief assistance to affected communities and rolled out a livelihoods recovery programme through a masons training for young people. The company also started the construction of a waiting mother's shelter to promote maternal health, a population that was adversely affected by the effects of the cyclone.

2020 Outlook

In the year ahead, the business will invest in building business resilience in the face of macroeconomic uncertainty. In the context of the COVID-19 pandemic and its inevitable impact on the business, the company will focus on Health, Cash and Costs. This will include strict measures to uphold the health of our stakeholders and robust actions for cash generation and cash protection in the face of hyperinflation. Additionally, we will sustain cost rationalisation for financial strength, while promoting innovation in product and customer service for competitiveness. This will aide in the long term achievement of the targets we have set out in our strategic agenda for the year in line with the LafargeHolcim Strategy 2022; Building for Growth.

Precious Nyika
Chief Executive Officer
25 June 2020

Leadership Team

Precious Nyika
Chief Executive Officer

Fungai Kovhiwa
Chief Financial Officer

Edith Matekaire
Commercial and Strategy Director

Stanely Kunzekweguta
Industrial Director

Clayton Musasiwa
Logistics and Distribution Director

Darlington Hukuimwe
Human Resources and
Communications Director

Memory Ngulube
Procurement Director

Workers' Committee

Blessing Nhende
Chairperson

Violet Mandove
Women Advisory Committee

Michael Satiyi
Secretary

Noah Gamela
Vice Chairperson

Esther Gwekwerere
Member

Stephen Singini
Member

Tonderai Ndagumirwa
Member

Joyman Mazoyo
Member

Malvern Maribinyu
Member

Tonderai Ndagumirwa
Member

Winning at the Customer

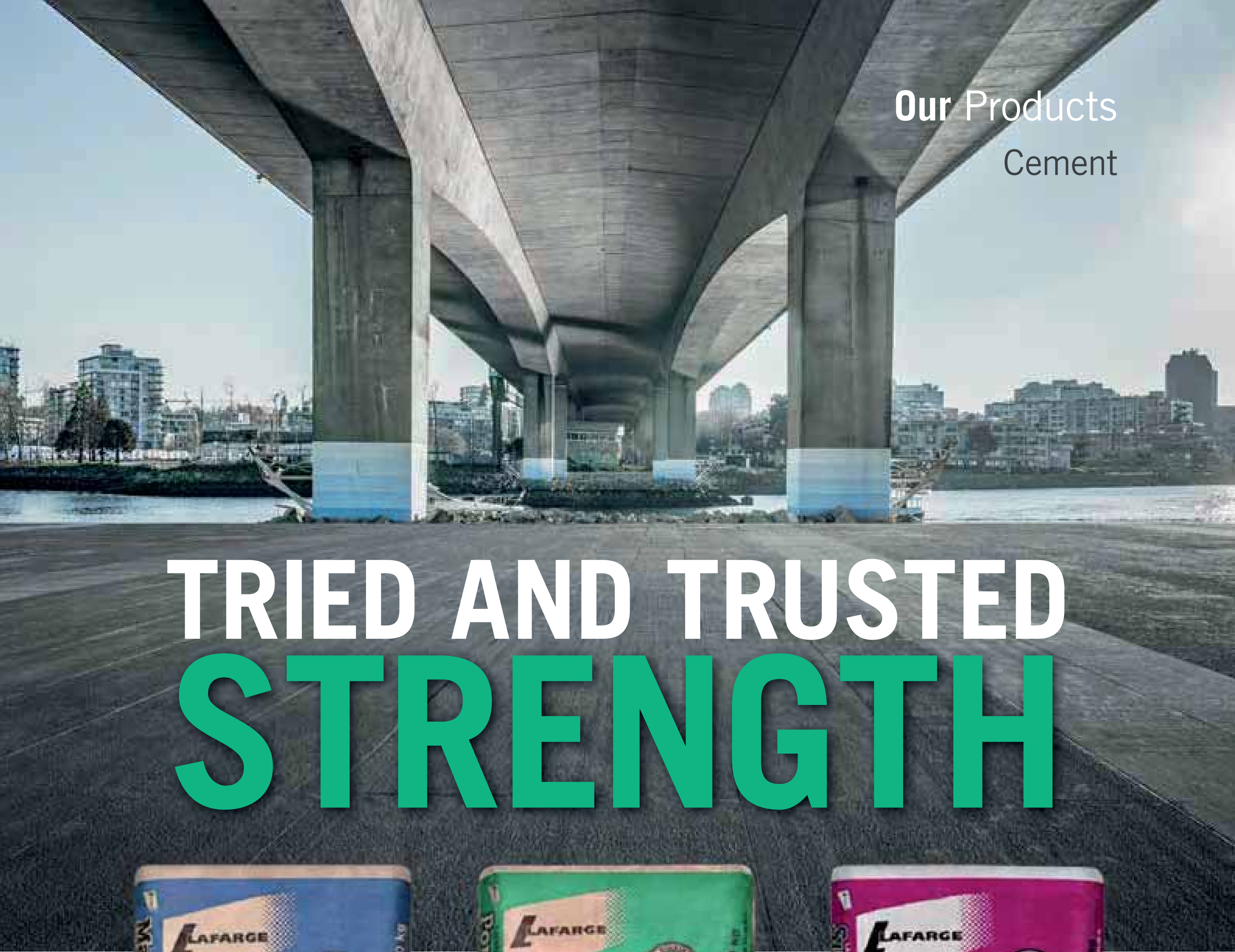
INNOVATING FOR CURRENT AND FUTURE DEMAND

Lafarge appreciates that the success of the company's objectives begins and ends with the customer; meeting and exceeding expectations to ensure sustained trust and confidence in products and services. This in turn translates to growing sales revenue for the business and market leadership position as a supplier of choice. To this end the company prioritizes customer insights and continuously seeks innovative ways to meet the dynamic demands of the customer as well as offering new and innovative products and services. In 2019, the company focused on **Winning at the Customer** as a key strategic pillar with a focus on developing the franchise retail model in Bina Store, growing the dry mortars product range and meeting the growing demand for the 42.5R cement brand Supaset which is preffered in most major projects.

Our Products

ITS THE STRENGTH WITHIN THAT MAKES THE DIFFERENCE

That we were able to grow our business in a declining market stands as a poignant reminder to the resilience and strength within the brands representing Lafarge at the consumer coal face everyday. More and more customers are demanding consistent quality and innovative methods of delivering their needs in a market that is increasingly competitive and solutions driven. Lafarge's expanding product portfolio is built to meet the rigours and needs of Zimbabwe - positioning the business as a full construction and building materials expert across cement, dry mortars, agricultural lime and aggregates. With one of the most integrated value chains across the economy, Lafarge boasts of a strong network of partners. These include large corporate contractors building dams and roads, individual home builders working eagerly on their family home, concrete makers and general retailers. All these are proud to call Lafarge Zimbabwe a partner.



Our Products

Cement

TRIED AND TRUSTED STRENGTH

Lafarge Masonry Cement MC 22.5X

Masonry Cement: MC 22.5X is a value for money, quality and easy to work with cement that is ideal for light general construction works like floor screeds, mortar for bricklaying & plastering.

Lafarge Portland Cement 32.5R (PC15)

Lafarge Portland Cement 32.5R (PC15) is a class leading, multi purpose product characterised with high strength and is well suited for general building and construction needs and repair work around the home, farm or office.

SupaSet 42.5 R

SupaSet is a premium brand, formulated for extra strength and load bearing capability. It offers a quick turnaround on work, resulting in higher productivity and better returns. SupaSet produces high quality cement bricks, concrete and pre-cast products.

Our Products

Aggregates

Lafarge is one of the key producers of construction aggregate materials in the country, amongst other players. The aggregates plant has a capacity to produce up to 200,000 tons of aggregate materials per annum. Operating out of the Sternblick Quarry, Lafarge Cement Zimbabwe is strategically located to service all sectors of the local construction industry. Aggregates are available in a range of products which include gravel, broken gravel and sand.

Lafarge Cement Zimbabwe produces and sells the following aggregates:

- Washed sand
- 6mm stones
- 20mm stones (3/4 inch)
- Crusher run

Crusher run

6mm Stone

3/4 Stone

Washed Sand

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SupaFix The Ultimate Tiling Solution

SupaFix Porcelain Tile Adhesive
For high bonding strength with the quickest setting time, cement based SupaFix Porcelain Tile Adhesive is the best tile adhesive to use. This non-toxic, non-flammable SupaFix Porcelain Tile Adhesive maybe used on wall and fbor tiles, excellent for both interiors and exteriors.

SupaFix Ceramic Tile Adhesive
For the best results in interior and exterior mosaic, ceramic, stone, clay, wall and floor tiling, cement based SupaFix Ceramic Tile Adhesive is the ideal product. The additives allow ease of adjustment whilst setting the tiles. SupaFix Ceramic Tile Adhesive guarantees improved durability and water repellence of tiles.

SupaFix Tile Grout - Tile Filler
For effective filling, sealing and buffering of set tiles on the floor and/or wall, SupaFix Grey Tile Grout or SuperFix White Tile Grout is the best. The finished tiling work has improved aesthetic look when SuperFix (Grey/ White) Tile Grout is used as the finishing touch.

SupaFix Bonding Liquid
For superior interior and exterior bonding strength, try the new ready-to-use SupaFix Bonding Liquid for tile adhesives and grout. The premium Lafarge quality guaranteed SupaFix Bonding Liquid is water-resistant and will ensure a bond that will last a lifetime.

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Our Products

Dry Mortars

Snolime is a traditional limewash paint made from lime. It is suitable for painting houses (exterior), animal habitats and crop storage facilities. It is also used for putting markings on sports fields.

Impermo is a water repellent product that Lafarge produces in powder form for mixing with cement to produce durable, water proof renderings. It is used in the construction of water bearing structures such as swimming pools, water reservoirs, septic tanks and dip tanks. It is also used in structures where moisture should not be allowed in, such as granaries and basements.

Colorbrite is a decorative pigmented lime-based paint for painting the interior of houses. It is produced by Lafarge in a variety of colors, including light blue, light green, mist grey, rose pink, primrose, white, blue, green, ivory and corn.

Cemwash is white or pigmented cement based paint that provides a water repellant decorative finish. It is sold as a powder, to which water has to be added. It is easily mixed and applied with a block brush. Cemwash provides a waterproof rock-hard surface that will last for years. It is available in colours that include deep cream, mahogany, birch, cedar, oak, willow, pine, sandalwood, stinkwood, ash and aspen (white).

GROWING PROSPECTS IN DRY MORTARS

As part of a broader business thrust to expand profit pools and diversify into a full player in construction and hardware, Lafarge has been focused on developing the value-added business unit, the Dry Mortars. In the year under review, this unit breached record levels in the supply and sale of tile adhesives growing by over 90% and maxing out capacity. The unit launched a new brand; Supafix which is a range of tile fixing compounds. This product is an upgrade of the Tilecoat range that was originally manufactured in this portfolio.

Through this business unit, the company stamps its commitment to the key national economic imperative – agriculture – through the SupaGrow range which is a growing portfolio with the potential to reap significant market share in the medium term. As such, in the year under review the business rolled out investment of USD2.2m in expanding the capacity of the unit which will result in a growth in output from 7,000t to 50,000t per annum.

DELIVERING CUSTOMER CONVENIENCE THROUGH THE BINASTORE FRANCHISE

Binastore grew from 7 outlets to close at 21 outlets by the end of the year. 62% of the new outlets are now strategically located in new markets where the business is looking at growing share and expanding reach to new customers. Over the year, the launch and expansion of a centralised procurement strategy for Binastore saw growth in the range of non-cement lines on offer from 0 to over 20 which include brickforce, nails, termite poison, sanitary ware and tiles. With a diverse stock and support with merchandising and instore branding, franchisees enjoy added trading advantages of being a one stop shop with a great customer shopping experience.

BUILDING PROFITABLE BUSINESSES THOUGH LAFARGE FRANCHISE MODELS

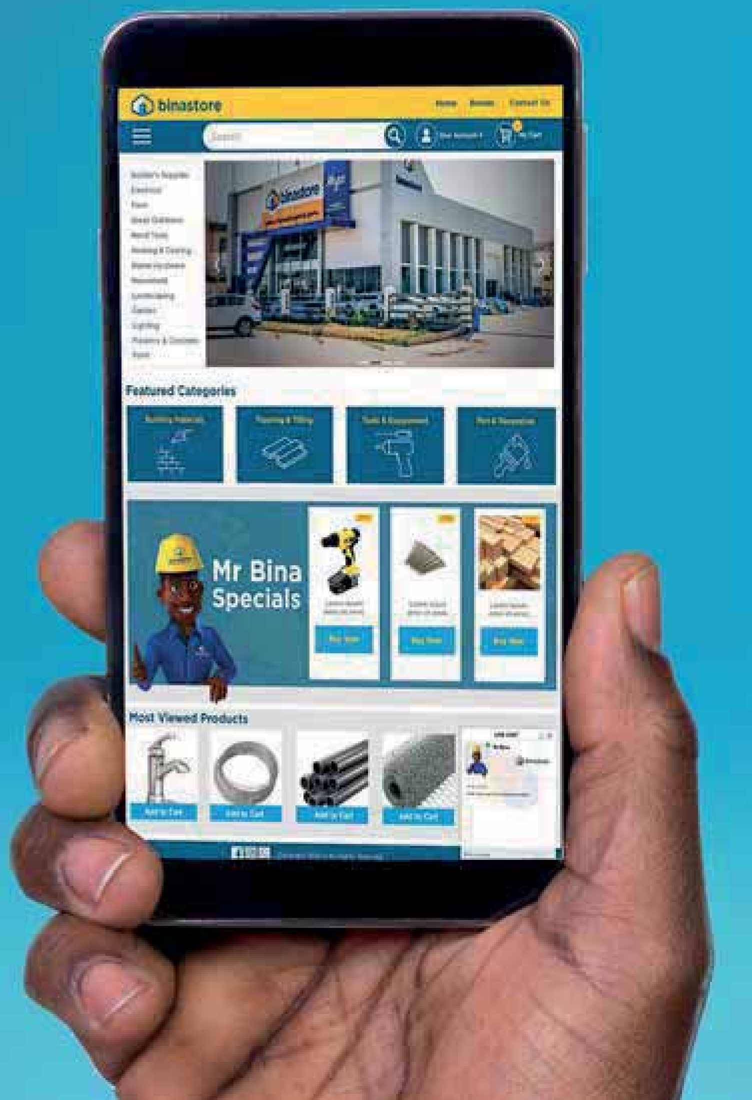
Mr. Simba Maphosa has been a Lafarge franchisee since July 2016, under the TAVAKA neLafarge model. In February 2018 he upgraded to become a Binastore franchisee. Lafarge supported him with an additional container enabling him to stock non-cement products. Simba grew his business to becoming a reputable hardware retailer in the Southlea Park and Stoneridge area, south of Harare. In 2019 his business grew significantly through his new capacity to trade in other related hardware products. Earlier, Simba won a 3tonne truck in the Pick a Load and Win Promotion held by Lafarge. This utility vehicle has allowed him flexibility to pick up consignments for his stock as well as providing him with the competitive advantage of being able to offer his customers transport for delivery of the goods they would have purchased from his store.

REDEFINING HARDWARE RETAILING FOR COMPETITIVE ADVANTAGE

In a continuously changing market, the demand for innovative methods of selling is becoming core to the business model. This reality moved the company to explore new ways of interfacing with the customer in the trade by adopting innovative means of ensuring product visibility and influence purchasing decisions. The company launched a merchandising campaign in partnership with retailers which enhanced product-customer interaction in-store. Cement and hardware products have traditionally been made available without consumer education and displays. Furthermore, cement is usually stored out of site in back store warehouses. In order to ensure product activation and enhanced product application knowledge for end users, Lafarge launched this merchandising campaign which immediately began to yield results for the business and improved customer satisfaction as we can now ensure the right product is purchased for the right application.

LEADING IN CUSTOMER CONVENIENCE THROUGH LEAD RETAIL APP

In a continuous bid to provide improved service experience to the customer, 2019 saw the launch of the Lead Retail Platform, a comprehensive sales processing digital application aimed at streamlining the whole sales process from the customer order, processing, dispatch right up to delivery. The innovation is aimed squarely at increasing the convenience of the purchasing process for the customer hinging on the company's technological expertise. At the close of the year, over 12% of all business orders were processed through Lead Retail. Aside from being a sales processing platform, Lead Retail also doubles as a stock and sales management module on the customer side with the added functionality of outlet management. This is a complete technological solution from before the product is purchased right up to the final sale to the end user thereby guaranteeing efficiency and convenience.



LEVERAGING TRADE SHOWS TO SHOW AND TELL

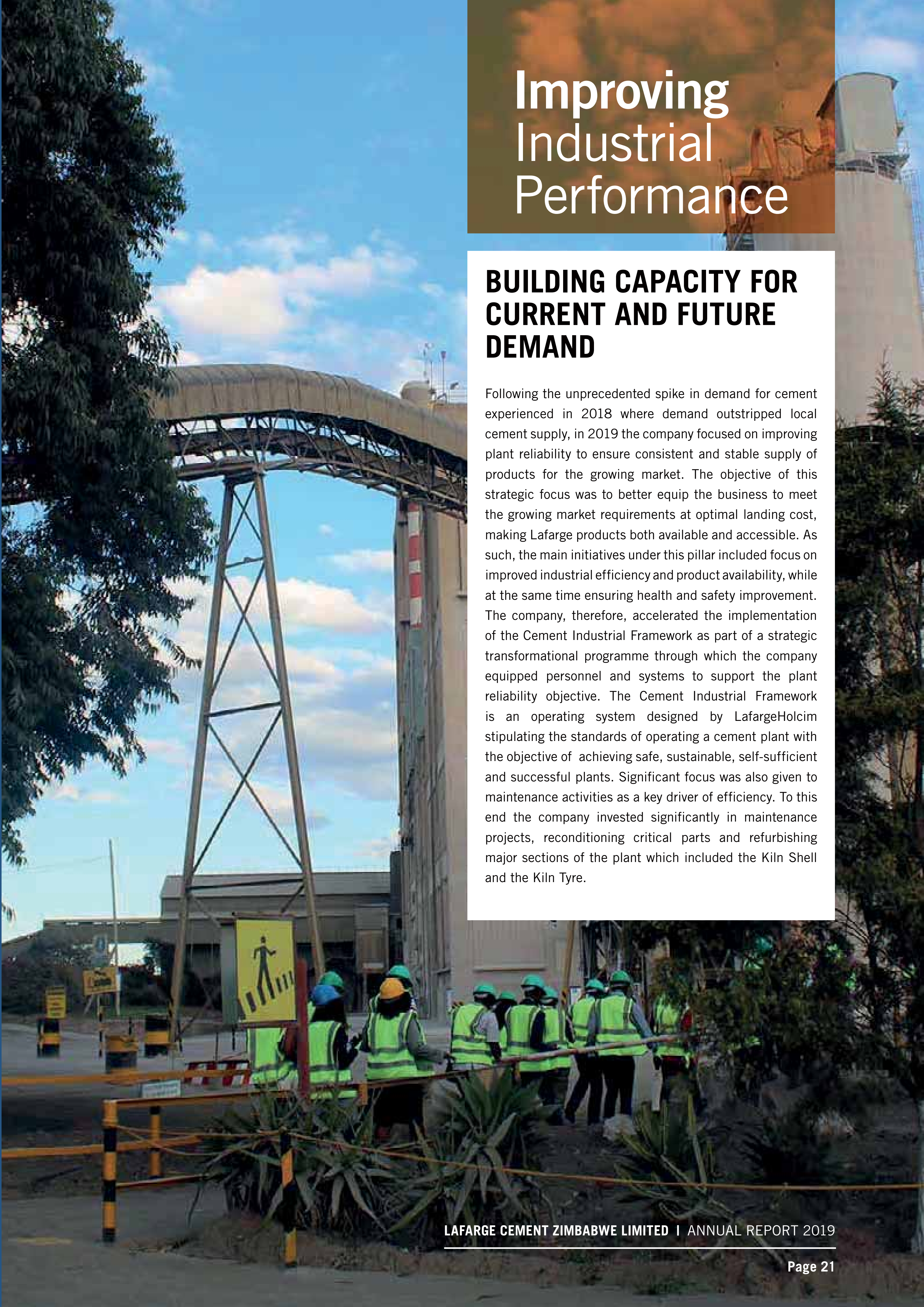
Under the strategy of Winning at Customer, Lafarge embarked on a well architectured exhibition which involved various customer touch points together with an attractive display of the company's products and services. Through this exhibition, Lafarge Cement Zimbabwe retained the Best Exhibition title in the Construction sector at the Zimbabwe Agricultural Show (ZAS) for the second year in a row.

The Lafarge Exhibition ran under the theme I**nnovating to Help Zimbabwe Build Better**, in sync with the 2019 ZAS theme **"Technology, Innovation, Mordernisation: Adopt. Acentuate. Accelerate."** The Lafarge exhibition concept narrowed down to illustrate the product and service innovation in the company's portfolio, in line with the key tactics under the strategic pillar - Winning at the Customer which include product diversification and value adding services. The exhibition was also complemented by public interaction activities and a social media promotion which pulled traffic to the exhibition leading to a high number of sales leads. Close to 5 000 people were served at the stand, 56% made sales inquiries and 8% made purchases from the Bina Store that was set up at the stand. The social media promotion led to a huge jump in traffic causing a 263% increase in engagements.

IN-VEHICLE MONITORING SYSTEM FACILITATES SAFE DELIVERY OF PRODUCTS

The company continues to prioritise safety in every aspect of its operations and the safe delivery of products to customers is a key imperative. Operating on the principle that every bag of product that is churned out of Lafarge embodies the high standards of health and safety under which they have been manufactured and transported, the company invests in top of the range fleet management systems which position Lafarge's contracted fleet and drivers among the highly rated in the country and a benchmark among peers. The company rolled out In-Vehicle Monitoring System (IVMS) in the first quarter, and by early weeks of the third quarter, 100% of kilometers travelled by delivery trucks were trackable on the IVMS platform from a baseline of zero at the beginning of the year.

Through the IVMS, routes, vehicle handling and driver behavior is closely monitored thereby reinforcing safe driving practices and efficiency in product delivery. To complement this highly efficient monitoring system, 100% of the delivery trips were driven by AEGIDE qualified drivers in the year under review. The AEGIDE driver qualification is an internationally acclaimed driver proficiency testing programme for Heavy Motor Vehicle drivers. The business closed the year with no Road Traffic Incidents or Accidents.



Improving Industrial Performance

BUILDING CAPACITY FOR CURRENT AND FUTURE DEMAND

Following the unprecedented spike in demand for cement experienced in 2018 where demand outstripped local cement supply, in 2019 the company focused on improving plant reliability to ensure consistent and stable supply of products for the growing market. The objective of this strategic focus was to better equip the business to meet the growing market requirements at optimal landing cost, making Lafarge products both available and accessible. As such, the main initiatives under this pillar included focus on improved industrial efficiency and product availability, while at the same time ensuring health and safety improvement. The company, therefore, accelerated the implementation of the Cement Industrial Framework as part of a strategic transformational programme through which the company equipped personnel and systems to support the plant reliability objective. The Cement Industrial Framework is an operating system designed by LafargeHolcim stipulating the standards of operating a cement plant with the objective of achieving safe, sustainable, self-sufficient and successful plants. Significant focus was also given to maintenance activities as a key driver of efficiency. To this end the company invested significantly in maintenance projects, reconditioning critical parts and refurbishing major sections of the plant which included the Kiln Shell and the Kiln Tyre.

ALTERNATIVE ENERGY FOR IMPROVED EFFICIENCY

One of the major challenges that plagued the business in 2019 was attributed to inconsistent power supplies in terms of both availability and quality. This impacted the running efficiencies of the kiln, resulting in unplanned stoppages, equipment damage and consequently delays in the production process. The business therefore sought to completely resolve the power supply issue and invested in a 3 Mega Watt Generator to power the kiln at cost of EURO1,5m. This will ensure that the kiln runs consistently with a reliable and constant power supply. The investment also mitigated the challenges of equipment damage caused by abrupt surge and dips in voltage on the main grid while improving refractory life and ultimately increased clinker production.

Similar to the plant, power supply issues continuously interrupted customer service processes at the commercial block, which houses the sales team. In view of this challenge, the business invested in a 10KVA solar system to power the customer service center and commercial block. This ensured the elimination of delays in serving customers as well as the online processing of orders. The business continues to invest in alternative power supply in the form of solar energy in sections of the facility requiring medium to low voltage use. The same project is earmarked for all administration offices and non-industrial sites.

Geocycle

LafargeHolcim, under its Sustainable Development Vision 2030 commits to zero waste in its operations under its pillar on Circular Economy. The company's directives on sustainability filter to country operations including Lafarge Cement Zimbabwe. As such Lafarge Cement Zimbabwe has embarked on a drive to incorporate world class standards in waste management through the Geocycle project.

The Geocycle division in LafargeHolcim is a leading provider of industrial, agricultural and municipal waste management services worldwide. It applies the proven technology of 'co-processing' and utilizes existing facilities in cement industry to resolve waste challenges sustainably. This enables the company to recover energy and recycle materials from waste. Geocycle manages more than 10 million tons of waste annually across the world, thus making a tangible contribution to bringing society a step closer to a zero-waste future.

In 2019 Zimbabwe made inroads in securing partnership interest with other multinational companies that are driving the zero-waste agenda in their operations. Siginificant groundwork was achieved in the period under review and the project remains on the strategic agenda for 2020 with a vision to embark on the first trials of the project.

Building Winning Teams

BUILDING WINNING TEAMS FOR A WINNING BUSINESS

One of the key pillars of the 2019 Strategic agenda was towards improving productivity per man per hour. A number of initiatives were implemented with the aim of improving skills, attracting the best talent and re-organisation for effectiveness. This also included building a resilient team through robust Health and Safety practices. These tactics aimed at ensuring the right competencies to deliver on the overall strategic agenda as well as a suitable organogram to achieve this imperative.

SEROPREVALANCE SURVEY SHOWS IMPROVEMENT IN EMPLOYEE WELLNESS.

Employee wellness continues to be integral to the business as the company has maintained focus on ensuring improvement of the wellness services available to employees. The various interventions by the company ranging from company supported medical aid, an onsite medical center, information dissemination activities and free screening for ailments have proved over time to be contributing to a healthier and more engaged workforce. Through various data collection methods, the impact of the company's wellness programmes has been tracked and it has been proven that there is constant improvement in the impact of the programmes.

In 2019, the company conducted a seroprevalence survey which is conducted every 3 years to establish HIV infection rate in the workplace. It was found that the rate had decreased to 3.5% versus 7.4% recorded in the prior survey. This indicates that there are no new infections recorded in the past three years. These statistics reflect that current interventions are effective and what remains is to improve them for sustainability.

LAFARGE PILOTS WORKPLACE HIV SELF TESTING PROGRAMME

Lafarge Cement Zimbabwe continues to prioritise employee wellness through provider initiated strategies that ensure that employees have access to health screening as well as treatment. The company's various programmes have been recognised among best in class in the industry and the company continues to strive to improve the reach and relevance of its programmes.

Through its leadership in employee wellness, Lafarge was identified by the Ministry of Health and Child Care as the best company to pioneer the HIV and AIDS Self Testing programme. Lafarge Peer Educators were taken through pilot training on the management and coordination of this programme. Following this training, the company was issued with 150 self testing kits which employees and their dependents have access to. The self testing programme was timely as the company was running the Know Your Status Campaign, launched at World AIDS Day in 2018. The uptake of the kits through the company's CIMAS clinic has been satisfactory. Further engagements and communication are underway to accelerate uptake of the kits.

EMPLOYEES GIVING BACK TO COMMUNITIES

Following a Presidential decree in which it was pronounced that every first Friday of the Month would be reserved for National clean-up programmes nationwide, Lafarge mobilized employees to volunteer in community clean up programmes. This was done in collaboration with volunteers from the local community. By integrating employees in community initiatives, strong rapport was built and Lafarge employees developed a greater understanding of community needs and local culture. As such, many members from Lafarge avail themselves to volunteer training for CSR beneficiaries which include community based Health and Safety trainings, bursary beneficiary career guidance sessions and Shine-Simuka Upenye guidance and mentorship. In the year under review employees committed 4950hours in volunteer programmes.

PARTNERING FOR ENHANCED MEDICAL SERVICE DELIVERY

In a bid to ensure the highest standards medical care for our employees, Lafarge partnered Cimas a medical aid service provider in the management and operation of the company medical facility. In 2019, the CIMAS Manresa Clinic was officially commissioned to serve Lafarge employees, their families as well as the communities surrounding our business. Today the clinic runs with a full time doctor, nursing staff and a fully equipped pharmacy.

For Lafarge Cement Zimbabwe, the clinic is pivotal in the annual risk-based medical check ups for employees as well as primary health care and first level support in the case of emergencies. With a community of 95 employees and their families living on site and a growing population in the suburbs around the community, the Company realised that there was a viable opportunity to go beyond first level services by engaging a partner whose core business is in health care provision. This strategic decision saw the improvement in the services provided by the facility while accruing a significant reduction in the overheads of running the clinic by 63% for Lafarge. The partnership with CIMAS has immensely improved the quality of health care service as well as other provider initiated health care programmes.

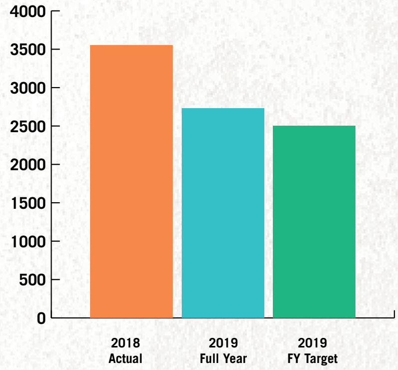
FEEDING THE MANAGERIAL PIPELINE THROUGH PEOPLE DEVELOPMENT.

Lafarge continues with deliberate efforts to attract the best talent in the country. Through the Step-Up Graduate Trainee programme, the company recruits recent graduates into a management traineeship programme, creating a talent pipeline for future company leadership roles. In 2019 the company recruited another batch of 21 graduate trainees who have been deployed in various functions across the business, both under industrial and under support services departments. Today, Lafarge has managed to retain 44% of the Graduate Trainees who have come through the programme and these have managed to take up key roles in Management.

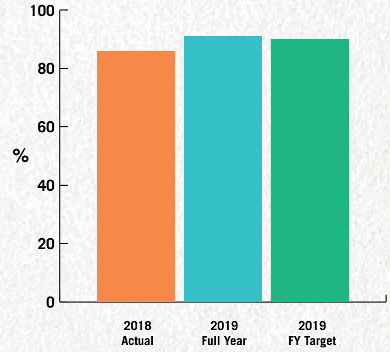
Meanwhile in 2019, the company ran a supervisor development programme in conjunction with SeedCo. This partnership saw the two companies leveraging on resources as well as expertise to deliver a hybrid programme. The benefits accrued from this partnership include benchmarking and best practice sharing within a cost effective arrangement.

Health & Safety

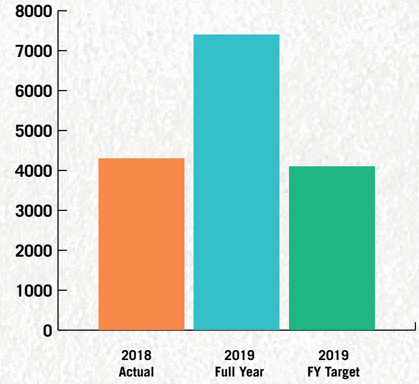
OHS LEADING INDICATORS



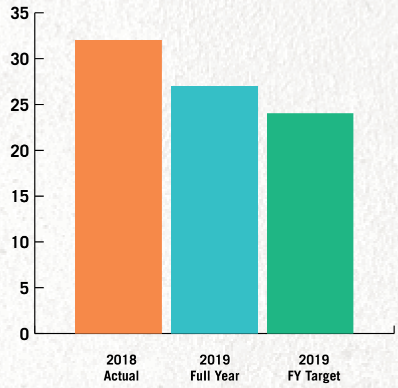
Eagle-Eyes (EE) Reported



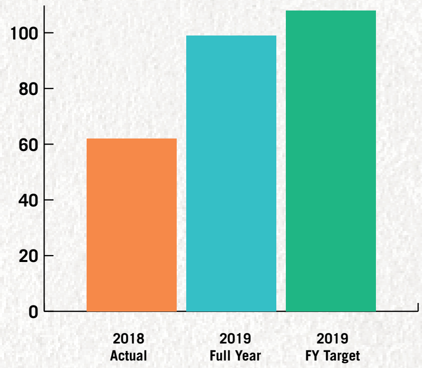
Eagle-Eye (EE) Closure



Safety Training Hours

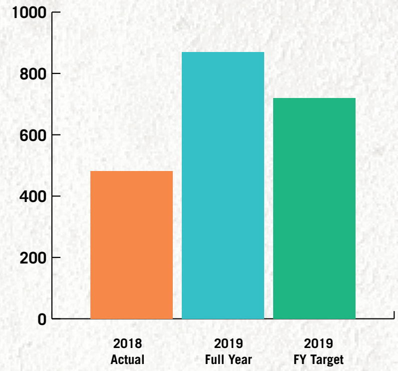


SER and KL Done



Department Monthly Meeting

Supervisor Inspections



No. Of VPCs conducted

Definitions

1. Eagle Eyes - identification and reporting of potentially harmful acts and conditions before they occur.

2. VPCs - **Visible Personal Commitment** refers to total management actions and interactions that encourage surbodinates and shop floor workers to adopt and commit to high standards of safety practices.

3. SER - **Serious Event Review** is a process of understanding and analysing serious incidents and accidents in order to learn how something happened, why it happened, what could have been done better and key lessons and actions for prevention of similar cases are drawn .

4. KL - **Key Lessons** are the critical learning points that emerge from a serious event review which help to inform and strengthen health and safety processes.

The business performed very well on health and safety, showing significant improvement from 2018. The big dent on the overall Health and Safety profile was the fatality that occurred at Sternblick East Quarry in August 2019. This was a sorely regrettable occurrence that the business continues to reflect on as measures to improve health and safety are considered. The business drew a number of critical lessons which have informed the tightening of procedures across all sections in the business unit.

Meanwhile, other leading indicators for Health and Safety surpassed the targets set for 2019. Safety Training hours increased remarkably by 180%. Specialised training was also conducted based on an in depth training needs analysis as a means to improving health and safety in the workplace.

"It is truly motivating to work for an organisation that values the health and safety of its employees. Over the last two years, we have seen the business invest more into empowering employees to manage work at height, confined space, hot work, energy isolation and mobile equipment"

Blessing Nhende - Chairman on Workers Committee

INTERNATIONAL STANDARDS OF MANAGING HEALTH, SAFETY AND THE ENVIRONMENT

Lafarge Cement Zimbabwe continuously manages and mitigates the risks and impact of the business on the natural environment. The company also strives to uphold health and safety for all employees, contractors, visitors and stakeholders. In order to achieve the company's mandate in Health, Safety and Environmental Management, Lafarge Cement Zimbabwe achieved ISO Certification in 2018 following the successful adoption and integration of the ISO 14001:2015 Standard and the OHSAS 18001:2007,

Leveraging on the wealth of knowledge and experience in the LafargeHolcim Group, LCZ has established very high standards of health, safety and environment. However, there are added benefits that accrue from ISO Certification. These include:

- Adoption of a systematic approach to management and mitigation of Environmental Impacts as well as protection of health and safety focused on the goal of zero harm.
- Effective communication of goals, targets and objectives with the organisation's Stakeholders, also taking into consideration Stakeholder needs and expectations.
- Compliance with legal and other requirements through evaluation and integration of Laws and Statutory Instruments
- Effective management of resources and the immediate environment through continuous improvement initiatives and cycles as well as focus on monitoring and assessment of performance on Health, Safety and Environmental key Performance Indicators
- Enhancing a processes for identification of opportunities of improvement through evaluation cycles
- Competitive advantage on the International Market through identifiable standards for Health, Safety and Environmental Management.

Lafarge's ambition for Health safety and Environment are aligned to the LafargeHolcim's Vision 2030 strategy.

- Reduction of Greenhouse Gas Emissions through the adoption of Continuous Emissions Monitoring systems for real-time monitoring and correction of operational parameters to lower the emissions
- Conducting business with a goal of zero harm as Health and Safety is a Core Value

MINIMUM SAFE BEHAVIOURS: BUILDING A HEALTH AND SAFETY CULTURE TO BOLSTER BUSINESS PERFORMANCE

Global Health and Safety Days for 2019 were commemorated with a campaign on Minimum Safe Behaviours. Based on the 5 safety rules on which the business enforces in all it's operations, the objective was to address the contribution of the human element in the causation of accidents. For instance, Traffic Safety Council in Zimbabwe attributes 96% of accidents to be caused by human error. The minimum safe behaviour for driving therefore is to avoid distracted driving. Through drama presentations and digital messaging, drivers were schooled to always use their seatbelts, avoid use of cellphones or eating and drinking at the steering wheel. The Minimum Safe behaviours campaign helped to instil the health and safety consciousness culture which the business aspires.

Sustainability

TOWARDS CLEAN AND SUSTAINABLE OPERATIONS.

Lafarge Cement Zimbabwe's operations are within the geographical threshold of the country's capital city. Our plant is surrounded by residential communities and our two mines, Sternblick East and Sternblick West, are within 5km of the plant both surrounded by varying densities of human population settlements. With a workforce of over 800 employees, Lafarge Cement Zimbabwe is in the top tier of manufacturing companies in the country. We therefore hold with high regard our role as a good corporate citizen in as far as our operations influence and impact the lives of our natural environment, our employees and the communities that surround us. The materiality issues for our business unit include dust emissions, land reclamation in the quarries, water, waste and shared value in our communities. We therefore pay close attention to ensuring a positive footprint on these factors ensuring shared value for all.

While over the years the company has made great strides in dust abatement measures, the number of dust related complaints by our stakeholders increased slightly in the year under review. This was mainly due to the challenges in the supply and quality of power which hampered progress on this trajectory. With the persistent power dips and power outages, the company experienced mechanical inefficiencies which in turn caused spates of dust emissions. Pro-active stakeholder engagements were made on this matter as the company employed a lasting solution. To this end the company invested in a large industrial generator to ensure stable power supply. This reduced the incidents of emissions significantly. The company continues to monitor this trend to ensure continuous reduction on emissions.

Meanwhile the company practices progressive rehabilitation of the quarries to protect and preserve the natural biodiversity of these sites. Through the annual Tree Planting Day, the company has planted close to 2000 trees over the past three years in and around the quarry mines. In 2019 500 trees were planted at Sternblick East Quarry with the participation of 100 employee volunteers.

In terms of waste management and recycling, Lafarge Cement Zimbabwe initiated feasibility studies on use of waste-derived resources. This is under the Geocycle initiative in which alternative fuels for kiln firing are considered. This is an impactful waste management option in the face of waste reticulation challenges currently faced by many of the urban councils in our country. Beyond our fence, Lafarge continues to support a robust sustainable waste management initiative at the Mabvuku recycling center. Here, various forms of recyclable waste are collected and sorted for collection by recycling companies. Participants make reasonable income from the proceeds of collecting and recycling ranging from US$80 to US$150.

We are proud to be WASH compliant, meaning that all our employees on site have access to clean water and sanitary ablutions. We pay deliberate attention to water and sanitation related hygiene culture by deploying education on cleanliness and handwashing principles which go a long way in health promotion and disease prevention. We continue to reduce our freshwater abstraction by using gray process water for gardens and flood cleaning. Return tanks have been installed in areas of the plant to minimise water losses. In the community, Lafarge has helped to improve access to fresh water by rehabilitating 8 boreholes which have become the primary source for domestic water. This activity has eased the pressure on the other functioning boreholes in the community.

Our employees continue to be an incomparable source of competitive advantage. We boast a diverse and vibrant team with 33% females in the senior management, against the global target of 30%. We value the health and safety of all our employees and continue to improve our health and safety standards while ensuring that the company is a place where individuals can thrive and realize their personal aspirations, thereby positioning us as an employer of choice.

We seek to influence players in our value chain for the improvement of not just service level standards, but also occupational health and safety, observance of human rights and anti-bribery and corruption practices. The Sustainable Procurement initiative has been a critical tool in this process. Partnering with stakeholders has also enabled us to enhance the depth and reach of our CSR programs particularly Shine: Simuka Upenye empowerment program and Run for a Good Cause. Through mutually beneficial partnering models, Lafarge has been able to roll out affordable housing schemes to bridge the housing backlog.

We strongly believe that for the longevity of our organisation, our approach to sustainability has to accelerate so that we are not simply doing less harm but rather, we are focusing on doing more good and creating shared value for all our stakeholders- employees, shareholders, customers, suppliers and the community.

EMPOWERING YOUNG PEOPLE TO BUILD BACK BETTER IN CHIMANIMANI

Following the destruction of infrastructure and disruption of day to day lives in Chimanimani District in Eastern Zimbabwe in March 2019 as a result of Cyclone Idai, Lafarge launched the Rebuild Chimanimani campaign with a two pronged approach to support restoration of livelihoods as well as contributing to the rebuilding of vital infrastructure in affected communities. Through this programme, Lafarge sponsored 110 men and women to undergo masons training in partnership with the Ministry of Youth and SIRDC. This programme was strategically designed to prepare a ready pool of semi skilled labour for rebuilding initiatives that were lined up through multi-sectoral recovery programmes. The trainees have since been recruited as paid labour for various projects including road reconstruction, schools rehabilitation and construction of pit latrines in schools and holding camps.

Lafarge is now on the second phase of the Rebuild Chimanimani initiative which is the construction of a Mothers' waiting shelter at Chikukwa Clinic. The waiting home accommodates 8 waiting mothers at the clinic which serves a 30km radius. This intervention serves to contribute to the improvement of maternal health care as many women with no capacity to rent out lodgings have had to endure unsafe labour as they travel long distances for medical attention when they are about to deliver a baby. The waiting shelter allows them to visit the clinic in ample time to ensure safe maternal health care. Groundwork for the project was started in 2019 and the project is set to be commissioned by the second half of 2020.

BUILDING BRIDGES FOR YOUNG WOMEN

Lafarge continues on its commitment to diversity and inclusion through closing the gender-based opportunity gap prevailing in our communities. It is with this objective that the business committed to the second intake of the Shine: Simuka Upenye empowerment program in 2019 targeting 125 girls from Mabvuku and Tafara as well as from Pangoula Farm. The programme model has been revised based on stakeholder feedback on how the previous lag was coordinated. Key modifications to the programme include a robust monitoring system on performance and adherence to the programme as well as a drive for greater partnership support for quality enhancement. The beneficiaries are aged between 17 and 22 from proven socially and financially disadvantaged backgrounds who will undergo a 15 month program which includes life skills training, business and entrepreneurship training, mentorship, vocational training, industrial attachment and close off with business incubation. It is expected that at the end of this program, the girls will be fully capacitated to earn a decent income in a socially acceptable manner. This programme reflects Lafarge's objective of delivering sustainable social transformation to communities.

SUPPORTING COMMUNITY ENVIRONMENTAL STEWARDSHIP PROGRAMMES

Lafarge continues to seek ways to nurture and preserve the natural environment through its environment related targets in all operations as well as through community based programmes. Mabvuku Recycling Center is one such community intervention set up with the aim of reducing solid waste pollution in the densely populated communities of Mabvuku and Tafara through collection of recyclable materials. This programme has fostered the reduction of environmental and health risks associated with poor waste disposal while also generating income for the participants of this initiative. The program provides a long sustainable solution to solid waste management in the community while complementing the efforts applied in clean up programmes.

The Mabvuku Waste Collection Center has enabled a significant reduction in solid waste through collection of post consumer beverage waste and other collectables. In 2019, the center realized a 16% increase in collected volume of waste from 1440 tons in 2018 to 1680 tons in the year under review, all of this being waste that could have found its way to undesignated dumpsites posing a health and environmental risk.

The cleaner environment created has a ripple effect on community health. According to Mabvuku Clinic, cases of malaria or typhoid drastically reduced in Mabvuku in the last rainy season which is usually a period when high incidents are recorded in the community.

As the center's revenue has grown exponentially over the past three

years. Individual income for collectors has also grown to an average of $150, whilst high achievers earn as much as $240 per month. In a country with over 80% unemployment, income from the centre has empowered participants to provide for their families and invest in other streams of income such as vending and chicken rearing. Also the center has grown to become self sustaining.

This programme also has a psychosocial impact, particularly for the elderly who have benefitted from occupational therapy of working and earning a living making them able to provide for their extended families.

WASTE COLLECTED OVER THE PAST 3 YEARS

2017:
666tons

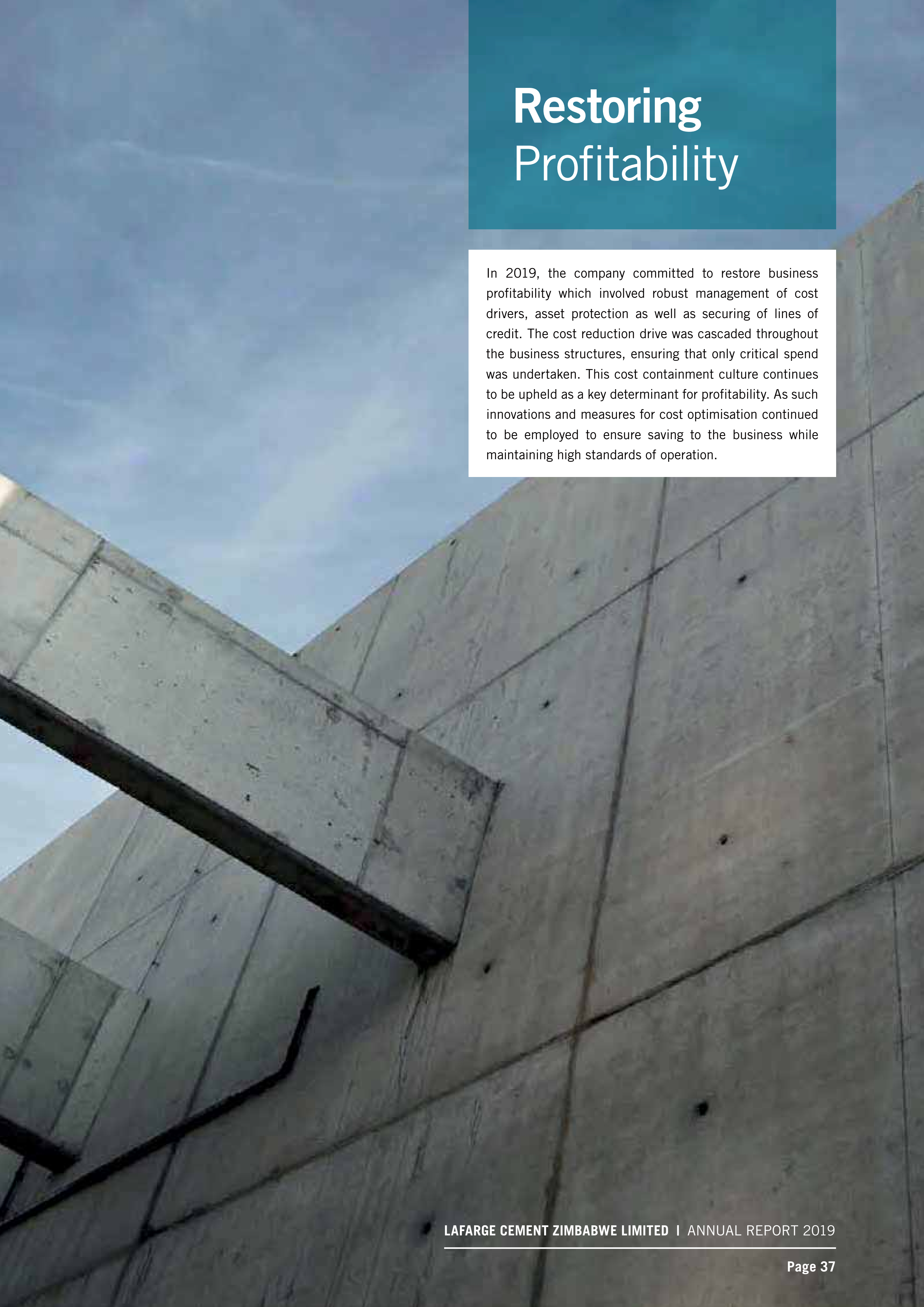
2018:
1440tons

2019:
1680

This is waste that would have made its way to landfills or lie in illegal dumps around the community, posing a health risk.

SETTING THE FOUNDATION FOR FUTURE SUCCESS

The Lafarge Foundations programme is a bursary scheme that goes beyond financial support for under privileged children by providing a breeding ground for future leaders through a dynamic financial support and mentoring programme. The Foundations Programme, as the name suggests aims at nurturing socially and academically astute individuals from very early stages. Because a strong foundation makes for a strong structure, Lafarge dedicates time, expertise and financial resources in supporting beneficiaries on the programme to become strong and productive citizens in the future. The programme benefits up to 400 students per year with 60% of them being drawn from the rural communities in Mutawatawa where the company has quarry mining interests. The 2019 cycle was marginally affected by the rise in school fees. This was attributed to marginal school fees adjustments at government schools where majority students are enrolled. Plans are in place to relook the programme in order to ensure sustainable support for all beneficiaries under the current operating environment.



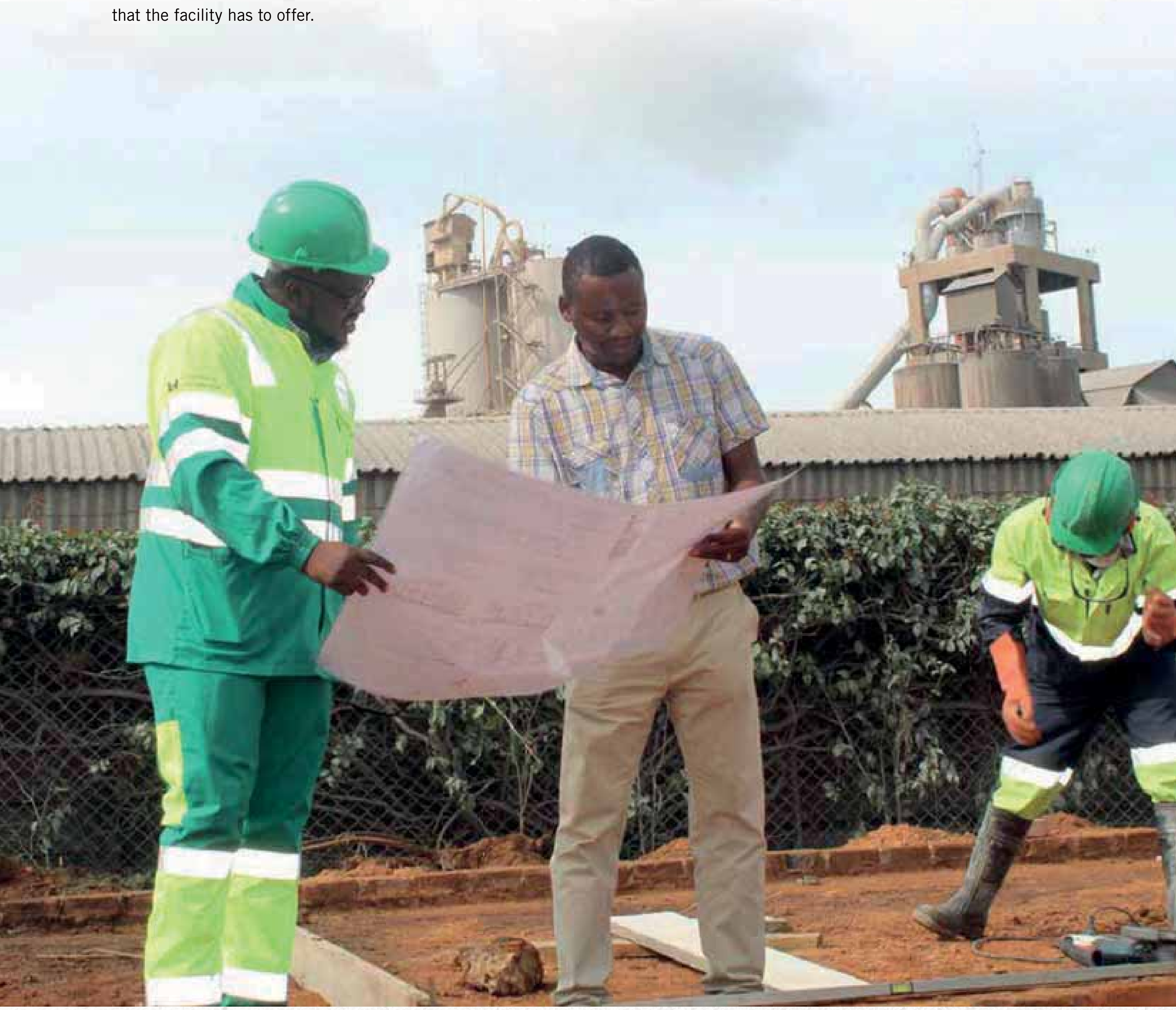
Restoring Profitability

In 2019, the company committed to restore business profitability which involved robust management of cost drivers, asset protection as well as securing of lines of credit. The cost reduction drive was cascaded throughout the business structures, ensuring that only critical spend was undertaken. This cost containment culture continues to be upheld as a key determinant for profitability. As such innovations and measures for cost optimisation continued to be employed to ensure saving to the business while maintaining high standards of operation.

STRATEGIC OUTSOURCING TO RESTORE PROFITABILITY

Manresa Club is a well kitted establishment, suitable for various sporting and entertainment activities. Over the years the facility has been under-utilized, serving only for company meetings and events. The business realized an opportunity to restore its value and revamp it to become a profitable entity. However, as management of a recreational facility is not a core activity for the company, a decision was taken to outsource the facility to a hospitality company on a renewable lease. Today, Tsebo is running the facility trading under the name “The Joint”. Long term plans are to develop it into a fully fledged sports and entertainment center serving not just Lafarge, but the growing community around the business unit. This is a strategic move to retain asset value for the company while offering employees and the community a recreational facility with benefits to their wellbeing.

The outsourcing of the Manresa Club aligns closely with the business’ thrust towards maximising asset utilisation while strengthening Lafarge as a great place to work. When the current strategy for the Manresa Club is fully implemented, the club will have various sporting amenities which include tennis, swimming, putt putt and a gym. This is in addition to other social and recreational services that the facility has to offer.



Corporate Governance

Statement On Corporate Governance

Our values, principles and strategy are supported by high standards of corporate governance, which we continuously review to ensure robust reporting, the forging of strong relationships with our stakeholders and the alignment of our business with global good practice.

We understand that adhering to the highest standards of corporate governance is vital to the sustainability of our business; thus our governance structures ensure that they support effective decision making, establish a corporate culture aligned with our purpose, nurture sustainable growth and align with evolving best practice. We take developments and governance trends as opportunities to continuously improve and entrench corporate governance practices.

We comply with the Zimbabwe Stock Exchange (ZSE) Listing Requirements, applicable statutes, regulatory requirements and authoritative directives regulating our conduct. We also comply with the governance outcomes, principles and practices in the King IV Code on Corporate Governance.

BOARD OF DIRECTORS

The Board comprises of eight Directors, four of whom are independent non-executive Directors. The Board is highly experienced and has the skills, background and knowledge to fulfill its responsibilities. All Directors, executive and non-executive, have a duty to act with independence of mind in the best interests of the Company. The Board believes that the independent non-executive Directors are of the appropriate calibre, diversity and number for their views to carry significant weight in the Board's deliberations and decisions and to ensure robust and forthright debate occurs on all issues of material importance to the Company and to eliminate group think.

The Company achieves a balanced relationship between management and control by keeping the roles of the Chairman and Chief Executive Officer separate and distinct. This ensures that no one individual has dominant control over decision making. The Chairman is an independent non-executive Director.

The roles and responsibilities of the Board include, among others:

- being the focal point for, and custodian of, good corporate governance by managing the Board's relationship with management, the shareholders, and other stakeholders;
- providing strategic direction and leadership which is aligned to the Company's value system by reviewing and approving budgets, plans and strategies and monitoring their implementation as well as approving their capital funding, aimed at achieving the Company's long-term strategy and vision in a sustainable manner;
- determining, implementing and monitoring policies, procedures, practices and systems to monitor performance indicators and to ensure the integrity of risk management and internal controls in order to protect Company assets and reputation;
- ensuring that a communications policy is established, implemented and reviewed annually and, in addition to its statutory and regulatory reporting requirements, that the policy contains accepted principles of accurate and reliable reporting, including being open, transparent, honest, understandable, clear and consistent in the Company's communications with stakeholders.

BOARD MEETINGS

The Board meets formally at least four times annually. During the financial year under review, the Board held four meetings.

In accordance with the Companies and Other Business Entities Act [24:31] and ZSE Listing Requirements, the record of Directors' attendance and meetings held for the 2019 Financial Year is available for inspection. All Board meetings were presided over by the Chairman. Written notices of Board meetings, along with agenda and other management reports were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated by the Company Secretary, and approved at subsequent Board meetings.

The Table below shows Board membership and attendance of the meetings held.

2019 Board Meetings	18 February 2019	05 August 2019	14 October 2019	22 April 2020
K. C. Katsande	Yes	Yes	Yes	Yes
M. A. Masunda	Yes	Yes	Yes	Yes
S. M. Mutangadura	Yes	Yes	Yes	Yes
D. Drouet	Yes	No	Yes	N/A
D. L. Cruttenden	Yes	Yes	Yes	Yes
F. Chinhaire	Yes	Yes	Yes	Yes
P. M. S. Deleplanque	Yes	No	Yes	No
M. Nayah	Yes	No	No	N/A

2019 Board Meetings	18 February 2019	05 August 2019	14 October 2019	22 April 2020
K. Kaulule	Yes	Yes	Yes	N/A
F. Kovhiwa	N/A	Yes	Yes	Yes
P. Murena	N/A	N/A	N/A	Yes

* By Invitation
N/A – Left/Not yet appointed

RETIREMENT AND RE-ELECTION OF DIRECTORS

Article 100 of the Company's Articles of Association requires that one-third of all Directors, with the exception of the Chief Executive Officer, who have served in office longest since their last election, retire by rotation at each Annual General Meeting. Being eligible theDirectors may seek re-election should they so wish.

BOARD COMMITTEES

The Board has two committees, the Audit Committee made up of independent non-executive Directors and the Safety, Health and Environment and Corporate Social Responsibility (SHE & CSR) Committee to promote independent judgment, to assist it with effectively fulfilling its responsibilities. Nonetheless, the Board acknowledges that the delegation of authority to its Committees does not detract from the Board's responsibility to discharge its fiduciary duties to the Company.

Each Board Committee has its own terms of reference. These terms of reference set out the committees' roles and responsibilities, functions, scope of authority and composition. Committees report to the Board at each Board meeting and make recommendations in accordance with their terms of reference.

In line with the 2019 ZSE revised listing requirements, the Board will in 2020 constitute two additional committees, the Risk committee, which will be combined with the Audit committee, and the nomination and remuneration committee. The Board will thus have four committees.

AUDIT COMMITTEE

The Audit Committee, which meets at least twice a year, assists the Board in discharging its duties relating to the safeguarding of the Company's assets; the operation of adequate systems, internal controls and control processes; and the preparation of accurate financial reports and statements in compliance with all applicable legal requirements, corporate governance and accounting standards, as well as enhancing the reliability, integrity, objectivity and fair presentation of the affairs of the Company.

Audit Committee Meetings	18 February 2019	14 October 2019
F. Chinhaire	Yes	Yes
D. L. Cruttenden	Yes	Yes
D. Drouet	Yes	Yes
K. S. Kaulule	Yes	Yes
F. Kovhiwa	X	Yes
M. A. Masunda	Yes	Yes
S. M. Mutangadura	Yes	Yes
M. Nayah	Yes	X

SHE AND CSR COMMITTEE

The Company is committed to managing its activities so as to minimise harm to the environment and to safeguard the health and safety of its stakeholders. The Committee, which meets at least once a year, helps the Board to oversee the significant risks that the Company faces in the critical areas of safety, health and environment and ensure they receive due attention at all times. The matters it considers are a mixture of legal obligations and other actions we believe are necessary to be a good corporate citizen.

SHE & CSR Committee Meetings	30 January 2019	9 October 2019
D. L. Cruttenden	Yes	Yes
A. Farghaly	Yes	X
K. Kaulule	Yes	Yes
M. A. Masunda	Yes	Yes
F. Chinhaire	Yes	Yes

Statement On Corporate Governance (continued)

EXECUTIVE COMMITTEE OF MANAGEMENT

This Committee, headed by the Chief Executive Officer, is empowered and responsible for implementing the strategies and policies determined by the Board, managing the business and affairs of the Company on a daily basis, prioritising the allocation of technical and human resources, and establishing best management practices. The Executive Committee meets once a week.

MANAGEMENT REPORTING

The Company has comprehensive management reporting procedures which include the preparation of annual strategic plans, mid-term plans, plant development plans and annual budgets. The Company's budget, including budgeted capital expenditure, is reviewed and approved by the Board. Monthly results of the Company are reported against approved budgets and revised forecasts and compared to the prior year and these are reviewed by the Executive Committee.

COMPANY SECRETARY

The Company Secretary, as the custodian of good corporate governance, is responsible for implementing and sustaining high levels of corporate governance and keeps abreast of legislation, regulations and corporate governance developments which may impact on the Company. The Company Secretary supports the Board as a whole, and directors individually, by providing guidance as to how to fulfill their responsibilities as Directors in the best interests of the Company. To achieve these objectives, independent advisory services are retained by the Company Secretary at the request of the Board or its Committees. The Company Secretary maintains her knowledge of developments in corporate governance best practice and regulation.

CODE OF BUSINESS CONDUCT

The Lafarge Code of Business Conduct, centred on integrity, is a set of standards that applies to all employees and officers of the LafargeHolcim Group. These standards set out basic rules to guide all employees and officers in carrying out their day-to-day business duties. The same is expected of all of Lafarge suppliers worldwide and prohibit amongst other practices, collusive bidding, anti-competitive conduct, improper assistance and corrupt practices. All external parties dealing with the Company as suppliers or contractors are required to be in line with the principles set out in Lafarge's Supplier Code of Business Conduct by putting in place policies and procedures ensuring that all of their employees comply and undertake to keep complying, in all respects, with these principles.

EXTERNAL AUDITORS

External Auditors are appointed by the shareholders and are subject to re-appointment at the Company's AGM. The Company periodically rotates external auditors to ensure independence of the auditors is sustained. The current auditors are Deloitte & Touche. External audit, with support of management, ensure that value-adding and independent audits are undertaken.

ETHICS

The issue of good governance and ethical conduct is critical to counterparty and investor perceptions of a listed company. The Company strives to ensure that its integrity and professional conduct is beyond reproach at all times.

Full disclosure is made by all Directors, management and employees concerning their interest, including those of their families, in outside activities or in businesses which may conflict with their positions at the Company or result in relationships and balances that need to be disclosed.

Legal & Compliance

The Company ensures compliance in all its operations. The Compliance function, which falls under the Legal and Compliance department, promotes and ensures a principles-based culture on integrity that respects not only the letter of the law but also the spirit underlying these principles. The role of the Compliance function is to assist management to develop compliance-minded leaders/employees and promote, foster and enforce a foundation of integrity in the Company's business practices. The Compliance function also ensures compliance with all relevant local and international legislation.

To achieve the above, the Compliance function conducts various trainings within the organization in collaboration with the LafargeHolcim Group Compliance function. In 2019, the following trainings were conducted:

1. mandatory Anti-Bribery and Corruption (ABC) Face-to-Face training;
2. mandatory ABC e-learning training;
3. mandatory Fair Competition (FC) Face-to-Face training;
4. mandatory Fair Competition e-learning training; and
5. Third Party Due Diligence (TPDD) Face-to-Face training.

Internal Control And Internal Audit

The Internal Control function reports directly to the Chief Executive Officer and has the respect and co-operation of both the Board and management.

The Company's control systems are designed to safeguard the Company's assets, maintain proper accounting records and ensure the reliability of management and financial information produced by the Company. Control systems are based on established LafargeHolcim policies and procedures and are implemented by trained personnel, with an appropriate segregation of duties. Management acknowledges its responsibility for internal control through the annual certification process as part of the Group's compliance with the Swiss Stock Exchange (SIX) in Zurich and Euronext in Paris. The Group is required to comply with both the Swiss and French laws which require that management of listed entities certify that they have evaluated the effectiveness of internal controls within the Group.

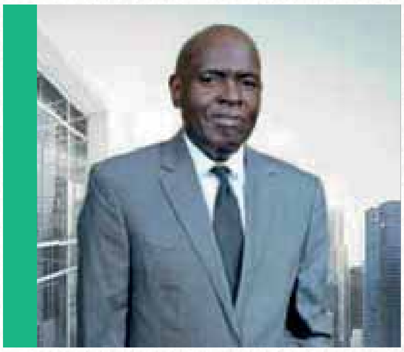
The continuous process to mitigate business risks better through improving the effectiveness and efficiency of internal controls is part of the management cycle and each country/entity performs the following actions:

- Prepares a specific annual action plan on internal controls;
- Reports status updates on this action plan to Group Internal Control;
- Assesses annually the existence and the effectiveness of internal controls in accordance with instructions provided by Group Internal Control.

The implementation of this action plan is followed by relevant senior management. These procedures contribute to the annual internal control assessment performed by Group Internal Control.

Nothing has come to the attention of the Directors, or to the attention of the internal auditor, to indicate that any material breakdown in the functioning of the internal controls and systems has occurred during the year under review.

Board of Directors



MR. K. C. KATSANDE
CHAIRMAN (INDEPENDENT NON-EXECUTIVE DIRECTOR)

MRS P. NYIKA
CHIEF EXECUTIVE OFFICER

MR. D. L. CRUTTENDEN
INDEPENDENT NON-EXECUTIVE DIRECTOR

MR. P. M. S. DELEPLANQUE
NON-EXECUTIVE DIRECTOR

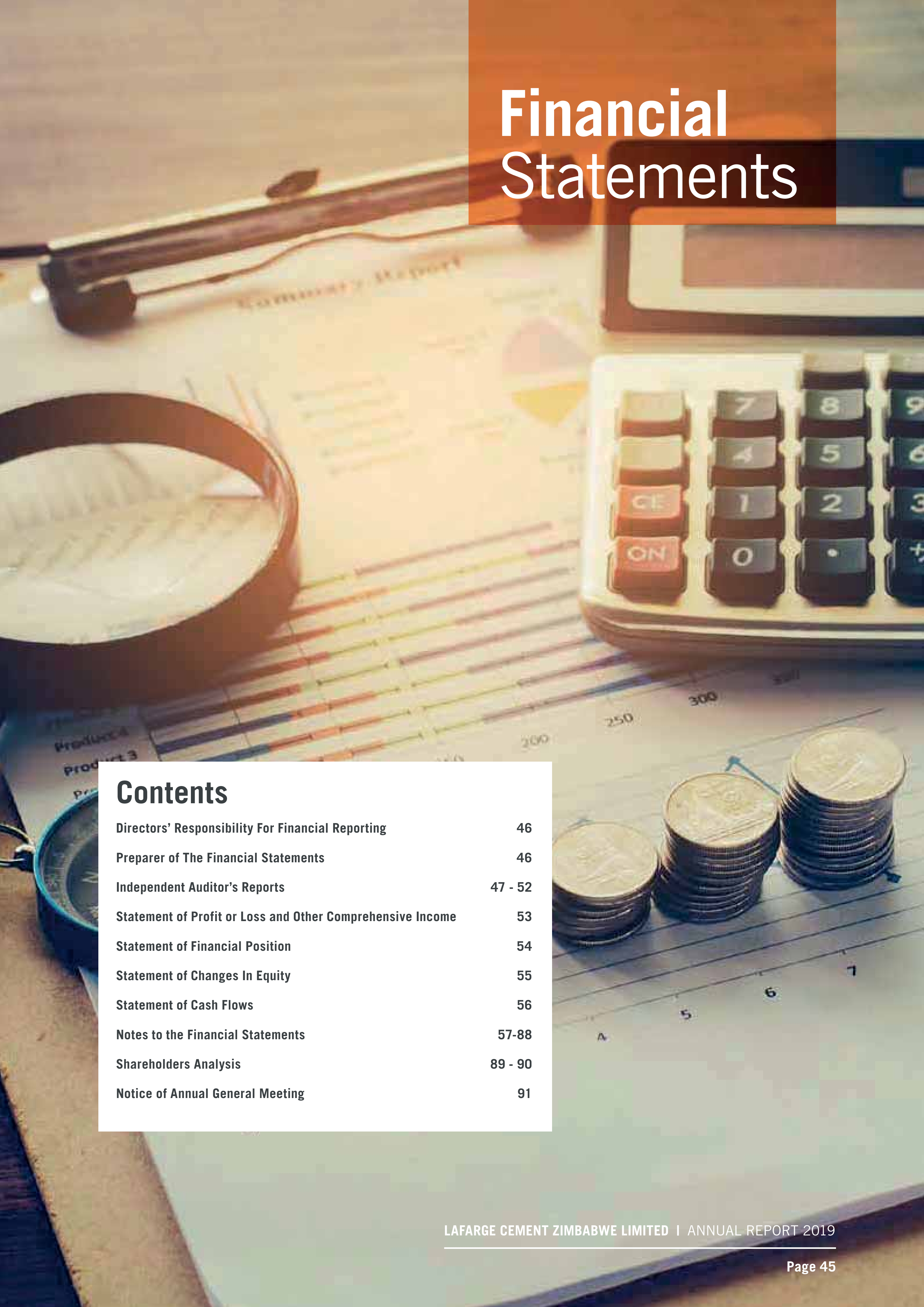
MR. D. DROUET
NON-EXECUTIVE DIRECTOR

MR. M. A. MASUNDA
INDEPENDENT NON-EXECUTIVE DIRECTOR

MRS. S. M. MUTANGADURA
INDEPENDENT NON-EXECUTIVE DIRECTOR

MR. F. KOVHIWA
CHIEF FINANCIAL OFFICER

MRS. F. CHINHAIRE
COMPANY SECRETARY



Financial Statements

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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 ("IFRSs") 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 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 2020. On the basis of this review and assessment of the current financial position, the Directors 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 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.

The financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 26 June 2020 and signed on its behalf by:

K. C. Katsande
Chairman
25 June 2020

P. Nyika
Chief Executive Officer
25 June 2020

Preparer of the financial statements

The financial statements have been prepared under the supervision of the Chief Finance Officer:

F. Kovhiwa
Chief Finance Officer
PAAB No 03180
26 June 2020

Deloitte.

PO Box 267
Harare
Zimbabwe

Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

Tel: +263 (0) 8677 000261
+263 (0) 8644 041005
Fax: +263 (0) 4 852130
www.deloitte.com

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.

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

Basis for Disclaimer of Opinion (continued)

5. <u>Inability to Obtain Sufficient and Appropriate Evidence on the Use of the Going Concern Assumption</u>
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. <u>Inability to Obtain Sufficient and Appropriate Evidence on the Use of the Going Concern Assumption</u> (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.

Deloitte & Touche

Deloitte & Touche Chartered Accountants (Zimbabwe)
Per Stelios Michael
Partner
(PAAB Practice Certificate 0443)
Harare
Zimbabwe

Date: 29 June 2020

LAFARGE CEMENT ZIMBABWE LIMITED

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

	Notes	Inflation Adjusted Audited 2019 $	Inflation Adjusted Restated Audited 2018 $	*Historical Audited 2019 $	*Historical Restated Audited 2018 $
Revenue	5	918,684,501	449,296,821	422,271,737	72,334,809
Cost of sales		(423,140,304)	(308,676,821)	(249,588,684)	(49,695,608)
Gross profit		**495,544,197**	**140,620,000**	**172,683,053**	**22,639,201**
Other (losses)/gains	6	(304,313,023)	4,274,182	(183,709,153)	688,124
Quarry rehabilitation expense	20.1	(17,403,782)	(632,128)	(17,403,782)	(101,770)
Distribution expenses		(61,613,884)	(39,176,573)	(33,494,537)	(6,307,256)
Administration expenses		(242,969,608)	(68,009,366)	(63,724,141)	(10,949,208)
Restructuring costs		(7,451,133)	(6,818,602)	(1,999,677)	(1,097,765)
Other income	7	2,668,148	4,196,260	726,480	675,579
(Loss)/profit before finance costs and tax		**(135,539,085)**	**34,453,773**	**(126,921,757)**	**5,546,905**
Finance costs	8	(47,578,860)	(7,100,196)	(23,325,600)	(1,143,100)
Net gain on monetary position		**658,957,970**	-	-	-
Profit/(loss) before tax		475,840,025	27,353,577	(150,247,357)	4,403,805
Income tax expense	9.1	**(297,634,642)**	**(19,091,102)**	**(128,389,694)**	**(3,073,583)**
Profit/(loss) for the year	10	178,205,383	8,262,475	(278,637,051)	1,330,222
Other comprehensive income for the year, net of tax	18.1	310,267,171	-	310,267,171	-
Total profit and loss and other comprehensive income for the year		**488,472,554**	**8,262,475**	**31,630,120**	**1,330,222**
Earnings per share	11	6.106	0.103	0.395	0.017
Number of shares	11.1	80,000,000	80,000,000	80,000,000	80,000,000
Basic and diluted earnings/(loss) per share (ZWL per share)		6.106	0.103	0.395	0.017
Headline earnings/(loss) per share (ZWL per share)		2.327	0.189	(3.492)	0.039

LAFARGE CEMENT ZIMBABWE LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Notes	Inflation Adjusted Audited 2019 $	Inflation Adjusted Restated Audited 2018 $	*Historical Audited 2019 $	*Historical Restated Audited 2018 $
ASSETS					
Non-current assets					
Property, plant and equipment	12	547,298,999	248,832,945	482,921,798	40,061,008
Total non-current assets		**547,298,999**	**248,832,945**	**482,921,798**	**40,061,008**
Current assets					
Inventories	13	175,482,608	57,953,238	58,146,177	9,330,216
Prepayments and deposits	14	113,115,343	43,404,908	39,578,004	6,987,999
Trade and other receivables	15	25,906,297	28,336,645	25,906,297	4,562,075
Related party receivables	22.1	15,939,343	6,440,009	15,939,343	1,036,813
Current tax asset		-	19,094,361	-	3,074,108
Short term investments	16.2	4,343	73,726,073	4,343	11,869,573
Cash and bank balances	16.1	94,078,501	87,521,947	94,078,501	14,090,648
		424,526,435	**316,477,181**	**233,652,664**	**50,951,432**
Assets classified as held for sale	12.3	-	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	17.2	4,969,080	4,969,080	800,000	800,000
Revaluation reserve	18.1	310,267,171	77,692,964	310,267,171	12,508,225
Other components of equity	18	(468,569,230)	149,072,402	105,908,724	24,000,000
Retained earnings	19	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 liabilities	9.2	372,173,610	17,639,209	203,948,372	2,839,835
Provision for quarry rehabilitation	20.1	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	21	151,565,707	95,838,635	151,565,707	15,429,598
Related party payables	22	146,947,429	39,989,523	146,947,429	6,438,137
Bank overdraft	16.3	-	2,162	-	348
Provisions	20	5,331,517	6,908,792	5,331,517	1,112,285
Borrowings	23	1,814,829	4,970,980	1,814,829	800,306
Current Tax Payable	5.3	7,379,740	-	7,379,740	-
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**

K. C. Katsande
Chairman
26 June 2020

P .Nyika
Chief Executive Officer
26 June 2020

LAFARGE CEMENT ZIMBABWE LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

INFLATION ADJUSTED

	Issued capital $	Revaluation reserve $	Other Equity reserve $	Retained earnings $	Total $
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**
Restated balance at 31 December 2018	**4,969,080**	**77,692,964**	**149,072,402**	**161,300,736**	**393,035,182**
Increase during the year					
Profit for the year	-	-	-	178,205,383	178,205,383
Elimination of revaluation reserve IAS29	-	(77,692,964)	-	77,692,964	-
Revaluation gain net of tax			310,267,171		310,267,171
Other Equity Reserve			(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**

HISTORICAL

	Issued capital $	Revaluation reserve $	Other Equity reserve $	Retained earnings $	Total $
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**
Other comprehensive income for the year, net of tax	-	-	-	-	-
Reclassified Equity loan	-	-	24,000,000	-	24,000,000
Total comprehensive income 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**
Loss for the year	-	-		(278,637,051)	(278,637,051)
Transfer from revaluation reserve to retained earnings	-	(12,508,225)	-	12,508,225	-
Revaluation gain net of tax	-	310,267,171	-	-	310,267,171
Other Equity Reserve	-	-	(413,283,881)	-	**(413,283,881)**
Quasi Equity Loan	-	-	495,192,605	-	**495,192,605**
Adjustment	-	-	-	24,593	24,593
Balance at 31 December 2019	**800,000**	**310,267,171**	**105,908,724**	**(240,135,525)**	**176,840,370**

LAFARGE CEMENT ZIMBABWE LIMITED
STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Notes	Inflation Adjusted Audited 2019 $	Inflation Adjusted Restated Audited 2018 $	*Historical Audited 2019 $	*Historical Restated Audited 2018 $
Cash flows from operating activities					
Profit before tax		**178,205,383**	**8,262,475**	**(278,637,051)**	**1,330,222**
Adjustments for:					
Tax credit /expense recognised in profit or loss	9	297,634,642	19,091,100	128,389,694	3,073,583
Finance costs recognised in profit or loss	8	47,578,860	7,100,196	23,325,600	1,143,100
Loss on disposal of property, plant and equipment	6	299,743	695,298	(54,271)	111,940
Depreciation expense	12	58,924,068	24,935,578	9,486,515	4,014,518
Writeoff of property plant & equipment	12	807,067	-	807,067	-
Amortisation of quarry stripping costs	12	6,559,271	5,593,656	1,246,468	900,554
Quarry rehabilitation	20.1	17,403,782	632,128	17,403,782	101,770
Net foreign exchange (gains)/losses	6	304,013,280	(4,969,480)	183,763,424	(800,064)
Effects of inflation on cashflow		(540,811,344)	-	-	
Net cash from operations before working capital changes		**370,614,752**	**61,340,952**	**85,731,230**	**9,875,623**
Movements in working capital:					
Decrease in inventories	13	(117,529,371)	33,802,839	(48,815,961)	5,442,108
Decrease in trade, other and related party receivables	15,21	(7,068,986)	4,716,740	(36,246,752)	759,374
Decrease/(increase) in prepayments and deposits	14	(69,710,435)	13,243,952	(32,590,005)	2,132,218
(Decrease)/increase in trade, related party and other payables, net of unrealised exchange gains and dividends paid	21,22,6	(226,598,903)	(73,559,213)	148,415,841	(11,842,709)
Decrease in provisions		5,802,465	(122,336)	4,219,232	(19,696)
Cash generated from operations		**(44,490,478)**	**39,422,935**	**120,713,586**	**6,346,919**
Finance costs paid	8	(47,578,860)	(7,100,196)	(23,325,600)	(1,143,100)
Income taxes paid	9.3	(23,973,907)	(36,554,989)	**(18,711,003)**	**(5,885,192)**
Dividends paid		-	(9,975,795)	-	(1,606,059)
Net cash (used in)/generated by operating activities		**(116,043,245)**	**(14,208,044)**	**78,676,982**	**(2,287,433)**
Cash flows from investing activities					
Purchase of property, plant and equipment (replacement)	12	(51,613,774)	(15,623,080)	(42,199,799)	(2,515,247)
Payments to acquire short term investments	16.1	73,721,730	(47,478,214)	11,865,230	(7,643,783)
Proceeds from disposal of property, plant and equipment and assets classified as held for sale	6,12,12.4	188,788	2,008,374	188,788	323,339
Net cash used in investing activities		**22,296,744**	**(61,092,919)**	**(30,145,781)**	**(9,835,691)**
Cash flows from financing activities					
Proceeds from long term borrowings	23	103,461,368	149,072,402	30,442,476	24,000,000
Proceeds from short term borrowings	23	(3,156,151)	4,970,978	1,014,523	800,306
(Decrease) / increase in bank overdraft	23	(2,162)	(5,796,715)	(348)	(933,246)
Net cash generated from financing activities		**100,303,055**	**148,246,665**	**31,456,652**	**23,867,060**
Net increase/(decrease) 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 year	16	**94,078,501**	**87,521,947**	**94,078,501**	**14,090,648**

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.

The Company's financial statements are presented in Zimbabwe dollar (ZWL). Amounts have been rounded to the nearest dollar.

2. ADOPTION OF NEW AND REVISED STANDARDS

a. New and amended IFRSs that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 16 - Leases

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the Company is 1 January 2019. The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Company carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company

Other New and Amended Standards with No Material Impact on Disclosures or Amounts

In the current year, the Company has also applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation	The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	The Company has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Company applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Company does not take account of any adjustments to the carrying amount of long-term interests required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

2.1 New and amended IFRSs that are effective for the current year (continued)

Other New and Amended Standards with No Material Impact on Disclosures or Amounts (continued)

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	The Company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards: IAS 12 Income Taxes The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IAS 23 Borrowing Costs The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. IFRS 3 Business Combinations The amendments clarify that when the Company obtains control of a business that is a joint operation, the Company applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. IFRS 11 Joint Arrangements The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Company does not remeasure its PHI in the joint operation.
Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement	The Company has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Company will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

2.1 New and amended IFRSs that are effective for the current year (continued)

Other New and Amended Standards with No Material Impact on Disclosures or Amounts (continued)

IFRIC 23 Uncertainty over Income Tax Treatments	The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets Income Tax Treatments out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to determine whether uncertain tax positions are assessed separately or as a Company; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

2.2 New and revised IFRSs in issue but not yet effective (continued)

b. New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

Amendments to IFRS 3 Definition of a business
The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Company of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to IAS 1 and IAS 8 Definition of material
The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring material information with immaterial information has been included as part of the new definition.
The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.
The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards
Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018,the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19,IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001,the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

1.1 Statement of compliance

The financial statements of the Company have been prepared using accounting policies that are consistent with International Financial Reporting Standards (IFRSs). In the current year, however, the Company has only achieved partial compliance with IFRSs, due to the need to comply with SI 133/2019 which resulted in non compliance with IAS 21 "Effects of changes in Foreign Exchange Rates" and its consequential impact on inflation adjusted amounts. The financial statements have been prepared in the manner required by the Zimbabwe Companies Act Chapter 24.03 and in compliance with the Zimbabwe Stock Exchange Listing Requirements. The company complied with Statutory Instrument 33 of 2019 and maintained an exchange rate of 1:1 between its functional currency and the ZWL for the period up to 22 February 2019 and thereafter adopted interbank exchange rates.

Functional and presentation currency
The financial statements have been presented in Zimbabwe Dollars ('ZWL'), being the functional and presentation currency. The Company had been using United States Dollars ('USD') as its presentation and functional currency since 2009 until the 22nd of February 2019, when Statutory Instrument ('SI') 33 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act (Chapter 22:15) which introduced a local currency.

Although a technical assessment conducted and guidance was issued by the Public Accountants and Auditors Board acknowledged that the functional currency of the Company and the wider market had changed from 1 October 2018, the Company was precluded from changing its functional currency due to the requirements of SI 33 of 2019 and maintained its functional currency as the USD using an exchange rate of 1USD:1ZWL for its financial statements for the year ended

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1 Statement of compliance (continued)

31 December 2018 and also between 1 January 2019 and 22 of February 2019. The above non compliance with IAS 21 was also included it the disclaimer of opinion issued on the Company's audited financial statements for the year ended 31 December 2018.

The authorities formally changed the country's functional currency with effect from 22 February 2019 and the Company only concluded the necessary system configurations on 31 March 2019. The Company maintained amounts prior to the configuration date at an exchange rate of 1USD:1ZWL. On date the of configuration, foreign currency balances were converted at a rate of 1USD:2.5ZWL. Subsequently, foreign currency amounts were translated on a daily basis using the interbank rates as published by the RBZ and all local transactions were now being conducted in local currency.

Except where indicated, financial information presented herein has been rounded off to the nearest thousand ZWL

Basis of preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

The Company has in previous financial periods adopted the United States dollar as its presentation and functional currency. However, the company adopted the Zimbabwe dollar denoted ,ZWL as its functional and reporting in accordance with SI 33/2019

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

The principal accounting policies are set out below.

3.2 Revenue recognition

The Company recognises revenue from the following major sources:

- Sale of cement
- Sale of aggregates
- Sale of clinker
- Rendering of transport services to customers for delivery of purchased cement

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

For sales of cement, aggregates and clinker, revenue is recognised when control of the goods has transferred, being when the goods have been collected by the customer from the Company's premises, or shipped to the customer's specific location (delivery). Following collection or delivery, the customer has full discretion over the manner in which it handles the goods, and also bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Company when the goods are collected by, or shipped to, the customer as appropriate, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Rendering of transport services

Revenue arising from transport services rendered in the delivery of cement to customers is recognised as the performance obligation for delivery is satisfied over time. This is often within less than 24 hours.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Revenue recognition (continued)

Interest income

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income from the use of staff housing is recognised on the basis of the amount of time that employees have enjoyed use of the Company's staff houses.

3.3 Foreign currencies

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.4 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Retirements benefits are provided for the Company's employees through an independently administered defined contribution fund and the Zimbabwe government's National Social Security Authority. With the Company's independent fund, contributions are charged to profit or loss so as to spread the cost of pension over the employee's working life within the Company. The amounts payable to the National Social Security Authority are determined by the systematic recognition of legislated contributions. Payments to the two retirement benefit schemes are charged as an expense as they fall due.

3.5 Termination benefits

Termination benefits are recognised at the earlier of when the Company can no longer withdraw the offer for the benefits or when the entity recognises costs for a restructuring that involves the payment of termination benefits. The calculation takes into account the employees' basic salary at agreed rate over the years of service.

3.6 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable income for the year. Taxable income differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.7 Property, plant and equipment

Property, Plant and Equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. This is a change in the accounting policy from a cost approach in the prior year. The company will conduct regular valuations going forward given the volatility in the economic environment to ensure that carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting date. The change in policy was done in line with the requirements of IAS8 and was applied prospectively as required.

Any revaluation increase arising on the revaluation of such property plant and equipment is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such property plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued property, plant and equipment is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, plant or equipment, the attributable revaluation surplus remaining in the assets revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Quarry stripping costs relate to the costs incurred in removing overburden from new limestone reserves. Depreciation of quarry stripping costs is recognised in profit or loss over the expected lives of the new limestone mines, once extraction activities commence.

Depreciation is recognised is recognised in profit or loss so as to write off the cost or valuation of assets (other than freehold land and quarry stripping costs) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment items other than land, capital work in progress and quarry stripping costs are depreciated over their estimated useful life. The maximum estimated useful lives are as follows:

Buildings	50 years
Plant and machinery	15 years
Motor vehicles	5 years
Earth moving equipment	25 years
Trailers	25 years
Furniture and office equipment	8 years

Items of capital work in progress are stated at cost, less accumulated impairments.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.9 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

3.10 Impairment of tangible and intangible assets other than goodwill (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see 3.8 above).

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises costs of purchase, direct materials and, where applicable, direct labour costs, costs of conversion and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs are assigned using the first-in-first-out method for raw materials, work in progress and finished goods, and using the weighted average cost method for maintenance spares. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.11 Prepayments and deposits

The Company makes advance payments in respect of some key goods and services associated with its overall operations. The prepayments are initially recognised as assets in the balance sheet and subsequently expensed to profit or loss or capitalised to other assets on delivery.

3.12 Non current assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of the assets, excluding finance costs and income tax expenses.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Non current assets held for sale (continued)

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

3.13 Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provision for rehabilitation

Quarry rehabilitation costs will be incurred by the Company either while operating, or at the end of the operating life of the Company's limestone quarries. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating quarries; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and vegetating affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the quarry operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/ construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances which arise due to further development/construction at quarries are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income. If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature quarries, the estimate for the revised quarry assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as part of finance costs. For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss and other comprehensive income.The rehabilitation provision is assessed by a consultant after every three years using assumptions such as discount rate, inflation rate and as well as the life span of the mine.

Restructuring provisions

A provision for restructuring costs is recognized when the restructuring plans have been approved by key management, a detailed formal plan exists and when the Company has raised a valid expectation in those affected that it will carry out the restructuring plan either by announcing its main features to those affected by it or starts to implement that plan and recognize the associated restructuring costs. The provision for restructuring only includes direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked largely with the closure of the facilities.

3.14 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial instruments (continued)

assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.15 Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

(i) Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that
have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

(ii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL, specifically bank and cash balances.

<u>Foreign exchange gains and losses</u>
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Financial assets (continued)

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the LafargeHolcim Company's historical credit loss experience, which are supposed to be adjusted for country specific factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 120 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default;
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Financial assets (continued)

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 120 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.16 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
3.16 Financial liabilities (continued)

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Critical judgments in applying the Company's accounting policies

Functional and presentation currency
These inflation adjusted financial results are presented in Zimbabwe Dollars (ZWL) which is the Company's functional and presentation currency. The Company had been using the United States Dollar (US$) as its functional and reporting currency since 2009 until 2018. On the 1st of October 2018 an Exchange Control Directive RT120/2018 was promulgated directing all banks to separate domestic and Nostro currency accounts. On the 22nd of February 2019 Statutory Instrument 32 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act and it introduced a new currency called the RTGS Dollar. Another Exchange Control Directive RU 28 of 2019 was issued at the same time and it introduced an interbank market for the RTGS Dollar and the USD as well as other currencies in the multi-currency regime. On June 24, 2019 the government gazetted Statutory Instrument 142 of 2019 which outlawed the use of multi-currencies and compelled that local transactions be done in local currency (ZWL). The Company followed the legal instruments and changed the functional currency on the 22nd of February 2019.

The requirement to comply with Statutory Instrument 33 (SI 33) of 2019 created inconsistencies with IAS 21 as well as the principles embedded in the IFRS Conceptual Framework. This has resulted in the adoption of accounting treatment in the current year's Company's financial statements which is at variance from that which would have been applied if the Company had been able to fully comply with IFRS. The Company adopted the exchange rate of 1:1 between the US$ and ZWL for the period 1 October 2018 to 22 February 2019 and thereafter adopted the interbank exchange rates.

b. Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Revaluation of property, plant and equipment
The Company engaged an independent valuation specialist to perform a valuation of all items of property plant and equipment. Going forward the Company will perform regular valuation to determine the carrying amounts of property, plant and equipment. The latest valuation was done 31 December 2019.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The valuers use valuation methodologies based on market value comparatives for property, plant and equipment. Where there are no comparative prices, other valuation techniques such as the cost method are used. Refer to note 12 for the carrying amount of land and buildings included in property, plant and equipment.

Following the changes in currency and, according to the specialist, there were few property sales and/or rentals that took place in local currencies with the USD being the currency of choice. As a result, the property values in local currency were derived from the value determined in foreign currency converted at the official exchange rate applicable on the reporting date.

Useful lives of property, plant and equipment
The Company reviews the useful lives of property, plant and equipment at the end of each reporting period. The Directors are of the opinion that the current estimated useful lives determined at the reporting period end were still reliable and relevant to the Company's property, plant and equipment as at 31 December 2019.

Quarry rehabilitation provision
The Company makes full provision for future costs of rehabilitation of quarry sites on a discounted basis.
There have been no significant changes in the underlying assumptions related to the quarry rehabilitation provision balance of ZWL22,746,498 as at 31 December 2019. The Directors have deemed the environmentalist's three year interval for reassessment as appropriate, in light of the last formal reassessment done in 2016.The assumptions used in the last reassessment of the provision in 2016 have been maintained and not adjusted for the current and forecast economic environment, as management are of the view that the extractive activities and the timing of planned restoration are still in line with original expectations. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Note 20 sets out the key assumptions.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Key sources of estimation uncertainty (continued)

Allowance for credit losses
In determining the expected credit losses for financial assets measured at amortised cost, the Company has utilised a provision matrix. This matrix is generally based on assumptions for the future movement of different economic drivers and how these drivers impact each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral.

Probability of default constitutes a key input in measuring the expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Provision for obsolete inventory
The Company's inventories include maintenance spares which are intended to be used within the plant. Provisions for obsolete inventories are mainly recognized for slow-moving, obsolete or unsellable maintenance spares inventory and are reviewed on a regular basis. In determining the provision for obsolete inventory, the Company evaluates criteria such as inventory in excess of forecasted needs on both technological and economic criteria. Appropriate provisions are then made to reflect the risk of obsolescence.

Existence of inventory in stock piles
Stockpiles of certain raw materials are measured by aerial surveying. High resolution and multi-spectral images are collected by drones and software is used to convert the image data into tonnage information for each stockpile. Stockpile tonnages are verified by periodic surveys.

5. REVENUE

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at points in time in the following major product lines.

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Revenue from sale of goods:				
Third party sales:				
- cement	917,592,585	463,184,076	422,606,902	74,570,596
- aggregates	11,401,022	16,734,402	5,240,460	2,694,165
- discounts and rebates	(15,759,394)	(40,914,915)	(6,865,289)	(6,587,121)
Related party sales (note 22.1):				
- clinker	-	7,965,379	-	1,282,391
Revenue from rendering of services:				
- transport of cement	5,450,288	2,327,879	1,289,664	374,778
	918,684,501	**449,296,821**	**422,271,737**	**72,334,809**

6. OTHER GAINS/(LOSSES)

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Other gains / (losses) comprise the following amounts:				
Loss on disposal of property, plant and equipment	(299,743)	(695,298)	54,271	(111,940)
Net foreign exchange (losses)/gains	(304,013,280)	4,969,480	(183,763,424)	800,064
	(304,313,023)	**4,274,182**	**(183,709,153)**	**688,124**

7. OTHER INCOME

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Other income comprises the following amounts:				
Rental income	467,886	899,404	145,082	144,800
Interest on staff loans	1,756	19,782	322	3,185
Interest earned on financial investments	1,578,786	1,123,337	377,429	180,852
Sundry income	619,720	2,153,737	203,647	346,742
	2,668,148	**4,196,260**	**726,480**	**675,579**

Sundry income includes income from scrap sales (2018: a gain from a related party loan payable to Blue Circle Industries PLC that was forgiven).

8. FINANCE COSTS

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Finance costs incurred during the year comprise the following amounts:				
Interest charges on related party loan (notes 22.1, 22.2, 23.1)	31,598,589	501,790	17,409,500	486,556
Bank charges	12,026,223	3,576,236	5,762,910	575,758
Management fees on investments and bank overdrafts	3,954,048	3,022,170	153,190	80,786
	47,578,860	**7,100,196**	**23,325,600**	**1,143,100**

9. INCOME TAX EXPENSE

9.1 Income tax recognised in profit or loss

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Current tax expense	44,983,935	32,171,352	29,164,850	5,179,446
Deferred tax expense / (credit)	252,650,707	(13,080,250)	99,224,844	(2,105,863)
Income tax expense	**297,634,642**	**19,091,102**	**128,389,694**	**3,073,583**

Notes To The Financial Statements (Continued)

for the year ended 31 December 2019

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
The tax expense for the year can be reconciled to the accounting profit as follows:				
Profit/ (loss) before tax	475,840,025	27,353,577	(150,247,357)	4,403,805
Income tax expense calculated at 25.75%	122,528,806	7,043,546	(38,688,694)	1,133,980
Tax effect of non-deductible expenses	172,887,450	12,047,553	164,951,160	1,939,603
Prior year prepaid tax charged to P and L	2,238,390	-	2,238,390	-
Tax effect of income not subject to income tax	(20,004)	-	(111,162)	-
	297,634,642	**19,091,099**	**128,389,694**	**3,073,583**
9.2 Deferred tax				
Deferred tax liability at the beginning of the year	17,639,210	30,719,459	2,839,835	4,945,698
Deferred Tax charged to Profit and Loss	252,650,706	-	99,224,844	-
Deferred tax charged to other comprehensive income	101,883,694	(13,080,250)	101,883,693	(2,105,863)
Deferred tax liability at year end	**372,173,610**	**17,639,209**	**203,948,372**	**2,839,835**
Deferred tax comprises temporary differences from the following:				
Property, plant & equipment	69,693,472	29,746,677	69,693,472	4,789,084
Consumable stores	7,015,456	12,970,967	7,015,456	2,088,269
Provision for rehabilitation	(5,622,934)	(2,085,641)	(5,622,934)	(335,779)
Provision for bad debts	(584,052)	(3,257,791)	(584,052)	(524,490)
Bonus provision	(454,578)	(707,367)	(454,578)	(113,883)
Customer prepayments & deposits	(12,566,499)			(2,023,151)
Unrealised exchange losses	306,891,501	(1,279,641)	135,154,873	(206,017)
Provision for leave pay	(818,306	(821,880)	(818,306)	(132,319)
Provision for obsolete stock	(3,946,949)	(4,359,616)	(435,559)	(701,879)
	372,173,610	**17,639,209**	**203,948,372**	**2,839,835**
Current tax asset/(payable)				
Opening balance	19,094,361	14,710,724	3,074,108	2,368,361
Corporate tax payments	18,509,834	36,554,989	18,711,003	5,885,192
Tax expense	(44,983,935)	(32,171,352)	(29,164,851)	(5,179,446)
Closing balance	**(7,379,740)**	**19,094,361**	**(7,379,740)**	**3,074,107**

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 Historical adjusted $	2018 Historical adjusted $
10. PROFIT FOR THE YEAR				
Profit for the year has been arrived at after charging / (crediting)				
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 (note 12):	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 (note 22.2)	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

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 Historical adjusted $	2018 Historical adjusted $
11. EARNINGS / (LOSS) PER SHARE				
Basic and diluted earnings / (loss) per share	6.106	0.103	0.395	0.017

The calculation of the basic and diluted earnings / (loss) and headline earnings per share is based on the following data;

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 Historical adjusted $	2018 Historical adjusted $
11.0.1 Earnings / (loss)				
Earnings / (loss) used in the calculation of basic and diluted earnings / (loss) per share	488,472,554	8,262,475	31,630,120	1,330,222
Earnings / (loss) used in the calculation of headline earnings /(loss) per share	186,166,242	15,195,249	279,391,924	3,125,514
Calculation of headline Earnings:				
Profit after Tax (Earnings)	178,205,383	8,262,475	(276,637,051)	1,330,222
Adjusted for:				
- Profits from disposal of assets	(299,743)	(695,298)	(54,271)	(111,940)
- Asset write downs	809,467	809,467	809,467	809,467
- Restructuring costs	7,451,135	6,818,605	1,999,677	1,097,765)
Headline Earnings	**186,166,242**	**15,195,249**	**279,391,924**	**3,125,514**

11.0.2 Number of shares

	2019 Shares	2018 Shares
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**80,000,000**	**80,000,000**

13. PROPERTY, PLANT AND EQUIPMENT

Inflation adjusted

	Freehold land & buildings $	Plant and machinery $	Motor vehicles and earthmoving equipment $	Furniture & office equipment $	Capital work in progress $	Quarry stripping costs $	Total $
COST / REVALUATION *Restated							
Balance at 1 January 2018	79,190,350	173,065,604	15,408,139	4,048,272	24,911,823	101,081,194	397,705,382
Additions	1,024,996	3,494,317	457,963	-	10,645,801	-	15,623,077
Capital work in progress transfers	-	7,341,850	-	166,324	(7,508,174)	-	-
Disposals	-	-	(2,381,183)	-	-	-	(2,381,183)
Balance at 31 December 2018	**80,215,346**	**183,901,771**	**13,484,919**	**4,214,596**	**28,049,450**	**101,081,194**	**410,947,276**
Additions	-	2,927,830	1,889,281		-	46,796,663	51,613,774
CWIP Transfers	212,227	11,901,619	-	-	(12,113,846)	-	-
Reclassification from held for sale	1,173,945	-	-	-	-	-	1,173,945
Revaluation adjustments	96,310,999	203,475,647	12,937,041	-	-	-	312,723,687
Elimination of accumulated depreciation	(16,550,733)	(140,890,513)	(10,787,691)	(4,095,383)	-	-	(172,324,320)
Assets derecognised	-	(2,400)	-	-	(807,067)	-	(809,467)
Disposals	-	-	(1,228,191)	-	-	-	(1,228,191)
Balance at 31 December 2019	**161,361,784**	**261,313,954**	**16,295,359**	**119,213**	**61,925,200**	**101,081,194**	**602,096,704**
ACCUMULATED DEPRECIATION *Restated							
Balance at 1 January 2018	3,344,812	75,542,601	7,744,413	4,019,212	-	41,599,182	132,250,220
Depreciation expense	3,582,868	18,277,413	3,052,359	22,932	-	5,593,656	30,529,228
Elimination on disposals	-	-	(665,118)	-	-	-	(665,118)
Balance at 31 December 2018	**6,927,680**	**93,820,014**	**10,131,654**	**4,042,144**	**-**	**47,192,838**	**162,114,330**
Depreciation expense	9,623,053	47,070,499	1,131,682	53,239	-	,604,867	65,483,339
Eliminated on disposals	-	-	(475,644)	-	-	-	(475,644)
Eliminated at Revaluation	(16,550,733)	(140,890,513)	(10,787,691)	(4,095,383)	-	-	(172,324,320)
Balance at 31 December 2019	**-**	**-**	**-**	**-**	**-**	**54,797,705**	**54,797,705**
CARRYING AMOUNT *Restated							
As at 31 December 2018	73,287,666	90,081,760	3,353,264	172,453	28,049,449	53,888,356	248,832,945
As at 31 December 2019	**161,361,785**	**261,313,956**	**16,295,358**	**119,213**	**61,925,199**	**46,283,490**	**547,298,999**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

***Historical**

	Freehold land & buildings $	Plant and machinery $	Motor vehicles and earthmoving equipment $	Furniture & office equipment $	Capital work in progress $	Quarry stripping costs $	Total $
COST / REVALUATION *Historical							
Balance at 1 January 2018	12,749,297	27,862,800	2,480,643	651,754	4,010,694	16,273,627	64,028,815
Additions	165,020	562,570	73,730	-	1,713,927	-	2,515,247
Capital work in progress transfers	-	1,182,006	26,777	(1,208,783)	--		
Disposals	-	-	(383,360)	-	-	-	(383,360)
Write-offs							
Balance at 31 December 2018	**12,914,317**	**29,607,376**	**2,171,013**	**678,531**	**4,515,838**	**16,273,627**	**66,160,702**
Additions	-	550,304	844,861	-	40,804,634	-	42,199,799
CWIP Transfers	182,084	7,828,979	-	-	(8,011,063)	-	-
Reclassification from held for sale	189,000	-	-	-	-	-	189,000
Revaluation adjustments	150,768,967	246,149,351	15,232,547	-	-	-	412,150,865
Eliminated at Revaluation	(2,692,583)	(22,819,654)	(1,730,413)	(659,495)	-	-	27,902,144)
Elimination of accumulated amortisation							
Assets derecognised	-	(2,400)	-		(807,067)	-	(809,467)
Disposals	-	-	(222,650)	-	-	-	(222,650)
Balance at 31 December 2019	**161,361,785**	**261,313,956**	**16,295,358**	**19,036**	**36,502,342**	**16,273,627**	**491,766,105**
ACCUMULATED DEPRECIATION *Historical							
Balance at 1 January 2018	**576,826**	**2,942,583**	**491,416**	**3,693**	**-**	**900,554**	**4,915,072**
Depreciation expense					(107,080)		(107,080)
Elimination on disposals	1,115,326	15,104,609	1,631,152	650,768	-	7,597,839	26,099,694
Balance at 31 December 2018	**1,577,257**	**7,715,045**	**185,487**	**8,727**	**-**	**1,246,468**	**10,732,984**
Depreciation expense	-	-	-	(86,225)	-	-	(86,225)
Eliminated on disposals	(2,692,583)	(22,819,654)	(1,730,413)	(659,495)	-	-	(27,902,144)
Eliminated at Revaluation							
Revaluation							
Balance at 31 December 2019	**-**	**-**	**-**	**-**	**-**	**8,844,307**	**8,844,307**
CARRYING AMOUNT *Historical							
As at 31 December 2018	11,798,992	14,502,766	539,861	27,763	4,515,838	8,675,788	40,061,008
As at 31 December 2019	**161,361,785**	**261,313,956**	**16,295,358**	**19,036**	**36,502,342**	**7,429,320**	**482,921,798**

13.1 Revaluation

The company's property, plant and equipment are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Motor vehicles and furniture and fittings were revalued for the first time in the current year. The fair value measurements of the Company's property, plant and equipment as at 31 December 2019 were performed by Pro-val Consultancy (Private) Limited, independent valuers not related to the Company. Pro-val Consultancy are members of the Real Estate Institute of Zimbabwe, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards.

13.2 Encumbrances on property, plant and equipment

The Company has no encumbrances on its property, plant and equipment as its borrowing facilities are all unsecured.

13.3 Assets classified as held for sale

These assets were previously earmarked for construction of staff houses. Although a decision to dispose of them was made in 2018, no disposals of the assets took place in the current year and they have been reclassified into non-current assets. No profit or loss arose from this reclassification.

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Opening balance	1,173,945	2,161,550	1,173,945	348,000
Reclassifications into non-current assets held for sale				
Disposals	(1,173,945)	(987,605)	(1,173,945)	(159,000)
	-	**1,173,945**	**-**	**189,000**
14. INVENTORIES				
Raw materials	23,628,908	21,223,481	4,900,604	3,416,887
Work in progress	44,093,189	2,498,867	20,148,041	402,307
Finished goods	19,003,338	3,128,020	6,814,386	503,597
Maintenance spares	104,723,796	48,033,414	28,045,117	7,733,168
	191,449,231	74,883,782	59,908,148	12,055,959
Provision for obsolete inventory (note 13.1)	(15,966,623)	(16,930,544)	(1,761,971)	(2,725,743)
	175,482,608	**57,953,238**	**58,146,177**	**9,330,216**
The cost of inventories recognised as an expense during the year was ZWL139,202,576 (2018: ZWL123,514,143).				
14.1 Provision for obsolete inventory				
Opening balance	16,930,544	16,687,680	2,725,743	2,686,643
Provisions recognised / (reversed)	(963,921)	242,864	(963,772)	39,100
Closing balance	**15,966,623**	**16,930,544**	**1,761,971**	**2,725,743**
15 PREPAYMENTS AND DEPOSITS				
Prepayments and deposits comprise the following amounts:				
Prepayments and deposits	15,744,295	971,397	6,802,393	6,831,608
Goods in transit	97,371,048	42,433,511	32,775,611	156,391
	113,115,343	**43,404,908**	**39,578,004**	**6,987,999**

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
16. TRADE AND OTHER RECEIVABLES				
Trade receivables - current portion	19,983,820	13,616,348	19,983,820	2,192,172
- Third parties	21,417,826	24,553,788	21,417,826	3,953,052
- Allowance for expected credit losses	(1,434,006)	(10,937,440)	(1,434,006)	(1,760,880)
Other receivables - current portion	5,922,477	14,720,297	5,922,477	2,369,903
- Staff loans and advances				
Related Party (Directors and Executive Committee members)	38,953	1,132,000	38,953	182,247
Other employees	2,094,275	2,006,750	2,094,275	323,078
- Other receivables				
Third parties	4,717,912	13,295,718	4,717,912	2,140,552
Allowance for expected credit losses	(928,663)	(1,714,171)	(928,663)	(275,974)
	25,906,297	**28,336,645**	**25,906,297**	**4,562,075**
Other receivables – non-current portion	-		-	
- Staff loans and advances				
Related Party (Directors and Executive Committee members)	-	-	-	-
Other employees	-	-	-	-

Other receivables from third parties include amounts receivable from a third party contractor of ZWL2,796,604 which is secured by movable assets and ZWL917,973 advanced to an Affordable Housing scheme for employees. This amount is secured by employee pensions. No provisions have been made for these amounts. A provision of ZWL35,173 has been made against loans and advances for employees. The restated amount for 2018 was ZWL11,579,029 relating to sundry debtors and refundable value added taxes.

	2019 **Days**	2018 **Days**
Debtor days	**9**	**20**

16.1 Trade receivables

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables. The Company measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit losses ("ECL"). The expected credit losses on trade receivables are estimated using a provision matrix which makes reference to past default experience of debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general global economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable.
The Company's current provision matrix is as follows;

Number of Days After Granting of Credit	ECL (%)
0 – 30	-
31 – 59	-
60 – 89	50%
90 – 119	75%
120+	100%

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier.

Before accepting any new credit customer, the Company performs a credit vetting process. The customer is required to have reputable business references and its directors must be in good credit standing. Credit is only offered to customers who comply with the conditions required by the Company.

16.1 Trade receivables (continued)

Trade receivables disclosed include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Company has not recognised an allowance for credit losses because the amounts are still considered recoverable. In some instances, the Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by it to the counterparty.

Ageing of past due but not impaired trade receivables

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
30-60 days	59,121	471,494	59,121	75,925
+60 days	2,171,796	3,547,754	2,171,796	571,297
	2,230,917	**4,019,248**	**2,230,917**	**647,222**
Movement in allowance for expected credit losses				
Opening balance under IAS 39	12,651,611	4,954,223	2,036,854	797,608
Adjustment upon application of IFRS 9	928,663	-	928,663	-
Change for the year	(11,217,605)	7,697,388	(602,848)	1,239,246
Closing balance	**2,362,669**	**12,651,611**	**2,362,669**	**2,036,854**

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. 76% of the Company's credit risk stems from its twenty largest customers (2018:65%). The concentration of credit risk does not exceed 1% for each of the remaining individual trade debtors, due to the customer base being large and unrelated. The Company measures an expected credit loss allowance equal to lifetime expected credit losses for trade receivables held at amortised cost as these receivables do not contain a significant financing component. As trade receivables are due within a maximum of 30 days of invoice date, a provision matrix has been used to determine the provision amounts.

Included in the allowance for doubtful debts are individually impaired trade receivables amounting to ZWL1,174,497 (2018:ZWL999,978) that have been handed over to the Company's lawyers. The impairment recognised represents the full extent of the amount due. The Company holds collateral over some of these balances.

Ageing of impaired trade and other receivables

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
60 - 90 days	377,265	5,577	377,265	898
90 - 120 days	61,312	57,784	61,312	9,305
120+ days	995,429	12,585,503	995,429	2,026,651
	1,434,006	**12,648,864**	**1,434,006**	**2,036,854**

17. CASH AND INVESTMENTS

17.1 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash at hand and in banks. Cash and cash equivalents at the end of the reporting period, as shown in the statement of cash flows, comprise the following items:

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Bank balances	82,785,839	86,588,805	82,785,839	13,940,416
Cash balances	11,292,662	933,142	11,292,662	150,232
	94,078,501	**87,521,947**	**94,078,501**	**14,090,648**

The carrying amounts of the items making up cash and cash equivalents approximates their fair value.

17. CASH AND INVESTMENTS (continued)

17.2 Investments (continued)

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Money market investments	-	73,647,922	-	11,856,721
RBZ treasury bills	4,343	78,151	4,343	12,852
	4,343	**73,726,073**	**4,343**	**11,869,573**

The Company fully disinvested from its short term investment portfolio which earned an average interest rate of 3.3% to 3.6% (2018: 1.5% to 5%) per annum. The short term investments were held at amortised cost and no expected credit loss has been provided for as required by IFRS 9.

17.3 Bank overdraft

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Unsecured overdraft facilities	**-**	**2,162**	**-**	**348**

The company did not utilise any overdraft facilities during the year. The prior year facility was a simple overdraft.

18. SHARE CAPITAL

18.1 Authorised share capital

Authorised share capital comprises 100 000 000 ordinary shares of ZWL0.01 par value each. (2018: 100 000 000 ordinary shares of ZWL0.01 par value each)

18.2 Issued capital

Issued capital comprises:

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
80 000 000 fully paid shares of ZWL 0.06 each	**4,959,080**	**4,959,080**	**800,000**	**800,000**

18.2.1 Fully paid ordinary shares

	Number of shares	Par Value	Share Capital ZWL
Balance at the beginning of the year 31 December 2018	80,000,000	0.062	4,959,080
Balance at the end of the year	**80,000,000**	**0.062**	**4,959,080**

Fully paid ordinary shares, which have a par value of ZWL0.062 each, carry one vote per share and carry a right to participate in any dividend declared.

18.3 Unissued share capital

Unissued shares may, by a resolution passed at an extraordinary general meeting and subject to the restrictions set out in the Companies Act (Chapter 24:03), be issued by the Directors on such terms and conditions, and with such rights and privileges attached thereto, as the Directors may determine.

19. RESERVES

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Revaluation reserve	310,267,171	77,692,964	310,267,171	12,508,225
Other Equity Reserve	**(468,569,230)**	**149,072,402**	**105,908,724**	**24,000,000**

19. RESERVES (continued0

19.1 Revaluation reserve

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Balance at the beginning of the year	77,692,964	77,692,964	12,508,225	12,508,225
Increase from revaluation of PPE	310,267,171	-	310,267,171	
	-			
Transfer to retained earnings	(77,692,964)	-	(12,508,225)	-
	310,267,171	**77,692,964**	**310,267,171**	**12,508,225**

The revaluation reserve arises on the revaluation of property, plant and equipment. When revalued property, plant and equipment are sold, the portion of the property revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings.

19.2 Other Components of Equity

This amount relates to a intercompany loan of USD29.5m from the parent company which has been reclassified into Equity in the current year. The borrowing is ring fenced under the Reserve Bank legacy debt framework at 1:1.

20. RETAINED EARNINGS

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Balance at the beginning of the year	161,300,736	153,038,261	25,968,708	24,638,486
(Loss) / profit for the year	178,205,383	8,262,475	(278,637,051)	1,330,222
Transfer from revaluation surplus	77,692,964		12,508,225	-
Adjustment			24,593	
Balance at the end of the year	**417,199,083**	**161,300,736**	**(240,135,525)**	**25,968,708**

21. PROVISIONS AND ACCRUALS

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Employee benefits (i)	5,149,204	5,938,812	5,149,204	956,123
Other provisions and accruals (note 20.1)	22,928,811	9,069,565	22,928,811	1,460,160
	28,078,015	**15,008,377**	**28,078,015**	**2,416,283**
Current portion	5,331,517	6,908,792	5,331,517	1,112,285
Non-current portion	22,746,498	8,099,585	22,746,498	1,303,998
	28,078,015	**15,008,377**	**28,078,015**	**2,416,283**

21.1 Other provisions and accruals

	Restated Quarry rehabilitation 2019 ZWL	*Historical 2019 ZWL	Restated Litigation provision 2019 ZWL	*Historical 2019 ZWL	Restated Total 2019 ZWL	*Historical Total 2018 ZWL
Balance at 1 January 2018	7,467,460	1,202,228	-	-	7,467,460	1,202,228
Provisions recognised	632,128	101,770	969,977	156,162	1,602,105	257,932
Balance at 31 December 2018	8,099,588	1,303,998	969,977	156,162	9,069,565	1,460,160
Provisions recognised	17,403,782	17,403,782	93,419	26,151	17,497,211	17,429,932
Revaluation	(2,756,882)	4,038,718	(881,083)	-	(3,637,965)	4,038,718
Balance at 31 December 2019	22,746,498	22,746,498	182,313	182,313	22,928,811	22,928,811

21. PROVISIONS AND ACCRUALS (continued)

21.1 Other provisions and accruals (continued)

The following key assumptions are used on provisions;

(i) The provision for employee benefits represents annual leave and bonus payments due to employees.

(ii) There have been no significant changes in the underlying assumptions related to the quarry rehabilitation provision balance of ZWL 22,746,498 during the year. The interval for reassessment is three years and the last environmentalist's assessment was in 2016.The rehabilitation provision is calculated by adjusting the total expected USD cost with the inflation rate and the amount is discounted using the applicable discount rate and converted into ZWL at the applicable rate. Assuming a US dollar environment, the key assumptions were:

- Discount rate of 16%
- Inflation rate of 6.6% in 2019, 5.1% in 2019 and 4.9% in 2020 as per Mid Term Plan assumptions.
- Inflation rate after 2020 maintained at 2%.
- Western mine remaining life span of 2 years
- Eastern mine remaining life span of 13 years
- Mbubu mine remaining life span of 3 years

(iii) The litigation provision represents amounts payable in various matters that are before the courts where the company has adjudged its probability of success as low.

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
22. TRADE AND OTHER PAYABLES				
Trade payables	97,658,091	22,937,468	97,658,091	3,692,831
Other payables	7,634,274	5,072,284	7,634,274	816,615
Debtors with credit balances	11,991,634	25,765,109	11,991,634	4,148,069
Customer prepayments	-	28,566,946	-	4,599,153
Accrued expenses	34,281,708	13,496,828	34,281,708	2,172,930
	151,565,707	**95,838,635**	**151,565,707**	**15,429,598**

Trade and other payables comprise amounts outstanding to third parties for inventories, and other services for day-to-day operations, that were obtained on credit. The terms of the payment are 30 days from date of invoices. Accrued expenses relates to services provided to the company that had not been invoiced as at year end.

23. RELATED PARTY TRANSACTIONS AND BALANCES

23.1 Trading transactions and balances

During the year the year, the Company entered into the following related party transactions:

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Sale of goods to related parties				
Clinker sales to Lafarge Cement Malawi Limited (fellow subsidiary)	-	3,402,598	-	547,804
Clinker sales to Lafarge Cement Zambia Limited (fellow subsidiary)	-	4,562,780	-	734,587
	-	**7,965,378**	**-**	**1,282,391**
Purchases of goods from related parties				
Cement purchases from Lafarge Cement Zambia Limited (fellow subsidiary)	158,544,536	10,177,695	90,858,627	1,638,564
	158,544,536	**10,177,695**	**90,858,627**	**1,638,564**

Sales of goods to related parties were made at the Company's usual list prices, while purchases were at normal market prices.
for the year ended 31 December 2019

23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

23.1 Trading transactions and balances (continued)

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
The Company has the following balances receivable and payable arising from trading transactions with related parties.				
Amounts receivable from related parties				
Lafarge Cement Malawi Limited (fellow subsidiary)	1,428,879	529,128	1,428,879	85,187
Lafarge Cement Zambia Limited (fellow subsidiary)	240,503	108,874	240,503	17,528
	1,669,382	**638,002**	**1,669,382**	**102,715**
Amounts payable to related parties				
Lafarge Cement Malawi Limited (fellow subsidiary)	235,641	234,074	235,641	37,685
Lafarge Cement Zambia Limited (fellow subsidiary)	35,411,992	6,449,326	35,411,992	1,038,313
	35,647,633	**6,683,400**	**35,647,633**	**1,075,998**

An allowance of ZWL893,490 has been raised in respect of expected credit losses from balances receivable from related parties.

a. Non-trading transactions and balances

During the year, the Company was charged the following amounts for non-trade related transactions:

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Interest charges on Company borrowings from Cemasco B.V. (fellow subsidiary)	31,598,589	3,022,170	17,409,500	486,556
Technical fee charges from Lafarge S.A. (intermediate parent)	32,507,887	14,801,175	10,900,000	2,382,924
	64,106,476	**17,823,345**	**28,309,500**	**2,869,480**
As at the end of the year, the Company had the following balances in respect of non-trade related transactions:				
Amounts receivable from related parties				
Lafarge Cement Malawi Limited (fellow subsidiary)	428,109	158,533	428,109	25,523
Lafarge Middle East and Africa IT (fellow subsidiary)	2,370,224	773,653	2,370,224	124,555
Technical Center Europe Africa (fellow subsidiary)	7,193,883	2,368,675	7,193,883	381,346
LafargeHolcim East Africa (fellow subsidiary)	1,717,375	1,553,017	1,717,375	250,029
Bamburi Cement Limited (fellow subsidiary)	2,128,714	788,283	2,128,714	126,910
Lafarge Tanzania (fellow subsidiary)	431,656	159,846	431,656	25,735
	14,269,961	**5,802,007**	**14,269,961**	**934,098**

23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

23.2 Non-trading transactions and balances (continued)

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Amounts payable to related parties				
Lafarge Technical Centre Europe (fellow subsidiary)	1,497,608	566,159	1,497,608	91,149
Lafarge Middle East and Africa Building Materials S.A.E. (Egypt) (fellow subsidiary)	7,953,109	1,422,655	7,953,109	229,041
Lafarge Cement Zambia (fellow subsidiary))	2,542,494	778,670	2,542,494	125,362
Lafarge Cement Cameroon (fellow subsidiary)	37,745	14,269	37,745	2,297
Lafarge SA (France) (parent company)	45,161,778	24,476,262	45,161,778	3,940,570
Lafarge ITEO Shared Services (fellow subsidiary)	3,350,151	825,585	3,350,151	132,916
Lafarge International Services Singapore (fellow subsidiary)	8,799,374	290,383	8,799,374	46,750
Lafarge Poland (fellow subsidiary)	1,011,384	382,345	1,011,384	61,556
Lafarge France Other (parent company)	1,496,484	565,734	1,496,484	91,081
Lafarge Egypt (fellow subsidiary)	7,538	2,496	7,538	402
Blue Circle Industries (United Kingdom) (fellow subsidiary)	610,331	-	610,331	-
Holcim Company Services (fellow subsidiary)	3,909,871	546,819	3,909,871	88,036
Lafarge Beijing (fellow subsidiary)	86,316	197,303	86,316	31,765
Lafarge Malawi Limited (fellow subsidiary)	660,643	171,372	660,643	27,590
Holcim Technology (fellow subsidiary)	17,683,924	184,409	17,683,924	29,689
Cemansco BV	15,250,771	2,619,926	15,250,771	421,797
Bamburi Cement Limited Kenya (fellow subsidiary)	1,240,275	261,736	1,240,275	42,138
	111,299,796	**33,306,123**	**111,299,796**	**5,362,139**

Amounts payable to the related parties listed above are unsecured and interest-free. There are no guarantees provided or received from any related parties.

a. Loans with related parties

i. Loans recoverable from related parties

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Loans to key management personnel	**38,953**	**38,953**	**1,132,000**	**182,247**

The Company has provided several of its key management personnel with short-term loans and salary advances. The short term loans attract interest at a rate of 6% per annum. The loans to key management are secured against the assets acquired with the loaned funds.

ii. Loans payable to related parties

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
InterCompany loan from Cemasco B.V. (fellow subsidiary) (refer to note 23.1)			495,192,605	24,000,000

b. Compensation of directors and key management personnel

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Short term benefits	17,007,073	1,760,723	7,817,272	1,760,723
Directors' fees	796,485	85,843	354,748	85,843
Post-employment benefits	411,816	316,222	189,291	316,222
Termination benefits	**7,451,135**	**1,097,765**	**1,999,677**	**1,097,765**

24. BORROWINGS

a. Unsecured

The company did not obtain any new borrowings during the year under review. The company has an outstanding shareholder loan of USD29.5m with an interest rate of 6 months Libor plus 5%. The Company obtained this long term unsecured loan facility from LafargeHolcim , through a subsidiary Cemasco B.V., amounting to USZWL30 million to finance forex 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.

As disclosed in Note 29, USD15m of the loan and the related outstanding interest were registered as legacy debt with the Reserve Bank of Zimbabwe (RBZ) in April 2020. 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 ZWL1.8m of its Short Term Loan (STL) facility of ZWL8.4 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.

b. Borrowing powers

In terms of the Company's Articles of Association, the Directors may exercise the powers of the Company to borrow as they deem necessary, subject to approval from the Lafarge Company parent Company.

25. RETIREMENT BENEFIT PLANS - DEFINED CONTRIBUTION PLANS

The Company makes contributions to two defined contribution plans; the Company's private pension scheme, and the national pension scheme.

The contributions are made through direct deductions by the Company and remitted to the funds. The amounts remitted have been disclosed in note 10. Private pension scheme contributions were ZWL4,288,564 whilst NSSA contributions were ZWL1,029,895. (2018: ZWL3,652,211 and ZWL1,095,289).

a. Private pension scheme

The Company operates a defined contribution scheme for all qualifying employees. The assets of the scheme are held separately from the Company in funds under the control of fund's trustees. The only obligation of the Company with respect to the defined contribution scheme is to make the specified contributions.

b. National Pension Scheme - National Social Security Authority

The employees of the Company are members of the State-managed retirement benefit plan promulgated under the National Social Security Act of 1989. The Company's obligation under the scheme is limited to specific contributions legislated from time to time, which was currently 3.5% of basic salary up to a maximum of ZWL24.50 per employee per month.

LAFARGE CEMENT ZIMBABWE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2019

26. FINANCIAL INSTRUMENTS

a. Classes and categories of financial instruments

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
26. FINANCIAL INSTRUMENTS (continued)				
Financial Assets				
Fair value through profit or loss:				
Cash and bank balances (level 1)	94,078,501	87,521,947	94,078,501	14,090,648
Amortised cost:				
Trade receivables	19,983,820	13,616,348	19,983,820	2,192,172
Staff loans and advances	2,133,228	3,138,750	2,133,228	505,325
Other receivables	3,789,249	11,581,547	3,788,249	1,864,578
Related party receivables	15,939,343	6,440,008	15,939,343	1,036,813
Short term investments	4,343	73,726,073	4,343	14,090,648
Financial Liabilities				
Amortised cost:				
Borrowings	1,814,829	4,970,980	1,814,829	800,306
Trade payables	97,658,091	22,937,468	97,658,091	3,692,831
Other payables	7,634,274	5,072,284	7,634,274	816,615
Debtors with credit balances	11,991,634	54,332,055	11,991,634	4,599,152
Accrued expenses	34,281,707	13,496,827	34,281,707	2,172,930
Related party payables	111,999,796	33,306,123	111,299,796	5,362,139

b. Financial risk management objectives

The Company's executive committee meets on a regular basis to analyse, amongst other matters, currency and interest rate exposures and to re-evaluate treasury management strategies against revised economic forecasts. Compliance with the Company's policies and exposure limits is reviewed at quarterly Board meetings.

c. Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

i. Foreign currency sensitivity analysis

The Company is mainly exposed to the United States Dollar, Swiss Franc and Euro.

The following table details the Company's sensitivity to a 10% increase and decrease in the USD against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the ZWL strengthens 10% against the relevant currency. For a 10% weakening of the ZWL against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	Currency		
	USD	EURO	CHF
Effect on profit or loss ZWL (2019)	(54,591,946)	(5,428,323)	(374,441)
Effect on profit or loss ZWL(2018)	-	(2,722,112)	-

26. FINANCIAL INSTRUMENTS (continued)

d. Interest rate risk management

The Company is exposed to interest rate risk on its offshore intercompany borrowings which are at a variable rate determined by the USD 6 months LIBOR plus a fixed margin. All local borrowings are at fixed rates.

Interest rate sensitivity analysis

If the interest rate had been 0.50% higher or lower and all other variables held constant, the Company's profit for the year would increase or decrease by :

	Amount	% Change	ZWL Change
Borrowings (2019)	1,814,829	0.50%	9,074
Borrowings (2018)	4,970,980	0.50%	4,002

e. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

f. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Borrowing facilities in the form of bank overdrafts and acceptance credits are negotiated with approved and registered financial institutions at acceptable interest rates. Expended overdraft facilities are repayable on demand. Approved financial institutions with sound capital bases are utilised to both borrow funds and invest surplus funds.

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments:

***INFLATION ADJUSTED 2019**

	0-12 months	1-5 years	>5 years	Total as at 31 December 2019
Borrowings	1,814,829	-	-	1,814,829
Trade payables	97,658,091	-	-	97,658,091
Other payables	7,634,274	-	-	7,634,274
Debtors with credit balances	11,991,634	-	-	11,991,634
Accrued expenses	34,281,707	-	-	34,281,707
	153,380,535	**-**	**-**	**153,380,535**

***INFLATION ADJUSTED 2018**

	0-12 months	1-5 years	>5 years	Total as at 31 December 2018
Borrowings	4,970,980	-	-	4,970,980
Trade payables	22,937,468	-	-	22,937,468
Other payables	5,072,284	-	-	5,072,284
Debtors with credit balances	54,332,055	-	-	54,332,055
Accrued expenses	13,496,827	-	-	13,496,827
	100,809,614	**-**	**-**	**100,809,614**

27. COMMITMENTS FOR CAPITAL EXPENDITURE

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
Commitments for the acquisition of property, plant and equipment	103,850,829	20,497,455	103,850,829	3,300,000

The commitments relate to proposed capital expenditure approved by the Board of Directors.

28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from previous years.

The capital structure of the Company consists of debt, as detailed in note 23, and equity of the Company comprising issued capital, reserves and retained earnings as detailed in notes 17 to 19.

The Company is not subject to any externally imposed capital requirements.

Gearing ratio

	2019 Inflation adjusted $	2018 Inflation adjusted $	2019 *Historical $	2018 *Historical $
The gearing ratio at the end of the reporting period was as follows:				
Debt (i)	1,814,829	4,970,980	1,814,829	800,000
Equity (ii)	334,044,840	393,035,182	311,396,306	63,276,933
Net debt to equity ratio	0%	1%	0%	1%

(i) Debt is defined as long term and short term borrowings, as set out in note 23.
(ii) Equity includes all capital and reserves of the Company that are managed as capital.
(iii) Target debt to equity ratio is 0%.
(iv) The company does not consider overdraft to be debt as it uses it intermittently to cover short term working capital requirements.

29. CONTINGENT LIABILITIES AND ASSETS

The company has previously disclosed a contingent liability of ZWL2.2m relating to the Zimbabwe Revenue Authority. The tax appeal was heard in the courts in June 2018 and judgement was handed down post the year end, in March 2020. The business submitted an application for tax amnesty legislated in Finance Act 1 of 2018 that was published on 15 March 2018 but no response has been received from the tax authorities at the time of publishing these financials. The tax amnesty protects the business against interest and penalties which the judge had ordered the company to bear. As a result, 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.

30. EVENTS AFTER THE REPORTING PERIOD

COVID-19

The Government of Zimbabwe declared a national lockdown to be effected from the 30th of 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 amongst its staff members and contractors. The initial assessment of the Company is that although the COVID-19 pandemic will 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.

30. EVENTS AFTER THE REPORTING PERIOD (continued)

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 Reserve Bank of Zimbabwe through its bankers, to register its outstanding foreign obligations amounting to USD31 million under the blocked funds framework (RU 28 of 2019 and Exchange Control Circular no 8 of 2019). The Reserve Bank of Zimbabwe approved the blocked funds registration in April 2020 and the business transferred cash cover of ZWL31 million to the Reserve Bank of Zimbabwe to secure its legacy debt in line with the RU 28 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 the amount will be settled. Nevertheless, the Company is expected to receive an equivalent of USD31 million (undiscounted) from this arrangement.

31. GOING CONCERN

In preparing the financial statements, the Directors and management are required to make an assessment of the Company's ability to continue as a going concern. At the time of preparing the financial statements, 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 intercompany obligations are managed and settled in a manner that does not negatively impact operations.

The Directors also assessed the impact of the ongoing COVID-19 pandemic as described in Note 29 above. The matter is still developing, and the impact remains uncertain. The Directors have concluded that the Company's various responses are adequate, and the uncertainties are not material to the ability of the Company to continue operating as a going concern.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 26 June 2020.

Shareholder Analysis

Industry	Holders	% of Holders	Shares	% of Shares
Banks and Nominees	27	3.74	4,015,174	5.02
Deceased Estates	22	3.05	36,797	0.05
Corporates	101	13.99	5,455,928	6.82
Insurance Companies	4	0.55	1,226,881	1.53
Investment Trusts And Property	12	1.66	3,754,137	4.69
External Corporate holders	1	0.14	61,158,400	76.45
Pension Fund	19	2.63	2,217,886	2.77
Resident Individual	455	63.43	1,234,609	1.54
Non Resident Individual	69	9.56	216,274	0.27
Other	9	1.25	683,914	0.85
Total	**719**	**100.00**	**80,000,000**	**100.00**

Range	Holders	% of Holders	Shares	% of Shares
0 - 100	159	22.16	7836	0.01
101 - 200	65	9.28	10673	0.01
201 - 500	127	17.59	47332	0.06
501 - 1,000	107	14.82	85950	0.11
1,001 - 5,000	156	21.61	375895	0.47
5,001 - 10,000	39	5.40	263089	0.33
10,001 - 50,000	40	5.54	837852	1.05
50,001 - 100,000	8	1.11	519117	0.65
100,001 - 500,000	7	0.97	1815219	2.27
500,001 - 1,000,000	3	0.42	2307670	2.88
1,000,001 - 10,000,000	7	0.97	12570967	15.71
10,000,001 -	1	0.14	61158400	76.45
Total	**719**	**100.00**	**80,000,000**	**100.00**

Shareholder Analysis (continued)

CONSOLIDATED TOP 20 AS AT 31 DECEMBER 2019

Rank	Account Name	Shares	% of Total
1	ASSOCIATED INTERNATIONAL CEMENT LIMITED	61,158,400	76.45
2	STANBIC NOMINEES (PRIVATE) LIMITED	4,268,336	5.34
3	THE FARLOW TRUST	2,075,652	2.59
4	ESTATE LATE ROY TURNER	2,030,047	2.54
5	THE SASKO TRUST	1,680,488	2.10
6	THE LEAF TREE TRUST	1,535,663	1.92
7	NATIONAL SOCIAL SECURITY AUTHORITY	1,438,781	1.80
8	WORKERS COMPENSATION INSURANCE FUND	1,145,226	1.43
9	ADAM, AYOOB	579,931	0.72
10	AFRICAN MEDALLION (PRIVATE) LIMITED	484,073	0.61
11	STANDARD CHARTERED NOMINEES (PRIVATE) LIMITED- NNR (SCB)	329,199	0.41
12	STANBIC NOMINEES (PRIVATE) LIMITED - NNR	329,124	0.41
13	GEZMARK INVESTMENTS (PRIVATE) LIMITED	300,385	0.38
14	COMMUNICATIONS AND ALLIED INDUSTRIES PENSION FUND	236,919	0.30
15	GURAMATUNHU FAMILY TRUST	206,511	0.26
16	STANDARD CHARTERED NOMINEES (PRIVATE) LIMITED(SCB)	150,000	0.19
17	DANCHEN INVESTMENTS (PRIVATE) LIMITED	100,000	0.13
18	MATENDA TRUST	76,269	0.10
19	GOBEY, FRANCESCA	63,200	0.08
20	REMO INVESTMENT BROKERS (PRIVATE) LIMITED	62,177	0.08
	TOTAL	**78,250,381**	**97.81**
	OTHER SHAREHOLDERS	**1,749,619**	**2.19**
	TOTAL NUMBER OF SHARES	**80,000,000**	**100.00**

Notice Of Annual General Meeting

Notice is hereby given that the 66th Annual General Meeting of the members of Lafarge Cement Zimbabwe Limited will be held on Tuesday the 18th August 2020 at 1200hrs through an online virtual platform, details of which will be notified to all shareholders separately, for the purposes of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Financial Statements of the Company and the reports of the Directors and Auditors for the year ended 31 December, 2019.

2. Election and Retirement of Directors

i. To note that in terms of article 100 of the Articles of Association 1/3 of the Directors shall retire from office and be eligible for re-election. Mr. Pierre M. Deleplanque retires by rotation and, being eligible, offers himself for re-election. Having been appointed since the last general meeting, Mrs Gloria Zvaravanhu also retires and, being eligible, offers herself for re-election.

ii. To note the resignation of Mr. Mahommed Nayah from his role as Chief Finance Officer following his departure from Lafarge Cement Zimbabwe Limited effective from 30 June 2019 and the appointment of Mr. Fungai Kovhiwa with effect from 1 July 2019.

iii. To note the resignation of Mr. Kaziwe S. Kaulule from his role as Chief Executive Officer following his reassignment to South Africa effective from 29 February 2020 and the appointment of Mrs. Precious Nyika with effect from 1 March 2020.

iv. To note the resignation of Mr. Dominic Drouet from his role as Non-Executive Director effective 22 April 2020.

v. To note the appointment of Mrs. Gloria Zvaravanhu as an Independent Non-Executive Director with effect from 21 May 2020.

3. Directors' Fees

To approve the fees paid to Directors of the Company in 2019 amounting to ZWL129 479.30 for local Directors, and US$12 000.00 for foreign Directors.

4. External Auditors

i. To fix the remuneration of Auditors for the following financial year amounting to USD45 000, payable in ZWL at prevailing official exchange rate.

ii. To reappoint Deloitte & Touche as Auditors for the ensuing year, being their fourth year as Auditors of the Company.

5. Dividend

To note that no dividend was declared by the Directors in 2019.

SPECIAL BUSINESS

6. Amendment of the Articles of Association

To amend the Company's Articles of Association by repeal of the current Articles of Association and adoption of the Model Articles for Public Companies under the Companies and Other Business Entities Act [24:31].

APPOINTMENT OF PROXY

In terms of the Companies and Other Business Entities Act [Chapter 24:31], a member of the Company is entitled to appoint one or more proxies to attend, vote and speak in his or her stead. A proxy need not be a member of the Company.

Proxy forms must be deposited at the Registered Office of the Group not less than forty-eight (48) hours before the time appointed for holding the meeting.

By Order of the Board

F. Kovhiwa
CFO/Acting Company Secretary

Registered Office
Manresa Works,
Arcturus Road,
Harare

Friday, 26 June 2020

PROXY

FORM

POSTAL ADDRESS
THE SECRETARY
LAFARGE CEMENT ZIMBABWE LIMITED
P.O.Box GD 160
Greendale
Harare
Zimbabwe

Sixty-Sixth Annual General Meeting

I/We ....

of ....

being a member of the above Company and entitled to vote, hereby appoint ....

of ....

or failing him ....

of ....

or failing him the Chairman of the meeting as my/our proxy to vote for me/us on our behalf at the Annual General Meeting of the Company to be held on Tuesday 18th August 2020 at 1200hrs through an online virtual platform and at any adjournment thereof.

Signed this ....day of.................................2020

Signature of member: ....

NOTE: *A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, vote and speak in their stead. A proxy need not be a member of the Company. Proxy forms must be lodged at the registered office of the company not less than forty-eight hours before the scheduled time of the meeting.*

Change of Address

Shareholders are reminded of the need to keep the Company's transfer secretaries up to date with their contact details. If contact details have changed within the past year, complete this form and hand it over to the Company Secretary at the Annual General Meeting.

Shareholder's name in full **(Block letters please)**..

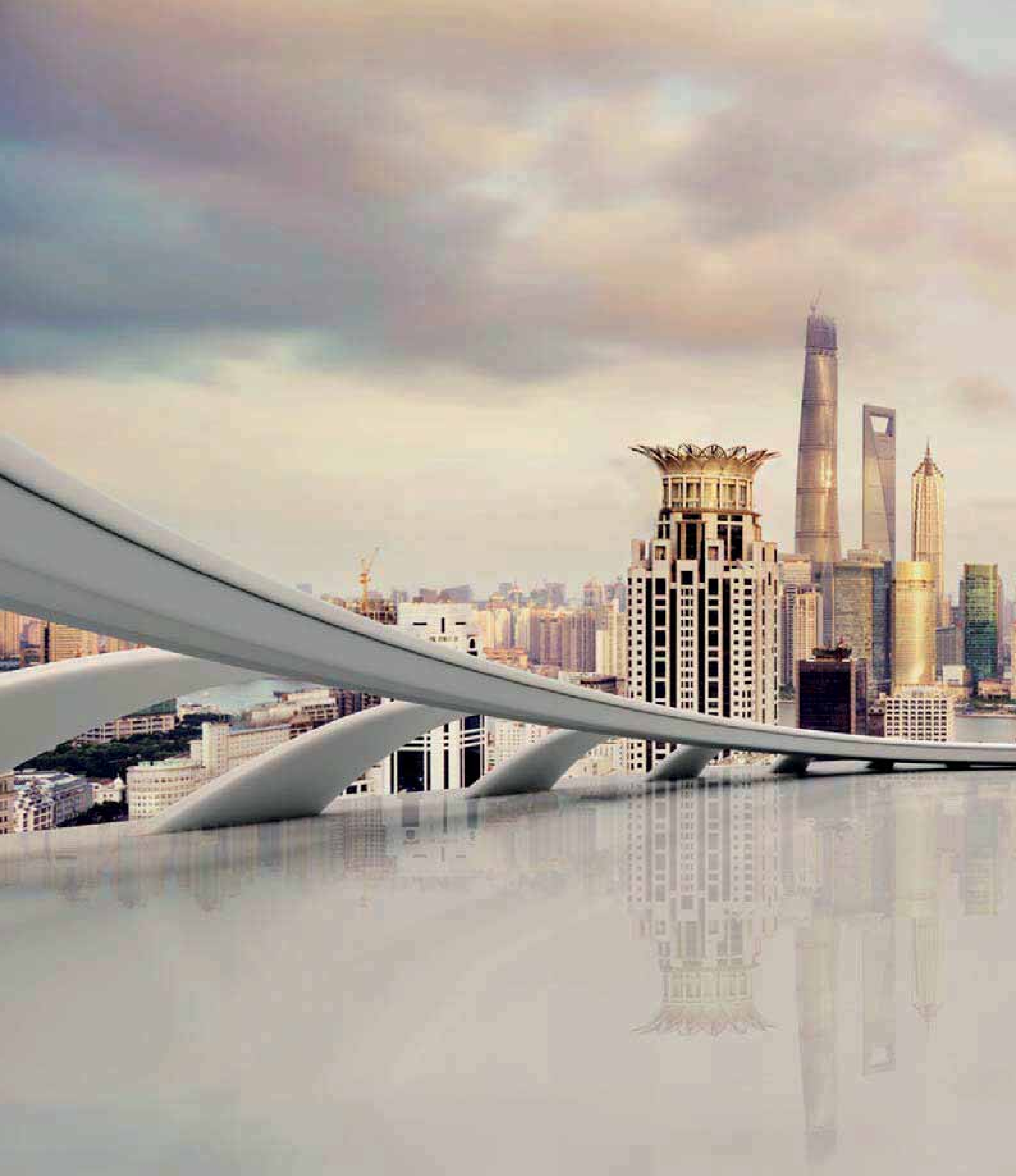
....

New address **(Block letters please)** ....

....

Email address ....

Shareholder's signature ....



Lafarge Cement Zimbabwe Limited
Manresa Plant, Arcturus Road Manresa,
Harare, Zimbabwe

Switchboard: 086 77 215 000/ 086 88 005 000
Sales direct line: 086 77 215 215/ 086 88 005 215
Email: zim.sales@lafargeholcim.com
Email: info@lafargeholcim.com

www.lafarge.co.zw

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