

# BUILDING FOR GROWTH

## 2018 ANNUAL REPORT

LAFARGE ZAMBIA PLC



**LAFARGE**  
Building better cities™



A member of  
**LafargeHolcim**

**LAFARGE ZAMBIA PLC, A MEMBER OF  
LAFARGEHOLCIM, IS THE LEADING  
ZAMBIAN CONSTRUCTION MATERIALS AND  
SOLUTIONS COMPANY.**

**FROM SMALL LOCAL PROJECTS TO THE  
BIGGEST, MOST TECHNICALLY CHALLENGING  
INFRASTRUCTURE ENDEAVOURS, WE  
SUPPORT BUILDERS IN ZAMBIA.**

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#### **INTEGRATED REPORTING**

Our annual report aims to present a holistic view of how we create value in both financial and non-financial terms, thus helping all stakeholders to understand how Lafarge Zambia contributes to building a better Zambia for all.



**FIND OUT MORE ABOUT WHAT WE  
DO ONLINE**

[www.lafarge.co.zm](http://www.lafarge.co.zm)  
[www.facebook.com/  
LafargeZambiaPLC](https://www.facebook.com/LafargeZambiaPLC)

#### **GROUP OVERVIEW**



The LafargeHolcim GROUP OVERVIEW complements this report. It presents more detail on key figures of our three businesses: Cement, Aggregates and Ready-Mix Concrete and specifically our performance in the in Middle East and Africa.



# CONTENTS

<b>LAFARGE ZAMBIA AT A GLANCE</b>	<b>2</b>
<b>YEAR IN REVIEW</b>	<b>4</b>
Chairman's Letter	
CEO's Letter	
<b>FINANCIAL HIGHLIGHTS 2018</b>	<b>6</b>
<b>ABOUT LAFARGE ZAMBIA</b>	<b>8</b>
Our Timeline Journey	
Our Operations	
Our Plants & Depots	
<b>INNOVATION AND GROWTH</b>	<b>12</b>
<b>A CUSTOMER FOCUSED STRATEGY</b>	<b>14</b>
Products and Services Delivering a Better Future	
Serving Building Needs	
A Preferred Infrastructure Partner	
<b>A WORLD CLASS EMPLOYER</b>	<b>21</b>
Training	
Building Our Talent Pipeline	
<b>SUSTAINABLE DEVELOPMENT</b>	<b>25</b>
Health and Safety	
The 2030 Plan	
<b>2018 ANNUAL FINANCIAL STATEMENTS</b>	<b>35</b>
<b>LAFARGEHOLCIM GROUP OVERVIEW</b>	<b>89</b>
<b>MINUTES OF THE 26TH AGM</b>	<b>92</b>
<b>SHAREHOLDERS ATTENDANCE REGISTER</b>	<b>95</b>

# LAFARGE ZAMBIA AT A GLANCE

## THE FOLLOWING CRITICAL SUCCESS AREAS HAVE ALL IMPROVED:

TURNOVER UP

13%

CEMENT PRODUCTION UP

7%

GROSS PROFIT UP

20%

AGGREGATES SALES UP

15%

## PUTTING COMMERCIAL TRANSFORMATION INTO ACTION

### Supablock – a block you can trust!

We're helping Zambia build stronger and more beautiful homes with Supablock, Zambia's first block that is ZABS approved and consistent in size. It's available throughout at Lafarge Inside approved Supablock Franchisees.

### The Lafarge Home Builder Center – your partner in the building business.

Building can be tough and the process daunting, but the LHBC is simplifying it with services offered at their one stop home building shop.



### Developing our **EMPLOYEES**

**15,806** man-hours  
spent on training.

### **HEALTH & SAFETY** matters most

**0** fatalities  
at our plants and on the roads.

### Supporting our **COMMUNITIES**

**K798,000**  
in direct community investment.

Lafarge Zambia is part of the global LafargeHolcim Group, operating in

**80** COUNTRIES at

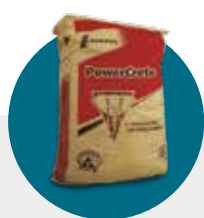
**2300** SITES with

**75,000** EMPLOYEES



## QUALITY PRODUCTS FOR ANY APPLICATION.

We continue to manufacture the country's most trusted cement products. Our products remain the preferred choice for any application: from a family home to a shopping mall to an airport.



MINING



ROADS



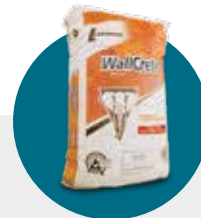
SPECIAL PROJECTS



BLOCK MAKING



GENERAL PURPOSE



PLASTER

THERE'S NOTHING THAT YOU CAN'T BUILD  
WITH LAFARGE ZAMBIA PRODUCTS!

## BINASTORE IS RAPIDLY EXPANDING.

Binastore, our retail innovation launched in 2017, has been opening in rapid succession. The brand aims to be the most convenient access point for a range of building materials, and at this rate, there will soon be a Binastore wherever Zambians are building.

**19** AFFILIATION STORES

**35** CONTAINER STORES

## MAJOR INFRASTRUCTURE PROJECTS

These prestigious infrastructure projects are all supplied by Lafarge Zambia.

MUSONDA FALLS HYDRO POWER STATION

ZESCO SUBSTATION – MPIKA

NOVARE MALL – GREAT NORTH ROAD

PINNACLE MALL – KABULONGA LUSAKA



# YEAR IN REVIEW



## Chairman's review

I am pleased to report that 2018 was a year of further growth for Lafarge Zambia Plc, with improvements in sales and profits despite the challenging operating environment. This has also been another significant year of development for Lafarge Zambia, with additional business focusing on the environment thereby developing innovative and tailored industrial and municipal waste management services for a wide range of customers.

Circumstances in our industry remain extremely challenging, with continued competition and inflationary cost pressures, which have necessitated a detailed review of strategic options available to the Company. I believe that this stance will put us in a position to maintain our leadership in the manufacturing sector.

I would like to express my sincere gratitude to Vincent Bouckaert, who served as Chief Executive Officer from September 2016 until December 2018, when he left Lafarge Zambia to pursue other opportunities. In the interim, the Board of Directors appointed Chief Financial Officer Raphael Chipoma to act in the capacity of Managing Director and Chief Executive Officer until February 2019. I wish Vincent well in his future endeavours and for his contribution to Lafarge Zambia during

the period that he has served in the role of CEO. Likewise, I thank Raphael for the acting period and instilling confidence in our employees during the challenging time the company went through.

I am excited to welcome Jimmy Khan, formerly Managing Director of Lafarge Mauritius, who joins the Board with extensive experience in the cement manufacturing, financial and commercial fields spanning over 11 years. He took over as CEO on 12 February 2019. I have no doubt that Jimmy will propel Lafarge Zambia to greater heights of success as well as ensure that our market share and leadership in the cement industry is sustained.

The year 2018 was characterised by the expansion of Zambia's cement industry, partly fuelled by expectations of an infrastructure boom. While the country has a cement demand of around 2.1 million tonnes and a population of 15.9m, the build-up of its 3.6 million tonnes cement production base resulted in a compromise in the cement pricing. Competition was stiff, with the arrival of a new cement plant.

Real GDP growth continued at an estimated 4.0% in 2018, compared with 4.1% in 2017. Agricultural output contracted by more than 35% due to

a rain shortage in early 2018. Copper production continued to increase by an estimated 4% to 4.5% in 2018. Construction also contributed to growth, thanks to public infrastructure projects and investment in commercial buildings and residential housing, towing cement production, which increased at an estimated 10% in 2018.

Inflation increased to an estimated 7.6% in 2018 from 6.6% in 2017. The relative price stability led the central bank to reduce the policy rate from 15.5% to 9.75% in February 2018. Average lending rates fell from 29.5% in 2016 to 23.7% in September 2018. Gross international reserves continued to fall from \$2.4 billion in 2016 to \$2.1 billion in 2017 and were estimated at \$1.7 billion by the end of 2018, corresponding to 2.5 months of imports.

Regardless of the challenging operating environment, the directors believe that the Company has adequate capacities to continue operations for the foreseeable future, based on forecasts and available resources. In this vein, the Company recorded a profit after tax of K 195 million. Basic and Diluted earnings were K0.97 per share compared to 2017 at K0.09 per share.

The Directors therefore recommend that a dividend of K0.25 per share be declared for the year ending 31 December 2018.

We are proud of our contribution to the community and to the environment. We contributed over K798,000 in direct community investment in FY18. We provided support generated from the Lafarge Lusaka Marathon to charities such as Chilanga Mother of Mercy Hospice, Cheshire Home in Kabulonga, Cheshire Home in Chawama, Livingstone General Hospital and Arthur Davison Children's Hospital. Other corporate social responsibility initiatives pursued in 2018 include one-off materials and monetary donations to various organisations.

At Lafarge Zambia, we believe that our initiatives provide answers to challenges affecting the communities where we operate. Problems such as urbanisation, housing needs, health and safety, and human rights have been enshrined in our ambitious sustainability targets 2030 to help people live better lives through our inclusive business models and social investment programmes.

Our social investments are based on long-term strategies, implemented in collaboration with specialised local and international partners, and address clear needs in the communities where we operate. Areas of focus include health, education, shelter and infrastructure, environment, and local employment creation.

The Company's focus in 2019 and beyond is to continue ensuring accelerating LafargeHolcim's new Strategy 2022 – "Building for Growth", which aims to drive profitable growth and simplify the business to deliver resilient returns and attractive value to stakeholders. This is a five-year strategy that will shift gears towards the growth of the top and bottom line.

I would like to express my appreciation to my non-executive colleagues on the Board for their input and time commitment in 2018. Finally, on behalf of the Board, I would like to thank the Lafarge management team for the progress and significant achievements made over the past year. Further gratitude to our employees whose strong personal dedication and unconditional loyalty to our Company are major strengths of Lafarge Zambia.

To our esteemed customers, we remain grateful for your continued support of our business.

**MUNA HANTUBA**

*Non-Executive Chairman*  
11 March 2019

# CHIEF EXECUTIVE OFFICER'S LETTER



Lafarge Zambia PLC continues to be fairly stable, despite a challenging market environment. Tight liquidity, increased competition and high cost of production, particularly energy costs (diesel and coal), all negatively impacted our profits in 2018.

We remain focused by striving to maintain a 35% market share and to continue being innovative and customer-centric.

## Health and Safety

We are on track to achieve our 2022 Health and Safety Strategy, which we call Ambition "0". Our Health and Safety culture is built around leadership visibility and accountability and we have continued to invest a lot in our employees, contractors and drivers to raise their Health and Safety competencies. Health and Safety remains everyone's pride at Lafarge Zambia and we are proud of our achievements in keeping all our people safe.

We strongly believe that our operations must never compromise the safety of our drivers, employees, contractors or members of the public. We will continue to invest heavily in our road safety programmes to safeguard lives, especially vulnerable people like school-going children, pedestrians and

cyclists. During 2018, we did not record any fatalities either on the road or at our plants.

## Operating Performance

The Zambian cement market underwent a strong recovery in 2018. The dry spell in January allowed many contractors to continue working without disruption in the first quarter, a period in which large construction firms typically undergo an industrial break.

The domestic cement market is estimated at approximately 2.1 million tonnes of cement, representing an average growth of 30% compared to 2017. Lafarge Zambia continues to be the industry leader, with a strong presence at cement and hardware retailers, as well as a range of solution that make us the preferred partner for large projects such as the Kafue Gorge Lower Hydropower Station. The focus on these major projects allowed us to maintain a resilient level of sales in the face of new competition entering the market in July 2018.

Exports, however, were subdued in 2018 due to new cement production capacity being commissioned in Malawi, as well as an overall market slowdown in DRC in the second half of the year, with many projects halted in view of the elections of December

2018. Construction activity is however expected to resume in early 2019.

The Company's turnover was K1,142 million, 13% higher compared to K1008 million in 2017. The Company's gross profit rose by 20% to K576 million, attributed to the high turnover and cost reduction measures.

Fuel prices were increased by over 20% in 2018. Strong cost management initiatives mitigated the impact of higher production cost resulting from the rise in coal and fuel costs. Profit before tax increased by 81% in 2018, which is attributable to a decrease in marketing and administration costs, exchange gains and reduction in impairment charges compared to 2017.

## Commercial transformation

We continued to focus intensively on commercial transformation and sustainability for continued growth during 2018. The roll-out of our retail channel network, Binastore, was accelerated during the period with a view to enhancing value for customers and increasing penetration and coverage, particularly in the key markets of Lusaka and Copperbelt.

We have also continued to develop products and services to supply all major infrastructure projects in Zambia, while accelerating the roll-out of the Binastore franchise network which aims to provide the homebuilders with a one-stop building materials store. Our current Binastore footprint stands at 54 stores nationwide.

Through our affiliation programme Supablock, we partnered with block makers to make Lafarge certified concrete hollow blocks that conform to the standards set by the Zambia Bureau of Standards.

These initiatives all led to improved sales volume performance for the year, compared to 2017, allowing us to fully benefit from the overall growth

in the domestic cement market. This increase in domestic cement sales partly compensated for the difficulties in our traditional export markets, such as Malawi and DRC.

The creation of a geocycle function has enabled us to use alternative raw materials and fuels in our cement manufacturing process. This function is expected to optimise production costs and improve the environment management in our country.

In terms of our outlook for the future, we remain committed to delivering on our 2019 targets and we are confident that our stakeholders will benefit from the platform we have put in place to drive growth and create value. We are also benefiting from our good relationships with Government as their continued pursuit of infrastructure development will lead to sustained growth in our industry.

We will keep leveraging our global capabilities and continuously improve the quality and accessibility of our products and services to our customers around the region.

I would like to thank our employees for their continued efforts and commitment to our customers. They have worked tirelessly under very difficult circumstances to ensure the quality, affordability and accessibility of our products.

I am grateful to the Board for their continued guidance and leadership and I remain indebted to our shareholders for their enormous support.

**JIMMY KHAN**  
Chief Executive Officer  
11 March 2019



# FINANCIAL HIGHLIGHTS 2018

## KEY FIGURES

### TURNOVER

**1142**

K (MILLION)

### PROFIT AFTER TAX

**195**

K (MILLION)

### LONG TERM DEBT

**0**

K (MILLION)

### EARNINGS PER SHARE

**0.97**

KWACHA

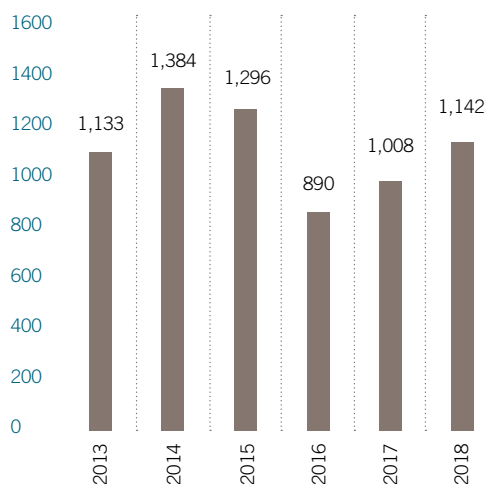
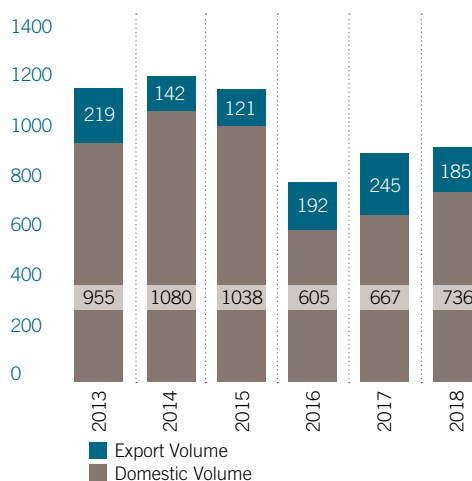
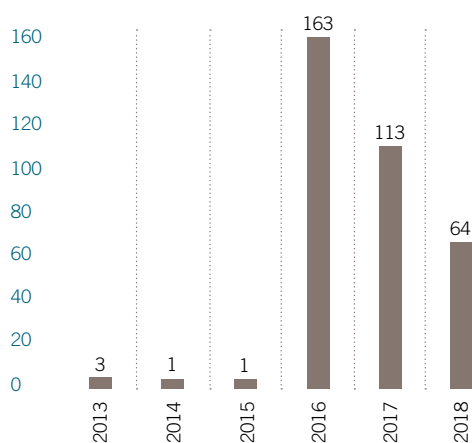
### DIVIDENDS PER SHARE

**0.25**

KWACHA





**SALES TURNOVER** K (Million)**CEMENT SALES** Tonnes (Thousand)**CLINKER EXPORT SALES** Tonnes (Thousand)

# ABOUT LAFARGE ZAMBIA

## MAJOR MILESTONES

**1949**

Chilanga Cement, the Company that would one day become Lafarge Zambia, is founded.

**1951**

Cement production commences at Chilanga Plant, with the first major project being supplying cement for the construction of the Kariba Dam wall.

**1969**

A second plant is commissioned in Ndola.

**1995**

The Lusaka Stock Exchange is founded and Chilanga Cement becomes its first company to be listed.

**2001**

Chilanga Cement is acquired by the Lafarge Group.

**2003**

The flagship general-purpose cement brand, Mphamvu, is launched.

**2007**

The Company's name is changed to Lafarge Cement Zambia, making history with Zambia's largest-ever bond issuance of ZMW 200 million.

**2008**

To satisfy the growing market demand, a new plant is commissioned at Chilanga.

**2010**

A new cement brand, Powerplus, is launched to cater to the needs of the heavy construction industry.

**2011**

SupaSet, a fast-setting cement aimed at block makers and concrete product manufacturers, is launched.

**2013**

The Mapepe Aggregates Plant is commissioned.

**2014**

The Company's name is changed to Lafarge Zambia Plc and two new cement brands are launched: RoadCem for road construction and WallCrete for masonry applications. Our first concrete lab is launched, and we become the first listed company to implement the Lusaka Stock Exchange Free Float Compliance Programme.

**2015**

Following the historic global merger, Lafarge Zambia Plc becomes a member of LafargeHolcim Group. PowerCrete, a specialised cement product for the mining industry, is launched. The Lafarge Foundation is established.

**2016**

Our Kumanga franchise is launched, allowing customers to be sole distributors of Lafarge products.

**2017**

Kumanga is relaunched as Binastore.

**2019**

We are looking forward to MANY more exciting milestones... Watch this space.





## OUR PRESENCE IN ZAMBIA

FOR ALMOST 70 YEARS, WE HAVE BEEN ZAMBIA'S LEADING SUPPLIER OF CONSTRUCTION MATERIALS.

AS THE SUPPLIER OF CHOICE FOR KEY CONSTRUCTION PROJECTS THROUGHOUT THE REGION, WITH THE WIDEST PRODUCT RANGE ON THE MARKET, WE CONTINUE TO SET THE STANDARD FOR QUALITY AND INNOVATION AT ALL OUR FACILITIES.

### CHILANGA CEMENT PLANT

WITH A CEMENT CAPACITY OF 950,000 TONNES PER ANNUM

### NDOLA CEMENT PLANT

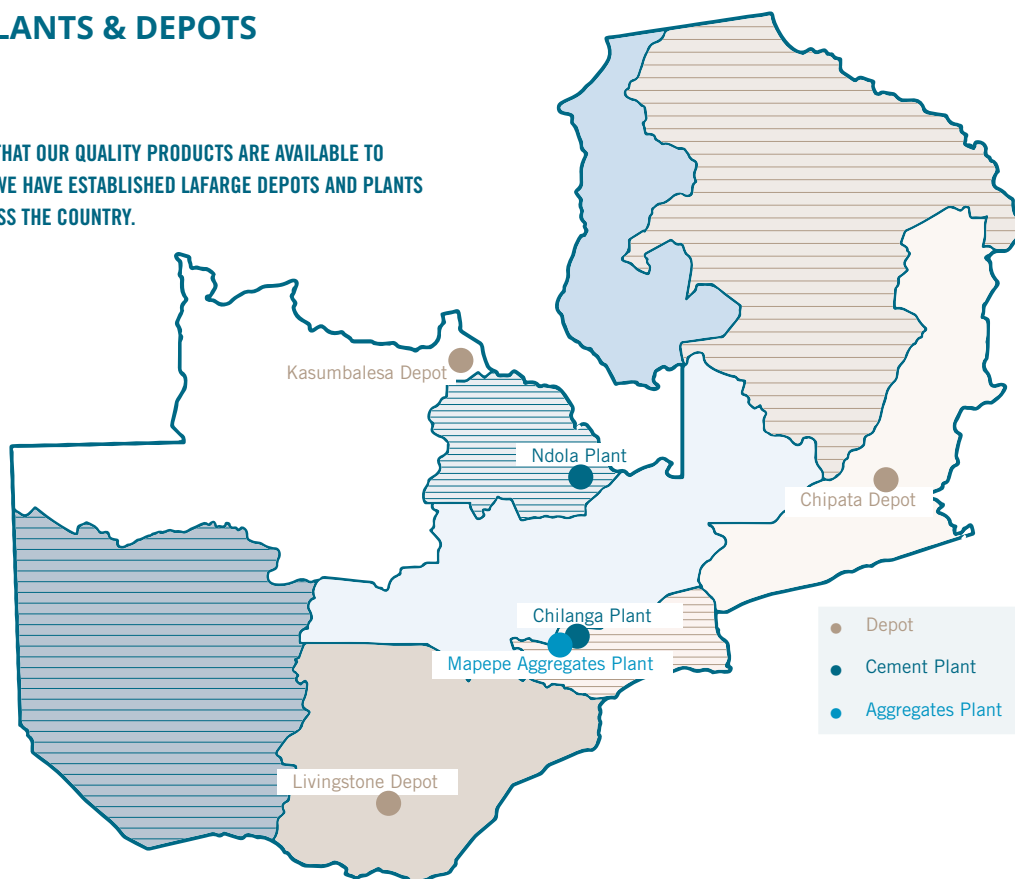
WITH A CEMENT CAPACITY OF 550,000 TONNES PER ANNUM

### MAPEPE AGGREGATES PLANT

WITH A CAPACITY OF 600,000 TONNES PER ANNUM OF HIGH-QUALITY AGGREGATES. THE ONLY SUPPLIER OF WASHED AGGREGATES IN THE COUNTRY

## OUR PLANTS & DEPOTS

TO ENSURE THAT OUR QUALITY PRODUCTS ARE AVAILABLE TO EVERYONE, WE HAVE ESTABLISHED LAFARGE DEPOTS AND PLANTS RIGHT ACROSS THE COUNTRY.





# INNOVATION AND GROWTH

**WE WILL DELIVER OUR GROWTH TARGETS THANKS TO OUR FOCUS ON PROVIDING INNOVATIVE AND SUSTAINABLE SOLUTIONS TO OUR CUSTOMERS AND CAPTURING THE FULL VALUE OF OUR DIFFERENTIATED PRODUCTS AND SERVICES IN OUR PRICING.**

Innovation is key to creating superior value for our customers and driving profitable growth across our company. Our focus on innovation is a reflection of our commitment to put end users and customers at the heart of everything we do. This goes beyond new products and services. By understanding what our customers do, listening to them and responding quickly with solutions, we aim to make Lafarge their partner of choice.

We have an extensive innovation pipeline, and we are continuously working on a number of significant and distinctive developments focusing on sustainable construction. To successfully differentiate and create a competitive advantage, we are strengthening collaboration with our partners. This is particularly relevant in infrastructure, where we are building partnerships using our sectoral expertise, access to innovative solutions and world-class execution.

With retail representing more than 50% of our volumes, a critical additional differentiating factor is our ability to promote innovative retail models, leveraging digital solutions, the strength of our brands and the quality of our products and

services. Our culture of innovation enables us to always be ahead of the game and the competition, setting the benchmark with premium products and tailored services that offer solutions to the market's most pressing needs.

To this end, 2018 saw us introducing a host of new solutions to our customer segments, ranging from a new Home Builder Centre to Supablock, a concrete block that end users can trust in terms of quality.

In 2018, we committed to create differentiation through innovative products and solutions under the pillar of Commercial Transformation. This includes innovations like resistant bags for the mining sector, new product offerings and affordable housing solutions.

We are currently working on a number of significant and distinctive product developments, including innovations that contribute to lowering our carbon footprint, as well as our suppliers' carbon footprints.





Kenneth Kaunda International Airport

# A CUSTOMER-FOCUSED STRATEGY

In alignment with the LafargeHolcim Group's vision, Lafarge Zambia has established a set of strategic priorities to put our customers first and focus on innovation in products, construction solutions and industrial processes.

1. Create an attractive environment for our people through innovative services such as Lafarge Supablock and Lafarge Home Builder Centre
2. Serve the building needs of individuals and retail customers through the Binastore franchise and affiliation network
3. Achieve operational excellence through continuous improvement
4. Be the preferred partner for building and infrastructure
5. Engage our resources for best returns and cash generation

Getting closer to our customers allows us to meet their needs with increased speed, precision and creativity. Our goal is to be leaders, recognised as the partner of choice in construction, whether for an individual home, a commercial building or the largest infrastructure project.

We use our scale and expertise to continue to innovate, co-creating solutions with our customers and nurturing long-term relationships.







## ZAMBIA'S BUILDING PARTNER OF CHOICE



**OUR ABILITY TO DELIVER INNOVATIVE AND TARGETED SOLUTIONS TOGETHER WITH WORLD-CLASS MATERIAL SOLUTIONS HAS MADE US THE PREFERRED INFRASTRUCTURE PARTNER ON A NUMBER OF MAJOR ZAMBIAN PROJECTS IN 2017 AND 2018:**

- Musonda Falls Hydro Power Station
- Novare Mall – Great North Road
- Pinnacle Mall – Kabulonga, Lusaka
- New Kenneth Kaunda International Airport
- Kafue Gorge Hydro Power Station

**We continue to contribute to the development of the road infrastructure as the preferred supplier for the following projects:**

- Lusaka L400 Urban Roads Project Phase 2
- Ndola Urban Roads-C400
- Kitwe to Ndola Dual Carriage Way Road – Copperbelt Province
- Kitwe to Chingola Dual Carriageway Road Project
- Kafulafuta Toll Plaza
- Micheal Chilufya Sata Toll Plaza
- Kawambwa to Mushota Road

## THE WIDEST RANGE OF PRODUCTS

### Mphamvu 32,5N: A solid foundation

Mphamvu 32,5N is Zambia's leading general-purpose bagged cement, developed to suit a wide range of applications. From domestic building to major construction projects, Mphamvu is cost effective and technically suitable for a wide range of building applications. Mphamvu is a firm favourite of the individual homebuilder due to its quality and how easily the freshly mixed concrete can be mixed, placed, and finished with minimal loss.

### SupaSet 42,5R: Rapid strength

SupaSet is a rapid setting, early strength cement ideal for block making and concrete processes. Its fast drying rate and two-day strength makes it the product of choice for block makers.

### Powerplus 42,5N: Special Projects

We provide solutions to meet the specific needs of each transport segment that engages in heavy construction projects, including bridges, railways, stadiums and airports. Powerplus 42,5N is an Ordinary Portland Cement used for specialised building applications where high-strength concrete is required for commercial and architectural structures.

### WallCrete 22,5X: Perfect plaster

WallCrete's superior workability and normal 28 days strength development makes it the ultimate solution for the quality demands of bricklaying and plasterwork. WallCrete's consistent quality and workable buttery mix guarantees less wastage during plastering, making it the ideal choice for block makers, builders and contractors.

### PowerCrete 42,5R: Underground Mining

PowerCrete 42,5R is a cement product designed for applications in the mining industry. For ease of handling in mining environments, PowerCrete is packaged in 25kg bags and has a plastic inner lining that makes it water resistant, providing greater workability in underground mining conditions.

### RoadCem 22,5X: Roads

We possess expertise to engage in co-design for a wide range of solutions such as soil stabilisation with the use of cement and aggregates to ensure greater solidity of concrete on asphalt roads. RoadCem is a soil-stabilising cementitious binder designed to improve the engineering properties of soil. It is particularly ideal for the construction of asphalt roads.

### Aggregates

Our Mapepe Aggregates Plant is Zambia's only supplier of fine washed aggregates. The aggregate products are suitable for a wide variety of construction applications, from concrete to road and highway surfaces.



**MPHAMVU 32,5N:**  
A SOLID FOUNDATION



**SUPASET 42,5R:**  
RAPID STRENGTH



**POWERPLUS 42,5N:**  
SPECIAL PROJECTS



**WALLCRETE 22,5X:**  
PERFECT PLASTER



**POWERCRETE 42,5R:**  
UNDERGROUND MINING



**ROADCEM 22,5X:**  
ROADS

## POWERFUL PARTNERSHIPS



**Inside**  
The Lafarge seal of quality

In 2014, we established key ready-mix partnerships, which continue to create value for our partners, customers and Lafarge Zambia.

Lafarge Inside is an innovative Industrial Partnership where we partner with suitable innovative and creative firms to create world-class value-added products for customers.

We assure the quality of the products through a rigorous testing programme at our state-of-the-art concrete lab in Chilanga.

A Lafarge partner is expected to adhere to strict quality protocols managed and monitored by Lafarge. Lafarge Inside is essentially the 'Lafarge Seal of Quality' on any product from our partners.

### Lafarge Inside and Flamecrete

The Lafarge Inside partnership with Flame Construction has enabled us to bring ready-mix to Zambia's southern regional market. Flamecrete is produced in volumetric ready-mix trucks with LafargeHolcim quality and technical back-up.

Quality assurance is an integral part of the Lafarge Inside promise. This means that we may conduct quality spot checks at any time, by collecting samples of the delivery at every pouring point. When choosing Flamecrete, we also offer customers an independent free-of-charge cube testing service for every batch ordered.



## COMMITTED TO BUILDING A BETTER FUTURE

Through continuous market research and dialogue with our customers, we established two areas where a lack of sufficient service and products were preventing Zambians from building the quality homes they desired. These service and product gaps were identified as:

- **Quality gap:** Despite having developed SupaSet, a top class block-making cement, there was still a distinct lack of quality in the actual blocks that users had access to. Many Zambians were building their projects with blocks that were uneven, brittle, and made with cement products not suitable for block manufacturing.
- **Expertise gap:** Among our individual home builders, there was an expertise gap between their dream of building their own home, and actually building it. Many Individual Home Builders are finding it difficult to get approved designs, secure the services of a reliable builder, sourcing the right material for the right job at the right price and managing the progress of the building job.

In 2017 we set about developing and launching the following solutions that will help to bridge the gaps observed, so that Zambians choosing to build, can truly build better cities in partnership with Lafarge Zambia.

### Bridging the quality gap, block by block

Concrete block making is a thriving industry in our country, providing employment opportunities for thousands of Zambians. However, the industry also has many challenges when it comes to consistent quality and conforming to standards.

To help meet these challenges, Lafarge Zambia launched SupaBlock in August 2017, a new franchise network specifically for block makers. This franchise enables approved block makers to partner with Lafarge Zambia to produce certified concrete blocks that conform to the set standards by the Zambia Bureau of Standards (ZABS) ZS007. Through this partnership they will also have access to world-class quality control through the Lafarge Zambia concrete laboratory, ensuring the production of blocks that are of superior strength and that is consistent in size and shape.

SupaBlock franchisees are supported by Lafarge Zambia with marketing, sales and technical support, and have the opportunity to tap into the wide network of Binastore retail shops to sell their blocks.

With SupaBlock, everyone wins: Block makers can grow their businesses, builders can buy blocks they can trust, and Lafarge Zambia can share in their success.

### Helping home builders overcome the expertise gap

The Lafarge Home Builder Centre was introduced in July 2017 and is located at East Park Mall, Lusaka. It is a one-stop, building solutions shop where individual home builders can take their dream of building a home through all the required steps: from home loan applications via registered partners, to architectural drawings, material and structure estimates, best practices for construction, as well as the procurement of quality certified building materials. It also provides the opportunity for customers to get additional information about Lafarge products and the franchising services available.



## SERVING BUILDING NEEDS



Access to quality building materials can transform communities. That's why we are always looking for new and innovative ways to get Lafarge products into the hands of more people.

Through a growing network of 54 Binastore franchises and affiliates, we are achieving our mission to bring quality building supplies closer to the Zambian people.

#### A wide range of products

In addition to Lafarge cement, Binastore also stocks all the quality building products needed by individual home builders.

#### The highest standards of service

Customer service is at the core of Binastore's business. Knowledgeable in-store staff are on hand to give advice and help customers find the right product for every job. Every store owner is also equipped with a Health and Safety booklet that guides them through their daily operations.

#### Supporting our franchisees

Every Binastore franchisee enjoys access to great marketing and business support and the knowledge needed to run their franchise successfully. At Binastore we also fully modernize your store, as we believe in our franchisees being proud enough to hand over their businesses as a succession plan to their children. In addition, our annual franchisee seminar aims to empower budding local entrepreneurs and make a positive contribution to the Zambian economy.

# A WORLD-CLASS EMPLOYER



As the key enablers of our strategy and vision, our people are at the heart of everything we do.

The LafargeHolcim Group aspires to build and sustain a Learning Organisation focused on achieving sustainable transfer of knowledge, skills, and behaviours.

As a business, we develop talent through mentoring, coaching and team effectiveness practices. This facilitates talent growth, knowledge sharing and innovation in order to instigate positive changes to organisational performance. We offer best practice learning experiences to be able to respond to our immediate and long-term business imperatives.

In 2018, Lafarge Zambia embarked on various developmental and upskilling interventions in order to build technical competencies to keep abreast with the latest trends in the cement industry. Capability building for leadership and other soft skills was a focus area for employees at different levels within the business. The training covered both technical and support functions.

A total of 15,806 man-hours were spent on training in 2018.





## TRAINING

### Technical Training

The LafargeHolcim Learning model focuses on experiential learning, which emphasises learning on the job in-country and across borders. This gives our employees exposure to learning best practice from well performing cement plants across the globe.

In Zambia, the cement industry is still developing, which means that in some instances talent may not readily be available. It is for this reason that Lafarge Zambia continues to invest in technical training to enhance the skills of existing employees.

Among the training conducted in 2018 includes:

- Cement Industrial Framework – CIF Boot Camp (Zimbabwe & local)
- Spread Training (Switzerland)
- MMS – Shutdown Management Training (Zimbabwe)
- A-Cert Training (Egypt)
- Train the Trainer – Forklift Operations & Certification
- Technical Information Systems Training (Switzerland)
- DSCQP CIP Training (Zimbabwe)
- XRF Calibration (South Africa)
- MMS Implementation Training, Kiln and Coolers Basics (Egypt)
- Shut Down Management (CIF)
- Kiln Coach Training (Kenya)
- TIS Post Training Awareness (local)
- CIP Environmental Reporting (Kenya)
- CIP Be Ready Launch, Kiln Coach Training (Kenya)
- CIP IDEA Training (Mexico)
- Cement Manufacturing Training (Zimbabwe)
- CIF Assessment (Kenya)

### Commercial Training

The focus for the Sales team in 2018 was the development of technical skills through the Regional Sales Academy and building soft skills through sales excellence. Two managers from Lafarge Zambia were assessed and selected as Trainers in the Sales Academy to facilitate training within the Middle East & Africa (MEA) region. The training conducted for sales staff included Sales Essentials and Embedding Sales Essentials. Other notable training was Retailing Fundamentals at the Retail Academy and Pricing Basics at the Pricing Academy.



### Health & Safety and Environment Training

Health & Safety remains an overarching value for Lafarge Zambia. A 30-day Emergency Medical Technician training was conducted in July 2018 by ATA South Africa for 18 employees from both Ndola and Chilanga Plants. The training was done with the aim to increase our emergency preparedness. Other notable trainings were Handling & operating Firefighting equipment, Working at Height, Defensive Driving Training and Road Safety Training.

Under Geocycle, Alternative Fuel and Materials Training and Handling of Hazardous waste were conducted.

### Code of Business Conduct Training

Integrity is a non-negotiable value at Lafarge Zambia. With the support from LafargeHolcim Group, the following were conducted: Anti-bribery and Corruption training, Third-party Due Diligence, Fair Competition Law and Conflict of Interest training.

### Leadership Training

LafargeHolcim believes in investing in, developing and nurturing future leaders in order to achieve better business results through increased productivity and improved decision making.

A key area of focus in 2018 was building leadership capability and coaching skills for managers. The notable leadership trainings conducted were LIFE Coaching Program (Supervisors and Managers) and Perform Together to Win for the Plant leadership teams. Other employee development interventions conducted during the year were employee career discussions and GROW coaching sessions in Ndola and Chilanga for selected trainees.

The Cement Industrial Framework (CIF) walk-by inspection trainings and Active Management Behaviours (AMB) coaching sessions were conducted on an ongoing basis during the year. Other training interventions that took place were Change Management, Call Centre and Customer Service Training, Objective Setting refresher training at the start of the year and Performance Review refresher training at the end of the year.

## BUILDING OUR TALENT PIPELINE

There is a growing demand for talent in the labour market due to a shortage of the right skills set for the cement industry. LafargeHolcim has realised a need to ensure the long-term supply of employees for key positions within the company.

'Step Up', a Graduate Trainee Programme for the Lafarge Middle East and Africa region, was launched as an intervention to build a strong talent pipeline. It is designed to give a 'Strong Start' to LafargeHolcim careers, at the same time allowing development of regional talent from day one, demonstrating our long-term commitment to the Middle East and Africa.

In 2018, we recruited ten Graduate Trainees, covering both industrial and non-industrial functions. The Graduate Development Programme provides an opportunity for graduates to gain practical work experience and develop critical skills in the areas of their career interests in a world-class environment with world-class practices.

We also recognise the need to contribute to the development of manpower in the country as a responsible corporate citizen. We believe that it is important to provide opportunities for students and recent graduates to gain practical work experience under the support and guidance of experienced employees in respective areas or fields through internship and student attachments. In 2018, twenty interns in various functions of the business were recruited for a 12-month traineeship.









# SUSTAINABLE DEVELOPMENT

## Creating shared value with society

Lafarge Zambia's sustainable development ambition is to contribute to a better world, while making a positive difference through the way we conduct our business.

Our sustainability approach capitalises on LafargeHolcim's worldwide presence to provide solutions towards meeting these social, environmental and stakeholder challenges, with one clear goal: to create shared value with society.

Focusing on the environment and concerns about climate change in particular, we have pioneered the co-processing of waste materials, and developed innovative and tailored industrial and municipal waste management services for a wide range of customers.

We strive to have a positive impact on the local communities and people's lives. This commitment includes providing solutions and answers to challenges affecting our communities, like urbanisation, housing needs, health & safety rights and human rights, leveraging the resources of the LafargeHolcim Group.

The LafargeHolcim Group has implemented a sustainability strategy aimed at contributing to the attainment of the 2030 plan. Our target for 2030 includes (but is not limited to) the following:



## HEALTH & SAFETY



Being a leader in the building material industry means setting and upholding high Health & Safety standards. We ensure that Health & Safety is at the centre of everything we do as a business. This touches everything we do, including the daily routines in our Plants, our customers' sites and other work sites.

Our aspiration is to conduct business with zero harm to people and create a healthy and safe environment not only for our employees, but for contractors, communities, our customers and all third parties dealing with us.

This year we continued our annual Lafarge Zambia Healthy & Safety Day, which we observed under the theme "I improve Health & Safety every day in my work place". Additionally, various Health & Safety activities were lined up with a purpose of raising awareness among employees, drivers, contractors, families and the community at large.

We proactively concentrated on the five potential killers, namely falling objects, mobile equipment and circulation plans, confined spaces, energy isolation, and working at height, which contributed to 60% of the fatalities experienced within LafargeHolcim globally.

Our targets include:

- Achieving a zero fatality target
- Achieving a lost-time injury frequency rate of less than 0.2
- Achieving an occupational disease rate of less than 0.04 per million hours worked
- Maintaining a global Health & Safety management system designed to continuously improve our performance and actively manage risk in our business
- Targeting operational discipline by instilling a mindset of safe execution and follow-up
- Communicating openly with all stakeholders on relevant health and safety issues





## PEOPLE & COMMUNITIES



At Lafarge Zambia, we continue affirming our commitment to social impact in line with the 2030 Plan, which summarises our vision and embraces a main challenge for society around the world.

We set ambitious sustainability targets, because we believe that our solutions can provide answers to challenges affecting the communities where we operate, such as urbanisation, housing needs, health & safety, and human rights.

It is our goal that by 2030, we should have rendered help to over 75 million people by helping them live better lives through our inclusive business models, affordable housing and social investment programmes.

Our social investments are based on long-term strategies, implemented in collaboration with specialised local or international partners, and address clear needs in the communities where we operate. Areas of focus include health, education, shelter and infrastructure, environment, and local employment creation.

Through the Lafarge strategic social investment, sponsorship and donations policy, we continue to address the needs within our communities, with the assistance of our employees and other stakeholders.

In 2018, one of the main highlights was the sponsorship of the Lafarge Lusaka Marathon, a wellness project by Lafarge Zambia that attracted 2,500 registered runners. The athletes included foreign participants from 12 nations, including Botswana, Malawi, China, France, Ireland, South Africa, Japan, Kenya, Namibia, Zimbabwe, Swaziland and the USA.

The event was focused on promoting Health & Safety, wellness and social cohesion as well as raising funds for the needy institutions we support.

The following institutions benefited:

- Chilanga Mother of Mercy Hospice
- Cheshire Home – Kabulonga
- Cheshire Home – Chawama
- Livingstone General Hospital
- Arthur Davison Children's Hospital

Other corporate social responsibilities initiatives pursued in 2018 include once-off donations to the following institutions:

- Youth in Action for Sustainable Development
- Kalomo Secondary School
- Office of the President – Ndola
- District Commissioner – Chilanga administration office
- Twitti Primary School
- Zambia Environmental Management Agency
- Parklands Secondary School Management Board
- Chilanga Town Council
- Cuundu Cultural Fund
- Anchor Orphanage School
- Mt Makulu Secondary School
- Merdado Joseph Mazombwe Community School
- Chilanga Police Station

## DIVERSITY AND INCLUSION

We strive to create an inclusive workplace that respects diversity for all employees at Lafarge Zambia. Gender diversity at all management levels is key and to this effect, we have achieved a minimum of 30% gender diversity at top management level. We further believe that we can only create great products with a diverse team. By being more inclusive, we are able to manage better sharing of information, break down silos, encourage collaboration, and open ourselves up to trying new things. For Lafarge, inclusion always means continually working to build more trust and more mutual reliance.



## HUMAN RIGHTS

Upholding human rights is highly fundamental for Lafarge Zambia and critical to ensuring that we sustain our operations.

We are committed to respecting both local rights, enshrined in Zambia's Bill of Rights, as well as international human rights, including the principles contained within the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labour Organisation's Core Conventions on Labour Standards.

We seek to address the risks and seize the opportunities identified in our own operations and in our business relationships. The Human Rights Management Approach is complemented by a global Integrity Line, which enables employees to report any integrity-related concerns. It is a safe, confidential way to report possible code of business conduct violations or raise compliance-related questions.

## BUSINESS CONDUCT

Our sustainable operations continue to receive wide recognition, with the following awards serving as a testament to our commitment to good governance:

### FIRST RUNNERS UP

LUSE 11TH CORPORATE  
GOVERNANCE AWARD  
IN RECOGNITION OF  
EXCELLENCE IN THE  
CORPORATE GOVERNANCE  
GREEN AWARD

### SECOND RUNNERS UP

LUSE 11TH CORPORATE  
GOVERNANCE AWARD  
IN RECOGNITION OF  
EXCEPTIONAL ADHERENCE  
IN THE CORPORATE  
SOCIAL RESPONSIBILITY  
AWARD

### SECOND RUNNERS UP

LUSE11TH CORPORATE  
GOVERNANCE AWARD  
IN RECOGNITION OF  
EXCELLENCE IN THE  
DIVIDEND PAYING STOCK



Lafarge Zambia upholds integrity and living the right behaviours, which are central to ensuring that our role as a good corporate citizen in the communities is valued.

Integrity is therefore one of the core values that define our corporate culture, which subsequently creates an environment where honesty and accountability flourish and compliance being a central focus.

To buttress these values, Lafarge has a Code of Business Conduct, which applies to all employees, contractors and third parties dealing with the Company. Adherence to the code is mandatory as it sets out a framework of which rules exist, from a regulatory and law-enforcement standpoint and how to act in the grey areas of value-based ethics that aren't always clear.

The Code prohibits amongst other practices, collusive bidding, anti-competitive conduct, improper assistance and corrupt practices.





## MAINTAIN LEADERSHIP BY MOVING TOWARDS A CARBON-NEUTRAL CONSTRUCTION SECTOR

### Our ambition

We will continue the mission to cut net CO<sub>2</sub> emissions per tonnes of cement.

In handling this issue of climate change Lafarge Zambia will continue to use the following levers:

- Reducing clinker factor by substituting clinker content in our product with alternative mineral components
- Increasing energy efficiency by optimising use of energy
- Replacing fossil fuels with waste derived fuels, including biomass such as saw dust

In 2018, we closed the year with 76.7 clinker factor and a thermal substitution rate of 1.3%. These positive contributions to reducing the global effects of climate change will help Zambia to meet the requirements of the national policy for climate change.



## MAKING THE MOST OF WASTE

### Our ambition

We will create more value from waste by transforming it into resources for all our production processes – providing sustainable waste treatment solutions.

The biggest milestone which was achieved under circular economy in 2018 is the installation of the chemical chute and its successful trials.

With the chute installed, the Plant is expected to record improved waste management and revenue collection from external customers who are overwhelmed with huge quantities of difficult-to-manage hazardous and non-hazardous waste.

With this system fully operational, we will be able to achieve our aim of promoting recycling, recovery for energy from waste, and reduction of waste deposited in landfills.



## RESPECT FOR WATER & NATURE

### Our ambition

We strive to reduce our freshwater withdrawal rate by reusing wastewater and deploying best practices in responsible and efficient use of freshwater resources within our operations.

To achieve this ambition, deliberate efforts have been made to monitor and control water use.

Chilanga and Ndola plants continue to support sustainability of our natural environment. Last year, we planted 2,888 trees and donated over 385 trees to the local community.

We are on track to achieve our 2022 Health and Safety Strategy, which we call Ambition "0". Our Health and Safety culture is built around leadership visibility and accountability and we have continued to invest a lot in our employees, contractors and drivers to raise their Health and Safety competencies. Health and Safety remains everyone's pride at Lafarge Zambia.

We strongly believe that our operations must never compromise the safety of our drivers, employees, contractors or members of the public. We will continue to invest heavily in our road safety programmes to safeguard lives, especially vulnerable people like school-going children, pedestrians and cyclists.



## HEALTH & SAFETY

### Success stories in 2018:

- Working closely with ATA International Holdings of South Africa, we trained 18 employees in Basic Life Support (BLS)
- Working with Aegide, a globally renowned driver training organisation, we trained six driver Instructors, who in turn offer training in defensive driving techniques.
- To further cement our partnerships with transporters, we held two steerco meetings to discuss road safety implementation.
- We migrated 250 trucks to mix telematics, giving us clear visibility when our loads are in transit.
- To address the anticipated risk of mobile equipment incidents, we constructed new walkways in our Plants to segregate between our people and mobile equipment.
- We continued our solid relationship with SES to provide superior ambulance services to our operations.
- We did not record any fatality either on the road or in our plants.







# 2018 ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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# CONTENTS

PROFILE OF BOARD OF DIRECTORS	36
PROFILE OF EXECUTIVE COMMITTEE	38
NOTICE OF 27TH ANNUAL GENERAL MEETING	40
FORM OF PROXY	41
REPORT OF THE DIRECTORS	44
STATEMENT ON CORPORATE GOVERNANCE	46
STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS	49
INDEPENDENT AUDITOR'S REPORT	50
FINANCIAL STATEMENTS:	
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	54
STATEMENT OF FINANCIAL POSITION	55
STATEMENT OF CHANGES IN EQUITY	56
STATEMENT OF CASH FLOWS	57
NOTES TO THE FINANCIAL STATEMENTS	58
FIVE YEAR FINANCIAL RECORD	87

# PROFILE OF BOARD OF DIRECTORS



**MUNA  
HANTUBA**

*Non-Executive Chairman*

A Zambian national, Muna is the non-Executive Chairman of the Board of Directors of Lafarge Zambia, having been elected to the Board in 2003.

He is currently the Group CEO of African Life Holdings Limited Ltd, and has more than 25 years' experience in the financial services sector. He began his career with Meridian Bank Zambia Limited in 1986 and then joined the Anglo-American Corporation, heading up Corporate Services. In 2000 he left Anglo American Corporation to join African Life Financial Services Zambia Limited as CEO until December 2015.

Muna is a past Chairman of the Securities and Exchange Commission, and a presiding President of the Economics Association of Zambia. He is a director on the various subsidiaries of the African Life Holdings Group, and also a member of the Zambia Association of Chambers, Commerce. He serves on other corporate boards including REIZ Plc, CEC Plc, Southern Sun Ridgeway Ltd Lusaka, NWK Zambia Limited, and Anglo Exploration Limited.

Muna holds an MBA from Stirling University in Scotland and a Bachelor of Economics from the University of Zambia.



**VINCENT  
BOUCKAERT**

*Chief Executive Officer*

French national, Vincent is the Chief Executive Officer of Lafarge Zambia Plc. He was elected to the Board in 2016.

Vincent began his career in the consultancy sector. In 1994, working as a Senior Auditor, he joined Arthur Andersen France and in 1997 he joined Holcim France as Assistant to the CFO. In 1998 he moved to Holcim Madagascar as Chief Financial Officer. In 2000 he was appointed CFO of Holcim Lebanon and in 2005 he became CEO of that company. In 2010 he was appointed CEO of the legacy Holcim Indian Ocean Cluster (comprising Reunion, Mauritius, Madagascar, Mayotte/Comoro Islands, Seychelles and Maldives).

Vincent holds graduate degrees in Engineering and Economics from Centrale Lille, France.



**RAPHAEL MUSONDA  
CHIPOMA**

*Chief Financial Officer*

A Zambian national, Raphael has been a member of the Executive Committee of Lafarge Zambia Plc since April 2018 and responsible for providing leadership and coordination in financial strategy, planning, control and reporting, treasury and taxation.

Raphael has over 20 years of senior financial leadership experience in leading firms in the energy sector, including BP Africa and Puma Energy across a number of countries in Sub-Saharan Africa. He has also worked as Finance Director in global logistics company Impala Terminals and medical devices company Stryker South Africa.

Raphael holds a Master's Degree in Business Administration from Oxford Brookes University and is a Fellow of the ACCA and ZICA.



**PIERRE  
DELEPLANQUE**

*Area Manager East & South Africa  
Executive Board Member*

A French national, Pierre was appointed to the Board in 2018. Before his appointment, he was an Area Manager Emerging Europe for LafargeHolcim.

He began his career with Lafarge in 1989, and held a series of management positions, including spells as Chief Financial Officer in Venezuela and the Philippines. In 2005 he was appointed CEO of a new BU in Ecuador. In January 2008, he was made project leader for the post-merger integration of Orascom. Later that year, he relocated to Greece as Managing Director of Heracles GCC. He was appointed Chairman of the Hellenic Cement Association in 2014.

Pierre holds a diploma from Grenoble Ecole de Management.



**DOROTHY  
MULWILA***Non-Executive Board Member*

A Zambian national, Dorothy is a Member of the Board of Directors of Lafarge Zambia, elected to the Board in 2009. She is currently the Chief Executive Officer of the BIMM Group of Companies. A seasoned Administrator and Legal Practitioner, she has worked for various organisations at very high levels, namely the Law Association of Zambia, the then Zambia National Provident Fund, now called National Pensions Scheme Authority (NAPSA) and Ministries of Lands and Foreign Affairs as permanent secretary.

She was a member of the Mung'omba Constitution Review Committee and is also the immediate past Vice Chairman of the Zambia Commerce of Small and Medium Business Association's Board (ZACSMBA) - the apex Association dealing with SMEs in Zambia.

Dorothy holds an LLB Degree (high Credit) from the University of Zambia.

**MARK  
O'DONNELL***Non-Executive Board Member*

A Zambian national, Mark is a non-Executive Member of the Board of Directors, as well as Chairman of the Audit and Risk Committee of the Board of Lafarge Zambia. He was elected to the Board in 2008.

Mark is the Managing Director of Union Gold Group as well as a member of the Institute of Directors. He was Chairman of the Tourism Council of Zambia in 2013. He has also held the position of Managing Director of ERZ Holdings, one of Zambia's largest companies with interests in engineering, manufacturing and spare parts.

In 1996 he started his own company, O'Donnell Holdings, with investments in tourism, manufacturing and trading. The company was later merged into Union Gold Zambia Limited.

Mark has served on several boards including Madison Life, Care for Business, Zambia Animal Wildlife Association, the Lusaka Stock Exchange (LuSE) and the Zambia Bureau of Standards (ZABS).

**MWELWA  
CHIBESAKUNDA***Non-Executive Board Member*

A Zambian national, Mwelwa is a Member of the Board of Directors and a Member of the Audit and Risk Committee of Lafarge Zambia. He was elected to the Board in 2008.

Mwelwa is a senior partner with Chibesakunda & Co, based in Lusaka, with 25 years of experience in mergers, acquisitions, banking and commercial law transactions in Zambia. He headed the International law and agreements Department at the Attorney Generals Chambers (1991-1996) and advised both government and governmental agencies on various national and international commercial transactions. He worked as partner at Corpus Legal Practitioners (1996-2006).

Mwelwa holds a Bachelor of Law degree from the University of Zambia and is an Advocate of the Supreme and High Court for Zambia. He holds a Master in Law (LLM) in International Commercial Law from the University of Bristol, UK.

**CHRISSIE  
MOLESEN***Chief Financial Officer*

Malawian national, Chrissie joined Lafarge Zambia in 2011 following her appointment as Country Chief Financial Officer (CFO). She was elected to the Board in 2011.

Chrissie joined Lafarge Zambia in 2004 in Malawi as Finance Manager/Company Secretary. Prior to joining Lafarge Zambia she worked as the Finance Director/Company Secretary for Alexander Forbes Malawi Ltd. She also serves as a Board Member and as a Finance and Audit Committee member in various institutions.

Chrissie holds a Bachelor of Accountancy Degree from the University of Malawi, and is a Chartered Management Accountant (ACMA) with the Chartered Institute of Management Accounts (CIMA) UK. She is also a member of the Zambia Institute of Chartered Accountants (ZICA). In addition, Chrissie holds an MBA from the University of Bradford School of Management (UK).

*Resigned on 29 March 2018*

**JOSE  
CANTILLANA***Non-Executive Board Member*

Spanish national, Jose is an Executive Board Member of the Board of Directors of Lafarge Zambia. He was elected to the Board on 17 May 2016.

In 1994 he joined Ibersuizas, a private equity firm, as Director and from 2000 – 2004 he was CEO & Chairman of Cementos Cienfuegos.

Jose joined Holcim Trading Spain as CEO in 2004, followed by the position as CEO Holcim Argentina in 2010. He was appointed Senior Manager LafargeHolcim Merger Integration in 2014, and Area Manager Latin America in 2015. In March 2016, Jose took over the role as Area Manager South & East Africa and Indian Ocean. He is also a member of the Board of Directors of Bamburi Cement (Kenya).

Jose holds a Business Administration and Economic Science BSc from Universidad Sevilla, and an MBA from IESE Business School, University of Navarra.

*Resigned on 1st February 2018*

# PROFILE OF EXECUTIVE COMMITTEE



**VINCENT BOUCKAERT**  
*Chief Executive Officer*

French national, Vincent is the Chief Executive Officer of Lafarge Zambia Plc. He was elected to the Board in 2016.

Vincent began his career in the consultancy sector. In 1994, working as a Senior Auditor, he joined Arthur Andersen France and in 1997 he joined Holcim France as Assistant to the CFO. In 1998 he moved to Holcim Madagascar as Chief Financial Officer. In 2000 he was appointed CFO of Holcim Lebanon and in 2005 he became CEO of that company. In 2010 he was appointed CEO of the legacy Holcim Indian Ocean Cluster (comprising Reunion, Mauritius, Madagascar, Mayotte/Comoro Islands, Seychelles and Maldives).

Vincent holds graduate degrees in Engineering and Economics from Centrale Lille, France.



**RAPHAEL MUSONDA CHIPOMA**  
*Chief Financial Officer*

A Zambian national, Raphael has been a member of the Executive Committee of Lafarge Zambia Plc since April 2018 and responsible for providing leadership and coordination in financial strategy, planning, control and reporting, treasury and taxation.

Raphael has over 20 years of senior financial leadership experience in leading firms in the energy sector, including BP Africa and Puma Energy across a number of countries in Sub-Saharan Africa. He has also worked as Finance Director in global logistics company Impala Terminals and medical devices company Stryker South Africa.

Raphael holds a Master's Degree in Business Administration from Oxford Brookes University and is a Fellow of the ACCA and ZICA.



**GIOVANNI MURIALDO**  
*Commercial Director*

Swiss National, Giovanni has been a member of the Executive Committee of Lafarge Zambia Plc since 1st December 2017 and responsible for the Commercial Function (Business Strategy).

Giovanni has a diversified career portfolio, having held senior positions in various LafargeHolcim Group regional areas including Middle East, Europe, Asia and Latin America. Until his appointment, Giovanni was the Executive Assistant to the Area Manager – Middle East.

Giovanni holds a Master of Science in Industrial Engineering from the Swiss Federal Institute of Technology.

**THECRA MILAMBO***Human Resources Director*

A Zambian national, Thecra has been a member of the Executive Committee of Lafarge Zambia Plc since 2014 and responsible for Human Resources.

Thecra is an experienced Human Resources professional with regional experience at multinational companies such as Unilever and Nestle in Zambia, Zimbabwe and Malawi.

She began her career as a Human Resources lecturer at Evelyn Hone College. She then joined Unilever Zambia in the Human Resources Development and worked in various roles in Zimbabwe and Malawi. Prior to joining Lafarge Zambia, Thecra worked as Cluster Human Resources Business Partner under Nestle covering Malawi, Zambia and Zimbabwe.

Thecra holds a Bachelor of Arts in Public Administration from the University of Zambia.

**JAMES KIRKPATRICK***Chilanga Plant Manager*

A British national, James has been a member of the Executive Committee of Lafarge Zambia Plc since November 2017 and responsible for Chilanga Plant.

He has significant experience in managing cement plants, having worked in the United Kingdom, Canada, Iraq, Tanzania, Malawi, and South Africa. Prior to his appointment at Lafarge Zambia, James was the Industrial Talent and Career Manager for LafargeHolcim Middle East Africa (MEA).

James holds Master of Engineering (Hons) in Chemical and Bio-processes engineering from University of Surrey.

**SAMBASHIVA KATARI***Ndola Plant Manager*

Indian national, Samba has been a member of the Executive Committee of Lafarge Zambia Plc since 2015 and is responsible for Ndola Plant.

He served in various technical and administrative positions in Asia and Africa before joining the Lafarge Group in 2009. He was Plant Manager for the United Cement Company of Nigeria (UNICEM), Calabar Plant, Nigeria. Prior to joining the Calabar Plant, Samba worked as Production Manager for AUCC Cement Plant, Zelitini in Libya.

Samba holds a Bachelor of Chemical Technology from Osmania University, India.



# NOTICE OF THE 27<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of the members of Lafarge Zambia Plc will be held at the Taj Pamodzi, Lusaka, Zambia on 3 April 2019 at 09:00 to transact the following business:

- To approve the minutes of the 26th Annual General Meeting held on 29 March 2018
- To receive and consider the Annual Financial Statements for the year ended 31 December 2018, including the Directors' Report and Report of the Auditor.
- To consider, and if thought fit, declare a dividend.
- To approve the remuneration of the Auditor for the year ended 31 December 2018 and appoint an Auditor for the ensuing year.
- To elect Directors.
- To consider, and if deemed fit, approve special resolutions for the change of board member.
- To transact other competent business of which due notice has been given.

## Proxy

A member entitled to attend and vote at the

meeting is entitled to appoint any person or persons (whether a member of the Company or not) to attend and, on a poll, vote in his/her stead. Proxy forms must be lodged at the registered office of the Company at least 48 hours before the meeting. A proxy form is attached in this Report.

By order of the Board



**H. Kapekele-Katongo**  
Company Secretary  
Lafarge Zambia Plc  
Head Office, Farm no. 1880  
Kafue Road, Chilanga  
PO Box 32639, Lusaka

20 March 2019



**Board of Directors:** M. Hantuba (Non-Executive Chairman), M. Chibesakunda (Non-Executive Director), D. Mulwila (Non-Executive Director), S.M. O'Donnell (Non-Executive Director), P. Deleplanque (Executive Director), V. Bouckaert (Chief Executive Officer), R. Chipoma (Chief Financial Officer)

**Transfer Secretaries:** Sharetrack Zambia, Spectrum House, Stand 10 Great East Road, Jesmondine, Lusaka, P.O. Box 37283, Lusaka Zambia, Tel: +260 211 374791-374794, Fax: +260 211 374 781, [sharetrack@scs.co.zm](mailto:sharetrack@scs.co.zm), [www.sharetrackzambia.com](http://www.sharetrackzambia.com)

**Registered office:** Farm no. 1880, Kafue Road, Chilanga, PO Box 32639, Lusaka, Zambia, Tel: +260 211 367 400 / 367 600, [enquiries.zambia@lafargeholcim.com](mailto:enquiries.zambia@lafargeholcim.com), [www.lafarge.co.zm](http://www.lafarge.co.zm)

**Auditor:** Deloitte and Touche

**Principal Bankers:** Citibank Zambia Limited, Indo Zambia Bank Limited, Standard Chartered Bank Zambia Plc

# FORM OF PROXY

LAFARGE ZAMBIA PLC

## H. Kapekele-Katongo

Company Secretary  
Lafarge Zambia Plc

## Head Office

Farm no. 1880, Kafue Road, Chilanga  
PO Box 32639, Lusaka, Zambia

I/We

of

being a member of Lafarge Zambia Plc hereby appoint

of

or failing him/her THE CHAIRMAN OF THE MEETING as my/our proxy and/or representative, to vote at his/her discretion for me/us and on my/our behalf at the 27th Annual General Meeting of the members of the Company, to be held at the Taj Pamodzi Hotel, Lusaka, Zambia on 3 April at 9:00 and at every adjournment thereof.

AS WITNESS my/our hand(s) this  day of  2019.

Signature

Number of shares held

Witness

**Note:** A member entitled to attend and vote at this meeting may appoint another person (whether a member of the Company or not) to attend, speak and vote in his/her stead. This form of proxy should be signed and returned so as to reach the Company Secretary at the registered office at least 48 hours before the meeting.

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## ***Proxy form:***

for the year ended 31 December 2018

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Affix Stamp

### **H. Kapekele-Katongo**

Company Secretary  
Lafarge Zambia Plc

### **Head Office**

Farm no. 1880, Kafue Road, Chilanga  
PO Box 32639, Lusaka, Zambia

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## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors are pleased to present the report and the audited financial statements for Lafarge Zambia Plc for the year ended 31 December 2018.

### ACTIVITIES

The business of the Company is the manufacture and sale of cement and aggregates products. The registered address of Lafarge Zambia Plc is Stand 1880 Kafue Road Chilanga, Lusaka, Zambia.

### FINANCIAL RESULTS

Turnover for the year was **K1,141,800 thousand** (2017: K1,008,232 thousand) resulting in a 13% increase from 2017.

Net finance costs were **K2,045 thousand** (2017: K2,555 thousand). Exchange gains arising mainly from the translation into Kwacha of US dollar denominated receivables, payables and cash balances amounted to **K9,721 thousand** for the year (2017: K8,657 thousand loss) which was mainly due to the continued depreciation of the Kwacha in 2018.

Profit before tax was **K104,309 thousand** (2017: K57,511 thousand). This was driven largely by the increase in turnover and various cost management strategies employed during the year. After providing for a taxation credit of **K90,589 thousand** (2017: tax charge of K38,573 thousand), profit after tax was **K194,898 thousand** (2017: K18,938 thousand).

The Company had no medium or long term obligations to financial institutions as at 31 December 2018 (2017: Nil).

### DIRECTORS

The Directors who held office during the year were:

Mr. M. Hantuba	Chairman		
Mr. V. Bouckaert	Chief Executive Officer	Resigned	5-12-2018
Mrs. C. Moloseni	Chief Financial Officer	Resigned	29-03-2018
Mr. R. Chipoma	Chief Financial Officer	Appointed	16-04-2018
Mr. M. Chibesakunda	Non-Executive Director		
Mrs. D. Mulwila	Non-Executive Director		
Mr. S.M. O'Donnell	Non-Executive Director		
Mr. J. Cantillana	Non-Executive Director	Resigned	29-03-2018
Mr. P. Deleplanque	Non-Executive Director	Appointed	29-03-2018

Following the resignation of Mr. V. Bouckaert, Mr. Jimmy Khan was appointed as the Chief Executive Officer effective 12 February, 2019. On the same date, he was appointed as a Director of the Company.

### DIRECTORS' INTERESTS

None of the Directors had a material interest in any significant contracts concluded during the year. The number of shares held by the Directors of the Company as at 31 December 2018 was:

Kwacha thousand	2018	2017
Mr. M. Chibesakunda	1,500	1,500
Mr. M. Hantuba	2,000	2,000
Mrs. D. Mulwila	18,500	18,500

### DIVIDENDS

No interim dividend was proposed and paid during the year (2017: Nil). At the next Annual General Meeting, the Directors will propose a dividend of K0.25 (2017: K0.25).

### PROPERTY, PLANT AND EQUIPMENT

The principal changes to Property, plant and equipment related to the following additions:

Kwacha thousand	2018	2017
Capital work in progress	47,732	39,257
Vehicles, leasehold, furniture and fittings	6,114	7,939
	53,846	47,196

During the year assets with a value of **K76,330 thousand** (2017: K28,424 thousand) previously in capital work in progress were completed and commissioned. The assets were transferred to the relevant class of assets.

### EQUITY INVESTMENTS

The Company owns 14% of the issued ordinary equity capital of Mbeya Cement Company Limited, incorporated and operating in Tanzania. The company did not declare an interim dividend in 2018 (2017: nil).

### SHARE CAPITAL

The authorised Share Capital of the Company is K12,300,000 (2017: 12,300,000) consisting of:

Ordinary shares of K0.05 each	240,000,000
Non-cumulative redeemable preference shares at K0.10 each	3,000,000
	243,000,000

The issued Capital comprises 200,039,904 Ordinary Shares with a par value of K10,001,995 held as follows:

	NUMBER OF SHARES	%
Pan African Cement Limited	100,219,992	50.10
Financiere Lafarge	49,806,997	24.90
Public (institutions and individuals)	26 159 497	13.08
LuSE Central Share Depository Limited	23 853 418	11.92
	200,039,904	100

The Lusaka Stock Exchange Central Share Depository Limited holds shares in its capacity as nominee for approximately **3,452 shareholders**. Other than the shareholdings listed above, the Directors are not aware of any individual shareholding that exceeds 3% of the issued share

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2018

capital. Under the Articles of Association the unissued share capital of the Company is controlled by the Directors.

The Company has complied with the minimum float requirements of the listing rules of the Lusaka Stock Exchange Corporate Governance Code for Listed and Quoted Companies.

## EMPLOYEES

The average number of employees during each month of the year was:

	2018	2017
January	406	397
February	409	397
March	402	403
April	401	398
May	423	394
June	422	390
July	424	397
August	424	397
September	429	398
October	407	401
November	403	404
December	400	410

The total remuneration paid to employees during the year was **K140,306 thousand** (2017: K124,004 thousand) and has been charged to profit or loss as follows:

<i>Kwacha thousand</i>	2018	2017
Cost of sales	82,363	73,496
Other expense	57,943	50,508
	<b>140,306</b>	<b>124,004</b>

## EXPORTS

The value of goods exported by the Company during the year was **K303,812 thousand** (2017: K294,119 thousand).

## DONATIONS

The Company supports various charitable organizations in Zambia through cash and cement donations as well as volunteering work. In 2018 the Company spent **K798 thousand** (2017: K565 thousand) on various corporate social responsibility projects. No donation was of a political nature.

## HEALTH AND SAFETY

The Company has a formal health and safety policy that has been approved by the Board and is designed to ensure a safe working environment. The policy is implemented through safety committees and through a joint participative effort between management and the workforce.

Health and Safety is LafargeHolcim's overarching value and every activity performed has this value embedded in it. Health and Safety standards are regularly reviewed and updated to ensure that improvements conform to LafargeHolcim Group policies and worldwide best practice.

## ENVIRONMENT

The Company has a formal environmental policy, approved by the Board, which prescribes the procedures and practices to be followed to achieve minimum environmental impact. The Company is licensed by the Zambia Environmental Management Agency (ZEMA) which monitors and regulates its performance. Lafarge Zambia Plc, as a member of the LafargeHolcim Group, also complies with the LafargeHolcim Group's 2030 plan which is aimed at implementing the Group's Sustainability strategy thereby contributing to the attainment of United Nations Sustainable Development Goals.

## DEVELOPMENTS IN THE INDUSTRY AND MARKET

The Company operated in a market faced with tight liquidity, rising costs due to the fuel costs and depreciation of the Kwacha. Despite pricing pressure and new competitor, the market demand was stronger than 2017 leading to growth in turnover. Both the Domestic and Export demand improved in the second half of the year. The Company continues to focus on market development with a special focus on Burundi, DR Congo and Malawi.

## RELATED PARTY TRANSACTIONS

The Directors confirm full and adequate disclosures of all related party transactions entered during the year with all the related parties and the subsequent year end balances at 31 December 2018. See details included under note 19 to the financial statements.

## LEGISLATIVE

During the year, the Companies Act, 2017 became effective, repealing the old Companies Act, 1994 (as amended). The Board has reviewed the 2017 Act and confirm that, except for the non disclosure of separation dues to the previous Chief Executive Officer and Chief Financial Officer, if any, all other requirements of the Act have been complied with.

To the best of their knowledge, the Directors confirm that the Company have complied with the Factories and Public Health Act including but not limited to the Occupational Health and Safety Act 2010, Mines and Minerals Development Act of 2015, the Factories Act No. 44, Public Health Act and the Zambia Environmental Management Act.

## SUBSEQUENT EVENTS

The Directors are not aware of any material events or transactions post year end which requires adjustments or disclosure in the financial statements for the year ended 31 December 2018.

## AUDITORS

Messrs Deloitte & Touche were appointed as the Company's external auditor during the year and their term of office comes to an end at the next Annual General Meeting. A resolution proposing their re-appointment as auditors and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

## By order of the Board.



**H. Kapekele Katongo**  
Company secretary  
Lusaka, Zambia



## STATEMENT ON CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2018

Lafarge Zambia Plc (the “Company” or “Lafarge Zambia”) places high standards to corporate governance and is committed to the principles of openness, integrity and accountability. The ultimate goal is to assure the long term value and success of the company in the interest of various stakeholder groups. This includes continuous improvement to decision-making processes and management systems through legal, organization and ethical directives as well as measures to enhance transparency.

The Directors and employees of Lafarge Zambia Plc strive to ensure that the Company is managed in an efficient, accountable, responsible and moral manner. The Board of Directors endorses the Lusaka Stock Exchange (LuSE) Corporate Governance Code for listed and quoted companies (the “Code”) and believes that, in all material respects, the Company complied with the principles of the Code throughout the year under review.

### BOARD OF DIRECTORS

The Board currently comprises seven directors, including four independent non-executive directors. The Board composition is balanced so that no individual or small group can dominate decision making. The depth of experience and diversity of the board ensures that robust and forthright debate occurs on all issues of material importance to the Company.

The Company aims to achieve a balanced relationship between management and control by keeping the roles of the Chairman and Chief Executive Officer (“CEO”) and Managing Director (“MD”) separate and that no individual has dominant control over decision-making. The Chairman is an independent, and non-Executive Director appointed by the shareholders.

The Board is responsible to shareholders for strategy and direction, review of management decisions, monitoring of operational performance and management, Risk management processes and formulation of policies, setting of authority levels and the selection of new Directors.

The Board is also responsible for the integrity and quality of communication with stakeholders, including employees, regulators and shareholders.

The Board follows a risk management framework and is responsible for the review of risk management processes in the Company and ensures that board policies and decisions on risk are properly implemented.

The Lafarge Zambia Plc board meets formally at least four times annually and the company’s Articles of Association makes provision for decisions to be taken between meetings through written resolutions, where necessary. Four meetings were convened in 2018.

### BOARD COMMITTEES

The Board is assisted in the discharge of its responsibilities by subcommittees. The committees operate under approved

mandates and terms of reference which define their functions and responsibilities. These committees are accountable to the Board, with the exception of the executive committee of Management which reports to the managing director. Minutes of sub-committee meetings are available to board members. Senior management staff are invited to attend meetings where appropriate.

### AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Committee assists the Board in the discharge of its duties relating to financial reporting and performance, reviewing external audit reports, internal control system and compliance, and the effectiveness of accounting and management information systems. For practical reasons the board has decided that the members of the Audit Committee will also discharge the functions of the Board Risk Committee, as opposed to having a separate Board Risk Committee. The Committee reviews and evaluates the nature, extent and categories of risks facing the Company, probability of the risks occurring and mitigating actions and reporting on them to the Board.

### RETIREMENT AND ELECTION OF DIRECTORS

All Directors with the exception of Managing Directors are subject to retirement and re-election on rotational basis with one third of the board being elected annually. This is in accordance to Article 76 (A) of the Company’s Articles of Association.

### BOARD EVALUATION

The Board carried out a self-assessment of its performance during the year and the Board will continue to implement appropriate actions to enhance its performance.

### COMPANY SECRETARY

The Company secretary 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.

### RECORD OF DIRECTORS’ ATTENDANCE

In accordance with the Companies Act, 2017, listing rules of the Lusaka Stock Exchange, the Securities Act No.41 of 2016, the record of directors’ attendance and meetings held during year 2018 is available for inspection.

The meetings of the Board were presided over by the chairman. Written notices of board meetings, along with the agenda and other management reports were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded by the company secretary, circulated and approved at subsequent board meetings:

## STATEMENT ON CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2018

## BOARD MEETINGS

The Board held 4 meetings during the 2018 financial year. The following table shows membership and the attendance of Directors at the Board meetings held in 2018 financial year:

Board	19/2	11/5	16/9	9/11	Total (4)
Mr. M. Hantuba	✓	✓	✓	✓	4
Mr. V. Bouckaert	✓	✓	✓	✓	4
Mr. M. Chibesakunda	✓	✓	*	✓	3
Mr. M. O'Donnell	✓	✓	*	*	2
Mrs. D. Mulwila	✓	*	✓	✓	3
Mrs. C. Moloseni	✓	NA	NA	NA	1
Mr. R. Chipoma	NA	✓	✓	✓	3
Mr. J. Cantillana	*	NA	NA	NA	0
Mr. P. Deleplanque	NA	*	*	*	0

✓ - Present      \* - Absent

## AUDIT AND RISK MANAGEMENT COMMITTEE

Audit and Risk Management Committee	19/2	15/8	7/11	Total (3)
Mr M. Chibesakunda	✓	✓	✓	3
Mrs. C. Moloseni	✓	NA	NA	1
Mr R. Chipoma	NA	✓	✓	2
Mr V. Bouckaert	✓	✓	✓	3
Mr M. O'Donnell	✓	*	*	1

✓ - Present      \* - Absent

There was no meeting of the Nominations Committee scheduled during the year.

## DIRECTORS' COMPENSATION

The disclosure of Non executive Directors' fees and remuneration is made in Note 19 of the financial Statements. The number of shares held by the Directors have been disclosed in the Report of the Directors.

## ORGANIZATIONAL ETHICS AND BUSINESS INTEGRITY

The issue of good governance and ethical conduct is critical to counter party and investor perceptions of a listed company. Lafarge Zambia

Plc strives to ensure that the Company's integrity and professional conduct is beyond reproach at all times. While it is probably impossible to achieve a perfect result, the Company attempts to limit the cost of unethical behaviour to the Company's stakeholders. The Code of Business Conduct binding for the entire Company is part of the internal regulation to enforce ethical behaviours amongst its employees.

The Company has adopted a code of conduct formulated by the Group and LuSE. Lafarge Zambia Plc has a firm approach in dealing with any inappropriate or fraudulent behaviour of management or staff, suppliers or customers.

## EXECUTIVE COMMITTEE OF MANAGEMENT

The executive committee of management 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, prioritizing the allocation of technical and human resources, and establishing best management practices.

## MANAGEMENT REPORTING

The Company has established management reporting procedures which include the preparation of annual strategic plans, mid-term plans, plant development plans and budgets. Actual results are reported monthly against approved budgets and revised forecasts and compared to the prior year.

## LEGAL COMPLIANCE

Lafarge Zambia Plc is committed to ensuring compliance in all its operations. The Compliance Function, which falls under the Legal department, promotes a principles-based culture of integrity that respects not only the letter of the law but also the spirit underlying these principles. While management determines the culture of the organization, the role of the Compliance Function is to assist management to develop compliance-minded leaders/employees and promote and foster a foundation of integrity in its business practices.

To achieve the above, the compliance function conducts various trainings within the organization in collaboration with the LafargeHolcim Group Compliance. In 2018 the compliance function conducted, among others, the following trainings:

1. Mandatory Anti-bribery and Corruption E-learning
2. Mandatory face to face fair competition training for highly exposed employees
3. Face to face training on Third party due diligences; and
4. Conflict of interest training

All these programmes are aimed at ensuring that Lafarge Zambia Plc and Third Parties dealing with it are in compliance with all applicable laws and act with utmost integrity.

## STATEMENT ON CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2017

### CODE OF CONDUCT

Integrity is at the heart of all our actions at Lafarge Zambia Plc. The Company firmly believes that integrity is consistent with organization success. The Company's Code of Business Conduct defines what integrity means for the business, offers guidance and provides examples to help employees when confronted with challenging situations in their daily work. The Company strives to create an environment where honesty and accountability flourish and compliance is a central focus. The Company's Code of Business together with the Company's policy is sufficient to ensure the business is conducted with integrity.

#### The key areas covered include:

- Health and Safety
- Diversity, fairness and respect
- Protection of the Company's assets
- Protection of the environment
- Conflicts of interest
- Information systems, email and social media
- Anti-corruption, gifts and hospitality; and
- Dealing with competitors, suppliers and customers.

### INTERNAL AUDITORS

Lafarge Zambia Plc has an independent internal audit function designed to add value to the Company and improve its operations and financial performance. The internal Audit function is formally defined and generally seeks to assure the Board and management on the effectiveness of the governance, risk management and control processes that management has put in place. The Internal Audit prepares annual internal audit plans in consultations with management in line with the internal audit risk assessment and consistent with the Company's objectives. The Internal Audit plan for the year is approved by the Audit Committee.

### EXTERNAL AUDITORS

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

### INTERNAL CONTROL

The 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. The Internal Control management cycle with full support from the LafargeHolcim Group Internal Control is in place and is executed annually to confirm the effectiveness and efficiency of the control environment.

Management acknowledges its responsibility for Internal Control through the Annual Certification process as part of the group's compliance with the SIX Swiss Exchange in Zurich and Euronext in Paris. The Company's ultimate holding company, LafargeHolcim, is a foreign entity which is listed on the SIX Swiss Exchange 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 Board of Directors with the support of the Audit Committee, ensures the existence and assesses the design and the effectiveness of the Internal Control System, including risk management, and forms an impression of the state of compliance within the Company. The Company Executive Committee monitors the proper implementation of internal controls, their effectiveness and efficiency.

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 county/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. The Internal Auditor ensures that Lafarge Zambia complies with these procedures consistently.



## STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The Companies Act, 2017 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adhere to the corporate governance principles or practices contained in Part VII's Sections 82 to 122 of the Companies Act, 2017.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2017.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal controls as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error. In addition, the Directors are responsible for preparing the Directors report.

The Directors are of the opinion that the financial statements set out on pages 13 to 43 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with International Financial Reporting Standards and the Companies

Act, 2017. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Part VII, Sections 82 to 122 of the Companies Act, 2017.

The Directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern for at least twelve (12) months from the date of this statement.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial framework described above.

### APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of Lafarge Zambia Plc, set out on page 54 to 86, were prepared by the Chief Financial Officer and the Finance Manager, both qualified Chartered Accountants, under the supervision of the Audit Committee and were approved by the Board of Directors on 20 March 2019 and signed on its behalf by:



M. HANTUBA  
DIRECTOR



J. KHAN  
DIRECTOR

## INDEPENDENT AUDITOR'S REPORT

To the members of **Lafarge Zambia Plc**

### OPINION

We have audited the financial statements of Lafarge Zambia Plc ("the Company"), set out on Pages 54 to 86 which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Lafarge Zambia Plc, as at 31 December 2018,

and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), and in the manner required by the Companies Act, 2017.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are

relevant to our audit of financial statements in Zambia. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### KEY AUDIT MATTER

##### Competition and Consumer Protection Commission fine

On 14 December 2017, the Competition and Consumer Protection Commission ("CCPC") fined the Company K99 million according to a press release by CCPC for alleged price discrimination and unfair pricing, which the Company is disputing.

On 17 January 2018, the Company lodged in an appeal. Further, the Directors considered the case as contingent rather than an actual liability based on their assessment of the strength of the grounds of appeal and the fact that an Order of Stay of Execution had been issued by the Court.

The Company makes use of both internal and external legal experts in determining the probable outcome of each case brought against the Company.

The Company's detailed disclosure on the CCPC fine are included in Note 26.

We considered this as a key audit matter as the fine is subject to inherent uncertainty, as it is dependent upon the Director's and management's judgement about the likelihood of the appeal succeeding.

#### HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

'We performed the following procedures to assess the appropriateness of disclosure of the matter as a contingent liability:

- Obtained external legal experts written confirmation regarding their assessment of the likely outcome of the appeal;
- Discussed the grounds of appeal with management and the internal and external legal experts handling the case;
- Assessed the competence and objectivity of the external legal experts involved in the assessment of the validity of the CCPC's findings; and
- Reviewed the documents of the external legal experts supporting the grounds of appeal.

From the review of the supporting documents provided to us and discussions with the Directors, management and legal experts, we concur with the Directors that this matter be disclosed as a contingent liability.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTER

#### Impairment against financial assets - trade receivables

Effective 1 January 2018, the International Financial Reporting Standard (IFRS) 9 – Financial Instruments became effective replacing International Accounting Standard (IAS) 39: Financial Instruments: Recognition and Measurement. The key changes arising from adoption of IFRS 9 are that the Company's credit losses are now based on expected losses rather than an incurred loss model, and the change in the classification and measurement of the Company's financial assets and liabilities.

As at 31 December 2018, the gross amount of trade receivable was K148.9 million equivalent to 13% of the recorded revenue for the year, against which an impairment provision of K22.6 million was recorded. The long outstanding receivable balances more than 90 days past due amounted to K25 million. The impairment provision policy is presented in accounting policies in note 2 to the financial statements, which indicates that all financial assets are stated at amortised cost net of identified impairments.

The Company exercises significant judgement using subjective assumptions over both when and how much to record as an impairment, and estimation of the amount of the impairment provision for financial assets.

Due to the significance of the recorded financial assets trade receivables, and the significance of the balances overdue but not impaired, judgements used in classifying financial assets into stages stipulated in IFRS 9 and determining related provision requirements, this was a matter of most significance to the audit.

### HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

We performed the following audit procedures:

- Tested inputs into the calculation of the doubtful debts, including the ageing, validity and completeness included in the calculation for doubtful debts.
- Assessed the recoverability taking into account the type of debtors and historical payment terms.
- Performed a retrospective review of the provision previously raised against the actual bad debts written off in the current year.
- Tested the collection of subsequent receipts received after year-end.
- Reviewed the IFRS 9 assessment and procedures carried out;
- Reviewed the reasonableness of the simplified model adopted for impairment assessments;
- Performed an independent assessment of the provision taking into account the factors above; and
- Reviewed the appropriateness of the disclosures around impairments in line with the requirements of the IFRS 9.

We found that the determined provision for doubtful debts was initially misstated and adjustments were appropriately passed. Subsequently, requirements of IFRS 9: Financial Instruments were complied with and we concur with the recorded impairment balance.



## INDEPENDENT AUDITOR'S REPORT

### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act, 2017, which we obtained prior to the date of this auditor's report, the statement on Corporate Governance, the statement of responsibility for annual financial statements and the five year financial record shown in the appendix. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained on the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the financial statements which give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2017 and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

## INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

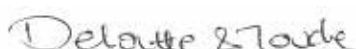
The Companies Act, 2017 requires that in carrying out our audit, we consider the adequacy of the accounting records, other records and registers required by the Acts for purposes of the audit. We confirm that these have been properly kept in accordance with the Act.

Further, Section 259(3) of the Companies Act, 2017 requires that in carrying out our audit, we consider and report that:

- There is no relationship, interest or debt which we have with and in the Company; and
- There are no serious breaches of corporate governance principles or practices by the Directors. This statement is made on the basis of the corporate governance provisions as inscribed in Part VII - corporate governance section of the Companies Act, 2017.

In accordance with Section 8 (63) of the Lusaka Stock Exchange Listing rules, we report that the Company has not fully complied with the requirements of section 8.63 (b) - (l) and (n) with regards disclosure of Director's remuneration.

In accordance with Mines and Minerals (Environmental) Regulations, the Company is required to obtain a Bank guarantee for the non-cash component of the restoration liability. The guarantee was not in place as at the year end but was subsequently obtained as at the date of this report.



Deloitte & Touche  
Chartered Accountants

Date: 22 March 2019



Alice Jere Tembo  
Audit Partner  
PC NO.: AUD/F000433

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2018

*Kwacha thousands*

	Notes	2018	2017
<b>Revenue</b>	5	<b>1,141,800</b>	1,008,232
Cost of sales		<b>(565,859)</b>	(527,690)
<b>Gross profit</b>		<b>575,941</b>	480,542
Selling and distribution expenses		<b>(207,905)</b>	(151,297)
Marketing expenses		<b>(8,661)</b>	(9,998)
Administration expenses	6	<b>(265,122)</b>	(252,533)
<b>Operating profit</b>		<b>94,253</b>	66,714
Investment income		<b>1,975</b>	730
Other gains and losses	7	<b>10,126</b>	(7,378)
Finance costs	9	<b>(2,045)</b>	(2,555)
<b>PROFIT BEFORE TAX</b>	10	<b>104,309</b>	57,511
Income tax credit ( expense )	12	<b>90,589</b>	(38,573)
<b>PROFIT FOR THE YEAR</b>		<b>194,898</b>	18,938
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>194,898</b>	18,938
<b>Basic and diluted earnings per share (with exceptional corporate tax credit) (Kwacha)</b>	13	<b>0.97</b>	0.09
<b>Basic and diluted earnings per share (from normal results for the year) (Kwacha)</b>	13	<b>0.37</b>	0.09



## STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

Kwacha thousands

Notes

2018

2017

## ASSETS

## Non-current assets

Property, plant and equipment	14	1,500,623	1,537,788
Intangible assets	15	477	515
Equity investment at fair value	16	25,266	25,126

## Total non-current assets

1,526,366 1,563,429

## Current assets

Inventories	17	207,590	164,345
Trade receivables	18.1	126,332	87,752
Other receivables	18.2	99,250	48,442
Amounts due from related companies	19	21,517	72,684
Bank and cash balances	20	72,163	58,319
Current tax asset		121,317	21,195

## Total current assets

648,169 452,737

## Total assets

2,174,535 2,016,166

## EQUITY AND LIABILITIES

## Capital and reserves

Issued capital	21.1	10,002	10,002
Revaluation reserve	21.2	479,363	502,237
Retained earnings	21.3	1,159,160	998,930

## Total equity

1,648,525 1,511,169

## Non-current liabilities

Provision for environmental liabilities	22	22,536	19,401
Retirement benefit plans	23	82	258
Deferred tax liabilities	24	259,687	238,432

## Total non-current liabilities

282,305 258,091

## Current liabilities

Trade payables	25.1	85,497	53,353
Other payables	25.2	137,612	121,509
Amounts due to related companies	19	20,596	72,044

## Total current liabilities

243,705 246,906

## Total liabilities

526,010 504,997

## Total equity and liabilities

2,174,535 2,016,166

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 49. The financial statements on pages 54 to 86 were approved for issue by the Board of Directors on 20 March 2019 and were signed on its behalf by:


M. Hantuba  
Director

J. Khan  
Director

## STATEMENT OF CHANGES IN EQUITY

AT 31 DECEMBER 2018

*Kwacha thousand*

	Share capital	Revaluation reserve	Retained earnings	Total
<b>Balance at 1 January 2017</b>	<b>10,002</b>	<b>513,479</b>	<b>1,047,731</b>	<b>1,571,212</b>
Total comprehensive income for year	-	-	18,938	18,938
Deferred tax on revaluation	-	6,054	-	6,054
Amortisation of revaluation reserve	-	(17,296)	17,296	-
Other adjustments	-	-	(35,025)	(35,025)
Final dividend in respect to 2016	-	-	(50,010)	(50,010)
<b>Balance at 31 December 2017 as previously stated</b>	<b>10,002</b>	<b>502,237</b>	<b>998,930</b>	<b>1,511,169</b>
Transition adjustment IFRS 9 (note 18.1)	-	-	(1,976)	(1,976)
<b>Balance at 31 December 2017 as restated*</b>	<b>10,002</b>	<b>502,237</b>	<b>996,954</b>	<b>1,509,193</b>
<b>Balance at 1 January 2018 as restated*</b>	<b>10,002</b>	<b>502,237</b>	<b>996,954</b>	<b>1,509,193</b>
Profit for the year	-	-	194,898	194,898
Deferred tax on revaluation	-	(5,555)	-	(5,555)
Final dividend in respect of 2017	-	-	(50,010)	(50,010)
Amortisation of revaluation reserve	-	(17,319)	17,319	-
<b>Balance at 31 December 2018</b>	<b>10,002</b>	<b>479,363</b>	<b>1,159,160</b>	<b>1,648,525</b>

\* The comparative information has been restated as a result of the initial application of IFRS 9 as discussed in note 18.

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2018

*Kwacha thousand*

	Notes	2018	2017
<b>Cash flow from operating activities</b>			
Profit before tax		104,309	57,511
<b>Adjustments for:</b>			
Gain on disposal of property, plant and equipment	7	(265)	(324)
Fair value adjustment on equity investment	7	(140)	(955)
Interest expense	8	2,045	2,555
Interest Income	11	(1,975)	(730)
Impairment of tangible assets	14	-	22,179
CWIP reversals	14	23,043	-
(Reduction) increase in inventory obsolescence		(4,555)	1,222
Impairment of trade receivables	18.1	4,223	5,085
Impairment of other receivables		4,071	-
Prior year adjustment		-	(35,025)
Increase in provision for environmental rehabilitation	22	3,135	4,013
Provision for retirement benefit plans	23	243	565
Depreciation and amortization of non-current assets		68,005	67,700
Amounts receivable from tax overpayments in prior years		74,642	-
<b>Net cash flows from operating activities before movements in working capital</b>		<b>276,782</b>	<b>123,796</b>
<b>Movements in working capital:</b>			
(Increase) decrease in inventories		(38,690)	50,729
Increase in trade receivables		(44,780)	(2,780)
(Increase) decrease in other receivables		(129,524)	7,711
Decrease in amounts due from related companies		51,167	17,637
Increase (decrease) in trade payables		32,144	(10,904)
Increase (decrease) in other payables		16,103	(49,629)
(Decrease) increase in amounts due to related companies		(51,448)	29,673
<b>Cash generated from operations</b>		<b>111,754</b>	<b>166,233</b>
Income taxes paid	12	(40,415)	(20,450)
Income taxes refunds from incentives granted received	12	46,582	-
Retirement benefits paid	23	(419)	(536)
Interest Paid		(2,043)	(2,555)
<b>Net cash generated by operating activities</b>		<b>115,459</b>	<b>142,692</b>
<b>Cash flow from investing activities</b>			
Interest income		1,975	730
Purchase of property, plant and equipment	14	(53,846)	(47,196)
Proceeds from disposal of property, plant and equipment		265	2,348
<b>Net cash used in investing activities</b>		<b>(51,606)</b>	<b>(44,118)</b>
<b>Cash flow from financing activities</b>			
Dividend paid to owners of the Company		(50,010)	(50,010)
<b>Net cash used in financing activities</b>		<b>(50,010)</b>	<b>(50,010)</b>
<b>Net increase in cash and cash equivalents</b>		<b>13,843</b>	<b>48,564</b>
Cash and cash equivalents at beginning of the year		58,319	9,755
<b>Cash and cash equivalents at end of the year</b>		<b>72,163</b>	<b>58,319</b>
<b>Represented by:</b>			
<b>Comprising:</b>			
Bank and cash balances	20	72,163	58,319



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 1. GENERAL INFORMATION

Lafarge Zambia Plc (the “Company”) is a Company incorporated in the Republic of Zambia and is listed on the Lusaka Stock Exchange. The principal activity of the Company is the manufacture and sale of cement. The registered address of Lafarge Zambia Plc is Stand 1880 Kafue Road Chilanga, Lusaka Zambia.

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

## 2.1. Amendments to IFRSs that are mandatorily effective for the current year - 2018

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

## Amendments to IFRS 9 Financial Instruments

The Company has applied these amendments in the current year. The amendments include changes a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

The Company’s assets and liabilities include trade receivables and payables. A reconciliation between the opening and closing balances of impairment of trade receivable has been provided in note 18 and all the financial instruments have been noted in note 27.

## Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. The amendments required a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The Company has adopted IFRS 15, ‘Revenue from Contracts with Customers’ applying the cumulative effect method applied retrospectively to the contracts that are not completed as of 1 January 2018 (being the date of initial application). Accordingly, the comparative information has not been restated. The effect on adoption of the said

standard is insignificant on these financial statements.

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of any taxes / duties, discounts and process waivers. In order to determine if it is acting as a principal or as an agent, the Company assesses whether it is primarily responsible for fulfilling the performance obligation.

The Company’s accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Company’s revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

## 2.2. New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases <sup>1</sup>
Amendments to IAS 19	Employee benefits <sup>1</sup>
Amendments to IFRS 9	Prepayments features with negative compensation <sup>1</sup>
Amendments to IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2017 Cycle

1. Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
2. Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.
3. Effective for annual periods beginning on or after a date to be determined.

## IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

short-term leases upon the application of IFRS 16. Directors of the company are currently assessing its impact and do not anticipate significant impact on the amounts recognised in the Company's financial statements.

In contrast, for finance leases where the Company is a lessee, the Company has already recognised an asset and a related finance lease liability for the lease arrangement.

Further in cases where the Company is a lessor (for both operating and finance leases), the application of this standard is not applicable and the directors of the Company do not anticipate that the application of IFRS 16 will have an impact on the amounts recognised in the Company financial statements as the company is not a lesser.

### **IFRIC 23 Uncertainty over Income Tax Treatments**

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity 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 entity 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 entity should reflect the effect of uncertainty in determining its accounting tax position. The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

### **Annual Improvements to IFRSs 2015 – 2017 Cycle**

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income Taxes — The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for 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.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

The principal accounting policies are set out below:

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### **(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards.

#### **(b) Basis of preparation**

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values.

### **3.1. Revenue**

#### **3.1.1 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and

represents amounts receivable for goods provided in the normal course of business, net of discounts and value added tax, during the year.

Revenue from the sale of goods is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

The Company derives its revenues primarily from manufacture and sale of cement and aggregates products.

#### **3.1.2. Dividend income**

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be reliably measured).

#### **3.1.3. Interest income**

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue 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.

### **3.2. Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**3.3. Foreign currencies**

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Company are expressed in Zambian kwacha ('K'), which are the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company transactions in currencies other than the entity's functional currency (foreign currencies) are recognized 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. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the date of the transaction. Differences arising on settlement or translation of foreign denominated monetary assets are recognized in profit or loss.

**3.4. Retirement benefit costs**

The Company's employees are members of a separately administered defined contribution pension scheme. Payments to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to the contributions. The Company's contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme.

For fixed term contract employees, a gratuity is payable at the end of the contract period and is accrued as a provision and settled at the end of the contracted period. Contract periods range from one to two years.

The Company contributes to the National Pension Authority Scheme (NAPSA) for its eligible employees as provided for by law. Membership is compulsory and monthly contributions by both employer and employees are made. The employer's

contribution is charged to profit or loss in the year in which it arises.

**3.5. Taxation**

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

**3.5.1. Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of Profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible another 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.

**3.5.2. Deferred tax**

Deferred tax is recognized 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. Deferred tax liabilities are generally recognized for all taxable temporary differences except to the extent that they arise from:

- a) Initial recognition of goodwill; or
- b) the initial recognition of an asset or liability in a transaction which:
  - i. is not a business combination.
  - ii. at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. 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.

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 are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

**3.5.3. Current and deferred tax for the financial period**

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 profit or loss or directly in equity respectively.

**3.6. Property, plant and equipment**

Leasehold land and buildings is stated at cost; and 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. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. The Company prepares a discounted cash flow annually to assess whether the carrying amount is materially different from the fair value. Where the difference of the carrying value and the fair value is not material the Company does not affect an adjustment to the carrying value.

Any revaluation increase arising on the revaluation of plant and equipment, and leasehold land and buildings is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising from the revaluation of such plant and equipment, and land and buildings, is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous evaluation of that asset.

Vehicles, furniture and fittings are stated at cost less accumulated depreciation and accumulated impairment losses. On the subsequent sale or retirement of revalued leasehold land and buildings, and plant and equipment, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. A transfer is made from revaluation reserve to retained earnings when the asset is derecognized and as the asset is used by the entity based on the difference between depreciation based on the revalued carrying amount and the depreciation based on the asset's original cost.

Properties in the course of construction for production, supply or administrative purposes, are carried at cost less unrecognized impairment loss. Cost includes professional fees and other directly attributable costs to bring it to its present location and use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of assets (other than properties under construction) 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 each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized 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 misrecognized in profit or loss. The rates of depreciation used are based on the useful lives as follows:

Average annual rate of depreciation (%)	Average Useful Life
Other Machines	10 – 20 years
Heavy Machines and Installations	20 – 30 years
Building and Installations	20 - 35 years
Land and Mineral Reserves	Non Depreciable

### 3.7. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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. The useful lives of the intangibles are between 10 to 25 years.

### 3.8. Impairment of tangible and intangible assets

At the end of each reporting period the Company reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (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.

The recoverable amount is the higher of fair value less costs of disposal 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. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case

the impairment is treated as a revaluation decrease. Where an impairment subsequently reverses, the carrying amount of the asset (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 been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

### 3.9. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method and includes direct material cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

### 3.10. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and 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 recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where 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.

When some or all of the economic benefits required to settle provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3.11. Environmental liability

The Company records a liability for environmental costs when there is a present obligation, it is probable there will be an outflow of resources embodying economic

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

benefits and the amount of the liability can be reliably determined. The Company is required to make contributions to the government for future rehabilitation work relating to its production activities. The contributions are based on an environmental assessment that is performed by environmental auditors. The Company records a liability for the future contributions to be made to the government based on the environmental disturbances incurred to date per the environmental auditor's assessment with a corresponding charge to profit or loss.

The company's production methods are mainly surface mining and the environmental disturbances predominantly relate to production of inventory. The contributions to the government are paid over a period of time and if the effect of the time value of money is material, the liability is discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the liability due to the passage of time is recognized in profit or loss. The liability recorded is reduced by the actual payments made to the government. Once the Company has made the contributions, it no longer has the obligation to perform the rehabilitation work.

### 3.12. Financial Instruments

#### 3.12.1. Initial recognition and measurement

Financial instruments within the scope of IFRS 9 Financial Instruments: Revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

'The directors of the company have assessed the impact of this standard on the operations of the Company. This standard does not have a material impact on how the company recognises its provisions for doubtful debts and how it classifies its financial assets and financial liabilities.

#### 3.12.2. Investments at fair value through profit and loss.

The Company has designated an investment held in an associate company as at fair value through profit or loss upon initial recognition. This financial asset is designated upon initial recognition on the basis that it is part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.

The investment is recognized at fair value through profit and loss and is recorded in the Statement of Financial Position at fair value. Subsequent changes in the fair value of this financial instrument are recorded in net gain or loss on investment at fair value through profit or loss. Dividends earned on this investment are recorded separately as dividend revenue.

#### 3.12.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables assets are subsequently carried at amortised cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if they are expected to mature within 12 months of the reporting date. The Company's loans and receivables comprise cash and bank balances, trade and other receivables and amounts due from related companies.

#### 3.12.4. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and deposits in banks, net of outstanding bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

All bank balances are assessed to have low credit risk at reporting date as they are held with reputable international banking institutions.

### 3.12.5. Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, interest-bearing loans and borrowings are measured at amortized cost using the effective interest method. The Company's loans and borrowings comprise trade and other payables and amounts due to related companies.

### 3.12.6. De-recognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the DE recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

### 3.12.7. Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired based on the expected credit loss model. The Company has elected to use the provision matrix approach in arriving at the impairment of Trade receivables.

The Company has reviewed the expected credit losses and changes in those expected credit losses at reporting date to reflect changes in credit risk since initial recognition of the financial asset. In arriving at this assessment the Directors of the Company have taken into consideration the business model and economic conditions in which these assets are held.

### 3.12.8. Fair value measurement

The Company measures non-financial assets such as property, plant and equipment and financial assets such as investments in equities at fair value at reporting date. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

### 3.13. Value Added Tax

Expenses and assets are recognized net of the amount of value-added tax, except:

- When the value added tax incurred on a purchase of assessor services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 3.14. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

*An asset is current when it is:*

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

*A liability is current when:*

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY****4.1. Critical judgement in applying accounting policies**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgments, 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.

**4.2. Key sources of estimation uncertainty**

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

**4.2.1. Estimates of asset lives, residual values and depreciation methods**

Property, plant and equipment are depreciated over their useful lives taking into account residual values. Useful lives and residual values are assessed annually. Useful lives are affected by maintenance programs and future productivity. Future market conditions determine the residual values. Depreciations calculated on a straight-line basis which may not represent the actual usage of the asset. Refer Note 14 for the carrying amount of property, plant and equipment.

**4.2.2. Fixed assets impairment review**

Impairment tests on property, plant and equipment are only done if there is an impairment indicator. Future cash flows are based on management's estimate of future market conditions.

These cash flows are then discounted and compared to the current carrying value, and, if lower, the assets are impaired to the present value of the cash flows. Impairment tests are based on information available at the time of testing. These conditions may change after year-end.

**4.2.3. Receivables provision**

Trade receivables are non-interest bearing and are generally on 30 to 60 days payment periods. The company measures the loss on trade receivables at an amount equal to lifetime Expected Credit Loss which is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general 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. Trade receivables above

120 days are provided for based on estimated irrecoverable amounts from the sale of cement, determined by reference to past default experience.

**4.2.4. Income taxes**

The Company is subject to income taxes in the Republic of Zambia. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the period in which such determination is made. Refer note 10 and note 22 for the income tax balances.

**4.2.5. Fair value of financial instruments***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, trade receivables and contract assets, as well as on financial guarantee contracts. 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 Company's historical credit loss experience, adjusted for 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.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*(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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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:

- 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 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 obligation.

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 60 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. The Debtor has provided collateral against the debt.

### (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:

- 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 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the debtor;
- (b) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or

### (iv) Write-off policy

The Company write 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, there are court proceedings over the debt or when it becomes evident that the customer is not going to pay for other reasons.

### (v) Measurement and recognition of expected credit losses

Trade receivables 90 days past due are provided for based on estimated irrecoverable amounts from the sale of cement and aggregates, determined by reference to past default experience and taking into account other forecast economic conditions. In determining the recoverability of the trade receivables the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

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.

## Financial liabilities and equity

### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

The Company does not have equity instruments.

## Financial liabilities

All financial liabilities are measured subsequently at amortised cost.

### 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.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the gross replacement cost, DCF and the EBITDA multiple model. The inputs to these models are taken from

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer note 16 for the carrying amount of financial assets at fair value through profit or loss and the assumptions and estimates used to determine the fair value.

### **4.2.6. Revaluation of plant and equipment**

The Company carries its plant and equipment at fair value, with changes in fair value being recognized in other comprehensive income. A valuation methodology based on a gross replacement cost model was used for the period ended 31 December 2016. The gross replacement cost was used to determine the open market value in accordance with the International Valuation Standards note 3 – Valuation of Plant and Machinery. The gross replacement method is defined as the estimated cost of acquiring a new or modern substitute asset having the same productive capacity as the existing asset, together with the associated expenses directly related to installation of the asset. Refer to note 14 for further detail on the revaluation process.

### **4.2.7. Provision for environmental costs**

As part of the identification and measurement of assets and liabilities, the Company has recognized a provision for environmental obligations associated with the plant. In determining the carrying value of the provision, assumptions and estimates are made in relation to revision of discount rates, updated environmental cost estimates, changes to lives of operations, new disturbances and the expected timing of those costs. Refer note 22 for the carrying amount of provision for environmental costs.

### **4.2.8. Provision for obsolete inventory**

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Accordingly, provision for obsolescence is made where the net realizable value is less than cost based on best estimates by the management, ageing of inventories and historical movement of the inventory.

### **4.2.9. Valuation of investment in Mbeya Cement Company Limited**

The Company has designated the investment in Mbeya Cement Company Limited as at fair value through statement of profit or loss upon initial recognition. This financial asset is designated upon initial recognition on the basis that it is part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

*Kwacha thousand*

### 5. REVENUE

	2018	2017
Local sales	825,613	703,351
Export sales	303,812	294,119
Aggregates	12,375	10,762
	<b>1,141,800</b>	<b>1,008,232</b>

The Company has a single reportable segment. The operations of the Company are located in only one geographic location, Zambia.

### 6. ADMINISTRATION EXPENSES

Depreciation	67,968	67,668
Management fees	49,174	49,800
Other expenses	147,981	112,886
Impairment charge	-	22,179
	<b>265,122</b>	<b>252,533</b>

### 7. OTHER GAINS AND LOSSES

Other gains and losses comprise the following:

Net exchange gain (loss)	(8)	9,721	(8,657)
Gain on disposal of property, plant and equipment		265	324
Fair value gain (loss) on equity investment (note 16)		140	955
		<b>10,126</b>	<b>(7,378)</b>

### 8. NET EXCHANGE GAINS (LOSSES)

The Zambian Kwacha depreciated against the US Dollar and other major convertible foreign currencies during the year. The impact of the depreciation of the Zambian Kwacha during the year is that the Company recorded exchange gains on its foreign currency denominated monetary assets.

The table below illustrates the movements in the US Dollar exchange rates during the period:

Mid-market exchange rate as at 1 January (1US\$ = )	K10.01	K9.81
Mid-market exchange rate as at 31 December (1US\$ = )	K11.91	K10.01
Movement during the year	19%	2%

### 9. FINANCE COSTS

Interest expense	(2,045)	(2,555)
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Interest expense for the period relates to bank charges.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

*Kwacha thousand***10. OPERATING LEASE ARRANGEMENTS**

In Zambia, the title of ownership or all lease hold land is held by the state. The Company therefore makes use of the land on a 99 year non-cancellable lease.

No longer than 1 year

Longer than 1 year and not longer than 5 years

Longer than 5 years

	2018	2017
	650	650
	2,600	2,600
	29,682	30,332
	<b>32,932</b>	<b>33,582</b>

**11. PROFIT BEFORE TAX**

Profit before tax is stated after crediting:

Interest income

Gain on disposal of property, plant and equipment  
and after charging:

Staff costs

Depreciation and amortization

Management and technical services expenses

Pension schemes – defined contribution plans

Donations

Directors remuneration - for service as Directors

Impairment of Chilanga 3 assets

	1,975	730
	265	324
	140,306	124,004
	68,005	67,700
	49,174	49,799
	8,615	7,176
	798	565
	643	608
	-	22,179



Kwacha thousand

## 12. INCOME TAX CREDIT (EXPENSE)

Current tax
Incentives relating to refunds on prior years corporate tax (*)
Deferred tax (note 24)
<b>Tax credit (expense) for the year</b>

Income tax is calculated at 35% on domestic income and 15% on export income for the estimated assessable profit for the year. The movements during the year on the income tax account are as follows:

Included under current assets:

Arising during the year
Overpaid corporate tax in prior years
Recoverable in respect of prior year
Refund received toward unclaimed incentives
Tax paid during the year
Balance at end of the year included in current assets

The make up of the receivable balance at the end of the year, is made up as follows:

Balance from previous years unclaimed incentives
Balance from previous years on normal operations

The total charge for the year can be reconciled to the accounting profit as follows:

Profit before tax
Tax on accounting profit at 35%
Accounting profit taxed at different rate
Overpaid corporate tax in prior years
Disallowed expenses
<b>Tax expense for the year</b>

	%
Standard rate	35
Accounting profit taxed at different rate	(13)
Disallowed expenses	7
Effective tax rate before tax credit from prior years	29
Prior years tax credits	(116)
Effective tax rate after the tax credit from prior years	(87)

2018

2017

(14,935)	(27,428)
121,224	-
(15,700)	(11,145)
90,589	(38,573)

(14,935)	(27,428)
121,224	-
21,195	28,173
(46,582)	-
40,415	20,450
121,317	21,195

74,642	-
46,675	21,195
121,317	21,195

104,309	57,511
36,508	20,129
(16,109)	(2,019)
(121,224)	-
10,236	20,463
(90,589)	38,573

	%
35	35
(13)	(4)
7	36
29	67
(116)	0
(87)	67

*Kwacha thousand***2018****2017****12. INCOME TAX CREDIT (EXPENSE) (continued)****(\*) Incentives relating to refunds on corporate tax paid**

In 2008, the Company did invest in a new cement plant in Chilanga, Lusaka, which was subject to the Zambia Development Agency (ZDA) allowances but for which the Directors and management, were not aware, should have been claimed at the time. In previous years, as part of the Integrated Audit, the Directors and management, did observe and communicate to Zambia Revenue Authority (ZRA) that the tax incentives were not claimed on the expansion project. Discussions with both ZDA and ZRA had commenced but there were no commitments made nor any feedback on the matter. This matter was therefore disclosed as a contingent asset in the financial statements for 2016 and 2017 especially also that the quantum of the receivable, if any, could not be ascertained.

During the year under review, ZRA and the Company concluded their discussions on the Integrated Audit which resulted in the Company being awarded a net claim amounting to K121,244 million, being amounts relating to overpaid corporate tax in prior years.

In June 2018, ZRA refunded the Company K46 million towards the total balance due.

**13. EARNINGS PER SHARE**

Basic and diluted earnings per share with corporate tax credits from prior years (Kwacha)

**0.97**

0.09

Basic and diluted earnings per share from normal Company results for the year (Kwacha)

**0.37**

0.09

Earnings per share is based on earnings after taxation of **K194,898 thousand** (2017: K18,938 thousand), divided by the number of ordinary shares in issue during the year of **200,039,904** (2017: 200,039,904).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 14. PROPERTY, PLANT AND EQUIPMENT

*Kwacha thousand*

	Leasehold properties	Plant and equipment	Vehicles, furniture and fittings	Capital work in progress	Total
<b>COST OR VALUATION</b>					
<b>At 1 January 2017</b>	73,909	1,651,154	62,366	138,997	1,926,426
Additions	-	-	7,939	39,257	47,196
Transfer of projects	14,557	13,867	-	(28,424)	-
Impairment recognised in profit or loss	-	-	-	(22,179)	22,179
Disposals	-	-	(219)	(2,059)	(2,278)
<b>At 31 December 2017</b>	88,466	1,665,020	70,086	125,592	1,949,165
Additions	-	-	6,114	47,732	53,846
Transfer of projects	23,435	51,565	1,331	(76,330)	-
Reversal of CWIP	-	-	-	(23,043)	(23,043)
Disposals	-	-	(3,641)	-	(3,641)
<b>At 31 December 2018</b>	<b>111,900</b>	<b>1,716,585</b>	<b>73,891</b>	<b>73,951</b>	<b>1,976,327</b>
Cost	78,176	180,386	52,812	73,951	385,325
Valuation (2016)	10,290	1,536,199	17,274	73,951	1,563,763
At 31 December 2018	111,900	1,716,585	73,891	73,951	1,976,327
<b>Accumulated depreciation</b>					
<b>At 1 January 2017</b>	14,746	279,696	49,527	-	343,969
Depreciation expense	2,940	57,308	7,413	-	67,661
Eliminated on disposal	-	-	(253)	-	(253)
<b>At 31 December 2017</b>	17,686	337,004	56,687	-	411,371
Depreciation expense	3,679	56,531	5,653	1,052	67,967
Eliminated on disposal	-	-	(3,641)	-	(3,641)
<b>At 31 December 2018</b>	<b>21,365</b>	<b>394,587</b>	<b>58,699</b>	<b>1,052</b>	<b>475,703</b>
<b>CARRYING VALUE</b>					
<b>At 31 December 2018</b>	<b>90,535</b>	<b>1,321,998</b>	<b>15,191</b>	<b>72,899</b>	<b>1,500,623</b>
At 31 December 2017	70,780	1,378,016	13,399	125,592	1,537,788
Had the property, plant and equipment been measured on a historical cost basis their carrying amount would have been as follows:					
				2018	2017
Cost	79,071	868,348	69,743	1,017,162	1,017,162
Accumulated depreciation	(21,028)	(152,159)	(59,384)	(232,571)	(178,226)
	58,043	716,189	10,359	784,591	838,936

In accordance with Section 220 of the Companies Act, 2017, the Register of Land and Buildings is available for inspection by members and their duly authorised agents at the Registered Records Office of the Company.

In June 2016, as part of the merger between Lafarge Group Plc and Holcim Plc, the group performed a valuation of its assets using

external valuation experts (Duff & Phelps and Pricewaterhouse Coopers) which was reviewed by LafargeHolcim topic experts and management. The methodology used was the replacement cost new method which looks at the cost of substituting an existing asset with another asset which has the same functional utility. This is in accordance with the International Valuation standard note 3-Valuation of Plant and Machinery.

As at 31 December 2018, the Directors have reviewed the balances as reflected in the statement of financial position and are of the considered view that the amounts reflect the fair value of the assets as at the reporting date. Further, the useful lives are reviewed on an annual basis.

## FOR THE YEAR ENDED 31 DECEMBER 2018

## Mineral rights

License costs paid in connection with a right to mine for lime and shale in the allocated area are capitalized as an intangible asset and amortized over the term of the license once the legal right to perform mining activities has been acquired, unless the directors conclude that a future economic benefit is more likely than not to be realized. All other costs which include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors are capitalized as part of property, plant and equipment.

*Kwacha thousand*

**Cost**

Balance at beginning and end of the year

### Accumulated amortisation and impairment

Balance at beginning of the year

Amortisation expense

**Balance at end of the year**

*Carrying value at end of the year*

The amortization expense has been included in the line item, administration expenses in the statement of profit or loss.

## 16. EQUITY INVESTMENT AT FAIR VALUE

The Company owns 14% of the issued ordinary equity capital of Mbeya Cement Company Limited, a related company incorporated and operating in Tanzania.

Opening Balance

Fair value adjustment (note 7)

**Closing balance**

The Company has designated the investment in Mbeya Cement Company Limited as at fair value through statement of profit or loss upon initial recognition. This financial asset is designated upon initial recognition on the basis that it is part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.

The Company used a discounted free cash flow (DCF) valuation methodology to determine the fair value of the investment of Mbeya Cement Company Limited. DCF method involves forecasting free cash flows (FCF) that will accrue to shareholders and discounting them at an appropriate discount factor. FCF is calculated as net income; add depreciation and amortisation less changes in working capital. The DCF method therefore relates to the profitability and growth of the business being valued. The Directors of Lafarge Zambia Plc elected to use the DCF method to determine the fair value as it is considered to be the most technically accurate method of valuing of the business and represents management expectations for the future company revenues and profits.

2018	2017
943	943
428	389
38	39
466	428
477	515
25,126	24,171
140	955
25,266	25,126



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 16. EQUITY INVESTMENT AT FAIR VALUE (continued)

Directors used the projected financials for Mbeya Cement Company Limited to derive at the projected future free cash flows. All company-specific information, including but not limited to, historical data - income and expenditure statement, statement of financial position of Mbeya Cement Company Limited, future profitability and cash flow projections and qualitative information on the company, were sourced from the management of the company and independently verified for reasonableness.

*Kwacha thousand*

### 17. INVENTORIES

Raw materials and consumables  
Stores and spares  
Gross values  
Provision for obsolete stock

Process goods  
Cement

	2018	2017
	83,133	74,078
	62,664	74,488
	66,597	82,976
	(3,933)	(8,488)
	37,400	11,583
	24,393	4,196
	207,590	164,345

During the year, expensed inventory amounted to K310,455 thousand (2017: K216,941 thousand) for inventories carried at net realizable value. This is recognised in cost of sales.

### 18. TRADE AND OTHER RECEIVABLES

#### 18.1 TRADE RECEIVABLES

Trade receivables principally comprise amounts receivable in respect of the sale of cement and clinker.

Gross trade receivables  
Loss Allowance

	148,919	104,139
	(22,587)	(16,387)
	126,332	87,752

The following tables detail the risk profile of trade receivables based on the Company provision matrix. As the Companies' historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

*Kwacha thousand*

31 December 2018	Not past due	0-30 past due	31-60 past due	61-90 past due	More than 90 days past due	Total
Expected credit loss rate	0%	0%	0%	0%	90%	
Estimated total gross carrying Amount at default	64,999	31,819	16,527	10,478	25,096	148,919
Lifetime ECL	-	-	-	-	(22,587)	(22,587)
	64,999	31,819	16,527	10,478	2,510	126,332

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

*Kwacha thousand*

31 December 2017	Not past due	0-30 past due	31-60 past due	61-90 past due	More than 90 days past due	Total (Restated)
Expected credit loss rate	0%	0%	0%	0%	53%	
Estimated total gross carrying Amount at default	47,184	13,364	6,224	2,712	34,655	104,139
IAS 39 Allowance for doubtful receivables	-	-	-	-	(16,387)	(16,387)
As previously stated	47,184	13,364	6,224	2,712	18,268	87,752
Transition adjustment IFRS 9	-	-	-	-	(1,976)	(1,976)
	<u>47,184</u>	<u>13,364</u>	<u>6,224</u>	<u>2,712</u>	<u>16,292</u>	<u>85,776</u>

The increase in the expected credit loss rate from prior year is attributed to the introduction of new players in the market. In addition, Management have attributed it to the reduction in the proportion of unsecured vs secured debt in 2018 compared to 2017.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9.

*Kwacha thousand*

<b>Balance as at 31 December 2017 under IAS 39</b>	<b>(16,387)</b>
Adjustment upon adoption of IFRS 9	(1,976)
<b>Balance as at 1 January 2018 –As restated</b>	<b>(18,363)</b>
Transfer to allowance for doubtful receivables	(4,223)
<b>Balance as at 31 December 2018</b>	<b>(22,586)</b>

*Kwacha thousand***18.2 OTHER RECEIVABLES**

	<b>2018</b>	2017
Value Added Tax receivable	<b>81,903</b>	38,781
Employee loans	<b>10,894</b>	676
Prepaid expenses	<b>7,590</b>	5,204
Sundry receivables	<b>2,934</b>	3,781
Impairment charge on prepayment and sundry receivables	<b>(4,071)</b>	-
	<u><b>99,250</b></u>	<u>48,442</u>

**19. RELATED PARTY TRANSACTIONS**

LafargeHolcim Limited, the ultimate parent, is a company registered in Switzerland, owns 75% of the issued share capital of Lafarge Zambia Plc. through its owned subsidiaries, Financiere Lafarge, and Pan African Cement Limited.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

The Company has balances with, and has transacted with the following related Lafarge Group companies:

	Country of incorporation	Relationship
LafargeHolcim Limited	Switzerland	Ultimate Parent
Bamburi Cement Limited	Kenya	Fellow subsidiary
Lafarge Spain	Spain	Fellow subsidiary
Lafarge Building Materials MEA	Egypt	Fellow subsidiary
Lafarge Cement Malawi Limited	Malawi	Fellow subsidiary
Lafarge Cement Zimbabwe Limited	Zimbabwe	Fellow subsidiary
Lafarge Industries South Africa (Proprietary) Limited	South Africa	Fellow subsidiary
LafargeHolcim Middle East and Africa	Egypt	Fellow subsidiary
LafargeHolcim East Africa	Kenya	Fellow subsidiary
Lafarge North America	U.S.A	Fellow subsidiary
Lafarge South Africa	South Africa	Fellow subsidiary
Lafarge Singapore	Singapore	Fellow subsidiary
Lafarge UK	United Kingdom	Fellow subsidiary
Lafarge Egypt	Egypt	Fellow subsidiary
Lafarge Serbia	Serbia	Fellow subsidiary

The following balances were outstanding at the end of the reporting period:

*Kwacha thousand*

### Amounts due from related companies

	2018	2017
Lafarge Cement Zimbabwe Limited	12,152	63,259
LafargeHolcim Limited	2,292	-
Lafarge Cement Malawi Limited	2,062	5,654
Lafarge South Africa	1,933	17
LafargeHolcim East Africa	1,537	360
LafargeHolcim Middle East and Africa	1,519	3,279
Lafarge Portland	22	-
Lafarge North America	-	115
	<b>21,517</b>	<b>72,684</b>

### Amounts due to related companies

Lafarge S.A	13,848	-
Lafarge MEA Building Materials S.A.E	2,712	-
Holcim Group services	1,275	-
LafargeHolcim Middle East and Africa	1,078	3,349
Lafarge Singapore	755	304
Lafarge MEA Building Materials Limited	322	-
Reunion	297	-
Lafarge Beocinska Fabrika Cementa	148	-
Lafarge Industries South Africa (Proprietary) Limited	61	572
OneIndia Business Service Centre	49	-
HERACLES General Cement Company S.A	25	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

*Kwacha thousand***19. RELATED PARTY TRANSACTIONS (continued)**

Amounts due to related companies (continued)

Lafarge Malawi

Lafarge Egypt

LafargeHolcim Limited

Lafarge North America

Bamburi Cement Limited

Lafarge UK

Lafarge Cement Zimbabwe Limited

**2018**

2017

**13**

14

**12**

3

-

65,947

-

1,475

-

230

-

126

-

24

**20,596**

72,044

**Sale of goods:**

The financial effects of transactions with the related parties were as follows:

Lafarge Cement Malawi Limited

Lafarge Cement Zimbabwe Limited

**Total****2,292**

29,796

**12,152**

12,606

**14,444**

42,402

**Management and technical services expenses:**

LafargeHolcim Limited

**49,174**

49,800

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement is in cash except when otherwise stated.

The remuneration of Directors and other key management during the year was as follows:

**Directors' remuneration**

Salaries and other short-term employment benefits

The Chief Executive Officer and three other senior management are seconded from LafargeHolcim Group. The remuneration of these Executive Directors is paid out of the Group and has not been separately disclosed.

**Non Executive Directors' Remuneration**

In connection with the management of the Company as directors

Director's fees analysed as follows:

Mr. Muna Hantuba

Mr. Mwelwa Chibesakunda

Mrs. Dorothy Mulwila

Mr. Mark O'Donnell

**16,523**

14,398

**643**

608

**190**

195

**174**

143

**155**

128

**124**

142

**643**

608

The remuneration of Directors and key executives are determined having regard to the individual performance and market trends.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

*Kwacha thousand*

### 20. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments maturity in less than 90 days as at the year end.

#### Bank and cash balances

Bank and cash balances

Fixed deposits

#### Bank overdraft

As at the end of 31 December 2018, the Company did not make use of its overdraft facility held with Citi Bank Zambia Limited. The facility available to the Company is **K24 million** (2017: K24 million).

### 21. SHAREHOLDERS EQUITY

#### 21.1 SHARE CAPITAL

##### Authorised

240,000,000 ordinary shares of 5 ngwee each

3,000,000 7% non-cumulative redeemable

preference shares of 10 ngwee

##### Issued and fully paid

200,039,904 ordinary shares of 5 ngwee each

##### Shareholding

Pan African Cement Limited

Financiere Lafarge

LUSE Central share depository

Public (Institutions and individuals)

LafargeHolcim owns 75% stake in Lafarge Zambia Plc. through two of its subsidiaries namely Pan African Cement Limited and Financiere Lafarge.

2018

2017

62,163

31,483

10,000

26,836

72,163

58,319

12,000

12,000

300

300

12,300

12,300

10,002

10,002

%

%

50.10

50.10

24.90

24.90

11.92

11.92

13.08

13.08

100

100

#### 21.2 REVALUATION RESERVE

Revaluation reserves arise from the periodic revaluation of property and equipment and represent the excess of the revalued amount over the carrying value of the property and equipment at the date of revaluation. Deferred tax arising in respect of the revaluation of property has been charged directly against the revaluation reserves in accordance with International Financial Reporting Standard (IAS) 12: Income Taxes.

The reserve may, at the discretion of the Directors, be used in the business of the Company or be invested in such investments as the directors consider appropriate.

#### 21.3 RETAINED EARNINGS

The retained earnings represent all accumulated net income netted by all dividends paid to shareholders. Retained earnings are part of equity on the statement of financial position and represent the portion of the business's profits that are not distributed as dividends to shareholders but instead are reserved for reinvestment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

*Kwacha thousand***22. PROVISION FOR ENVIRONMENTAL LIABILITIES**

At beginning of the year

**19,401**

15,388

Current year charge

**3,135**

4,013

**22,536**

19,401

The Company provides for costs of restoring a site where a legal or constructive obligation exists.

The environmental provision represents the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by operations.

In compliance with the Mines and Minerals Development Act of 2015, the Company has made cash contributions in the sum of USD986,798 (equivalent of K9,680,488) to the Environmental Protection Fund over a period of five years based on annual audits conducted by Mines Safety Department. The fund established by the Mines and Minerals Act is controlled by Mines Safety Department under the Ministry of Mines and Minerals Development. A bank guarantee of USD 15 million has been put in place to meet the requirements of this Act.

The amount deposited with the fund is refundable to the Company when the mine site is rehabilitated and certified by the Mines Safety Department as compliant with the Act.

**23. RETIREMENT BENEFIT PLANS**

At beginning of the year

**258**

229

Current year charge

**243**

565

Paid during the year

**(419)**

(536)

**At end of the year****82**

258

The total costs charged to profit or loss of K243 thousand (2017: K565 thousand) represent provisions made for gratuities related to certain non-unionised and unionised staff.

The Company operates a defined contribution pension scheme for certain of its employees. The scheme is funded by contributions from both the Company and its employees, and is managed by Minet Zambia Limited (formerly AON Zambia Limited). This defined contribution plan is funded by a specified percentage contribution from payroll costs charged to profit or loss. There were no outstanding contributions as at 31 December 2018 (2017: nil). Refer to note 11 for pension contributions for the year.

The assets of the scheme are held separately from those of the Company in funds under the control of the trustees.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### 24. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised by the Company and their movements during the year:

*Kwacha thousand*

	Accelerated capital allowances	Revaluation surplus	Provisions and other	Total
<b>2017</b>				
At beginning of year restated	(26,858)	276,490	(16,291)	233,341
Charge to profit or loss	10,132	-	1,013	11,145
Charge to equity	-	(6,054)	-	(6,054)
	<b>(16,726)</b>	<b>270,436</b>	<b>(15,278)</b>	<b>238,432</b>
<b>2018</b>				
At beginning of year restated	(16,726)	270,436	(15,278)	238,432
Charge to profit or loss	(2,310)	-	18,010	15,700
Charge to equity	12	6,431	(888)	5,555
	<b>(19,024)</b>	<b>276,867</b>	<b>1,844</b>	<b>259,687</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 25. TRADE AND OTHER PAYABLES

Trade payables principally comprise amounts outstanding in respect of trade purchases and ongoing costs while other payables include pay as you earn, dividend payables and customer advance payment.

## 25.1 TRADE PAYABLES

The Directors consider that the carrying amount of trade payables approximates their fair value due to their short term nature.

*Kwacha thousand*

2018	2017
85,497	53,353

The average credit period for purchases is 60 days. No interest is charged on the trade payables. The Company has risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 25.2 OTHER PAYABLES

Sundry accruals (i)	66,306	58,182
Dividend payable	45,637	26,086
Sundry payables	13,115	8,381
Employee related liabilities (ii)	12,554	13,866
Advances from Cement customers	-	14,994
	137,612	121,509

## (i) Sundry accruals

Withheld Value Added Tax	11,584	7,343
Reversal/additional accruals during in the year	7,442	4,519
Utilities accruals	6,943	6,469
Other operational accruals	40,337	39,851
	66,306	58,182

## (ii) Employee related liabilities

Employee related liabilities include leave pay accruals as follows:

Balance at the beginning of the year	3,277	4,398
Movement during in the year	542	(1,121)
Balance at the end of the year	3,819	3,277

## 26. COMMITMENT, CONTINGENT LIABILITIES AND ASSETS

The eleventh schedule of Mines and Minerals (Environmental) Regulation of 1997 requires that the Company will make contributions for five years to the Environmental Protection Fund (EPF). The amount of the contribution is determined by the declared cost of decommissioning site restoration upon site closure and also upon the Environment management performance category as deemed by Mines Safety Department.

The contributions are in two parts (i) a 10% lump sum for Lusaka Plants and 20% lump sum for the Ndola plant calculated as a percentage of estimated closure costs depending on the category of the plant, and (ii) the balance in form of a Bank Guarantee, Letter of Credit, or Insurance Bond acceptable to the Minister of Mines and Mineral Development.

Subsequent to year end, the company obtained a bank guarantee amounting to US\$ 15 million for site restoration costs in line with the operational guidelines of the environmental protection fund (EPF)



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### Competition and Consumer Protection Commission (CCPC) fine

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent in its operations. As a result, the Company is involved in various litigation, arbitration and regulatory proceedings, both in Zambia and in other jurisdictions in the ordinary course of its business. The Company has formal controls and policies for managing legal claims. Based on professional legal advice, the Company provides and/or discloses amounts in accordance with its accounting policies. At year end, the Company had several unresolved legal claims.

During the ordinary course of business the Company is subject to threatened or actual legal proceedings. All such material cases are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to the Director's best estimate of the amount required to settle the obligation at the relevant reporting date. In some cases it will not be possible to form a view, either

because the facts are unclear or because further time is needed to properly assess the merits of the case.

On the 14 December 2017, the Company received a decision from the Board of the Competition and Consumer Protection Commission ("CCPC") which imposed a fine of 10% of its relevant annual turnover for the alleged excessive pricing, discrimination and abuse of loyalty discounts in contravention with section 16(2)(f) and 16(1) of the Competition and Consumer Protection Act, Number 24 of 2010 ("Act").

The Company has since filed an appeal against this decision before the Competition and Consumer Tribunal. As at the reporting date the issue had not been resolved between the Company and CCPC.

In view of the uncertainty surrounding this matter, and on the basis of legal advice obtained, and the fact that an economic outflow of funds is neither probable nor likely at this stage, the Directors have concluded that no provision is required in the financial statements as at 31 December 2018.

*Kwacha thousand*

## 27. FINANCIAL INSTRUMENTS

### Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern and maintain healthy ratios while maximizing the return to stakeholders through the optimization of its equity. The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business.

The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed on the statement of changes in equity.

### Gearing

The Company's finance department reviews the capital structure on a regular basis. As part of this review the cost of capital and the risks associated with each class of capital are considered. The Company has an overdraft facility with Citi Bank Zambia Limited valued at US\$2 million to meet its working capital requirements.

### Categories of financial instruments

#### Financial assets

#### Financial assets at amortised cost

- Trade receivables
- Amounts due from related parties
- Other receivables
- Bank and cash balances

#### Financial assets at fair value through other comprehensive income(FVOCI)

Investment in unquoted shares

#### Total financial assets

**2018**
**2017**
**126,332**

21,195

**21,517**

87,752

**9,757**

43,238

**72,163**

58,319

**25,266**

25,126

**255,035**

235,630

FOR THE YEAR ENDED 31 DECEMBER 2018

2017

The Company is exposed to foreign exchange risk which arises primarily with respect to trade receivables, bank and cash balances which are denominated in US Dollars. Foreign exchange risk also arises from supplier payments denominated in US Dollars, South African Rand and Euros.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

*Kwacha thousand*

Below is the Kwacha equivalent of the financing assets and liabilities that are denominated in foreign currencies.

### Assets

US Dollar denominated  
Euro denominated  
South African Rand denominated

### Liabilities

US Dollar denominated  
Euro denominated  
South African Rand denominated  
CHF

2018

2017

49,167

88,828

8,888

2,444

447

79

58,502

91,351

10,347

16,175

15,396

75,970

1,478

263

7,856

-

35,077

92,408

### Interest rate risk management

The Company is not exposed to significant risk of changes in the market interest rate as the Company's main financial instruments have fixed rate of return or charge. The company in this regard manages and monitors daily funding requirements to anticipate funding requirements and the Company to source inexpensive financing alternatives when such funds are needed.

### Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cashflows and matching the maturity profile of financial assets and liabilities. The company's objective is to ensure as far as possible it will always have sufficient cash to meet its liabilities under normal or stressed conditions without incurring unacceptable losses to risking damage to the Company's reputation.

The following table details the Company's remaining contractual maturity for its non-derivate financial assets and liabilities. The table is based on the undiscounted contractual maturities of the financial assets and liabilities.

*Kwacha thousand*

Year ended 31 December 2018	1 – 3 months	3 months to 1 year	1 – 5 years	Total
<b>Liabilities</b>				
Trade payables	83,105	2,392	-	85,497
Other payables	16,675	-	-	16,675
Retirement benefit plans	-	82	-	82
Amounts due to related parties	-	20,596	-	20,596
	99,781	23,070	-	122,850
<b>Year ended 31 December 2017</b>	<b>1 – 3 months</b>	<b>3 months to 1 year</b>	<b>1 – 5 years</b>	<b>Total</b>
<b>Liabilities</b>				
Trade payables	45,884	7,469	-	53,353
Other payables	80,271	-	-	80,271
Retirement benefit plans	-	258	-	258
Amounts due to related parties	-	42,371	-	42,371
	126,155	50,098	-	176,253

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

*Kwacha thousand***27. FINANCIAL INSTRUMENTS (continued)****Credit risk management**

Credit risk management refers to the risk that counter party will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk in respect of trade and other receivables and amounts due from related parties. The Company's policy is to closely monitor the creditworthiness of all its debtors by reviewing their ability to pay as well as their continued operations and transactions with the company on regular basis.

The company has established a credit policy under which each new customer is analyzed for creditworthiness before standard payment and delivery terms are offered. Credit limits are set for each customer who represent the maximum amount each customer is allowed to collect on credit; these limits are reviewed regularly. Customers with a high risk rating have an option of either cash transactions or providing collateral.

To measure the expected credit losses, the company uses the provision matrix. Trade receivables have been grouped based on the days past due. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is not reasonable payment plan with the company or no active trading with the company. The company attaches high risk to receivables in 120 days and over, providing 100% for the allowance if there is no trading with the said party and no payment plans.

The Company's maximum exposure to credit risk is analyzed below:

*Kwacha thousand*

	2018	2017
Trade receivables	126,332	21,195
Other receivables	9,757	43,238
Amounts due from related parties	21,517	87,752
Bank and cash balances	72,163	58,319
	<b>229,769</b>	<b>210,504</b>

**Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income (FVOCI) comprise unlisted equity securities in Mbeya Cement in Tanzania.

**Impairment of financial assets at amortised cost**

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

**31 December 2017 - Calculated under IAS 39 as previously stated**

Amounts restated through opening retained earnings

**Balance at 1 January 2018 as restated under IFRS 9**

Increase in credit loss allowance through recognised through profit and loss during the year

**As at 31 December 2018 - IFRS 9**

	(16,387)
	(1,976)
	<b>(18,363)</b>
	<b>(4,223)</b>
	<b>(22,586)</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

### Sensitivity analysis – Investments at fair value through profit or loss

To determine the fair value of the investment at fair value through profit or loss, the Company used the Discounted Cashflow Approach. DCF method involves forecasting free cash flows (FCF) that will accrue to shareholders and discounting them at an appropriate discount factor. The methodology uses Weighted Average Cost of Capital (WACC) in determining the valuation. The business moved from using the Ebidta multiple to the DCF.

The following table demonstrates the sensitivity to a reasonably possible change in the DCF with all other variables held constant, of the impact on the fair value of the investment at fair value through profit or loss.

Increase/ Decrease in comparable company WACC:	Effect on Investments for the year ended 31 December 2018 Increase/ (Decrease)
1%	13,344
-1%	(13,344)

### 28. SUBSEQUENT EVENTS

There are no significant events after the reporting date which would require adjustments or disclosure in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## FIVE YEAR FINANCIAL RECORD

	2018	2017	2016 Restated	2015 Restated	2014
<i>('000 tonnes)</i>					
<b>Cement production</b>	<b>945</b>	<b>887</b>	<b>831</b>	<b>1,164</b>	<b>1,062</b>
<b>Cement sold</b>					
Domestic	736	667	605	1,038	1,080
Export	185	245	192	121	142
Clinker exports	64	113	163	1	1
	<b>984</b>	<b>1,025</b>	<b>960</b>	<b>1,160</b>	<b>1,223</b>
Aggregates	194	172	164	257	232
<i>Kwacha million</i>					
<b>Statement of Comprehensive Income</b>					
Turnover	1,141,800	1,008,232	889,673	1,296,410	1,384,427
Profit before tax	104,309	57,511	127,985	483,748	657,987
Income tax expense	90,589	(38,573)	(50,589)	(161,078)	(234,068)
Profit for the year	194,898	18,938	77,396	322,670	423,919
Earnings per share - K	0.97	0.09	1.61	2.12	1.69
<b>Net assets employed</b>					
Property, plant and equipment	1,506,100	1,538,303	1,583,011	1,470,962	1,361,959
Equity investment in related company	25,266	25,126	24,171	32,386	21,818
Net current assets	404,464	205,831	212,987	221,373	247,388
	<b>1,930,830</b>	<b>1,769,260</b>	<b>1,820,169</b>	<b>1,724,721</b>	<b>1,631,165</b>
<b>Liabilities due after one year</b>					
Provision for environmental liabilities	22,536	19,401	15,388	13,009	28,173
Retirement benefits	82	258	228	519	799
Deferred tax liabilities	259,687	238,432	233,341	408,540	437,191
	<b>1,648,525</b>	<b>1,511,169</b>	<b>1,571,212</b>	<b>1,302,653</b>	<b>1,165,002</b>
Financed by					
Share capital	10,002	10,002	10,002	10,002	10,002
Reserves	1,638,523	1,501,167	1,561,210	1,292,651	1,155,000
	<b>1,648,525</b>	<b>1,511,169</b>	<b>1,571,212</b>	<b>1,302,653</b>	<b>1,165,002</b>

# LAFARGEHOLCIM GROUP OVERVIEW

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## LAFARGEHOLCIM GROUP OVERVIEW

## KEY FIGURES

As the leading global construction materials and solutions company, LafargeHolcim can help address challenges such as urbanization and climate change. We offer a strong asset base in around 80 countries, the most innovative cement, concrete, and aggregates solutions to meet our customers' needs, and a commitment to health, safety, and sustainability.

## THE LAFARGEHOLCIM GROUP IN FIGURES:

## LISTED ON:

- SWISS STOCK EXCHANGE
- SIX
- EURONEXT

CHFm  
NET SALES

27,466

## EMPLOYEES

77,000

## NORTH AMERICA

5,875 CHFm Net sales  
12,697 Employees per region

## LATIN AMERICA

2,731 CHFm Net sales  
9,305 Employees per region

## EUROPE

7,554 CHFm Net sales  
21,317 Employees per region

## MIDDLE EAST AFRICA

3,080 CHFm Net sales  
12,901 Employees per region

## ASIA PACIFIC

7,446 CHFm Net sales  
24,153 Employees per region

IN 80% OF  
OUR MARKETSTOP 3  
POSITIONS

## COUNTRIES

80

OPERATING  
SITES

2,381

## LAFARGEHOLCIM GROUP OVERVIEW

# KEY FIGURES

OUR BUSINESS IS BASED ON THREE STRATEGIC BUSINESSES:

### CEMENT

SALES  
VOLUME IN  
Million tonnes

221.9

EMPLOYEES

45,000

CEMENT AND  
GRINDING  
PLANTS

270

### AGGREGATES

SALES  
VOLUME IN  
Million tonnes

273.8

EMPLOYEES

10,000

QUARRIES

663

### READY-MIX CONCRETE AND OTHERS

SALES  
VOLUME IN  
Million m<sup>3</sup>

50.9

EMPLOYEES

13,000

PLANTS

1,448

### CEMENT PRODUCTION CAPACITY: MIDDLE EAST & AFRICA

Algeria	12.4	Kenya	3.2	Benin (JV.)	0.7
Morocco (JV.)	11.8	Lebanon	2.5	Qatar	0.6
Nigeria	10.5	Ivory Coast (JV.)	2.2	Reunion	0.5
Egypt	8.9	Uganda	1.9	Zimbabwe	0.4
Iraq	5.7	Zambia	1.5	Malawi	0.3
Jordan	3.9	Tanzania	1.1	Guinea (JV.)	0.3
South Africa	3.2	Cameroon (JV.)	1.0	Madagascar	0.2

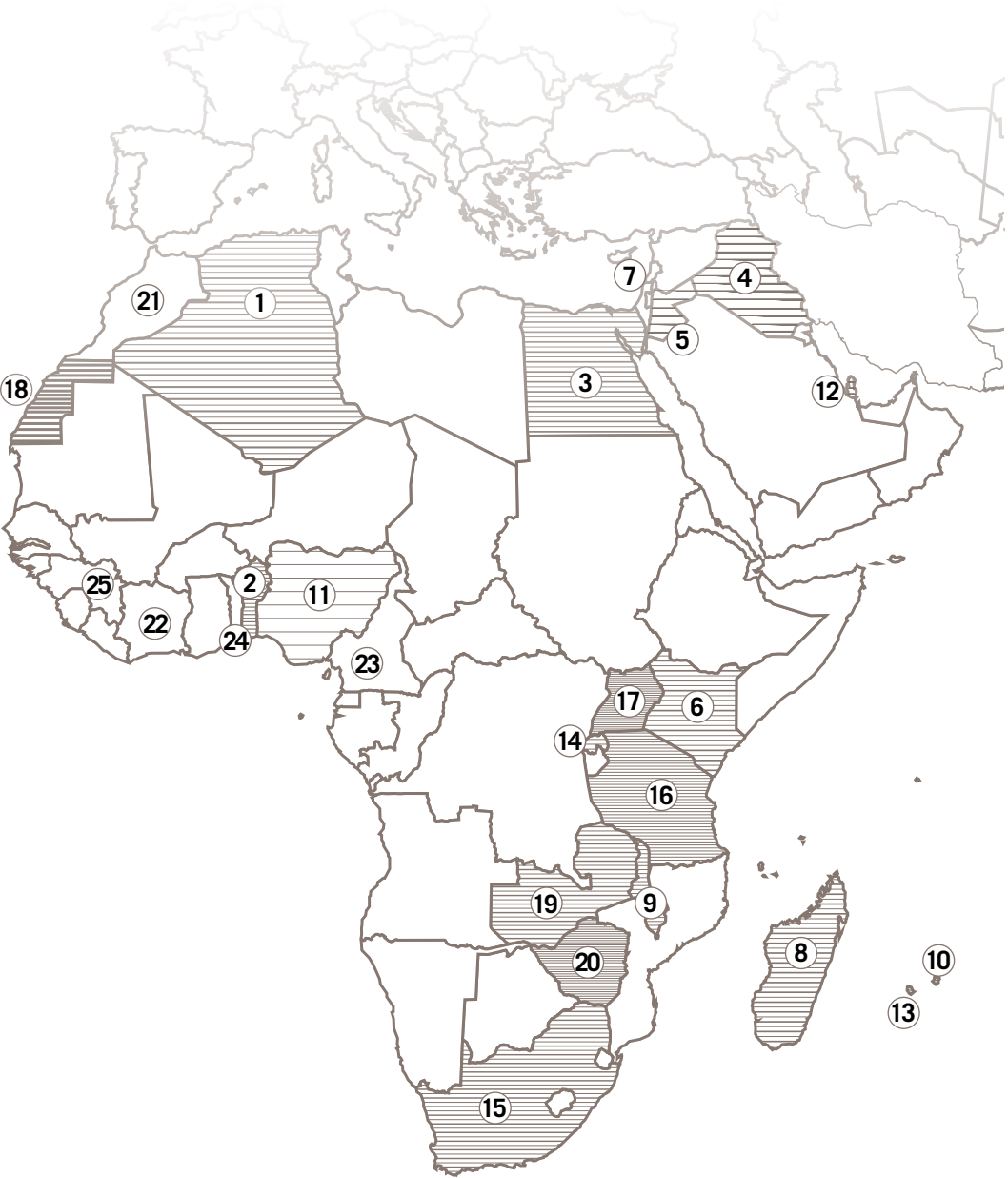
TOTAL 72.8



# MIDDLE EAST & AFRICAN PRESENCE

LafargeHolcim has a large portfolio of facilities across Africa and the Middle East, which includes the following countries:

- ① Algeria
- ② Benin
- ③ Egypt
- ④ Iraq
- ⑤ Jordan
- ⑥ Kenya
- ⑦ Lebanon
- ⑧ Madagascar
- ⑨ Malawi
- ⑩ Mauritius
- ⑪ Nigeria
- ⑫ Qatar
- ⑬ Réunion
- ⑭ Rwanda
- ⑮ South Africa
- ⑯ Tanzania
- ⑰ Uganda
- ⑱ Western Sahara
- ⑲ Zambia
- ⑳ Zimbabwe
- ㉑ Morocco (JV.)
- ㉒ Ivory Coast (JV.)
- ㉓ Cameroon (JV.)
- ㉔ Benin (JV.)
- ㉕ Guinea (JV.)



## LAFARGE ZAMBIA PLC MINUTES OF THE 26<sup>TH</sup> ANNUAL GENERAL MEETING HELD ON 29<sup>TH</sup> MARCH 2018 AT THE RADISSON BLU HOTEL, LUSAKA

### PRESENT:

Mr M Hantuba	Chairman
Mr V Bouckaert	CEO & Managing Director
Mr M Chibesakunda	Director
Mrs D Mulwila	Director
Mrs C Moloseni	CFO
Ms H K-Katongo	Company Secretary
Members	As attached
Proxies	As attached

### 1. WELCOME REMARKS AND CONSTITUTION OF MEETING

1.1 The Chairman welcomed all shareholders and directors present and called the meeting to order. Upon confirmation of the quorum by the Company Secretary, the Chairman declared the meeting open at 09:10 hours.

1.2 Safety briefing was given by a representative of the Radisson Blu Hotel.

1.3 Apologies and Proxies

i. Apologies were received from two Directors: Mr Mark Odonnell and Mr Jose Cantillana.

ii. Proxies: A total of five (5) proxies was received

### 2. AGENDA AND NOTICE

2.1 The Agenda and Notice were noted as published and circulated in line with the requisite statutory period. The Agenda and Notice were subsequently adopted.

- Proposed: Mr Ernest Nyirenda
- Seconded: Ms Susan Banda

### 3. MINUTES OF THE 25<sup>TH</sup> ANNUAL GENERAL MEETING

3.1 Minutes were confirmed as the correct recording of the proceedings for the 25th Annual General Meeting of the Company subject to the following corrections:

- i. Spelling of names.
- ii. Inclusion of missing names of shareholders that were in attendance of the 25th Annual General Meeting, as per list circulated.

Resolution: By show of hands it was resolved that the minutes of the 25th Annual General Meeting be approved as corrected above.

- Proposed: Mr Muholi
- Seconded: Mr S Malama

### 4. MATTERS ARISING FROM THE MINUTES OF THE 25<sup>TH</sup> ANNUAL GENERAL MEETING

There were no matters arising from the minutes of the 25th Annual General Meeting.

### 5. ADOPTION OF THE ANNUAL REPORTS INCLUDING THE CHAIRMAN'S REVIEW, DIRECTOR'S REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017

5.1 The CEO and the CFO presented the operational and financial performance of the Company respectively, for the year ended 31st December 2017. Highlights included the following:

i. The CEO advised that the operating environment was challenging in 2017, particularly in the first half of the year characterized by low liquidity, high interest rates and high rain fall. However this improved in the second half of the year which was attributed to the rising commodity prices and decision by Bank of Zambia to lower the monetary policy rate that led to reduction in interest rates and improved liquidity.

ii. As regards Health and Safety, the CEO indicated that the Company recorded zero fatalities, both on site and off site in 2017.

iii. The CEO also acknowledged that 2017 was a competitive and challenging year for Lafarge. However he informed the meeting that we sustained a market share above 42% on the domestic market and that we continued to develop export market to optimise our assets.

iv. The CEO explained the company's market strategy to include a differentiation of our product primarily under Binastore whose goal is to have more than 200 stores by 2021. The other initiative was to continue with the roll out of franchise "SupaBlock" and improve the quality of blocks made by block makers as the construction sector is growing.

v. Lafarge also has a strategy to create shared value with the society which the CEO explained included supporting the Lafarge Lusaka Marathon that aims to promote health and wellness attracting more than 2,500 participants in 2017. The Company also focused on health, improving education infrastructure, implementing health programs.

vi. The CEO closed by stating that the Company was optimistic that the economic stability and the focus on infrastructure development by the Government are likely to enhance performance in the construction sector.

vii. The CFO gave key financial highlights and informed the meeting that the Net Sales in the year 2017 grew while price increased by 5 % and we saw a 27% growth in the revenue. However aggregates dropped by K1m and 2017 saw an increase in financial costs thereby affecting the profits of that year.

viii. The CFO further explained that the 2017 EDITDA stood at K157,013, 000 while in 2016 it was K115, 222,000 and that the proposed dividend per share in 2017 was K0.25. She added that 2017 saw an increase in expenditure which was inter alia attributed to the cost of electricity and fuel.

ix. Mr. Norbet Mfuni asked about Lafarge's action plan as regards the new entrant on the market in 2018, to which the CEO responded by acknowledging that the new entrant will have 1 million ton capacity and was expected to open within 6 months adding that Lafarge started well in advance to prepare for the same. The CEO further advised that Lafarge's strategy is a long term one and involves growing the local market as well as increasing exports.

x. Mr Kakubo inquired on the details of the impairment charges that were incurred prior to 2017, as well as management costs. The CFO explained that these costs were in relation to feasibility studies for the proposed expansion project in Chilanga which was subsequently cancelled owing to changes in market fundamentals. The CFO further explained that management costs were in relation to Group intellectual property rights and related technical services.

xi. Mr. K Chanda made an inquiry on how much sales have been increased as a result of Binastore and the CEO explained that currently the sales are not too high as the target is long term.

xii. Mr. Buku asked whether Lafarge reflects the genuine value of shares. Mr Kutawa Chamunda, a capital markets specialist, explained that Lafarge reflects the true value of Shares and that at the time the share value was high there were different factors at play and that there was less competition for Lafarge.

xiii. Mr. Frank Munthali inquired about whether the CEO and CFO being part of the Audit and Risk Committee was in line with corporate governance. The Chair responded that the Audit and Risk Committee is chaired by an independent director, Mr. Mark O'Donnell and that the CEO and CFO attend Committee meetings to answer questions raised by the Committee, and therefore not in breach of any corporate governance guidelines.

xiv. Mr Munthali further questioned whether the tenure of non-executive directors was ideal. The Company Secretary advised that neither the LuSE corporate governance code nor the company Articles of Association currently provide any restriction in this regard.

xv. Some shareholders inquired about the impact of the

Competition and Consumer Protection Commission ("CCPC") fine on the company financial performance. The Company Secretary advised that in December 2017 Lafarge received a decision by the CCPC Board to fine Lafarge for alleged anticompetitive behaviour. She added that the Company's position is that it has operated within the provisions of the law and has in this regard appealed against the entire decision of the CCPC.

xvi. Mr Songolo further asked about the errors highlighted on page 84 of the 2017 report and why they were not detected by the audit committee. He also stated that it could be argued that these huge errors on the financial statement did not truly reflect the financial position of the Company. The CFO explained that the errors where as a result of differences in interpreting the IFRS.

5.2 The Annual Report and Financial Statement for the year ended 31st December 2017, including the Chairman's Review, Directors' Report and Report of the Auditor having been circulated earlier were accordingly adopted.

Resolution: By show of hands it was resolved that the Annual Report and Financial Statements for the year ended 31st December 2017, including the Chairman's Review , Directors' Report and Report of the Auditor, be adopted.

• Proposed	Mr Daka
• Seconded	Mr A Somanji

## 6. DECLARATION OF DIVIDEND

6.1 The Directors' recommendation for the final dividend for the year ended 31st December 2017 was presented to the Members.

Resolution: By show of hands it was resolved that the final dividend proposed by the directors of K0.25 per share be approved.

• Proposed	Mr. E Yuku
• Seconded	Mr. J Mwenda

6.2 The Chairman urged Members to ensure that they updated their details with the Company Secretary or the Transfer Secretary to avoid any dividend payment issues.

## 7. REMUNERATION OF DIRECTORS

7.1 Members received a proposal from Management for Directors fees for the year 2018 to be the same as the fees in 2017.

Resolution: By show of hands it was resolved that Directors fees for the year ending 31st December 2018 be maintained at those in 2017.

• Proposed	Mr. Samson
• Seconded	Mr. G Mwamba

**8. APPOINTMENT AND REMUNERATION OF THE AUDITOR**

8.1 Auditors fees for Deloitte for the year 2017 were approved.

Resolution: By show of hands it was resolved that Auditors fees for the year 2017 be approved.

- Proposed            Mr. J Bambara
- Seconded          Mr. L Chishimba

**9. ELECTION OF DIRECTORS**

9.1 In accordance with Article 73(B) of the Articles of Association Mr. Mark Odonell and Mr. Munakupya Hantumba were accordingly re-appointed as directors.

9.2 The resignation of the CFO, Ms Chrissie Moloseni, effective from the date of this meeting, who had been appointed into another Group position, was noted.

9.3 The resignation from the Board of the Area Manager, Mr Jose Cantillana, effective from the date of this meeting, was also noted following his departure from the LafargeHolcim Group.

**10. ANY OTHER BUSINESS**

10.1 Some shareholders advised that Lafarge should consider buying cheaper semi processed coal.

10.2 An inquiry was raised about some media reports regarding the Health Professional Council of Zambia ("HPCZ") fining Lafarge for alleged breaches made by its Ndola Clinic. The Company secretary explained that these reports were being investigated and that HPCZ had been engaged for a quick resolution of the matter.

10.3 Some shareholders thanked the Company for the e-notifications for company meetings.

There being no other business, the Chairman declared the meeting closed at 11:20 Hrs.

**BOARD CHAIRMAN**

Signed: .....

Date: .....

**COMPANY SECRETARY**

Signed: .....

Date: .....

## SHAREHOLDERS ATTENDANCE REGISTER

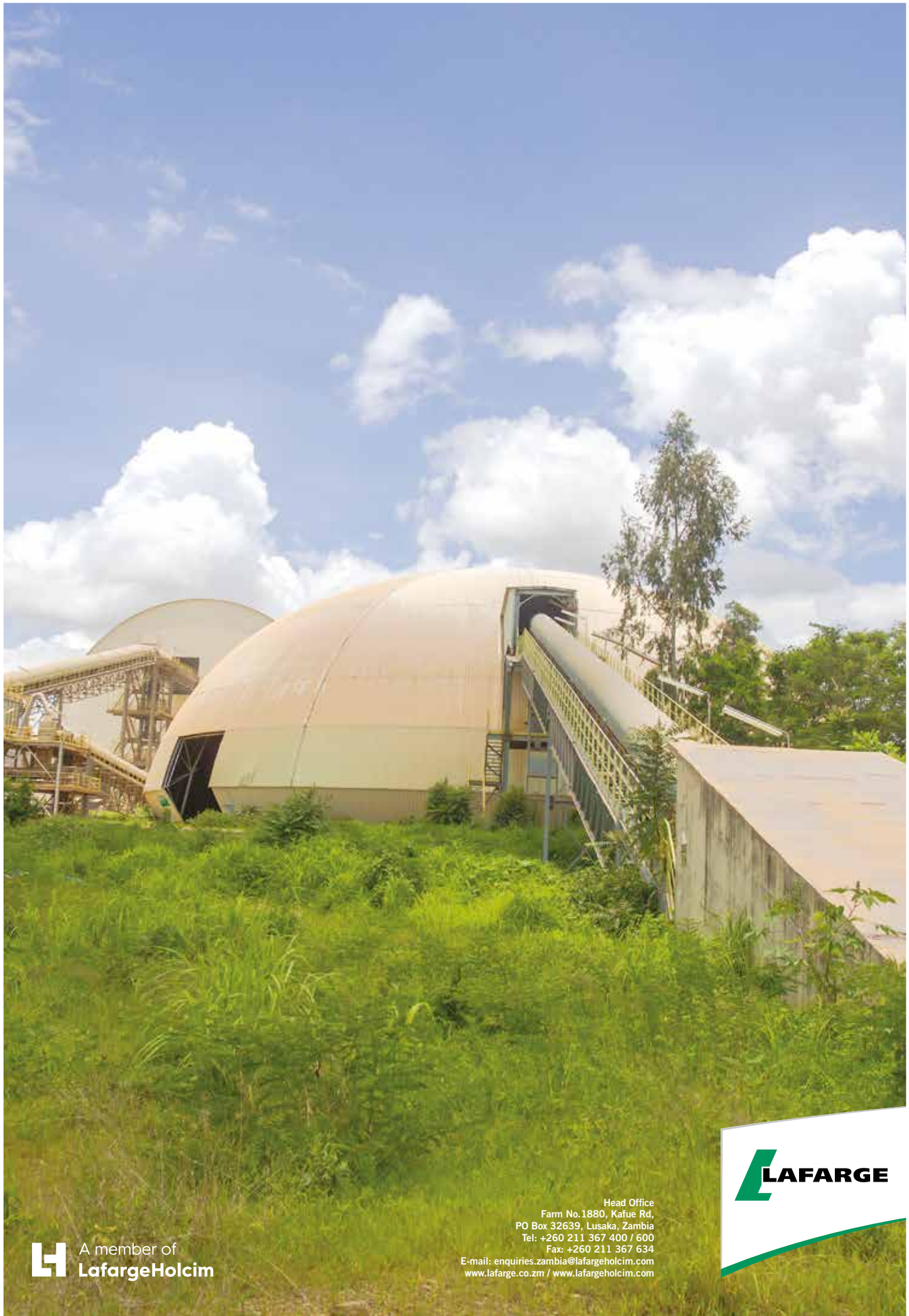
NAME IN FULL	No. of shares	NAME IN FULL	No. of shares
A Chisha	-	Divison C Ngosa	1000
Albert Somanje	10000	Dr. M.P Garg	70
Albert Yabuka	1000	Dr. Mulwila	19 000
Allan Mapoma	2002	E. Nsulube	2000
Aloysius Banda	1000	Edgar Chishimba	2000
Anael Mutanda	1100	Edson K Malama	-
Anna M Mubukwanu	32 117	Edward Yuku	1000
Anne S Mtonga	-	Edwin W.M Daka	1135
Baron M Mwape	31	Elias Nambwaya	-
B K Besa	1000	Elida Nyirongo	-
B M Mumba	-	Elina Phiri	2000
B. Katanga	-	Enid P Chilala	300
Billy Chola	-	Ernest G.K Nyirenda	1073
Boyd Tembo	10000	Eugene Chungu	-
Bwalya Mwamba	-	Eugene L Muyangana	3500
C. G Shapi	2000	Evelyne Nambeye	283
Cathleen C. Sosopi	-	Ezron Yosa	40
Cecilia Sichambwali (Proxy)	-	Faston Mtambo	2000
Chama Gilbert	5	Felicia Jovy Muludyanga	3000
Chanda Mutoni	-	Fred Simwamba	-
Chanzi Nambo	-	G. Ndhlovu	-
Charles Sakala	1559	Gaston Nkhoma	1292
Chawe Numbe	-	George Chiyabi	1000
Chewe. J.M Sekele	4000	Griffin Nyirongo	7000
Chibiya K Kennedy	103	Harridon Kasumsa	1000
Chibwe Kabene	-	Hebert Musanje	2000
Chipa Chipota	-	Henry C Nondo	-
Chipeta B Adams	1000	Henry K Chisha	2000
Chipilipili Sinyangwe	-	Herman Kambo	-
Clauers Sekesai	430	Ignatius Chisanga	1209
Daniel Sikalundu	66	Jack Kalumba	1000
Danis Mwaandu	1000	John Kampamba	1 221
Diblo	-	John Mulwila	-



Jonathan Chisenga	62	Muke Wana	160
Jonathan Imakando	-	Mukupi Namba (Proxy)	-
Josephine Katongo	1000	Mulambya Edwin (proxy)	-
Josephine K S Chisha	50	Mulenga Kameta	-
Juliana K Muludyana	2000	Mumba M	100
K. Mate	-	Muna Hantuba	-
Kabukabu Shapa	-	Musa Imakando	-
Kabungo Chishimba	-	Musanje A.M	1000
Kamwi Lindani (Proxy)	-	Mwango Micheal	1000
Kangwa Mutimusiti	3000	Nalwimba Natasha	1000
Kaziwe Kaulule	-	Ngonya Hamalambo	138
Kelvin Kaonga	-	Nkhoma Matthews	-
Kennedy Kaela	-	Nsama M .C (Proxy)	-
Kerry J Kangwa	1000	Oliver Chibomba	1500
Kondwani H Sakala	-	P Musonda	-
Kondwani Sakala NAPSA (Proxy)	10183898	P.G Muhone	1500
L.D Chishimba	-	Patel Kantibhai	2000
Laston Chanda	-	Patricia Winnie Simapumbu	1000
Leonard Nabwalya	-	Protasio Mulinda	1000
Liak Siame	1200	Prudence Ngosa	-
Liseli M Simasiku	-	Richard Kabwe	328
Lukwesa Zebedy	5	Rose P Chisha	143
M.B.M Mwango	-	Sara K. Mfula	4000
Machael Elias Zimba	1001	Situmbeko C Mubano	1420
Madaliso Jamper	-	Selina N Mwale	1000
Madison Pension Trust Fund	1000	Silwimba Ackim	1000
Maria Langa Phiri	1000	Simon Chiputa	200
Martha Mulenga	1000	Sitali Muugala (SEC)	-
Martha Simukonda	668	Stanislaus N. Nyoni	1100
Matipa Jane	327	Stanley Mtonga	1023
Matthew K Hara	-	Stephen Chikonde Kabonga	2241
Maybin Tembo	10 000	Tamara Muhone	8000
Mayoba Mushalwayo	-	Thecra Milambo	-
Mbumwae Silumesi	745	Veronica Kangwa	32
Mcgerald Mvula	-	Victor Chewes	-
Meya Mulongoti	-	Vincent Kalaba	1500
Micheal Ndhlovu	-	Violet Chongo	-
Micheal Nguluba	1039	Vvien Witika	-
Mr. Thomas Zulu	899	Webson C Mumba	-
Mrs Mercy Siame	-	Wezi M Phiri	503
Mrs P.F.B Muhone	-	Zulu Yorum	35
Mrs. F.S Zimba	962	Felicia Jovy Muludyanga	3000







 A member of  
**LafargeHolcim**

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 **LAFARGE**