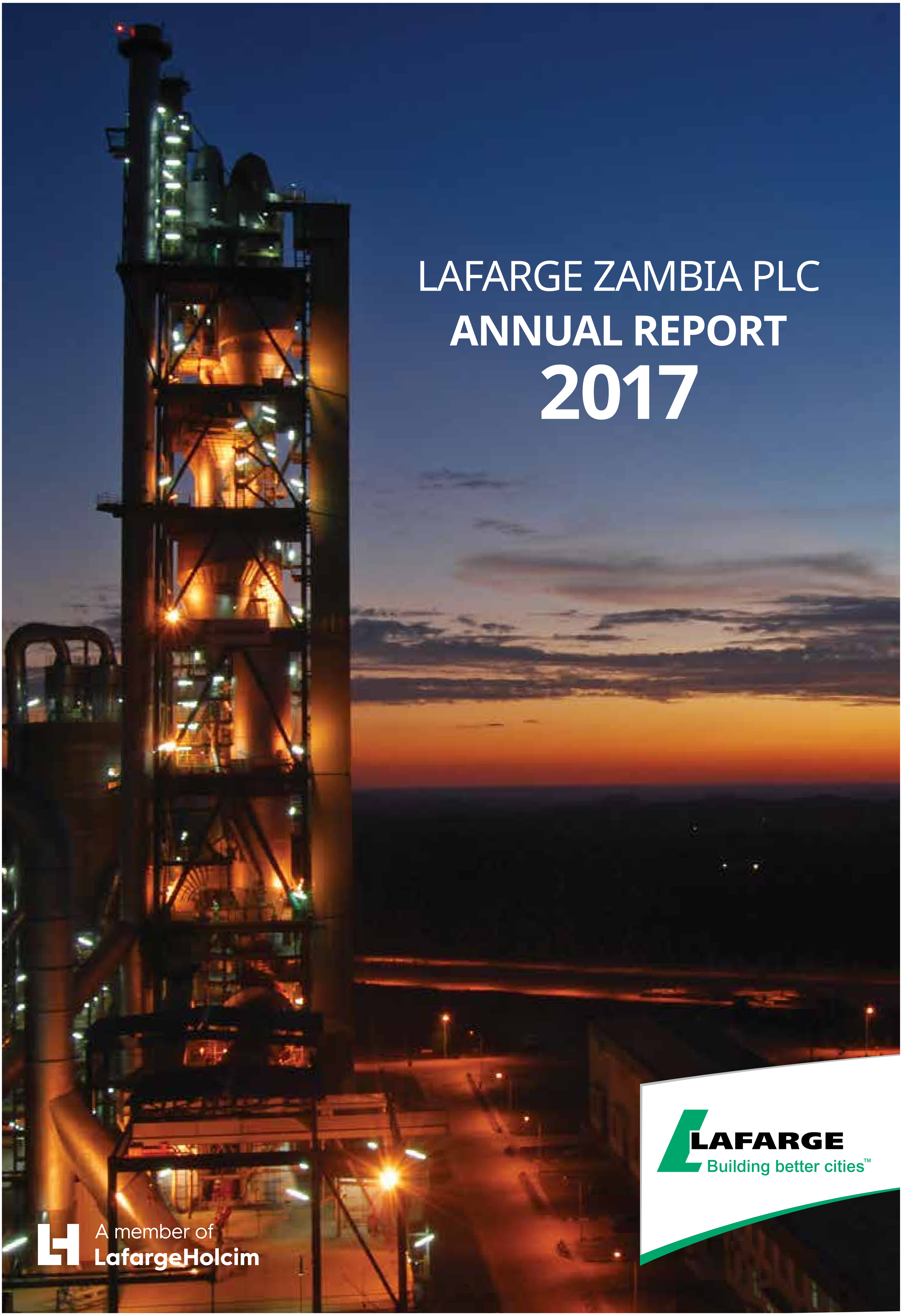

LAFARGE ZAMBIA PLC

ANNUAL REPORT 2017

LAFARGE
Building better cities™

A member of LafargeHolcim

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1. LAFARGE ZAMBIA AT A GLANCE

2017 A YEAR OF UPWARD TRENDS

The following critical success areas have all improved on the figures from the 2016 financial year.

13,3% ↑	6,7% ↑	7% ↑	4,9% ↑
Turnover	Cement Production	Cement Sales	Aggregates Sales

6 Year Export Volume Record

358,000 tonnes of cement and clinker

INNOVATIVE PRODUCT & SERVICE LAUNCHED IN 2017

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

6,336

Man-hours spent in training

HEALTH&SAFETY MATTERS MOST

0

FATALITIES

at our plants and on the roads

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

80

COUNTRIES

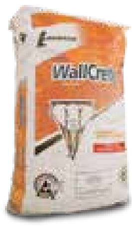
at 2300 sites

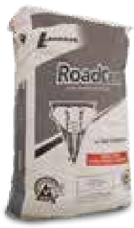
with 81,000 employees

QUALITY PRODUCTS FOR ANY APPLICATION


BUILDING


BLOCKMAKING


PLASTERING


ROADS


INFRASTRUCTURE


MINING

BINASTORE IS RAPIDLY EXPANDING

Binastore, the new Lafarge Zambia retail innovation, has been opening all across the country 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.

28 Container Stores

13 Affiliation Stores

MAJOR INFRASTRUCTURE PROJECTS

These prestigious infrastructure projects are all supplied by Lafarge Zambia.


Kafue Gorge Hydro project


Kenneth Kaunda International Airport project

Shimabala Toll Gate

2. YEAR IN REVIEW

CHAIRMAN'S REVIEW

I am pleased to present the 2017 Lafarge Zambia results on behalf of the Board of Directors. Lafarge Zambia continues to demonstrate resilience in operational and financial performance despite the economic difficulties and competitive environment. This performance has been made possible through the hard work, dedication and commitment of our employees and contractors.

2017 was yet again characterized by a challenging operating environment, particularly in the first half of the year due to several factors including low liquidity, high interest rates and high rain fall. The second half of 2017 saw a slight improvement in the Country's economy, following the rising commodity prices and decision of the central bank to lower the monetary policy rate which led to the improvement in liquidity in the economy. The cost of production however remained high as the full effects of the increases in power tariff and fuel costs took its toll. Overall the Gross Domestic Product (GDP) growth rate of 3.2% for the year slowed down compared to 2016. In spite of the slow growth in the economy, the domestic market improved in the second half of the year following the improvement in the liquidity leading to a domestic market growth of 12% compared to 2016. The foreign markets, specifically Democratic Republic of Congo, continued to record low construction activity owing to the political uncertainty in that country.

Although the operating environment remained challenging, the Company managed to turn out a resilient performance and recorded a profit after tax of K19m.

This financial performance means that the basic and diluted earnings per share for the year were 77% lower compared to 2016, at K0.09 per share. The Directors were however able to recommend that a dividend of K0.25 per share be declared for the year ending 31 December 2017. The Company's share price remained stable during the year.

Good corporate governance driven by attributes of good corporate citizenship, transparency and integrity remain key to the Company. The Company's sustainability strategy which is driven by the vision of transformation in creating shared value with society implemented a strategy aimed at contributing to the attainment of the 2030 social contract plan with society. This is being realized by capitalizing on LafargeHolcim's worldwide presence to provide solutions towards meeting these social, environmental and stakeholder challenges.

The Company has translated this vision into tangible measurable commitments in four different fields of action namely circular economy, climate, water & nature, people & communities. These four fields are pivotal in achieving a major objective of ensuring a more sustainable construction sector in the country. The major activities undertaken during the period include the sponsorship of the Lafarge Lusaka Marathon attracting more than 2500 participants across the globe, an event focused on promoting Health and Safety, wellness and social cohesion as well as raising funds for those institutions supporting the needy, which the Lafarge Foundation has been working with. Support continued to be given to education, environment, and rehabilitation projects in collaboration with the communities to leverage maximum benefits.

The Company's focus in 2018 and beyond is to accelerate its commercial innovations that will continue to differentiate the Company in the building and construction sector whilst maximizing value to its stakeholders.

I would like to take this opportunity to thank the shareholders for your continued support in 2017. I would also like to thank the Board members for their dedication and wise counsel and the management team for their leadership and oversight of Lafarge Zambia. I would also like to express gratitude to our employees for their continued commitment to deliver to our customers in the domestic market and within the region. To our customers we remain committed to innovate and succeed in growing their business and meeting the demands for the construction projects in the ensuing year and beyond.

MUNA HANTUBA
Non-Executive Chairman
9 March 2018

CHIEF EXECUTIVE OFFICER'S LETTER

The Company continued to demonstrate a highly resilient performance in 2017 as we strived to be a market leader in the building material and construction sector. We are committed to differentiating ourselves by being a construction solutions provider to end users. The operating environment was characterized by adverse economic conditions ranging from tight liquidity to competitive pressure on the domestic market. However the Company turned out a resilient performance despite these challenges in the operating environment. The company recorded a number of improvements in the commercial and financial performance. The Company focused on developing its new retail channel, securing and supplying key projects as well as developing new export markets.

Health and Safety

The Company's objective of *zero harm* on-the road and on-site, continues to be our true reflection of our commitment to health and safety in all our operations. With our strong focus on implementing health and safety best practices and procedures, we proactively worked with various stakeholders such as regulators and transporters, focusing on more sustainable programs to improve road safety particularly on driver behavior including journey and fatigue management.

For this reason, the Company held the second Transporters Road Safety summit which attracted more than 70 transporters under the theme "Building Autonomous Transporters". In addition, we have included road safety as a key element of our sustainability strategy to ensure visible leadership, and personal accountability in minimizing occupational health risks among our stakeholders. The Company did not record any fatality during the period under review, a major improvement compared to prior year.

Operating Performance

Domestic market started very low in 2017 but picked up in the second half of the year, driven by the improvement of liquidity in the market. Domestic market is estimated at 1.6 million tonnes of cement representing an average growth of 12% compared to 2016. Lafarge Zambia continues to supply major markets, growing its retail channel and expanding its export market. The growth in export sales mitigated some of the impact of low sales in domestic sales in the second half.

The Company's turnover was K1, 008 million, 13% higher compared to K889 million in 2016. The Company's Gross Profit rose by 6% to K481 million despite the high production costs driven by high power and fuel increases. Power tariffs were increased by 75% in 2017. The plants' strong cost management initiatives mitigated the impact of higher production cost as a result of the rise in power costs. However in spite the improvement in the Gross Profit, the profit after tax declined to K19 million largely due to high distribution costs following the increase in fuel cost, the impairment of Chilanga 3 project which was discontinued and one off restructuring costs contributing to the decline of the profits for 2017.

The Company's financial structure remained strong without any debt at the end of the year.

Commercial Transformation

The Company continued to focus intensively on commercial transformation and sustainability for continued growth. The roll out of the Company's retail channel network, Binastore, launched in 2017 was accelerated during the period with a view to enhance value for our customers. The Company also partnered with block makers to make Lafarge certified concrete hollow blocks that conformed to the set standards by the Zambia Bureau of Standards (ZABS) ZS007. The Lafarge Home Builders Centre was another customer focused initiative designed to assist end users with architectural drawings, material and structure estimates, best practices for construction, procurement of quality building materials and home loans through Lafarge's partnered financial institutions. These initiatives all led to improved sales volume performance for the year, compared to 2016, despite adverse weather conditions and low liquidity impacting sales volume growth in the first half of the year.

Furthermore, the creation of a Geocycle function in the Company, enabling the Company to use alternative raw materials and fuels in cement manufacturing, is expected to optimize production costs as well as improve the environmental management in our country.

Looking ahead, we remain committed to delivering our 2018 targets and we are confident that our stakeholders will benefit from the platform we have put in place to drive growth and create value for our shareholders. We will keep leveraging our global capabilities and continuously improve the quality and accessibility of our products and services to our customers.

I would like to thank our employees, for their passion and commitment to our customers, and for enhancing the quality, affordability and accessibility of our products. I commend them for their hard work and disciplined alignment behind our strategy, always doing their best to put our customers first, often providing additional effort and time in serving their communities.

I would like to thank the Board of Lafarge Zambia Plc. for their continued guidance and leadership. I am also grateful for the support from our shareholders.

VINCENT BOUCKAERT
Chief Executive Officer
9 March 2018

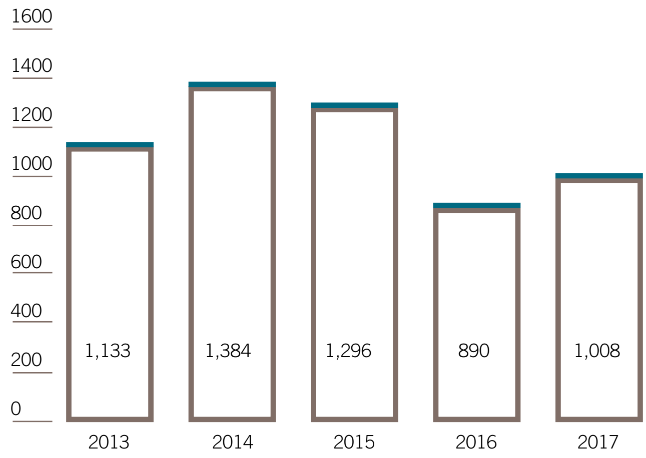
3. FINANCIAL HIGHLIGHTS 2017

KEY FIGURES

	2017
K (Million)	
Turnover	1,008
Profit After Tax	19
Long Term Debt	0
Kwacha	
Earnings Per Share	0.09
Dividends Per Share	0.25

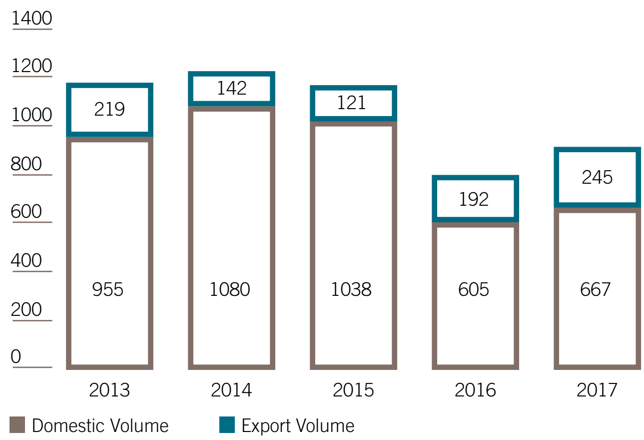
SALES TURNOVER

K (Million)



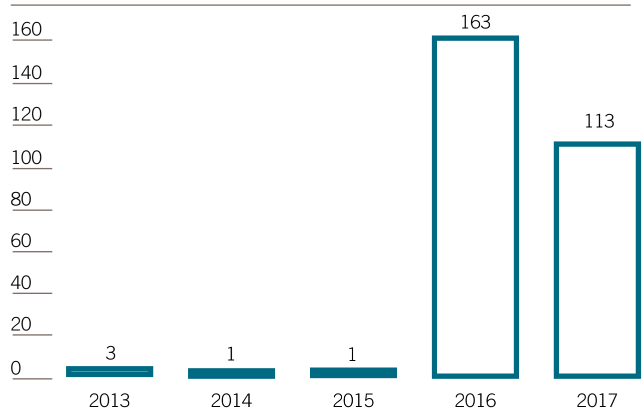
CEMENT SALES

Tonnes (Thousand)



CLINKER EXPORT SALES

Tonnes (Thousand)



4. ABOUT LAFARGE ZAMBIA

4.1 OUR TIMELINE JOURNEY

AN OVERVIEW OF THE MAJOR MILESTONES IN OUR HISTORY

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

Two more cement brands are launched: RoadCem for road construction and WallCrete for masonry applications.
Lafarge Zambia's first concrete laboratory is commissioned.
Achievement of the Lusaka Stock Exchange Free Float Compliance Programme.
Name change to Lafarge Zambia Plc

2015

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

2016

Kumanga Franchise launched, allowing customers to be sole distributors of Lafarge Zambia Product.
Ndola Plug and Grid plant installed.

2017

Kumanga Franchise's name changes to Binastore: a Middle East and Africa based, building materials franchise chain.


LAFARGE

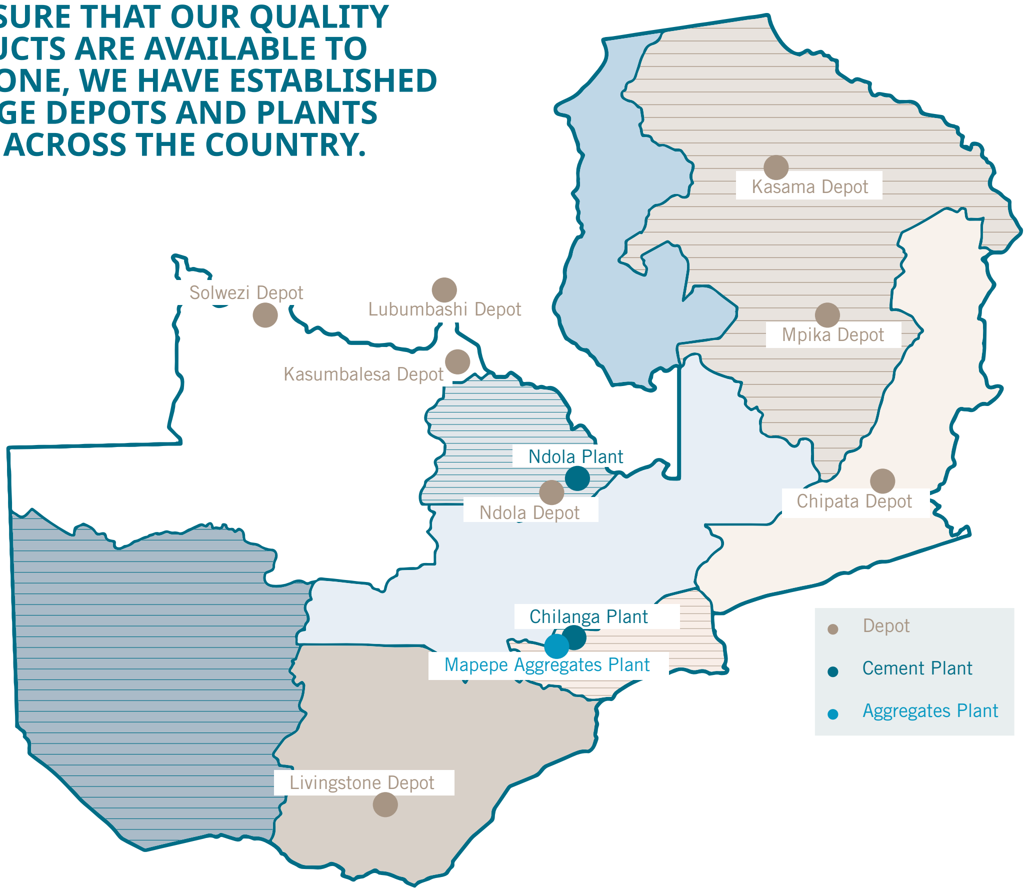
4.2 OUR OPERATIONS

AFTER MORE THAN 68 YEARS OF SUPPLYING THE BEST QUALITY CEMENT TO THE PEOPLE OF ZAMBIA, LAFARGE CEMENT IS CONSIDERED THE SUPPLIER OF CHOICE FOR MAIN CONSTRUCTION PROJECTS IN ZAMBIA AND THE REGION.

- 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.
- Widest product range on the market.
- Mapepe Aggregates Plant with a capacity of 600,000 tonnes high quality aggregates per annum, and the only supplier of washed aggregates in the country.

4.3 OUR PLANTS & DEPOTS

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



5. A CULTURE OF CONTINUOUS INNOVATION

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, inspired by present and future customer demands, and informed through customer research, is the essence of our company culture. Innovation has become who we are, and not just something we do, because it is the only way to create superior value for our customers and drive profitable growth across our company.

Here's how we apply innovation for the benefit of our customers, our communities and our country:

LafargeHolcim has the largest Research & Development lab for building materials in the world, to ensure that we deliver best in class, new and innovative solutions. Solutions that are integrated and not only perform better than that of the competition, but also provide outstanding value.

We have an extensive innovation pipeline, and are 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 percent of our volumes, a critical additional differentiating factor is our ability to promote innovative retail models such as Binastore, 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, 2017 saw us introducing a host of new solutions to our customer segments, including solutions as wide-ranging and diverse as:

* Binastore, our new one-stop building materials shop in the retail space.
* A new Home Builder Centre
* Supablock, a concrete block that end users can trust for quality, strength and consistent sizing.

6. 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, which includes:

- **Achieve operational excellence through continuous improvement.**
- **Be the preferred partner for building and infrastructure.**
- **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, recognized as the partner of choice in construction, whether for an individual home builder, a commercial building or a national infrastructure project. We use our scale and expertise to continue to innovate, co-creating solutions with our customers and nurturing long-term relationships.

6.1 PRODUCTS AND SERVICES DELIVERING A BETTER FUTURE

WE ARE COMMITTED TO BUILDING A BETTER FUTURE FOR OUR PEOPLE THROUGH THE DEVELOPMENT OF INNOVATIVE PRODUCTS AND SERVICES.

Through continuous market research and dialogue with our customers, we established three areas where a lack of sufficient service and products were in fact 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:** Amongst 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.

- **SKILLS GAP:** Lafarge Zambia noticed a gap in the market between students studying in construction and the practical skills in the building industry. In order to build better, they needed more practical and in-depth training.

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.

SUPABLOCK
a block you can trust!

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.

LAFARGE HOME BUILDER CENTER

zambia national building society
"Shelter through savings"

BancABC
part of
atlasmara

EFC
Entrepreneurs Financial Centre

THE PARTNERSHIP THAT FULLY ELIMINATES THE EXPERTISE GAP AMONGST INDIVIDUAL HOME BUILDERS.

The Lafarge Home Builder Centre was introduced in July 2017 and is located at Twin Palm 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**.

IMPROVING THE WAY BUILDERS BUILD BY BRIDGING THE SKILLS GAP.

Lafarge Zambia is committed to providing the necessary guidance and support needed to improve the building skills of builders that has signed up at the Lafarge Builders Club. It is our vision to complement our partner construction schools in the development of competent, highly skilled and ethical builders who will contribute positively to the growth of the industry, and the country.

In November 2017, the Lafarge Builders Club was launched, providing its members - which includes builder students - with opportunities to network with players in the industry and develop specific skills in construction. The Club also gives students more training with Lafarge Zambia cement and aggregates products.

As an extension of this commitment, Lafarge Zambia partnered with World Skills Zambia for the World Skills Day held in March 2017, donating concrete blocks, cement, aggregates, brick force wire and other materials for the purpose of training on the day.

Lafarge Timange Ma Bondi

BECAUSE BUILDING BETTER CITIES STARTS WITH HELPING FAMILIES BUILD BETTER HOMES.

According to Zambia 2030, it is estimated that there are more than one million Zambian families in need of a home annually, and the rate at which new houses are being constructed is too low to cover this deficit. Therefore Lafarge Zambia continues to work with stakeholders to help reduce the deficit through various strategies, including the introduction of innovative products and services through the growing retail chain Binastore, as well as with affordable housing technologies.

As a further contribution to the vision of allowing every Zambian family to realize the dream of owning their own home, Lafarge Zambia launched the Timange Ma Bondi, 'Let's build Houses' in-store promotion in January 2017, aimed at introducing everyone to the possibility of a home building project.

In June of 2017, four winners were selected from all the participating customers in stores across the country. These four winners each won a prize that would make their dreams of owning their own home come true: a complete homebuilder package worth just under K1 million, including a plot of land, a house design, a bill of quantities and 100 bags of Lafarge cement.

A very excited and lucky group of winners, including Andrew Milambo and Hildah Kazela of Lusaka, Willard Bulaya of Solwezi and Olande Phiri of Ndola, received warm congratulations from Lafarge Zambia's CEO, Vincent Bouckaert, at the official handover ceremony at Lafarge Zambia's head office in June 2017.

6.2 SERVING BUILDING NEEDS

THROUGH AN EXTENSIVE NETWORK OF BINASTORE FRANCHISEES AS WELL AS OUR AFFILIATION NETWORK, LAFARGE ZAMBIA CONTINUES TO PUSH THE BOUNDARIES OF WHAT IT MEANS TO TRULY SERVE THE BUILDING NEEDS OF OUR INDIVIDUAL AS WELL AS OUR RETAIL CUSTOMERS.

binastore

BINASTORE: A GLOBAL BUILDING SUPPLIES FRANCHISE

Binastore, formerly known as Kumanga a local franchise, is the global LafargeHolcim Middle East & Africa (MEA) retail network that aims to bring world-class building materials to more people across Zambia.

Binastore Zambia has two main objectives to serve the building community in Zambia with:

- Convenient and easy access to building materials. This will require Binastores opening across the country, so that the public will eventually come to see Binastore as their 'just around the corner' building materials store.
- Quality building materials that delivers outstanding results, and building equipment that lasts.

This service innovation will not only change the way that building supplies are purchased, but will also change the economic landscape of Zambia, as entrepreneurs will now have a much easier way to realize their dreams of owning a business of their own through the various ownership schemes offered by Binastore.

Binastore offers two different business models:

- Affiliation stores, which are the larger brick and mortar stores. These stores stock a wide variety of building materials and equipment.
- Container stores that stock the basic building material essentials that typically run out on site very quickly.

The migration process from Kumanga to Binastore, including new training as well as the rebranding of the existing Kumanga stores, are now complete and all stores are now operating as Binastores.

There are currently more than **28 container** and **13 affiliate stores** in the Binastore network, and the number is continuously increasing. The goal for 2021 is to open up a total of 200 stores and in the process, also help to create an additional 400 jobs.

6.3 A PREFERRED INFRASTRUCTURE PARTNER

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 projects in 2017:

- Kenneth Kaunda International Airport
- Simon Mwansa Kapwepwe International Airport
- Kafue Gorge Lower Hydro Project
- L400 Road Project
- Levy Mwanawasa Hospital
- Longacres Mall
- Chama-Lundazi-Chipata Transmission Line

We continue to contribute to the development of road infrastructure as we are the preferred supplier for the following roads:

- Lusaka 400 phase II
- Toll gates
- Mansa-Luwingu road
- Chirundu road
- Great East road (Petauke)

THE WIDEST RANGE OF CEMENT SOLUTIONS

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. It is as cost effective and technically suitable in manual block making operations as it is on major civil construction projects. That said, this product is a firm favourite of the individual homebuilder due to its exceptional workability, and quality reputation.

WALLCRETE 22,5X
Perfect plaster

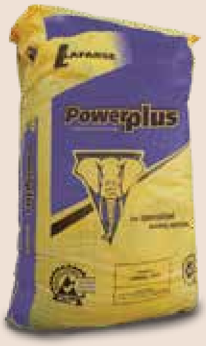
WallCrete's superior workability and normal 28 days strength development, makes it the ultimate solution for the quality demands of bricklaying and plasterwork. WallCrete's consistent quality and workable buttery mix guarantees less wastage during plastering, making it the ideal choice for block makers,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

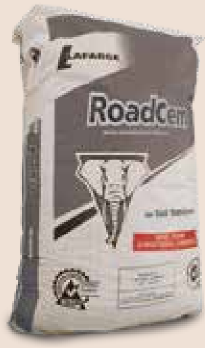
SUPASET 42,5R
Rapid strength

SupaSet is a rapid setting, early strength cement ideal for block making and concrete processes. Its fast drying rate contributes to the popularity of this product; its 2 day strength makes this product a firm favorite amongst block makers.

THE WIDEST RANGE OF CEMENT SOLUTIONS

WORLD CLASS AGGREGATES





POWERPLUS 42.5N
Special Projects

We provide solutions to meet the specific needs of each transport segment that engages in large infrastructure 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.

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 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

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

READYMIX PARTNERSHIPS

LAFARGE

Inside

The Lafarge seal of quality

LAFARGE INSIDE

Lafarge Zambia established key ready-mix partnerships in 2014, which continue to create value for our partners, customers and Lafarge Zambia. Most of these partnerships are visibly endorsed with the use of the Lafarge Inside logo.

Lafarge Inside is an innovative Industrial Partnership whereby Lafarge Zambia partners with suitable, innovative and creative firms to create world class value-added building products for customers.

Lafarge Zambia assures the quality of the products through a rigorous testing program at our state of the art concrete lab at Chilanga plant.

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

LAFARGE INSIDE & FLAMECRETE

The 'Lafarge Inside' partnership with Flame Construction has enabled the company to bring ready-mix to Zambia's southern regional market. 'Flamecrete' is produced in volumetric ready-mix trucks with LafargeHolcim quality products and technical back-up. Quality Assurance is an integral part of the Flamecrete/Lafarge Inside promise: this means that Lafarge Zambia may conduct quality spot checks at any time by collecting samples of the delivery at every pouring point. When choosing Flamecrete, Lafarge Zambia also offers customers an independent, free of charge cube testing service for every batch ordered.

7. A WORLD CLASS EMPLOYER

OUR PEOPLE ARE NOT JUST THE HEART OF THIS COMPANY, BUT THEY ARE ALSO THE KEY ENABLERS OF THE COMPANY STRATEGY AND VISION.

As part of the LafargeHolcim Group, we aspire to build and sustain a top quartile Learning Organisation by stretching our leaders and bringing them out of their comfort zone. We are a leader-led Learning Organization focused on achieving sustainable transfer of knowledge, skills, and behaviours.

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 organizational performance. We offer best practice learning experiences to be able to respond to our immediate and long-term business imperatives.

In 2017, Lafarge Zambia continued to invest in a wide range of people development and employee up-skilling interventions, in order to foster technical competency building at all levels within the business. The trainings covered both the technical and support functions.

A total number of 6,336 Man-Hours were spent on training in the year 2017.

7.1 TRAINING

TECHNICAL TRAINING

The Plant is the heart of our business and therefore Lafarge Zambia has a number of trainings aimed at the continual development of employees, to keep abreast with new industry trends. Due to the fact that the cement industry in Zambia is still growing, there aren't as much readily available talent, and therefore Lafarge Zambia continues to invest in a number of technical trainings to enhance the skills of existing employees.

Some of the trainings covered in 2017 included Kiln Mechanical Integrity as a Continuous Process Improvement (CPI), Refractory Training, Quarry Mining, Predictive Analysis, Planner Professionalize Training, Pyro & Gas Handling, Shutdown Management and Asset Codification Training.

The LafargeHolcim Learning model also has a focus on experiential learning, which emphasizes 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.

COMMERCIAL TRAINING

The training for the Commercial team focused on Commercial Transformation as a priority for LafargeHolcim in 2017. The Commercial Team undertook a series of assessments in January 2017, to measure their skills and behavioural competencies.

The immediate focus for the development plans was on leadership and coaching skills for managers, and hard skills through the sales academy, and soft skills through sales excellence for sales representatives.

In preparation for the roll out of the Group's Sales Academy in 2018, one of the Lafarge Zambia sales managers was selected to undergo a trainers training course as an in-house facilitator of the Group sales courses.

HEALTH & SAFETY AND ENVIRONMENT

Health & Safety remained LafargeHolcim's core value. The Health and Safety training included First Aid Training, Fire Fighting training and Defensive Driving. As part of our sustainable development ambition, Geo-cycle awareness training was conducted for all employees.

COMPLIANCE

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 developing and nurturing future leaders in order to sustain the business and achieve better business results. Hence Lafarge Zambia invested in training that was focused on leadership development with the objective of increasing productivity and improving decision making.

The LIFE Program which is aimed at enhancing leadership capability at supervisory level was launched in 2017. The program has three main pillars, which are Managing Self, Managing Others and Managing Results and is delivered through face to face training and coaching on the job, with agreed assignments and action plans for the trainees.

In 2016, Lafarge Zambia embarked on a transformation journey called RISE. The RISE initiative aims at promoting a performance based culture by demonstrating the behaviours of Resilience, Integrity, Safety and Engagement (RISE).

During 2017, LafargeHolcim introduced a cultural transformation initiative called ACE, which is an acronym for Agility & Simplicity, Collaboration & Trust and Empowerment, Accountability & Transparency. ACE focuses on developing behaviors that encourage new ways of working towards a new culture. ACE is about identifying the strengths that will support the business to move towards the company vision (Building Better Cities), then using the right tools to become stronger and make faster and better decisions through demonstrating the right behaviours.

Technical

57%

Health & Safety / Environment

27%

Management Skills

14%

Anti-Corruption

3%

Lafarge Zambia – A representation of the categories of training invested in 2017

7.2 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.

An intervention to this challenge is 'Step Up', which is a Graduate Trainee Program for the Lafarge Middle East and Africa region. It is designed to give a 'Strong Start' to LafargeHolcim careers, allowing us to develop regional talent from day one, demonstrating our long-term commitment to the Middle East and Africa.

The Graduate Development Program gives 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.

Lafarge Zambia recognises the need to contribute to the development of manpower in the country. The Company further recognizes its role as a responsible corporate citizen in providing 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.

8. SUSTAINABLE DEVELOPMENT

CREATING SHARED VALUE WITH SOCIETY

Lafarge Zambia's sustainable operations continue to receive wide recognition, as indicated from the awards received:

- **First Prize in the category of Best Exhibitor Exports - 53rd Zambia International Trade Fair 2017**
- **Second Prize in the category of Best Exhibitor Manufacturing and Value Addition - 53rd Zambia International Trade Fair 2017**
- **Second Runner up - LuSE Corporate Governance Award 2017 in the category of Dividend Paying Stock Award 2017.**
- **Exemplary Support to Zambia Chambers of Commerce and Industries 2017- ZACCI Awards 2017**

8.1 HEALTH AND SAFETY

The company recorded zero fatalities in 2017, either on the road or in any part of the Plants. To ensure that Safety remains a top priority, the Company set up 5 key focus areas at the beginning of 2017:

HEALTH

Focusing on reducing respirable dust in Packing Plants to less than 5mg/m^3 and launching Employee/Contractor Wellness Programs. As a result of the initiative, we saw tremendous improvement in housekeeping and Local Exhaust Ventilations Systems. Equally, employee physical activities increased across the business.

The annual Lafarge Zambia Health & Safety Day, open to Lafarge Zambia employees and their families, was once again held at both Chilanga and Ndola, and included a host of activities to remind everyone present of the importance of staying healthy and staying safe.

Activities included:

- @Chilanga: An aerobics mania event, as well as a safety quiz, first aid demonstration, a road safety talk for the children, and a social football match between the Chilanga and Ndola Soccer teams.
- @Ndola: Fun run & aerobics session at Kafubu Mal, where more than 200 people participated.

MEDICAL EMERGENCY RESPONSE

Lafarge Zambia signed an agreement with Specialty Emergency Services (SES) for the use of their Air Ambulance should the need arise to evacuate an employee/contractor to South Africa for specialized medical treatment. The company also trained 50 First Aiders and conducted drills both onsite and offsite to measure the effectiveness of the Medical Response System.

ROAD SAFETY

During 2017 the focus was on driver management and partnerships with transporters. The company sponsored 3 trainers from Zambian driving schools to attend a week long Smith-certified Train the Trainer training course in Malawi. Furthermore the company revised driver rest and off-duty hours to manage fatigue. The company hosted the Transporter Summit and also continued to collaborate with RTSA in co-sponsoring the National Road Safety Indaba.

SUPERVISOR DEVELOPMENT

Human Capital development was at the centre of our 2017 Health and Safety Improvement Plan (HSIP). Supervisors were placed on a five-month long LIFE journey to acquire further skills on the following:

1. Managing my self
2. Managing my team
3. Managing the business

FATALITY ELIMINATION CONTROL (FEC)

Having resolved the Work At Height (WAH) issue in 2016, the company decided to tackle electrical energy/isolation in 2017, focusing on the safety of electricians, fencing off Motor Control Centres, installing panic buttons in substations and installing fire detectors.

8.2 THE 2030 PLAN

The world's challenges, in terms of resources, nature and people, require a global and coordinated effort. This is why the LafargeHolcim Group has implemented a sustainability strategy aimed at contributing to the attainment of the 2030 plan by capitalizing on LafargeHolcim's worldwide presence to provide solutions towards meeting these social, environmental and stakeholder challenges, all with one clear goal in mind: to create shared value with society.

WASTE MANAGEMENT

The Company has continued to make progress in terms of sustainable waste management. In 2017 July, Lafarge Zambia under corporate affairs and sustainable development, appointed a Geocycle manager to lead the implementation of programs that will enable the company achieve sustainable waste management. The programs and projects under Geocycle will aim to:

- promote recycling,
- recover energy from waste,
- reduce waste deposited in the landfill,
- solve indiscriminate waste disposal in the local communities,
- give solutions for the inability to treat waste.

The company is also expected to launch a waste segregation campaign in 2018, which will aim to sensitize local employees on how different types of waste should be treated by the generator and also identify potential end users for different streams of segregated waste.

WATER AND NATURE

Chilanga and Ndola plants continue to support the sustainability of their natural environment. Last year, both plants planted more than 15,000 trees. Furthermore, Chilanga has procured water meters for potable water, process water, recirculation and fire extinguishing systems. This will enable increased capacity to monitor and control water withdrawals, consumption and discharge, with a view to positively contribute to sustainable water utilization.

PEOPLE & COMMUNITIES

Lafarge Zambia is committed to creating shared value within our communities. We are focused on improving education, infrastructure, implementing health programs, defending human rights as well as championing diversity. Above all, we want to ensure the health and safety of all employees and other stakeholders, through the diligent and continuous promotion of Healthy & Safety practices.

The Lafarge Foundation is the main vehicle through which we continue to address the needs within our communities, with the assistance of our employees and other stakeholders.

During 2017, one of the Lafarge Foundation highlights was the sponsorship of the Lafarge Lusaka Marathon, attracting more than 2,500 participants from across the globe. The event is focused on promoting health and safety, wellness and social cohesion, as well as raising funds for the institutions that the Lafarge Foundation supports.

Other Corporate Social Responsibility initiatives pursued in 2017 include:

Education

For Lafarge Zambia the commitment and passion towards creating a better life for those around our manufacturing plants is fostered through a simple strategy of working together for a brighter tomorrow. In 2017 Lafarge Zambia supported the following schools with infrastructure development:

- Musamba Primary School
- City of Hope Primary School
- Ibenga Girls Secondary School
- Kasashi Secondary School
- Arthur Wina Primary School
- Chilanga Education Board
- Baobab College
- Esther Lungu Foundation toward their various education support initiatives across the country.

Health

Lafarge Zambia continues to actively promote Health across the country, and in 2017 the following activities were actioned:

- The mobile clinic in 2017 continued to operate in partnership with Doctors Outreach Care International and continues to play a vital role in the Chilanga and Ndola communities. The mobile clinic is equipped to assist with cases relating to maternal and child health, HIV/AIDS and malaria prevention and treatment, as well as eye testing.
- Support to Mitanda home of the aged, with groceries and blankets.
- Mother of Mercy Hospice was supported with cleaning materials and additional funds to help the hospice in its day to day operations.
- We supported Cheshire Homes in Kabulonga with building materials to build the chicken run that will help them to generate funds for their daily operations.
- Support to Freedom Compound road rehabilitation.

Environment

Globally the company makes every effort to preserve our world for the benefit of current and future generations. Lafarge Zambia believes that actions today are the seeds sown that will grow tomorrow's fruit. This is why every step taken is one which aims to protect the environment. During 2017 we partnered with Youth in Action for sustainable development, conducting environmental awareness programs in schools around the plant.

Diversity

Art is a richly diverse and wonderful platform that appeals to all groups of people. Lafarge Zambia seeks to promote similar diversity within relevant publics. In 2017 Lafarge Zambia donated to the following cultural organizations towards the hosting of the traditional ceremonies across the country;

- Busoli Royal Establishments
- Kalunkumya Royal Establishments
- Mutambe Royal Establishments
- Cuundu Cultural fund


LAFARGE


binastore


LAFARGE
LABOUR DAY

LAFARGE ZAMBIA PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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PROFILE OF BOARD OF DIRECTORS

MUNA HANTUBA

Non-Executive Chairman

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 the 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.

CHRISSIE MOLOSENI

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).

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.

DOROTHY MULWILA

Non-Executive Board Member

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 organizations at very high levels, including the Law Association of Zambia, the National Pensions Scheme Authority (NAPSA) (previously the Zambia National Provident Fund), 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

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

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 up the International Law & Agreements Department at the Attorney General's 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 also holds a Master in Law (LLM) in International Commercial Law from the University of Bristol, UK.

PROFILE OF EXECUTIVE COMMITTEE

VINCENT BOUCKAERT
Chief Executive Officer

See profile on page 42.

CHRISSIE MOLOSENI
Chief Financial Officer

See profile on page 42.

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

Zambian national, Thecra has been a member of the Executive Committee of Lafarge Zambia Plc since 2014, and heads up the Human Resources function.

Thecra began her career as a Human Resources lecturer at Evelyn Hone College. She then joined Unilever Zambia in the Human Resources Development department, as well as 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

British national, James has been a member of the Executive Committee of Lafarge Zambia Plc since 1 November 2017 and is responsible for Chilanga Plant.

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

James holds a Master of Engineering (Hons) in Chemical and Bio-processes engineering from the 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, Zelitin in Libya.

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

NOTICE OF THE 26TH ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting of the members of Lafarge Zambia Plc will be held at the Radisson Blu Hotel, Lusaka, Zambia on 29 March 2018 at 09:00 hrs to transact the following business:

1. To approve the minutes of the 25th Annual General Meeting held on 5 April 2017.
2. To receive and consider the Annual Financial Statements for the year ended 31 December 2017, including the Directors' Report and Report of the Auditor.
3. To consider, and if thought fit, declare a dividend.
4. To approve the remuneration of the Auditor for the year ended 31 December 2017 and appoint an Auditor for the ensuing year.
5. To elect Directors.
6. To consider, and if deemed fit, approve special resolutions for the change of Board members.
7. 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

9 March 2018

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], J. Cantillana [Executive Director], V. Bouckaert [Chief Executive Officer], C. Moloseni [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, Email: sharetrack@scs.co.zm, Website: sharetrackzambia.com

Registered office: Farm no. 1880,, Kafue Road,Chilanga, PO Box 32639, Lusaka, Zambia, Tel: +260 211 367 400 / 367 600 , Email: enquiries.zambia@lafargeholcim.com , Website: www.lafarge.co.zm

Auditor: Deloitte & Touche, Plot 2374/B, Abacus Square, Thabo Mbeki Road, Lusaka, P.O. BOX 30030, Zambia

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 26th Annual General Meeting of the members of the Company, to be held at the Radisson Blu Hotel, Lusaka, Zambia on 29 March at 09:00 hrs and at every adjournment thereof.

AS WITNESS my/our hand(s) this day of 2018.

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 2017

2 Fold here

2 Fold here

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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LAFARGE

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors are pleased to present the report and the Audited Financial Statements for Lafarge Zambia Plc for the year ended 31 December 2017.

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 **K1,008,232 thousand** (2016: K889,673 thousand) resulting in a 13% increase from 2016.

Net finance costs were **K2,555 thousand** (2016: K568 thousand). Exchange losses arising mainly from the translation into Kwacha of US dollar receivables, payables and cash balances denominated in US Dollars amounted to **K8,657 thousand** for the year (2016: K9,618 thousand) which was mainly due to the slight depreciation of the Kwacha in 2017.

Profit before tax for the year was **K57,511 thousand** (2016: K127,985 thousand). Profit before tax was 55% down from 2016 largely to the impairment charge of K22,179 thousand for the Chilanga 3 project which was discontinued, increase in production and distribution costs following the increase in fuel and power costs and high depreciation on assets following capitalisation. After providing for a taxation charge of K38,573 thousand (2016: K50,589 thousand), profit after tax was K18,938 thousand (2016: K77,397 thousand).

The Company had no medium or long term obligations to financial institutions as at 31 December 2017 (2016: None).

DIRECTORS

The Directors who held office during the year were:

Mr. M.Hantuba	- Chairman
Mr. V. Bouckaert	- Chief Executive Officer
Mrs. C. Moloseni	- Chief Financial Officer
Mr. J. Cantillana	- Executive Director
Mr. M. Chibesakunda	- Non-Executive Director
Mrs. D. Mulwila	- Non-Executive Director
Mr. S.M. O'Donnell	- Non-Executive Director

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 2017 was:

Kwacha thousand	2017	2016
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 (2016: nil). At the next Annual General Meeting the Directors will propose a dividend of K0.25 (2016: K0.25).

PROPERTY, PLANT AND EQUIPMENT

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

Kwacha thousand	2017	2016
Capital work in progress	**39,257**	40,634
Vehicles, leasehold, furniture and fittings	**7,939**	-
	47,196	40,634

During the year assets with a value of **K28,425 thousand** (2016: K107,599 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 2017, (2016: nil).

SHARE CAPITAL

The Authorised Share Capital of the Company is **K12,300,000** consisting of:

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

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 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:

	2017	2016
January	**397**	504
February	**397**	509
March	**403**	427
April	**398**	428
May	**394**	427
June	**390**	427
July	**397**	417
August	**397**	411
September	**398**	403
October	**401**	399
November	**404**	400
December	**410**	403

The total remuneration paid to employees during the year was K124,004 thousand (2016: K124,930 thousand) and has been charged to profit or loss as follows:

Kwacha thousand	2017	2016
Cost of sales	**73,496**	75,886
Other expense	**50,508**	49,044
	124,004	124,930

EXPORTS

The value of goods exported by the Company during the year was K294,119 thousand (2016:K300,481 thousand).

DONATIONS

The Company supports various charitable organizations in Zambia through cash and cement donations as well as volunteering work. In 2017 the Company spent K565 thousand (2016: K597 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 increase in power tariff ,fuel costs and depreciation of the Kwacha. Pricing pressure and adverse weather conditions particularly in the face of low market demand in the first half of the year also had an adverse impact on performance. Both the Domestic and Export demand improved in the second half of the year. The Company continues to focus on market development and in 2017 had a special focus on Burundi , DR Congo and Malawi.

LEGISLATIVE DEVELOPMENTS

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.

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 2017

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 2017.

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 embers. 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, 1994, listing rules of the Lusaka Stock Exchange, the Securities Act No.41 of 2016, the record of directors' attendance and meetings held during year 2017 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:

BOARD MEETINGS

The Board held 4 meetings during the 2017 financial year. The following table shows membership and the attendance of Directors at the Board meetings held in 2017 financial year.

Board	1/3	27/5	4/8	17/11	Total 4
Mr. M. Hantuba	✓	✓	✓	✓	4
Mr. V. Bouckaert	✓	✓	✓	*	3
Mr M.Chibesakunda	✓	✓	*	✓	3
Mr M. O'Donnell	✓	✓	✓	*	3
Mrs D Mulwila	✓	✓	✓	✓	4
Mrs C.Moloseni	✓	✓	✓	✓	4
Mr. J. Cantillana	*	*	*	*	0

✓ - Present * - Absent

AUDIT AND RISK MANAGEMENT COMMITTEE

Audit and Risk Management Committee	27/2	27/8	15/11	Total
Mr M. Chibesakunda	✓	*	✓	2
Mrs C. Moloseni	✓	✓	✓	3
Mr V. Bouckaert	✓	✓	✓	3
Mr M. O'Donnell	✓	✓	*	2

✓ - 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 17 of the financial Statements. The number of shares held by the Directors have been disclosed in the Report of of 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 behavior to the Company's stakeholders. The Code of Business Conduct binding for the entire Company is part of the internal regulation to reinforce ethical behaviors amongst its employees.

The Company has adopted a code of conduct formulated by the Group and LuSE. Lafarge Zambia has a firm approach in dealing with any inappropriate or fraudulent behavior 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 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 2017 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 and Third parties dealing with it are in line 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. 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
- 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 AGM. 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 ensures 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 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

Section 164 (6) of the Companies Act, 1994 (as amended) requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the profit or loss for that period.

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the financial statements and their report is shown on pages 56 and 59.

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

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern in the foreseeable future.

In the opinion of the Directors:

- the statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the profit of the Company for the year ended 31 December 2017;
- the statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2017;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and
- the financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1994 (as amended).

Signed on behalf of the Board on 13 March 2018:

M. HANTUBA
DIRECTOR

V. BOUCKAERT
DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the members of Lafarge Zambia Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

We have audited the financial statements of Lafarge Zambia Plc (the "Company") set out on pages [60 to 93], which comprise the statement of financial position as at 31 December 2017, and 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 the Company as at 31 December 2017, 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, 1994 (as amended), and the Securities Act, 2016 (as amended).

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	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
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. Subsequent to the year end, on 17 January 2018, the Company lodged 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. 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.	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	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Tax contingent assets and liabilities	
Due to the complexity and subjective nature of tax assessments as well as the significance of the potential assessable amounts, we considered the ongoing integrated audit a key audit matter. The Zambia Revenue Authority (ZRA) conducted a Value Added Tax (VAT) and Integrated Audit for the period from 2009 to 2015 and issued their draft findings during 2017. Discussions on the findings of the report were still ongoing as at the year ended 31 December 2017 and at the time of this report. The major assessments and tax matters relate to the VAT assessments and the Zambia Development Agency incentives not claimed by the Company during the expansion period as disclosed in note 25 to the financial statements.	The tax amounts include certain assumptions and judgements that could impact the final outcome of the amounts assessed. We evaluated the judgements made by management on whether to recognise the preliminary assessed liability or to disclose as a contingent liability in the financial statements. This included evaluating the arguments put forward by the Company. Further, we confirmed that the matter is still actively being discussed with ZRA and no conclusion had yet been reached by the date of this report. Based on our procedures, we concur with the Directors and management that the matters be disclosed as contingent liabilities and assets.
Recoverability of Chilanga 3 assets	
Following the merger between Lafarge Group and Holcim Group in 2015, all the major projects of the Group at the primary or initial stages were put on hold subject to project re-evaluation in 2017, Chilanga 3 being one of them. With a total amount of K62 million expended towards the project as at 31 December 2017, an amount of K22 million had been impaired whilst K35 million remained in capital work in progress pending certification for capitalisation. We considered the Chilanga 3 assets to be a key audit matter due to the suspension of the project which necessitated the need to review the recoverability of the remaining unimpaired project assets as at 31 December 2017	We obtained the schedule of assets making up all costs incurred towards Chilanga 3 project. We held discussions with Management on the process undertaken to determine what to impair and what to retain. We checked the movements from opening to closing balance and noted the assets capitalised and those impaired. Reviewed the report of the engineering experts who assessed the assets and confirmed their conclusions on which assets conclusion of which assets needed to be impaired and those to be capitalised. For assets capitalised, confirmed that the Engineers had certified the completion certificate and that the asset has been capitalised to the correct class of assets. Further assessed the qualifications and credentials of the Engineers used to carry out this certification. Confirmed that the approval had been sought and granted by Group for the transaction. We found that the assumptions used by the Expert were reasonable and the disclosures in the financial statements were found to be appropriate.

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, 1994 (as amended) and the annual report, which we obtained prior to the date of this auditors' report. 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 an audit opinion or 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 in 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.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1994 (as amended), 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.

The Directors are also responsible for overseeing Company's financial reporting process.

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 judgment 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis

INDEPENDENT AUDITOR'S REPORT

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 Lafarge Zambia Plc'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 Lafarge Zambia Plc's 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.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 1994 (as amended), we report to you, based on our audit, that:

a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
b) in our opinion proper books of accounts, other records and registers have been kept by the Company, so far as appears from our examination of those books and registers; and
c) the Company's statement of financial position and profit and loss account are in agreement with the books of account.

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 yet in place at the year end and at the time of approving the report as the discussion between the bank and the Company was still on going.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants

Date: 13 March 2018

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

Kwacha thousands	Notes	2017	2016
Revenue	5	**1,008,232**	889,673
Cost of sales		**(527,690)**	(437,331)
Gross profit		**480,542**	452,342
Selling and distribution expenses		**(151,297)**	(133,991)
Marketing expenses		**(9,998)**	(7,876)
Administration expenses	6	**(252,533)**	(165,453)
Operating profit		**66,714**	145,023
Investment income		**730**	388
Other gains and losses	7	**(7,378)**	(16,858)
Finance costs	8	**(2,555)**	(568)
PROFIT BEFORE TAX	9	**57,511**	127,985
Income tax expense	10	**(38,573)**	(50,589)
PROFIT FOR THE YEAR		**18,938**	77,397
Other comprehensive income			
Other Comprehensive income not to be reclassified to profit or loss in subsequent periods.			
Gain on revaluation of property, plant and equipment		**-**	107,327
Tax effect		**-**	(37,564)
Total Other Comprehensive income		**-**	69,763
Total comprehensive income		**18,938**	147,160
Basic and diluted earnings per share (kwacha)	23	**0.09**	0.39

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

Kwacha thousands	Notes	**2017**	2016	2015
ASSETS			Restated	
Non-current assets				
Property, plant and equipment	11	**1,537,788**	1,582,457	1,470,371
Intangible assets	12	**515**	553	591
Equity investment at fair value	13	**25,126**	24,171	32,386
Total non-current assets		**1,563,429**	1,607,181	1,503,348
Current assets				
Inventories	14	**164,345**	216,296	225,800
Trade receivables	15	**87,752**	90,057	81,166
Other receivables	16	**9,661**	17,372	14,523
Amounts due from related companies	17	**72,684**	90,321	56,953
Current tax asset	10	**21,195**	28,173	4,832
Bank and cash balances	18	**58,319**	17,771	86,148
Total current assets		**413,956**	459,990	469,442
Total assets		**1,977,385**	2,067,171	1,972,770
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital	19.1	**10,002**	10,002	10,002
Revaluation reserve	19.2	**502,237**	513,479	443,716
Retained earnings	19.3	**998,930**	1,047,733	813,910
Total equity		**1,511,169**	1,571,214	1,267,628
Non-current liabilities				
Provision for environmental liabilities	20	**19,401**	15,388	13,009
Retirement benefit plans	21	**258**	229	519
Deferred tax liabilities	22	**238,432**	233,341	443,565
Total non-current liabilities		**258,091**	248,958	457,093
Current liabilities				
Trade payables	24	**53,353**	64,257	85,008
Other payables	24	**82,728**	132,356	142,886
Amounts due to related companies	17	**72,044**	42,371	20,155
Bank overdraft	18	**-**	8,016	-
Total current liabilities		**208,125**	246,999	248,049
Total liabilities		**466,216**	495,957	705,142
Total equity and liabilities		**1,977,385**	**2,067,171**	**1,972,770**

The responsibilities of the Company's Directors with regard to the preparation of the financial statement are set out on page 55. The financial statements on pages 60-93 were approved for issue by the Board of Directors on 13 March 2018 and were signed on its behalf by:

M. Hantuba
Director

V. Bouckaert
Director

STATEMENT OF CHANGES IN EQUITY
AT 31 DECEMBER 2017

Kwacha thousand

	Share capital	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2015	**10,002**	**443,716**	**711,248**	**116,5002**
Profit for the year			322,670	322,670
Interim dividend paid in respect of 2015			(50,010)	(50,010)
Prior period errors (note 22)			35,025	35,025
Final dividend in respect of 2014			(170,034)	(170,034)
Balance at 31 December 2015 as previously stated	**10,002**	**443,716**	**813,910**	**1,302,653**
Prior period errors (note 22)			221,421	221,421
Profit for the year	-	-	77,395	77,395
Other comprehensive income	-	107,327	-	107,327
Deferred tax on revaluation	-	(37,564)	-	(37,564)
Amortisation of revaluation reserve	-	-	-	-
Final dividend in respect to 2015	-	-	(100,020)	(100,020)
Balance at 31 December 2016 as restated	**10,002**	**513,479**	**1,047,731**	**1,571,212**
Total comprehensive income for year	-	-	18,938	18,938
Deferred tax on revaluation	-	6,054	-	6,054
Other adjustment (note 19.3)		(35,025)		(35,025)
Amortisation of revaluation reserve	-	(17,296)	17,296	-
Final dividend in respect to 2016	-	-	(50,010)	(50,010)
Balance at 31 December 2017	**10,002**	**502,237**	**998,930**	**1,511,169**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

Kwacha thousand	Notes	2017	2016
Cash flow from operating activities			
Profit before tax		**57,511**	127,985
Adjustments for:			
Gain on disposal of property, plant and equipment	7	**(324)**	(975)
Fair value adjustment on equity investment	7	**(955)**	8,215
Interest expense	8	**2,555**	568
Interest Income	9	**(730)**	(388)
Impairment of capital in progress	11	**22,179**	-
Impairment of trade receivables	15	**5,085**	(5,552)
Prior year adjustment	19.3	**(35,025)**	
Increase in provision for environmental rehabilitation	20	**4,013**	2,381
Provision for retirement benefit plans	21	**565**	575
Depreciation and amortization of non-current assets		**67,700**	34,693
Net cash flows from operating activities before movements in working capital		**122,574**	167,502
Movements in working capital:			
Decrease in inventories		**51,951**	9,504
Decrease(Increase) in trade receivables		**(2,780)**	3,339
Decrease(Increase) in other receivables		**7,711**	(2,848)
Decrease(increase in amounts due from related companies		**17,637**	(33,369)
Decrease in trade payables		**(10,904)**	(20,751)
Decrease in other payables		**(49,629)**	(10,530)
Increase in amounts due to related companies		**29,673**	22,219
Cash generated from operations		**166,233**	128,385
Income taxes paid	10	**(20,450)**	(67,323)
Retirement benefits paid	21	**(536)**	(865)
Interest Paid	9	**(2,555)**	(568)
Net cash generated by operating activities		**142,692**	59,629
Cash flows from investing activities			
Interest income from bank balances		**730**	388
Purchase of property, plant and equipment	11	**(47,196)**	(40,634)
Proceeds from disposal of property, plant and equipment		**2,348**	2,195
Net cash used in investing activities		**(44,118)**	(38,051)
Cash flows from financing activities			
Dividend paid to owners of the company		**(50,010)**	(100,020)
Net cash used in financing activities		**(50,010)**	(100,020)
Net increase (decrease) in cash and cash equivalents		**48,564**	(78,442)
Financed from borrowings from the bank		**-**	8,016
Bank and Cash balances at beginning of the year		**9,755**	88,197
Bank and cash balances at end of the year		**58,319**	9,755
Comprising:			
Bank and cash balances	18	**58,319**	17,771
Bank and overdraft		**-**	8,016
		58,319	9,755

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

1.1 Statement of compliance

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

1.2 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.

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

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

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 2017.

Amendments to IAS 7 *Disclosure Initiative*
The Company has applied these amendments in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings and certain other financial liabilities such as finance leases. A reconciliation between the opening and closing balances of these items is provided in note 26. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 26, the application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
The Company has applied these amendments in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs 2014-2016 Cycle
The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle in the current year.
IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements.

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 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]

1. Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2. Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3. Effective for annual periods beginning on or after a date to be determined.

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another 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.

Key requirements of IFRS 9:

- 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 are still in the process of assessing the impact of this standard on the operations of the Company. It is expected that this standard will 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 which will have to be in line with the business model.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Company recognises revenue from the following major sources:

- local sales
- export sales
- sales of aggregates

The Company plans to adopt the new standard on the required effective date using the full retrospective method.

The Directors are still in the process of the assessing the impact of this standard on the operations of the company. It is anticipated that the implementation of this standard may not have a material impact on the financial statements of the company.

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 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.

Amendments to IFRS *2 Classification and Measurement of Share-based Payment Transactions*

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
i) the original liability is derecognised;
ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Company's financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may not have an impact on the company's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The Directors are still in the process of the assessing the impact of this standard on the operations of the company. It is anticipated that the implementation of this standard may not have a material impact on the financial statements of the company.

Annual Improvements to IFRSs 2014 – 2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Company. The package also includes amendments to IFRS 12 which is mandatorily effective for the Company in the current year.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The directors of the Company do not anticipate that the application of the amendments in the future will have any impact on the financial statements as the Company is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Company does not have any associate or joint venture that is an investment entity.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non- monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company financial statements. This is because the Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

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 when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Specifically, revenue from sale of goods is recognized when goods are delivered and legal title is passed.

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 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 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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:

3.7. Intangible assets

Intangible assets with finite useful lives that are acquired separately

	Average annual rate of depreciation (%)	Average Useful Life
Other Machines	3 - 10	10– 20 years
Heavy Machines and Installations	13 - 25	20 – 30 years
Building and Installations	25 - 33	20 - 35 years
Land and Mineral Reserves	2 - 24	Non Depreciable

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 loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss 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 loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss 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 loss 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 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 IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets or liabilities at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale of financial assets or loans and borrowing as appropriate.

The Company determines the classification of its financial instruments at initial recognition. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables and amounts due from related companies while financial liabilities comprise trade another payables and amounts due to related companies.

All financial instruments are recognized initially at fair value, plus transaction costs, except in the case of financial assets and liabilities at fair value through profit or loss. Subsequent measurement of financial instruments depends on their classifications as described below.

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.

Borrowings are offset against cash deposits and near cash assets where there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Similarly, interest expense and income are offset when the liability and asset are offset.

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 if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment of impairment. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit and loss. Trade receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other income in profit or loss.

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 twelvemonths 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.

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 11 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

Management has made a provision for bad and doubtful receivables based on the ageing of the trade receivables and believe that the provision is adequate to absorb the current irrecoverable debtors. Refer to note 15 for the carrying amount of trade receivables.

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

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 and the EBITDA multiple model. The inputs to these models are taken from 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 27 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 11 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 20 for the carrying amount of provision for environmental costs.

4.2.8. Provision for obsolete inventory

The Company reviews is 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 2017

Kwacha thousand	2017	2016
5. REVENUE AND OPERATING SEGMENTS INFORMATION		
Local sales	**703,351**	577,201
Export sales	**294,119**	300,481
Aggregates	**10,762**	11,991
	1,008,232	889,673

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

	2017	2016
6. ADMINISTRATIVE EXPENSES		
Administrative expenses		
Other expenses	**112,886**	97,702
Management fees	**49,800**	33,096
Depreciation	**67,668**	34,655
Impairment charge	**22,179**	-
	252,533	165,453

The Company revalued its property, plant and equipment at the end of 2016 resulting in an increase in depreciation in the period under review. Chilanga III feasibility study costs were impaired during the period following discontinuation of the project.

7. OTHER GAINS AND LOSSES

Other gains and losses comprise the following:

	2017	2016
Gain (loss) on disposal of property, plant and equipment	**324**	975
Net exchange losses	**(8,657)**	9,618
Fair value gain (loss) on investment	**955**	(8,215)
	(7,378)	(16,858)

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 losses on its foreign currency denominated liabilities.

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

	2017	2016
Mid-market exchange rate as at 1 January (1US$ =)	**K9.81**	10.99
Mid-market exchange rate as at 31 December (1US$ =)	**K10.01**	K9.81
Average (appreciation)/depreciation	**2%**	(11%)

8. FINANCE COSTS

	2017	2016
Interest expense	**(2,555)**	(568)

Interest expense for the period relates to amounts due to related parties.

Kwacha thousand		2017	2016
9. PROFIT BEFORE TAX			
Profit before tax is stated after crediting:			
Interest income		**730**	388
Gain on disposal of property, plant and equipment		**324**	975
And after charging:			
Staff costs		**124,004**	124,930
Depreciation and amortization		**89,840**	34,655
Management and technical services expenses		**49,799**	33,096
Impairement of Chilanga III assets		**22,179**	-
Pension schemes– defined contribution plans		**7,176**	6,524
Donations		**565**	597
Directors remuneration	17	**608**	727
10. INCOME TAX EXPENSE			
Current tax		**27,428**	39,150
Deferred tax (note 22)		**11,145**	11,439
Tax expense for the year		**38,573**	50,589
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:			
Payable in respect of current year		**27,428**	39,150
Payable in respect of previous years		**(28,173)**	-
Tax paid during the year		**20,450**	(67,323)
Balance at end of the year included in current (asset)		**(21,195)**	(28,173)
The total charge for the year can be reconciled to the accounting profit as follows:			
Profit before tax		**57,511**	127,985
Tax on accounting profit at 35%		**20,129**	44,795
Accounting profit taxed at different rate		**(2,019)**	(7,773)
Disallowed expenses		**20,463**	13,567
Tax expense for the year		**38,573**	50,589
		%	%
Standard rate		**35**	35
Accounting profit taxed at different rate		**-4**	-7
Disallowed expenses		**36**	14
Effective tax rate		**67**	42

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. PROPERTY, PLANT AND EQUIPMENT

Kwacha thousand

	Leasehold properties	Plant and equipment	Vehicles, furniture and fittings	Capital work in progress	Total
COST OR VALUATION					
At 1 January 2016	55,992	1,276,180	57,937	205,922	1,596,030
Additions	-	-	-	40,634	40,634
Transfer of projects	9,076	94,398	4,085	(107,559)	-
Revaluation	10,337	280,584	344	-	291,265
Disposals	(1,496)	(7)	-	-	(1,503)
At 31 December 2016	73,909	1,651,154	62,366	138,997	1,926,426
Additions	-	-	7,939	39,257	47,196
Transfer of projects	14,557	13,868	-	(28,425)	-
Disposals	-	-	(219)	(2,059)	(2,278)
At 31 December 2017	**88,466**	**1,665,022**	**70,086**	**147,770**	**1,971,344**
Cost	78176	128,823	52,812	147,710	407,581
Valuation (2014)	-	680,656	-	-	680,656
Valuation(2016)	10,290	855,543	17,274	-	883,107
At 31 December 2017	88,466	1,665,022	70,086	147,770	1,971,344
Accumulated depreciation					
At 1 January 2016	12,394	69,503	43,763	-	125,660
Depreciation expense	2,702	24,300	7,653	-	34,655
Revaluation adjustment	(109)	185,935	(1889)	-	183,937
Eliminated on disposal	(241)	(42)	-	-	(283)
At 31 December 2016	14,746	279,696	49,527	-	343,969
Depreciation expense	2,940	57,308	7,413	-	67,661
Impairment losses recognised in profit or loss	-	-	-	22,179	22,179
Eliminated on disposal	-	-	(253)	-	(253)
As at 31 December 2017	**17,686**	**337,004**	**56,687**	**22,179**	**433,556**
CARRYING VALUE					
At 31 December 2017	**70,780**	**1,328,018**	**13,399**	**125,591**	**1,537,788**
At 31 December 2016	59,163	1,371,458	12,839	138,997	1,582,457

The Directors consider that the fair value of the property, plant and equipment is at least equal to their carrying values as reflected in the statement of financial position. Further, the useful lives are reviewed on an annual basis.

In accordance with Section 193 of the Companies Act, 1994, 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.

During the year, the Company conducted a review of the carrying amount of its fixed assets. Following significant changes in market conditions the plans to build a second clinker line at its Chilanga plant were discontinued leading to the recognition of an impairement loss of K22,179 thousand. This was mainly related to the initial development costs of the project.

In the prior year, 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 2017, the Directors have reviewed the balances as reflected in the statment of financial position and are of the considered view that the amounts reflect the fair value of the assets as at the reporting date.

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Kwacha thousand	**2017**	2016
Had the property, plant equipment been measured on a historical cost basis their carrying amount would have been as follows:		
Plant and equipment		
Cost	**1,017,162**	843,801
Accumulated depreciation	**(178,226)**	(214,346)
	838,936	629,455

12. INTANGIBLE ASSETS

Mineral rights

The intangible assets relate to mining licenses purchased by the Company for the exploration and extraction of limestone. The licenses are measured initially at original purchase cost and amortized on a straight line basis, from the year of purchase by the Company, over their beneficial lives. The licenses have average useful life of 25 years.

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	**2017**	2016
Cost		
Balance at beginning of the year	**943**	943
Balance at end of the year	**943**	942
Accumulated amortisation and impairment		
Balance at beginning of the year	**389**	352
Amortisation expense	**39**	38
Balance at end of the year	**428**	389
Carrying value at end of the year	**515**	553

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

13. 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.

	2017	2016
Opening Balance	**24,171**	32,386
Fair value adjustment	**955**	(8,215)
Closing balance	**25,126**	24,171

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. INVESTMENTS (continued)

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. 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. The company classifies the fair value of these investment.

14. INVENTORIES

Kwacha thousand	**2017**	2016
Stores and spares	**82,976**	103,245
Provision for obsolete stock	**(8,488)**	(7,266)
	74,488	95,979
Raw materials and consumables	**74,078**	46,313
Process goods	**11,583**	27,481
Cement	**4,196**	46,523
	164,345	216,296

During the year, expensed inventory amounted to **K216,941 thousand** (2016: K204,620 thousand) for inventories carried at net realizable value. This is recognised in cost of sales.

Kwacha thousand	**2017**	2016
15. TRADE RECEIVABLES		
Trade receivables principally comprise amounts receivable in respect of the sale of cement and clinker.		
Gross trade receivables	**104,139**	101,444
Allowance for doubtful debts	**(16,387)**	(11,387)
	87,752	90,057
Trade receivables are non-interest bearing and are generally on 30 to 60 days payment periods. 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.		
Included in trade receivables are debtors with a carrying value of **K54,873 thousand** (2016: K41,299 thousand) which are over 60 days at reporting date for which no provision has been made as there has not been a change in the credit quality . The amounts are still considered recoverable.		
Ageing of past due but not impaired debts is as analysed below:		
60 - 90 days	**8,281**	16,910
90 - 120 days	**3,976**	2,123
Over 120 days	**42,616**	22,266
Total	**54,873**	41,299
The movement in the allowance for bad debts is as follows:		
Balance at the beginning of the year	**(11,387)**	(16,939)
Impairment losses recognised on receivables	**(5,085)**	-
Impairment losses reversed	**-**	5,552
	(16,387)	(11,387)
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 concentration of the credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that no further credit provision is required in excess of the allowance for doubtful debts. Note 27 explains further on how the company manages its credit risks with all its customers		
Ageing of impaired trade receivables is shown below:		
Over 120 days	**(16,387)**	(11,387)
Total	**(16,387)**	(11,387)
16. OTHER RECEIVABLES		
Prepaid expenses	**5,204**	9,809
Sundry receivables	**3,781**	5,447
Employee loans	**676**	2,115
	9,661	17,371

17. 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 2017

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
Lafarge North America	USA	Fellow subsidiary
Lafarge Egypt	Egypt	Fellow subsidiary
Lafarge UK	UK	Fellow subsidiary
Lafarge Serbia	Serbia	Fellow subsidiary
Lafarge International Pte Services Singapore Ltd	Singapore	Fellow subsidiary
Lafarge Holcim East Africa	East Africa	Fellow subsidiary

17. RELATED PARTY TRANSACTIONS

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

Kwacha thousand

Amounts due from related companies	2017	2016
Lafarge Cement Zimbabwe Limited	**63,259**	83,082
Lafarge Cement Malawi Limited	**5,654**	4,894
LafargeHolcim Middle East and Africa	**3,279**	-
LafargeHolcim East Africa	**360**	1,408
Lafarge North America	**115**	-
Lafarge South Africa	**17**	17
LafargeHolcim Limited	**-**	921
	72,684	90,322
Amounts due to related companies		
LafargeHolcim	**65,947**	32,168
LafargeHolcim Middle East and Africa	**3,349**	8,113
Lafarge North America	**1,475**	-
Lafarge Industries South Africa (Proprietary) Limited	**572**	30
Lafarge International Pte Services Singapore Ltd	**304**	1,133
Bamburi Cement	**230**	244
Larfarge UK Service Limited	**126**	369
Lafarge Zimbabwe	**24**	24
Lafarge Malawi	**14**	119
Lafarge Egypt	**3**	-
Lafarge Serbia	**-**	171
	72,044	42,371

Kwacha thousand	**2017**	2016
17. RELATED PARTY TRANSACTIONS (continued)		
The financial effects of transactions with the related parties were as follows:		
Sale of goods:		
Lafarge Cement Malawi Limited	**29,796**	39,349
Lafarge Cement Zimbabwe Limited	**12,606**	99,009
Mbeya Cement Company Limited	**-**	5,652
Total	**42,402**	144,010
Management and technical services expenses:		
LafargeHolcim Limited	**49,800**	33,096

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. 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:

	2017	2016
Directors' remuneration		
Salaries and other short-term employment benefits	**14,398**	12,636

The Chief Executive Officer and three other senior management are seconded from LafargeHolcim Group. The remuneration of these executives are paid out of the Group.

	2017	2016
Non Executive Directors' Remuneration		
In connection with the management of the Company as directors	**608**	727
Director's fees analysed as follows:		
Mr. Muna Hantuba	**195**	212
Mr. Mwelwa Chibesakunda	**143**	188
Mr. Mark O'Donnell	**142**	188
Mrs. Dorothy Mulwila	**128**	139
	608	727

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Kwacha thousand	**2017**	2016
18. CASH AND CASH EQUIVALENTS		
Bank and cash balances	**31,483**	15,193
Fixed deposits	**26,836**	2,578
	58,319	17,771

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 with maturity in less than 90 days at the year end.

As at the end of 31 December 2017, the Company did not make use of its overdraft facility (2016: K8,016 thousand) with Citi Bank Zambia Limited.

19 SHAREHOLDERS EQUITY

19.1 ISSUED CAPITAL

	2017	2016
Authorised		
240,000,000 ordinary shares of 5 ngwee each	**12,000**	12,000
3,000,000 7% non-cumulative redeemable		
preference shares of 10 ngwee	**300**	300
	12,300	12,300
Issued and fully paid		
200,039,904 ordinary shares of 5 ngwee each	**10,002**	10,002
Shareholding	**%**	%
Pan African Cement Limited	**50.1**	50.1
Financiere Lafarge	**24.9**	24.9
Luse Central share depository	**11.92**	11.92
Public (Institutions and individual)	**13.08**	13.08
LafargeHolcim owns 75% stake in Lafarge Zambia Plc through two of its subsidiaries namely Pan African Cement Limited and Financiere Lafarge.	**100**	100

19.2 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.

19.3 RETAINED EARNINGS

The retained earnings formula represents 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 profits that are not be distributed as dividends to shareholders but insterad are reserved for reinvestment.

Included in the retained earinings is an amount of K35,025 thousand related to an overstatement of the deferred tax liability in the prior year which has been subsequently adjusted for an order to align the close deferred tax position at the end of the year.

Kwacha thousand	**2017**	2016
20. PROVISION FOR ENVIRONMENTAL LIABILITIES		
At beginning of the year	**15,388**	13,007
Current year charge	**4,013**	2,381
At end of the year	**19,401**	15,388

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 the Company.

In compliance with the Mines and Minerals Act Section 65, 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 the Mines Safety Department under the Ministry of Mines and Mineral Development.

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.

21. RETIREMENT BENEFIT PLANS		
At beginning of the year	**229**	519
Current year charge	**565**	575
Paid during the year	**(536)**	(865)
At end of the year	**258**	229

The total costs charged top of it or loss of K565 thousand (2016: K575 thousand) represent provisions made for gratuities related to certain non-unionized and unionized 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 2017 (2016: nil). Refer to note 9 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 2017

22. DEFERRED TAX

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

2015 and 2016	Accelerated capital allowances	Revaluation surplus	Provisions and other	Total
At beginning of year as previously stated	213,723	278,102	(2,038)	489,787
Prior period errors*	-	(35,025)	-	(35,025)
Prior period errors*	(240,581)	33,413	(14,253)	(221,421)
At end of year as restated	(26,858)	276,490	(16,291)	233,341
2017				
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)
	(16,726)	270,426	(15,278)	238,432

***Prior period errors**

Capital allowances were incorrectly accounted for in the prior year resulting in overstatement of allowances by K221,421 thousand and K35,025 thousand in the years to 31 December 2016 and 2015 respectively. In addition, the deferred tax on revaluation on plant and equipment was included twice in the 2016 deferred tax calculation which resulted in the overstatement of the deferred tax balance by K35,025, which debit was changed directly to reserves during 2016 and 2017. Deferred tax is applied on cost or revaluation surplus less the accumulated depreciation. The calculation in 2016 deferred tax calculated separately on the revaluation surplus alone was a duplication. The financial statements of 2016 have been restated to correct these errors as shown above. The adjustmentsed have been effected to reserves to correct the errors and realign the closing balances for deferred tax and reserves respectively.

Kwacha thousand	2017	2016
23. EARNINGS PER SHARE		
Basic and diluted earnings per share (Kwacha)	**0.09**	0.39

Earnings per share is based on earnings after taxation of **K18,938** thousand, (2016: K77,397 thousand), divided by the number of ordinary shares in issue during the year of K200,039,904 (2016: K200,039,904).

24. TRADE AND OTHER PAYABLES

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

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

Kwacha thousand	2017	2016
Trade payables	**53,353**	64,257

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.

Other payables		
Other payables comprise:		
Dividend payable	**26,086**	21,325
Sundry payables	**8,381**	83,054
Sundry accruals	**19,401**	5,409
Employee related liabilities	**13,866**	16,625
Advances from Cement customers	**14,994**	5,942
	82,728	142,886

The sundry accruals include all utility bills payable for which an invoice is yet to be received by the company. The sundry payables include all value added tax and withholding tax payables together with unbilled capital expenditure payables at year end.

Included in employee related liabilities is accrual for leave pay:		
Balance at the beginning of the year	**4,398**	3,726
Reversal/additional accruals during in the year	**(1,121)**	672
Balance at the end of the year	**3,277**	4,398

25. COMMITMENTS, CONTINGENT LIABILITIES AND ASSETS

Commitments

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, 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.

The Company as at the date of this report was still in discussion to obtain a bank guarantee for the remaining 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 2017

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 14th 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").

Consequently, a penalty of 10% of its annual turnover amounting to K99 million was imposed on Lafarge Zambia Plc according to the press statement issued by the CCPC. 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.

Tax contingent liability

The Zambia Revenue Authority (ZRA) conducted a Value Added Tax (VAT) and Integrated Audit for the period from 2009 to 2015 and issued their draft findings during 2017. Discussions on the findings of the report were still ongoing as at the year ended 31 December 2017 and at the time of this report.

The major portion of the VAT assessment relates to the standard rating of exports of cement to the Democratic Republic of Congo (DRC). Because of the practical challenges in obtaining documentation required as proof of export, companies have directly, or through various trade associations, been holding discussions with the Government with the view to streamlining the claim process. As at the reporting date, discussions were still on going between the Company and Zambia Revenue Authority.

Contingent assets

Tax contingent asset

It was also noted during the review that ZDA tax incentives were not claimed on the expansion project as approved by Zambia Development Agency. Currently discussions are on going between Zambia Revenue Authority and Lafarge Zambia Plc. As at the reporting date, the issue was yet to resolved with ZRA.

Kwacha thousand	2017	2016

26. 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.

	2017	2016
Not longer than 1 year	**650**	650
Longer than 1 year and not longer than 5 years	**2,600**	2,600
Longer than 5 years	**30,332**	30,982
	33,582	34,232

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 valued at US$2 million to meet its working capital requirements.

Categories of financial instruments

Financial assets

	2017	2016
Loans and receivables		
- Trade receivables	**87,752**	90,057
- Amounts due from related parties	**72,684**	90,322
- Other receivables	**4,457**	7,562
- Bank and cash balances	**58,319**	17,771
Financial assets at fair value through profit or loss		
Investment in unquoted shares	**25,126**	24,171
Total financial assets	248,338	229,882

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Kwacha thousand	**2017**	2016
27. FINANCIAL INSTRUMENTS (continued)		
Financial liabilities		
Other financial liabilities		
- Trade payables	**53,353**	64,257
- Other payables	**80,271**	129,462
- Amounts due to related parties	**72,044**	42,373
- Retirement benefits	**258**	228
Total financial liabilities	**205,926**	236,321

Financial risk management objectives

The Company's finance department which co-ordinates access to the domestic money markets monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including currency risk interest rate risk and price risk), credit risk, and liquidity risk. The Company does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Company undertakes certain transactions denominated in foreign currencies. Hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as approved by the Board of Directors.

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.

Forreign currency risk management

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company negotiates with commercial banks to transact at favourable rates to manage its exposure to interest rate and foreign currency risk.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Kwacha thousand	**2017**	2016
Below is the Kwacha equivalent of the financing assets and liabilities that are denominated in foreign currencies.		
Assets		
US Dollar denominated	**88,828**	93,383
Euro denominated	**2,444**	329
South African Rand denominated	**79**	140
	91,351	93,852
Liabilities		
US Dollar denominated	**16,175**	25,821
Euro denominated	**75,970**	62,971
South African Rand denominated	**263**	634
	92,408	89,426

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.

Year ended 31 December 2017	**1 – 3 months**	**3 months to 1 year**	**1 – 5 years**	**Total**
Liabilities				
Trade payables	**45,884**	**7,469**	**-**	**53,353**
Other payables	**80,271**	**-**	**-**	**80,271**
Retirement benefit plans	**-**	**258**	**-**	**258**
Amounts due to related parties	**-**	**72,044**	**-**	**72,044**
	126,155	**79,771**	**-**	**205,926**

Year ended 31 December 2016	**1 – 3 months**	**3 months to 1 year**	**1 – 5 years**	**Total**
Liabilities				
Trade payables	46,265	17,992	-	64,257
Other payables	129,462	-	-	129,462
Retirement benefit plans	-	229	-	229
Amounts due to related parties	-	42,371	-	42,371
	175,727	60,592	-	236,319

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 monthly

An impairment analysis is performed at each reporting date for major clients. In addition a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively.

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

Kwacha thousand	**2017**	2016
Trade receivables	**87,752**	90,057
Other receivables	**4,457**	7,562
Amounts due from related parties	**72,684**	90,322
Bank and Cash	**58,319**	17,771
	223,212	205,711

28. FAIR VALUE MEASUREMENTS

The following table provides the fair value measurement hierarchy of the Company's plant and equipment and financial assets at fair value through profit or loss.

The information set out below provides information about how the Company determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

28. FAIR VALUE MEASUREMENTS (continued)

Kwacha thousand	Fair value measurement hierarchy as at 31 December 2017: Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables:				
- Amounts due from related parties	-	-	72,684	72,684
- Trade and other receivables	-	-	92,209	92,209
- Investments	-	-	25,126	25,126
Total	**-**	**-**	**190,019**	**190,019**
Financial liabilities:				
Financial liabilities held at amortised cost:				
- Amounts due to related parties	-	-	72,044	72,044
- Trade and other payables	-	-	133,624	133,624
Total	**-**	**-**	**205,668**	**205,668**
Fair value hierarchy as at 31 December 2016				
Financial assets				
Loans and receivables:				
- Amounts due from related parties	**-**	**-**	**90,321**	**90,321**
- Trade and other receivables	**-**	**-**	**97,619**	**97,619**
Investments	**-**	**-**	**24,171**	**24,171**
Total	**-**	**-**	**212,111**	**212,111**
Financial liabilities:				
Financial liabilities held at amortised cost:				
- Amounts due to related parties	-	-	42,371	42,371
- Trade and other payables	-	-	193,719	193,719
- Bank overdraft	-	-	8,016	8,016
	-	**-**	**244,106**	**244,106**

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 (DCF) Approach method. This involves forecasted 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 fair value of the investment. The business moved from using the EBITDA multiple to the DCF method.

The following table demonstrates the sensitivity to a reasonably possible change in the DCP 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 2017 Increase/ (Decrease)
1%	10,945
-1%	(10,945)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

29. EVENTS AFTER THE REPORTING DATE

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

30. SHAREHOLDING

	2017	2016
	%	%
Pan African Cement Limited	**50.10**	50.10
Financiere Lafarge	**24.90**	24.90
LUSE Central share depository	**11.92**	11.92
Public (Institutions and individuals)	**13.08**	13.25
	100.00	100.00

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

FIVE YEAR FINANCIAL RECORD

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016 Reinstate	2015	2014	2013
('000 tonnes)					
Cement production	**887**	831	1,164	1,062	1,175
Cement sold					
Domestic	**667**	605	1,038	1,080	955
Export	**245**	192	121	142	219
Clinker exports	**113**	161	1	1	3
	1,025	958	1,159	1,223	1,176
Aggregates	**172**	164	257	232	-
Kwacha million					
Statement of Comprehensive Income					
Turnover	**1,008,232**	889,673	1,296,410	1,384,427	1,132,607
Profit before tax	**57,511**	127,985	483,748	657,987	510,913
Income tax expense	**38,573**	(50,589)	(161,078)	(2,340,684)	(172,283)
Profit for the year	**18,938**	77,397	322,670	423,919	338,629
Earnings per share - K	**0.09**	0.39	1.61	2 .12	1.69
Net assets employed					
Property, plant and equipment	**1,538,303**	1,583,011	1,470,962	1,361,959	654,853
Equity investment in related company	**25,126**	24,171	32,386	21,818	5,910
Net current assets	**205,833**	212,989	221,373	247,388	387,315
	1,769,262	1,820,171	1,724,721	1,631,165	1,048,078
Liabilities due after one year					
Provision for environmental liabilities	**19,401**	15,388	13,009	28,173	24,987
Retirement benefits	**258**	228	519	798	993
Deferred tax liabilities	**238,432**	233,341	443,565	437,191	173,331
	1,511,171	1,571,214	1,267,628	1,165,002	848,767
Financed by					
Share capital	**10,002**	10,002	10,002	10,002	10,002
Reserves	**1,501,169**	1,561,212	1,257,626	1,155,000	838,765
	1,511,171	1,571,214	1,267,628	1,165,002	848,767

* This appendix does not form part of the audited financial statements and as such is not covered by the auditor's opinion.

LAFARGEHOLCIM GROUP OVERVIEW

KEY FIGURES

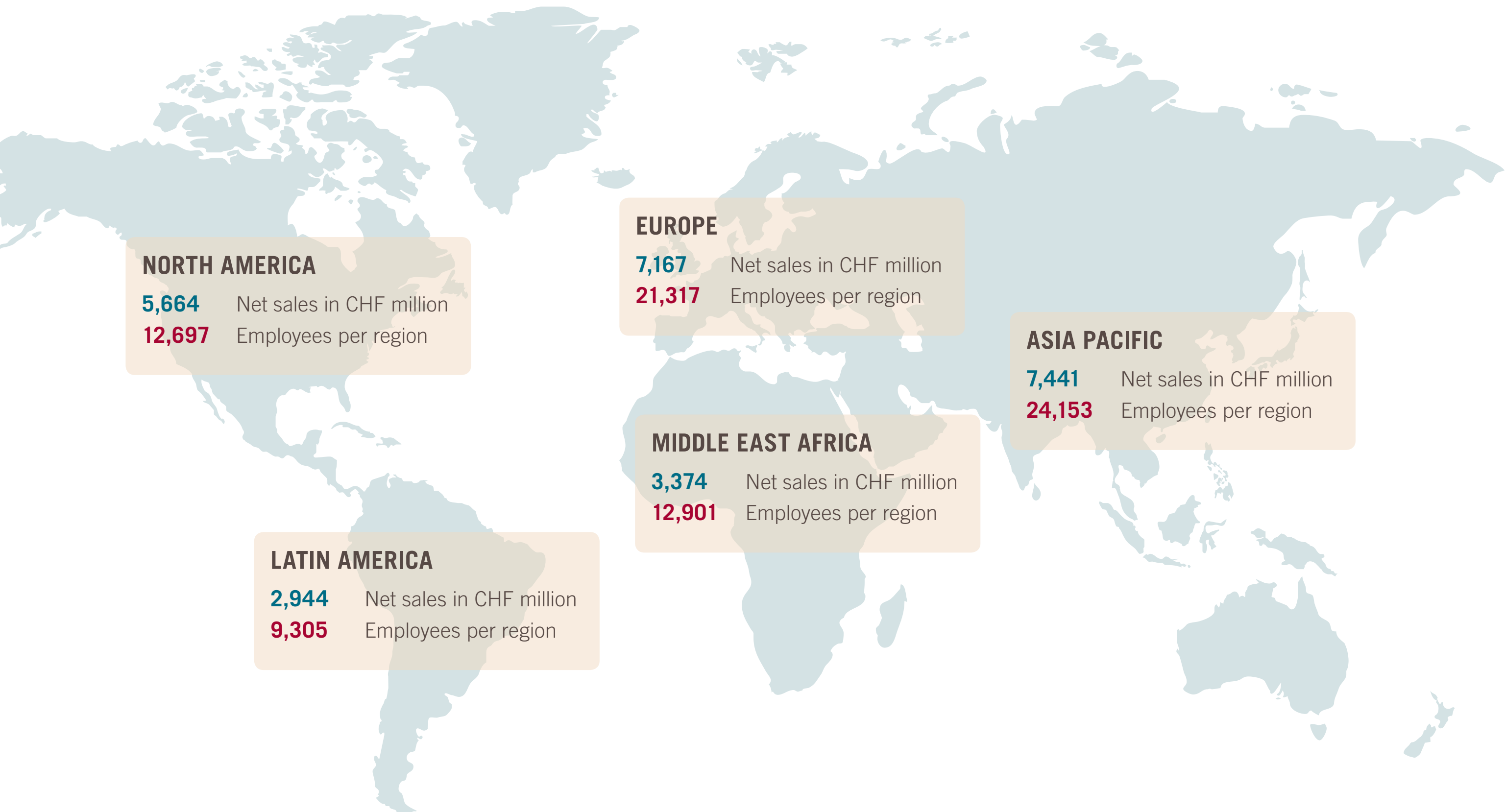
As the leading global construction materials and solutions company, LafargeHolcim can help address challenges such as urbanization and climate change. We offer a strong asset base in around 80 countries, the most innovative cement, concrete, and aggregates solutions to meet our customers' needs, and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

THE LAFARGEHOLCIM GROUP IN FIGURES:

LISTED ON THE SWISS STOCK EXCHANGE SIX AND EURONEXT

26.1 BILLION CHF NET SALES

81,000 EMPLOYEES



TOP 3 POSITIONS IN 80% OF OUR MARKETS

80 COUNTRIES

2300 OPERATING SITES

LAFARGEHOLCIM GROUP OVERVIEW

KEY FIGURES

Our business is based on three strategic businesses:

CEMENT	AGGREGATES	READY-MIX CONCRETE AND OTHERS
209.5 SALES VOLUME IN Mt	278.7 SALES VOLUME IN Mt	50.6 SALES VOLUME IN M^3
47,531 EMPLOYEES	10,777 EMPLOYEES	22,182 EMPLOYEES
271 CEMENT AND GRINDING PLANTS	629 QUARRIES	1,479 PLANTS

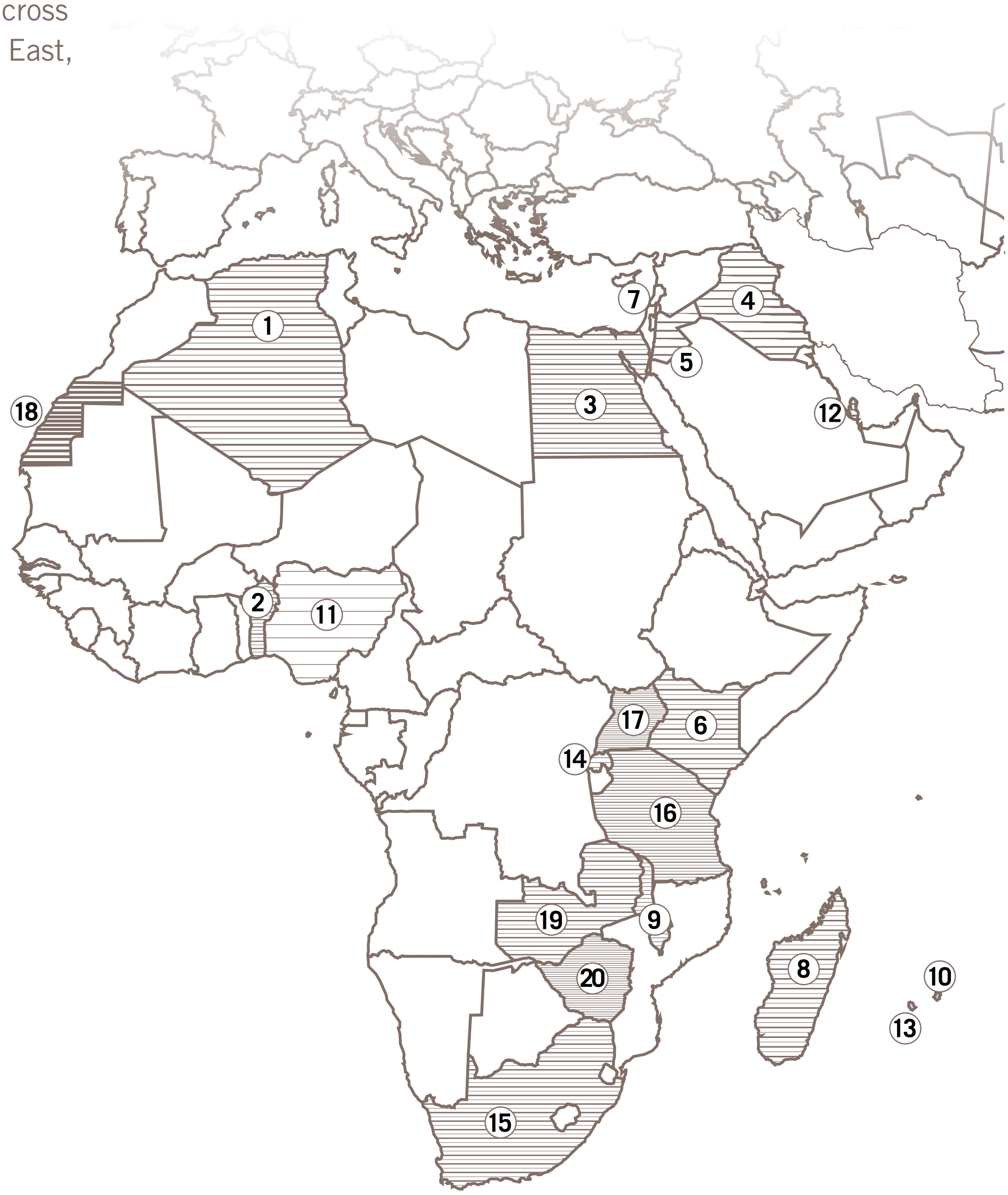
CEMENT PRODUCTION CAPACITY: MIDDLE EAST & AFRICA

Algeria	12.6	Jordan	3.9	Qatar	0.6
Nigeria	10.5	Kenya	2.3	Reunion	0.5
Egypt	8.9	Zambia	1.4	Zimbabwe	0.4
Iraq	5.7	Uganda	1.2	Tanzania	1.1
South Africa	3.2	Malawi	0.3		
Lebanon	2.5	Madagascar	0.2		
				TOTAL	55.3

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



LAFARGE ZAMBIA PLC
MINUTES OF THE 25TH ANNUAL GENERAL MEETING
HELD ON 5TH APRIL 2017 AT THE TAJ PAMODZI HOTEL, LUSAKA

PRESENT:

Mr M Hantuba	Chairman
Mr V Bouckaert	CEO & Managing Director
Mrs D Mulwila	Director
Mr SM O'Donnell	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 09:15 hours.

1.2 Safety briefing was given by a representative of Taj Pamodzi.

1.3 Apologies and Proxies

i. Apologies were received from Directors, Mr Mwelwa Chibesakunda and Mr Jose Cantillana.

ii. Proxies: A total of Thirty five valid Proxies were received including 2 appointing Mr Vincent Bouckaert from Pan African Cement Limited and Financiere Lafarge.

2. AGENDA AND NOTICE

2.1 The Agenda and Notice were noted as published and circulated in the week beginning 6th March 2017 in line with the requisite statutory period. The Agenda and Notice were subsequently adopted.

- Proposed: J. Chisha
- Seconded Rev Chongo

3. MINUTES OF THE 24th ANNUAL GENERAL MEETING

3.1 Minutes were confirmed as the correct recording of the proceedings for the 24th Annual General Meeting of the Company with the following corrections:

i. Spelling of names.
Resolution: By show of hands it was resolved that the minutes of the 24th Annual General Meeting be approved as corrected above.

- Proposed: E. Malama
- Seconded: S. Malama

4. MATTERS ARISING FROM THE MINUTES OF THE 24th ANNUAL GENERAL MEETING

i. Mr Sinkala proposed that the attendance register be arranged in alphabetical order. He was advised that this was noted and will be taken into consideration.

ii. Mr Sikalundu enquired on the progress made on Alternative energy. He was advised that this would be addressed in the CEO's report.

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 2016

5.1 The CEO and the CFO presented the operational and financial performance of the Company respectively, for the year ended 31st December 2016. Highlights included the following:

i. Market overview indicated that the economic environment in the year ended was difficult leading to the reduction in market share and sales by 43% and 40% respectively. The CEO further communicated an improvement plan to develop the export market.

ii. Resilient performance based on the four pillars adopted by the company being cost leadership; commercial transformation and sustainability; asset light strategy; and operational excellence. Specific actions attributed to this included the re-negotiation of the big contracts, staff rationalisation and securing of big construction projects such as construction of the new Airport.

iii. Key priorities for the Company included the opening of 16 Kumanga retail franchise containers/stores, maintaining cost leadership and developing sustainability.

iv. The CFO informed the meeting that the business had no long term loans.

v. Ms. Maria L. Phiri commended the business on the resilient performance despite the difficult economic environment.

vi. Mr. Fred Sibila raised a concern on the recent sharp drop of the share price from K21 to K3 then K6 within a short period of time and what could be done to improve this. The CFO attributed the recent share price drop to a once off transaction which was duly investigated by the regulators, with no anomalies found.

vii. Some shareholders registered their concerns about the huge reduction in profits and competitive preparedness.

viii. Ms. Helen Samatebele asked what the duration for the strategy actions presented and when the returns would be visible.

ix. Mr. Songolo asked about the reduction in the labour force by a 100 employees. The CFO explained that the reduction in employees was in line with the changing market environment and was done very effectively as the company gave very good packages.

x. Mr. Songolo also enquired about the increase in the selling and administrative (SG & A) cost when sales had reduced by 33%. The CFO advised that this was due to the roll out of depots and other commercial actions.

xi. Mr. Mwewa Kuyamulabi challenged the Board on the “dismal” performance, weak strategy and called for more aggressive restructuring. He also wanted to understand the value proposition being offered to customers. In response to this, the CEO explained that the aim was to implement a differentiation strategy that could not easily be imitated. He further advised that the business was leveraging on Group expertise to create value proposition specific to customer needs, for example, the mines.

xii. Mr Sikalundu sought clarification on whether other building materials sold under the Kumanga Franchise were owned by Lafarge Zambia. He was informed that other building materials not manufactured by Lafarge Zambia but necessary for construction were sold.

xiii. Mr Edwin inquired on the company’s preparedness and capacity to supply huge projects including the Kariba, Batoka, etc. Mr Hantuba responded that the Company had secured supply to all major projects.

xiv. Mr Edson Malama raised a concern on why competitive products were cheaper than Lafarge Zambia products which he believes was closer to the market in terms of proximity. Mr Hantuba explained that strategy of price reduction was not sustainable.

xv. Ms Ellen Changula called for the commercial and marketing actions that would ensure product was brought close to end users. Kumanga solution was addressing this concern.

xvi. Ms Sara Mfula called for management to address the issue of some Lafarge Zambia branded containers selling competitor products.

xvii. Mr George Mumba called for improvement on awareness of product specification on the market.

xviii. Ms Anna Musubange commended management on the use of electronic, including SMS, notification of the Annual General Meeting.

xix. Ms Musonda Mutati inquired on increased cost of remuneration when the business had reduced the labour force. She also asked if the Directors remuneration had been increased. In response, the CFO advised that the remuneration costs appeared higher due to redundancy terminal benefits pay out. The CFO further advised that the directors’ fees remained the same as the previous year but were impacted by the exchange rate.

xx. Mr. Anthony Kasolo asked if the Risk and Audit committee had adequate number of members and skill profile. The Board Chairman Mr. Muna Hantuba responded to this and assured the meeting that the committee was well composed and the Annual report only indicates independent (non-executive) Board members.

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 2016, including the Chairman’s Review , Directors’ Report and Report of the Auditor, be adopted.

- Proposed Mr Anthony Kasolo
- Seconded Mr Daniel Mhango

6. DECLARATION OF DIVIDEND

6.1 The Directors’ recommendation for the final dividend for the year ended 31st December 2016 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. Lucky Chishimba
- Seconded Mr. Edwin Daka

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 2017 to be the same as the fees in 2016.

Resolution: By show of hands it was resolved that Directors fees for the year ending 31st December 2017 be maintained at those in 2016

- Proposed Mr. Sakala
- Seconded Ms. H. Samatebele

8. APPOINTMENT AND REMUNERATION OF THE AUDITOR

8.1 Auditors fees for Ernst and Young for the year 2016 were approved.

Resolution: By show of hands it was resolved that Auditors fees for the year 2016 be approved.

- Proposed Mr. Charles Sakala
- Seconded Ms. Beatrice Siwila

8.2 In line with corporate governance practice, the Directors' recommended a change of external auditors from Ernst and Young to Deloitte, having been in office for 5 years.

Resolution: By show of hands it was resolved that Deloitte be appointed auditors of the Company for the year to ending 31st December 2017 and that the directors be authorised to determine the remuneration of the auditors.

- Proposed Ms. Beatrice Hamuba
- Seconded Ms. Maria L. Phiri

9. ELECTION OF DIRECTORS

9.1 In accordance with Article 76(A) of the Company Articles of Association, Members were informed that the directors retiring by rotation were Ms. Dorothy Mulwila, Mr. Mwelwa Chibesakunda and Chrissie Moloseni. However, pursuant to Article 73(B) of the Articles of Association Mr. Mwelwa Chibesakunda and Ms. Chrissie Moloseni were accordingly re-appointed as directors.

Pursuant to Article 73(A), a notice in writing signed by 25 Members entitled to vote at the Meeting, stating the intention of such Members to propose a resolution for the appointment of Mr. Frank Munthali at this AGM was lodged with the Company Secretary. In addition a notice signed by the said Mr Frank Munthali of his willingness to be appointed was duly registered with the Company Secretary.

The members were informed that there were two proposals for consideration of appointment to the Board for minority shareholders' representative, that is, Mrs. Dorothy Mulwila and Mr. Frank Munthali.

The Ballots were duly circulated and the shareholders were requested to cast their vote for their preferred candidate. Mrs. Mulwila was duly elected by majority of the shareholders present as the minority shareholders' Board representative.

9.2 Ms. Maria L Phiri suggested that the tenure of the minority shareholders' board representative be limited to two (2) years.

10. ANY OTHER BUSINESS

10.1 Some shareholders requested for company assistance through the corporate social responsibility.

10.2 Mr. Sikalundu asked if the company can partner with the relevant government authorities to address the issue of bad roads and collapsing bridges. The Chairman, Mr. Hantuba advised that the company had engaged government to promote concrete roads.

10.3 Mr. Patrick Kakuba advised the company to go beyond Burundi for exports. The CEO responded that it is being considered.

10.4 Mr. Anthony Kasolo proposed that there needs to be a Shareholder day held in Ndola.

There being no other business, the Chairman declared the meeting closed at 12:30Hrs.

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	-	Edson K Malama	-
Albert Somanje	10000	Edward Yuku	1000
Albert Yabuka	1000	Edwin W.M Daka	1135
Allan Mapoma	2002	Elias Nambwaya	-
Aloysius Banda	1000	Elida Nyirongo	-
Anael Mutanda	1100	Elina Phiri	2000
Anna M Mubukwanu	32 117	Enid P Chilala	300
Anne S Mtonga	-	Ernest G.K Nyirenda	1073
Baron M Mwape	31	Eugene Chungu	-
B K Besa	1000	Eugene L Muyangana	3500
B M Mumba	-	Evelyne Nambeye	283
B. Katanga	-	Ezron Yosa	40
Billy Chola	-	Faston Mtambo	2000
Boyd Tembo	10000	Felicia Jovy Muludyanga	3000
Bwalya Mwamba	-	Fred Simwamba	-
C. G Shapi	2000	G. Ndhlovu	-
Cathleen C. Sosopi	-	Gaston Nkhoma	1292
Cecilia Sichaambwali (Proxy)	-	George Chiyabi	1000
Chama Gilbert	5	Griffin Nyirongo	7000
Chanda Mutoni	-	Harridon Kasumsa	1000
Chanzi Nambo	-	Hebert Musanje	2000
Charles Sakala	1559	Henry C Nondo	-
Chawe Numbe	-	Henry K Chisha	2000
Chewe. J.M Sekele	4000	Herman Kambo	-
Chibiya K Kennedy	103	Ignatius Chisanga	1209
Chibwe Kabene	-	Jack Kalumba	1000
Chipa Chipota	-	John Kampamba	1 221
Chipeta B Adams	1000	John Mulwila	-
Chipilipili Sinyangwe	-	Jonathan Chisenga	62
Clauers Sekesai	430	Jonathan Imakando	-
Daniel Sikalundu	66	Josehine Katongo	1000
Danis Mwaandu	1000	Josephine K S Chisha	50
Diblo	-	Juliana K Muludyana	2000
Divison C Ngosa	1000	K. Mate	-
Dr. M.P Garg	70	Kabukabu Shapa	-
Dr. Mulwila	19 000	Kabungo Chishimba	-
E. Nsulube	2000	Kamwi Lindani (Proxy)	-
Edgar Chishimba	2000	Kangwa Mutimusiti	3000

NAME IN FULL	No. of shares	NAME IN FULL	No. of shares
Kaziwe Kaulule	-	Musa Imakando	-
Kelvin Kaonga	-	Musanje A.M	1000
Kennedy Kaela	-	Mwango Micheal	1000
Kerry J Kangwa	1000	Nalwimba Natasha	1000
Kondwani H Sakala	-	Ngonya Hamalambo	138
Kondwani Sakala NAPSA (Proxy)	10183898	Nkhoma Matthews	-
L.D Chishimba	-	Nsama M .C (Proxy)	-
Laston Chanda	-	Oliver Chibomba	1500
Leonard Nabwalya	-	P Musonda	-
Liak Siame	1200	P.G Muhone	1500
Liseli M Simasiku	-	Patel Kantibhai	2000
Lukwesa Zebedy	5	Patricia Winnie Simapumbu	1000
M.B.M Mwango	-	Protasio Mulinda	1000
Machael Elias Zimba	1001	Prudence Ngosa	-
Madaliso Jamper	-	Richard Kabwe	328
Madison Pension Trust Fund	1000	Rose P Chisha	143
Maria Langa Phiri	1000	Sara K. Mfula	4000
Martha Mulenga	1000	Situmbeko C Mubano	1420
Martha Simukonda	668	Selina N Mwale	1000
Matipa Jane	327	Silwimba Ackim	1000
Matthew K Hara	-	Simon Chiputa	200
Maybin Tembo	10 000	Sitali Muugala (SEC)	-
Mayoba Mushalwayo	-	Stanislaus N. Nyoni	1100
Mbumwae Silumesi	745	Stanley Mtonga	1023
Mcgerald Mvula	-	Stephen Chikonde Kabonga	2241
Meya Mulongoti	-	Tamara Muhone	8000
Micheal Ndhlovu	-	Thecra Milambo	-
Micheal Nguluba	1039	Veronica Kangwa	32
Mr. Thomas Zulu	899	Victor Chewe	-
Mrs Mercy Siame	-	Vincent Kalaba	1500
Mrs P.F.B Muhone	-	Violet Chongo	-
Mrs. F.S Zimba	962	Vvien Witika	-
Muke Wana	160	Webson C Mumba	
Mukupa Namba (Proxy)	-	Wezi M Phiri	503
Mulambya Edwin (proxy)	-	Zulu Yorum	35
Mulenga Kameta	-	Felicia Jovy Muludyanga	3000
Mumba M	100		
Muna Hantuba	-		

A member of LafargeHolcim

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