



LAFARGE ZAMBIA PLC ANNUAL REPORT 2016

 A member of
LafargeHolcim

 **LAFARGE**
Building better cities™



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1 Lafarge Zambia at a Glance

MARKET LEADER

Lafarge Zambia is part of the worldwide LafargeHolcim Group, the world's largest manufacturer of building materials and construction solutions provider. The Group operates in

90 countries, with **90,000 employees**

working towards the goal of providing construction solutions to help the citizens so that the world can build better!

DEVELOPING OUR EMPLOYEES

Investing in employee training not only benefits our staff, but also directly impacts the performance of our Company. That is why 2016 brought a renewed focus on training, and employees were up skilled in various areas of the business.

10,564

Man-hours spent in training.



It's a tough job in a tough industry - and there are none more committed to the vision of our Company, or able to execute it, than our contractors and loyal employees: THE HEARTBEAT OF OUR COMPANY.

THE LAFARGEHOLCIM 2030 PLAN

People & Communities

The Lafarge Foundation, together with the help of our employees, has a mandate to actively improve the lives of the communities in which we operate. During 2016 we have been privileged to assist in various ways, but one of the highlights was our involvement with the Saving Mothers Giving Life project in partnership with USAID: an incredibly worthy cause whereby shelters were built across the country so that pregnant women in remote areas would not have to travel so far to give birth.

10

Mother Shelters constructed in 2016

K600,000

Contributed to our communities in cash and cement donations.

Water & Nature

Where trees grow, life prospers.

In collaboration with the Forestry Department, we are fully on track to reach our target of planting **50,000 trees** by the end of the rainy season.

HEALTH & SAFETY

The health and safety of our employees remains our non-negotiable priority, and we will continue to drive safety procedures, training and awareness initiatives with a great sense of urgency. In 2016 we have:

- Reviewed and further improved our contractor management system to ensure that not just Lafarge Zambia employees, but also our contractors will make it home safely every day.
- Improved our Risk Assessment format to ensure that human error is further negated.

TRIED & TESTED PRODUCTS

We continue to manufacture the country's most trusted cement products. Our products remain the preferred choice for any application: from a family home to a shopping mall to an airport. There's nothing that you can't build with Lafarge Zambia Products!



COMMERCIAL TRANSFORMATION

We continue to find ways to deliver exceptional value to all our customers by meeting the ever-growing demand for building materials and construction solutions in a fast changing environment. In 2016 this included:

New route to market channels

Kumanga Retail Stores

15 STORES



AWANGO RETAIL STORES

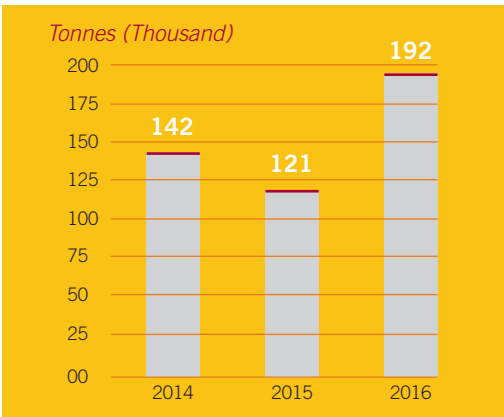
6 STORES



Increasing Exports

We continue working hard at expanding our markets to neighbouring countries and regional markets:

CEMENT EXPORT VOLUME



BUILDING ZAMBIAN INFRASTRUCTURE

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 2016:

- Kenneth Kaunda International Airport
- Simon Mwansa Kapwepwe International Airport
- Kafue Gorge Lower Hydro project
- Maamba Power Plant
- Itezhi Tezhi Hydro Power Plant
- Musonda Hydro Power Plant
- L400 Road Project
- Mopani Mines' Mufulira Shaft Project

600,000 tonnes p.a.

The production capacity of Mapepe Aggregates Plant.



2 Year in Review

CHAIRMAN'S LETTER



I have the pleasure of presenting the 2016 Lafarge Zambia results on behalf of the Board. The achievements we are able to report continue to be made possible by the hard work, dedication and expertise of our employees and contractors.

I would like to begin by thanking Emmanuel Rigaux, who had served as Chief Executive Officer from August 2013 until August 2016 when he was appointed LafargeHolcim Head of the West African Cluster. I wish Emmanuel every success in his new role. I am also delighted to welcome Vincent Bouckaert who joins the Board with a great wealth of experience in the cement manufacture and finance fields spanning over 22 years. He took over as CEO on 1 September 2016. I am convinced that Vincent will add much value to the Company and ensure we consolidate our leadership position in the market.

2016 was characterized by a challenging economic environment due to several factors including a fluctuating exchange rate and high inflation rate especially in the first half of the year including low electric

power supply leading to load shedding. The country conducted Presidential and General Elections which ushered in the Patriotic Front Government to continue for a second term. The election process was characterized by great uncertainty which resulted in suspensions or delays in investment decisions by many developers and builders.

The prolonged low liquidity on the money market as well as high interest rates further stifled expenditure leading to the domestic market contracting by about 21% compared to 2015. The challenges which were not only in the manufacturing sector were felt across the entire economy which resulted in a drop of Gross Domestic Product (GDP) rate to 3.6% for the year. The foreign market, specifically the Democratic Republic of Congo (DRC) recorded low construction activity owing to the political uncertainty in that country.

Against the back drop of all this, Lafarge Zambia managed to turn out a resilient performance in terms of industrial and financial performance. Although volumes and price were under pressure throughout the year the Company recorded a profit after tax of K77 million.

Basic and diluted earnings per share for the year were 76% lower compared to 2015, at K0.39 per share. The Directors recommend that a dividend of K0.25 per share be declared for the year ending 31 December 2016.

The Company's share price fluctuated throughout the year ending with a closing share price of K6.00 per share. This resulted in a market cap of K1.2 billion at 31 December 2016. The Company is committed to several actions in the ensuing year that will better reflect, through the share price, the real worth of the Company.

The LafargeHolcim Group has finally stabilized after the transition following the merger in 2015 and is fully entrenched as the world leader in building materials and construction solutions provider. The Company will continue to be branded LafargeHolcim Group while in Zambia it will remain trading as Lafarge Zambia, a member of the LafargeHolcim Group.

There were changes to the directorate. In addition to the change of CEO, I would like to welcome to the Board, Jose "Pepe" Cantillana who joined in May 2016. He is currently LafargeHolcim Area Manager for South and East Africa and Indian Ocean. Pepe took over from Dominique Drouet who resigned from the Board after being assigned another role within the LafargeHolcim Group. I wish Dominique the very best in his new role.

The Company has continued to mobilize employees around community programmes using the Lafarge Foundation and has now become the channel through which it drives its Corporate Social Responsibility (CSR)

programme based on the available resources and impact to the local community. Although the Lafarge Foundation's resource mobilization was hampered in the year due to economic challenges, the major activities undertaken included the building of Maternity Blocks and Mothers' waiting shelters across the country with support from USAID, the donation of a bus to Chilanga's Mother of Mercy Hospice as well as the successful hosting of the Lafarge Lusaka marathon which has now become a fixture in the April calendar.

I would like to take this opportunity to thank you, our shareholders, for your continued support during 2016. I would also like to express my gratitude to the Board members for the dedication and wise counsel and members of the Management team for their leadership. I would also like to thank our employees for their continued commitment to deliver for our customers in the domestic market and within the region. We remain committed to our customers and business partners whom we are grateful to for their loyalty throughout 2016. We pledge our dedication to growing their businesses and helping fulfill their construction projects in the ensuing year.

**MUNA
HANTUBA**

Non-Executive Chairman

1 March 2017

CHIEF EXECUTIVE OFFICER'S LETTER



The Company continues to be the market leader in the building materials and construction sector. We remain committed to differentiating ourselves by being a construction solutions provider for our customers and end users. In 2016 the Company turned out a resilient performance despite the challenges in the economy and competitive environment.

From an industrial, commercial or financial performance view point there were a number of notable achievements including lowering production cost, introduction of innovative products, securing key construction projects and developing a new retail network that will establish a platform for growth in 2017 and beyond.

The Company's objective of zero harm on-the road or on-site, is a demonstration of our strong commitment to health and safety and a true reflection of this overarching value in daily operations. Although Lafarge Zambia continues to demonstrate safety leadership in the sector, challenges still remain. For this reason the Company continues to work with various stakeholders such as regulators and transporters focusing on programmes to improve driver behaviour including journey and fatigue management. The Company held a transporters' safety summit in 2016 to promote

these initiatives. In 2016 the Company utilized 740 trucks involving 20 contracted companies in addition to use of rail transport.

Although good Health and Safety practices & procedures continue to be in place, regrettably 2 third party road fatalities and one contractor on-site fatality were recorded in 2016. The loss of life is unacceptable regardless of the circumstances and cannot continue. Therefore, the Company has renewed its commitment, ensuring that every employee has a personal objective to manage Health and Safety.

The domestic market demand for 2016 was 1.4 million tonnes of cement, down 18 % compared to 1.7 million tonnes in 2015. This was as a result of the slowdown in the economy which adversely impacted the construction industry. Subsequently, this exerted pressure on volumes and price. As a result Lafarge Zambia increased its focus on exports of both clinker and cement to the regional market leading to strong export volumes to Zimbabwe, Malawi and Burundi. The Democratic Republic of Congo continued to be the largest export market although political uncertainty adversely impacted volumes to this market in 2016.

Consequently, the Company's turnover was K889.7 million 31% lower compared to K1, 297 million in 2015. In turn the profit after tax declined to K77 million due to pricing and volume pressures, high production costs driven by exchange rate impact, power and fuel increases and one off restructuring costs.

The plants recorded a strong cash cost performance compared to prior year making the two facilities to be rated among the best

performing in the LafargeHolcim Middle East Africa region. This mitigated the impact of the low volumes produced by the plants. The right sizing of the plants and entire organization implemented in the first half of the year contributed to lowering production costs.

The Company's financial structure remained strong and the Company had no long term debt at the end of the year.

The Company complied with the requirements of the LafargeHolcim Group Internal Control policies. The internal audit function continued to provide an independent review of the business processes and control environment within the Company supported by the Group Internal Control function. The Company further conducted training on the Code of Business Conduct and Integrity Line was launched by the Company with support from the Group.

The Company will continue to give a strong focus to commercial transformation and sustainability which are differentiation levers and position the Company for sustained growth. Using the Kumanga franchise network to benefit from opportunities in retail channel will enhance value for our customers and shareholders through better management of volumes and price. In addition, the creation of a Geocycle function in the Company will further provide opportunities for the Company to use alternative raw materials and fuels in cement manufacture helping to optimize production costs as well as improving the environment management in our country.

The lowering of Government's policy lending rate from 15.5% to 14% is likely to improve liquidity in

the financial sector and will spur economic growth. This will lead to increased construction activity in terms of large construction projects by Government and individual commercial projects as well as individual home building. In addition, mining activity is likely to increase driven by the rising copper prices and a number of projects in both the mining and energy sectors being commissioned in Zambia and the Democratic Republic of Congo.

Lafarge Zambia is committed to delivering on its targets in 2017. As we look forward, we are confident that all our stakeholders will benefit from the platform we have in place to drive growth and create value for our shareholders and all other stakeholders.

I would like to thank the Board of Lafarge Zambia Plc for their continued guidance and leadership. I am also grateful for the support of you, our shareholders, throughout a year of great change internally and externally.

Finally, I would like to recognize our employees who continued to deliver our products and services with much commitment and hard work. It is because of them that we achieved the performance that we are reporting.

VINCENT BOUCKAERT

Chief Executive Officer

1 March 2017

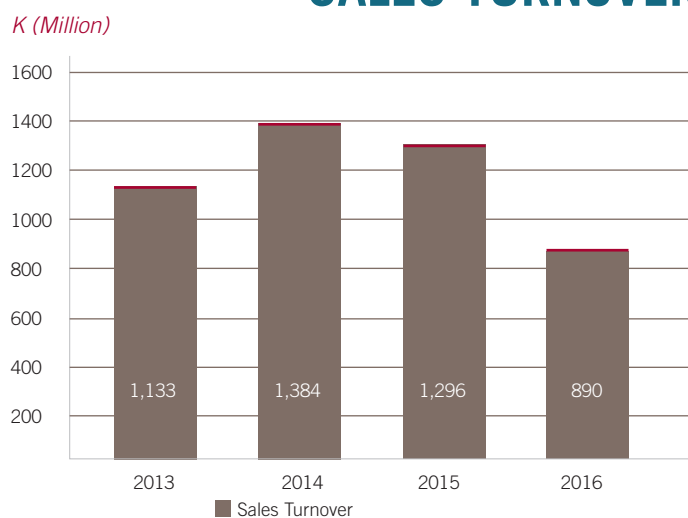
3 Financial Highlights 2016



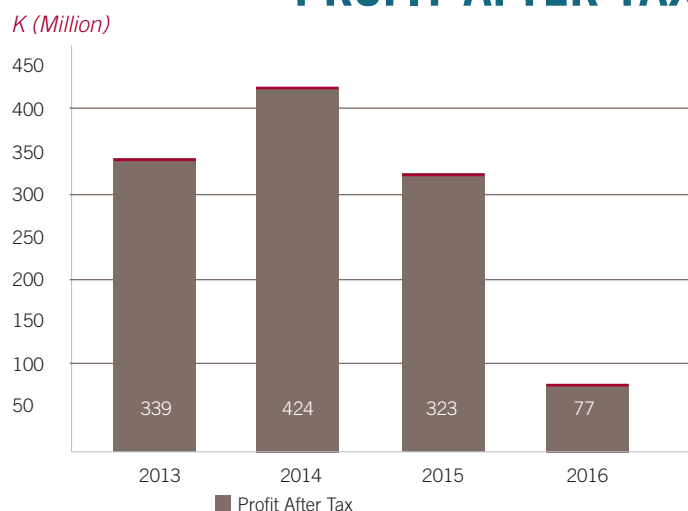
KEY FIGURES

	2016
<i>K (Million)</i>	
Turnover	889.7
Profit After Tax	77.4
Long Term Debt	0
<i>Kwacha</i>	
Earnings Per Share	0.39
Dividends Per Share	0.25

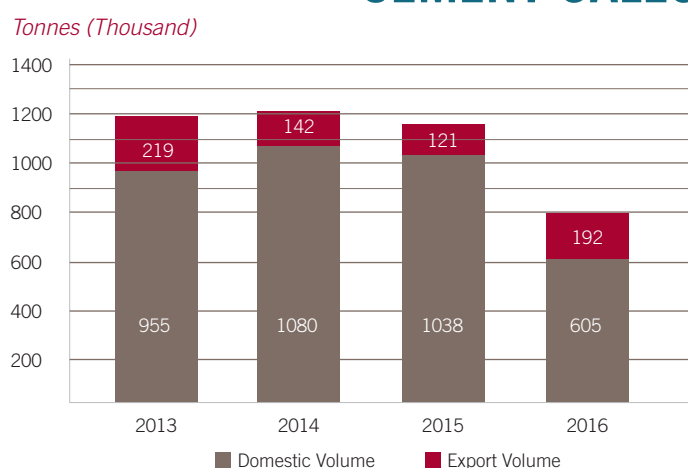
SALES TURNOVER



PROFIT AFTER TAX



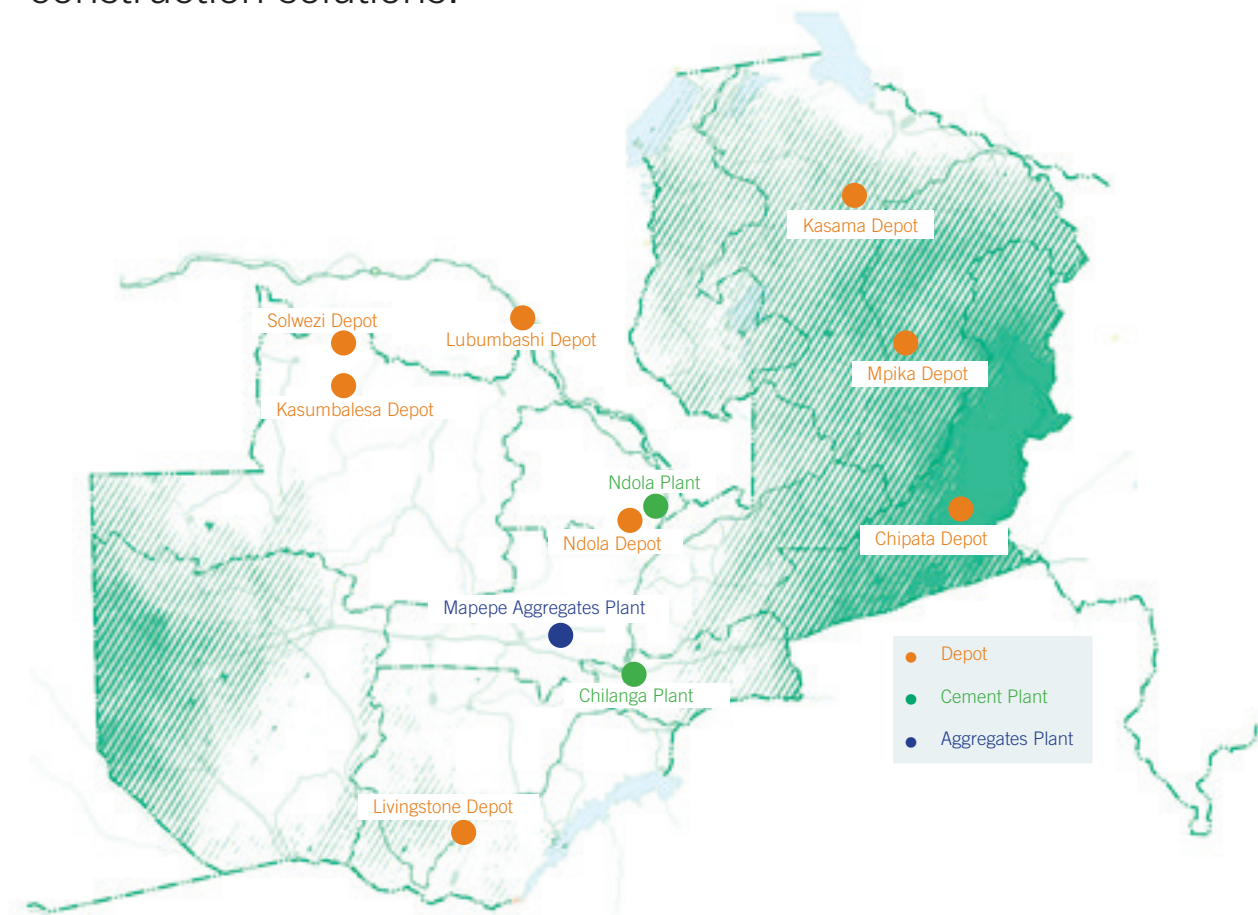
CEMENT SALES



4 About Lafarge Zambia

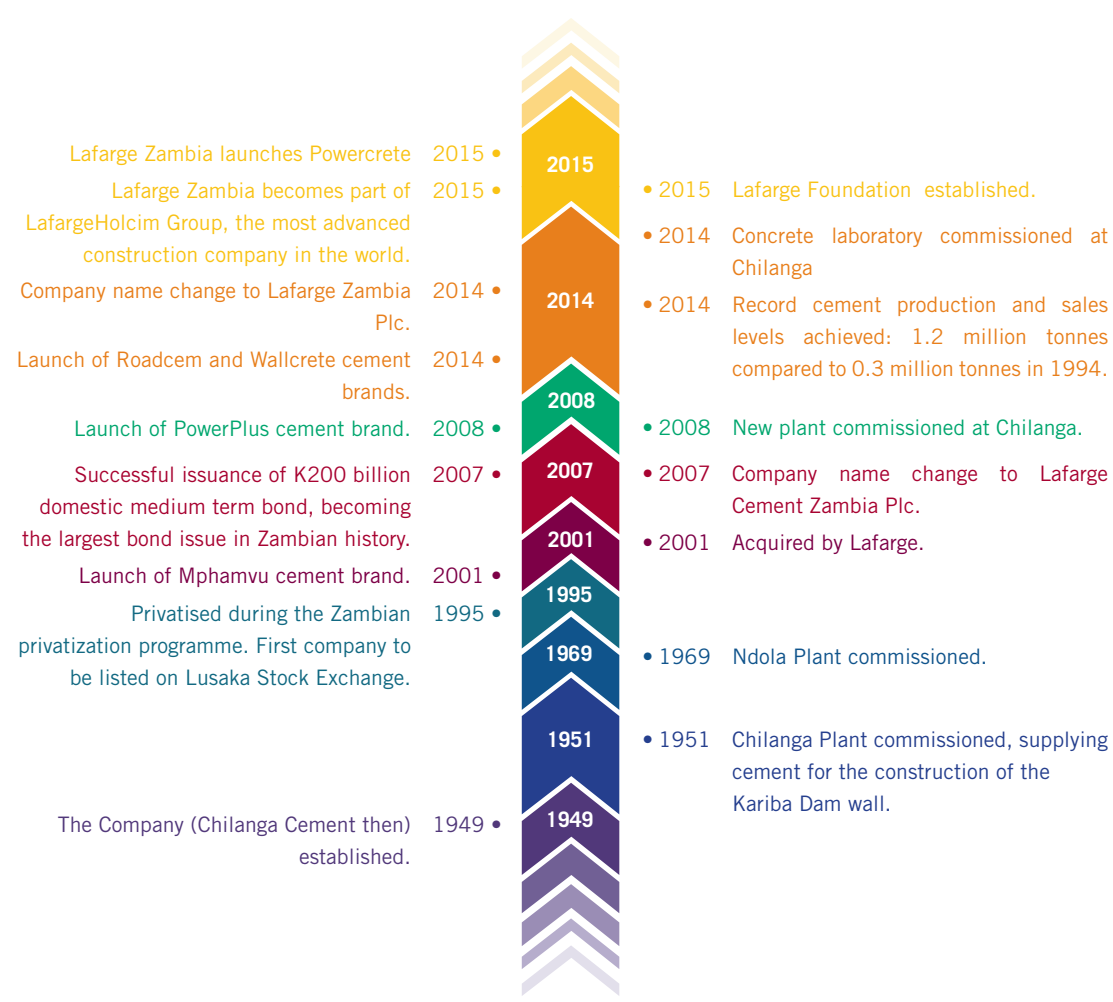
GEOGRAPHICAL PRESENCE IN ZAMBIA

We are well represented throughout Zambia to ensure that our customers can easily access our products and construction solutions.



A PROUD HERITAGE

Major milestones in our history.



OUR OPERATIONS

Our 68 years of operational excellence ensures a robust future.

- More than 68 years of operating in Zambia
- Chilanga Cement Plant has a cement production capacity of 950,000 tonnes per annum.
- Ndola Cement Plant has a cement production capacity of 550,000 tonnes per annum.
- Lafarge Zambia offers the widest product range on the market.
- Lafarge Zambia is the supplier of choice for major construction projects in Zambia and the region.
- Mapepe Aggregates Plant has a capacity of 600,000 tonnes high quality aggregates per annum. We are also the only supplier of washed aggregates in the country.
- We are well established and have retailers distributed across Zambia

5 Strategy

In alignment with the LafargeHolcim Group's vision, Lafarge Zambia is geared to excel in the following performance areas that put our customers first and focus on innovation in products, construction solutions, and industrial processes:

1. Achieve operational excellence through continuous improvement.
2. Serve the building needs of individuals and retail customers.
3. Be the preferred partner for building and infrastructure.
4. Create an attractive environment for our people.
5. Create shared value with society.
6. Engage our resources for best returns and cash generation.

Lafarge Zambia is committed to all these areas and focuses on them in our day to day operations in the following ways...



1. COMMERCIAL TRANSFORMATION

Achieving operational excellence through continuous improvement.

Rapid urbanization, resource scarcity and climate change are among the trends that are changing the world in which we live. As a result, the market is facing a host of urgent challenges such as achieving energy efficiency, lowering the cost of construction, reducing the environmental

footprint, as well as meeting high standards of aesthetics, comfort, health and well-being.

Through the Commercial Transformation pillar, LafargeHolcim is committed to finding solutions to these global challenges, thereby bringing

value to customers, communities, and society while simultaneously capturing new value and growth opportunities for the Company.

The Commercial Transformation pillar is targeted at achieving performance excellence, and implies the following commitments:

CONTINUOUS INNOVATION

Innovation permeates and transforms all aspects of our business with the ultimate goal of serving our customers in the best possible way. From Research & Development (R&D), manufacturing and logistics, right through to marketing, finance, and commercial processes, the drive to innovate never ceases.

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, 2016 saw us introducing a host of new solutions to our customer segments, ranging from new water-

resistant bags for the mining sector, to affordable housing solutions.

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



GLOBAL KNOWLEDGE APPLIED LOCALLY

We continue to leverage the Group's scale and expertise to infuse our operations with best practice experience, adapted to our local environment. We also continue to apply the R&D resources and experience of the LafargeHolcim Group to deliver world-class products within a local context.



IMPROVED ROUTE TO MARKET MODELS

We are improving the ways in which we go to market in order to better position our products, focusing specifically on increasing the commercial touch points in retail and major infrastructure development.

Retail Channel

We have identified a number of initiatives to improve the success of this channel including premium branding, innovative packaging, loyalty programs, and our direct market-access platforms: Kumanga

franchises and Awango containers in partnership with Total service stations. We continue to enhance our route-to-market models that are promoting our retail franchise, as well as helping to differentiate our offerings for particular markets, specifically for small to medium size projects and speciality solutions.

Major Infrastructure Projects

We ensure that we are closely involved from the design stage

of major construction projects, assisting decision makers with advice to reduce their costs and suggestions for optimal approaches to infrastructure challenges. Our involvement helps project managers, architects, and engineers to better understand the advantages of our products, which means they can specify our products with confidence. It also helps us to better judge the full scope of planned projects and subsequently offer integrated solutions.

EXCEPTIONAL SKILLS AND KNOWLEDGE

By continuously leveraging the competencies of talent within the Group operating in 90 countries, we are able to deliver significant growth and margin synergies.

90 countries
90,000 employees



Focused on performance

MARKET EXPANSION

We will expand our markets by introducing our existing products into new markets, and create new markets by means of new product development.

Regional Markets

By concentrating on developing new markets within the region we have expanded our cement export markets beyond the captive market of the Democratic Republic of

Congo (DRC) to now also include Zimbabwe, Malawi and Burundi. We continue to explore new markets for both clinker and cement.

Local Markets

Additionally we continue to develop new markets locally by focusing on specific segments of the market with affordable housing solutions using the latest building technologies and leveraging partnerships with

Zambia's financial institutions such as Zambia National Building Society and Bank ABC.



Chilanga Plant supplies value for money products and solutions

2. A CUSTOMER FOCUSED APPROACH

Serving the building needs of individuals and retail customers

We aim to be an organization that successfully anticipates the needs of builders and concrete product manufacturers, and to then translate these requirements into efficient, value-adding products for consumers, whilst still delivering superior returns to our shareholders.

WORLD CLASS CEMENT PRODUCTS

Lafarge Zambia offers a range of innovative, market-leading products for individual homebuilders, manufacturers of concrete products and large construction projects..

Everyday Building



Mphamvu

Mphamvu 32,5N is a Portland Limestone Cement with general-purpose applications from domestic concrete to large building 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

WallCrete 22,5X masonry cement's smooth application and ease of use make it the perfect solution for the high quality demands of finishes such as plasterwork, floor screed and pointing.

Concrete Product Manufacturing



SupaSet

SupaSet 42,5R is a rapid setting, early strength cement ideal for the block making and concrete product manufacturing processes. Its fast drying rate, improved workability and reduced water requirements all contribute to the popularity of this product.

COUNTRYWIDE ACCESSIBILITY

Representing around 90% percent of the bag volume sold by Lafarge Zambia, distribution and retail are vital to the business success of the Company. This sector also plays a key role in helping us better serve and understand the needs of the market as it provides strategic touch points where our products and solutions meet their customers and ultimately

the end users' needs.

Hence our primary objective in terms of distribution is to ensure convenience and guarantee that everyone who chooses to build with Lafarge Zambia will have access to our products. We aim to achieve this by making our products and solutions available at all times, generating

additional business for distributors, retailers, do-it-yourself stores, franchises and partnerships. The latter two are of particular value because they also enable the brand to control its brand image and customer service, ensuring that our customers receive the best advice when it comes to selecting the most suitable Lafarge Zambia product for their project.

Franchise Network: Kumanga

Kumanga is a retail network concept where quality cement and other building materials, such as brick force wire, tile fix, steel rods, and termite control are sold through branded stores.

The aim of the Kumanga franchise is to enhance the customer experience through the establishment of this channel. It is focused on the individual homebuilders and resolves many of the challenges customers face in their home building journey including:

- customer building costs,
- inadequate customer product knowledge,
- lack of convenience of

purchase,

- poor value for money: lack of the right quality, all the time,
- failure to access several building products under one roof.

Kumanga is focused on enhancing convenience of service, as well as delivering a consistent retail experience. This initiative also promotes entrepreneurship and job creation among the youth in Zambia: more than 40 new jobs have already been created. This is in line with Lafarge Zambia's commitment to being a socially responsible development partner by empowering Zambians through entrepreneurship, especially women and the youth.

Kumanga is also contributing to the support of local transporters as the initiative looks at creating partnerships with entrepreneurs in the delivery businesses, to manage the businesses supply of products from source to the stores.

Kumanga stores come in two size versions: Container Stores and Affiliation Stores. There are currently 15 Kumanga Container stores that have already been deployed in both Lusaka and the Copperbelt provinces during 2016.

The Kumanga Affiliation Stores are bigger with a wider stock variety than the Container Stores, but also have customer service at



Kumanga Affiliation Store at Chilenje, Lusaka

Kumanga (continued)

the heart of their operations: it's all about providing customers with top quality advice in a one-stop building materials shop, situated at convenient and highly accessible locations throughout

the country. It is our ambition to roll out 50 Kumanga Affiliation Stores by 2019. These stores will start opening up in 2017, with the first store launching as early as March 2017.

15
KUMANGA
CONTAINER STORES



Partnership Store: Awango

To further improve convenience in the distribution channel Lafarge Zambia partnered with Total to create Awango, a dual branded container store which stocks Lafarge cement and Total Solar products. By leveraging Total's wide network of filling stations country

wide Lafarge has continued to enhance its distribution of cement. The partnership continues to yield benefits for the partners and the respective consumers.

The Awango stores are situated at Total Zambia service stations,

specifically in Lusaka, Copper-belt and Western Provinces. The stores have further created employment opportunities with at least two people managing every container. This is testament to Lafarge Zambia and Total's commitment to supporting entrepreneurship in the country.

6
NUMBER OF
AWANGO STORES
IN ZAMBIA



DIGITAL ECOSYSTEM

Besides a strong physical presence, Lafarge Zambia is focused on creating a digital ecosystem by integrating various players in the construction value chain on an online platform. This is expected to create an enhanced buying experience for end users.

3. ENABLING INFRASTRUCTURE DEVELOPMENT

Be the preferred partner for building and infrastructure.

We aspire to be the preferred building materials partner for infrastructure development in Zambia. Instrumental in our success is our ability to deliver innovative and targeted solutions, getting involved with decision makers right from the design stage, and providing world-class material solutions that meet infrastructure challenges.

During 2016 we have continued to be the preferred partner in major infrastructure projects, including:

- Mopani Mines' Mufulira Shaft Project
- Kenneth Kaunda International Airport
- Simon Mwansa Kapwepwe International Airport
- Kafue Gorge Lower Hydro Power project
- Maamba Power Plant
- Ittezhi Tezhi Hydro Power Plant
- Musonda Hydro Power Plant
- L400 Road Project



Our current building materials offer presents various solutions for the Infrastructure sector.

INNOVATIVE CEMENT SOLUTIONS

MINING

We provide a comprehensive product offer that covers the entire lifecycle of an underground mine: from construction of galleries and backfilling operations to rehabilitation after the completion of quarrying.



PowerCrete

PowerCrete 42,5R is a cement product designed for applications in the mining industry, including back filling, rock bolting, stopping and shotcreting. For ease of handling in mining environments, PowerCrete comes in smaller 25kg bags that are water resistant, providing for greater workability in underground mining conditions.

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 or asphalt roads.



RoadCem

RoadCem 22,5X is a soil-stabilising cementitious binder designed to improve the engineering properties of soil. It is particularly ideal in the construction of asphalt roads.

TRANSPORT

We provide solutions to meet the specific needs of each transport segment that engages in heavy construction projects, including bridges, railways, ports, and airports.



Powerplus

Powerplus 42,5N is an Ordinary Portland Cement used for specialised building applications where high-strength concrete is required for commercial and architectural structures.

QUALITY AGGREGATES

Lafarge Zambia’s Mapepe aggregates plant is Zambia’s supplier of washed aggregates. The high quality fine, course and dense grade aggregates products are suitable for a wide variety of construction applications, from concrete to road and highway surfaces, railway ballast and fill material.



READY-MIX PARTNERSHIPS

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



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 the LafargeHolcim quality and technical back-up. The remarkable success of FlameCrete bears witness to the potential of such partnerships, which the Company is willing to extend to other markets.



Brunelli Construction

Radically innovative concretes, Agilia® and Hydromedia®, are global ready-mix products and brands under the LafargeHolcim Group. Due to a franchise agreement between Lafarge Zambia and Brunelli Construction these products can now be accessed by customers in the region. These special concretes are manufactured according to LafargeHolcim’s mix designs, with LafargeHolcim materials, and carry the LafargeHolcim quality certification.

4. EMPLOYEE GROWTH & DEVELOPMENT

Create an attractive environment for our people.

The combined talents, competencies, and skills of the 90,000 LafargeHolcim employees working in 90 countries, enables Lafarge Zambia to attract, maintain, and nurture the very best talent from diverse backgrounds.

We offer a varied, inclusive, and respectful workplace, and we are committed to creating a zero-harm environment for our employees. Our Company culture is founded on clearly articulated values and behaviors, allowing individuals and

teams the opportunity to grow, realize their full potential, and have a meaningful impact. To this end we also recognize and reward outstanding contributions.

TRAINING

The LafargeHolcim Group develops talent through on-the-job training, coaching, mentoring and classroom courses. In order to enhance excellence in respective fields, functional reporting lines are in place for various functions including human resources, finance, communications, sustainability, sales and marketing, legal and logistics. Reporting is either to Regional or Corporate Functional Heads, in addition to the current operational reporting line

to Country CEOs. This approach reinforces functional governance and increases alignment of functional competencies while maintaining strong business partnerships. It also strengthens performance and increases the exchange and development of talent across the LafargeHolcim Group.

In 2016, Lafarge Zambia continued to invest in the development and up-skilling of employees at all

levels. The training covered a wide spectrum of areas, from technical roles to support functions as well as individual focused development.

10,564
TOTAL NUMBER OF
MAN-HOURS SPENT
ON TRAINING.



Part of the Ndola plant team that refurbished a conveyor system using in-house solutions, leading to improved environment management and mitigating safety risks along the coal conveyor tunnel.



Technical Training

The training encompassed varied technical courses including Planning and Building Foundation, Grinding, Production and Process Training, Electrical Safety for Mining Training, Refresher Blasting and Mechanical Execution as well as Maintenance Inspection Professionalized. Other courses included Kiln Mechanical Integrity, Bearing Maintenance and Lubrication Management, Laser Alignment and Balancing, and Environment Training.

Sales Training

In alignment with the Company's strategy of Commercial Transformation the Company focused on commercial skills development of its staff, specifically Sales Excellence training in 2016.

Health & Safety Training

Health & Safety is LafargeHolcim's overarching value. As a minimum requirement every employ is called to be a Health and Safety leader. Adherence to health and safety is also embedded in our conditions of employment. The Company continues to conduct various H & S training including First Aid, Working at Height and Defensive Driving.

Anti-Corruption Training

Integrity is a non-negotiable value at Lafarge Zambia. To ensure that everyone operates from the same perspective, both new and existing employees at the Company attended Anti- Bribery and Corruption Training with support from the LafargeHolcim Group. In addition, all employees gave a written commitment to personally uphold the Company's Code of Business Conduct.

Soft Skills Training

Additional training conducted focused on developing the soft skills of our employees who are predominantly a technical population. The training included the new Performance Management System Training.

Future Search Training

It is LafargeHolcim's policy to never abandon a person when out of the job. Therefore, in addition to providing housing, educational and medical support, the Company engaged Future Search Consultants to offer entrepreneurial and business skills training to employees who separated from the business in February 2016.

International Training

Lafarge Zambia is also focused on international training assignments aimed at exposing our talent to world-class operations. In 2016 one Lafarge Zambia employee undertook a learning mission to the Cauldon Plant in the United Kingdom and two others to Nigeria's Ashaka Plant and Mfamosing Plant, respectively.

Two Zambian nationals have undergone long-term expatriation programmes and are now based in Zurich, Switzerland.

RISE JOURNEY

During 2016 the Company embarked on a journey that would instill a sense of urgency within the Organization and enhance a performance based culture. This would be achieved by ensuring that business goals are met with Resilience, Integrity, Safety and Engagement (RISE).

The Chief Executive Officer appointed 43 Company leaders as RISE

Ambassadors who were trained in the RISE curriculum tools with the expectation that they positively influence all the employees by informing, motivating and inspiring their teams on a continuous basis.

Through the RISE journey, the Company is committed to mobilizing a workforce that is engaged and committed to continue attaining the

Company's goals and consolidate its leadership position in the industrial as well as the construction sectors.



5. 2030 PLAN

Creating shared value with society.

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 United Nations Sustainable Development Goals. The Group introduced the 2030 Plan, which has clear steps to attain these goals. The 2030 Plan’s pillars include:

CLIMATE

The LafargeHolcim Group is committed to lowering the carbon dioxide emissions arising as a result of our operations. Lafarge Zambia aims to reduce carbon dioxide emissions by increasing its clinker factor production to 72%. The clinker factor production shows the clinker content in cement produced per tonne. In addition the Company is committed to increasing the thermal substitution rate to 18%, through the use of alternative fuels, which is part of LafargeHolcim’s 2020 Group goals.



CIRCULAR ECONOMY

The LafargeHolcim Group is focused on recycling waste wherever possible. During 2016 we embarked on a reclamation programme at Chilanga that implied the demolition of kilns, raw mills and stacks of the historic plant. The concrete was recycled by using it as a base filler and soil was added to the area, setting it up for installation of new plant equipment. This highly dangerous work was done with no safety incident.

The Company is also committed to implementing a waste management programme in Zambia in line with the LafargeHolcim Geocycle function. The Company has a landfill that it manages in Chilanga providing a service to the local community. In addition, plans are underway to create an integrated waste management plant that could be used to provide alternative raw materials for cement manufacture as well as enhance the environment management of the community.



WATER & NATURE

The Group aims to reduce use of fresh water in our production processes and improve access to water for our employees and other stakeholders. During 2016 the Company sunk new boreholes, and installed new chlorinators at boreholes directly supplying the local communities. The Company further embarked on a programme to install metering equipment at all water discharge points to ensure proper measurement of water used per tonne of cement produced.

Joining forces with the Forestry Department, we have continued to plant thousands of trees at both Ndola and Chilanga, and we remain confident that we will have achieved our target of 50,000 trees by the close of the planting season.



PEOPLE & COMMUNITIES

The LafargeHolcim Group is committed to making affordable housing possible, targeting 75 million people by 2030. It is also focused on improving education, implementing health programs, defending human rights as well as championing diversity and above all, ensuring the health and safety of all employees and other stakeholders.

Through the Lafarge Foundation we continue to address the needs



Twitty school was built with the support of Lafarge Zambia



within our communities, with the assistance of our employees. One of the main Lafarge Foundation highlights was the *Saving Mothers Giving Life* project, a partnership with USAID that is targeted at constructing mothers' shelters across the country to assist pregnant women. This decision was made after discovering that women often have to travel great distances in order to get to a health centre to deliver their babies. Together, USAID and the Lafarge Foundation constructed 10 Mothers Shelters during 2016, easing the burden of thousands of mothers across the targeted communities.

Other Lafarge Foundation initiatives pursued in 2016 include:

- Support to Mother of Mercy Hospice of Chilanga including a donation of a bus.
- Support to Cheshire Homes in

Kabulonga.

- Support to Kansanshi Home for children living with cerebral palsy.
- Supporting the construction of the Apters Training Centre at the University Teaching Hospital.
- Supporting the construction of clinics and schools across the country including a school at Arakan Barracks spearheaded by the Mfuti Ladies Club (Lusaka).
- Support to Zambia Police projects across the country.

Lafarge Zambia also sponsored the Lusaka Marathon, attracting participants from across the globe. The event focused on promoting wellness and social cohesion as well as supporting the spirit of marathon running in the country.



Children at Cheshire Homes interacting with Lafarge Zambia staff



HEALTH & SAFETY

The Health & Safety of our employees, as well as that of our contractors and stakeholders, is key in Lafarge Zambia operations. To this end we have systems in place to sustain the performance at all sites, and we continue to actively promote Health & Safety practices.

2016 Improvements

- Reviewing our contractor management system to ensure that many of the facets contained therein remain practical and yet more stringent to allow for greater personal attention and supervisory responsibility.
- Improvement of Risk Assessments: the Company observed that employees require support filling in Risk Assessment forms before any procedure is performed. This resulted in an intensive review of the risk assessment process, followed by the creation of an action plan to eradicate the challenges on the ground, including the risk of illiteracy, employees and contractors filling in the form on behalf of others.

Despite ongoing safety training and good system of procedures in place 2016 has nonetheless been a year of great sadness and loss. There were three fatalities all together: one

contractor in Ndola Plant, and two third party fatalities involving our contracted transporters in Chilanga (Zambia) and Harare (Zimbabwe). These tragic incidents have

strengthened our resolve to remain steadfastly committed to Health and Safety. It has also served to enhance our focus particularly on Contractor Safety Management.

Road Safety

We actively engage with regulatory authorities and other stakeholders such as the Road Transport and Safety Agency (RTSA), local transporters and the Trackers Association of Zambia to improve safety on our roads.

During 2016 Lafarge Zambia hosted a Transporters' Safety Summit, attended by various stakeholders that focused on achievements, the need to improve driver behaviors and various relevant topic discussions including journey management.



“The safety of our employees is non-negotiable - so we will tirelessly continue to implement measures and provide training to ensure that every Lafarge Zambia employee and contractor who arrives at work, will also arrive home at the end of their shift”

STAKEHOLDER MANAGEMENT

At Lafarge Zambia we are very much aware that we obtain our license to operate from the community. As such we have always considered it a non-negotiable objective to create

shared value with society and the local communities of which we are a part, as well as actively managing our environmental footprint. Hence we are well positioned to embrace the

2030 plan and drive transformation in our industry in terms of innovative and sustainable approaches to construction.





6

Annual Financial Statements 2016

**Engaging our resources for best
returns and cash generation.**



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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. He was elected Chairman of Board of Directors in 2003. He holds an MBA from Stirling University in Scotland and a Bachelor of Economics from University of Zambia.

Muna is currently the CEO of African Life Financial Services (Zambia) Ltd. He has over 25 years' experience in the financial services sector. He began his career with Meridian Bank Zambia Limited in 1986 and joined the Anglo-American Corporation in the financial services division where he rose through the ranks to the position of Head of Corporate Services. He left Anglo American Corporation in 2000 to join AfLife in his current position.

He is a past Chairman of the Securities and Exchange Commission of Zambia and the Economic Association of Zambia. Muna sits on other boards of private and listed companies some of which include Southern Sun Ridgeway Ltd and Copperbelt Energy Corporation (CEC).

VINCENT BOUCKAERT

Chief Executive Officer



French national, Vincent is the Chief Executive Officer/ Managing Director of Lafarge Zambia. He was elected to the Board in 2016. He holds graduate degrees in Engineering and Economics from Centrale Lille, France.

Vincent is formerly CEO Indian Ocean Cluster (comprising Reunion, Mauritius, Madagascar, Mayotte/Comoro Islands, Seychelles and Maldives).

He began his career in the consultancy sector. In 1994, working as a Senior Auditor, he joined Arthur Andersen-France. 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 became CEO of that company. He was later appointed CEO of legacy Holcim Indian Ocean Cluster in 2010.

CHRISSIE MOLOSENI

Chief Financial Officer



Malawian national, Chrissie joined Lafarge Zambia in 2011 following her appointment as Country CFO. She was elected to the Board in 2011. Chrissie holds a Bachelor of Accountancy Degree from the University of Malawi. She is a member of the Zambia Institute of Chartered Accountants (ZICA). She holds an MBA from the University of Bradford –School of Management (UK). She is a Chartered Management Accountant (ACMA) with Chartered Institute of Management Accountants (CIMA) UK.

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

JOSE CANTILLANA

Executive Board Member



Spanish national, Jose is an Executive member of the Board of Directors of Lafarge Zambia. He was elected to the Board on 17 May 2016. Jose holds a Business Administration and economic Science BSc from Universidad Sevilla and an MBA from IESE Business School, University of Navarra. In 1994 he joined Ibersuizas, a private Equity firm, as Director and from 2000 – 2004 he was CEO & Chariman of Cementos Cienfuegos.

He joined Holcim Trading, Spain as CEO in 2004, followed by Holcim Argentina (CEO) 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, Nairobi, Kenya.

DOROTHY MULWILA*Non-Executive Board Member*

Zambian national, Dorothy is a Non-Executive Member of the Board of Directors of Lafarge Zambia. Dorothy was elected to the Board in 2007. Dorothy holds a LLB Degree (high Credit) from the University of Zambia.

She is 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, namely the Law Association of Zambia, the then Zambia National Provident Fund, now called National Pensions Scheme Authority (NAPSA) and Ministries of Lands and Foreign Affairs as permanent secretary.

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

MARK O'DONNELL*Non-Executive Board Member*

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

He is the Managing Director of Union Gold Group. He is a member of the Institute of Directors and was Chairman of the Tourism Council of Zambia in 2013. He has 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 Non-Executive Member of the Board of Directors and a Member of the Audit and Risk Committee. He was elected to the Board in 2008. Mwelwa holds a Bachelor of Law degree from the University of Zambia and is an Advocate of the Supreme and High Court of Zambia. He holds a Master in Law (LLM) in International Commercial Law from the University of Bristol, UK.

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

Profile of Executive Committee



VINCENT BOUCKAERT
Chief Executive Officer

Please see page 27.



CHRISSIE MOLOSENI
Chief Financial Officer

Please see page 27.



KAZIWE KAULULE
Commercial Director

Zambian national, Kaziwe has been a member of the Executive Committee since 2012 and is responsible for Commercial. He holds a Bachelor of Commerce (first class) and a Bachelor of Science (distinction) degree from UCT, South Africa. He also holds an MBA (cum laude) from the Saïd Business School, University of Oxford.

Before joining Lafarge Zambia Kaziwe was based at the then Lafarge Group head office in Paris, France where he held the position of Audit Manager from 2008 to 2011 leading teams of senior auditors in audit assignments worldwide, across all Group Divisions with a focus on sales and marketing.

Prior to this he spent 3 years as a project manager based in Lyon, France implementing customer centric solutions and acted as interface between business needs and technology consultants to deliver business critical solutions. Kaziwe was appointed as the Marketing Director of Lafarge Zambia in 2013.



THECRA MILAMBO

Human Resources Director

Zambian national, Thecra has been a member of the Executive Committee of Lafarge Zambia since 2014 and responsible for Human Resources. Thecra holds a Bachelor of Arts from the University of Zambia.

She has a background in human resources and psychology. She began her career as a Human resources lecturer at Evelyn Hone College. She has worked in the SADC region in Human Resources and Trainings departments for multinational companies including UNILEVER and NESTLE.



DAVID DZIUBINSKI

Chilanga Plant Manager

USA national, David has been a member of the Executive Committee of Lafarge Zambia since 2013 and is responsible for Chilanga Plant. He holds a B.S. in Geology and an M.S. in Geological Engineering from the University of Alaska, USA. David joined Lafarge Zambia from Lafarge North America where he worked as Plant Manager for Alpena Plant.

Prior to that he worked as Plant Manager for Lafarge North America, Whitehall Cement Plant, Northampton, Pennsylvania from 2000 – 2004. David is an accomplished Senior Manager with diversified experience in engineering and technical projects as well as overall plant operations, including multiple site responsibility.



SAMBASHIVA KATARI

Ndola Plant Manager

Indian national, Samba has been a member of the Executive Committee of Lafarge Zambia since 2015 and responsible for Ndola Plant. Samba holds a Bachelor of Chemical Technology from Osmania University, India.

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, Zelitina in Libya.

Notice of the 25th Annual General Meeting



Notice is hereby given that the 25th Annual General Meeting of the members of Lafarge Zambia Plc will be held at the Taj Pamodzi Hotel, Lusaka, Zambia on 5 April 2017 at 9:00 hrs to transact the following business:

1. To approve the minutes of the 24th Annual General Meeting held on 18 March 2016.
2. To receive and consider the Annual Financial Statements for the year ended 31 December 2016, 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 2016 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

1 March 2017

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: Ernst & Young Chartered Accountants , Trinity Office Park, Stand No 16806 Unit 910, PO Box 35483, Lusaka, Zambia , Tel: +260 211 378 300 , Website: www.ey.com/zm

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

Lafarge Zambia Plc

Form of Proxy

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 25th Annual General Meeting of the members of the Company, to be held at the Taj Pamodzi Hotel, Lusaka, Zambia on 5 April at 9:00 hrs and at every adjournment thereof.

AS WITNESS my/our hand(s) this day of 2017.

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 2016

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Affix Stamp

H. Kapekele-Katongo
Company secretary
Lafarge Zambia Plc

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

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Taj PAMODZI HOTEL

REPORT OF THE DIRECTORS

for the year ended 31 December 2016

The Directors are pleased to present the report and the Audited Financial Statements for Lafarge Zambia Plc for the year ended 31 December 2016.

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 **K889,673 thousand** (2015: K1,296,410 thousand) resulting in a 31% decrease from 2015.

Net finance costs were **K568 thousand** (2015: - K1,895 thousand). Exchange losses arising mainly from the translation in to Kwacha of US dollar receivables, payables and cash balances denominated in US Dollars amounted to **K7,668 thousand** for the year (2015: K20,457 thousand gain) which was mainly due to the appreciation of the Kwacha in 2016.

Profit before tax for the year was **K127,985 thousand** (2015: K438,748 thousand). Profit before tax was 71% down from 2015 due to a combination of declining construction activity during election period, rising costs and increased competition. After providing for a taxation charge of **K50,589 thousand** (2015: K161,078 thousand), profit after tax was **K77,397 thousand** (2015: K322,670 thousand).

The Company had no long term obligations to financial institutions as at 31 December 2016 (2015: None).

DIRECTORS

The Directors who held office during the year were:

Mr. M.Hantuba	- Chairman
Mr. V. Bouckaert	- Chief Executive Officer (Appointed 1 September 2016)
Mr. E. Rigaux	- Chief Executive Officer (Resigned 24 August 2016)
Mr. M. Chibesakunda	- Non-Executive Director
Mrs. C. Moloseni	- Chief Financial Officer
Mrs. D. Mulwila	- Non-Executive Director
Mr. S.M. O'Donnell	- Non-Executive Director
Mr. D. Drouet	- Executive Director (Resigned 1 March 2016)
Mr. J. Cantillana	- Executive Director (Appointed 17 May 2016)

DIRECTORS' INTERESTS

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

	2016	2015
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 or paid during the year (2015: K0.25). At the next Annual General Meeting the Directors will propose a dividend of K0.25 (2015: K0.50)

PROPERTY, PLANT AND EQUIPMENT

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

Kwacha thousand		
Capital work in progress	40,634	160,422
Vehicles, leasehold, furniture and fittings	-	312
	40,634	160,734

During the year assets with a value of **K107,599 thousand** (2015: K39,631 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 2016, (2015: 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
LuSE Central Share Depository Limited	23,853,418	11.92
Public (institutions and individuals)	26,159,497	13.08
	200,039,904	100.00

for the year ended 31 December 2016

The Lusaka Stock Exchange Central Share Depository Limited holds shares in its capacity as nominee for approximately **3,417 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:

	2016	2015
January	504	542
February	509	541
March	427	537
April	428	538
May	427	536
June	427	538
July	417	536
August	411	536
September	403	529
October	399	531
November	400	506
December	403	504

The total remuneration paid to employees during the year was K124,930 thousand (2015: K122,617 thousand) and has been charged to Profit or Loss as follows:

	2016	2015
Cost of sales	75,886	77,305
Other expense	49,044	45,312
	124,930	122,617

EXPORTS

The value of goods exported by the Company during the year was **K300,481 thousand** (2015: K128,592 thousand). The Company significantly increased its export volumes, including other markets beyond the Democratic Republic of Congo (DRC) which has been its traditional export market.

DONATIONS

The Company supports various charitable organizations in Zambia through cash and cement donations as well as volunteering work. The Lafarge Foundation continues to be the main channel through which the Company carries out its corporate social responsibility programme. The Lafarge Foundation has three pillars including Health, Education and Environment. It welcomes requests for initiatives that it can support under any of these pillars. In 2016 the Company spent **K597 thousand** (2015: K1,443 thousand). 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 an industry that was faced with fast rising costs especially due to the increasing power costs, a contracting market demand driven by low infrastructure development projects and pricing pressure in view of low market demand. The power deficit experienced during much of the year had an adverse effect on the production of cement. Domestic market demand declined while the foreign export market, particularly the DRC was impacted adversely by political uncertainties. To counter this, the Company focused on a market development strategy and targeted the export market, particularly Zimbabwe, Burundi, Tanzania and Malawi.

LEGISLATIVE DEVELOPMENTS

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

AUDITORS

Ernst & Young's term of office ceases at the next Annual General Meeting. In line with the Corporate Governance Principles, the LafargeHolcim Group has appointed Deloitte and Touche as the new auditor for the ensuing five year period. A resolution proposing their appointment as Lafarge Zambia auditors and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By order of the Board



H Kapekele-Katongo
Company secretary
Lusaka, Zambia
Date: 1 March 2017

STATEMENT ON CORPORATE GOVERNANCE

for the year ended 31 December 2016

Lafarge Zambia Plc (the “Company” or “Lafarge Zambia”) is committed to the principles of openness, integrity and accountability. The Directors and employees of Lafarge Zambia 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 roles of Chairman and Chief Executive Officer (“CEO”) and Managing Director (“MD”) are separate and no individual has dominant control over decision-making. The Chairman is an independent, Non-Executive Director appointed by the board.

The Board is responsible to shareholders for strategy and direction, monitoring of operational performance and management, risk management processes and 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 Board meets formally at least four times annually. Four meetings were convened in 2016.

BOARD COMMITTEES

The Board is assisted in the discharge of its responsibilities by subcommittees. These committees are accountable to the Board, with the exception of the executive committee of management which reports to the Managing Director. Minutes of sub-committee meetings are available to Board members. Senior management staff is invited to attend meetings where appropriate.

AUDIT & RISK MANAGEMENT COMMITTEE

The Audit & Risk Management Committee is chaired by Mr. Mark O'Donnell, an independent, Non-Executive Director. The Audit Committee assists the Board in the discharge of its duties relating to financial reporting to all stakeholders, compliance, risk management 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 the nature, extent and categories of risks facing the Company, probability of the risks occurring and the Company's policies among others. The Committee also monitors compliance of the Company regarding Health & Safety, Environment and Ethics.

Meetings are held regularly throughout the year and are attended by senior management where necessary. By invitation, the chief executive officer, chief financial officer and company secretary attend the meetings. There were three formal meetings during 2016. Issues addressed include the review of accounting policies, internal and external audit reports, IT risks, business continuity plans, financial reporting, operational risks, risk management, compliance and the adequacy of management information.

RECORD OF DIRECTORS' ATTENDANCE

In accordance with the Companies Act, 1994, listing rules of the Lusaka Stock Exchange, the Securities and Exchange Commission (SEC) Act, 1993, the record of Directors' attendance and meetings held during year 2016 is available for inspection at our registered offices.

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

BOARD MEETINGS

The Board held four meetings during the 2016 financial year. The following table shows membership and the attendance of Directors at the Board meetings held in the 2016 financial year:

Board	28/1	17/5	24/8	4/11	Total 4
Mr. M. Hantuba	✓	✓	✓	✓	4
Mr. V. Bouckaert	N/A	N/A	N/A	✓	1
Mr. E. Rigaux	✓	✓	✓	N/A	3
Mrs. C. Moloseni	✓	✓	✓	✓	4
Mrs. D. Mulwila	✓	✓	✓	✓	4
Mr. M. O'Donnell	✓	✓	✓	✓	4
Mr. M. Chibesakunda	✓	✓	✓	✓	4
Mr. Dominique Drouet	✓	N/A	N/A	N/A	1
Mr. Jose Cantillana	N/A	✓	*	✓	2

✓ - Present * - Absent

AUDIT & RISK MANAGEMENT COMMITTEE MEETINGS

The Audit and Risk Management Committee meetings met three times in the year. The table below shows the composition and attendance of the members of the Committee at the meetings:

Risk Management Committee	17/2	1/8	3/11	Total
Mr. M. O'Donnell	✓	✓	✓	3
Mr. M. Chibesakunda	✓	✓	✓	3

✓ - Present * - Absent

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

ORGANIZATIONAL ETHICS AND BUSINESS INTEGRITY

The issue of good governance and ethical conduct is critical to counterparty and investor perceptions of a listed company. Lafarge Zambia 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 Company has adopted codes of conduct formulated by the Group and LuSE, respectively. 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.

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. LafargeHolcim has an Internal Control Policy which is an integral part of

the LafargeHolcim Policy Landscape. The scope of the Internal Control Policy covers LafargeHolcim Ltd and its consolidated Group companies (together "LafargeHolcim" or the "Group") meaning all companies over which the Group exercises control as per IFRS and the principles of LafargeHolcim consolidation. In some situations, companies where the Group has a significant influence may also be included.

LafargeHolcim 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 Internal Control Policy focuses on the objectives of internal control at LafargeHolcim, the responsibilities over internal control throughout the Group, the roles, responsibilities and the organization of the Internal Control Function as well as other generally valid principles.

LafargeHolcim aims to have an effective Internal Control System at each level of responsibility and promotes a culture of robust internal control, supported by the commitment of the Board and the Group management. Group Internal Control has the responsibility to design and animate an Internal Control System which is implemented at every level in the Group, in accordance with applicable laws, regulations, Group Policies and Directives.

The Board of Directors, including 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 Group. The Group 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 country/entity performs the following actions:

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

The implementation of this action plan is followed by relevant senior management. These procedures contribute to the annual internal control assessment performed by Group Internal Control. The Internal Auditor ensures that Lafarge Zambia complies with these procedures on a daily basis.

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2016

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The Company's Directors are responsible for the preparation of the financial statements of Lafarge Zambia Plc comprising the statement of financial position and statement of comprehensive income, changes in equity and cash flows and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards and the Companies Act of Zambia, 1994. The Directors' responsibility includes: designing, implementing and monitoring internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management. The directors have made an assessment of the Company's ability to continue as a going concern and believe the business will be a going concern in the year ahead.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Company as indicated above, were approved and signed by the Directors on 1 March 2017 and are signed on its behalf by:



Muna Hantuba
Director



Vincent Bouckaert
Director

To the Members of Lafarge Zambia Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Lafarge Zambia Plc , which comprise the statement of financial position as at 31 December, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of Lafarge Zambia Plc as at 31 December, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1994.

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 Consolidated Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Lafarge Zambia Plc. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Lafarge Zambia Plc. 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 that were of most significance in the audit of the current period. These matters were addressed in the context of our audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

KEY AUDIT MATTERS

Fair value of investment in related party

Lafarge Zambia Plc holds 14% unlisted equity stake in Mbeya Cement Company, a company based in Tanzania. A fair value assessment of the unquoted investment was performed in the current year using a valuation model and assumptions that are not observable and are level III. The assumptions used in the model require key management judgement. The assumptions were mainly made on the inputs of earnings multiples used in the valuation.;

This fair value assessment is dependent on certain key assumptions that require significant management judgement.

Refer to Note 13 for the disclosures made on this investment.

As at 31 December 2016, the Company performed a valuation of its assets using external valuation experts (Duff & Phelps, PWC) which was reviewed by LafargeHolcim topic experts and Management. The methodology used was the Replacement Cost New (Depreciated) which looks at the cost of substituting an existing asset with another asset which has the same functional utility.

HOW A KAM WAS ADDRESSED IN THE AUDIT

How our audit addressed the key audit matter

Our procedures included, among others, the following:

We engaged our internal valuation experts to perform audit procedures over the valuation which included the following:

- Gained an understanding of the model applied by management and assessing whether the valuation method adopted by management is appropriate.
- Agreed the EBITA to the investees signed financial statements and management accounts
- Compared the inputs used such as Earnings Multiples to comparable entities and analysts reports
- Compared market related inputs such as exchange rates to reputable sources.
- We involved our internal experts to help assess the nature and appropriateness of the basis for valuation adjustments made by management by considering the whether the amounts recognised are reasonable and fell within an expected range.
- Performed our own valuation and tested the sensitivity of the model using the same model as management and determined that the outcome of the valuation by management was within the expected range.

We also assessed whether the disclosures in the financial statements are compliant with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT

to the Members of Lafarge Zambia Plc

Fair Value of Property Plant and Equipment

Lafarge Zambia Plc measures its Property, Plant and Equipment on a revaluation model which requires that management estimate the fair value of these assets on a regular basis.

Management performed a re-assessment of the fair value in the current year. Due to the complexities involved in performing the valuation as well as the specialised nature of the assets under consideration the use of experts was required.

This matter is disclosed in note 11 to the financial statements.

How our audit addressed the key audit matter

Our procedures included, among others:

- Evaluating management's external valuation expert's competence, capabilities experience and objectivity for the full valuation performed and adopted as at 31 December 2016 to approximate fair values as at that date.
- Assessed and evaluated whether the revaluation methodology used were reasonable considering the nature of the assets. We used the work of the management's expert on the assessments on the technical inputs including kiln capacity, condition of the asset and operating efficiency and assessed reasonableness of the inputs used including inputs on inflation and exchange rates to external sources and found them to be within an appropriate range.

Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the Directorate and corporate information, the Chairman's Statement, Report of the Directors and the Director's responsibility Statement, the Five year financial record, and the group overview which we obtained prior to the date of this report, and the annual report, which is expected to be made available to us after that date. 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 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 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. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Directors' Responsibilities for the Financial Statements

The Directors of Lafarge Zambia Plc are responsible for the preparation and fair presentation of the financial statements of Lafarge Zambia Plc in accordance with IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing Lafarge Zambia Plc's ability to continue as a going concern, disclosing, as applicable, matters related to including whether the use of the going concern basis of accounting is appropriate. The use of the going concern and using the going concern basis of accounting is appropriate unless the Directors either intend to liquidate Lafarge Zambia Plc or to cease operations, or has no realistic alternative but to do so.

The Directors are also responsible for overseeing Lafarge Zambia Plc'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 Lafarge Zambia Plc's internal control.

to the Members of Lafarge Zambia Plc

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

We communicate with the Directors of Lafarge Zambia Plc 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.

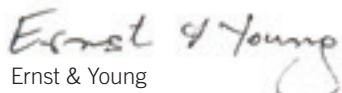
From the matters communicated with the Directors of Lafarge Zambia Plc, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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.

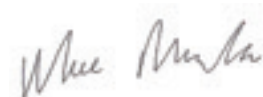
Report on Other Legal and Regulatory Requirements

As required by the Companies Act of Zambia 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.


Ernst & Young
Chartered Accountants

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



Partner - Practising certificate number: AUD/F005781
24 March 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

<i>Kwacha thousands</i>	Notes	2016	2015
Revenue	5	889,673	1,296,410
Cost of sales		(437,331)	(498,674)
Gross profit		452,342	797,736
Selling and distribution expenses		(133,991)	(126,136)
Marketing expenses		(7,876)	(12,411)
Administration expenses		(165,453)	(207,422)
Operating profit		145,023	451,767
Investment income	6	388	1,025
Net other (losses)/gains	7	(16,858)	32,851
Finance costs	8	(568)	(1,895)
Profit before tax	9	127,985	483,748
Income tax expense	10	(50,589)	(161,078)
Profit for the year		77,397	322,670
Other comprehensive income			
Other Comprehensive income not to be reclassified to profit or loss in subsequent periods.			
Property, plant and equipment revaluation		107,327	-
Tax effect		(37,564)	-
Total Other Comprehensive income		69,763	-
Total comprehensive income		147,160	322,670
Basic and diluted earnings per share (kwacha)	23	0.39	1.61

The notes on pages 47 to 71 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

Kwacha thousands

	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,582,457	1,470,371
Intangible assets	12	553	591
Investment at fair value through profit or loss	13	24,171	32,386
Total non-current assets		1,607,181	1,503,348
Current assets			
Inventories	14	216,296	225,800
Trade receivables	15	90,057	81,166
Other receivables	16	17,371	14,523
Amounts due from related companies	17	90,322	56,953
Current tax assets	10	28,173	4,832
Bank and cash balances	18	17,771	86,148
Total current assets		459,990	469,422
TOTAL ASSETS		2,067,171	1,972,770
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	19	10,002	10,002
Revaluation reserves	19.1	513,479	443,716
Retained earnings		791,287	813,910
Total equity		1,314,768	1,267,628
Non-current liabilities			
Provision for environmental liabilities	20	15,388	13,009
Retirement benefit plans	21	229	519
Deferred tax liabilities	22	489,788	443,565
Total non-current liabilities		505,405	457,093
Current liabilities			
Trade payables	24	64,257	85,008
Other payables	24	132,356	142,886
Amounts due to related companies	17	42,371	20,155
Bank overdraft	31	8,015	-
Total current liabilities		246,998	248,049
Total liabilities		752,403	705,142
TOTAL EQUITY AND LIABILITIES		2,067,171	1,972,770

These financial statements set out on page 43 to 71 were approved by the Board of Directors on 1 March 2017 and signed on its behalf by:



M. Hantuba
Director



V. Bouckaert
Director

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

Kwacha thousand

	Share capital (Note 19)	Property revaluation reserves	Retained earnings	Total
Balance at 1 January 2015	10,002	443,716	711,284	1,165,002
Profit for the year	-	-	322,670	322,670
Total comprehensive income	-	-	322,670	322,670
Final dividend paid in respect of 2015	-	-	(170,034)	(170,034)
Interim dividend paid in respect of 2016	-	-	(50,010)	(50,010)
Balance at 31 December 2015	10,002	443,716	813,910	1,267,628
Balance at 1 January 2016				
Profit for the year	-	-	77,397	77,397
Other Comprehensive income	-	69,763	-	69,763
Total comprehensive income	-	69,763	77,397	147,160
Final dividend paid in respect of 2015	-	-	(100,020)	(100,020)
Balance at 31 December 2016	10,002	513,479	791,287	1,314,768

Revaluation reserves arise from the periodic revaluation of plant and equipment and represent the excess of the revalued amount over the carrying value of the plant 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 IAS 12: Income Taxes.

The notes on pages 47 to 71 form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

Kwacha thousand

	Notes	2016	2015
Cash flows from operating activities			
Profit before tax		127,985	483,748
Adjustments for:			
Gain/(loss) on disposal of property, plant and equipment	9	975	(1,825)
Interest income	6	(388)	(1,025)
Interest expense	8	568	1,895
Provision for retirement benefit plans	21	575	708
Adjustment on investment at fair value through profit and loss	7	8,215	(10,569)
Unwinding discount on environmental liability	20	-	324
Increase in provision for environmental rehabilitation		2,381	(15,491)
Depreciation and amortisation of non-current assets	11/12	34,655	51,679
Net cash flows from operating activities before movements in working capital		174,966	509,446
Movements in working capital:			
Decrease/(Increase) in inventories		9,504	(74,705)
(Increase) in trade receivables		(8,891)	(2,993)
(Increase)/Decrease in other receivables		(2,848)	39,104
(Increase)/Decrease in amounts due from related companies		(33,369)	77,802
(Decrease)/Increase in trade payables		(20,751)	36,867
(Decrease) in other payables		(10,530)	(96,769)
Increase in amounts due to related companies		22,219	16,809
Cash generated from operations		130,298	505,564
Income taxes paid	10	(67,323)	(212,325)
Retirement benefits paid	21	(865)	(988)
Finance cost	8	(568)	(1,895)
Net cash generated by operating activities		61,542	290,353
Cash flows from investing activities			
Interest income from bank balances	6	388	1,025
Purchase of property, plant and equipment	11	(40,634)	(160,734)
Proceeds from disposal of property, plant and equipment	7	2,333	1,878
Net cash used in investing activities		(37,913)	(157,831)
Cash flows from financing activities			
Dividend paid to owners of the company		(100,020)	(220,044)
Net cash used in financing activities		(100,020)	(220,044)
Net increase in cash and cash equivalents		(76,391)	(87,521)
Bank Overdraft		8,015	-
Cash and cash equivalents at beginning of the year		86,148	173,669
Cash and cash equivalents at end of the year		17,771	86,148
Represented by:			
Bank and cash balance	18	17,771	86,148

The notes on pages 47 to 71 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

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. NEW STANDARDS AND INTERPRETATIONS

A number of new standards, amendments to standards and interpretations are mandatory for the year ended 31 December 2016. None of the standards that became effective in the current year had a material impact on the Company's financial results.

2.1 New standards and interpretations issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the financial statements are listed below.

This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

2.1.1 New standards and amendments

IFRS 9 Financial Instruments – classification and measurement

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 - Financial Instruments, bringing together the classification and measurement, impairment and hedge

accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The classification and measurement requirements address specific application issues arising in IFRS 9 (2009) that was raised by preparers, mainly from the financial services industry. The expected credit loss model addresses concerns expressed following the financial crisis that entities recorded losses too late under IAS 39.

IFRS 9 stipulates that financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018. The Company is still assessing the impact of the standard.

IFRS 15- Revenue from Contracts with Customers

The IASB and FASB have issued their joint revenue recognition standard, IFRS 15 Revenue from contracts with customers, which replaces all existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognized 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.

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be

required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

The standard is effective for annual periods beginning on or after 1 January 2017 and the Company is still assessing the impact of the standard.

IAS 16 and IAS 38 clarification of Acceptable Methods of Depreciation and Amortization.

The IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortization methods for intangible assets. The amendments are effective prospectively.

The amendment becomes effective for annual periods beginning on or after 1 January 2016 and is not expected to have an effect on the Company as the Company does not use revenue methods to depreciate its assets.

2.1.2 Improvements to existing standards 2010 - 2012 annual cycle of improvements (issued December 2013)

In December 2013, the IASB issued two cycles of Annual Improvements to IFRS's that contain changes to 9 standards. The changes are effective from 1 July 2014 either prospectively or retrospectively. A summary of each amendment is described below:

IFRS 13 Fair value measurement - Portfolio exception

The amendment clarifies that the portfolio exception in IFRS13 can be applied to financial assets, financial liabilities and other contracts. The amendment is not expected to affect the Company as it does not have financial assets, financial liabilities and other contracts that meet this criterion.

IAS 16 Property, plant and equipment and IAS 38 Impairment - Revaluation method - proportionate restatement of accumulated depreciation

The amendment clarifies that revaluation can be performed by adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying amount and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment also clarified that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount of the asset (i.e., gross carrying amount – accumulated depreciation / amortization = carrying amount).

The amendment to IAS 16.35(b) and IAS 38.80(b) clarifies that the accumulated depreciation / amortization is eliminated so that the gross carrying amount and carrying amount equal the market value. The Company will consider the amendment when it becomes effective.

2.1.3 New standards and interpretations issued but not yet effective in 2016

IAS 24 Related party disclosures - Key management personnel

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments are not expected to have an impact on the Company as no entity provides key management services to the Company.

2012 – 2014 Annual improvement cycle (issued September 2014). In September 2014, the IASB issued Annual Improvements to IFRS's 2012-2014 cycle, which contains five amendments to four standards, excluding consequential amendments. The amendments are effective for annual periods beginning on or after 1 January 2016. Below is a list of applicable amendments.

IFRS 7 – Servicing Contracts

Paragraphs 42A - H of IFRS 7 require an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The Company will consider the clarification where applicable.

IFRS 7 – Applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment, paragraph 44R of IFRS 7 states that “An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods”. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report. The amendment removes the phrase ‘and interim periods within those annual periods from paragraph 44R’, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the board noted that IAS 34 requires an entity to disclose ‘an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period’. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the board would expect the disclosures to be included in the entity's condensed interim financial report. The Company will consider the amendment where applicable when it becomes effective.

IAS 34 Disclosure of information ‘elsewhere in the interim financial report’

IAS 34 requires entities to disclose information in the notes to the interim financial statements ‘if not disclosed elsewhere in the interim financial report’. However, it is unclear what the board means by ‘elsewhere in the interim financial report’.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The Company will consider the amendment when it becomes effective.

IFRS 5 – Changes in methods of disposal
Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to another should not be considered to be a new plan of disposal, rather it is a continuation of the original plan.

There is therefore no interruption of the application of the requirements in IFRS 5.



3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below:

The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted. The Company will consider the amendment where applicable when it becomes effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue requirements (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, and IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) in IFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of sales of some non-financial assets including disposals of property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to customer.

3.1 Revenue and other income recognition

3.1.1 Sale of goods

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 a 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. Non-monetary 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.

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for the year ended 31 December 2016

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 in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 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 assessed 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.

3.6 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 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 is recognized in profit or loss. The rates of depreciation used are based on the useful lives as follows:

	Average annual rate of depreciation (%)	Average Useful Life
Plant and equipment	3 - 10	10 - 30 years
Mobile equipment and vehicles	13 - 25	4 - 8 years
Office and IT equipment	25 - 33	3 - 4 years
Leasehold property	2 - 24	4 - 50 years

3.7 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives of the intangibles are between 10 to 25 years.

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.

3.8 Impairment of tangible and intangible assets

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 recognized 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 a provision

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for the year ended 31 December 2016

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 and it is probable that 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 (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 can be 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 Derecognition 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 derecognition 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 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.

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a

group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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 Current versus non-current classification

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

An asset is current when it is:

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

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 recognized 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 16 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 judgement is required in establishing fair values. The judgements 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 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.

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for the year ended 31 December 2016

Kwacha thousand

5. REVENUE AND OPERATING SEGMENTS INFORMATION

Local sales
Export sales
Aggregates

2016

2015

577,201

1,163,021

300,481

116,677

11,991

16,712

889,673

1,296,410

The Company has a single reportable segment. The operations of the Company are located in only one geographic location, Zambia. There was an increase in sales to Lafarge Zimbabwe which accounted for 11% of the total sales in the year. This was in part due to the breakdown in the cement kiln in Zimbabwe which was down for 4 months.

6. INVESTMENT INCOME

Interest income on bank balances

388

1,025

388

1,025

7. OTHER GAINS

Other gains and losses comprise the following:

(Loss)/gain on disposal of property, plant and equipment

(975)

1,825

Exchange gains

1,743

143,348

Exchange losses

(9,411)

(122,891)

Fair value gain on investment at fair value through profit and loss

(8,215)

10,569

Net other (losses)/gains

(16,858)

32,851

The Kwacha maintained its stability particularly in the second half of the year.

The table below shows the movements in the US Dollar exchange rates during the year:

Mid-market exchange rate as at 1 January

10.99

6.40

Mid-market exchange rate as at 31 December

9.81

10.99

Average (appreciation)/depreciation

10.7%

71.7%

8. FINANCE COSTS

Interest expense

(568)

(1,895)

Net finance costs

(568)

(1,895)

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

Kwacha thousand

9. PROFIT BEFORE TAX

Profit before tax is stated after crediting:

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

Depreciation and amortisation

Management and technical services expenses

Pension schemes – defined contributions

Donations

Directors' remuneration

Staff costs

10. INCOME TAX EXPENSE

Current tax

Deferred tax (note 22)

Tax expense for the year

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

Payable in respect of previous years

Tax paid during the year

Balance at end of the year included in current assets

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

Profit before tax

Tax on accounting profit at 35%

Accounting profit taxed at different rate

Temporary differences and Disallowed expenses

Tax expense for the year

	2016	2015
	975	1,825
	34,655	51,679
	33,096	54,953
	6,524	6,553
	597	1,443
	319	319
	124,930	112,981
	39,150	154,704
	11,439	6,374
	50,589	161,078
	39,150	154,704
	-	52,789
	39,150	207,493
	(67,323)	(212,325)
	(28,173)	(4,832)
	127,985	483,748
	44,795	169,312
	(7,773)	(8,677)
	13,567	443
	50,589	161,078
	%	%
Standard rate	35.00	35.00
Accounting profit taxed at different rate	(6.07)	(1.79)
Temporary differences and Disallowed expenses	13.84	0.09
Effective tax rate	42.07	33.30

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

Kwacha thousand

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties	Plant and equipment	Vehicles, furniture and fittings	Capital work in progress	Total
COST OR VALUATION					
At 1 January 2015	42,471	1,266,625	43,178	84,818	1,437,093
Additions	-	-	312	160,422	160,734
Transfer of projects	13,521	9,555	16,243	(39,319)	-
Disposals	-	(1)	(1,796)	-	(1,797)
At 31 December 2015	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)	(5)	-	-	(1,501)
At 31 December 2016	73,909	1,651,156	62,366	138,996	1,926,428
DEPRECIATION					
At 1 January 2015	10,379	24,541	40,844	-	75,764
Depreciation expense	2,015	44,962	4,665	-	51,641
Eliminated on disposal	-	-	(1,746)	-	(1,746)
At 31 December 2015	12,394	69,503	43,763	-	125,660
Depreciation expense	2,702	24,300	7,653	-	34,655
Revaluation adjustment	(109)	185,935	(1,889)	-	183,937
Eliminated on disposal	(241)	(42)	-	-	(283)
As at 31 December 2016	14,746	279,696	49,528	-	343,969
CARRYING VALUE					
At 31 December 2016	58,922	1,371,418	12,839	138,996	1,582,457
At 31 December 2015	43,598	1,202,476	21,787	206,203	1,470,371

In accordance with section 193 of the Companies Act, 1994 the register of property, plant and equipment is available for inspection by members and their duly authorized agents at the registered records office of the Company.

Kwacha thousand

Plant and machinery were revalued by the Directors using the replacement new cost method and the amount shown reflects the fair value of the assets as at the reporting date. The useful lives are reviewed on an annual basis.

As at 31 December 2016, the Company performed a valuation of its assets using external valuation experts (Duff & Phelps, PWC) which was reviewed by LafargeHolcim topic experts and management. The methodology used was the Replacement Cost New (RCN) 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. Had the property plant and equipment been measured on a historical cost basis the carrying amount would have been as follows:

Plant and equipment

Cost
Accumulated Depreciation
Net book value without revaluation

	2016	2015
Cost	843,801	749,417
Accumulated Depreciation	(214,346)	(206,155)
Net book value without revaluation	629,455	543,262

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

Kwacha thousand

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 limestone 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.

Cost

Balance at beginning of the year

943

943

Balance at end of the year

943

943

Accumulated amortisation and impairment

Balance at beginning of the year

352

314

Amortisation expense

38

38

Balance at end of the year

390

352

Carrying value at end of the year

553

591

The amortization expense has been included in the line item, administration expenses in the Statement of Comprehensive income.

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Opening Balance

32,386

21,818

Fair value adjustment

(8,215)

10,569

Closing balance

24,171

32,386

for the year ended 31 December 2016

The Company has designated the investment in Mbeya 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 has invested in Mbeya Cement Company which is not quoted in an active market. The Company used a market based valuation technique to determine the fair value of the investment. The Company's Directors determine the comparable public company (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the Mbeya Cement Company to measure the fair value. The Company classifies the fair value of these investments as Level 3.

Valuation technique and significant unobservable inputs

			2016	2015
Description	Valuation technique	Unobservable Input=	Multiple Utilized/ Discount	Multiple Utilized/ Discount
Mbeya Cement Company	EBITDA* multiple	EBITDA multiple of peer company	4.7x	4.7x
		Discount	30%	30%
*Earnings before interest, tax, depreciation and amortization.				
The earning multiple used was of the listed company operating in the same geographic jurisdiction and the company most similar to it in size. An adjustment of 30% was then applied to the earning multiple applied to adjust for production capacity and market share of the two companies.				
An increase or decrease in the EBITDA multiple of a comparative entity will result in an increase/ decrease in the fair value measurement. Refer to note 28 for the fair value hierarchy.				
14. INVENTORIES				
Stores and spares			103,245	97,352
Provision for obsolete stock			(7,266)	(7,266)
			95,979	90,086
Raw materials and consumables			46,313	70,185
Cement			46,523	16,452
Process goods			27,481	49,077
Goods in transit			-	-
			216,296	225,800

During the year, expensed inventory amounted to **K204,620 thousand** (2015: K110,325 thousand) for inventories carried at net realizable value. This is recognized in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

Kwacha thousand

15. TRADE RECEIVABLES

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

Gross trade receivables
Allowance for doubtful debts

At 31 December 2016

Trade receivables are non-interest bearing and are generally on 30 to 45 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 **K41,299 thousand** (2015: K33,181 thousand) which are over 30 days at reporting date for which no provision has been made. The amounts are still considered recoverable.

Ageing of past due but not impaired debts is as analyzed below:

60 - 90 days
90 - 120 days
Over 120 days

Total

The movement in the allowance for bad debts is as follows:

Balance at the beginning of the year
(Reversal)/ Additional Provision

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. In 2016 some customer debts which were deemed non recoverable were written off and in some cases handed over to the courts for legal redress. Note 27 explains further on how the company manages its credit risks with all its customers.

Ageing of impaired trade receivables is shown below:

90 - 120 days
120 - 180 days
Over 180 days

Total

16. OTHER RECEIVABLES

Prepaid expenses
Sundry receivables
Employee loans

The employees' loans are at 10% interest and are payable over 12 months. The sundry receivables are mainly interest free and are recoverable within 12 months.

	2016	2015
	101,444	98,105
	(11,387)	(16,939)
	90,057	81,116
	16,910	10,293
	2,123	7,523
	22,266	15,365
	41,299	33,181
	16,939	4,321
	(5,552)	12,618
	11,387	16,939
	-	-
	11,387	16,939
	-	-
	11,387	16,939
	9,809	13,442
	5,447	232
	2,115	849
	17,371	14,523

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

17. RELATED PARTY TRANSACTIONS

LafargeHolcim Limited, the ultimate parent, is a company registered in Switzerland, and owns 75% of the issued share capital of Lafarge Zambia Plc. through its owned subsidiaries, Financiere Lafarge, and Pan African Cement Limited. The Company has balances with, and has transacted with the following related LafargeHolcim Group companies:

LafargeHolcim Limited
Bamburi Cement Limited
Lafarge Spain
Lafarge Building Materials MEA
Lafarge Cement Malawi Limited
Lafarge Cement Zimbabwe Limited
Lafarge Industries South Africa (Proprietary) Limited
Lafarge Singapore
Lafarge United Kingdom
Lafarge Tanzania
Lafarge Serbia
LafargeHolcim Middle East and Africa

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

Kwacha thousand

Amounts due from related companies

Lafarge Cement Malawi Limited	4,894	1,868
Lafarge Cement Zimbabwe Limited	83,082	8,438
LafargeHolcim Limited	-	46,251
Lafarge Tanzania	921	-
LafargeHolcim Middle East and Africa	1,408	-
Lafarge Industries South Africa (Proprietary) Limited	17	396
	90,322	56,953

The Company had no short term investment with LafargeHolcim (2015: K46,251).

Amounts due to related companies

LafargeHolcim	32,168	19,397
Lafarge Industries South Africa (Proprietary) Limited	30	20
LafargeHolcim Middle East and Africa	8,113	-
Lafarge Cement Malawi Limited	119	481
Bamburi Cement Limited	224	230
Lafarge Cement Zimbabwe Limited	24	-
Lafarge Singapore	1,133	-
Lafarge United Kingdom	369	26
Lafarge Serbia	171	-
	42,371	20,155

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

Sale of goods:

Lafarge Cement Malawi Limited	39,349	1,237
Lafarge Tanzania	5,652	-
Lafarge Cement Zimbabwe Limited	99,009	31,152
Total	144,010	32,389

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

Kwacha thousand

17. RELATED PARTY TRANSACTIONS (continued)

Management and technical services expenses:

LafargeHolcim Limited

Purchase of goods:

Lafarge Cement Zimbabwe Limited

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 investment with their related parties is made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. The remuneration of Directors and other key management during the year was as follows:

Directors' remuneration

Short term benefits

Post-employment benefits

The remuneration of Directors and key executive staff is determined having regard to the individuals' performance and market trends.

18. BANK AND CASH BALANCES

Bank and cash balances

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.

19. ISSUED CAPITAL

Authorised

240,000,000 ordinary shares of K0.05 each

3,000,000 7% non-cumulative redeemable

preference shares of K0.10 each

Issued and fully paid

200,039,904 ordinary shares of K0.05 each

19.1 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.

	2016	2015
	33,096	54,953
	-	16,002
	9,268	8,483
	3,368	2,782
	12,636	11,265
	17,771	86,148
	12,000	12,000
	300	300
	12,300	12,300
	10,002	10,002

for the year ended 31 December 2016

Kwacha thousand

20. PROVISION FOR ENVIRONMENTAL LIABILITIES

At beginning of the year	13,007	28,173
Current year interest charge	2,381	325
Decrease in provision	-	(15,489)

At end of the year

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 our operations.

In compliance with the Mines and Minerals Act Section 65, the Company has made cash contributions in the sum of US\$986,798 (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	519	798
Current year charge	575	709
Paid during the year	(865)	(988)
At end of the year	229	519

The total costs charged to Profit or Loss of **K575 thousand** (2015: K709 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 AON Zambia Limited. This defined contribution plan is funded by a specified percentage contribution from pay roll costs charged to Profit or Loss. There were no outstanding contributions as at 31 December 2016 (2015: 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 2016

Kwacha thousand

22. DEFERRED TAX

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

Deferred taxation is comprised of:

Property, plant and equipment

Revaluation reserves

Environmental provision

Other provisions

Other temporary differences

Deferred tax liability

2016

2015

Movement

213,723

200,334

13,389

278,102

240,538

37,564

(6,267)

(5,315)

(952)

(16,436)

(13,380)

(3,056)

20,665

21,388

(723)

489,788

443,565

46,223

2016

2015

Reconciliation of deferred tax

Balance as at 1 January

Deferred tax expense charged to profit or loss

Deferred tax expense charged to other comprehensive income

Adjustment to prior year deferred tax

443,566

437,191

11,438

6,374

37,564

-

(2,781)

-

489,788

443,566

2016

2015

23. EARNINGS PER SHARE

Basic and diluted earnings per share (Kwacha)

Earnings per share is based on earnings after taxation of **K77,397 thousand**, (2015: K322,671 thousand), divided by the number of ordinary shares in issue during the year of 200,039,904 (2015: 200,039,904).

0.39

1.61

for the year ended 31 December 2016

Kwacha thousand

24. TRADE AND OTHER PAYABLES

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

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

Trade payables

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 time frame.

Other payables

Other payables comprise:

Sundry accruals

Sundry payables

Employee related liabilities

Advances from cement customers

Dividend payable

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

Additional accruals during in the year

Balance at the end of the year

2016

2015

64,257

85,008

5,409

36,378

83,054

39,369

16,625

28,054

5,942

25,680

21,325

13,405

132,355

142,887

4,398

3,726

200

672

4,598

4,398

25. COMMITMENTS, CONTINGENT LIABILITIES AND ASSETS

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

The contributions are in two parts (i) a 10% lump sum for Lusaka Plants and 20% lump sum for the Ndola plant calculated as a percentage of estimated

closure costs, 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 is in the process of finalizing the determination of the of the site restoration with the Mines Safety Department. Once the closure costs are determined, a bank guarantee for the remaining site restoration costs will be obtained in line with the operational guidelines of the environmental protection fund (EPF).

Contingent Liabilities

As at 31 December 2016, the Company had received a Value Added Tax Assessment from the Zambia Revenue Authority with regard to export sales to the DRC following a VAT audit performed by the authorities. The matter is under discussion with the authorities while further information is being obtained from the DRC to prove that the sales were bona fide exports into the DRC.

Contingent Assets

There are no material contingent assets.

for the year ended 31 December 2016

Kwacha thousand

2016

2015

650

650

2.600

2.600

30.982

31.632

Longer than 5 years

34.232

34.882

- Trade receivables

90.057

81.166

- Amounts due from related parties

90.322

56.953

- Other receivables

17.371

14.523

- Bank and cash balances

17.771

86.148

Financial assets at fair value through profit or loss

Investment in unquoted shares

24,171

32,386

Total financial assets

239.692

271.176

for the year ended 31 December 2016

Kwacha thousand

27. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

Other financial liabilities

- Trade payables

- Other payables

- Amounts due to related parties

- Retirement benefits

Total financial liabilities

2016

2015

64,257

85,008

132,356

142,886

42,373

20,155

228

519

239,214

248,568

27.4 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, fair value interest rate risk and price risk), credit risk, and liquidity risk and cash flow interest trade risk. The Company does not enter into trade financial instruments, including derivative financial instruments, for speculative purposes.

27.5 MARKET RISK

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 favorable 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.

27.6 FOREIGN CURRENCY RISK MANAGEMENT

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.

At 31 December 2016, if the USD had depreciated by 10% against the Kwacha with all other variables held constant, the increase or decrease in the Profit or Loss for the year would be **K465 thousand** (2015: K1,243 thousand) higher or lower, mainly as a result of foreign denominated trade receivables, payables and foreign currency denominated bank accounts. The assumed 10% movement for the foreign currency rate, based on the average foreign exchange rate movements in the last three (3) years sensitivity analysis, is based on current market trends. The currency risk exposures would mainly be on USD exposures and there would be no material impact on exposures to other currencies. There would be no impact on equity.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

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

Kwacha thousand

	2016	2015
Assets		
US Dollar denominated	93,383	32,519
Euro denominated	329	6,958
South African Rand denominated	140	2,590
	93,852	42,067
Liabilities		
US Dollar denominated	25,821	8,647
Euro denominated	62,971	5,028
South African Rand denominated	634	3,518
	89,426	17,193

27.7 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 a rate of return or charge. These are also accounted for at amortized cost and as such, the carrying amount is unaffected by changes in market interest rates. The Company in this regard manages and monitors daily funding requirements to anticipate funding requirements of the Company to source inexpensive financing alternatives when such funds are needed.

27.8 LIQUIDITY RISK MANAGEMENT

The Company manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows 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 or 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 2016	1 – 3 months	3 months to 1 year	1 – 5 years	Total
Liabilities				
Trade payables	46,265	17,992	-	64,257
Other payables	132,356	-	-	132,356
Retirement benefit plans	-	228	-	228
Amounts due to related parties	-	42,373	-	42,373
	178,620	60,594	-	239,214
Year ended 31 December 2015	1 – 3 months	3 months to 1 year	1 – 5 years	Total
Liabilities				
Trade payables	81,263	3,745	-	85,008
Other payables	142,886	-	-	142,886
Amounts due to related parties	20,155	-	-	20,155
	244,304	3,745	-	248,049

for the year ended 31 December 2016

Kwacha thousand

27.9 CREDIT RISK MANAGEMENT

Credit risk management refers to the risk that a 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 credit worthiness 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 credit worthiness before standard payment and delivery terms are offered. Credit limits are set for each customer which represent the maximum amounts 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:

	2016	2015
Trade receivables	90,057	81,166
Other receivables	17,371	14,523
Amounts due from related parties	90,322	56,953
Bank and Cash	17,771	86,148
	215,521	238,790

28. FAIR VALUE MEASUREMENTS

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

Leasehold properties and plant and machinery were revalued by the directors using the replacement new cost method and the amount shown reflects the fair value of the assets as at the reporting date. The methodology used was the Replacement Cost New (RCN) 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.

Fair value measurement hierarchy as at 31 December 2016:

<i>Kwacha thousand</i>	Year of Valuation	Total	L2-Significant observable inputs	L3-Significant unobservable inputs
Property, Plant and Equipment:				
Leasehold Properties, and plant equipment	2016	1,371,460	-	1,371,460
Investment at fair value through profit or loss				
Mbeya Cement Company Limited	2016	24,171	-	24,171

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

Fair value measurement hierarchy as at 31 December 2015:

Kwacha thousand

	Year of Valuation	Total	L2-Significant observable inputs	L3-Significant unobservable inputs
Assets measured at fair value:				
Property, Plant and Equipment				
Leasehold Properties, and plant equipment	2015	1,276,180	-	1,276,180
Investment at fair value through profit or loss				
Mbeya Cement Company Limited	2015	32,386	-	32,386

There have been no transfers between level 1, 2 and 3 during the year.

To determine the fair value of the investment at fair value through profit or loss, the Company uses the EBITDA multiples of comparable companies. This is done by computing the EBITDA multiple of the selected comparable cement company in Tanzania.

The following table demonstrates the sensitivity to a reasonably possible change in the EBITDA multiple (the most significant input) with all other variables held constant, of the impact on the fair value of the investment at fair value through profit or loss.

Fair Value Sensitivity Analysis as at 31 Dec 2016

Increase/ Decrease in comparable company EBITDA:	Effect on Investments for the year ended 31 December 2016 Increase/ (Decrease)
+30%	7,251
-30%	(7,251)

Fair Value Sensitivity Analysis as at 31 Dec 2015

Increase/ Decrease in comparable company EBITDA:	Effect on Investments for the year ended 31 December 2015 Increase/ (Decrease)
+10%	2,700
-10%	(2,700)

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.

Kwacha thousand

30. SHAREHOLDING

Pan African Cement Limited
Financiere Lafarge
LuSE Central share depository
Public (Institutions and individuals)

	2016	2015
%	%	%
50.10	50.10	50.10
24.90	24.90	24.90
11.92	11.92	11.92
13.08	13.08	13.08
100.00	100.00	100.00

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

31. BANK OVERDRAFT

8,015	-
-------	---

The Company has an overdraft facility with Citi Bank Zambia with a tenure of one year. At 31 December 2016, the Company had drawn **K 8,015,387** (2015:nil) of the total overdraft facility.

32. GOING CONCERN

The Directors have assessed the Company's ability to continue as a going concern and have concluded that the Company shall continue to operate for the foreseeable future.

	2016	2015	2014	2013	2012
(‘000 tonnes)					
Cement production	831	1,164	1,062	1,175	1,074
Cement sold					
Domestic	605	1,038	1,080	955	808
Export	192	121	142	219	260
Clinker exports	163	1	1	3	32
	959	1,159	1,223	1,176	1,099
Aggregates	164	257	232	-	-
Kwacha million					
Statement of Comprehensive Income					
Turnover	889,673	1,296,410	1,384,427	1,132,607	992,355
Profit before tax	127,985	483,748	657,987	510,913	437,210
Income tax expense	(50,589)	(161,078)	(234,068)	(172,283)	(141,456)
Profit for the year	77,397	322,670	423,919	338,629	295,754
Earnings per share - K	0.39	1.61	2.12	1.69	1.48
Net assets employed					
Property, plant and equipment	1,583,457	1,470,962	1,361,959	654,853	645,353
Equity investment in related company	24,171	32,386	21,818	5,910	5,910
Net current assets	212,990	221,373	247,388	387,315	488,290
	1,820,172	1,724,721	1,631,165	1,048,078	1,139,553
Liabilities due after one year					
Long term borrowings	-	-	-	-	-
Provision for environmental liabilities	15,388	13,009	28,173	24,987	7,834
Retirement benefits	228	519	798	993	1,573
Deferred tax liabilities	489,788	443,565	437,191	173,331	167,949
	1,314,768	1,267,628	1,165,002	848,767	962,197
Financed by					
Share capital	10,002	10,002	10,002	10,002	100
Reserves	1,304,766	1,257,626	1,155,000	838,765	962,097
	1,314,768	1,267,628	1,165,002	848,767	962,197

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

7

LafargeHolcim Group Overview

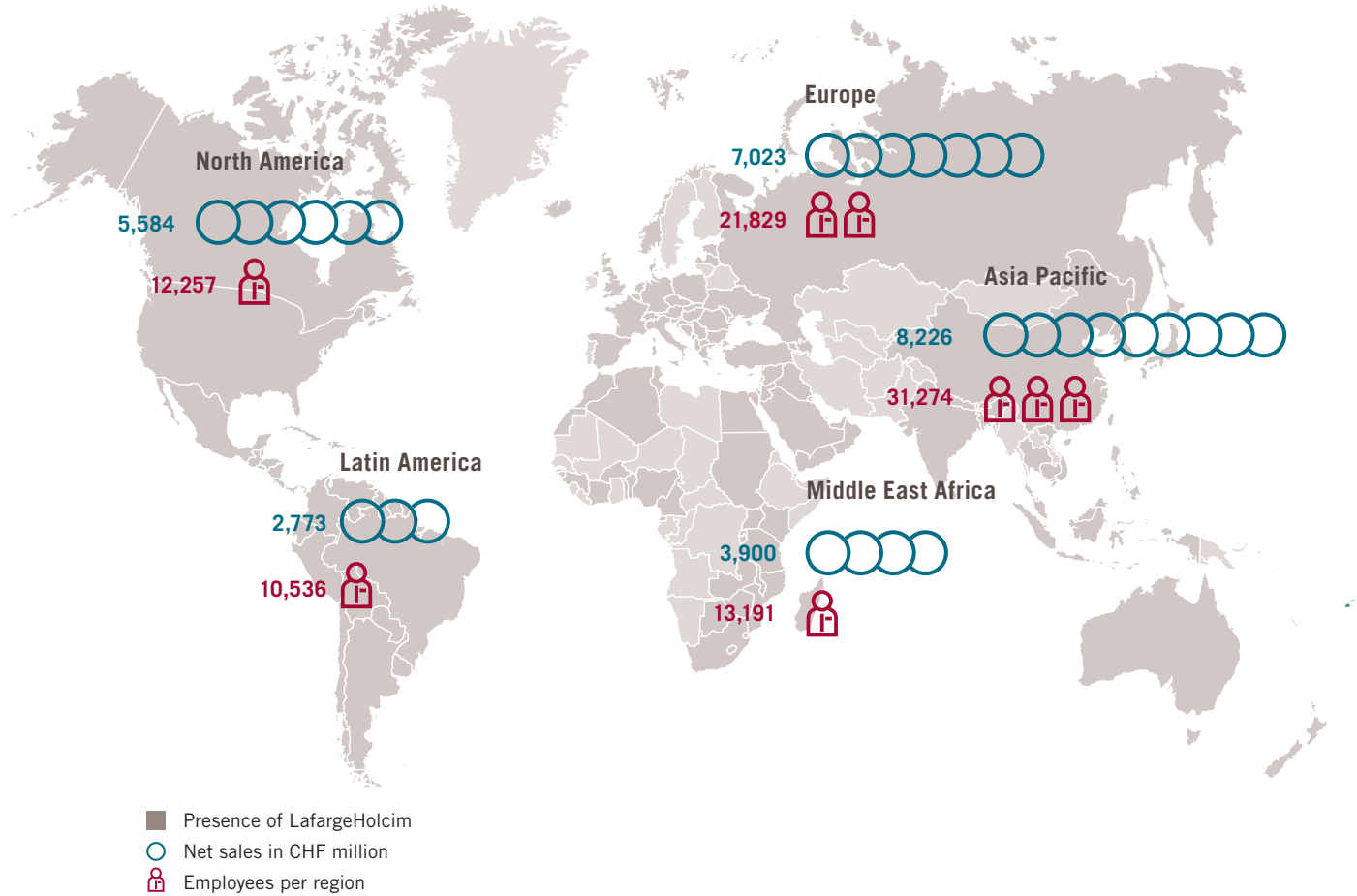
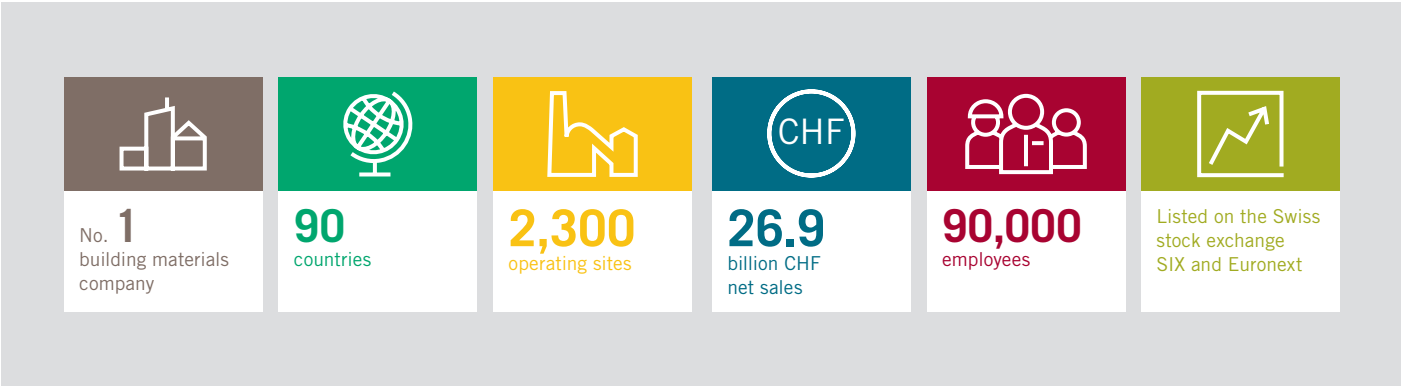


KEY FIGURES

LafargeHolcim is the world’s leading manufacturer of building materials and construction solutions provider, and have all the expertise and resources to deliver on the ever-increasing building demands of a growing world. The Group is committed to developing

market leading products and solutions for every building need, whilst at the same time ensuring the health and safety of their employees and communities, and driving environmental sustainability wherever they operate.

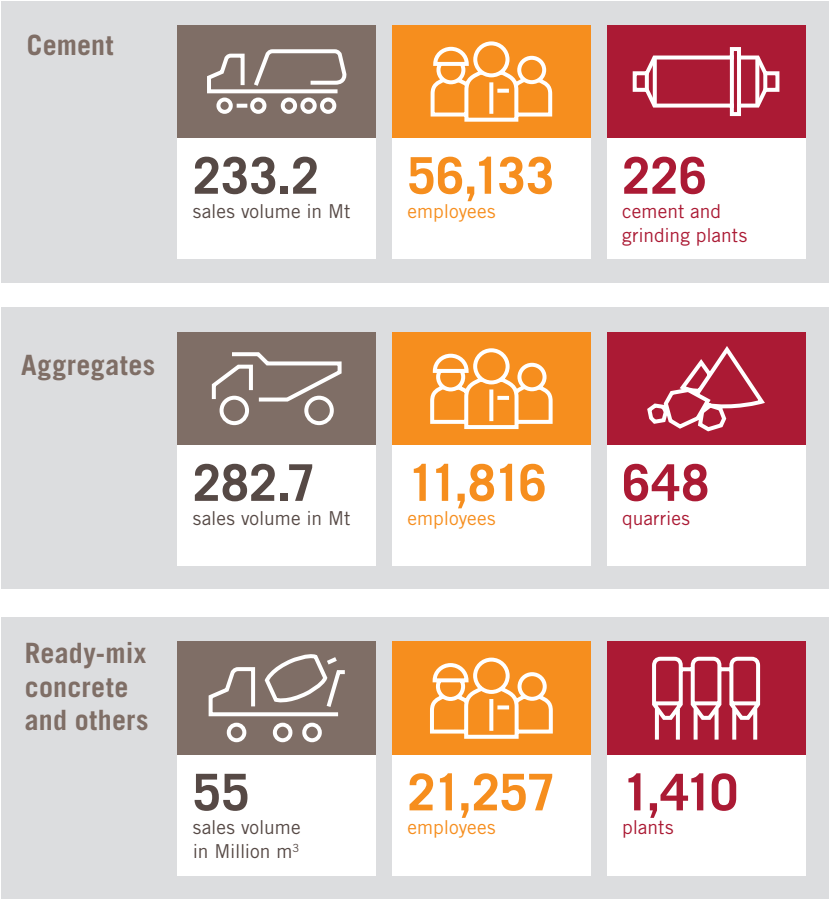
THE LAFARGEHOLCIM GROUP IN FIGURES:



Pro-forma figures for 2016

KEY FIGURES

Our business is based on three strategic businesses:



CEMENT PRODUCTION CAPACITY: MIDDLE EAST & AFRICA

Algeria	10.6	Jordan	2.6	Qatar	0.6
Nigeria	9.3	Syria	2.6	Reunion	0.5
Egypt	8.2	Kenya	2.2	Zimbabwe	0.5
Iraq	7.3	Cameroon	1.7	Tanzania	0.4
Morocco	5.1	Zambia	1.5	Guinea	0.3
South Africa	3.4	Ivory Coast	1.2	Malawi	0.2
Lebanon	2.9	Uganda	1.2	Madagascar	0.2
TOTAL					62.5



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 Cameroon
- ④ Egypt
- ⑤ Guinea
- ⑥ Iraq
- ⑦ Ivory Coast
- ⑧ Jordan
- ⑨ Kenya
- ⑩ Lebanon
- ⑪ Madagascar
- ⑫ Malawi
- ⑬ Mauritius
- ⑭ Morocco
- ⑮ Nigeria
- ⑯ Qatar
- ⑰ Réunion
- ⑱ South Africa
- ⑲ Syria
- ⑳ Tanzania
- ㉑ Uganda
- ㉒ Western Sahara
- ㉓ Zambia
- ㉔ Zimbabwe











A member of
LafargeHolcim

Head Office
Farm No.1880, Kafue Rd,
PO Box 32639, Lusaka, Zambia
Tel: +260 211 367 400 / 600
Fax: +260 211 367 634
E-mail: enquiries.zambia@lafargeholcim.com
www.lafarge.co.zm / www.lafargeholcim.com

