IN PURSUIT OF SUSTAINABLE STAKEHOLDER VALUE

Integrated report 2019

CONTENTS

SNAPSHOT OF PPC

What we do

PPC is an iconic material and solutions provider of quality and consistent cement, aggregates, metallurgical-grade lime, burnt dolomite, limestone, readymix and fly ash. We also provide technical support to our customers.

We are a market leader in attractive countries and regions.

Who we are

PPC's story stretches back over 127 years to where we were first incorporated on the outskirts of Pretoria in 1892. As the first cement plant in South Africa, we have established ourselves as a resilient organisation by adapting to ever-changing economic, operating and political environments. We are proud to be a leading provider of quality building materials and solutions in 80% of the regions we operate in.

Portfolio overview

Capacity (cement)	Cement plants	Lime factories
11,6mtpa	**18 plants**	**One factory (1mtpa)**
Aggregate quarries **Five quarries (4mtpa)**	Readymix plants **26 plants (100 000m³ per month)**	**Two** fly ash plants **750ktpa**
Cement capacity replacement value **R36 billion at US$230 per annualised tonne**		

Our vision

To be a company that **provides world-class materials** and **solutions** into the basic services sector, while creating **sustainable value** for all **stakeholders**.

Our mission

To **empower** people to experience a **better quality** of **life**.

Key highlights for 2019

Financial	Operations	Human capital	Customers
> Revenue up 1 % to R10,4 billion > Positive free cash flow of R484 million > Reduced group overheads by R260 million > Invested capital: R14,3 billion*	> Leader in over 80 % of the markets in which we operate > Southern Africa cement capacity 7mtpa in 2019 > Rest of Africa (RoA) cement capacity 4,6mtpa in 2019 > Group cement volumes improved by 1 % > Opened new fly ash facility in South Africa	> Number of employees: 3 614 > Completed first phase of head office restructuring > Launched and implemented employee value proposition (EVP) > Launched culture change initiatives > No fatalities recorded for 2019 > Went live with group safety, health, environment, risk and quality (SHERQ) software system	> Launched SURERANGE products in South Africa > Focused on our brand image – Strength Beyond > Focused our value-added technical support on small, medium and micro-sized enterprises (SMMEs) > Entrenched route-to-market strategies in the Democratic Republic of the Congo (DRC) and Rwanda

** Invested capital is total assets less non-interest bearing liabilities.*

OUR APPROACH TO REPORTING

Our approach to integrated reporting

The purpose of this integrated report is to provide a holistic view of our business and is therefore aimed at communicating to PPC's stakeholders, our target audience, as to how we created value in the short, medium and long term.

We aim to entrench integrated thinking into all aspects of our business, which is driven by our strategy to create sustainable value for our stakeholders. PPC's value creation is driven by four pillars – financial, operations, human capital and customers – and how we integrate the six capitals throughout our business.

Reporting scope and boundary

This integrated report covers PPC's financial and non-financial performance for the year ended 31 March 2019 (referred to as 2019 throughout this report). We included information on how we delivered on our strategy, our business model, operational performance, stakeholder engagement, material matters, governance, as well as our risks and opportunities.

Our disclosure covers the financial and non-financial performance of all PPC's:

- Cement manufacturing plants, milling facilities and sales depots in the southern Africa segment (South Africa and Botswana), as well as the Rest of Africa (RoA) Democratic Republic of the Congo (DRC), Ethiopia, Rwanda and Zimbabwe)
- Manufacturing, blending and batching facilities, as well as aggregate quarries in the materials business (lime, readymix, aggregates and fly ash)

Reporting frameworks

In the preparation of our reports, PPC is guided by the principles and requirements of the:

- International Financial Reporting Standards (IFRS)
- International Integrated Reporting Council's (IIRC) Reporting Framework (IIRC <IR> Framework)
- Global Reporting Initiative (GRI) Standards
- King Code on Corporate Governance, 2016™* (King IV)
- Johannesburg Stock Exchange (JSE) Listings Requirements
- Companies Act 71 of 2008, as amended (Companies Act)

Our approach to materiality

Our material matters form the foundation of our integrated report. This integrated report includes information on those matters that we believe could substantively impact value creation for all our stakeholders in the short, medium and long term. We aim to create sustainable value through the execution of our strategy which is based on our FOH-FOUR pillars (page 40).

PPC follows a structured process, involving our executives and a review of our operating environment (page 21), stakeholder concerns and business model (page 10) to identify and prioritise those material matters to be included in this integrated report. The outcome of this process was reviewed and signed off by the audit, risk and compliance committee, whose report is detailed on page 113.

We identified the following material matters for this reporting period:

- Optimal capital structure
- Liquidity
- Transformation compliance
- Financial disciplines
- Profitability
- Human capital
- Stakeholder management
- Regulatory uncertainty

For more information on these matters, refer to page 35.

Supplementary information and assurance

Our integrated report includes both financial and non-financial information, the accuracy of which was also reviewed by Deloitte & Touche (Deloitte). This integrated report is augmented by the following supplementary reports:

Our supplementary reports	Our supplementary reports are in compliance with the following	Assurance providers	Where our supplementary reports can be accessed
Annual financial statements	> Companies Act > JSE Listings Requirements > King IV > IFRS	> Deloitte, whose unmodified audit opinion can be found on page 142	
Summarised group results	> Companies Act > JSE Listings Requirements > King IV > IFRS	> Deloitte, whose unmodified audit opinion can be found on page 142	
Notice of the 2019 annual general meeting	> Companies Act > JSE Listings Requirements > King IV		
Environmental and energy supplementary report	> Companies Act > JSE Listings Requirements > King IV		
Our people supplementary report	> Companies Act > JSE Listings Requirements > King IV		
King IV compliance supplementary report 2019	> King IV Report on Corporate Governance South Africa 2016		
GRI index 2019	> Global Reporting Initiatives		

Our audit, risk and compliance committee provides internal assurance to the board annually, on execution of the assurance plan. Our audit, risk and compliance committee's report can be found on page 113.

Our full range of supplementary reports can be accessed at **https://ppc.co.za/corporate/investors-media/financial-presentations-reports**.

Board approval

As the highest governing body, our board is responsible for the strategic direction of PPC and acknowledges its obligation to ensure the integrity and faithful representation of this integrated report. Our board members have applied their collective minds during the preparation and review of this integrated report, and believe it is presented in accordance with the IIRC <IR> Framework. Furthermore, the board believes the integrated report addresses all material issues and presents a balanced and fair account of PPC's performance for the period ended 31 March 2019, as well as an accurate reflection of our core strategic commitments for the short, medium and long term, risks, opportunities and material matters that have, or could have, a material impact on PPC's ability to create sustainable value for our stakeholders.

During the year, our audit committee integrated with the risk and compliance committee to form one audit, risk and compliance (ARC) committee. This committee is responsible for the integrity of this integrated report and recommended that it be approved by the board.

The board approved the integrated annual report on 18 July 2019 and will recommend it to the shareholders at the annual general meeting to be held on 29 August 2019.

Mr Jabu Moleketi
Chairman

Mr Johannes Claassen
Chief executive officer

18 July 2019

Stakeholder feedback

We encourage feedback on our integrated and supplementary reports. Kindly direct feedback to Mr Anashrin Pillay, group head of investor relations, tel +27(11) 386 9000 and email anashrin.pillay@ppc.co.za.

For further details on sustainability matters, please contact Ms Tshilidzi Ligaraba, general manager: group sustainability services, tel +27(11) 386 9122, and email tshilidzi.ligaraba@ppc.co.za.

Details for obtaining copies of the integrated report from the PPC company secretary are on the inside back cover.

Report navigation

Our integrated report provides cross-references using these icons:
Related information can be found elsewhere in this report.

This icon indicates that further related information is available on PPC's website **www.ppc.africa**.

Strategic pillars

- Financial
- Human capital
- Operations
- Customers

Material matters

1. Optimal capital structure
2. Liquidity
3. Transformation compliance
4. Financial disciplines
5. Profitability
6. Human capital
7. Stakeholder management
8. Regulatory uncertainty

GABORONE BOATLE ROAD PROJECT

Project cost: BWP1,1 billion

Project start date: March 2018

Construction works on the Gaborone to Boatle road includes the upgrade of the existing 18,4km road to dual carriageway standard, drainage works on these roads, construction of pedestrian and cattle underpasses, and the installation of street lighting. PPC was awarded a tender to supply both cement and aggregates for this project and, as at the end of January 2019, a total of 330 000 tonnes of aggregates and over 12 000 tonnes of SUREROAD cement had been supplied. Also included is the Boatle interchange project, which will be the second of its kind to be constructed in Botswana after the one in Francistown. A total of 522 people are employed on this project, of which 489 are Botswana citizens and 33 are expatriates.

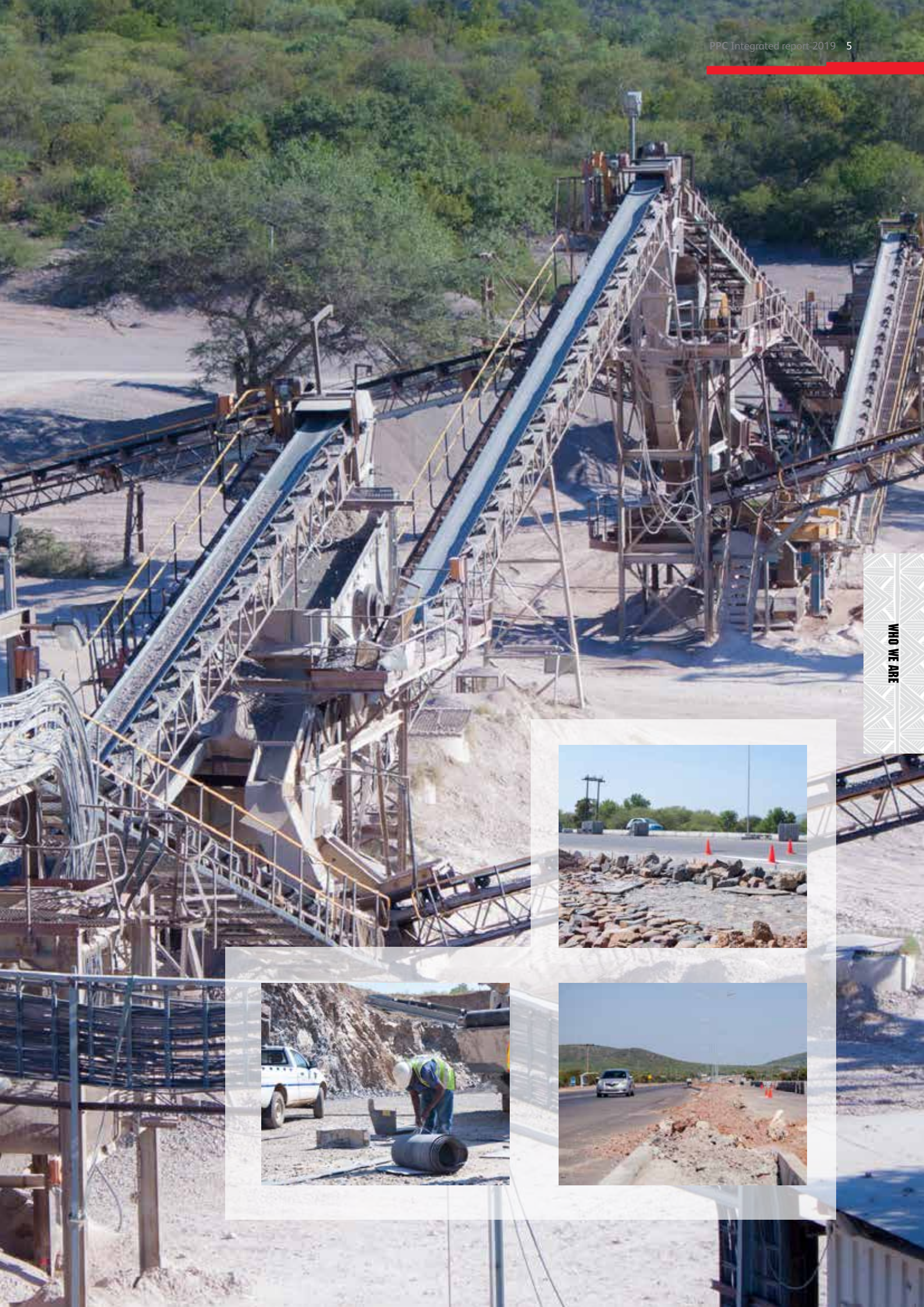
The project, which is fully funded by the government, amounts to about BWP1,1 billion and also includes the construction of two bridges over the Tloane and Metsimaswaane rivers. The project is part of the government's economic stimulus programme initiative and, in February 2017, was awarded to Consolidated Contractors Company of Kuwait, as well as China State Construction and Engineering Corporation.

At completion, the road is expected to cut down on congestion, improve safety and even see traffic move faster – especially at the Boatle junction where the area had over the years been seen to slow down movement and even cause fatal road accidents.

For more on how PPC goes beyond: visit www.ppc.africa

PPC STRENGTH GUARANTEED

PPC



WHO WE ARE

STRENGTH BEYOND

We strive for utmost quality in everything we do. By building and investing in a better now, we will create a better future for all. This purpose is encapsulated in our brand promise of Strength Beyond.

It is the **strength** of our name and our **promise** to our customers, stakeholders, employees and communities

It is the **strength** of our **guarantee**. The integrity placed behind every purchase and every interaction. The **knowledge** that, when you buy a PPC product, you too place your **trust** and name on our word

It is the **strength** of our purposeful and **sustainable** partnerships with like-minded organisations that will foster **growth** in our environment and help improve our societies

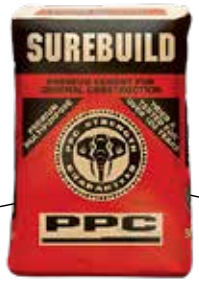
It is the **strength** of our **people** to go beyond. Providing **support** beyond the ordinary and taking an active role in helping our **stakeholders** reach their full potential and **transform** their societies

Our promise of Strength Beyond is guided by our group values that are embedded throughout our operations.

Our values

Over the years we have proven that we are a business dedicated to perfecting the science behind our products – cement, aggregates, lime, readymix, fly ash, burnt dolomite and limestone.

We believe in empowering people to experience a better quality of life. Therefore, we built a business that connects communities across the African continent, improving the societies and environment we operate in.



R – We always do the **right** thing
- We hold each other accountable and always act with integrity

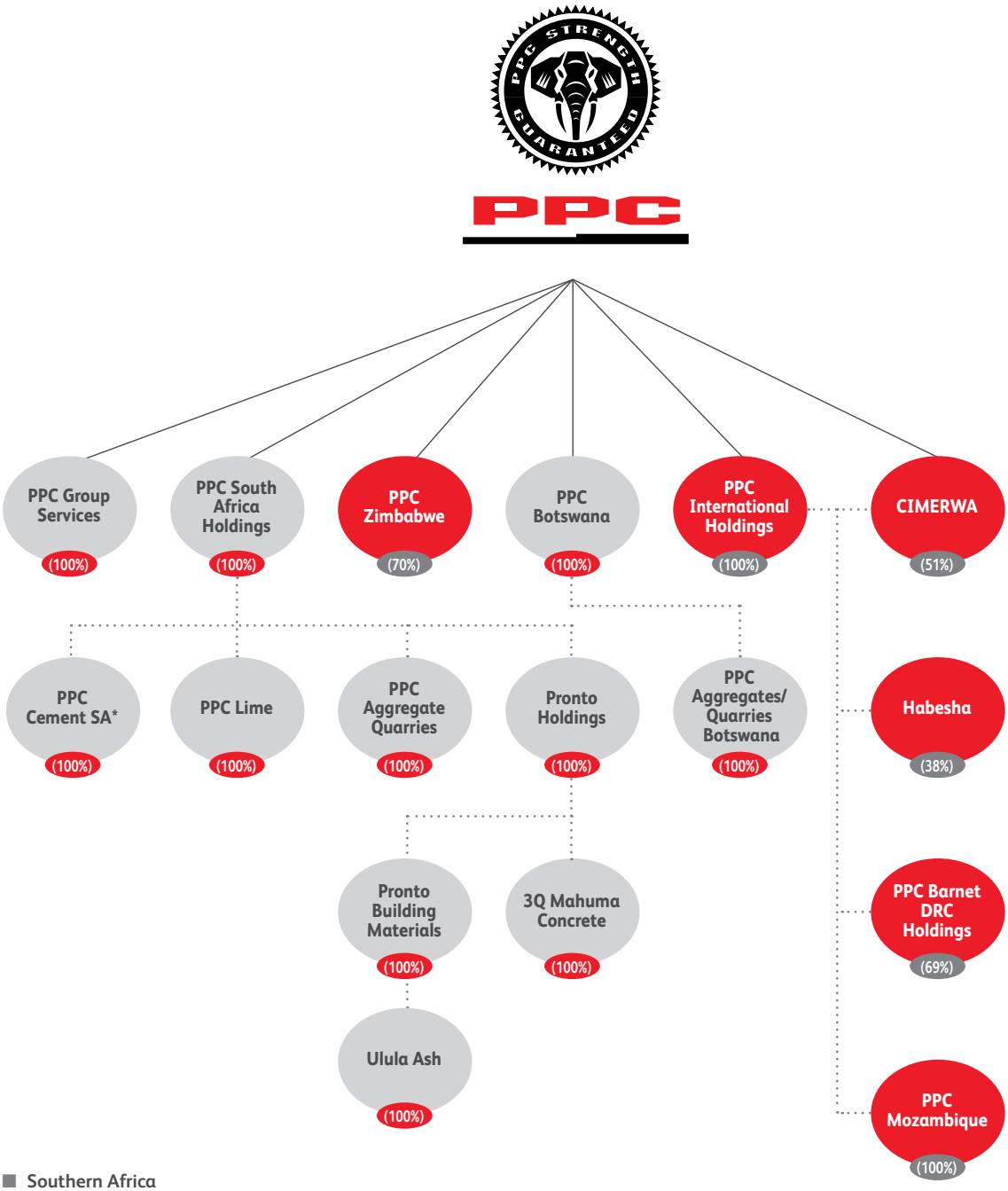
E – We strive for **excellence** in all we do
- We strive for excellence in all we do

P – Our **people,** our strength
- We value all our people and recognise that each one of us is essential to our success

P – We have **passion** for winning
- We inspire each other with our positive attitude and energy as we strive to be the best

C – We are **customer-**focused
- Our customers are at the heart of all we do and we exceed their expectations every time

COMPANY STRUCTURE



** Safika Cement Holdings was integrated into PPC Cement SA in August 2018.*

PPC AT A GLANCE

DEMOCRATIC REPUBLIC OF THE CONGO (DRC)

Ownership **69%**
Estimated population (2017)[1] **81,3 MILLION**
Urban population as percentage of total population (2017)[1] **40%**
Forecast GDP growth (2021F)[2] **5,9%**
Cement consumption per capita **32KG**
Employees **148**

Refer to page 76 for our review of our DRC operations

BOTSWANA

Ownership **100%**
Estimated population (2017)[1] **2,3 MILLION**
Urban population as percentage of total population (2017)[1] **52%**
Forecast GDP growth (2021F)[2] **4,1%**
Cement consumption per capita **274KG**
Employees **135**

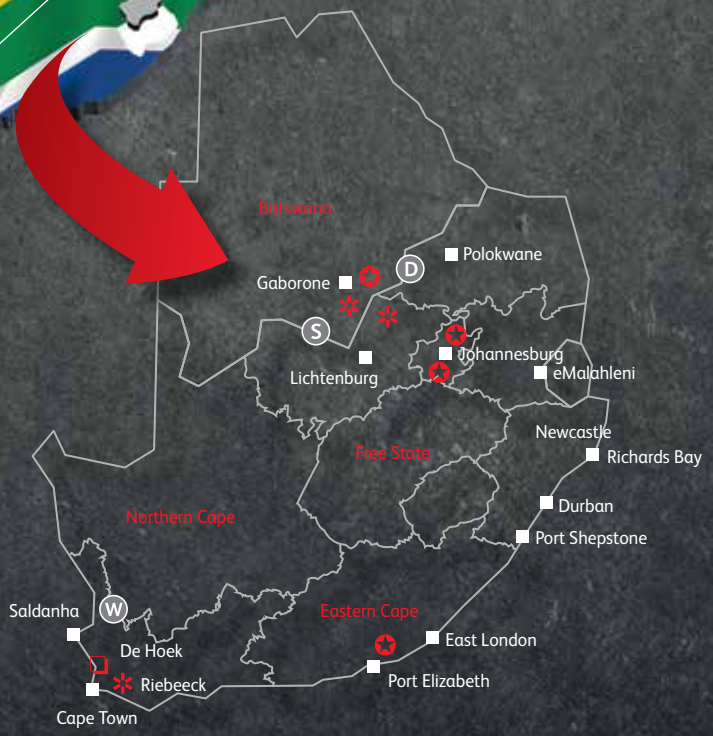
Refer to page 70 for our review of our Botswana operations

SOUTH AFRICA

Ownership **100%**
Estimated population (2017)[1] **56,7 MILLION**
Urban population as percentage of total population (2017)[1] **64%**
Forecast GDP growth (2021F)[2] **1,8%**
Cement consumption per capita **213KG**
Employees **2 153***

** Excludes 443 employees employed by Pronto, 3Q and Ulula Ash. This has been verified by Deloitte & Touche.*

Refer to page 62 for our review of our South African operations



Map key

- Current operation
- Current operation and project
- Recently commissioned
- PPC grinding plant (4)
- PPC mega-plant (3)
- Grinding plant only
- (W) Western Cape
- (S) Slurry
- (D) Dwaalboom

ETHIOPIA

Ownership **38%**
Estimated population (2017)[1] **105 MILLION**
Urban population as percentage of total population (2017)[1] **20%**
Forecast GDP growth (2021F)[2] **8,9%**
Cement consumption per capita **61KG**
Employees **588**

Refer to page 78 for our review of our Ethiopian operations

RWANDA

Ownership **51%**
Estimated population (2017)[1] **12,2 MILLION**
Urban population as percentage of total population (2017)[1] **32%**
Forecast GDP growth (2021F)[2] **8%**
Cement consumption per capita **36KG**
Employees **295**

Refer to page 74 for our review of our Rwandan operations

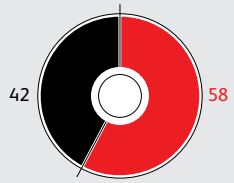
ZIMBABWE

Ownership **70%**
Estimated population (2017)[1] **16,5 MILLION**
Urban population as percentage of total population (2017)[1] **31%**
Forecast GDP growth (2021F)[2] **4%**
Cement consumption per capita **70KG**
Employees **440**

Refer to page 72 for our review of our Zimbabwean operations

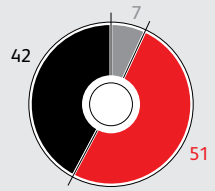
Our established footprint in sub-Saharan Africa allows us to respond to changing economic, operational and political environments.

EBITDA by region (%)



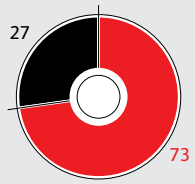
- Southern Africa
- Rest of Africa (RoA)

EBITDA by segment (%)



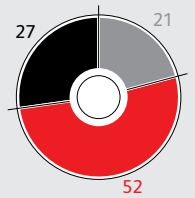
- Southern Africa cement
- RoA
- Materials

Revenue by region (%)



- Southern Africa
- RoA

Revenue by segment (%)



- Southern Africa cement
- RoA
- Materials

[1] *Source: The World Bank Open Data*
[2] *Source: The World Bank's 2019 Global Economic Prospects report for sub-Saharan Africa*

OUR BUSINESS MODEL

We create value by leveraging the inputs from our six capitals and our business processes to produce outputs and create outcomes for our stakeholders. Our business model, set out below, shows our value creation process.

INPUTS

Financial capital

We actively manage the pool of funds made available to us by shareholders and other providers of capital. We allocate and invest these funds diligently to create value for our stakeholders.

Manufactured capital

Our business depends on our plants, factories and quarries. We consistently invest in construction, expansion and identify growth opportunities. Ongoing maintenance of these infrastructures is critical to improve efficiencies and reduce our carbon footprint on the environments and communities in which we operate.

Intellectual capital

We thrive on product, process improvement and innovation – this helps us improve our environmental impact, reduce the cost of production and improve operational efficiencies.

Human capital

Our people are our strength. Our processes ensure we invest in our people to meet our strategic requirements and cultivate a high-performance culture. We therefore commit to introducing and improving those building blocks that support a high-performing organisation, including our employee value proposition (EVP), coupled with a fit-for-purpose and effective organisational structure, and a pay philosophy that promotes high performance.

Social and relationship capital

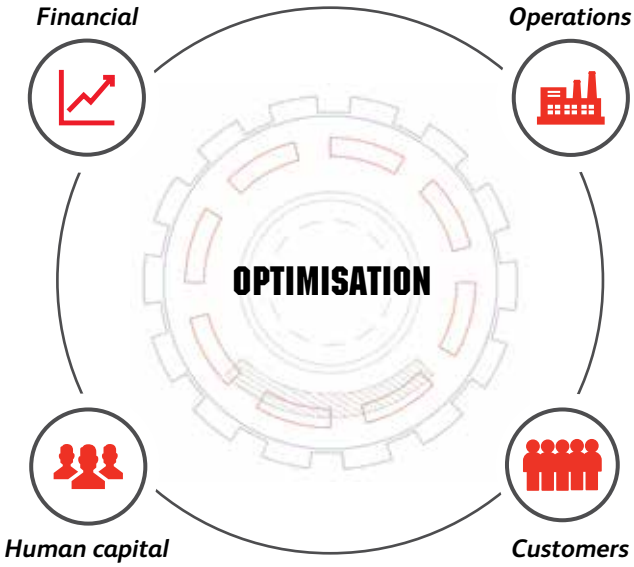
The needs of the communities who live in the areas in which we operate are integrated into our business. Building and maintaining relationships with these communities, along with our other stakeholders, is key to our social licence to operate and the continued success of our business.

Natural capital

We depend on certain natural resources and, in the interest of sustaining our business, we have to ensure that we preserve our plant by using the resources responsibly.

KEY PROCESSES

Our value creation for our stakeholders is underpinned by our four strategic pillars:



GOVERNANCE

PPC is committed to creating an ethical working environment. Our board sets the tone from the top, and therefore guides the group's strategic direction.

Our board has cement, commercial and economic expertise and experience, and together with our various board committees ensure that integrated thinking is embedded in strategic processes and decisions, including the sustainability of our business in relation to the environment and the communities where we operate.

(Refer to pages 14 and 15 for our detailed cement process technology.)

OUTPUTS

- CEMENT
- AGGREGATES
- LIME
- READYMIX
- FLY ASH

OUTCOMES

Prosperity

- Revenue of **R10,4 billion**
- EBITDA of **R1,9 billion**
- Reduced group overheads by **R260 million**
- Invested capital **R14,3 billion***

People

- **R1 599 million** paid to employees in salaries, wages and other benefits
- **Zero** fatalities

Planet

- Energy consumption of **13 989TJ****
- **3,7 million m^3** of water used
- Total greenhouse gas (GHG) emissions of **4 753 313 tonnes*****

* *Invested capital is total assets less non-interest-bearing assets.*
** *South Africa only.*
*** *South Africa, Lime and Zimbabwe only.*

OUR BUSINESS MODEL continued

KEY INPUTS

Financial capital

- Total assets of **R17,8 billion** (2018: R16,2 billion)
- Gross group debt **R5,0 billion** (2018: R4,7 billion)
- Cash and cash equivalents of **R452 million** (2018: R836 billion)
- Capital expenditure of **R797 million** (2018: R927 million)
- Invested capital of **R14,3 billion**

Manufactured capital

- Invested in **18** cement plants, **one** lime factory, **five** aggregate quarries, **26** readymix plants and **two** fly ash plants
- Capacity of **11,6 million** tonnes of cement

Intellectual capital

- Responding to **growth** opportunities
- Process and product **improvements**
- **Improved** efficiencies at our plants, factories and quarries
- **Mineral** rights

Human capital

- In total, **3 614** employees (2018: 3 538)
- Invested **3%** of our wage bill in learning and development (2018: 2,5 %)

Social and relationship capital

- Continue to invest resources in corporate social responsibility (CSR)

Natural capital

- Coal: **799 061 tonnes** (2018: 798 261 tonnes)
- Tyres: **3 264 tonnes** (2018: 4 324 tonnes)

VALUE CREATED FOR OUR STAKEHOLDERS

ACTIONS TO ENHANCE THE OUTCOMES

	2019	2018
Gross profit (Rbn)	**2,0**	2,3
EBITDA (Rbn)	**1,9**	1,9
Cash generated from operations (Rbn)	**2,0**	2,3
Group net debt (Rbn)	**4,6**	3,8
Gross debt/EBITDA	**2,6**	2,5
Basic earnings per share (cents)	**16**	10
Headline earnings per share (cents)	**20**	15

- Optimising our capital structure in southern Africa and restructuring thereof in the RoA
- Continued revenue enhancement and EBITDA growth
- Executing cash preservation strategies in Zimbabwe

	2019	2018
Cement (kt)	**5 890**	5 858
Lime (kt)	**556**	590
Aggregates (kt)	**3 028**	3 017
Readymix	**629**	625
Fly ash	**689**	566

- Optimal implementation of our route-to-market strategy
- Plant modifications in Rwanda, including the finalisation of the second phase of debottlenecking at CIMERWA, which will bolster growth through improved ability to meet the growing demand in the region
- Optimising our Ethiopian operation
- Footprint expansion of the Sappi Ngodwana fly ash operation

Completed first phase of debottlenecking at our CIMERWA operation in Rwanda

- Entrenching PPC systems across all markets
- Extracting value from strategic partnerships and bundle offering from integrated businesses
- Integration of material businesses into PPC southern Africa cement to ensure optimal structure

	2019	2018
Salaries, wages and other benefits paid to employees (million)	**1 599**	1 656
Number of lost-time injuries	**21**	19
LTIFR	**0,29**	0,25
Fatalities	**0**	0

- Facilitating a high-performance culture throughout the business
- Embed the company EVP across all businesses
- Integrate a skills development programme across all regions

	2019	2018
Rates and taxes paid to governments	**28**	44
Procurement from preferential suppliers (Rbn)	**3,6**	3,3
Number of learners impacted from CSR investment	**97**	70
Broad-based black economic empowerment rating	**Level 4**	Level 3

- Continuously engaging with communities, the regulator and municipalities
- Addressing backlog of social and labour plans implementation

	2019	2018
Energy consumption#	**13 989TJ**	14 732TJ
Water used*	**3,7 million m³**	2,8 million m³
Dust emissions##	**267 tonnes**	744 tonnes
Nitrogen oxides emissions##	**8 648 tonnes**	9 815 tonnes
Sulphur oxides emissions##	**693 tonnes**	685 tonnes
Waste generated*	**2 674 tonnes**	3 957 tonnes

- Roll out of ISO 50001-based energy management system (EnMS) at all integrated cement milling plants in the group
- Reduce water consumption by 5%
- Sourcing and implementing alternative energy solutions

* *Group.*
\# *South Africa only.*
\## *South Africa and Lime.*

CEMENT PROCESS TECHNOLOGY

1 Quarrying limestone

Limestone is loaded onto haul trucks. The loaders and trucks use diesel energy.

2 Crushing limestone

Trucks carry limestone to the crusher, where the energy source is electricity.

4 Raw mill

About 25 % of total plant electrical energy is consumed in raw milling

5 Raw material homogenisation

Ground raw materials further blended to improve chemical consistency and fed to pre-heater of kiln system.

6 Pre-heating

7 Coal milling

Fine coal burnt to drive off CO_2 from limestone (mainly $CaCO_3$), at approximately 850°C (calcination: most energy-intensive reaction in the clinker-making process).

12 Cement mill

Grinding process carried out mainly in ball mills, accounting for 40 % of total electrical energy consumption of the plant.

13 Cement storage

14 Cement dispatch

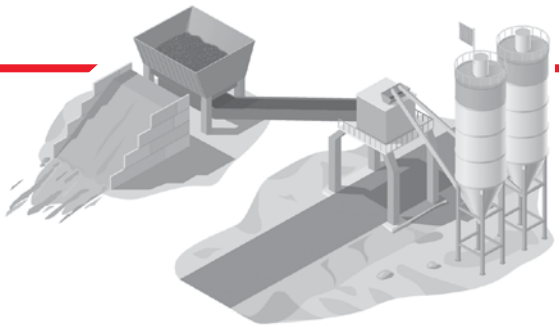
15 Bags

About the lime business

- Iron and steel
- Environmental applications
- Chemical and others
- Non-ferrous metals
- Building materials
- Road

Capacity
Lime: **1 million (mtpa)**
Dolomite only LK9: **330ktpa**
Utilisation: **65%**

- **Drilling and blasting**
- **Loading and hauling** overburden
- **Crushing and screening** stone fractions (sinter, FGD)
- **Calcining**
- **Burnt products** (saleable)
- **Screening** (saleable)
- **Milling** (saleable)
- **Hydrating** (saleable)



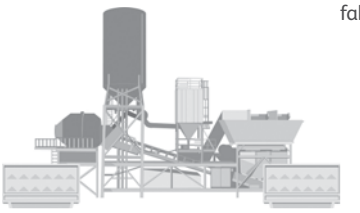
3 Blending of raw materials

Depending on chemical composition, other materials such as shale, clay, sand, iron ore and boiler ash are added in the raw mill to reach correct chemical composition for burning in the kiln.

8 Calcination and conversion of raw material to clinker

When materials are further heated to 1 450˚C, clinker is formed. This falls from the kiln into the cooler.

9 Cooling



10 Clinker storage

11 Gypsum feed

Clinker is stored and then ground with gypsum and extenders such as fly ash, slag or limestone to produce final cement products.

16 Bulk and bags

TO CUSTOMERS

PEAT-POWER PLANT PROJECT RWANDA

Project cost: US$350 million

Project start date: May 2017

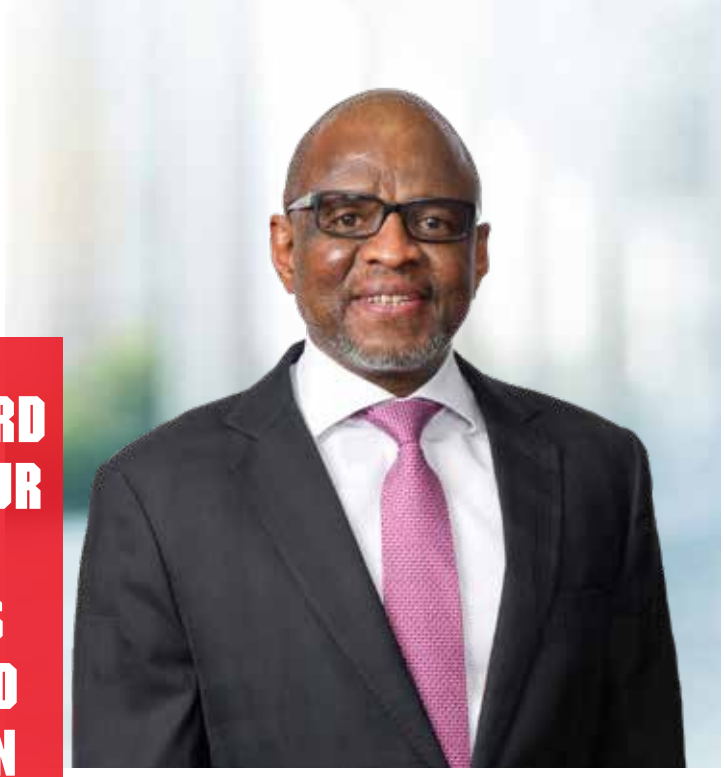
At its core, CIMERWA is committed to strengthening Rwanda in a pursuit to fortify strong foundations for future generations.

Pleasingly, in line with this vision, CIMERWA is the exclusive supplier of cement for the construction of a peat-to-power plant: the first of its kind in Rwanda in the Gisagara district, located in the southern province of Rwanda. The majority of the total energy available in Rwanda is generated using heavy fuel oil or diesel power plants. But the peat-to-power plant will provide a sustainable alternative solution and add 80MW to Rwanda's national grid by 2020. It is estimated that a total of 10 500t of CIMERWA 42,5R will be used for the construction of the plant.

CREATING SUSTAINABLE VALUE THROUGH STRATEGY

CHAIRMAN'S REPORT

Chairman
Jabu Moleketi



ON BEHALF OF THE BOARD OF PPC, IT IS AN HONOUR TO PRESENT THE 2019 INTEGRATED REPORT. AS A COMPANY, WE SEEK TO CONSISTENTLY POSITION OUR BUSINESS AS THE LEADING PROVIDER OF BUILDING MATERIALS AND SOLUTIONS. DESPITE THE CHALLENGING ENVIRONMENT WE OFTEN OPERATE IN, WE HOLD FIRM TO THIS ASPIRATION. OUR STRENGTH IS IN OUR PROMISE AND WE STRIVE FOR EXCELLENCE IN EVERYTHING WE DO

Our strategy, built on four pillars, is designed to move our business forward and create sustainable value for our stakeholders over time. As a market leader, we strive to focus on strengthening our position as the foremost provider of construction materials in southern Africa and the Rest of Africa (RoA).

Reflecting on 2019

Southern Africa

During the reporting year, we were challenged by muted growth in southern Africa, our core market. Demand remained weak, driven by depressed consumer demand and lack of construction activity in the region, which led to a decline in volumes. This was further exacerbated by increased cement imports and the growth of third-party blenders, which detracted from market-related pricing. This combination of factors makes it difficult for the industry players to achieve sustainable pricing, grow their business and, in the long term, could adversely impact cement producers' ability to create job opportunities in the sector.

In response, we redoubled our efforts on PPC's FOH-FOUR strategic pillars; namely optimising our **financial** and **operational** performance and prioritising our **human capital** and **customers**. During 2019, the executive management worked hard to embed this strategy throughout the group. As we continue to improve the operational efficiency of our business to contend with competitive pressures, we launched the SURERANGE as part of our customer value proposition, emphasising the value and usefulness of PPC products. We also focused on our pricing models, increasing our prices above inflation

in certain regions to recover operational costs. PPC continued to engage with government to explore strategies to improve the long-term sustainability of cement producers to support long-term job creation.

We also made good progress on delivering on these four strategic pillars, with key highlights including:

- Restructuring the balance sheet and the southern Africa debt, resulting in southern Africa's financial charges being reduced by more than R100 million
- The continuous operational efficiency of the business, which resulted in R60/tonne of the targeted R70/tonne cost savings being achieved
- The launch of our customer value proposition, and subsequent roll out to the business

With this foundation in place, we believe the group is well positioned to deliver on our company's aspiration and maximise value for our stakeholders. More detail on how we performed against our strategic pillars are detailed on page 40.

RoA

Unlike our southern Africa market, projected GDP growth rates remain favourable in our RoA portfolio, and we are well positioned to benefit from improved growth prospects and relatively low cement consumption. The change in functional currency in Zimbabwe, however, adversely impacted our results. We are closely monitoring the developments in that country, and have put plans in place and implemented measures to mitigate any negative impacts on our business, thereby ensuring our business in this region is sustainable.

Overall outlook in the RoA remains positive, despite pockets of challenges in specific regions. The market in Rwanda continues to flourish, and we anticipate that the post-election backdrop in the DRC lays the foundation to unlock further demand and possible recovery in cement prices. We are also optimistic about our investment in our Habesha plant to achieve maximum efficiency, optimising route-to-market strategies and restructuring our capital structure.

We continue to consider strategic investments that will enhance long-term sustainable income. Pleasingly, our investment in new plants in countries with high growth and low cement per capita consumption, along with upgrading existing plants, are yielding results. For instance, in Rwanda, the completion of the first phase of the CIMERWA debottlenecking will allow for higher capacity utilisation to the benefit of our customers. It is our drive to consistently improve operational efficiencies that sets us apart from our competitors and enables us to gain market share in the regions where we operate.

Governance and leadership

PPC is committed to adhering to the principles of the King IV Code on Corporate Governance 2016 (King IV) and the Johannesburg Securities Exchange (JSE) Listings Requirements, as well as the requirements of the Companies Act 71 of 2008, as amended (Companies Act). During the year, we focused specifically on conduct and ethical leadership, which is paramount to the sustainability of our business. The board and leadership teams set the tone and lead by example, creating a shared vision that empowers our employees to unite towards a common goal. We believe this is the starting point for entrenching a robust ethical culture across the group.

At PPC, governance is about more than purely adhering to legal and regulatory demands placed on the business. During the year, we implemented a stakeholder framework which enables us to better understand and proactively respond to our stakeholders' expectations beyond the minimum standards set by regulators. As part of our strategy, this engagement informs how we run our business and will ultimately create value for our stakeholders (refer to page 25). Furthermore, we seek to improve the quality of our decision-making by developing standards of governance that enable the group to manage risks confidently as they arise.

In line with our commitment to operating a sustainable business, which includes reducing our impact on the environment, our investment in new technology led to a significant reduction in dust emissions across the group, from 744 tonnes in 2018 to 267 tonnes in 2019, which is well below the requisite emission standards. We will focus on further improvements going forward.

Governance is overseen by the board of directors. In executing our responsibilities, the board ensures that the relevant structures are in place to promote independent judgement. The board delegates risk and compliance governance to the audit committee. To that end, with effect from 20 September 2018, we integrated the audit committee with the risk and compliance committee, effectively forming the audit, risk and compliance (ARC) committee.

After an extensive search, PPC is pleased to confirm the appointment of Mr Roland van Wijnen as chief executive officer (CEO) designate who will take over from Mr Johan Claassen. Mr van Wijnen held various senior leadership and CEO roles across the Holcim group over a 17-year period and brings with him a wealth of knowledge and international best practice in the cement sector.

The shared vision of our leaders is critical for creating a high-performing organisation where everybody can flourish. Our newly implemented executive coaching programme empowers our executive committee members to be inspiring leaders, paving the way for PPC's future. We also aim to assess leadership competencies across all levels to identify gaps and develop individual development plans and leadership development programmes.

Transformation

PPC recognises the benefits of having a transformed society, and is committed to a transformation process that supports the national agenda and fulfils our commitment of being a good corporate citizen. The board's social, ethics and transformation (SET) committee, whose report is detailed on page 119, ensures that the group has an appropriate transformation strategy, aligned with the Broad-Based Black Economic Empowerment (BBBEE) Act and associated codes of good practice. During the year, the SET committee reviewed and approved the transformation strategy, which is based on the four pillars of ownership and control, commercial relationships, human capital, and community and social relationships. These four pillars are guided by the regulatory framework in which PPC operates. In addition, PPC developed an action plan that will focus on implementing the four pillars of the transformation strategy throughout the group.

As part of ownership and control, we previously announced that we would implement a BBBEE III transaction (Phakama transaction) during the 2019 financial year, enabling 30% continuous black ownership of PPC and aligning the

group with the 2017 mining charter. However, subsequent regulatory changes to the 2018 mining charter rendered PPC BBBEE compliant from an ownership perspective.

On employment equity, PPC continues to make significant progress. Black employees account for 75 % of our top management, relative to an estimated industry average of 39 %. Pleasingly, for senior management, we have made significant improvements, with representation improving from 39 % in 2018 to 64 % in 2019, compared to an estimated industry average of 42 %.

In terms of the mining charter and the Department of Trade and Industry (dti) scorecard, we have a level 4 procurement recognition, which we hope to improve in the future. From a BBBEE scoring perspective, we believe our collective achievements in the medium to long term is more important than short-term gains. To this end, we approved an inclusive procurement framework subsequent to year-end, that will maximise procurement from designated groups to nurture sustainable enterprises and support supplier development in the communities where we operate.

Changes to the board

As previously reported, we welcomed Advocate Mojankunyane Gumbi to the board as a non-executive director in April 2018. Mr Ignatius Sehoole, who was appointed as a non-executive director, resigned at the end of the 2018 calendar year. I am also pleased to announce the appointment of Mr Mark Thompson as a non-executive director of the board and member of the ARC committee, with effect from 1 May 2019. Mr Thompson has wide ranging international finance experience in highly competitive global industries, and his experience and knowledge will be valuable to PPC. I welcome Mr Thompson to PPC on behalf of the board.

Looking to the future

From June 2019, our South African operations will factor in the newly imposed carbon tax. Our focus will be on implementing measures to mitigate our emissions and comply with these regulatory requirements.

Despite current economic challenges in South Africa, we remain optimistic and well positioned to take advantage of certain growth prospects in the region. In the RoA, we expect to realise maximum value from our portfolio, focusing on EBITDA growth, improving our operational efficiencies and optimising operations.

In considering the dividend policy framework, the board considered the liquidity and solvency requirements of the business. In addition, the optimal capital structure of the business was reviewed. As a result, the board resolved not to declare a dividend for the 2019 financial year.

The board believes that PPC will defend and enhance its competitive advantage and that the company's strategy has set it on the path for future resilience and success. We remain focused on driving all components of the profitability equation while embedding an ethical and responsible business culture.

Note of appreciation

Ms Nicky Goldin, Ms Salukazi Dakile-Hlongwane and Mr Timothy Leaf-Wright resigned as non-executive directors during our annual general meeting. On behalf of the board, I would like to thank Ms Goldin and Ms Dakile-Hlongwane for their invaluable contributions in steering the company, and I wish them well in their future endeavours.

During the reporting year, we mourned the passing of Mr Leaf-Wright, who passed away at the age of 66. Tim was appointed as a non-executive director to the PPC board on 26 January 2015 and, since 2016, also served as the chairman of the risk and compliance committee. Tim added value to the group, both as director and chairman of the risk and compliance committee. We would like to again convey our sincere condolences to his friends and family.

I would also like to thank:

- Mr Claassen, our outgoing CEO, for his commitment and hard work. It was because of his dedication and loyalty that we were able to renew the group's operational focus
- My colleagues on the board, for their commitment to sound corporate governance and dedication to preserving our legacy
- The respective chairmen of the board committees for their dedicated effort, leadership, guidance and direction
- Executive management and all of the 3 614 men and women who have given so much of themselves in a difficult and uncertain year
- Our valued customers for their continued loyal support
- Our shareholders for their support and confidence in the future of PPC
- Our host communities for their continued support and collaboration
- Our suppliers, advisers and business associates for their contribution to the growth of the business

Jabu Moleketi
Chairman

18 July 2019

OUR VIEW OF THE MARKET

We are a market leader in 80 % of the countries we operate in, uniquely positioned to optimally serve these regions.

Economic fundamentals continue to drive demand

The countries in which we operate are characterised by diverse economies. Understanding the drivers of cement consumption is key to assessing the current and potential future demand. The key metrics we track include the current economic cycle, GDP growth, rates of urbanisation, and per capita consumption of cement.

Economic cycle

Why this is important

The economic cycles of our regions are indicative of cement and related products consumption and future economic growth. Across our diverse portfolio, our operations are at different stages of their varied economic cycles. These cycles influence consumer demand which, in turn, impacts our ability to create value for our stakeholders over the short, medium and long term.

SOUTH AFRICA

	Recession	Recovery	Growth	Comments
Economy	✔			> Negative growth in GDP
Cement	✔			> Cement, lime and readymix in recession
Lime	✔			
Aggregates	✔			> Aggregates in recession
Readymix	✔			
Fly ash			✔	> Fly ash in growth phase

Aggregates is complementary to cement and readymix.

BOTSWANA

	Recession	Recovery	Growth	Comments
Economy			✔	> Moderate economic growth forecast > Strong macro-economic fundamentals, solid economic and fiscal policies and relatively low debt levels
Cement		✔		
Aggregates		✔		

ZIMBABWE

	Recession	Recovery	Growth	Comments
Economy		✔		> Economy is in recovery > PPC business is experiencing high-demand growth
Cement			✔	

OUR VIEW OF THE MARKET continued

RWANDA

	Recession	Recovery	Growth	Comments
Economy			✔	> Country is experiencing robust GDP growth
CIMERWA			✔	> PPC business is expanding

DRC

	Recession	Recovery	Growth	Comments
Economy		✔		> Country is in recovery
PPC Barnet		✔		> PPC business is in ramp-up

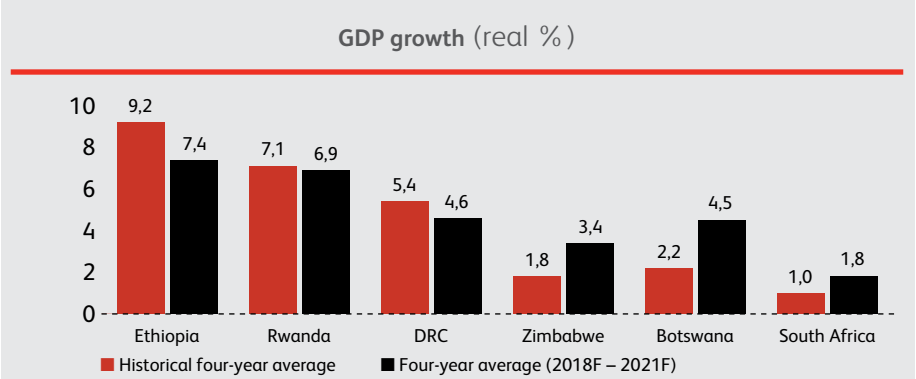
ETHIOPIA

	Recession	Recovery	Growth	Comments
Economy			✔	> Country is growing rapidly
Habesha			✔	> PPC business is in a slower ramp-up

GDP growth

Why this is important

Consumer demand for cement and associated products is strongly driven by the GDP growth and stage of economic development of the countries in which we operate in.



RoA portfolio expected to grow faster than the domestic market

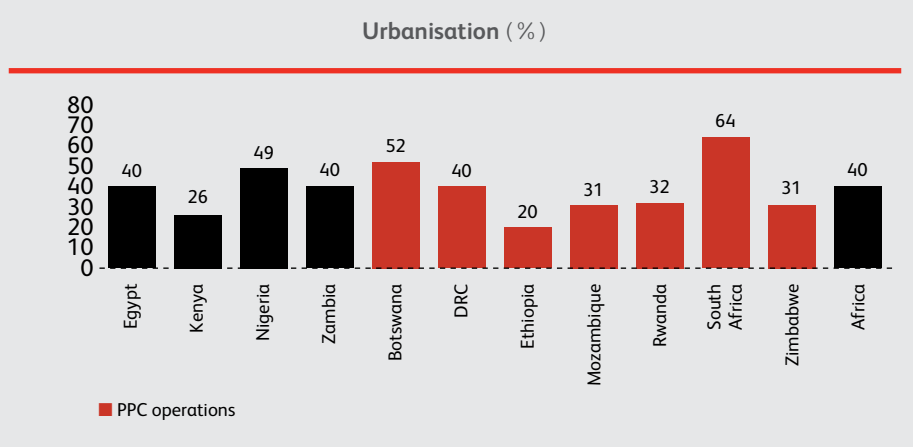
* *Source: NKC, BER, February 2019.*

Urbanisation

Why this is important

An increase in urbanisation is often associated with an increased consumption in cement and other materials.

Sub-Saharan Africa is often regarded as one of the regions in the world with the fastest rates of urbanisation, with urban regions set to double over the next 25 years*.



PPC is exposed to RoA countries with low levels of urbanisation

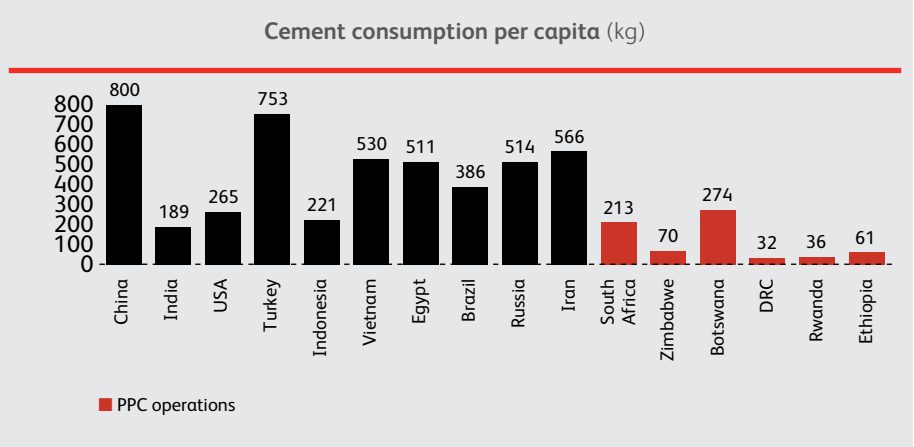
* *Source: https://www.csis.org/analysis/urbanization-sub-saharan-africa.*
Source: The World Bank Open Data.

Cement consumption per capita

Why this is important

PPC's portfolio is exposed to low per capita consumption in unsaturated sub-Saharan markets. Cement consumption growth over the last 15 years has been relatively stable.

However, based on the assumption that sub-Saharan Africa (with the exception of South Africa) is developing and urbanising, the growth in cement consumption is anticipated to continue at about 6 % per year*.



Portfolio is exposed to low per-capita consumption in sub-Saharan markets

* *Source: World cement report April 2018.*
Source: World cement report.

OUR VIEW OF THE MARKET continued

Risk matrix – shorter term

Why this is important

We approach risk management with the objective of enhancing the value we created for our stakeholders in the short, medium and long term.

We identify, evaluate and prioritise those risks that pose a threat to our value creation. We keep a balanced view of the shorter-term risks and adapt the way we do business to maximise value for our stakeholders.

	Social/political	Economic	Regulatory	Impact on PPC
South Africa	> New leadership > Ease of doing business (EODB)* ranking 82	> Muted GDP growth over the next 12 months > Weak consumer demand	> Implementation of new carbon tax	> Lower profitability on cement and materials business
Botswana	> EODB* ranking 86 > Leadership challenges leading up to national elections	> Macro-economic stability > Moderate GDP growth in 2019	> Sound regulatory environment	> Target returns achievable
Zimbabwe	> Improved political landscape > EODB* ranking 155	> Improving forecast GDP > Liquidity challenges	> Policy framework uncertainty	> Target returns achievable
Rwanda	> Stable government > EODB* ranking 29	> Significant economic growth	> Changes in monetary policy	> Target returns achievable
DRC	> Political stability after elections > EODB* ranking 184	> Lower forecast GDP	> Ban on cement imports renewed	> Lower target returns
Ethiopia	> Political stability > EODB* ranking 159	> Strong projected GDP growth	> Policy framework uncertainty	> Target returns achievable

** Source: World Bank (http://www.doingbusiness.org).*

STAKEHOLDER MANAGEMENT

The board of directors is the ultimate custodian of the corporate reputation of the PPC group and its relationships with stakeholders. Therefore, the board acknowledges the importance of proactive engagement.

Stakeholder strategy

The PPC stakeholder framework was approved by the board of directors, through the social, ethics and transformation (SET) committee in April 2018. The function of the stakeholder framework is two-fold; firstly, to understand and proactively respond to legitimate stakeholder concerns. Secondly, it is a crucial governance issue, with reference being made to principles contained in King IV.

Our stakeholders fall into four categories: financial, operations, human capital and customers. They affect and influence the group in various ways. Engagement with our stakeholders is critical in helping us in the development of our strategies, and in the implementation of processes that ultimately help us to deliver on our key strategic priorities.

Our stakeholder engagement is a deliberate process embedded in our business strategy.

In 2019, we continued to strengthen the implementation of our stakeholder engagement strategy.

Our engagements were prioritised in line with the short, medium and long-term tactical plans to create and deliver shared value for all our stakeholders. Stakeholder engagement at PPC is in line with our promise of Strength Beyond – contributing to a better quality of life, not only for the communities in the regions where we operate, but across a range of constituencies in our stakeholder universe.

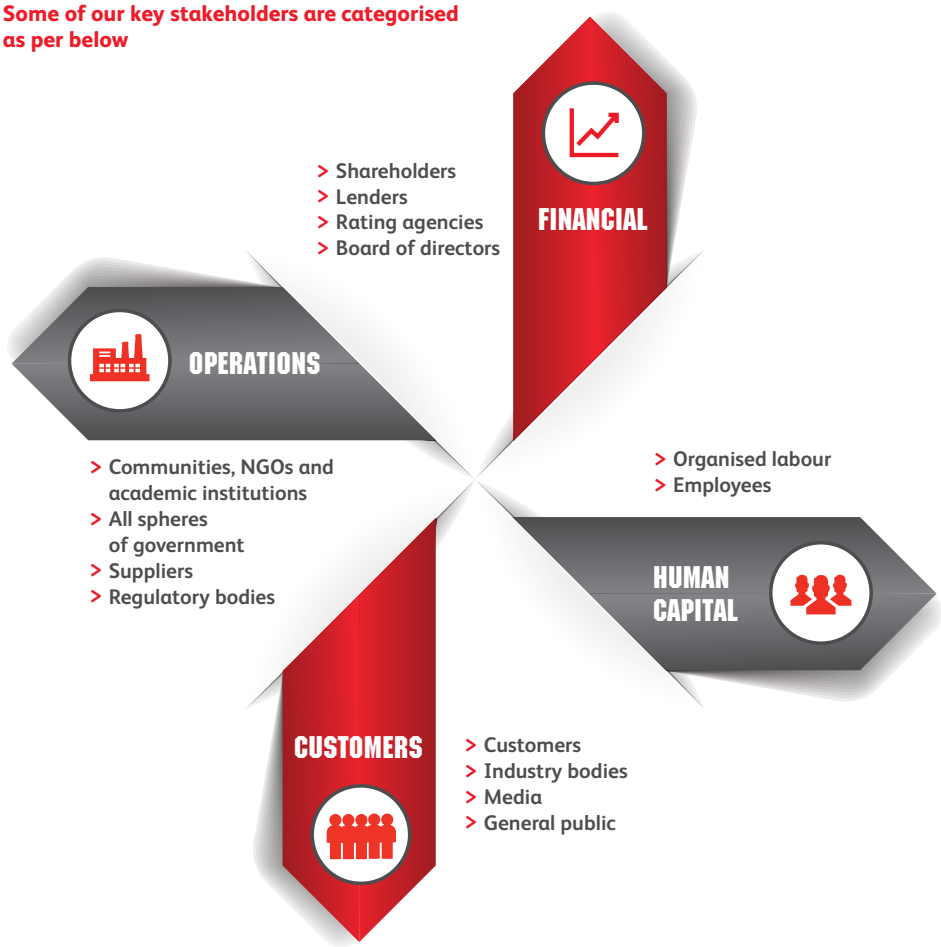
Stakeholder engagement in line with key strategic priorities

PPC acknowledges that stakeholder engagement is an ongoing process, and a comprehensive approach is central to the success of our business. In line with this, and notwithstanding the many changes within our regulatory environment, PPC engaged with various stakeholders. We continuously engage our stakeholders by establishing and maintaining good lines of communication between them and ourselves to ensure an inclusive approach in the way we do business and, to some extent, avoid a disruptive operating environment.

Our stakeholder framework was used as the foundation from which we mapped our stakeholder universe, which is aligned with our strategic priorities. This allows us to integrate the six capitals throughout our operations, industry and countries. In addition to the universe mapped, we expanded on our customers to ensure PPC seizes opportunities in the target market segments.

These key strategic priorities are financial (page 50), operations (page 60), human capital (page 90), and customers (page 98).

Some of our key stakeholders are categorised as per below



STAKEHOLDER MANAGEMENT continued

We believe that creating sustainable stakeholder value depends on the interactions of many stakeholders. Our intent in engaging with our primary stakeholders is summarised as follows:

Addressing stakeholder strategic intent

Financial

Shareholders and lenders

Strategic intent	Our strategic response
> Shareholders and lenders are key capital providers to the business that require performance on a regular basis > Lenders require business performance to meet debt obligations > Shareholders require consistent performance to meet return on invested capital > Rating agencies confirm the creditworthiness of the business and require consistent performance	> We engage with shareholders on a regular basis through presentations of interim and final results, roadshows and meetings, participating in investor conferences where we receive feedback and discuss their matters of interest > We implemented and rolled out the cash flow return on invested capital (CFROI) to monitor returns for shareholders > We engage with the lenders across the group on a regular basis and submit covenants compliance reports as per funding agreements > On the DRC funding, we are continuously engaging lenders to restructure the debt in order for business to achieve its obligations > We engage with rating agencies on a regular basis, however, this aspect needs to improve going forward

Operations
Regulators, communities, NGOs and suppliers

Strategic intent	Our strategic response
To ensure we have constructive relationships with key government departments in the countries we operate in; closely monitor policy developments and submit comments on new legislation, either directly or through industry bodies	> Continuously engaged with communities, the regulator being the Department of Mineral Resources (DMR) and local municipalities to implement appropriate and relevant SLPs > Actively participated in conferences, round-table discussions and summits, as well as government and business-led discussions, on the growth of the economy in particular the construction sector > Took advantage of our membership with Business Unity South Africa (BUSA) to participate in the Business Economic Indaba (BEI), which provided an opportunity to raise and address some of the challenges impacting the cement sector, particularly imports > Planned to align PPC's strategy for an effective stakeholder engagement process that fulfils the vision and to deliver shared value for all our stakeholders
To proactively engage the suppliers to ensure procurement efficiency and to work with suppliers to ensure we meet the transformation agenda in terms of procurement **To proactively reduce the cost of doing business by partnering with suppliers**	> Engaged our suppliers to ensure compliance with the transformation agenda > Obtained 88 % procurement rating in terms of the dti scorecard
To have constructive relationships with our communities in the areas in which we operate	> Ensured a holistic approach by engaging with communities through local forums which, in turn, allows for aligned project selection according to the municipal integrated development plan (IDP) > Where applicable, applied for section 102 of the Mineral and Petroleum Resources Development Act (MPRDA) in order to implement relevant local economic development (LED) projects under our SLPs that address identified needs in our communities > Addressed the backlog of SLP implementation > Partner with communities across Africa and integrate our corporate social investment and SLPs into our strategy to address real community needs

STAKEHOLDER MANAGEMENT continued

Human capital

Employees and organised labour

Strategic intent	Our strategic response
Our employees remain the key enabler in achieving our strategy, and maintaining a competitive edge in delivering to a diverse market across the continent	> Refer to SET report on page 119 for details of employees value proposition (EVP) and remuneration report on page 123 for how we remunerate employees > We do this through a number of key strategic pillars: – Continued to implement the EVP that retains top talent in the business
In delivering the strategy, it is necessary for us to have competitive, capable and diverse human resources	> Ensuring an enabling working environment for our people to thrive > Providing the necessary development and growth opportunities > Supporting broader skills development in the different countries in which we operate > Ensuring customer-centric values-based service delivery to internal and external stakeholders. We developed the internal PPC brand values across the group > Developed a new framework in line with labour regulations and applicable sector codes, as well as PPC's transformation imperatives > Engaged all employees and rolled out the project with minimal challenges > Engaged with the Commission for Conciliation, Mediation and Arbitration on disputes that were referred by employees > Updated employee database > Revived Kambuku and conducted climate creation workshops (CCWs) across the group

Customers

Strategic intent	Our strategic response
We have a customer value proposition (CVP) in which we ensure our customer receive quality products and service offerings	> We offer quality products and test quality on an ongoing basis > PPC would engage with consumers through customer satisfaction surveys, conducted every two years. The last survey was conducted in 2016. Due to the major transformation process that PPC is going through, the next survey will be conducted in 2020 > Branding interventions and strategic marketing affecting customer centricity through robust engagements with customers, including venturing into new market segments (ie township economy and the development of the LED business unit) > Successful implementation of the route-to-market strategy > Launching new products in South Africa to respond to competitive landscape

Outlook

In 2020, PPC will continue to pursue the implementation of an accountability system to provide a platform for the reporting of stakeholder activities that will allow us to identify stakeholder engagement needs. Refer to material matters and risk matters. Refer to risk and material matters on pages 29 and 35 respectively.

PPC's enterprise risk management framework sets out the governance structures, principles and risk management processes followed across the group.

How risk management creates value

PPC approaches risk management with the key objective of protecting the value we created for our stakeholders. We therefore adhere to a company-wide framework aimed at identifying, assessing, prioritising, mitigating, monitoring and reporting risks and opportunities.

Our philosophy is that every employee is responsible for managing risks while performing their daily duties. Our risk-rating matrix, relevant across all operations and divisions within PPC, are used to identify, analyse and evaluate risks. After this our management teams are responsible for developing appropriate responses to the identified risks which, in turn, leads to the implementation of mitigating action plans.

Governance

Our ARC committee reviews PPC's risk management plan and progress in terms of the plan.

Summary of top 10 risks

Top 10 risks

	2018 integrated report	2019 integrated report
1	Non-compliance with MPRDA	Group liquidity
2	Reduced profitability	Group profitability
3	Risk of fraud, theft and corruption	Transformation compliance
4	Non-compliance with the Department of Trade and Industry (dti) codes	Uncertainty in regulations in regions we operate in
5	Reporting misstatement	Stakeholder management
6	Currency risk	Reporting misstatements
7	Skills and succession pipeline	Health and safety
8	Severe safety incidents/fatalities	Skills and succession planning
9	Government policy and uncertainty	Economic and political instability
10	Extreme weather patterns	Fraud, theft and corruption

RISK MANAGEMENT continued

1 Group liquidity

What this means to PPC

The group's liquidity remains under pressure to fund its operations and meet its financial obligations. The liquidity risk faced is due to the first sponsor obligations for PPC Barnet and reduced profitability of our South African operations. Failure to meet debt obligations will have an adverse impact on all stakeholders.

Mitigation

- Aligning capital expenditure to operational requirements
- Reduction in operating expenditure
- Improve working capital management
- Manage loan facilities
- Restructure debt obligations and facilities
- Enhanced forecasting capabilities
- Improved funding and liquidity framework
- Implemented a Zimbabwe cash preservation policy

Progress made

- Restructured debt, smoothed maturity profile and covenant requirements
- Implemented a capital allocation framework
- Prioritised capital expenditure to ensure the sustainability of our operations

Commentary

Management is committed to ensuring that the group remains cash positive and has adequate funding facilities in place to meet our obligations as they fall due, both under normal and stressed conditions.

Link to strategic pillars

2 Group profitability

What this means to PPC

Reduced profitability due to competitive markets, muted demand, pricing pressure and increased operational costs. This could impact PPC's obligations to all stakeholders.

Mitigation

- Leveraging the portfolio effect
- Managing cash flow
- Taking measures to enhance profitability

Progress made

- R70/tonne profit improvement initiatives in our South African cement business
- Implementing innovative route-to-market strategies throughout the group
- Optimise product portfolio
- Enhanced technical support
- Introduced the SURERANGE and launched new products in the South African market

Commentary

We are continuously looking for opportunities to optimise our structure to improve cost effectiveness and enhance our ability to deal with market dynamics. This enables us to differentiate ourselves through consistent, quality products and excellent customer service and support.

Link to strategic pillars

Please refer to page 3 for the key for our strategic pillar icons.

3 Transformation compliance

What this means to PPC

PPC is currently in compliance with the revised DMR mining charter, with the exception of the housing and living conditions. This may result in a wide range of consequences, including the potential loss of existing and future mining and prospecting licences. PPC's current level of compliance with the dti codes may reduce its competitiveness in the South African market.

Mitigation

- Continuous engagement with the DMR to ensure that there are no related compliance issues
- Ongoing compliance monitoring
- Implementation of the top-up transaction of 4%

Progress made

- Development of a housing and living conditions policy
- Developed the enterprise development framework in line with the BBBEE Act
- Continuous monitoring of changes to the MPRDA and mining charter
- Engaged government, employees and media to create a better understanding of PPC's investment direction
- Conducted internal analysis and sought legal opinion to level the playing field with respect to our BBBEE compliance post-promulgation of the 2018 mining charter
- Engage employees, communities and black entrepreneurs regarding the status quo
- Engage with investors on impending regulatory changes, using planned roadshows and visits

Commentary

Management remains committed to ensuring compliance with the MPRDA and mining charter, however, we do acknowledge the uncertainty and adverse change to the mining industry regulations, including the mining charter, that can occur and may have a significant impact on the group.

Link to strategic pillars

4 Uncertainty in regulations in regions we operate

What this means to PPC

As a multinational, PPC is exposed to the uncertainty in regulation changes imposed by government which may have an impact on our profitability.

Mitigation

- Ongoing compliance monitoring
- Participation in business associations to influence the outcomes of regulatory certainty and policy

Progress made

- Implemented the compliance management framework
- Developed and implemented regulatory universes within each country
- Compiled compliance risk profiles per operation, division and department
- Developed stakeholder management framework

Commentary

Management remains committed to ensuring compliance, however, we do acknowledge the uncertainty and adverse changes to regulations, legislation and tax rates can occur in any of the countries in which we operate. This, in turn, can have a significant impact on the group.

Link to strategic pillars

Please refer to page 3 for the key for our strategic pillar icons.

5 Stakeholder management

What this means to PPC

PPC's inability to effectively engage, collaborate and communicate with its stakeholders can adversely affect PPC's reputation, growth, profitability and the countries and communities in which we operate.

Mitigation

- Stakeholder strategy and framework
- Stakeholder mapping to align to our strategic principles
- Continuous engagement and management of various stakeholder expectations
- Identified relevant stakeholders' universe
- Actively participate in business associations to influence the outcomes of regulatory certainty and policy

Progress made

- PPC will continue to improve its engagement with various stakeholders, including government, customers, social partners (communities and media), investors, industry bodies, advocacy groups and labour, to ensure an inclusive approach in the way we do business and to avoid a disruptive operating environment

Commentary

We continue to strengthen the implementation of our stakeholder engagement strategy to position ourselves in the market for optimal growth.

Link to strategic pillars

6 Reporting misstatements

What this means to PPC

Operating in different countries increases our exposure to legal, accounting, taxation, environmental and compliance frameworks. This poses a risk if PPC is unable to attract or employ globally competent personnel able to deal with these complexities, as well as local expertise to deal with in-country specific requirements.

Mitigation

- Managed through talent management initiatives
- Implement enabling integrated IT systems
- Internal governance and compliance processes
- Invest in training, coaching and development of finance personnel across the group
- Annual CFO's conference across various regions
- Recruitment and retention strategy

Progress made

- Standardise policies and procedures across the group
- Restructured the finance department and appointed accountable personnel in line with organisational structure
- Extensive progress in implementing the treasury system

Commentary

Continuous improvement of business processes and systems, together with the appointment of competent personnel, to deal with complexities and in-country specific requirements remains management's priority.

Link to strategic pillars

Please refer to page 3 for the key for our strategic pillar icons.

7 Health and safety

What this means to PPC

Human behaviour and the nature of our operations, together with the group's current structural transformation process, may have an impact on the health and well-being of our people. This may lead to injuries and fatalities. The loss of life, workplace injuries and safety-related stoppages may have an immediate effect on production and have far reaching consequences for our people and our licence to operate.

Mitigation

- Change management
- Senior leadership engagement with employees
- Introduction and training of ambassadors of change
- Medical surveillance of employees and contractors
- Health and safety policies, procedures and systems
- Health and safety audits
- Safety inductions at all operations
- Risk-based approach to performing all tasks
- Safety leadership at all levels

Progress made

- Continuous improvement of our health and safety programmes, such as the snakes and hazards programme
- Automation of our safety, health, environment, risk and quality (SHERQ) processes
- Appointment of ambassadors of change
- Ambassadors of change training programme

Commentary

Management's priority remains the health, well-being and safety of all employees, contractors and other stakeholders at all our operations in all the countries where we operate. We acknowledge that during this period of change and structural transformation, employees may experience elevated levels of stress and anxiety, however, management remains committed to ensuring the well-being of all employees.

Link to strategic pillars

8 Skills and succession planning

What this means to PPC

Our ability to attract, develop and retain the correct number of adequately qualified and experienced personnel, together with the loss of management or key personnel, can adversely affect the group's performance and sustainability.

Mitigation

- Implement leadership development programme
- Develop and implement a performance and talent management tool
- Initiate a talent review process
- Create a young talent development framework
- Execute the retention strategy
- Develop succession plans

Progress made

- Launched the employee value proposition programme
- Leadership assessments have been carried out
- Executive coaching programme in place
- Technical skills academy's portfolio has been expanded to a wider technical offering

Commentary

Our people, our strength is one of our values. We continue to invest in talent management programmes and succession planning to attract and retain talent within the group. We believe that these initiatives will lead to a high-performing culture.

Link to strategic pillars

Please refer to page 3 for the key for our strategic pillar icons.

9 Economic and political instability

What this means to PPC

PPC is exposed to changes within the economic and political environments within each country in which it operates. The instability or volatility caused by these changes may adversely affect customer demands for our product, disrupt operations, increase the cost of compliance and impact on the profitability of our operations.

Mitigation

- Continuous in-country monitoring of legislative developments
- Country-specific risk management processes
- Analyses of legislative changes to derive most optimal response by the group
- Continuous engagement with local governments, regulators, communities and other stakeholders within the countries in which we operate

Progress made

- Implemented compliance management framework as approved by the PPC risk and compliance committee
- Country-specific regulatory universes
- Continuous monitoring of regulatory changes
- Stakeholder engagement framework

Commentary

The group has little or no control over any political decisions, actions of the regulators, changes in legislation and the economic conditions of the countries in which we operate. We monitor the political and economic environments in which we operate to ensure that we can proactively mitigate the impact of these changes on the group.

Link to strategic pillars

10 Fraud, theft and corruption

What this means to PPC

Unethical behaviour, non-compliance with our code of conduct and or a lack of effective controls may result in a financial loss or loss of assets. The impact of which could lead to sanctions being imposed in terms of international standards and codes and could cause reputational damage to the group.

Mitigation

- Employee commitment to our values and code of conduct
- Processes to identify and resolve breaches of our code are in place
- Investigate incidents reported via the tip-offs anonymous line
- Information relating to breaches are reviewed by executives and the board committees
- Ongoing training and awareness initiatives

Progress made

- Our values and code of conduct were reviewed and relaunched
- Internal audit reports across the regions
- To develop fraud and prevention policy

Commentary

The relaunch of our values and code of conduct is the foundation of entrenching a robust ethical culture across the group.

Link to strategic pillars

Please refer to page 3 for the key for our strategic pillar icons.

For PPC group, we define material matters as those with the potential to significantly affect our ability to execute our strategy of delivering sustainable shareholder value in the short, medium and long term.

OUR MATERIAL MATTERS

We use the following process to manage our material matters

Identify

How we identify material matters

- Identify top group risks based on information from subsidiary boards and executive committee meetings
- Review industry developments in countries and regions where we operate
- Review global, regional and country research
- Engage with stakeholders
- Review applicable policies and regulations
- Review relevant media coverage
- Review inputs from subject-matter experts

Prioritise

How we prioritise them

- Assess their potential impact on achieving our business objectives
- Assess the associated risks and opportunities

Respond

How we respond to them

- Evaluate their effect on our risk tolerance and appetite matrix
- Develop and implement mitigating actions against negative outcomes
- Explore possible opportunities that arise from material matters
- Consider trade-offs between capitals

Report

How we report on them

- At both group and subsidiary board and committee meetings
- By engaging with:
  - Employees
  - Communities
  - Regulators
  - Unions
  - Industry bodies
  - Investors
  - Lenders
  - Customers
  - Rating agencies

Monitor

How we monitor them

- Against performance targets
- Against competitor activities
- In consultation with stakeholders

In 2019, we identified the following eight material matters

1. Optimal capital structure
2. Liquidity
3. Transformation compliance
4. Financial disciplines
5. Profitability
6. Human capital
7. Stakeholder management
8. Regulatory uncertainty

Please refer to page 3 for the key for our strategic pillar icons.

MATERIAL MATTERS continued

1 Optimal capital structure

Why is this material

The main objective of capital management is to ensure that PPC has an optimal capital structure that maximises shareholder return. An optimal capital structure balances the ideal mix of debt and equity to minimise cost of capital.

Over the last five years PPC has completed a major capital expansion programme of some R10 billion, which was funded mainly through debt, resulting in the balance sheet being over geared while plants outside South Africa were being constructed.

Our response

- The ideal capital structure results in a debt:equity ratio of 30:70. The target group gross debt:EBITDA range is 3,0 times to 3,5 times, with headroom of between 15 % and 20 %

Our progress

- Achieved long-term gearing target in line with covenants
- Renegotiated the revised financial covenants in South Africa and Rwanda
- Current debt has a smooth maturity profile with debt being fully repaid by 2027 enabling us to manage liquidity
- Continue to renegotiate debt funding of the DRC to secure a capital repayment holiday

Going beyond

- Continue to pursue restructuring of the DRC debt
- Managing the capital structure through business cycles
- Managing covenants across all jurisdictions
- Optimise the capital allocation framework by implementing value-based management principles

2 Liquidity

Why is this material

PPC faced liquidity constraints due to the first sponsor obligation for PPC Barnet in the DRC.

Our response

- Our approach is to ensure we always have sufficient liquidity to meet obligations as they fall due under both normal and stressed conditions. We ensure there are adequate banking facilities to deal with liquidity
- We have developed a liquidity buffer policy of between 15 % to 20 % on utilisation of committed facilities

Our progress

- Approved additional committed facilities in South Africa
- Implemented the capital allocation framework
- Implemented value-based management principles, focusing on free cash flow and CFROI
- Renegotiated the payment plan with the EPC contractor in the DRC
- Successfully implemented processes to improve working capital management
- Implemented Zimbabwe cash preservation policy

Going beyond

- Enhancing our capabilities to accurately forecast business performance
- Restructuring of the debt in the DRC
- Monitor the liquidity profile on a monthly basis
- Embed and monitor the capital allocation priorities
- Continue monitoring the Zimbabwe cash preservation

Please refer to page 3 for the key for our strategic pillar icons.

3 Transformation compliance

Why is this material

Our business is classified as mining and manufacturing under South African mining laws. As a result, for PPC to continue owning mining rights to mine limestone and related materials, we need to comply with the MPRDA. The company also has to comply with dti codes.

Our response

- Implemented a transformation strategy that has four pillars being ownership and control, commercial relationships, human capital and community and social relationships. These four pillars are guided by the regulatory framework in which PPC operates.

Our progress

- Proactive and systematic management of compliance with transformational laws across the group
- Continuous monitoring and tracking of action plans against targets
- Allocated a resource to look at compliance with BBBEE and managing the scorecard

Going beyond

- Continuously engaging with the DMR to ensure there are no related compliance issues
- Evaluating the top structure to reach 30% compliance level
- Developed action plans against the transformation strategy pillars

4 Financial disciplines

Why is this material

PPC has evolved into a multi-jurisdictional business over the past five years, which has introduced operational and reporting complexities. Our processes and systems are key and continue to be aligned to reflect our expanded operations and operating model.

Our response

- We have developed a systematic programme to align all our disciplines to:
  - Achieve seamless operational and reporting systems
  - Embed effective administrative and compliance processes

Our progress

- Developed a funding and liquidity framework
- Implemented value-based management by introducing CFROI and other key performance indicators (KPIs)
- Implemented the new treasury management system

Going beyond

- Develop and implement best practices throughout the business
- Aligning business systems throughout the group
- Implement a systematic and tax-compliant charge-out rate for local and international subsidiaries
- Strengthen in-country tax resources to improve compliance with local tax legislation
- Embed the new treasury management system

Please refer to page 3 for the key for our strategic pillar icons.

MATERIAL MATTERS continued

5 Profitability

Why is this material

Our South African cement operations has over time been affected by greater installed capacity from new competitors in the market, as well as increased imports. Cement demand has been muted due to poor economic growth and slow infrastructure capacity building. As a result of these demands and supply forces, EBITDA margins have declined.

Our response

- After reviewing our cost structures, we are implementing a structure that improves cost effectiveness and enhances our agility in dealing with market dynamics. We reviewed our operating input costs and are looking for innovative ways to reduce these. We continue to differentiate ourselves by offering consistent, quality products and excellent customer support

Our progress

- Profitability initiative underway to save R70/tonne on cost
- Optimised fixed costs, eg rationalised head office and integrated operations to reduce cost, implementing energy strategy and optimising the footprint
- Continuously drive implementation of value-based management (CFROI)
- Focus on our brand image – Strength Beyond
- Integrated the blending facilities to cement businesses

Going beyond

- Maintain leadership position in southern Africa
- Optimising our capital allocation
- Optimise the logistics
- Improve plant reliability and output
- Stabilise the markets in southern Africa
- Footprint optimisation

6 Human capital

Why is this material

Our competitive advantage is centred on the competency and mobility of our people. Factors such as expanding into new markets, operating in complex environments and increased competition for skilled resources require enhancing our human capital model. To ensure business sustainability across our portfolio, deliberate investment in developing human capital remains a priority.

Our response

- We developed and approved leadership competencies to assess our leaders across all levels, and assessments will focus on strength and development gaps
- We are developing an operational and leadership pipeline that supports our strategy and considers transformation and diversity imperatives. We are actively creating a common culture by revitalising key elements of a performing organisation

Our progress

- Completed roll-out of our human capital model
- Launched our EVP to attract and retain talent
- Launched new company performance management tools and leadership competencies
- Regionalise our talent management process
- Simplified business model with clear accountability and KPIs

Going beyond

- Monitor the approved leadership competencies that will focus on strength and development gaps
- Monitor and evaluate high-performance framework implementation

Please refer to page 3 for the key for our strategic pillar icons.

7 Stakeholder management

Why is this material

PPC operates in a multi-jurisdictional environment. This brings complexity with regard to managing and delivering value to all stakeholders.

Our response

- Comprehensively mapped the stakeholder universe
- Developing a comprehensive stakeholder engagement framework for the RoA

Our progress

- Implemented organisational governance structures and business leadership accountability
- Allocated resources to manage the process
- Stakeholder universe forms part of the SET committee
- We reviewed the ranking of our stakeholders in terms of mutual impact, influence and interdependence, which enables us to prioritise their requirements
- We developed action plans for engaging with various stakeholders according to priority

Going beyond

- Continuous formal and informal communication with key stakeholders, such as communities, employees, governments, customers and suppliers
- Roll out of stakeholder management across business units outside of South Africa

8 Regulatory uncertainty

Why is this material

PPC is a multinational that is exposed and subject to different regulatory regimes in the regions in which it operates. This year we were faced with challenges due to policy changes in Zimbabwe.

Our response

- Development of a compliance monitoring framework to be included in the governance framework
- Development of a stakeholder management framework
- Actively participate in business associations to understand the changes of regulations
- Implemented a cash preservation policy in Zimbabwe

Our progress

- Comprehensive review of the regulatory universe
- Continuous engagement with regulatory authorities to ensure compliance
- Developed risk compliance matrix in all regions
- Continuously track legislative changes
- Developed mitigating action plans

Going beyond

- Continue to enhance policies and procedures to deal with regulatory changes
- Roll out of comprehensive SHERQ system
- Ongoing monitoring and cash preservation in Zimbabwe
- Developed action plans for continuous engagement with relevant stakeholders

Please refer to page 3 for the key for our strategic pillar icons.

STRATEGIC GOALS

Our strategic goals are based on four pillars – financial, operations, human capital and customers. We concentrate on optimising these pillars and leveraging our strategy which, in turn, builds a foundation from which we create sustainable value for our stakeholders.

CREATING SUSTAINABLE VALUE FOR ALL STAKEHOLDERS

Strategic pillar	Focus areas	Progress made during the year
FINANCIAL > Achieving our optimal capital structure > Free cash flow optimisation > Process enablers > Capital allocation priorities framework value-based management (VBM)	**Cost of capital** **Returns (CFROI)** **Balance sheet strength** **Liquidity** **Rating – investment grading** **Capital allocation**	> Implemented price increases > Restructured South African debt and smoothed liquidity profile > Renegotiated funding agreements in the DRC and Rwanda > Liquidity challenges to prevail in Zimbabwe. PPC implemented strategies to mitigate the risk, including localised procurement and exports > Reduced DRC fixed costs to align with ramp-up volumes > Implemented capital allocation priorities framework > Maintained positive free cash flow
OPERATIONS > Build on our current position > Optimise operations to full potential with a relentless focus on performance > Grow in existing markets to achieve a balanced portfolio > Manage from the centre	**Benchmark performance** **Execution of energy strategy** **Business performance (IT)** **Innovative culture** **Securing strategic materials** **Optimal sourcing** **Optimal asset utilisation**	> Realised R60/tonne profit contribution in South Africa cement > Completed first phase of CIMERWA debottlenecking > Completed integration of Safika Cement > Embedded tyre burning initiative in the Western Cape > Improved efficiencies in Zimbabwe and Rwanda through product optimisation, throughput and energy mix > Secured local thermal energy source in Ethiopia > Completed drilling of three prospective limestone deposits in Rwanda > Focused on preserving US dollar in Zimbabwe and increase organic growth
HUMAN CAPITAL > HR solutions > Talent management > High-performing organisation > Organisational culture	**Clear purpose** **Talent** **Alignment** **Inspiring climate** **Learning for growth** **Performance management** **Transformation agenda**	> Completed restructuring of our head office > Strengthened key leadership with focused executive committee > Implemented employee value proposition > Rolled out internal branding in southern African businesses > Implemented effective structures in Zimbabwe, Rwanda and the DRC > Rolled out vital elements of a performing organisation model in RoA > Strengthening of leadership team across all markets progressing well > Increased localisation of human capital across all markets
CUSTOMERS	**Product** **Services** **Relationship** **Brand image**	> Launched SURERANGE products in South Africa > Focused on our brand image – Strength Beyond > Secured volumes by enhanced value-added technical support > Entrenched route-to-market strategies in Zimbabwe, Rwanda and the DRC

For more information on our strategic pillars, refer to page 50 (financial), page 60 (operations), page 90 (human capital) and page 98 (customers).

SUSTAINABLE COMPETITIVE ADVANTAGE

PPC has built a sustainable competitive advantage based on our foundational pillars – financial, operations, human capital and customers. We capitalise on our extensive footprint in both southern Africa and the RoA.

Our footprint enables

- Integrated plants and depots to serve key markets
- Blending facilities close to the market
- Portfolio effect delivering profitability
- Ability to deliver at lowest cost through optimal sourcing

Financial

PPC continues to improve attributable profit, generate cash flow and deliver long-term sustainable stakeholder value.

Over the last four years, PPC spent over US$750 million on increasing our cement capacity through the commissioning of new facilities, as well as upgrading our existing facilities, to optimally serve the market.

Region	Capacity – million tonnes
Capacity in 2015	8
Zimbabwe	0,40
Rwanda	0,60
DRC	1,20
Ethiopia	1,40
Capacity in 2018	11,60

Operations

Mega plants in South Africa

PPC has the most desirable cement delivery footprint in South Africa. We have spent R4,4 billion on modernising our South African plants over the last 10 years. Our three mega plants are ideally located to serve the market, characterised by strategic raw materials, manufacturing footprint, alternative fuel technology and efficiency.

Plant	Capacity	Technology	Operating efficiency	Comments
Slurry and Jupiter	2mtpa	Six-stage pre-heater ILC and grate cooler	★★★★★	> SK9 latest kiln technology (2018) > Capex: R1,9 billion
Dwaalboom and Hercules	2mtpa	Six-stage pre-heater ILC and grate cooler	★★★★★	> VRM technology > Capex: R2 billion
De Hoek	1,2mtpa	Four-stage pre-heater ILC and grate cooler	★★★★	> Kiln upgrade > Capex: R500 million

Slurry

Dwaalboom and Hercules

De Hoek

SUSTAINABLE COMPETITIVE ADVANTAGE continued

Plants in RoA

PPC has a quality asset base in the sub-Saharan Africa region.

Country	Plant	Capacity	Technology	Operating efficiency	Comments
Zimbabwe	Harare	1,4mtpa	Four-stage pre-heater ILC and grate cooler	✶✶✶✶	> Invested in Harare mill (2017) > Capex: US$74 million
Rwanda	CIMERWA	0,60mtpa	Five-stage pre-heater ILC and grate cooler	✶✶✶✶✶	> Bugurama integrated plant (2015) > Capex: US$165 million
DRC	Barnet	1,2mtpa	Five-stage pre-heater ILC and grate cooler	✶✶✶✶✶	> Kimpese integrated plant (2018) > Capex: US$292 million
Ethiopia	Habesha	1,4mtpa	Five-stage pre-heater ILC and grate cooler	✶✶✶✶✶	> Holeta integrated plant (2018) > Capex: US$174 million

Human capital

Our long-term human capital strategy is supported by

- HR solutions
- Talent management
- Creating a high-performing work environment
- Organisational culture

Customers

Brand – quality and consistency of products

- Our products are available across the materials value chain
- We have won numerous awards for our quality and consistency
- A proud South African company since 1892 – 127 years
- Trusted brand with high equity

Awards

ZIMBABWE

- ZETDC – CZI Annual Energy Efficiency Award 2018 (PPC Zimbabwe Ltd): Mashonaland Chamber second runner up
- ZIMRA Appreciation Award 2018 (PPC Zimbabwe Ltd)
- Occupational Health & Safety Award 2018 (Colleen Bawn): Provincial Award
- NSSA – Matabeleland Factorial Award 2018 (Bulawayo Factory): Gold Award
- NSSA – Best Occupational Health and Safety 2018 (Colleen Bawn): National Award and Overall Winner
- NSSA – Manufacturing Gold Award 2018 (Colleen Bawn): Sectoral Award
- Zimbabwe International Trade Fair Company 2019 (PPC Zimbabwe Ltd): Silver Medal Award
- Best Stand, Agricultural Show 2019 (Harare Factory): Manufacturing Sector
- NSSA (Occupational Health & Safety) 2018 (Harare Factory): National Award

RWANDA

- Best overall exhibitor: Rwanda International Trade Fair
- Platinum winner: Logistics Achiever Awards 2018

SOUTHERN AFRICA

- Kaap Agri Supplier of the year 2018 in Building, plumbing and Electrical category
- Diamond Arrow Award winner 2018 and 2019 for readymix business
- Botswana Corporate Social Responsibility Award – 2018

Our products

Our fit-for-purpose range of cement products, launched during August 2018, caters for all our customers' needs.

SUREWALL

Masonry cement designed for plaster and mortar

SURECEM

Early strength cement designed for concrete, mortar, plaster and bricks

SUREBUILD

Premium multi-purpose cement for general building and civil construction

SURECAST

High early strength cement designed for precast products

SURETECH

Superior high strength specialist cement

SUREROAD

Cement for road stabilisation

Related products

Readymix, fly ash, lime and aggregates.

Procurement

In 2014 PPC adopted a web-based supplier registration portal via an internal procurement portal. The digital platform has increased the efficiency and effectiveness of PPC's procurement. The portal allowed PPC to move from the traditional paper-based approach of tender and proposal submissions to an online platform, where tenders and proposals are both published and evaluated.

Technical capabilities and support

Consistent quality product – more than **230 000** hours of quality control annually		**Product support** services	**World-class** lab facilities	**Deliveries** on time
Has a **tracking mechanism** to track orders	SMS **notification** on orders	Wider **distribution** network	**Efficient** deliveries for **better** building project **management**	
Builder's app – **real-time access** to information	**Customer** synergy sessions	Thought **leaders** in all sectors	**Technical support** line	**Intelligent** cement solutions

KANGNAS WINDFARM PROJECT

Project cost: R901,1 million

Project start date: August 2018

South Africa is experiencing an energy crisis, with rolling blackouts continuing to plague the country. Wind-generated power presents a cheaper alternative to the exorbitant costs associated with the construction of new stations.

The Kangnas Wind Farm is being constructed for the South Africa Mainstream Renewable Power Kangnas (RF) Pty Limited close to Springbok in the Nama Khoi municipality in the Northern Cape. Wind is a clean source of renewable energy and emits no pollutants. Furthermore, 1MW of wind energy equates to 2 600 fewer tonnes of carbon emissions when compared to coal-fired energy generation and does not consume water during the generation process.

Once operational, the Kangnas Wind Farm will generate 140MW of clean renewable power from its 61 wind turbine generators (WTGs). Furthermore, the wind farm is expected to eliminate about 550 000 tonnes of carbon emissions per year in comparison to more traditional fossil fuel plants.

The project includes the construction of civil works for the balance of plant required for the wind farm to generate a total of 140MW, and includes the construction of 52km gravel road access roads, drainage works, 61 crane hardstands and bases, trenching and backfilling of cables between WTGs and substation, and route modifications and auxiliary road maintenance.

At PPC, we know that innovation and the use of alternative energy sources play a role in the development of South Africa. PPC is proud to supply both SURETECH and Ground Granulated Blastfurnace Slag to facilitate the development of this wind farm.

PPC STRENGTH GUARANTEED

PPC

CHIEF EXECUTIVE OFFICER'S REPORT

Chief executive officer
Johan Claassen

IN RECENT YEARS, PPC HAS BUILT SOLID FOUNDATIONS ON WHICH TO GROW A RELEVANT AND SUSTAINABLE BUSINESS TO KEEP DELIVERING ON OUR PROMISES

- Headline earnings per share increased 33% to 20 cents
- Basic earnings per share up 60% to 16 cents
- Group revenue increased 1% to R10,4 billion
- Group reported EBITDA increased by 4% to R1,9 billion
- Group overheads reduced by 19% or R260 million

Executing our strategic priorities

In 2019, we remained focused on executing our FOH-FOUR key strategic priorities – focusing on our **financial, operations, human capital** and **customer** objectives. It is as a result of these efforts that we delivered resilient results in a difficult environment.

Challenging market conditions continued in South Africa, Zimbabwe and the Democratic Republic of the Congo (DRC), resulting in subdued growth in these operating jurisdictions. Our results in Zimbabwe were impacted by the change in functional currency, which reduced both group revenue and EBITDA contributions. Pleasingly, our DRC business was EBITDA positive in a challenging market. CIMERWA, in Rwanda, benefited from optimisation efforts during the first half of the year, which achieved increased output.

Our operations in the Rest of Africa (RoA) delivered solid performance, which bolstered the muted performance of South Africa and Zimbabwe. The group generated positive free cash flow that was used to service debt obligations, which remained within targeted levels, and the group's liquidity position was well managed with a smoother debt maturity profile.

Financial

From a financial perspective, our focus remains on optimising our business, capital structure and free cash flow, in order to enhance our leadership in the markets that we operate in.

We have maintained our leading position in the majority of the markets that we operate in. The strategies implemented over that past few years will continue to enhance our leading position.

During the year, pleasing progress was made on these priorities, as we restructured the South African debt, smoothed our liquidity profile, and are currently renegotiating funding agreements in the DRC. While we experienced liquidity challenges in Zimbabwe, strategies to mitigate these risks have assisted to assuage the impact. We implemented price increases in South Africa while, at the same time, we significantly reduced our cost base to achieve savings in relation to our R70/tonne savings initiatives. Furthermore, we successfully implemented the capital allocation priorities framework and maintained positive free cash flow generation.

Group revenue increased marginally during the year, from R10 271 million in 2018 to R10 409 million. Our southern African cement business contributed R5 431 million (2018: R5 499 million) to the group total, a 1% decrease from the previous reporting period, while revenue from our RoA operations increased by 2% to R2 826 million (2018: R2 762 million). Pleasingly, revenue from our material business increased from R2 010 million in 2018 to R2 152 million in 2019, a growth of 7%.

Group EBITDA increased by 4% to R1 946 million (2018: R1 880 million) at an EBITDA margin of 18,7% (2018: 18,3%). In the DRC, EBITDA benefited from stringent cost control measures and, for the first time in three years, DRC contributed positively to group EBITDA.

Reduced EBITDA in our southern Africa cement business, along with the decline in margins from 21,8% to 17,6%, is mainly due to the combination of lower revenue growth and increased costs. However, excluding non-recurring costs of R78 million relating to the commissioning of SK9 and the Dwaalboom shutdown, the like-for-like EBITDA margins are 19%. The EBITDA decrease in our materials business is mainly due to lower volumes, along with higher input, fuel and maintenance costs.

In the RoA, EBITDA margins improved from 26,7% to 28,7%. Excluding non-recurring costs of R100 million relating to the debottlenecking of CIMERWA in Rwanda, EBITDA margins are within the guidance range of between 30% and 35%. Clinker production returned to normalised levels, and the debottlenecking should allow for higher capacity utilisation going forward. In Zimbabwe, EBITDA margins were maintained at 32%, and the region is operationally self-sufficient and continues to drive local procurement and exports to reduce forex requirements. In Rwanda, EBITDA was impacted by the planned shutdown and additional costs related to clinker imports during this period.

We remain intently focused on strengthening our balance sheet and improving liquidity. Capital management is a critical component of how PPC delivers sustainable value, and ensuring that we have an optimal capital structure in place which will maximise shareholder return while also balancing the ideal mix of debt and equity. Our capital expansion programme, which totalled close to R10 billion over the past five years, was mainly funded through debt, as we invested in our operations outside South Africa.

Operational

Our southern Africa performance remained muted, impacted by slow growth due to severe pressures in the consumer and construction industry, as well as an 84% increase in cement imports during the 2018 calendar year, albeit off a relatively low base. This was further exacerbated by the continuous increase in the production of blended products. This, along with weak economic growth in South Africa, led to a decrease of between 2% and 3% in southern African cement volumes during 2019. We continue to engage government and regulatory bodies to consider implementing more stringent controls on imports and quality control of blended products.

In an effort to recover operational costs, realised average selling prices increased by between 1% and 2%. Selling prices increased by between 8% to 12% in January 2019. We expect to realise the full benefit of these increases in the 2020 financial year.

PPC continues to drive operational cost efficiencies to achieve targeted savings. Cumulatively, the business has achieved R60/tonne in savings since October 2017. This comprises R40/tonne in cost efficiencies and R20/tonne in overhead reduction. We

also completed the integration of Safika Cement into the group and embedded a tyre burning initiative in the Western Cape, which can reduce NO_x emissions and meet compliance standards.

Our material business remains an integral part of our cement route-to-market strategy. Our lime business remains significantly exposed to the steel and allied sectors, where volumes remain constrained. This led to a 6 % decrease in volumes during the year. The operating environment for our aggregates, readymix and fly ash business remains under pressure due to a competitive market and a muted construction industry.

In the RoA, we experienced a 10 % growth in volumes, mostly because of the ramp up of our business in the DRC, along with the debottlenecking of CIMERWA in Rwanda.

PPC Zimbabwe continues to service its debt obligations with in-country cash resources. Legacy debt has been registered with the Reserve Bank of Zimbabwe, and management implemented contingency measures during the year to mitigate the impact of liquidity challenges.

In the DRC, pricing remained constrained due to overcapacity and subdued demand, however, our route-to-market initiatives led to an increase in market share to between 25 % to 30 % during 2019.

Habesha in Ethiopia is still in the ramp-up phase. Despite achieving volumes of more than 500 000 tonnes, the performance of the business was constrained by sub-optimal plant performance and pricing challenges. We are implementing an action plan to resolve operational challenges. Notwithstanding, and given the positive economic outlook, PPC remains optimistic about Habesha's prospects. Ethiopia remains a compelling investment proposition for the company, supported by low cement per capital consumption and higher projected GDP growth rates of above 7 %.

During the year, we also focused on three interventions, namely corporate social investment (CSI), social and labour plans (SLPs) and strategic investment projects (SIPs). We continue to strengthen the relationships with our social partners to implement projects that enable socio-economic progress in the regions where we operate. Our interventions relate to education, health, job creation and youth development. Refer to page 80 for more information on these projects.

We remain fully committed to operating an efficient and sustainable business. We continue to focus on our key environmental issues – compliance, energy management, climate change, responsible use of water resources, air quality management, resource conservation and alternative fuels. We made some pleasing progress during the year, such as exceeding our water consumption reduction target, significantly reducing our thermal energy usage at our Slurry operations and improving our group dust emission burden. Refer to page 86 for our summarised environment and energy review or our supplementary report available on our website.

Our people

We continue to build a high-performing and empowered organisational culture, creating a healthy and rewarding working environment. Furthermore, safety is, and will always remain, a priority for the group. Pleasingly, no fatalities occurred during the year, however, we regret to report that we recorded 21 lost-time injuries, up from 19 the previous year. Any incident is unacceptable and we are fully committed to creating an environment where our employees can thrive without threat to their health and safety. As such, each and every incident is investigated to understand how to prevent it and to share these learnings across the group. This year, we also rolled out our risk assessment and engagement programme and went live with the safety, health, environment, risk and quality (SHERQ) software system.

In pursuit of our people goals, we completed the restructuring of our head office and implemented various initiatives during the year aimed at cultivating a conducive working environment. Following the launch of our group values in 2018, we embarked on a journey to ensure that they are embedded throughout our operations – rolling out internal branding across our southern Africa businesses and also incorporated our values into our performance scorecards. Our employees had meaningful input into the newly developed code of conduct, implemented during the year, along with input into our updated employee value proposition.

Our leadership is critical in inspiring our workforce, and we continue to make good progress on strengthening our leadership team across all markets. Furthermore, to facilitate improved engagement between our leadership teams and employees, we introduced and implemented an executive coaching programme. This will further support our executive committee members in their journey to becoming inspiring leaders. We also rolled out vital elements of a performing organisation model in the RoA.

Customers

At PPC, we pride ourselves in providing excellent service and quality product solutions to our customers. We continue to strive to understand and exceed the needs of our customers across the continent. It is therefore pleasing to see the efforts of our team recognised through various awards, including the 2018 Diamond Arrow award for our Pronto readymix concrete, an award for best in cement and cement manufacturing, and winning the category for building material.

We strive for excellence in everything we do, which is encapsulated in our promise of Strength Beyond. Our dedication to provide exceptional and timely service and solutions to our customers remains top-of-mind. To this end, we rebranded our fit-for-purpose SURERANGE products which were launched in South Africa during the year, and entrenched route-to-market strategies in Zimbabwe, Rwanda and the DRC.

With our goal of being a market leader in our selected countries and regions, along with our mission of empowering people to experience a better quality of life, we invest in various landmark projects that benefit our stakeholders, including our customers. We passionately invest in meaningful projects across the group. In South Africa, we supplied products for the construction of the Kangnas Wind Farm in the Northern Cape. We have got contracts in place to supply 105 000 tonnes of cement for projects in Zimbabwe, while also finalising a contract to supply 90 000 tonnes over three years of cement for the construction of the Gwaii dam. In Rwanda, we are the sole supplier of cement for the construction of a peat-to-power plant, while in the DRC we supplied cement for the construction of the country's national museum. In Ethiopia, we have supplied cement for the construction of a sugar factory, a university and a dam.

Our relentless drive to respond to opportunities is what sets us apart from our competitors. The longevity of our business relies on the success of our customers, and we continue to focus on initiatives that advance our customers' excellence which, in turn, will allow us to create long-term value.

Looking ahead to 2020

PPC remains well positioned to participate in future growth, both in our southern African markets and the RoA. We will continue to defend and maintain our position as we continue to strengthen our competitive advantage.

We anticipate that the challenging market conditions in our southern Africa cement and materials businesses will continue to persist, given weak demand and competitive pressures. Given this context, PPC is committed to achieving sustainable price increases, optimising operational efficiencies and a reduction in financial leverage. We will continue to focus on achieving our R70/tonne profitability initiatives and to assess opportunities to refine our network and optimise our support structure.

We believe our operations in Zimbabwe and Rwanda are well positioned to benefit from the improved growth prospects of these countries and we expect our strong demand to continue in these regions. In Zimbabwe, PPC will focus on self-sufficiency, optimising operations and executing cash preservation strategies.

Plant modifications in Rwanda are expected to increase output which, in turn, will bolster growth through improved ability to meet demand. Economic growth outlook remains positive, with forecast GDP growth of more than 7% in 2019, supported by all major economic sectors.

We anticipate that the ramp up in the DRC will continue, and PPC Barnet in the DRC remains well positioned to take advantage of growth in the country. The post-election backdrop should create a platform to unlock latent cement demand, and GDP growth is projected to increase by 4,3% in 2019. Political developments in Ethiopia are encouraging which will give further confidence to the construction market. We continue to focus on ramping up volumes and optimising operations.

Our strength lies in leveraging our diversified portfolio of quality assets. We continue to provide world-class materials and solutions to the basic services sector, further building our recognisable brand and connecting communities across Africa. Over the past few years, we have invested heavily in our operations across the group, and we hope to reap the rewards of our efforts in the future.

Note of appreciation

We are only as successful as our people. To my fellow board members, the executive committee and PPC employees, thank you for your unwavering commitment in ensuring the sustainability of our organisation. Our success would also not be possible without the support from our customers, shareholders and other stakeholders. We look forward to engaging with you in the future as we work to deliver sustainable stakeholder value.

Johan Claassen
Chief executive officer

18 July 2019

CHIEF FINANCIAL OFFICER'S REVIEW

Chief financial officer
Tryphosa Ramano

HAVING STRENGTHENED OUR BALANCE SHEET WE HAVE LAID THE FOUNDATIONS FOR SUSTAINABLE GROWTH

We continue to focus on enhancing our financial processes and disciplines in order to support our operations.

We present here a high-level overview of PPC's financial performance for the year ended 31 March 2019, which should be read together with the group's annual financial statements, which can be accessed on www.ppc.africa.

During the year, PPC focused on the strategic priorities of FOH-FOUR, demonstrated by the four pillars of financial strength, operational efficiency, human capital management and customer value proposition. Our progress on our financial capital optimisation priorities are detailed below.

Focus area	Progress
1. Implementation of BBBEE III ownership	> While we were in the process of implementing the BBBEE top-up transaction to enable 30% black ownership at a PPC South African level, the Department of Minerals Resources (DMR) gazetted the new mining charter in September 2018, which impacted on PPC's proposed structure. As a result, we reviewed the new mining charter to see if we comply with new proposed charter. We identified that we were BBBEE compliant in terms of the 2018 mining charter and resolved to put the top-up transaction on hold > PPC continues to engage with the DMR to seek the required guidance, and discussions are ongoing

Focus area	Progress
2. Optimal capital structure and capital allocation framework	> PPC's capital allocation framework was approved during the year in terms of the various requirements for capital. The principles of the capital allocation framework are based on scarce capital availability, and it applies to capital expenditure on existing equipment, new investments and increased equity capital on existing investments. The key criteria for prioritising capital is based on compliance in terms of law, maintenance for upkeep of plants, maintenance to improve efficiency and new investments > The four pillars of the framework are categorised as A, B, C and D. Categories A and B do not require cost of capital return, but categories C and D have to meet an internal rate of return (IRR) higher than cost of capital. This framework has been applied in 2019 and assisted the business in prioritising capital and focus on what really matters > The restructured South African Obligor debt resulted in more than R100 million savings in finance charges > In addition, the value-based management system was rolled out to the various business units. The system measures cash flow return on invested capital (CFROI) and is embedded into the business plan formulation of the business units > During the year, the S&P rating agency downgraded PPC by one notch due to the change in functional currency in Zimbabwe, as well as the possible liquidity challenges due to trading conditions > The optimisation of our capital structure is ongoing and is reviewed on a quarterly basis to ensure the group is not over indebted
3. Liquidity	> There have been ongoing efforts by the group to focus on liquidity. The target liquidity headroom is between 15 % to 20 % on facilities > During the year, PPC experienced tough trading conditions in South Africa and immediately reviewed the southern Africa funding model (Obligor model) (South African cash flow, including Botswana) and realised that it will not achieve its objectives > As a result, new additional facilities of R700 million were negotiated with our transactional banker in South Africa, to ensure adequate liquidity headroom. This increased the total Obligor facilities to R3,1 billion, however, the utilisation of these facilities remains below 60 % > Despite tough conditions in Zimbabwe, the group managed to repatriate more than R100 million during the reporting period > With new facilities, the capital allocation framework and the R70/tonne cost savings target, PPC's liquidity headroom is sufficient for the next 12 to 18 months > PPC Barnet's deficiency funding was managed to R151 million during the year, bringing total deficiency funding to US$54 million as at 31 March 2019 (R778 million, at a conversion rate of US$1: R14,42) > As part of managing liquidity, PPC invested cash that was not able to be repatriated in Zimbabwe in government bonds yielding 7 %. These government bonds are converted at an exchange rate of one real time gross settlement (RTGS) dollar to one US dollar basis. The total amount of bonds is US$21,9 million, equating to R316 million at a conversion rate of US$:R14,42
4. Free cash flow	> Free cash flow was a key area of focus for the business during 2019, with emphasis on working capital management coupled with the introduction of capital allocation framework > The business generated R484 million free cash flow after capital expenditure, cash tax and working capital, which was utilised to reduce the group debt by R310 million > An additional R151 million was paid to the DRC as deficiency funding > PPC's South African Cement business realised the benefits under the Income Tax Act, of section 12L (energy efficiency) and section 12I (incentive for industrial project investment) tax allowances during the year. The savings in the cash tax ensured the free cash generation of the group improved slightly and strengthened the group's ability to reduce its debt
5. Financial discipline	> The financial structure has been implemented with a full complement of staff. Standardisation of policies is being embedded across the group

CHIEF FINANCIAL OFFICER'S REVIEW continued

During the year, Zimbabwe changed its functional currency from US$ to RTGS$. In terms of the annual financial statements, the effective date of the functional currency is 1 October 2018. This has resulted in US$-denominated transactions in PPC Zimbabwe being translated to the functional currency at the average exchange rate of RTGS$3,5 to the US$. For inclusion in the consolidated statement of financial position, a closing exchange rate of RTGS$3,01 to the US$ was used to translate the numbers to South African rand.

Given that PPC Zimbabwe's external debt in its statutory accounts is denominated in US$, amounting to US$30 million, in terms of SI33 the loan was registered as legacy debt and is convertible at an US$1:RTGS$1 basis, as confirmed by the Zimbabwe Exchange Control Department. This has resulted in a financial asset of US$20 million (R288 million, converted at an exchange rate of US$1: R14,42) in PPC's group balance sheet in line with International Financial Reporting Standards. Our other financial asset is the investment in Zimbabwean government bonds of US$21,9 million (R316 million, converted at a rate of US$1: R14,42). An expected credit loss (ECL) of 12,7% (R40 million) was applied to these bonds and resulted in a negative impact on the income statement. For further details, refer to note 8 of the annual financial statements.

Income statement

Key indicators for our operating performance are discussed below:

Group performance

AUDITED SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2019

	Year ended 31 March 2019 Rm	Year ended 31 March 2018 Rm	% change
Revenue	**10 409**	10 271	1
Cost of sales	**8 399**	7 924	6
Gross profit	**2 010**	2 347	(14)
Administrative and other operating expenditure	**1 083**	1 343	(19)
Operating profit before item listed below:	**927**	1 004	(8)
Empowerment transactions IFRS 2 charges	**33**	48	
Operating profit	**894**	956	(6)
Fair value and foreign exchange (loss)/gains	**(9)**	143	
Finance costs	**681**	675	1
Investment income	**95**	52	
Profit before equity-accounted earnings	**299**	476	(37)
Loss from equity-accounted investments	**(67)**	(60)	
Impairments	**(82)**	(174)	
Profit before taxation	**150**	242	(38)
Taxation	**6**	205	(97)
Profit for the year	**144**	37	289
Attributable to:			
Shareholders of PPC Ltd	**235**	149	58
Non-controlling interests	**(91)**	(112)	19

Group revenue increased by 1% to R10 409 million (2018: R10 271 million) supported by a 1% increase in overall cement volumes to 5,9 million tonnes.

Cost of sales increased by 6% to R8 399 million (2018: R7 924 million) compared with the previous year. The higher cost of sales is attributed to the DRC, our southern Africa cement business and the materials division. The business benefited from our head office restructuring and the R70/tonne cost savings initiatives in southern Africa.

Administration and other operating expenditure decreased significantly by 19%, resulting in a cost reduction of R260 million. Excluding non-recurring costs included in 2018 of R145 million and the RoA overhead costs, the southern Africa costs, including head office, reduced substantially by more than R100 million, a reduction of 13%. In addition, RoA overheads reduced by 9% despite depreciation of the rand against the US$.

Group EBITDA increased by 4% to R1 946 million (2018: R1 880 million) resulting in an EBITDA margin of 18,7% (2018: 18,3%).

Group EBITDA was positively impacted by EBITDA contribution of R108 million from the DRC business compared to an EBITDA loss of R105 million in the previous financial year.

However, group EBITDA in 2019 was negatively impacted by several factors, including:

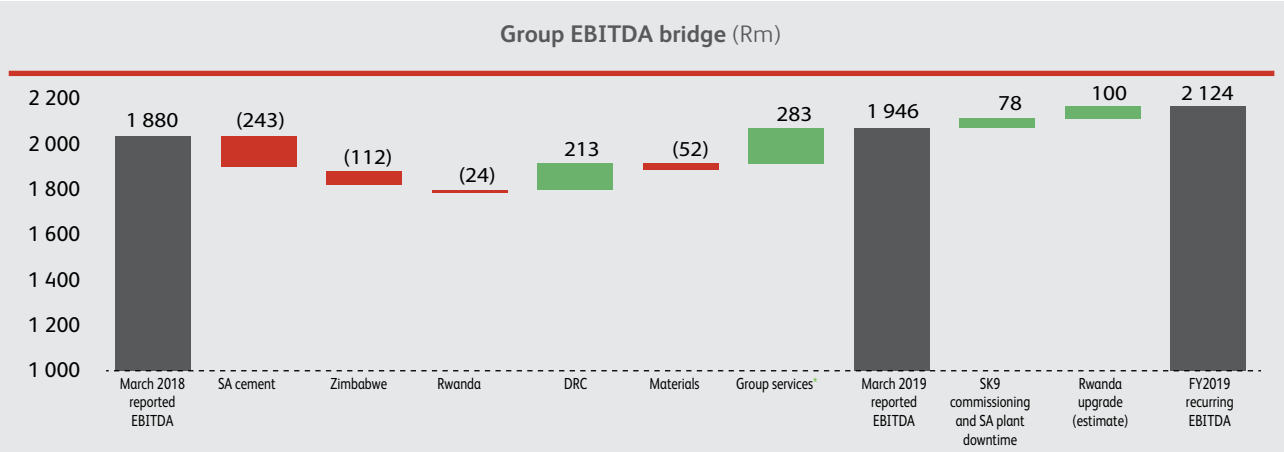
- The unexpected shutdown of the South African Dwaalboom kiln due to a gearbox failure
- The required capitalisation of the profit on the sale of cement produced from Slurry Kiln 9 (SK9), due to the accounting acceptance of the plant in June 2018
- The expensing of certain costs, which were in the balance sheet

These factors resulted in a negative R78 million impact on EBITDA.

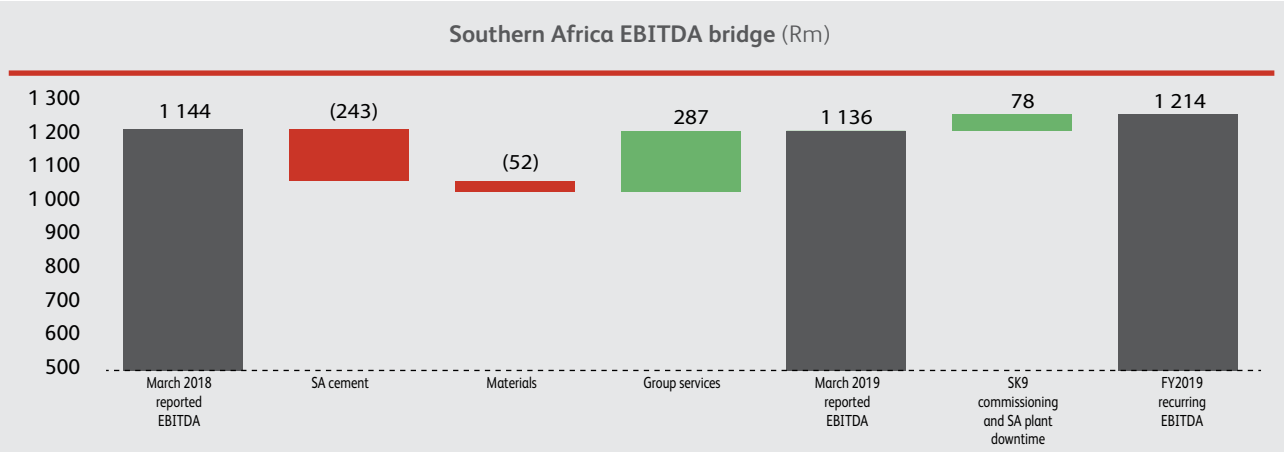
Furthermore, the Rwanda plant was shut down for an extended period during April 2018 due to a major plant upgrade, which has resulted in the company purchasing additional clinker in order to service the market. This additional cost, coupled with the extended shut down, resulted in a shortage of cement in the market and increased the cost of sales of any product sold. In March 2019, the Rwanda plant was also unexpectedly shut down due to plant failure, resulting in an increased cost of sales due to the inability to absorb fixed costs for the month. These challenges adversely impacted EBITDA by R100 million.

Excluding the R178 million impact on EBITDA discussed above from southern Africa and Rwanda, EBITDA would have increased to R2 124 million with an EBITDA margin of 20,4 %.

The southern Africa EBITDA, including group services costs and head office, remained flat at R1 136 million (2018: R1 144 million) despite tough market conditions in South Africa. The key was an achievement of more than 80 % of our targeted R70/tonne savings initiatives.



** Group services includes Mozambique cost of R4 million.*



Finance costs increased marginally by 1 % to R681 million (2018: R675 million). Southern Africa finance charges reduced by 31 % to R234 million (2018: R337 million), mainly due to the restructured debt in South Africa, together with lower cost of debt and the use of facilities with lower finance charges to manage our liquidity. The decrease in our southern Africa finance charges was offset by higher costs in the RoA, where finance charges increased by 32 % to R447 million (2018: R338 million), primarily due to the inclusion of the DRC for the full financial year in 2019 compared to five months in the previous year.

Furthermore, currency exchange rate movement, with the South African rand depreciating against the US$ adversely impacted the finance charges in the RoA. This was partially offset by the reduction of finance charges in Zimbabwe and Rwanda as the operations repaid debt.

The group tax charge reduced to R6 million (2018: R205 million) at an effective tax rate of 2,6 % (2018: 68 %). The effective tax rate was positively impacted by section 12L (energy efficiency) and section 12I (incentive for industrial project investment) tax allowances as per the South African Income Tax Act. These allowances are attributable to the SK9 investment and energy management systems that are in place in PPC cement plants across South Africa. The energy savings achieved were 354GWh on an adjusted base rate and will yield 95c/KWh.

A fair value loss incurred of R9 million (2018: R143 million gain) is mainly attributable to the R40 million ECLs on Zimbabwean government bonds after applying the ECLs of 12,7 % to the financial asset. The loss was offset by gains on the translation of foreign currency denominated monetary assets.

The loss incurred from equity-accounted investments of R67 million (2018: R60 million loss) is attributable to losses in Habesha, our investment in Ethiopia.

The impairment incurred of R82 million (2018: R174 million) is attributable to the impairment of assets in southern Africa, which have a carrying value but are not utilised in the business. This includes the Port Elizabeth kiln, which was mothballed during July 2019 due to the strategic decision to halt the production of clinker in Port Elizabeth. No impairments were recognised in the RoA businesses in the current financial year.

Profit attributable to ordinary shareholders increased 58 % to R235 million (2018: R149 million), while earnings per share (EPS) increased by 60 % to 16 cents (2018: 10 cents).

Statement of financial position

Cash and cash equivalents reduced to R452 million (2018: R836 million), with R206 million in Zimbabwe denominated in RTGS$, South African rand, Botswana pula and US$.

Gross debt increased to R5 002 million at the end of March 2019 (2018: R4 682 million). The currency impact on the RoA debt is R630 million. On a constant currency basis, the gross debt was approximately R4,5 billion at year-end. The southern African debt remained flat at R1,7 billion.

Net debt to EBITDA for March 2019 was 2,3 times (2018: 2,0 times), with the ratio remaining within our target range, despite the adverse currency impact. The debt maturity profile has been extended with the South African debt and will be fully being repaid by 2024 and RoA by 2027.

Property, plant and equipment (PPE)

At 31 March 2019, PPE totalled R12 587 million (2018: R11 393 million). There were no major additions to assets given that the company is at the end of the capital expenditure cycle; and the increase is primarily due to the translation differences on foreign assets, which equated to R1 585 million (2018: R928 million reduction) driven by the depreciation of the exchange rate between the South African rand and US$ from R11,82:US$1 to R14,42:US$1. Furthermore, an impairment of R82 million was recognised in PPE during the reporting period.

Financial and other non-current assets

Financial assets increased to R582 million (2018: R6 million) due to the investment in government bonds in Zimbabwe amounting to R316 million (net R277 million after the application of the ECL of R40 million), the investment into the Zimbabwean Stock Market of R14 million, as well as the recognition of a financial asset in terms of IFRS 9 of R289 million due to the external debt of US$30 million being recognised as legacy debt.

The other non-current assets of R333 million (2018: R297 million) comprises unlisted collective investments by the PPC Environmental Trust, value added tax receivable in the DRC, and long-term receivables.

Cash flow statement

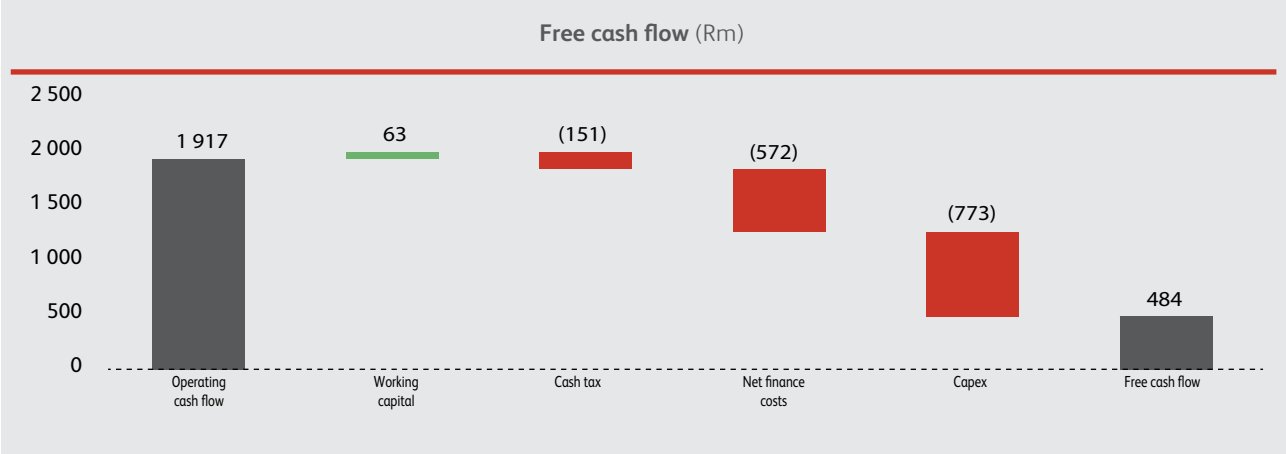
Cash generated from operations reduced from R2 300 million in 2018 to R1 980 million in the current financial year due to working capital requirements. However, the operating cash flow before working capital improved to R1 917 million (2018: R1 889 million). The cash conversion is more than 1 time. Finance costs paid increased to R618 million (2018: R592 million) mainly due to the increased effective interest rate in the DRC from 10 % to 12 %, as well as the increase in LIBOR during the year.

The cash tax has reduced to R151 million (2018: R330 million) due to the energy efficiency tax allowances in South Africa.

The net cash outflow from investing activities increased to R1 100 million (2018: R912 million) due to the investment of R310 million in Zimbabwe government bonds and the R14 million investment in the Zimbabwean Stock Market. Excluding the above, net cash outflow from investing activities reduces to R776 million.

Net cash outflow from financing activities, amounting to R351 million, was mainly attributable to the repayment of debt of R310 million and FSP share purchases of R41 million.

Free cash flow generated of R484 million is considered stable in tough market conditions.



Significant items affecting the results

To contextualise the impact of the operating environment on PPC's business, it is important to understand the factors that affect its ability to achieve the strategic priorities.

The key issues that impacted the performance of the group during the year were:

- The change in Zimbabwe's functional currency from US$ to RTGS$ was effective from 1 October 2018, which meant that financials from 1 April 2018 to 30 September 2018 were accounted for in US$, and from 1 October 2018 to 31 March 2019 accounted for in RTGS$. The impact resulted in a fair value adjustment in both the income statement and statement of financial position. The fair value adjustment on the Zimbabwe government bonds resulted in an expected credit loss of R40 million impacting both the income statement and the statement of financial position. Further to this, a gain of R8 million was recorded in the income statement as a result of the remeasurement of the Zimbabwe assets and liabilities following the change in functional currency. This also resulted in the creation of a R289 million financial asset on the statement of financial position
- Our Habesha operation in Ethiopia has been included for a full financial year, whereas in the previous year it was only included for three months
- Our operations in the DRC have been included for the full financial year as compared to five months in the previous year. There was an improvement in EBITDA, from a loss of R105 million in 2018 to a positive EBITDA of R108 million in 2019
- The SK9 cement produced and sold during the first three months of the year were taken out of the income statement and moved to the balance sheet because the accounting acceptance of the plant was June 2018. This impacted EBITDA by R78 million
- The group is exposed to volatility in commodity prices – particularly oil, diesel, packaging and coal, as these are input costs. In the current year, fuel prices increased by 19 %, impacting distribution and mining costs
- Exchange rates, in particular the South African rand to US$, depreciated during the financial year by approximately 22 % on closing rate, while average rates only depreciated by 4 %. There is also a risk of cross currency, in that PPC operates in Rwanda, where the Rwandan franc is the functional currency, in Ethiopia where Birr is the functional currency, and DRC where the US$ is the functional currency. Furthermore, new functional currency of Zimbabwe RTGS$ has been added. All these countries have external debt in their balance sheets and this increases the cross-currency risk
- Political uncertainty has an impact on the regions in which PPC operates. In South Africa, elections were held during May 2019, DRC elections were held in December 2018 and elections in Zimbabwe were held in 2018. All of these had a negative impact in terms of infrastructural spending in those countries

Dividends

The company's dividends policy considers prudency in terms of capital structure. Under the current circumstances solvency and liquidity have been factored in terms of the dividend considerations.

Outlook for 2020

We will continue to focus on the following key strategic priorities:

- Liquidity
  - The company will continue to focus on liquidity in the various operations of the group. In the Obligor group (southern Africa business units and group services) the liquidity headroom of 15 % to 20 % on the available facilities will be used as benchmarks
  - Focus on managing the covenants of all funding obligations
  - Renegotiations of the two-year capital holiday in DRC debt to minimise the deficiency funding for the country

CHIEF FINANCIAL OFFICER'S REVIEW continued

- Zimbabwe functional currency and liquidity and cash preservation
  - Focus on Zimbabwe liquidity management and cash preservation by negotiating the external debt and ensuring we source US$ from the Reserve Bank of Zimbabwe, as contracted
  - Implement functional currency in terms of ERP system from reporting point of view to minimise complexity and ensure compliance with laws
  - Continue to purchase shares in the stock market to preserve cash or invest in other physical assets
- Standardisation of processes across the group
  - Embed the standardisation of financial processes across the group
  - Embed the standardisation of governance processes and risk management processes across the group
  - Strengthen the delegation of authority framework
  - Implement the treasury management systems across the group
  - Implement the forecasting tool across the group to reduce the forecasting cycle
- Monitor and measure the implementation of capital allocation priorities framework across the business units
- Monitor and evaluate the R70/tonne initiatives
- Ensures all the elements of the CFROI are rolled out into all PPC group business units
- Improve the credit rating of the group by credit rating agencies

In conclusion, I would like to thank all the stakeholders for supporting the business in ensuring we have audited financial statements. In particular the finance teams across the group who have been more than dedicated towards achieving the financial objectives and strategies of the PPC group.

Tryphosa Ramano
Chief financial officer

18 July 2019

VALUE ADDED STATEMENT

for the year ended 31 March 2019

A measure of the wealth created by the group is the amount of value added to the cost of raw materials, products and services purchased. This statement shows the total wealth created and how it was distributed.

	Notes	Year ended 31 March 2019 Rm	Year ended 31 March 2018 Rm
Revenue		**10 409**	10 271
Paid to suppliers for materials and services	1	**(6 877)**	(6 722)
Value added		**3 532**	3 549
Empowerment transactions IFRS 2 charges		**(33)**	(48)
Impairments		**(82)**	(174)
Income from investments[(a)]		**95**	52
Total wealth created		**3 512**	3 379
Wealth distribution:			
Salaries, wages and other benefits	2	**1 599**	1 656
Providers of capital		**694**	532
Finance costs (net of fair value adjustments on financial instruments)		**690**	532
Dividends		**4**	–
Governments	3	**86**	405
Reinvested in the group to maintain and develop operations		**1 133**	786
Depreciation and amortisation		**1 019**	876
Retained profit for the year		**144**	37
Deferred taxation		**(30)**	(127)
		3 512	3 379
Value added ratios			
Number of employees		**3 614**	3 538
Revenue per employee (R000)		**2 880**	2 903
Wealth created per employee (R000)		**948**	955
NOTES			
1. Paid to suppliers for materials and services			
Barloworld Logistics is the only supplier of services exceeding 10 % of total amounts paid			
2. Salaries, wages and other benefits			
Salaries, wages, overtime payments, commissions, bonuses and allowances[(b)]		**1 376**	1 459
Employer contributions (retirement funding, medical and insurance)		**223**	198
		1 599	1 656
3. Governments			
Normal taxation		**3**	332
Withholding taxation (including tax on in specie dividend)		**33**	–
Municipality rates and levies paid to local authorities		**28**	44
Customs duties, import surcharges and excise taxes		**10**	22
Skills development levy		**15**	9
Cash grants and subsidies received from the government		**(3)**	(2)
		86	405

[(a)] *Includes interest received and dividend income.*
[(b)] *Includes restructuring costs of Rnil (2018: R22 million).*

SEVEN-YEAR REVIEW OF THE GROUP'S RESULTS

for the year ended 31 March 2019

	12 months ended March 2019 Rm	12 months ended March 2018 Rm	12 months ended March 2017 Rm
Total assets	**17 828**	16 206	18 035
Net working capital[a]	**898**	1 165	1 449
Total equity	**9 340**	7 888	8 385
Gross borrowings	**5 002**	4 682	5 736
EBITDA interest cover (times)	**2,87**	2,79	2,79
Gross debt to EBITDA (times)[b]	**2,57**	2,49	2,78
Number of years to repay interest-bearing borrowings[b]	**3,98**	3,27	6,72
Revenue	**10 409**	10 271	9 641
Recurring EBITDA[c]	**2 124**	2 196	2 074
EBITDA[c] margin (%)	**20,41**	21,38	21,40
Effective rate of taxation (%)	**2,6**	67,9	85,0
Recurring EPS (cents per share)	**22**	29	47
Recurring HEPS (cents per share)	**26**	27	47
Dividends per share (cents per share)	**–**	–	–
Dividend cover (times)	**–**	–	–
Cash generated from operations[d]	**1 980**	2 300	1 871
Cash conversion ratio[d]	**1,02**	1,22	0,91
Dividends paid (Rm)	**4**	–	8
Investment in property, plant, equipment and intangible assets (adjusted for capital expenditure)	**797**	927	2 077
Investment in subsidiaries and equity-accounted investments	**–**	42	18
Total shares in issue (net of treasury shares)	**1 506**	1 513	1 592
Weighted average number of ordinary shares in issue during the year (000)	**1 511 971**	1 510 163	1 137 338

[a] Net working capital is calculated as inventory plus trade and other receivables (net trade receivables, other financial receivables and prepayments) less trade and other payables (trade payables and accruals and other financial payables).

[b] March 2016 calculated on a rolling 12-month period for EBITDA and cash from operations.

[c] Recurring EBITDA calculated by adjusting EBITDA for non-recurring items.

[d] Cash conversion ratio is calculated using cash generated from operations divided by EBITDA.

12 months ended March 2016 Rm	Six months ended March 2016 Rm	12 months ended September 2015 Rm	12 months ended September 2014 Rm	12 months ended September 2013 Rm
16 389	16 389	15 257	11 575	8 876
1 119	1 119	978	1 086	1 363
3 563	3 563	3 164	2 418	2 142
9 171	9 171	8 221	6 091	4 046
4,17	3,46	4,56	4,67	6,04
3,85	3,85	3,48	2,58	1,66
5,98	5,98	4,45	3,56	1,91
9 187	4 501	9 227	9 039	8 316
2 385	1 157	2 424	2 374	2 504
26,00	25,70	26,27	26,26	30,11
34,4	30,8	36,61	30,10	35,80
111	56	148	175	214
110	56	149	175	215
33	–	57	114	156
3,5	–	2,33	1,50	1,14
2 389	813	2 716	2 583	2 885
1,00	0,70	1,10	1,10	1,20
321	185	559	880	770
3 072	1 188	2 892	2 182	970
75	75	108	665	266
607	667	605	605	605
680 086	526 076	526 022	526 180	522 678

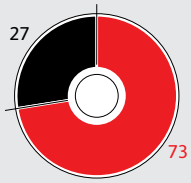
PPC GROUP

PPC is active in southern Africa – South Africa and Botswana – as well as the RoA, which includes Zimbabwe, Rwanda, the DRC and Ethiopia. We continue to be a market leader in 80 % of the countries we operate in, and our significant footprint positions us to optimally serve these markets.

Highlights

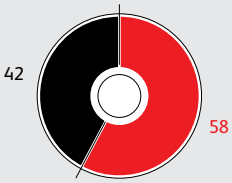
- Realised R60/tonne profit contribution in SA cement
- Completed first phase of CIMERWA plant debottlenecking
- Focused on preserving US dollar in Zimbabwe
- Increased organic growth in Zimbabwe

Revenue – SA versus RoA (%)



■ Southern Africa
■ RoA

EBITDA (%)



■ Southern Africa
■ RoA

Group	Year ended 31 March 2019	Year ended 31 March 2018
Revenue (Rm)	**10 409**	10 271
EBITDA (Rm)	**1 946**	1 880
EBITDA margin (%)	**18,7**	18,3
Operating profit (Rm)	**894**	956
Operating margin (%)	**8,6**	9,3
Assets (Rm)	**17 828**	16 206

Southern Africa

Our southern Africa business comprises South Africa and Botswana. Despite the challenging markets we operate in, PPC is well positioned to respond to future growth opportunities.

South Africa's economy continued to experience muted growth in 2019 – an increase in value added tax (VAT), as well as rising fuel prices, placed increased pressure on consumer spending. However, the good progress made on our cost saving initiatives helped to offset some of these headwinds.

PPC has a strong cement production and supply footprint in South Africa. Our three mega-plant strategy – embedded at our Slurry plant near Mafikeng, Dwaalboom in Limpopo, and De Hoek in the Western Cape – capitalises on this footprint. This enables:

- Integrated plants and depots to serve key markets
- Blending facilities close to the market
- Portfolio effect delivering profitability
- Ability to deliver at lowest cost through optimal sourcing

Phase 2 of the Slurry complex (SK9) was completed in 2019. Together with the conversion of the filter system on SK8, the construction improved our overall air emissions at our slurry operations. Furthermore, the clinker production line was successfully commissioned and both dust (particulate matter (PM)) and SO_2 were well below the 2020 limits.

In Botswana, cementitious demand decreased, but PPC's volume was marginally down on the prior year. The business continued to deliver sustainable cost savings and focused on growing selling prices through:

- The implementation of enhanced route-to-market strategies
- Integration of the Botswana business unit
- Improving the product and solutions offering

For more information refer to page 62 (South Africa) and page 70 (Botswana).

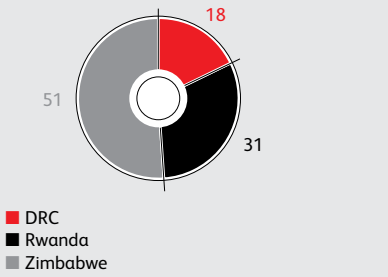
RoA

Our expansion into Zimbabwe, Rwanda, the DRC and Ethiopia was the result of our strategic priority to diversify the business by selectively investing in growth countries. PPC continues to gain market share in these regions and, in 2019, revenue generated from these countries increased by 2% to R2 826 million (2018: R2 762 million). Our RoA businesses therefore contributed 27% (2018: 27%) of our total revenue in 2019, which continues to offset muted performance in southern Africa.

Total volumes increased by 10%, driven by positive consumer activity and more construction projects being funded. EBITDA increased by 10% during the year to R810 million, with EBITDA margins increasing from 26,7% to 28,7%. Selling prices were fairly stable during the year.

Active steps are being taken to mitigate the liquidity situation in Zimbabwe while, in the DRC, we continue to explore options to further de-risk the asset. Rwanda experienced strong demand for cement during the year under review. In Ethiopia, we continue to focus on utilising our plant to its fullest potential.

RoA breakdown of revenue (bn)



For more information refer to pages 72 to 79.

Outlook

We continue to deliver on our priorities, which are underpinned by our four strategic pillars, to realise value for the PPC group and our stakeholders. Our focus will be on optimising our capital structure – our cash generation prospects are positive and by reducing our capital expenditure, along with significantly lower interest rates, we expect to improve our free cash flow.

In South Africa, economic growth is recovering slower than expected and the industry is not achieving its cost of capital. It is imperative that the industry achieves sustained increases in selling prices. We will remain focused on:

We report on our environmental and societal progress from a group perspective on pages 86 and 80, respectively. We report on our operational progress from a divisional perspective, aligning our reporting to southern Africa and RoA regional reviews, with detailed information for each operation included.

- Optimal implementation of our route-to-market strategy
- Sourcing alternative energy solutions
- Embedding a high-performance culture throughout the business
- Continued revenue enhancement

We expect to realise maximum value from our RoA portfolio. Political developments in Zimbabwe, the DRC and Ethiopia are encouraging and should give further confidence to the construction environment. Plant modifications in Rwanda will bolster growth through improved ability to meet the growing demand in the region.

In our RoA businesses, the group will focus on EBITDA growth and restructuring of our capital structure. We aim to improve our operational efficiencies and will focus on the following areas:

- Optimising our Ethiopian operation
- Implementing alternative energy solutions in the DRC and Rwanda
- Entrenching PPC systems across all markets
- Extracting value from strategic partnerships.

Regional reviews

SOUTH AFRICA

Our South African offerings comprise cement, materials (ash, aggregates and readymix) and lime. PPC Cement in South Africa has plants in six of the nine provinces which are located in the Western and Eastern Cape, North West, Limpopo, Mpumalanga and Gauteng. Combined, the southern Africa plants have an installed annual production capacity of seven million tonnes.

Product range

South Africa produces a fit-for-purpose range of cement products to cater to all customer needs:

> SUREWALL	Masonry cement designed for plaster and mortar
> SURECEM	Early strength cement designed for concrete, mortar, plaster and bricks
> SUREBUILD	Premium multi-purpose cement for general building and civil construction
> SURECAST	High early strength cement designed for precast products
> SURETECH	Superior high strength specialist cement
> SUREROAD	Cement for road stabilisation

Related-product offering

Readymix, aggregates, fly ash and lime.

Cement
Highlights

- New products launched during the year were well received by the market
- Completed integration of Safika Cement, which allows for a uniform approach to all customers
- Complete realignment of business unit structures
- Embedded tyre burning initiative in the Western Cape region
- Commissioned SK9, which is performing at expected efficiency
- Completed upgrade on Slurry Kiln 8 (SK8) to meet environmental compliance in January 2019

Challenges	Strategic responses
> Both the consumer and construction industry remained under pressure in a competitive market, realising muted growth for 2019 > Increased cement imports impacting demand and volumes in the coastal region > Growth of competitors led to erosion of quality and detracted from market-related pricing in the inland region > Increases in VAT and fuel prices impacted consumer spending	> Lobbying government to impose tariffs on cement imports > Implemented a price increase of between 8 % and 12 % in certain regions > Driving efficiencies through cost leadership and optimal sourcing > Continued innovation in alternative building technology > Enhanced product portfolio and route-to-market strategy implementation

The landscape in South Africa remains competitive, with both demand and pricing impacted by cement imports and blenders.

2019 in review

Demand and volumes

Muted demand in the Western Cape, coupled with rising input costs, have impacted our profitability. The inland cement market remains challenging, which further exacerbates the current excess cement production capacity in the region.

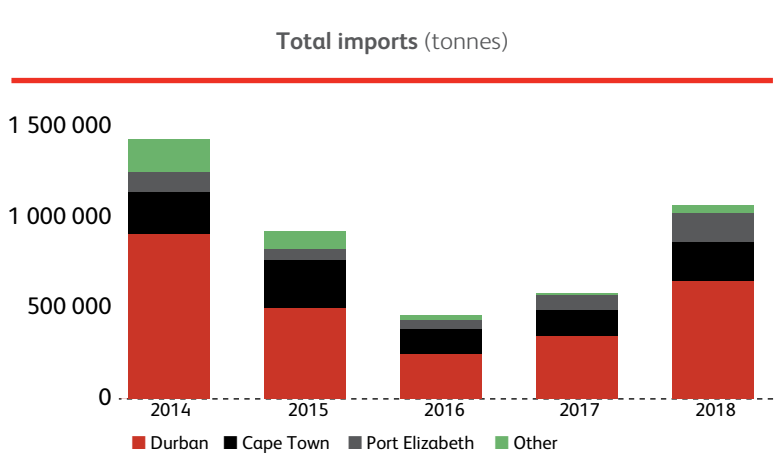
Overview of demand and volumes in 2019

Demand	> Overall demand remained under pressure due to: – Weak consumer demand – Distress in the construction industry > We saw marginal improvement in the Western Cape region, while Gauteng remained competitive because of blender activity > PPC is exposed to private sector investment which has been more resilient
Volumes	> Volumes in the domestic industry declined between 5 % and 10 % > PPC southern Africa (including Botswana) down between 2 % and 3 % > Our SURERANGE, launched in August 2018, is making a positive impact on our volumes > We continuously enhance our value-added technical support services to further secure volumes
Imports	> Imports continued to rise in 2019, up 84 % from 2018. The bulk of imports were from Vietnam and China. The major ports of entry were Durban (60 %), Port Elizabeth (16 %) and, to a lesser extent, Cape Town (20 %) and other (4 %)

Regional reviews

SOUTH AFRICA continued

Cement imported by port of entry (tonnes)



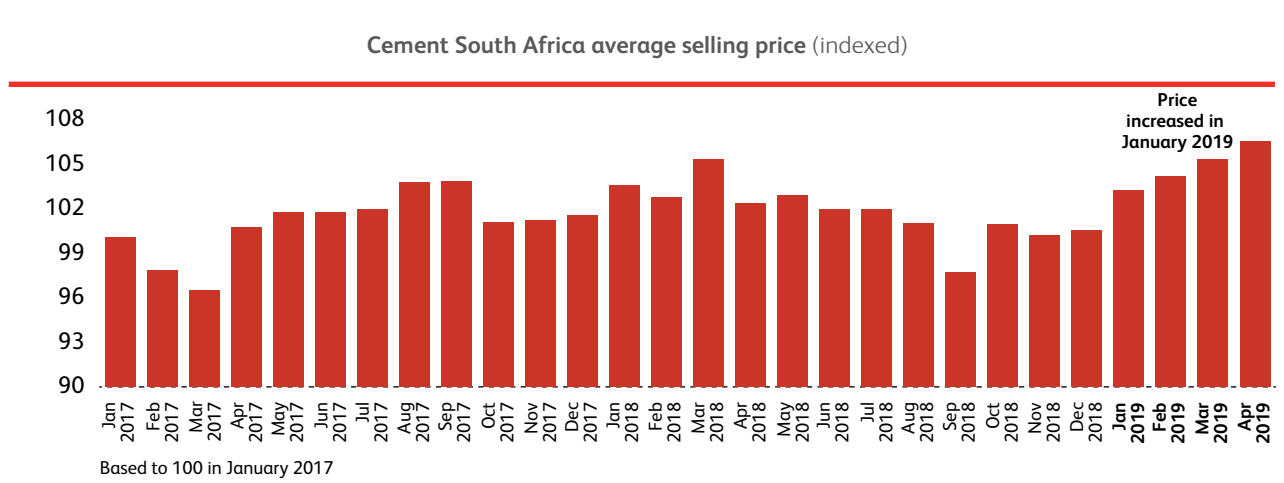
Source: SARS.

Selling prices and costs

Increases in selling prices in a tough economic environment remains a challenge. We continue to exercise responsible price leadership and focus on protecting selling prices, with increases only implemented in certain regions during January 2019. This was achieved in an environment where pricing has become extremely competitive and, in some instances, does not lead to sustainability. The growth in capacity of third-party blenders are the prime drivers of low prices in the market.

Overview of selling prices and costs in 2019

Selling prices	> Southern Africa pricing increased 1 % to 2 % > Implemented price increase of between 8 % and 12 % in certain regions
Costs	> Variable costs of sales were in line with inflation > Fixed costs increased due to SK9 depreciation, Safika integration costs and the timing of maintenance activities > Outbound logistics increased because of fuel price increases



Outlook

South Africa's trading and regulatory environment remains challenging and will impact the profitability of both cement and materials. A disciplined approach to growing price and volume, together with driving operational efficiencies, should yield positive results.

Cement demand roughly tracks real GDP and gross fixed capital formation. Muted GDP growth is projected over the next 12 months. PPC will focus on executing and realising a R70/tonne saving benefit, real pricing growth to achieve returns in excess of cost of capital and growing our EBITDA margin. The business will continue to defend and maintain its leading position and competitive advantage.

From 1 June 2019, we are subject to a carbon tax implemented by the South African government. Based on the current structure, a tax of between R6 and R120/tonne will be applied to all CO_2 emissions. PPC qualifies for certain allowances which will likely reduce our exposure. We anticipate that the impact of the carbon tax will be in the region of R100 million to R120 million for cement and lime per annum. We continue to explore options to reduce our carbon emissions, including the use of efficient kilns, modern efficient technology, as well as the use of alternative fuels.

Our focus areas	How we will address this in the next 12 to 18 months
Revenue enhancement	> Continuous enhancement of our product portfolio > Optimal implementation of our route-to-market strategy > Implement margin improvement strategies
Strategic cost reduction	> Drive plant efficiencies to reflect operations requirements > Integration of material businesses into PPC Cement SA to ensure optimal structure > Extract value from strategic partnerships and combine offerings as an integrated business
Cost efficiencies	> SK9 complex benefit realisation > Embed the three mega plant strategy > PE kiln 4 mothballed > Implementation of alternative fuels, targeted to all mega plants but with special focus on the Western Cape > Implement optimised sourcing

Regional reviews

SOUTH AFRICA continued

Our materials business

PPC's materials business comprises aggregates, readymix and fly ash. Our focus areas for 2019 are:

- Efficiency improvement and cost control
- Alignment of business unit structure
- Expanding our product offering and customer service
- Protecting and growing cement volumes
- Pursuing opportunities to grow the materials business

Aggregates

PPC has five aggregate quarries – two in Gauteng (Mooiplaas and Laezonia) and three in Botswana (Gaborone and Francistown). These quarries supply quality construction aggregates to the building and civil construction sectors. Furthermore, the Mooiplaas quarry, which has one of the best metallurgical dolomite reserves in South Africa, supplies products to the chemical, metallurgical and agricultural industries.

Highlights

- Growth in readymix in Mpumalanga operations
- Growth of export market with ash business

Challenges	Strategic responses
Significant decline in civil infrastructure development	Secure increased volumes in the readymix sector Increase sales to different segments of the market Identify and target certain profitable projects

PPC remains focused on delivering high-quality products and optimising costs, thereby ensuring we offer our customers the best in value. Lack of infrastructure projects are impacting demand in the regions where we operate, however, we continue to pursue development projects to provide materials and innovative solutions to the markets we serve. In 2019, we were a proud supplier of aggregates to the N14 road upgrade among other noteworthy projects such as the mining development in Mpumalanga and Polokwane which have been beneficial to the readymix business.

Overview of 2019

Sales volumes in South Africa were flat compared to the previous 12 months. Muted demand in Gauteng and adverse competitor behaviour in the readymix market was offset by increased sales to the concrete product segment. Pricing remained under pressure due to a competitive market. Total revenue declined 4% year-on-year.

Above inflation increases for power, labour and certain maintenance spares were partially offset by cost-saving initiatives and efficiency improvements. Total cost of sales increased by 4% in 2019.

Aggregates remain an important channel to the markets in which we operate, and consistent focus on product diversification and process optimisation will ensure value creation for all stakeholders.

Outlook

We expect our main markets to remain muted owing to depressed civil and construction environments. On the bright side, there are encouraging signs of an uptick in residential developments which should benefit our business.

The installation and commissioning of additional equipment will improve operational efficiency, flexibility and capacity. Our participation in construction activity will depend on our regional footprint relative to the location of these projects. Further improvement in all business key performance drivers will enable us to provide construction material solutions, increasing value to all stakeholders.

Readymix

PPC readymix comprises Pronto Readymix (Pronto) and Ulula Ash (Ulula), which operates in Gauteng, and 3Q Readymix (3Q), which operates in North West, Limpopo and Mpumalanga. These three business units form the readymix reporting segment. We have expanded our footprint from Gauteng to rural-based plants in a number of provinces in South Africa, as well as adding a greater focus on securing and completing large project-based work.

Highlights

- Pronto Dry Mortars gaining traction in the refurbishment sector
- Improved performance of 3Q due to increased capital expenditure on coal mines
- New 3Q plant in Polokwane performing better than expected
- New fly ash plant

Challenges	Strategic responses
Lower concrete prices, driven by lower cement prices (especially in Gauteng), significantly impacting on the group's margins	Operate as optimally as possible Increase sales to different segments and areas of the market, expanding our footprint Identify and target certain profitable projects Integration between Pronto and 3Q to reduce operating costs

Overview of 2019

Pronto, 100% owned by PPC, is a leading supplier of quality readymix and dry mix mortars. The operation has batch plants in the greater Gauteng area which supplies key commercial and industrial projects. During the year, Pronto supplied products for a number of prestigious contracts, including the new Menlyn Main apartments, SAB expansions, Joric Street Student Housing Development and the Regency Hotel development.

The market remained competitive during 2019, and pricing and volumes were under pressure due to reduced selling prices and a contracted building industry. PPC experienced a 1% increase in volumes sold. Higher fuel prices increased transport costs by 7%. However, operating costs were well managed and reduced by 6,8%. An increase in both selling prices and volumes sold led to a 7% increase in revenue.

Despite the challenging environment the initiatives we have put in place are beginning to bear fruit. Mortar sold in 2019 contributed positively to revenue, and is gaining popularity – especially with larger contractors. Traditionally, Pronto Dry Mortar was supplied in bulk tankers but in 2019 the product was also available in 40kg bags. This product is also gaining traction in the refurbishment sector.

In July 2016, Pronto took ownership of 3Q, a supplier of quality readymix focusing mainly on projects and the rural commercial markets. The operation has 26 readymix plants based mostly in Mpumalanga and the North West, as well as in Limpopo. During the year we secured a number of significant projects in Mpumalanga, including Exxaro Belfast coal mine, Glencore Mafube mine expansion, Kusile power station and the Pampoen Neck expansion.

3Q's performance improved in 2019, especially in the Mpumalanga region, mainly because of the increased capital expenditure on the coal mines and Sasol. We focused on the commercial rural market and increasing volumes in the residential market. The North West market remained depressed, as the gold and platinum mines became more reserved towards capital expansion projects. Unfortunately, this also had a negative impact on the commercial market.

3Q opened a new plant in Polokwane, and local market volumes are performing better than expected.

Outlook

We expect the City Deep plant to move to the PPC Jupiter cement factory to realise synergies within the group. We conducted a strategic analysis of the Gauteng market and, although the market remains competitive, we identified areas where we lack presence due to the locations of our existing plants. We plan on addressing these gaps.

3Q will remain focused on project-based business and the rural commercial markets. We also expect some expansion into areas where we do not currently operate. Two key focus areas for 2020 include improving operational excellence, as well as integration with Pronto to extract synergies between the two companies.

Regional reviews

SOUTH AFRICA continued

Fly ash

Ulula Ash (Ulula) supplies fly ash to the southern African market from its beneficiation plant at Eskom's power station in Kriel, Mpumalanga. Producing both classified and unclassified fly ash, Ulula was designed and currently operates in a way that facilitates excellent turnaround times for tankers collecting loads. The business expanded during 2019, opening a new facility at the Sappi Ngodwana operation. The bulk of the fly ash from this facility is exported to Mozambique, with the balance supplied to the surrounding area.

Highlights

- New plant opened at the Sappi Ngodwana operation
- Sales volumes increased by 22 %

Challenges	Strategic responses
Shortage of quality ash	Maximise operational excellence Increase sales to PPC Cement Footprint expansion with the Sappi Ngodwana operation

In line with PPC's environmental vision and policy, Ulula is integral in helping Eskom recycle as much fly ash as possible, avoiding current and future costs of waste dumps and the associated environmental impact. Ulula successfully extended its contract with Eskom at the Kriel power plant for a further five years.

Review of 2019

In recent years, there has been only a marginal increase in total fly ash-processing capacity, with the southern African market supplied by three companies. The industry is, however, expecting new fly ash-beneficiation capacity to come on line from power stations currently being commissioned in South Africa.

Our fly ash business continued to grow in 2019, and we consistently optimise turnaround times and maintaining capacity in a growing market, which allows us to operate at the Kriel plant at full capacity. Sales volumes increased by 22 % during the year. This was predominantly achieved by capitalising on transport efficiencies and targeting niche markets. The increased export market has also had a significant impact on the business. Our total cost of sales increased over the year, in line with the rising sales volumes.

Outlook

Due to changes made to some of Eskom's power plants, quality ash is not as plentiful as in previous years. This led to a growth in our business – PPC Cement also felt the decline in quality ash and intends to increase the use of Ulula in its cement operations. We expect some positive growth in the export market, with the new Ngodwana operation ideally positioned to capitalise on this growth.

PPC Lime

The PPC Lime operation is situated in the Northern Cape province on an extensive reserve of metallurgical quality limestone and dolomite stone. Calcitic and dolomitic lime products such as reactive lime, hard burnt lime, hydrated lime and burnt dolomitic lime focused on specific market applications is produced in three modern pre-heater rotary kilns. A variety of limestone products for different markets are supplied ex Lime Acres.

The total calcination capacity at Lime Acres is 900 000 tonnes per annum, making PPC Lime the leading supplier of these products for key local industries such as steel and alloys, gold, uranium and copper mining, non-ferrous metals, sugar refining, water treatment and flue gas desulphurisation.

Highlights

- Renewal of supply agreement with major customers
- First full year of operations at Mpumalanga depot increasing customer value add, increased market penetration

Challenges	Strategic responses
The local iron and steel market remains constrained due to a further decrease in local apparent steel consumption. Drought conditions in southern Africa had an impact on local sugar production, while an increase in local coal prices had a marked impact on the cost of producing lime	PPC Lime continues to focus on retaining key customers in the steel and alloy sector through producing high-quality products in a cost-effective manner. Growth opportunities in the environmental applications field is pursued through enhancing customer value through logistics and other solutions and investing in additional infrastructure to serve this segment

Operational overview

In 2019 volumes decreased by 6 % mainly due to operational and market challenges experienced by major customers. Liquidity constraints experienced by a new customer also had a once-off impact on sales volumes. Increased export sales partially compensated for the above.

Average selling prices realised increased 8 % on last year, resulting in an overall increase in revenue of 4 % to R834 million (2018: R801 million). There was a slight movement to more profitable market sectors as well as a cost of production-related increase in selling prices.

Total cost of sales increased by 8 %, mainly driven by an increase in delivered coal cost. A reduction in kiln heat consumption reduced the impact of coal pricing.

EBITDA was impacted by the reduced sales volumes and increased cost of sales.

Outlook

The local iron and steel market will remain under pressure due to the depressed local market, rising input costs (including carbon tax) and international steel trading conditions. Should infrastructure spending in the southern African region increase, this could have a positive effect on local steel production and lime consumption.

As part of our route-to-market strategy PPC Lime has made inroads into environmental solutions and export opportunities. Our key priorities are to remain focused on operational excellence, fit-for-purpose products and superior customer service.

Regional reviews

BOTSWANA

PPC Botswana's product offerings comprise cement and materials (mainly aggregates) across the country. With three aggregate quarries in Gaborone and Francistown, as well as a milling operation in Gaborone, PPC is well positioned to serve the market nationally.

Product range

> SUREBUILD	Premium multi-purpose cement for general building and civil construction
> SURETECH	Superior high strength specialist cement
> SUREROAD	Cement for road stabilisation
> BOTCEM	Early strength cement designed for concrete, mortar, plaster and bricks

Related-product offering
Aggregates

Highlights

- New products launched during the year were well received
- Increased government spending on national projects
- Securing ash supply from Morupule power station
- Enhanced product offering from integrated business

Challenges	Strategic responses
> Reliability of rail service > Sporadic demand driven by infrastructure projects > Dependency on mining developments > Dependency of Botswana on South Africa's economy	> Alternative supply and product packaging network > Enhanced route-to-market strategy and basket offering solutions > Innovative demand creation through new markets (micro-enterprises) > Strategic procurement of input materials

2019 in review

Demand and volumes

In 2019, demand in the Botswana market increased by 3%. Due to the proximity of our aggregates quarry, PPC secured a number of national projects, including the Gaborone-Boatle road project.

Selling prices and costs

PPC increased selling prices by 6% in 2019. Our variable costs increased by 11% in 2019 and fixed costs by 16%. Our revenue increased by 18% to R516 million (2018: R438 million).

Outlook

The country's GDP growth forecast is moderate, but is set to bounce back in 2020. Botswana has a low and stable inflation environment. The country has strong macro-economic fundamentals, however, Botswana's biggest challenge is diversification, which is exacerbated by a shortage of skilled labour and relatively high labour costs.

PPC is a major contributor to the economy of Botswana with a local staff complement of 137.

Regional reviews

ZIMBABWE

Our operations in Zimbabwe consist of three plants – a clinker manufacturing plant at Colleen Bawn and two milling plants, one in Bulawayo and one in Harare. Over the years, PPC Zimbabwe (70 % held by PPC SA) has not only grown to be an industry leader, but also evolved into the largest cement manufacturer in the country.

Product range

> PMC	A masonry cement that is ideal for general brick work, plastering and low bearing foundations
> UNICEM	Cement that is ideal for general building operations, and the manufacture of cement-based products
> SUREBUILD	Premium multi-purpose cement for general building and civil construction
> SURECAST	High early strength cement designed for precast products
> SURETECH	Superior high strength specialist cement

Highlights

- **Lost-time injury frequency rate (LTIFR) is below group benchmark**
- **Bulawayo factory surpassed 4 million lost-time injury-free hours**
- **Our Harare plant attained its highest cement production and dispatch since commissioning**
- **Colleen Bawn installed and commissioned a raw material cross belt on-line analyser to improve product consistency**

> Challenges	> Strategic responses
> Liquidity challenges – Change in monetary policy: the Reserve Bank of Zimbabwe Monetary Policy Statement (MPS) was released on 1 October 2018 and 20 February 2019. The RTGS dollar became the functional currency of Zimbabwe – In-country cement shortages – Inability to repatriate funds – Risk to business continuity and sustainability – Supply constraints	> Optimise US dollar EBITDA > Reduce forex-denominated exposure > Export strategy > Clinker imports from South Africa > Endeavour to maintain margins in the guided range of 30 % to 35 % > Established a solid support base with government > PPC dividend invested in government bonds

2019 in review

The economic environment in Zimbabwe remained challenging in 2019. Liquidity constraints and a decline in disposable income led to a marginal decline in cement volumes. The country went through successful elections resulting in an improved political climate. PPC Zimbabwe has implemented various strategies to mitigate liquidity risk, including localised procurement and increased exports. Overall, 90 % of PPC Zimbabwe input costs are localised and the business is well positioned to benefit from improved growth prospects.

Liquidity and cash preservation initiatives – along with improved efficiencies through product optimisation, throughput and energy mix – are being implemented successfully. PPC Zimbabwe is well positioned to benefit from improved growth prospects despite liquidity challenges.

We made significant progress against our liquidity mitigation strategy, including:

- Investigating investment opportunities in local downstream businesses
- Continuous engagement with the relevant government authorities regarding the ability to repatriate funds
- Having in-country access to all export proceeds
- Funding the repayment of debt obligations in-country

Demand and volumes

Despite the challenging operating context, PPC Zimbabwe's market share remains stable. The current cement demand remains solid, driven partly by major construction projects that include roads, dams and power plants.

Overview of demand and volumes in 2019

Demand	> Impacted by a weak economic backdrop
Volumes	> Total volumes decreased by approximately 6 % during the year, attributed to power supply issues that impacted the kiln performance in the second half

Our Zimbabwean operations have a total installed capacity of 1,4mtpa, and are the only suppliers in the country capable of offering palletised cement.

Selling prices and costs

Total revenue decreased by 20 % from 2018, due to conversion of half-year performance from US$ to RTGS$. Pricing has been aligned with local inflationary increases and is marginally higher than 2018 due to price mix. EBITDA amounted to US$34,2 million (2018: US$41,6 million) at a margin of 32 % (2018: 32 %). The decline in EBITDA is mainly due to:

- Clinker production and power supply stability
- Cement delivery challenges because of fuel shortages
- Growth in cement imports following the removal of import protection
- Conversion from US$ to RTGS$
- Lower margins on exports
- Cost of imported clinker

Outlook

The demand is expected to be driven by infrastructure projects in 2020, however, the retail market is expected to be under pressure due to economic conditions in the country. The country's GDP growth forecast is set to improve on average by 2,5 % over the next four years. PPC Zimbabwe is well positioned to benefit from improved growth prospects, and will continue to focus on operational efficiencies, execution of route-to-market strategy, development of human capital, optimisation of US$ EBITDA and execution of cash preservation strategies.

Regional reviews

RWANDA

CIMERWA, located in Bugarama, Rusizi district in south western Rwanda, is the country's only integrated cement producer that mines raw materials, produces clinker concentrate, and packs and sells cement for general and civil construction. The plant has an installed annual production capacity of 600 000 tonnes.

PPC acquired a 51 % equity stake in CIMERWA in 2013, with the balance owned by the Rwandan government and other Rwandan corporate institutions.

Product range

CIMERWA 32,5	Cement designed for concrete, mortar, plaster and bricks
CIMERWA 42,5	Premium multi-purpose cement for general building and civil construction
CIMERWA BULK	High early strength cement designed for precast products

Highlights

- 3 million hours without a lost-time injury
- Successfully launched 42,5R bulk cement to wider customer base within the construction and CPM
- Completed maintenance and phase 1 upgrade of our plant which increased factory reliability and enabled record production of clinker
- Extended limestone reserves to 16 years

Challenges	Strategic responses
Manage stakeholder expectations Planned disposal of government's shares in CIMERWA Clinker shortages during plant shut down	Continuous engagement with government as a key stakeholder Optimal product quality, operational efficiency, optimisation and extending limestone reserve Capital investments to increase output to meet consumer demand. Full capacity utilisation is expected in the first quarter of 2020 calendar year Pricing has been maintained despite capital commitments The company remains committed to local skills development

2019 in review

Rwanda experienced strong GDP growth in 2019. As in Zimbabwe, we improved efficiencies by optimising our product offerings, throughput and energy mix. We completed drilling of three prospective limestone deposits. During the year we also made progress on our strategic pillars – we restructured funding agreements and completed the first phase of the CIMERWA plant capacity increase.

Drilling exploration, expropriation and acquisition of additional limestone reserves and other strategic raw materials are well under way which has resulted in the extension of the CIMERWA limestone reserves to 16 years. We launched the management operating system, which will help provide management with a framework for processes and collation of information that facilitates informed decision-making.

> **At its core, CIMERWA is fully focused on the journey of strengthening Rwanda in the pursuit of laying strong foundations for future generations.**

Demand and volumes

Overview of demand and volumes in 2019

Demand	> Demand for cement remained robust due to increased construction projects in the country > Increased capacity utilisation following the maintenance exercise in the first half of the year to approximately 80 %
Volumes	> Despite the planned maintenance shutdown at our CIMERWA plant early in the review period, sales volumes were 6 % higher than 2018 > As expected, PPC Rwanda's performance benefited from increased output subsequent to the successful first phase debottlenecking of CIMERWA – record sales were achieved in September 2018 > CIMERWA's domestic market share decreased to 50 % at year-end (2018: 55 %), due to extended downtime in debottlenecking the plant

Selling prices and costs

Overview of selling prices and costs in 2019

Selling prices	> Pricing remained at similar levels to 2018
Costs	> EBITDA for the year under review was RWF15,6 billion at a margin of 28 % (2018: RWF17,3 billion/34 %). The lower EBITDA was mainly due to the energy mix, higher maintenance costs and costs of imported clinker during the shutdown

Outlook

The Rwandan GDP growth was revised upwards, averaging 7,4 % over the next four years. This growth will be supported by the agricultural sector. We expect demand to remain solid in the country.

The CIMERWA plant has been upgraded to achieve 80 % capacity utilisation. We are in the process of finalising the second phase of capacity increase to achieve full capacity utilisation. We will focus on increasing demand and full plant optimisation, which will further bolster growth through an enhanced ability to meet robust demand.

We will also focus on implementing alternative energy solutions to reduce cost of production.

Regional reviews

DRC

PPC Barnet in the DRC is 69 % PPC-owned, with the remaining shareholding held by local partner Barnet Group (21 %) and the International Finance Corporation (10 %). It is a fully integrated plant near Kimpese in the Kongo Central province, 230km south-west of the capital Kinshasa (where the administrative and sales office is located). The plant has a capacity of 1,2mtpa.

Product range

> SURECEM	Early strength cement designed for concrete, mortar, plaster and bricks
> SURECAST	High early strength cement designed for precast products

Highlights

- PPC Barnet attained its highest clinker production since commissioning, as well as highest cement production and dispatch since commissioning
- Business has been rightsized
- Realised reduction in production costs
- Route-to-market is well entrenched

> Challenges	> Strategic responses
> Muted demand due to lack of infrastructure development – Overcapacity – Political uncertainty impacting growth – Lower capacity utilisation	> Continuous engagement with government > Entrenching route-to-market strategies > Aligned fixed costs to operational ramp up > Achieving market share and pricing stability > Reviewed the capital structure of DRC > Reduction in operating costs

> We are focused on maximising US dollar EBITDA.

2019 in review

The economic environment in the DRC remains challenging, experiencing muted growth in 2019 driven mostly by overcapacity. Despite this, PPC Barnet continued to gain market share within the country due to our comprehensive route-to-market strategy implemented in 2018 and positive brand equity.

Demand and volumes

Overview of demand and volumes in 2019

Demand	> The DRC market declined in 2019 by 4% to 6% due to a slowdown in infrastructure projects triggered by political uncertainty in the country. The DRC government extended the ban of imported cement and clinker in the western DRC to August 2020
Volumes	> PPC DRC is still in ramp-up phase, however, our increased market share of 30% benefited our sales volumes > We remained focused on maximising our EBITDA, which increased from a loss of US$8 million in 2018 to an EBITDA profit of US$8 million in 2019 at a margin of 22%. The higher EBITDA is mainly attributed to improved sales volumes and cost reduction

Selling prices and costs

Overview of selling prices and costs in 2019

Selling prices	> Price stability remains a real challenge in the DRC due to excess capacity in the market
Borrowings and costs	> As of March 2019, our long-term outstanding debt amounted to US$152 million, with the first repayment due in the first quarter of the 2020 calendar year. Interest payments for 2019 were within previous guidance. We are currently renegotiating another capital holiday on DRC debt

Outlook

The DRC experienced political stability after the postponed elections were held in December 2018, which should bring further confidence to the construction industry. However, we expect the challenging economic environment in the DRC to continue, and GDP growth is forecast to grow by a four-year average of 4,8%, supported by mining demand.

Our focus points for 2020 include:

- Growing demand
- Capacity utilisation
- Reducing DRC deficiency funding
- Implementing alternative energy solutions
- Continued ramp up, despite being constraint by overcapacity and muted demand

Regional reviews

ETHIOPIA

Habesha Cement Share Company (Habesha) (38 % owned by PPC) is based 35km north-west of Addis Ababa, and is well located to serve the Ethiopian capital. The plant is designed for a cement capacity of 1,4mtpa.

Product range

> PPC	Early strength cement designed for concrete, mortar, plaster and bricks
> OPC	Premium multi-purpose cement for general building and civil construction

Highlights

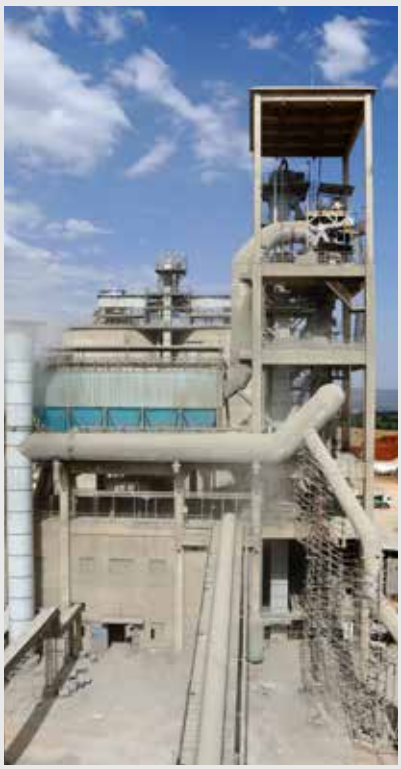
- Secured local thermal energy source to localise supply
- Optimisation of the route-to-market initiatives progressing well

> Challenges	> Strategic responses
> Instability in Oromia region	> Integrated stakeholder management framework
> Low US$ pricing	> Increased usage of local coal
> High-thermal energy costs	> Increased PPC involvement as a technical partner
> Logistics capability to reduce cost to serve	> Localisation of input costs
> Availability of US dollar	> Review of operating model

> Well positioned to benefit from high economic growth.

2019 in review

The Ethiopian market is growing rapidly and experiencing an increase in construction spend. Habesha, however, is in a slower ramp-up phase. Despite this, demand remains positive and our market share increased to approximately 7%. Furthermore, utilisation was above 40% for the last 12 months. The business volumes approximately doubled in 2019 compared to 2018. The overall sales were impacted by political instability in the Oromia region and excessive rainfall which affected plant performance. Pricing in US dollar declined due to the devaluation of the Birr.



Outlook

The Ethiopian political landscape is expected to improve, with strong projected GDP growth of between 7% and 8%. This should improve confidence in the construction market, which will enhance cement demand in the country. Construction, retail and wholesale trade are expected to grow by more than 10%.

With regards to costs, the business continues to investigate alternative thermal energy sources, optimisation of production efficiencies and implementation of effective management systems. The key focus remains on further ramp up, optimisation of the plant to its full potential and growing volumes through effective route-to-market strategies that will improve profitability.

SOCIAL REVIEW

We aspire to help people experience a better quality of life. In line with this vision, building relationships with our social partners and enabling economic progress in our operating communities is key to our continued success. We focus on projects that enable socio-economic progress, including education, health, job creation and youth development.

In 2019, we focused on three interventions

- **CSI** which feeds into our social responsibility as a good corporate citizen

- **SLPs** which are regulated by the South African Minerals and Petroleum Development Act (MPRDA) and implemented in our mining or quarrying host areas and labour-sending areas. PPC has 11 sites which are expected to conduct SLPs, which span five years each generation. The 2019 financial year formed part of the second generation SLPs. Although not all sites have completed their SLPs to date, three sites implemented and completed their SLP commitments before the end of the five-year term. This is largely influenced by the nature of the programmes undertaken and the ease in collaborating with the involved stakeholders, including the local municipalities. The remainder of eight sites are expected to implement SLPs during 2019. In total 64 % of our sites implemented SLPs during the reporting period.

- **SIPs** which includes high-value projects conducted in the spirit of goodwill, mainly in the areas surrounding our operations. These projects have the potential to strengthen our stakeholder relationships and enhance our reputation as a good corporate citizen, and include improving the quality of road infrastructure and access to resources such as water for our employees and communities.

How we went beyond in 2019

Socio-economic development (SED) is deemed a strategic imperative, deeply enshrined in our transformation strategy as well as our promise of Strength Beyond. We believe that prosperity is derived from a shared value approach with the communities in which we operate. PPC is also cognisant of the risks and threats posed by the absence of SED programmes in our communities, including the loss of our social licence to operate and the potential impact of populist movements.

We are committed to our role as a meaningful collaborator in community development across our areas of operation. Our philosophy of shared value enables sustainable growth in communities while making business sense for our stakeholders.

South Africa

We believe that our social investments are effective drivers of SED in South Africa. Our key projects and initiatives are summarised below.

Highlights

Opening of the Porterville Path out of Poverty (POP) youth centre in Porterville, Western Cape (SLP)

During 2019, PPC invested approximately R526 000 towards the Porterville POP youth centre project. The youth centre, run by the Goedgedacht Trust, was opened during June 2018 and creates personal development opportunities for approximately 1 100 youths in the area.

The trust aims to make a contribution to the transformation of impoverished rural communities by offering youths the opportunity to become healthy, self-confident and educated which, in turn, could lead to them taking up leadership roles in their communities. At PPC, we believe that supporting and investing in this programme will have a positive impact on the youth around our De Hoek labour sending areas, lifting them out of poverty and, ultimately, contributing to a better quality of life for those in our communities. To date, we have financed building and running costs of the youth centre, totalling R3,5 million.

Construction of the Dwaalboom-Koedoeskop road in progress

Construction of the Dwaalboom-Koedoeskop road (SIP)

To improve access between our Dwaalboom plant and our key labour sending area, we entered into a tripartite partnership with the Limpopo Road Agency and the North West Department: Public Works and Roads. The project aims to upgrade the road between Dwaalboom and Koedoeskop. PPC committed approximately R67 million to the project, which commenced during the previous financial year. During 2019, we invested about R10 million of the total funds committed.

Picture of the double seal section in progress

Donation of science laboratories

With the fourth industrial revolution at hand, PPC is motivated to support disadvantaged schools with relevant technology programmes. We also continue to strengthen public secondary schools through infrastructure, and aim to support a growing number of black learners with a quality education in maths and physical science. Therefore, in 2019, we continued with the roll out of Smart Labs in our route-to-market and areas of operations, to the value of approximately R500 000. PPC donated three Smart Labs, the recipients included the Mochudi Secondary School near Dwaalboom in Limpopo, Bilal Combined School in Lenasia in Johannesburg, and the Rephafogile Secondary School in Mamelodi. We continue to receive encouraging testimonials of significant improvements inspired by the information, tools and programmes we helped to enable.

Construction of a new multi-purpose sports facility (SLP)

PPC conducted various programmes in line with the local economic development needs of the communities in the area near our Lime Acres operation in the Northern Cape. Among other projects, we constructed a new multi-purpose sports facility at the Danielskuil Intermediate School in Tlhakalatlhou, which includes a new soccer field that will be used by approximately 900 children. PPC spent about R617 000 during 2019 on this development.

Contribution towards the Devland education campus in Soweto (CSI)

Investment and support for educational activities remain a top priority for PPC. Once completed, the Devland project – an envisaged state-of-the-art multi-purpose education facility situated in Soweto – will empower previously disadvantaged students with the necessary education to meet the demands of today's workforce.

In the past, PPC has contributed to this project through monetary donations, as well as employee volunteerism as part of our Mandela Day initiatives. Continuing with this commitment to address the pressing educational disparity in South Africa, we donated R150 000 in 2019 towards the construction of this facility. Upon completion, the Devland education campus will offer multiple flexible classrooms and administrative spaces, as well as an auditorium and cafeteria.

Progress of the Devland project as at December 2018

Mobile clinics for Laezonia and Mooiplaas (SLP)

PPC continues to support efforts to improve the health system in South Africa. To this end, we spent R3 million in procuring a large mobile clinic unit, which we donated to the City of Johannesburg as a custodian to serve the Diepsloot community. The mobile clinic will serve between 2 000 and 3 000 community members per month. Another R3 million was spent to acquire three sets of bakkie and trailer mobile clinics, which we donated to City of Tshwane as a custodian to serve the Mooiplaas operation's labour sending communities in Pretoria. In addition to these donations, the clinics will create approximately 20 jobs in the respective municipalities.

One of the three bakkies donated to the City of Tshwane to serve the community near our Mooiplaas operation.

Our mobile clinic unit donated to the City of Johannesburg

In progress

Dwaalboom electrical switchgear project (SLP and CSI)

In recognising the development needs and priorities within the Thabazimbi municipal area, PPC Dwaalboom entered into a memorandum of agreement with the local municipality. The focus is a partnership to implement SLP projects around electrical substations.

PPC committed a total of R6 million towards the SLP programme, of which we spend at least R650 000 during 2019. Our investment related to oil sampling, fixing oil leaks and load testing of the infrastructure services in a manner that is safe, effective and sustainable. Our investment further ensured access to basic electricity services for all domestic, industrial, business and institutional consumers in the area.

Lowlights

Mount Steward – Klipplaat (SLP)

PPC's South African operations that extract raw material from the ground are regarded as mining entities and therefore required to comply with the MPRDA and applicable mining charter. Regulation 46 of the MPRDA requires that mining companies implement SLPs in their host communities and labour sending areas. Each SLP term, or generation, spans five years. Our SLPs during 2019 form part of the end of the second generation. It is imperative that all sites or operations comply with SLPs regulations to avoid a directive from the regulator.

Notwithstanding many recognisable challenges to implement an SLP programme, completion of the second generation SLP project in Klipplaat near Mount Steward remains a concern. Engagements continue to take place with the communities and regulator to ensure this programme is implemented before the end of August 2019.

Zimbabwe

Our PPC Zimbabwe operations made significant CSI investments in local communities during the year. Our contributions of approximately US$172 000 were aimed at all our operating areas in the country – including Colleen Bawn, Bulawayo, Harare, Gwanda and Plumtree. Our projects included:

- An entrepreneurship training programme for the community around our Colleen Bawn operation
- Supporting the Manama Hospital by donating 300 blankets and bed sheets
- The provision of quarry stone, cement bricks and a truckload of cement for the construction of classroom blocks for the Insindi Secondary School
- Benches for community churches in Colleen Bawn
- Prizegiving at Joshua Mqabuko Polytechnic and the Gwanda Provincial Hospital
- The donation of beds, blankets, bed sheets and pillowcases to Plumtree Hospital
- The donation of 20 bags of cement to the Gwanda State University

Donations made to the St Francis Home for disabled children

Donation to St Francis Home

As part of our Father's Day celebration, our male employees donated groceries and bed sheets worth US$1 362 to St Francis Home in Bulawayo. St Francis Home provides a safe haven for children who are mentally challenged, and some who also have severe physical handicaps.

In addition to the abovementioned, we highlight some of our key projects below.

Donation to the Zimre Park Primary School

After the relocation of some of our team members and their families from Bulawayo and Colleen Bawn to Harare, PPC donated eight tables, 53 plastic chairs, 100 double seater desks and 65 computer lab stacking chairs to the Zimre Park Primary School. Most of our employees' children attend the school.

Tables, desks and chairs donated to Zimre Park Primary School in Harare

Water infrastructure project in Gwanda

PPC is committed to collaborating with government institutions to deliver services where the company has the capacity. During 2019, we spent US$11 000 on the water infrastructure project in Gwanda, which entailed drilling a borehole and installing a solar pump.

Education and skills development

Education and skills development remain one of our key focus areas across the group. PPC Zimbabwe contributed US$21 000 towards bursaries for eight students.

The solar pump installation was part of the water infrastructure project in Gwanda

SOCIAL REVIEW continued

Rwanda

In Rwanda, our CIMERWA operation is committed to the group's CSI focus areas and policy. Various CSI programmes were conducted during 2019, relating to education, sports, entrepreneurship promotion, and health and poverty alleviation among the most vulnerable communities. We highlight some of our key projects below.

Clean tap water extended to the Nyenyeli and Rubeho villages

We are committed to bringing dignity and a better quality of life to the people in our communities. To this end, PPC CIMERWA was instrumental in bringing potable water to the residents of the Nyenyeli and Rubeho villages. These communities previously fetched water from the nearby Rubyiro and Rusizi streams, which are prone to carry waterborne diseases. With a population of approximately 4 400 residents, women of different ages also found it time-consuming to queue, waiting to access a single tap.

Hollow brick making machine donated to local entrepreneur

Cement bricks are not only aligned to our core business, they are instrumental in job creation. During 2019, CIMERWA donated a hollow brick making machine to Mr Gatete Mustafa, a local entrepreneur and the managing director of Best Bricks Factory Limited. Mr Mustafa is popularly known for the bricks and pavers which he sells both locally within the Rusizi district, and internationally to the neighbouring DRC.

Through CIMERWA's support, Mr Mustafa was able to extend his work station and employ over 12 local youths and many other casual labourers. He constructed a road leading to his station, which is also used by other residents to transact business. Mr Mustafa also started a programme aimed at training the youth to become professional brick makers which, in turn, can lead to employment. Through this programme, CIMERWA is contributing towards Rwanda Vision 2050, which seeks to achieve high standards of living for Rwandans.

Support for TTCM tailoring cooperative

During 2019, CIMERWA supported a tailoring cooperative comprising over 61 members of the community, the majority of which are women. Our financial support enabled a workshop where the tailoring activities are carried out, along with the required electricity and water. To ensure the sustainability of the cooperative, CIMERWA further offers support through capacity building and financial assistance to annually manufacture staff uniforms. The cooperative also provides training to young girls who did not have a chance to further their education. CIMERWA's support helps to secure the socio-economic position of the cooperative's members and contributes positively to community development. The successes of this cooperative also impacts the broader Rusizi district, affording many households a better quality of life.

TTCM cooperative members and sewing staff making uniforms

Employee volunteerism

A proudly Rwandan initiative is the practice of Umuganda, which has its root in the Rwandan culture of self-help and cooperation. CIMERWA employees would, from time to time, engage in community work by selecting a programme to address the urgent needs of the community. The practice of Umuganda is deeply entrenched as one of our volunteerism programmes, enabling our employees to help communities. Examples of work include the renovation of water trenches to prevent soil erosion and its related adverse effects to the communal gardens – a joint effort with community leaders in the Nyenyeli village – as well as the construction of classrooms for community schools and feeder roads.

Promoting education

CIMERWA continues to provide quality education to the youth within the community in which we operate. L'Educateur Primary School, with a total of 604 pupils, offers a solution to many residents needing quality education for their children with affordable and subsidised school fees. Currently, the pupils are served breakfast and lunch daily, and transport to and from the school is also provided. This has resulted in a conducive learning environment and increased learner performance. The school's performance has consistently scored as excellent among national schools, with all pupils passing in grades one and two, respectively.

Learners from L'Educateur Primary School, supported by CIMERWA

Honouring former employees

During 2019, CIMERWA constructed a modern house for the family of its former employee killed in the 1994 genocide, Mr Ndayisabye Polifila. His wife, Ms Mukarukaka Laurence, a 47-year-old genocide survivor and mother of seven, says that CIMERWA has greatly improved her standard of living by providing her with a new home. She explained that her house was leaking, making it difficult to sleep whenever it rained – the iron sheets were old and the structure was on the brink of collapsing. CIMERWA also constructed homes for the families of Simpunga Joseph, Murema Jean, Ahishakiye Paul and Kanyejwi Alex, former employees who were killed during the 1994 genocide.

Supporting Bye Bye Umwanda campaign

In a bid to facilitate hygiene and sanitation within Shara Cell, CIMERWA donated iron sheets to 49 vulnerable and disadvantaged families in support of the Bye Bye Umwanda campaign. The families used the iron sheets for roofing to cover toilets and kitchens that were leaking and creating unhygienic conditions. The iron sheets were handed over to the Cell Executive Secretary, Mr Willison Hatangimana, who delivered them to the residents.

120 bags of cement donated to the Youth Foundation for Future

CIMERWA donated 120 bags of cement to the Youth Foundation for Future, aimed at supporting soldiers who were injured during their intervention in the 1994 genocide. The cement was used to construct houses for these soldiers.

Selling point market

The selling point market in Rwanda helps low-income women sell foodstuff, such as fruits and vegetables, to the surrounding community. The construction of the market, which amounted to about RWF57 million, and handover to the community was done during September 2017. Currently, PPC is involved in guiding and mentoring local women operating in the selling point, as well as assisting them in growing their customer base by encouraging employees, visitors and nearby restaurants to buy from this market. Furthermore, CIMERWA also provides capacity building for these women, enabling them on learn basic business skills.

The selling point has transformed the lives of over 200 women. Ms Icyimpaye Pascazie, a single mother of two who sells fruits at the market, says that she now earns between RWF15 000 and RWF25 000 a day. This has enabled her to afford school fees for her two children and to improve her basic living conditions.

Woman selling fruits and vegetables at the selling point

SUMMARISED ENVIRONMENT AND ENERGY REVIEW

PPC is committed to operating a sustainable business, which leads to us reducing the impact of our operations on the environment while also continually improving our environmental performance.

Highlights

- All PPC's cement and lime operations in South Africa and Zimbabwe maintained their ISO 14001:2015 certification
- Installation of the SK8 bag filter at Slurry reduced PM emissions to below 30mg/Nm^3
- Improvement in fugitive emissions at Slurry and Harare due to construction of material sheds
- The SK9 kiln line, a state-of-the-art six-stage pre-heater kiln with a large calciner, was started up early in the financial year. Pleasingly, this clinker production line significantly reduced thermal energy usage at our Slurry operations by approximately 15%. In addition, dust (PM) and SO_2 emissions are well below the 2020 limits
- Water consumption improved by 11% within the group
- Group dust emission burden improved by 64% during the year
- PPC received four separate section 12L tax certificates, for energy saving initiatives implemented at the Dwaalboom and Slurry operations
- Thermal-specific heat consumption decreased by 4,8% within SA cement

Challenges	Strategic responses
NOx emissions remain a challenge at De Hoek and PPC Barnet DRC	Continue to optimise process performance at De Hoek. Modification to reduce the NOx emissions at PPC Barnet during the kiln shut down in July 2019
Visible stack emissions at Colleen Bawn operations in Zimbabwe	Commitment to upgrade dust abatement equipment during 2020/2021
Section 21A fine was issued at our Pronto drying plant	Applied for atmospheric emission licence (AEL), which was issued by the City of Johannesburg
Carbon tax, implemented in South Africa from June 2019, is a significant business risk to our cement operations in this region	Implementing measures, such as our energy management policy, to mitigate CO_2 emissions. Focus is also on improving our monitoring system to address carbon tax requirements

Focus areas for 2020

- Roll out of ISO 50001-based energy management system (EnMS) at all integrated cement milling plants in the group
- Company-wide awareness session on the EnMS will be rolled out through our PPC Technical Academy to ensure employees are informed of the continuous energy efficiency drive
- We commit to 5 % reduction in water consumption across the group by end of 2020
- Our aim is to equip all stacks with continuous emission monitoring equipment by 2020

Our environmental issues

Sustainability is inextricably linked to our business strategy and, in line with our commitment to efficient energy usage at all our operations, we strive to minimise or eliminate impacts, maximise benefits, and optimise the use of both thermal and electrical energy.

We encourage all our stakeholders, including our customers, suppliers and business associates, to meet similar environmental goals. Based on internal and external factors, as well as legal obligations, PPC has identified its key environmental issues – compliance, energy management and climate change, efficient and responsible use of water resources, air quality management, and resource conservation and alternative fuels.

Compliance

Complying with rapidly changing environmental regulatory frameworks, both in South Africa and the RoA.

Overview of our environmental issues in 2019

- We conducted internal legal audits at De Hoek, Riebeeck, Dwaalboom and Slurry. The outcomes are used to ensure compliance and inform continuous improvement across our operations
- Relevant government authorities conducted compliance inspections at our Dwaalboom, Hercules, Riebeeck, De Hoek, Lime Acres, Pronto, Mooiplaas and Laezonia operations in South Africa. Our Pronto operation was issued a section 21A fine for operating without an AEL. Similar inspections were conducted at our Colleen Bawn and Bulawayo plants in Zimbabwe, as well as our PPC Barnet plant. No formal reports were issued
- We continue to optimise process performance at De Hoek to improve our NO_X emissions and meet compliance standards, and also engaged international specialists to advise on appropriate measures that can be implemented
- Co-processing activities with tyres can reduce NO_X emissions by about 20 % to 30 % and meet compliance standards. However, we continue to engage with the Department of Environmental Affairs (DEA) to seek an agreeable solution to tyre supply. Tyre supply from the Waste Bureau was temporarily discontinued, which created plant process instability and impacted on emission performance

Energy management and climate change

Committed to efficient energy usage at all our operations, optimising the use of both thermal and electrical energy.

Energy consumption – PPC SA Cement

Energy terajoules (TJ)	2019	2018	2017
Direct (thermal/coal)	**12 253**	13 041	12 752
Indirect (electrical)	**1 736**	1 691	1 651
Total	**13 989**	14 732	14 403

Energy performance – PPC SA Cement

Energy intensity	2019	2018	2017
Thermal-specific heat consumption (MJ/kg clinker)	**3,78**	3,97	3,95
Electrical-specific energy consumption (kWh/kg cement sold)	**110**	105	104

Carbon emission intensity for our South African cement operations

	CO_2/t clinker	CO_2/t cement
2017	1 055	765
2018	1 056	775
2019	**1 020**	**788**

Energy management and climate change continued

Overview of 2019

- Direct energy usage decreased by 6 % mainly due to starting up of SK9 early in the financial year, as well as discontinuing less efficient kiln lines
- Indirect energy usage increased by 2,7 % as a result of increased number of fans on grate cooler kiln lines, as well as more kiln lines converting to bag filters
- Successfully implemented an ISO 50001-based EnMS at all fully integrated cement plants in South Africa
- Completed a feasibility study at De Hoek to identify possibilities to move away from fossil fuels and use refuse-derived fuels to produce clinker
- Initiated a feasibility study for alternative solids fuels for SK9, with a target to have 80 % thermal substitution rates for the calciner (or 48 % of kiln system) as an alternative fuel supply
- Responded to the Waste Bureau tender to provide co-processing solutions with 15 000 tonnes of waste tyres per annum allocated to De Hoek operations, and 22 000 tonnes per annum allocated for co-processing at our Slurry operations
- Installing smart meters on main incomers in all clinker and milling operations in South Africa. At the moment, metering is expanded to downstream feeders for the identified significant energy users (SEUs) or plant sections
- PPC prioritised a feasibility study for implementation of solar photovoltaic (PV) at the Bulawayo and Colleen Bawn factories in Zimbabwe
- The implementation of energy management systems and energy improvements allow for the application of a section 12L tax incentive, which has been realised at both Dwaalboom and Slurry where tax certificates were awarded
- Based on the brownfield project for SK9, PPC applied for the section 12I tax allowance incentive project. These tax incentives certainly support our energy policy and help us to continue to implement future energy saving opportunities
- Submitted our annual report on greenhouse gasses (GHG) to the DEA
- Improved CO_2 intensity from the previous year due to the implementation of our mega-plant strategy
- The carbon disclosure project (CDP) introduced a new set of reporting requirements for the cement sector. Unfortunately, in 2019 PPC's rating was downgraded from a B to a D due to more stringent requirements
- South Africa implemented carbon tax with effect from 1 June 2019. The estimated amount of exposure for lime and cement is between R100 and R120 million per annum

Our energy policy can be accessed at **www.ppc.africa**

Efficient and responsible use of water resources

Efficient water use and conservation measures to ensure sustainability of operations.

Overview of 2019

- During the reporting period, PPC extended its target to include the RoA operations and aimed to reduce water consumption across the group by 5 %
- We exceeded this target by 11 % due to continuous water saving initiatives and effective management, including:
  - Harvesting of rainwater for ablution facilities re-use in Port Elizabeth
  - Recycling of sewerage effluent water as process water at Colleen Bawn
  - Adoption of Western Cape drought water restriction initiatives as an operational method
  - Conversion of SK8 electrostatic precipitator to a baghouse
  - Completion of a cooling water recycling project at CIMERWA, whereby the main kiln cooling water is recirculated in a closed loop
- The water use licences (WULs) for both Hercules and Dwaalboom have been presented to the water use assessment advisory committee (WUACCA) for recommendations

Air quality management

Committed to identifying, monitoring, managing and reporting air emission performance of our operations.

	Dust		NO_X		SO_2	
	2019	2018	**2019**	2018	**2019**	2018
Tonnes	**267**	744	**8 648**	9 815	**693**	685

Overview of 2019

- With the introduction of Slurry's SK9 bag filter and retirement of SK7 in 2019, our dust (PM) emissions are well below the minimum emission standard, furthermore this has improved the total dust burden for the group by 64 %
- Construction of material sheds as part of the SK9 kiln line and Harare operations improved the ambient air quality in the surrounding environment which, in turn, reduced dust fallout from stockpiles
- All PPC's cement, aggregate and lime operations are registered on the South African Atmospheric Emission Licensing and Inventory System portal, and we complied with all reporting requirements in 2019

Resource conservation and alternative fuels

Managing our environmental footprint, as well as proactive land and resource stewardship, throughout the life-cycle of our operations.

	General waste	Hazardous waste
Total generated (tonne)	**2 674**	**1 469**
Total recycled (%)	**24**	**55**

Overview of 2019

- We monitor our environmental footprint through annual fly-over surveys and ad hoc minimum standard assessments
- PPC's mine rehabilitation remains on track, with 95 % of disturbed land restored. We continue to lease rehabilitated land to neighbouring farmers for suitable land use

Stakeholder engagement

PPC is committed to interacting with stakeholders through various channels of communication.

Overview of 2019

- Regulatory processes such as environmental impact assessments (EIAs) and environmental management plans involve engaging with local communities as well as interested and affected parties
- Environmental impact assessments (EIA) were conducted at Riebeeck, De Hoek, Slurry, Pronto, Jupiter, Dwaalboom and Hercules
- At group level, our inclusive authority engagement process through various bodies, including the Association for Cementitious Material Producers (ACMP), The Minerals Council South Africa (the Environmental Policy Committee), as well as Business Unity South Africa (BUSA) resulted in reform that are informed by sector inputs. In 2019, topics for engagement included carbon tax, minimum emission standards, climate change bill, development of low emission development strategy and GHG performance guidelines

For more information on our environmental and energy performance in 2019, refer to our supplementary report that can be accessed at **www.ppc.africa**

SUMMARISED OUR PEOPLE REVIEW

It is the passion and determination of the PPC people that form the company's heartbeat.

The **PPC Way of Life**

PPC creates a **healthy, rewarding** and **satisfying** working environment.

We believe in **growth** – for our **company** and for our **people**.

We believe that a conducive and enabling culture, complemented by high levels of employee engagement and participation, is critical for PPC's success. Therefore, the development and entrenchment of a high-performing culture is a key strategic priority in creating sustainable value for all our stakeholders.

We believe in empowering our people to allow everyone equal opportunity to contribute to PPC's success. We remain committed to utilising all available human resources (HR) to their fullest potential.

We include in this section our **human capital review** (page 90) and **health and safety review** (page 95).

Human capital

PPC aims to be an organisation that attracts people committed to continuous transformation and high performance – to grow and develop talent for employability, build talent pipelines that lead to healthy succession and a learning culture.

We value our people and recognise that each one of us is essential to our success. Our people are our strength, and we:

- Embrace diversity and recognise the value and contribution of each individual
- Are collaborative and put the team ahead of our personal success and commit to building its capability
- Trust each other to deliver on our obligations
- Support the development of our people and help them reach their full potential

Reflecting on 2019

Highlights

- **Completed first phase of head office restructuring**
- **Strengthened key leadership which focused on executive committee**
- **Introduction of an executive coaching programme**
- **Launched and implemented the employee value proposition (EVP)**
- **Rolled out internal branding in southern African businesses**
- **IDM integration**
- **Integrated human capital management (HCM) system implementation process commenced with system set-up and configuration**
- **Zimbabwe employee self service (ESS)/manager self service (MSS) implementation**
- **Launch of culture change initiatives, including the group code of conduct, the introduction of culture change champions, and successful implementation of climate creation workshop (CCW) initiative**
- **Adopted a performance management and pay-for-performance philosophy**

Challenges	Strategic responses
External disputes arose as a result of head office restructuring	Legal processes followed as per the Labour Relations Act

In 2019, we made significant progress on those initiatives aimed at value creation for all our key stakeholders – growing and developing talent for employability, building a coaching and mentoring culture, and implementing a fit-for-purpose and effective structure conducive for a high-performance workforce.

Workforce analysis

Total **workforce** increased by **2,1%** to a total of **3 614** in 2019. Our recruitment rate is **10,5%***

Young talent (those younger than 30 years) represented **18,53%** of our workforce

The risk of losing **intellectual capital** and **institutional experience** was well managed, with **19,42%** of our employees aged 50 and above

Turnover rate* for South Africa, Botswana and Zimbabwe **increased** slightly to **8,4%** in 2019 (2018: 7,9 %). South Africa: **9,8%,** Botswana: **5,7%** and Zimbabwe **2,5%**

PPC's **absenteeism rate** is **1,93%***, comparing well to the average industry benchmark of **3%**

Overall **union membership increased** slightly, from 34,5 % in 2018 to **36,0%*** in 2019. The majority of our employees are members of the National Union of Mineworkers (NUM)

Successfully implemented a **manager** and **employee leave self-service portal** at our Zimbabwean operations

Our **oracle fusion** system project, aimed at **improving efficiencies**, standardisation and empowering our employees, is **in progress** and planned to be implemented during the second quarter of 2020

** Verified by Deloitte & Touche South Africa (excluding Pronto, 3Q and Ulula Ash), Botswana and Zimbabwe.*

PPC continues to make progress on our transformation targets compared to industry norms in South Africa. Female representation, in particular African females, continues to be a challenge against the national economically active population (EAP). Our total African female representation is 13,1 % in comparison with 35,7 % of the national EAP. Our recruitment and promotion initiatives are aimed at closing this gap.

National EAP versus PPC (%)[1]

	Male		Female		Total	
Population group	EAP	PPC	EAP	PPC	EAP	PPC
African	42,5	43,4	35,7	13,1	78,3	56,5
Coloured	5,4	17,9	4,6	5,3	10,0	23,2
Indian	1,7	0,9	1,0	0,9	2,7	1,8
White	5,1	12,8	3,9	4,6	9,0	17,4
Total	54,8	75,1	45,2	23,9	100	99[2]

[1] *Excluding Pronto, 3Q and Ulula Ash, not verified by Deloitte for assurance.*
[2] *Excluding non-South African citizens.*

SUMMARISED OUR PEOPLE REVIEW continued

Our culture

In 2018 we embarked on a journey towards rebuilding the PPC culture to, among others, form unity between employees, improve performance, uplift employee morale, be responsive to change and realise employee involvement.

Articulated our **values**, along with behaviour descriptors, and **communicated** with all employees through roadshows

All sites have our **values displayed** in meeting rooms and common areas

Training of line managers on how to **facilitate** team discussions

PPC reintroduced the **CCW initiative** – aimed at all employees to ensure **understanding** of the group's operating environment, what the requirements for **success** are, what the required behaviours are to **create value**, as well as the role of the individual employees in creating value

Upskilled our **Invocom®** system, which actively **promotes** communication, engagement and **team performance**

Adopted a group **culture** change plan to provide **guidance** on the **implementation** of all initiatives and to formulate culture plans

Successfully introduced a plan to **approach** and **collaborate** with culture change **ambassadors**

From May 2019, we **conduct quarterly surveys** to measure the **effectiveness** of our culture

We introduced a PPC code of conduct in 2019. Our people participated in the design of the code of conduct, and were critical in the development of a framework encompassing the following six pledge statements we live by:

- We treat others the way we wish to be treated
- We are honest, ethical and act with integrity
- We care for ourselves and the resources of our company
- We continuously improve the way we do things
- We are part of the solution to every challenge we face
- We respect and apply our policies, procedures, processes and observe the laws of our country

Talent

A fit-for-purpose and effective organisational structure is critical to driving high performance.

Commenced with **talent reviews**, followed by **assessments** for potential and **leadership** successors

Once **reviews** are **completed**, we will be able to **develop** an informed **succession plan**

In conjunction with this process, we will **develop** a **robust talent strategy**

We launched our EVP which highlights the promises we make to our employees. The EVP, which was crafted with input from our employees to ensure relevance, comprises six components and is supported by initiatives to ensure that our people truly experience the EVP throughout their tenure in PPC.

Inspiring leadership

Our leaders create a shared vision which enables a diverse group of individuals to unite towards common goals of building a high-performing organisation

An enabling culture

We embrace positive work, relationships and the Strength Beyond team spirit while we respect and value everyone and recognise that each one of us is essential to our success

Talent nurturing

We are committed to providing a fulfilling career that offers growth and career stability to our employees with added opportunities for learning and development

A healthy and safe environment

We are committed to protecting the occupational health and safety of our employees and all our stakeholders at all time

We care

We strive to provide quality solutions in everything we do, which includes our products, the support we offer the communities in which we operate, and the personal lives of our employees

A happy home

We strive to create a positive work environment which increases a sense of personal achievement and a work-life balance

High-performing organisation

We aim to create a high-performing culture within our organisation.

Revised our **performance management** and **pay-for-performance philosophy**

Simplified the **performance** and **goal setting** template

Leadership

Our leadership is critical for the success of our business and driving the culture of our company. We aim to create a culture where leaders inspire the workforce to achieve the strategic objectives of PPC.

We **introduced** and **implemented** an **executive coaching programme**, aimed at **empowering** and supporting our executive committee (exco) members in their journey to becoming **inspiring leaders**

Drafted **leadership competencies** to assess our **leaders** across all levels

Assessments will focus on **strength** and **development gaps**, which will guide individual development plans and the design of **leadership development programmes**

SUMMARISED OUR PEOPLE REVIEW continued

Learning and development

We aim to be a talent-magnet organisation. Learning and development, as an integral part of PPC's HR strategic priorities, strives to continuously grow our employees to maintain a strong pipeline of skills to remain globally competitive.

Adopted an integrated **talent management** philosophy

In the process of **system set-up** and **configuration** of an effective and integrated **HCM system**

Our **average training hours** per employee across the group is **68 hours**, while total training hours for South Africa is **82**

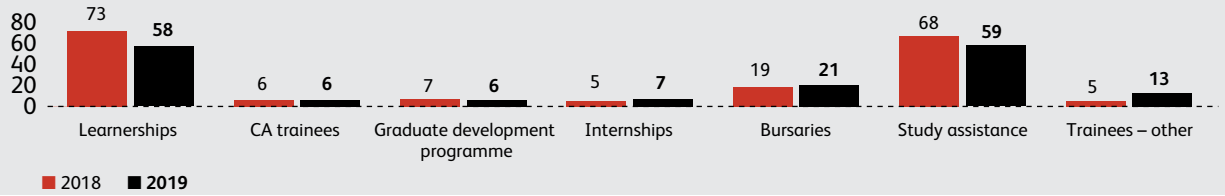
Total training hours of employees in South Africa amounted to **176 994**, while total international training hours amounted to **57 075**

Invested a significant **3%** of our **wage bill** in learning and development, up from 2,5 % in 2018

In South Africa, we **invested 3,8%**, a **0,4% decrease** from 2018 due to a **challenging economic environment** and **lower learnership** numbers compared to the previous year

Of our total **learning** and **development investment**, **30%** was directed at the development of **young talent**

Young talent development initiatives (South Africa)



Our focus areas for the next 12 to 18 months

HR solutions	Talent	High-performing organisation	Organisation culture
Learning and development is an integral part of PPC's HR strategic priorities, and we strive to continuously grow and develop our employees.	PPC aims to be a talent-magnet organisation, and to attract those people that are committed to consistent transformation and high performance.	A fit-for-purpose and effective organisational structure is critical to driving high performance.	Our leadership is critical for the success of our business. We aim to create a culture where leaders inspire the workforce to achieve the strategic objectives of PPC.
> Promote a learning culture > Continue to develop young talent to enhance employability > Entrench group code of conduct throughout PPC > Develop and implement simplified performance management scorecard > Streamline and standardise processes > Enhance group HR tools and systems > Ensure data integrity > Review group policies > Build and launch HR metrics	> Focus on recruitment of diaspora talent to strengthen in-country teams > Drive assessments to validate leadership successors > Develop talent to increase employability > Conduct development assessments > Implement development plans > Drive group succession analysis process > Drive multi-skilling programmes > Review and relaunch leadership competencies	> Implement our renewed performance management philosophy > Launch leadership competency framework > Embed the company EVP across all businesses > Integrate skills development programme across all regions > Develop a sound and informed group succession plan > Drive the implementation of fit-for-purpose and effective organisation structure > Build a well-being culture	> Entrench PPC culture across all markets > Cultivate a high performing and enabling organisation culture > Entrench behaviours that embrace diversity and inclusion > Roll out the vital elements of a performing organisation to the rest of the organisation > Roll out effective communication programme > Cultivate a high level of authentic leadership and professionalism

Occupational health and safety

The people working in our operations are critical to delivering on our health and safety strategy. We care about the well-being of all our people across the entire business and strive to create a working environment without threat to their health and safety.

To achieve best-in-class occupational health and safety performance, PPC is committed to building a proactive, high-reliability health and safety culture at individual, leadership and organisational levels. We are committed to protecting the occupational health and safety of all our employees, contractors and visitors in the workplace and, where appropriate, other stakeholders.

PPC's health and safety policy, revised in January 2018, remained unchanged in the current reporting period, and can be accessed at
www.ppc.africa

Highlights

- **15 of PPC's sites recorded a zero LTIFR**
- **Seven of PPC's sites worked in excess of one million hours without a lost-time injury – our Rwandan operation achieved three million lost-time injury-free hours, and our Zimbabwean sites achieved five million lost-time injury-free hours across all sites**
- **Our DRC operation achieved 239 978 lost-time injury-free hours**
- **Seven of PPC's business units have over three years without a lost-time injury**
- **Our RoA operations had three lost-time injuries in the last 12 months, which resulted in a world-class LTIFR of 0,13**
- **PPC Zimbabwe LTIFR below group benchmark**
- **Rolled out our snakes and hazards programme, with very successful implementation in Rwanda**
- **PPC went live with the group SHERQ software system**
- **Our Zimbabwean operation was awarded Company of the Year at the National Safety Awards in 2018**

Challenges	Strategic responses
PPC recorded 21 lost-time injuries during 2019, which is two more than the previous year	> Conduct thorough investigations for all lost-time injuries, and share learning points throughout the group > Conduct internal audits to ensure compliance with our PPC health and safety management systems > In South Africa, the DMR also conducts their own investigations into lost-time injuries and, where necessary, provides instructions to PPC to rectify shortcomings > Completed a project for the implementation of an integrated SHERQ management system, which will greatly assist in health and safety management
Various onerous and developing requirements related to rail safety in South Africa, which are not commensurate to the rail risk profile of PPC	> Entered into comprehensive engagements with the Rail Safety Regulator (RSR) to ensure full understanding of the context and detail requirements > Committed extensive resources to ensure compliance with RSR requirements > The PPC South Africa Cement rail safety permit for 2019/2020 was issued in March 2019, with the PPC Lime permit already in effect from November 2018
High number of injuries in PPC established sites	> Since the implementation of our risk assessment and engagement programme – the snakes and hazards programme – throughout the group, we have made significant improvements which will be shared with all operations. The recent successful safety performance at CIMERWA and Dwaalboom through the snakes and hazards programme provides us with confidence of the effectiveness of the programme

Occupational health

We are committed to embedding an excellent health and safety culture throughout the group at all our operations.

SUMMARISED OUR PEOPLE REVIEW continued

Both contractors and employees complete a health and safety induction before starting work. Annual and exit medical examinations are also conducted for all our employees and contractors. All expatriate workers, including those employees and contractors travelling internationally, complete an extensive pre-deployment health evaluation.

We conduct occupational hygiene surveys at our established operations on an annual basis, which take into account health concerns relating to lighting, noise, dust, ergonomics, heat, vibration and ventilation. These surveys will be introduced at new operations and subsidiaries as part of occupational health risk assessments.

We complied with all legal health and medical reporting requirements of the DMR or Department of Labour (DoL), where applicable.

All our sites have clinics, with medical professionals responsible for case management of chronic diseases. Our malaria cases were recorded at either PPC Barnet, in the DRC, and CIMERWA, in Rwanda – both of which are situated in malaria areas. Both these operations have active malaria control programmes in place, and malaria cases are rigorously monitored to ensure the disease is properly managed.

Our safety performance

PPC values the health and safety of our employees and other stakeholders. We pride ourselves on the excellent health and safety management systems which are in place at all our operations.

We had **no fatalities** during this reporting period (2018: zero)

Our group **LTIFR** and number of lost-time injuries **increased** slightly when compared with the previous reporting period

21 lost-time injuries during 2019 (2018: 19), and a LTIFR of **0,29** (2018: 0,25)

Disappointingly, the severity of the lost-time injuries **increased** significantly when compared to the previous year. Of the **21 lost-time injuries**, 10 required that the injured be booked off for more than a month

10 section 54 short-term work stoppages (2018: two), and **seven section 55 notices** to rectify (2018: nine)

PPC had **38 visits** by authorities during 2019. There were **zero notices** from the DoL relating to health and safety issues

We use management control as the guiding principle to determine whether safety statistics are reported in PPC group figures or separately. Therefore, we include the safety statistics of Inland Cement Blending (previously Safika) (91 %), Pronto and 3Q (100 %), and exclude those statistics of Habesha (38 %), which is reported separately from the PPC group.

	Actual[3] March 2019	**Actual Group March 2019**	Actual[3] March 2018	Actual[3] March 2017	Actual[3] six months to March 2016	Actual[3] September 2016	Actual[3] September 2015
Fatalities	**0**	**0**	0	1	2	2	0
Fatality frequency rate (FFR) per 200 000 hours worked	**0**	**0**	0	0,01	0,05	0,02	0
Number of lost-time injuries	**15**	**21**	19	31[2]	10	20	18
LTIFR per 200 000 hours worked (12-month window)	**0,31**	**0,29**	0,25	0,40	0,24	0,24	0,24
Days lost to lost-time injuries	**714**	**982**	377	599	239	511	804
Significant administrative notices[1] (number)	**10**	**10**	2	4	3	6	4

[1] Section 54 (DMR – South Africa only).
[2] In total 32 incidents resulted in 31 LTIs and one fatality.
[3] Assurance scope excludes: PPC Barnet, CIMERWA, Ulula, Pronto, 3Q, Inland Cement Blending (Safika), Harare Factory.

Number	12 months April to March 2019 (in scope)	12 months April to March 2019	12 months April to March 2018[3]	12 months to March 2017[3]	Six months to March 2016
Total	**15**	**21**	19	32[2]	12[1]
Operational lost-time injuries and fatalities	**14**	**19**	18	28	8
Project lost-time injuries and fatalities	**1**	**2**	1	4	4
PPC employees injured and fatalities	**12**	**16**	14	18	7
PPC contractors injured	**3**	**5**	5	14	5
Southern Africa operations' lost-time injuries and fatalities	**14**	**18**	17	27	6
RoA lost-time injuries	**1**	**3**	2	5	6

[1] One fatality and 11 lost-time injuries.
[2] One fatality and 31 lost-time injuries.
[3] Assurance scope includes all South African PPC sites, Pronto, Botswana and Zimbabwe.

General safety matters

PPC introduced the snakes and hazards programme two years ago. Our leaders, recognising their critical role in embedding health and safety at our operations, actively manage this programme at our operations. The snakes and hazards programme is aimed at improving the safety performance of our employees by using the characteristics of three snakes to identify hazards – hidden (puff adder), developing (python) and obvious (cobra). The programme has been rolled out at all PPC operations, except for Zimbabwe, where we plan on introducing the programme in the first quarter of the 2020 financial year.

PPC is active in Minerals Council of South Africa (MCSA) structures, previously the Chamber of Mines, which allows us to obtain information and add value on complying with various elements of the mining charter, as well as other regulatory requirements. The DMR published its safety performance results for 2018 (most recent), which indicated that the mining industry recorded 81 fatalities (down 10% from 2017), and 2 350 injuries (down 12% from 2017). PPC's eight South African mining sites recorded zero fatalities and 10 lost-time injuries.

Our South African manufacturing sites retained their OHSAS 18001 certifications. ISO 45001 was published in March 2018 and will ultimately replace OHSAS 18001. PPC has three years to complete the transition to the new ISO standard, should we decide to do so.

PPC has 12 active rail sidings, situated across 11 sites in South Africa, that are required to comply with the legal requirements of the RSR. The RSR recently promulgated new regulations, the Safety Permit Conformity Assessment Method (SPCAM). On 30 November 2018 we submitted our 2019 rail permit application, in accordance with the SPCAM, and the PPC South Africa Cement rail safety permit was issued during March 2019 with no conditions. The PPC Lime rail safety permit was issued during November 2018.

Our focus areas for the next 12 to 18 months

PPC is committed to its group health and safety policy but is guided by in-country subtleties in the implementation thereof. Our overarching goal is to ensure the people working at our operations return home in a healthy and safe manner every day, and by delivering on our strategy we take into account the varying safety and health risk profiles across these initiatives. It is imperative that robust safety and health systems are maintained and embedded throughout our operations.

Our focus areas for improvement in our health and safety performance include the following:

- Complete roll out of the snakes and hazards programme throughout the group
- Providing specialised training and coaching to our health and safety representatives to add more value to the health and safety management on our sites
- Provide training of front-line employees to lead health and safety in their operations based on the completed training material
- Identify root causes of all incidents and sharing learning points through the "So-what" incident review process
- Provide training on the new SHERQ software to site users
- Follow-up reviews, ongoing coaching and guidance from leadership regarding the snakes and hazards programme

For more information on our people, refer to our supplementary report that can be accessed at **www.ppc.africa**

CUSTOMER REVIEW

At PPC, we pride ourselves in offering customers more than just cement. We passionately invest in meaningful initiatives and projects that advance our customers' excellence because we understand that the success of our business relies on the success of our customers.

Challenges	Strategic responses
> Pricing impacted by low quality products > Demand is subdued in South Africa > Negative impact on the construction industry > Liquidity constraints in Zimbabwe impacting disposable income > Political uncertainty in DRC impacted the expected growth	> Launched SURERANGE and introduced new products in South Africa > Focus on our brand image – Strength Beyond > Focused our value-added technical support in particular to small, medium and micro-sized enterprises (SMMEs) > Entrenched route-to-market strategies in all our markets > Established distribution depots/warehouses in the interior of DRC

We place our customers at the heart of what we do and aim to consistently exceed their expectations. Every interaction with our customers is driven by our values, and:

- We go the extra mile for our customers
- We provide excellent service and quality solutions
- We create consistent exceptional customer experience
- We are agile and responsive
- We put ourselves in the customers' shoes and anticipate their needs

Southern Africa

South Africa

> Provided both SURETECH and Ground Granulated Blastfurnace Slag for the construction of the Kangnas Wind Farm
> Entered into a public-private partnership agreement for the construction of two new sections of roads to improve access to and from our Dwaalboom operation
> Supplied aggregates to N14 road upgrade project

Major projects we supply cement to

> Menlyn Maine apartment project
> SAB expansion
> Oric Street student housing development
> Regency hotel development

Botswana

> Awarded a tender to supply cement and aggregates for the construction of the Gaborone-Boatle road

Rest of Africa

Zimbabwe

During 2019 we launched SURETECH in Zimbabwe: a specialist cement for civil construction.

We deployed a total of 100 containers and cement sheds to enhance route-to-market.

Major projects

> Hwange Thermal project
> Gwayi Shangani dam project
> Beitbridge Border post-construction
> R.G. Mugabe Airport rehabilitation
> Tedzani power station

Landmark projects

Signed a contract for Hwange Thermal project for **30 000 tonnes** of cement in the 2019 calendar year, with a possible **40 000 tonnes** in the 2020 calendar year.

Finalising the Gwayi Shangani dam contract for the provision of **90 000 tonnes** of cement over three years.

Concluding the Beitbridge upgrade project worth **35 000 tonnes** of cement.

Rwanda

As part of our strategy to widen our product portfolio, we conducted a market survey on customer's cement product needs. We plan on launching new products in October 2019.

During the year we successfully converted 80 % of our domestic sales to the delivered model. We also launched the bulk cement offering to better serve the civil and construction industries.

Landmark projects

Sole supplier of cement for the construction of a **peat-to-power plant** in the Gisagara district.

Supplied a total of 90 000 tonnes of cement for the completion of the **Bugesera Airport project** which, upon completion, will become Rwanda's largest international airport.

Supplied a total of 7 000 tonnes of cement for the **Afri Precast project**.

DRC

Our largest customer base in the DRC is the retail sector. Our total customer base grew by 90 % in 2019, increasing sales volume by 91 %. In line with government focus on infrastructure development, we anticipate major infrastructural projects commencing in the next financial year.

Our SURERANGE will be introduced during the 2020 financial year, with SUREROAD launched during the first quarter of the financial year.

Some of the notable projects we supply include:

- The DRC National Museum – 1 800 tonnes supplied and completed
- Social housing development in the interior market – 12 000 tonnes

Landmark projects

We deployed 25 containers to enhance route-to-market and complement the existing "depot ciments" model. Our market reach has expanded from the western DRC to the interior, with operations in Kisangani, Bandundu and Kasai.

Ethiopia

Supplied a total of 8 200 tonnes of OPC 42,5 cement for the construction of the **Megech dam**, located in the **Amhara region** in the **Northwest province.**

Exclusively supplying a total of 13 100 tonnes of 32,5N cement for the construction of **Borena University**, located in the **Oromia region** in the **South province**.

Supplying 42,5R cement for the construction of **Tanabeles Sugar Factory**, located in the **Amhara region.**

DWAALBOOM ROAD PROJECT

Project cost: R60 million

Project start date: April 2017

Our Dwaalboom plant's key labour sending area is Holfontein, situated in the North West. This area is extremely rural, with only a dirt road from the plant through Holfontein to Northam.

To assist both the community in which we operate and to improve access to and from Dwaalboom, PPC entered into a public-private partnership agreement with the Roads Agency of Limpopo (RAL) and North West Department: Public Works and Roads for the construction of two new sections of road – the first new tar road between Dwaalboom and Northam and the second an upgrade of the road from Northam to Koedoeskop.

While a lead contractor was appointed, part of the agreement included drawing labour from the community living adjacent to the road. Pleasingly, despite challenges with different role players, the section between Dwaalboom and Northam was completed in 2018, with the second stage to be completed during the 2019 calendar year.


CAT
966H

OUR LEADERSHIP

Board and executive committee as at date of report

Phillip Jabulani Moleketi (61)
Independent chairman

Qualifications
Postgraduate Diploma in Economic Principles (University of London), AMP (Harvard), MSc (University of London)

Appointed March 2018

Areas of expertise and contribution
Experience in the fields of finance and economics, including having previously held the position of Deputy Minister of Finance from 2004 to 2008, stakeholder relationships

Other directorships
Brait SA, Development Bank of Southern Africa, Vodacom, Harith General Partners

Johannes Theodorus Claassen (60)
Chief executive officer

Qualifications
BEng (University of Stellenbosch), EDP (Wits Business School)

Appointed to board July 2017

Areas of expertise and contribution
Over 20 years' experience in all facets of the cement industry, including lime, operational management and strategic leaderships

Anthony Charles Ball (60)
Independent non-executive director

Qualifications
BCom (Hons) (University of Cape Town), MPhil (management studies) (Oxford University), CA(SA)

Appointed March 2018

Areas of expertise and contribution
Extensive experience in business building, investment skills, strategy and leadership, finance, governance and compliance, economics and stakeholder relationships

Other directorships
Allied Electronics Corporation Limited, Brait Private Equity, Value Capital Partners

Nonkululeko Gobodo (58)
Independent non-executive director

Qualification
CA(SA)

Appointed February 2017

Areas of expertise and contribution
Accounting, auditing, advisory, mergers and acquisitions, entrepreneurships, leadership consulting, strategy and leadership, finance, governance and compliance, risk and opportunity management

Other directorships
Clicks Group Limited, Nonkululeko Leadership Consulting

Advocate Mojankunyane Gumbi (60)
Independent non-executive director

Qualifications
BProc (University of Limpopo), LLB (University of the Witwatersrand), Certificate in Trial Advocacy (University of Texas, Austin, USA)

Appointed April 2018

Areas of expertise and contribution
Political strategy, public policy, human rights and conflict resolution, leadership, governance and compliance, stakeholder relationships

Other directorships
Mojanku Gumbi advisory services, Moja Capital, Lexis Nexis

Noluvuyo Mkhondo (34)
Independent non-executive director

Qualifications
BAcc (University of the Witwatersrand), MBA (London Business School), CA(SA)

Appointed March 2018

Areas of expertise and contribution
Investment banking and corporate finance experience, including mergers and acquisitions, investment evaluation, strategic long-term financial planning and cross-border transactions

Other directorships
Novus Holdings Limited, Value Capital Partners, Metair Investments Limited

Todd Moyo (61)
Independent non-executive director

Qualifications
CA(Z), CA(SA), RPA(Z), MCSZ

Appointed November 2013

Areas of expertise and contribution
Experience spans several economic sectors and disciplines including production, sales and marketing and information technology

Other directorships
Datlabs, National Food Holdings, Delta Corporation

Charles Naude (63)
Independent non-executive director

Qualifications
BSc (Hons) (geology, chemistry) (University of Pretoria), MBL (Unisa)

Appointed January 2015

Areas of expertise and contribution
Over 30 years' experience in all facets of the cement industry, including aggregates, readymix and lime, strategy and leadership, health and safety, risk and opportunity management, sales and marketing, project management

Mmakeaya Magoro Tryphosa Ramano (47)
Chief financial officer

Qualification
CA(SA)

Appointed August 2011

Areas of expertise and contribution
Financial aid and strategic planning, corporate governance reform, industry analysis, corporate restructuring, profit improvement, policies and procedures

Other directorships
SA Express, Magommake Legacy

Mark Richard Thompson (66)
Independent non-executive director

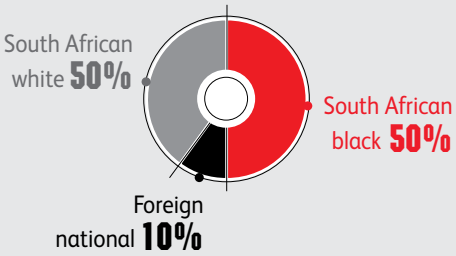
Qualifications
BCom, LLB, BAcc, CA(SA)

Appointed May 2019

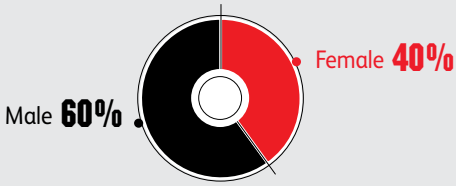
Areas of expertise and contribution
Wide ranging international finance and general business experience in a highly competitive global industry as chief financial officer of Sappi Limited and, post his retirement from Sappi, non-executive positions in the FirstRand group, private equity, industry and construction.

Other directorships
Hudaco, Sasfin Bank, Bravo Group (private-equity owned), First Rand Insurance Company

Board diversity



Board gender representation



OUR LEADERSHIP continued

Leadership – group executive committee

Johannes Theodorus Claassen (60)
Chief executive officer

Qualifications
BEng (University of Stellenbosch), EDP (Wits Business School)

Appointed to board July 2017

Areas of expertise and contribution
Over 20 years' experience in all facets of the cement industry, including lime, operational management and strategic leaderships

Mmakeaya Magoro Tryphosa Ramano (47)
Chief financial officer

Qualification
CA(SA)

Appointed August 2011

Areas of expertise and contribution
Financial aid and strategic planning, corporate governance reform, industry analysis, corporate restructuring, profit improvement, policies and procedures

Other directorships
SA Express, Magommake Legacy

Njombo Lekula (51)
Managing director: SA Cement and Materials

Qualifications
National diploma chemical engineering (Vaal University of Technology), MBA (University of Stellenbosch)

Appointed to exco November 2015

Areas of expertise and contribution
Engineering and technical expertise,
Operations management and strategic leadership in the Rest of Africa

Phindokuhle Mohlala (51)
Group human resources executive

Qualifications
BA Social Science (University of KwaZulu-Natal), MBA (University of South Africa)

Appointed to exco October 2017

Areas of expertise and contribution
23 years' experience in human resources

Mokate Ramafoko (45)
Managing director: Rest of Africa Cement

Qualifications
BSc (University of Cape Town), BSc (Hons) Metallurgy (University of Pretoria), Masters in Business Administration (University of South Africa)

Appointed to exco February 2018

Areas of expertise and contribution
Over 23 years of experience in the cement manufacturing, quality assurance and cement process optimisation industries

Everhardus Johannes (Hardie) de Beer (54)
Executive: technical

Qualifications
BEng (mechanical), MBL (University of South Africa)

Appointed to exco March 2016

Areas of expertise and contribution
– Engineering and technical expertise in cement industry
– Operational and project management in South Africa and the Rest of Africa

Kristell Holtzhausen (46)
PPC Group Company Secretary

Qualification
CIS

Appointed to exco June 2019

Areas of expertise and contribution
– Company Secretarial Practice
– Corporate governance
– Risk Management
– Compliance

PPC Ltd (the company) and its subsidiaries (the group) are committed to maintaining a high standard of corporate governance. As a listed public company, PPC strives to be compliant with the King IV Code on Corporate Governance, 2016 (King IV).

Please note that this report covers the financial year ended 31 March 2019 or otherwise as indicated. To avoid duplication, we cross-reference to other sections, such as committee reports or documents relevant to our corporate governance framework on our website (www.ppc.africa).

This review is structured in two parts in line with best practice in governance reporting.

Part 1	An overview of the governance story of PPC, along with key governance structures
Part 2	High-level view of corporate governance compliance

Part 1

The governance story of PPC

Established in 1892, PPC's history is linked to the growth and development of South Africa through the production of cement for many of the country's famous landmarks and construction projects. The global governance landscape has changed significantly since PPC's establishment, as has the group's operational footprint.

In the past, governance may have been understood as meeting the legal and regulatory demands placed on companies by regulators and legislators. Today, governance in PPC involves taking a proactive and inclusive stakeholder approach to:

- Determine what stakeholders expect beyond the minimum standards set by regulators
- Improve the quality and transparency of our management and decision-making abilities
- Develop standards of governance that enable the group to manage and mitigate risks confidently as they arise

Governance is overseen by the board of directors, whose charter assigns responsibility for strategic direction and control of the company. The board exercises this control via the company's governance framework, which includes detailed reporting by the subsidiary company's boards to the group board and its committees.

Key board membership changes

A number of changes were made to our board during the year.

Two new appointments were announced during April 2018, namely:

- **Mr Ignatius Sehoole**, who joined the board as an independent director and member of the then audit committee. Mr Sehoole is a chartered accountant with a management diploma from Ashridge College in the United Kingdom (UK). He brings a wealth of leadership and management experience spanning over 30 years. He is the former executive president of the South African Institute of Chartered Accountants (SAICA), and, since 2013, a non-executive director at SacOil/Efora Holdings Limited where he serves as the chairman of the investment committee, member of the audit committee and member of the social and ethics committee. He is a non-executive director at Old Mutual Group Holdings and chairman of its audit committee, as well as a member of the risk committee. He serves on the specialist committee on Company Law and the chairman of CAPIM. On 31 December 2018, Mr Sehoole resigned as non-executive director
- **Advocate Mojankunyane Gumbi**, who also joined the board as a non-executive director. Advocate Gumbi, a human rights lawyer in South Africa, has practised as both an attorney and advocate since 1984, and served as a special adviser in the Presidency during both the Mandela and Mbeki administrations, where she acted as a key negotiator in the resolution of conflicts in Lesotho, the Democratic Republic of Congo (DRC), Burundi, Comoros, Côte d'Ivoire and Zimbabwe. Her past and current tenure on the boards of trusts and philanthropic associations include the Nelson Mandela Children's Fund, the Open Society Foundation, LexisNexis, the Southern African Political and Economic Trust, the Black Lawyers Association and the Thabo Mbeki Foundation. Advocate Gumbi holds two law degrees, one from the University of the Witwatersrand (LLB, conferred in 1984) and another from the University of Limpopo (BProc, conferred in 1982). She also has a certificate in Trial Advocacy from the University of Texas at Austin in the United States, and completed two modules on international economics with the London School of Economics

The two appointments were tabled at our 2018 annual general meeting, held on 30 August 2018, and confirmed by our shareholders.

Also, at our 2018 annual general meeting, the board announced the resignations of Ms Nicky Goldin, Ms Salukazi Dakile-Hlongwane, and Mr Timothy Leaf-Wright as non-executive directors. As previously reported, Mr Tim Ross resigned from our board on 9 April 2018 and served as lead independent director of the board for 2018.

As at 31 March 2019, nine directors served on the group board. The majority are non-executive directors, with an independent majority when classified against the Companies Act 71 of 2008, as amended (Companies Act), Johannesburg Securities Exchange (JSE) Listings Requirements and King IV.

Subsequent to year-end Mr Mark Thompson was appointed as an independent non-executive director, and will be appointed as chairman of the audit, risk and compliance (ARC) committee after the annual general meeting.

Refer to page 143 of the summarised group results and notice of annual general meeting 2019 for his curricula vitae (CV).

Membership of the board

As at the date of this report, the members of the board comprised:

Independent non-executive directors
N Gobodo
M Gumbi
J Moleketi
C Naude
M Thompson
A Ball
N Mkhondo
T Moyo
Executive directors
J Claassen
T Ramano

Directors are appointed through a formal process. The nominations committee assists in identifying suitable candidates to be proposed to shareholders. This process is detailed in PPC's selection and appointment policy. The policy's primary objective is to provide a transparent framework and set standards for selecting and appointing high-calibre executive and non-executive directors with the capacity and capability to lead the company towards sustainable value creation and long-term growth. The nominations committee oversees this policy.

A formal induction programme is in place for new directors, and directors with less experience are developed through training programmes. For continuing development, PPC encourages directors to attend the professional development programmes facilitated by the Institute of Directors in Southern Africa (IoDSA).

Potential conflicts of interest are closely monitored by the board, and annual declarations are obtained from all members. In addition, provision is made for specific declaration at the onset of each board and committee meeting. The board also adopted a conflicts of interest policy, which clarifies the procedures to be followed by board members in the event of a conflict arising.

While no limitations are imposed by the board charter, or otherwise, on the number of other appointments directors can have, approval must be obtained from the chairman prior to accepting additional commitments that may affect the time directors can devote to PPC.

In accordance with best practice, the board has adopted a directive which provides guidance on access to professional and independent advice.

Board composition

The nominations committee biannually evaluates whether the board is effective based on its size, diversity and demographics. A number of studies have shown that the composition of the board can have a significant impact on company performance. Early studies on board composition focused on factors such as independence of directors, with the impact of cognitive diversity in decision-making gaining recognition only in recent years. Recent studies have focused on diversity. The board has made notable progress in both racial and gender transformation as reflected below.

In support of gender diversity, the board adopted the following policy statement:

> The PPC board recognises the benefits of having a gender-diverse board and sees increasing diversity at board level as a competitive advantage. Gender diversity will be considered in determining the optimum composition of the board while ensuring it is appropriately balanced. All board appointments are made on merit, in the context of the skills, experience, independence and knowledge, which the board as a whole requires to be effective.

The nominations committee discusses and agrees on annual objectives for achieving gender diversity within the board and recommends them to the board for adoption. At the date of adopting this policy statement, the board's aim was to ensure that at least 30% of its members were women and for that percentage to exceed 35% by the end of 2018. At the date of the report, 40% of our board members were women.

The social, ethics and transformation (SET) committee annually approves a transformation roadmap for the group, which includes targets for racial transformation. As such, the racial balance of the board is closely managed by the board to ensure appropriate levels of racial diversity. At the date of this report, 60% of the directors on the board were classified as black directors.

Key roles on the board

Key roles in the corporate governance of PPC lie mainly in the responsibilities of three functionaries:

The chairman: Mr Jabu Moleketi

The role of the chairman is set out in the board charter. He is expected to:

- Lead the board, not the company
- Safeguard the integrity of corporate governance processes and actions as determined collectively by the board
- Be the link between the board and management, particularly the chief executive officer (CEO)
- Be the main link between the board, shareholders and the public at large

Mr Moleketi holds various other directorships (refer to his CV on page 102).

The CEO: Mr Johannes Claassen

The role of the CEO is determined by the board, formalised in the board charter, and managed through his annual scorecard. The CEO leads the company and the management team. He is responsible for day-to-day operations of the company and is its principal spokesperson, while the chairman is the leader of the board.

Mr Claassen has a permanent appointment with the company with a negotiable notice and handover period. His succession plan is overseen by the nominations committee and requires him to assist in developing identified candidates. Mr Claassen has no external directorships and his contract requires him to obtain approval should he wish to join external boards.

Details of Mr Claassen's qualifications and experience appear on page 102.

The company secretary: Ms Kristell Holtzhausen

Our previous company secretary, Mr Jaco Snyman, resigned on 31 January 2019 and was replaced by Mr Paul Maré as interim company secretary, with effect from 1 February 2019. Ms Kristell Holtzhausen was appointed as company secretary on 3 June 2019.

The role of the company secretary is largely determined in section 88 of the Companies Act:

- Guiding PPC's directors collectively and individually on their duties, responsibilities and powers
- Making directors aware of any law relevant to or affecting the company

- Reporting to the board any failure by the company or a director to comply with the memorandum of incorporation, rules of the company, or the Companies Act
- Ensuring minutes of all shareholders' meetings, board meetings and the meetings of any committees of directors, or of the company's audit committee, are properly recorded
- Certifying in the annual financial statements whether the company has filed required returns and notices in terms of the Companies Act, and whether all returns and notices appear to be true, correct and up to date
- Ensuring a copy of the company's annual financial statements is sent to every person entitled to it

The company secretary is a central source of information and advice, for both the board and the company, on matters of ethics and good governance. She also ensures the proceedings and affairs of the board, its committees, the company itself and, where appropriate, owners of securities in the company, are properly administered in line with pertinent laws and regulations.

Details of Ms Holtzhausen's qualifications and experience appear on page 104).

The company secretary is responsible for compliance with the rules and JSE Listings Requirements and the rules of the Zimbabwe Stock Exchange (ZSE), on which the company's securities are listed. She administers the statutory requirements of the company and its subsidiaries in South Africa, and oversees, as part of the Corporate Governance Framework, the Rest of Africa (RoA).

The board is satisfied that she is able to effectively perform the role as gatekeeper of good governance in the company and to carry out her role and responsibilities as company secretary.

Key responsibilities of the board

Strategic planning

As a key performance area of the board, group strategy is mapped by the board in consultation with PPC's executive committee (Exco). The board appreciates the fact that strategy, risk, performance and sustainability are inseparable and annually reviews the strategy.

The group strategy is detailed on page 40.

Internal control

Reporting in the company is structured so that key issues are escalated through the management team and ultimately to the board, if appropriate.

The board has delegated the responsibility of reviewing, in detail, the effectiveness of the company's system of governance, risk management and internal controls to the ARC committee. After completing these reviews, the ARC committee reports to the board on its findings so that the board can take a view on this matter. This has been subject to regular review over a number of years, resulting in several refinements.

The report on risk and controls appears on page 113.

Delegation

The board delegates certain functions to its committees and management without abdicating its own responsibilities. Delegation is formal and involves:

- Approved and documented terms of reference for each committee of the board
- Terms of reference are reviewed once a year
- The committees are appropriately constituted with due regard to the skills required
- The board has a framework for delegating authority to management

Board performance

The code requires biennial board performance evaluations by the nominations committee under the guidance of the chairman or an independent service provider, and that the evaluation results should identify training needs for directors. In the previous review cycle, the nominations committee appointed the IoDSA to conduct the board evaluation. The format was an independently facilitated self-appraisal process, evaluating the views of individual directors on the performance of the board as a whole (as contained in this report), the respective board committees and the chairman.

Meeting attendance

The table summarises scheduled meeting attendance by board members over the period 1 April 2018 to 31 March 2019.

Board members	Board (five meetings)	Audit committee (two meetings)	ARC committee (three meetings)[1]	Risk and compliance committee (two meetings)	Remuneration committee (three meetings)	Investment committee (three meetings)	SET committee (three meetings)	Nominations committee (one meeting)	Annual general meeting (one meeting)
A Ball	4					3			1
J Claassen	5	2	3	2	3	3	3	1	1
S Dakile-Hlongwane[2]	3						2		1
N Goldin[2]	3	2			2	2			
N Gobodo	5	2	3	1			3	1	1
M Gumbi[3]	4				1		1		1
T Leaf-Wright[2]	3			2		2	2		
J Moleketi	4				2			1	1
N Mkhondo	5		2		3	2		1	1
T Moyo	5	2			3			1	1
C Naude	5		3	2	3	3			
T Ramano	5	2	3	1	2	3	1		1
T Ross[4]									
I Sehoole[5]	3	2	2						

[1] The audit committee and risk and compliance committee integrated to form the ARC committee, with effect from 20 September 2018.
[2] Retired by rotation at PPC's annual general meeting held on 30 August 2018.
[3] Appointed on 13 April 2018.
[4] Resigned on 6 April 2018.
[5] Resigned on 31 December 2018.

Board committees

As at 31 March 2019, the board has five standing committees through which it operates. Committees play an important role in enhancing good corporate governance, improving internal controls and thus the sustainable performance of the company.

Membership as at 31 March 2019

Directors	ARC	Remuneration	Investment	SET	Nominations
A Ball			X		
N Gobodo	XX			XX	X
M Gumbi		X		X	
J Moleketi		X		X	XX
N Mkhondo	X	X	X		X
T Moyo		XX			X
C Naude	X	X	XX		

X – indicates membership.
XX – indicates chairmanship.

In the interests of free information flow and good oversight, full or summarised minutes of all committee meetings are included in document packs for board meetings. In addition, each chairman was required to present an annual report on the activities of that committee at the board's meeting in June 2019. Based on these reports and the minutes of the committees, their performance and conformance to terms of reference are annually evaluated by the board.

At its meeting on 24 June 2019, the board concluded that all committees had executed their responsibilities within the scope of their respective terms of reference in the review period.

About the ARC committee (FY ended 31/03/2019)

Membership	Status	Qualifications
N Gobodo (chairman)	Independent	CA(SA)
N Mkhondo	Independent	CA(SA), MBA
C Naude	Independent	BSc (Hons) (geology, chemistry), MBL

Meeting date	Attendance	Focus of the meeting
8 June 2018	All present	Approval of financials for 2018
12 July 2018	All present	Approval of the integrated report for 2018
20 September 2018[1]	All present	External audit report
15 November 2018[1]	Ms Mkhondo absent with apology	Interim results for 2018
25 March 2019[1]	All present	Audit updates and risk year planner

[1] These meetings were held subsequent to the integration of our audit committee and risk and compliance committee and were convened under the auspices of the ARC committee.

All members are independent, as required by King IV, JSE Listings Requirements and the Companies Act. The committee may obtain, at PPC's expense, independent professional advice on any matters covered by its terms of reference.

Mr Tim Ross had been elected to chair the committee since 2009, and was replaced by Ms Nonkululeko Gobodo in April 2018, followed by Mr Sehoole in September 2018. Subsequent to Mr Sehoole's appointment, the audit committee and the risk and compliance committee were integrated to form the ARC committee. Mr Sehoole resigned as director and chairman of the ARC committee, effective 31 December 2018, after which Ms Gobodo was appointed as chairman of the ARC committee.

Members of the executive team, including the chief financial officer (CFO), attend committee meetings by invitation. Similarly, external and internal auditors attend meetings by invitation and have no voting rights. The chairman reports to the board on the committee's activities and recommendations. The chief audit executive (CAE) reports functionally to the chairman of the committee and administratively to the CEO. The latest minutes of committee meetings are included in board packs.

The ARC has adopted formal terms of reference, approved by the board of directors, and has executed its duties in the past financial year in line with these terms of reference. Its terms of reference include the following responsibilities:

Financial information

The committee reviews the annual financial statements, interim and preliminary announcements, accompanying reports to shareholders and any other announcements on the company's results or other financial information to be made public, prior to submission and approval by the board.

Integrated reporting

The committee oversees integrated reporting, particularly:

- All factors and risks that may affect the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made
- Monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward looking statements or information
- Reviews the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents
- Comments in the annual financial statements accounting practices and effectiveness of internal financial controls
- Reviews disclosure of sustainability issues in the integrated report to ensure this is reliable and does not conflict with financial information
- Recommends to the board whether or not to engage an external assurance provider on material sustainability issues
- Engages the external auditors to provide assurance on summarised financial information
- Prepares a report for inclusion in the integrated report (page 113) and annual financial statements for the financial year which includes:
  - Describing how it carried out its functions
  - Stating whether it is satisfied that the auditor was independent of the company
  - Commenting in any way it considers appropriate on the financial statements, accounting practices and internal financial control of the company
  - Recommending the integrated report for approval by the board

Internal audit

The committee is responsible for overseeing the internal audit function, in particular:

- The appointment, performance assessment and/or dismissal of the CAE
- The appointment, performance assessment and/or dismissal of any outsourced/internal audit service provider
- Approving the internal audit plan and any significant changes and satisfying itself that this plan will effectively address critical risk areas of the business
- Ensuring the internal audit function is subject to an independent quality review, as the committee determines appropriate
- Reviewing internal audit's compliance with its charter as approved by the audit committee and considering whether the internal audit function has the necessary resources, budget and standing in PPC to discharge its functions

Risk management

The committee is an integral component of the risk management process. Specifically, its mandate includes the following risk oversight responsibilities:

- Financial risk
- Financial reporting risks
- Internal financial controls
- Fraud risks as these relate to financial reporting
- Information technology (IT) governance and risks as these relate to financial reporting

External audit

The committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process. In this regard, it must:

- Nominate an independent external auditor for appointment by shareholders
- Determine fees to be paid and terms of engagement of the auditor
- Ensure the appointment of the auditor complies with the Companies Act and other relevant legislation
- Monitor and report on the independence of the external auditor in the annual financial statements
- Approve a policy for non-audit services provided by the external auditor
- Pre-approve contracts for non-audit services by the external auditor
- Ensure there is a process for the committee to be informed of any reportable irregularities (as identified in the Auditing Profession Act 2005) identified and reported on by the external auditor
- Review the quality and effectiveness of the external audit process

CFO

The committee must annually consider and satisfy itself of the appropriateness of the expertise and experience of the CFO and must confirm this to shareholders in its annual report.

Financial function

The committee reviews the expertise, resources and experience of the company's finance function, and discloses the results in the integrated report and to shareholders.

Internal controls

The committee is responsible for reviewing the effectiveness of the company's systems of governance, risk management and internal controls.

IT governance

In recent years, PPC has made appropriate investments to ensure its IT systems and governance processes comply with the recommendations of King IV.

Compliance with ToR

The committee reported on its activities for the review period at the board meeting on 24 June 2019. At this meeting, the board confirmed that the committee has complied with its terms of reference.

About the investment committee (FY ended 31/03/2019)

Membership	Status	Qualifications
A Ball	Independent	CA(SA), MPhil (management studies)
N Mkhondo	Independent	CA(SA), MBA
C Naude (chairman)	Independent	BSc (Hons) (geology, chemistry), MBL

Meeting date	Attendance	Focus of the meeting
6 April 2018	All present	Investment reviews
31 July 2018	All present	Investment reviews
20 November 2018	All present	Investment reviews

The committee performs all functions necessary to fulfil the role stated in its terms of reference, including:

Strategic investments (to enhance long-term sustainable income)

- Considering prospective acquisitions for their ability to enhance long-term sustainable income of the group
- Evaluating the merits of investment proposals within strategic guidelines, potential financial returns and risk
- Monitoring the performance of assets in the strategic investment portfolio, relative to the original business plan
- Considering proposed divestment from identified assets and the terms of these transactions

Strategic alliances (to position PPC strategically for future markets/ benefits)

- Considering prospective strategic alliances
- Evaluating the merits of alliance proposals to consider possible benefits from the proposed positioning relative to imposed risks (especially reputational risk)
- Evaluating/monitoring the performance of strategic alliances relative to original objectives
- Considering exits from strategic alliances and associated conditions for divestment

Operational investments (business unit growth objectives)

- Considering investment decisions above threshold levels
- Considering and evaluating the merits of investment proposals, their impact on the operational strategy and the likelihood of achieving the targeted return from that investment
- Monitoring the performance of the group relative to the investment objectives of management
- Considering proposed divestments from assets in the operational portfolio, terms of the divestment transactions to be considered and exit strategies

Other initiatives (improve efficiencies cost effectively)

- Considering initiatives with a total cost above threshold. Total cost will include all cost elements and should be calculated over the project lifespan
- Considering the strategic impact of proposed initiatives
- Evaluating the financial merits in initiative business cases

The committee reported on its activities for the review period at the board meeting on 24 June 2019. At this meeting, the board confirmed that the committee has complied with its terms of reference.

About the nominations committee (FY ended 31/03/2019)

Membership	Status	Qualifications
N Gobodo	Independent	CA(SA)
N Mkhondo	Independent	CA(SA), MBA
J Moleketi (chairman)	Independent	Advanced management programme, MSc (financial economics), postgraduate diploma in economic principles
T Moyo	Independent	CA(Z), CA(SA), RPA(Z), MCSZ

Meeting date	Attendance	Focus of the meeting
17 May 2018	All present	Review at year-end

Mr Moleketi was appointed chairman of the nominations committee following his appointment as chairman of the board. The committee may obtain, at PPC's expense, independent professional advice on any matters covered by its terms of reference. The committee normally asks the CEO to attend its meetings, but he has no voting rights.

The committee has its own terms of reference, approved by the board and reviewed annually. The chairman reports to the board on activities and recommendations made by the committee and the latest minutes of committee meetings are included in board packs.

The committee performs all the functions necessary to fulfil its role as stated in its terms of reference including:

- Ensuring the establishment of a formal process for appointing directors, including:
  - Identifying suitable members for the board
  - Performing reference and background checks of candidates prior to nomination
  - Formalising the appointment of directors through an agreement between the company and the director
- Overseeing the development of a formal induction programme for new directors
- Ensuring inexperienced directors are developed through a mentorship programme
- Overseeing the development and implementation of continuing professional development programmes for directors
- Ensuring directors receive regular briefings on changes in risks, laws and the environment in which the company operates
- Considering the performance of directors and taking steps to remove directors who do not make an appropriate contribution
- Finding and recommending to the board a replacement for the CEO when necessary
- Ensuring formal succession plans for the board, CEO and senior management appointments are developed and implemented
- Providing input on senior management appointments as proposed by the CEO

The committee reported on its activities for the review period at the board meeting on 24 June 2019. At this meeting, the board confirmed that the committee has complied with its terms of reference.

About the remuneration committee (FY ended 31/03/2019)

Membership	Status	Qualifications
M Gumbi	Independent	BProc, LLB
N Mkhondo	Independent	CA(SA), MBA
J Moleketi	Independent	MSc, AMP, postgraduate diploma
T Moyo (chairman)	Independent	CA(Z), CA(SA), RPA(Z), MCSZ
C Naude	Independent	BSc (Hons) (geology, chemistry), MBL

Meeting date	Attendance	Focus of the meeting
17 May 2018	All present	Board fees
2 August 2018	Adv Gumbi absent with apology	Salary reviews
31 October 2018	Mr Moleketi and Ms Ramano absent with apology	Planning

All members of the remuneration committee are non-executive directors. PricewaterhouseCoopers Inc (PwC), appointed by the committee, acted as independent remuneration advisers to the committee and provided detailed information on market trends and the competitive positioning of remuneration.

The committee normally asks the CEO to attend its meetings, but he has no voting rights and does not participate in discussions on his own remuneration, which is set by the committee.

The committee performs all functions necessary to fulfil the role stated in its terms of reference, including:

- Overseeing the establishment of a remuneration policy that will promote achieving strategic objectives and encourage individual performance
- Ensuring the remuneration policy is put to a non-binding advisory vote at the annual general meeting of shareholders once every year
- Reviewing the outcomes of implementing the remuneration policy against set objectives
- Ensuring the mix of fixed and variable pay, in cash, shares and other elements, meets the company's needs and strategic objectives
- Satisfying itself on the accuracy of recorded performance measures that govern the vesting of incentives
- Ensuring all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued
- Considering the results of the performance evaluation of the CEO and other executive directors, both as directors and as executives in determining remuneration
- Selecting an appropriate comparative group when comparing remuneration levels
- Regularly reviewing incentive and retention schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules
- Considering the appropriateness of early vesting of share-based schemes at the end of employment
- Advising on the remuneration of non-executive directors
- Overseeing the preparation of the remuneration report and recommending to the board that this be included in the integrated report

The remuneration policy of the company is presented annually to shareholders to pass a non-binding advisory vote indicating support for this policy. PPC's remuneration report begins on page 123 and shareholders will be requested to pass a non-binding advisory vote on this policy at the 2019 annual general meeting, to be held on 30 August 2019.

The committee has reviewed group remuneration policies to ensure these are aligned with the company's strategy and linked to individual performance.

The committee reported on its activities for the review period at the board meeting on 24 June 2019. At this meeting, the board confirmed that the committee has complied with its terms of reference.

About the risk and compliance committee

Membership	Status	Qualifications
J Claassen	Executive	BEng, EDP
N Gobodo	Independent	CA(SA)
T Leaf-Wright (chairman)	Independent	Chartered Institute of Secretaries
C Naude	Independent	BSc (Hons) (geology, chemistry), MBL

Meeting date	Attendance	Focus of the meeting
10 April 2018	Ms Ramano absent with apology	Risk register review, combined assurance, risk appetite matrix and insurance programme
24 May 2018	All present	Risk reviews

Mr Claassen, although an executive director, serves on the committee to align it with best-practice recommendations of King IV. All other members are non-executive directors. During the year, the risk and compliance committee integrated with the audit committee to form the ARC committee, with effect from 20 September 2018.

The committee may obtain, at PPC's expense, independent professional advice on any matters covered by its terms of reference.

Members of the executive team responsible for risk and compliance management attend committee meetings by invitation. Similarly, external and internal auditors attend meetings by invitation but have no voting rights. The latest minutes of committee meetings are included in board packs.

The committee has its own terms of reference approved by the board, to assist its members to understand their roles and enable them to add value in discharging their duties. These are reviewed annually, and include the responsibility to:

- Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the board
- Monitor their implementation via risk management systems and processes
- Make recommendations to the board on the levels of risk tolerance and appetite, and monitor that risks are managed within these levels as approved by the board
- Approve the company's compliance policy and oversee that it is disseminated throughout PPC
- Oversee that the risk management plan is disseminated throughout the company and integrated in its day-to-day activities
- Ensure risk assessments are performed continuously
- Ensure compliance management assessments are continuously performed
- Ensure frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Ensure management considers and implements appropriate risk responses
- Ensure continuous risk monitoring by management
- Liaise closely with the audit committee and other board committees to exchange information relevant to risk
- Express a formal opinion to the board on the effectiveness of the system and process of risk management
- Review reporting on risk management and compliance in the integrated report in terms of being timely, comprehensive and relevant

For a more detailed review on risk and compliance, refer to page 113 under the ARC committee report.

About the SET committee

Membership	Status	Qualifications
N Gobodo (chairman)	Independent	CA(SA)
M Gumbi	Independent	BProc, LLB
J Moleketi	Independent	MSc, AMP, postgraduate diploma
T Ramano	Executive	CA(SA)

Meeting date	Attendance	Focus of the meeting
6 April 2018	Mr Moleketi and Ms Ramano absent with apology	Planning
10 May 2018	Mr Moleketi and Ms Ramano absent with apology	Annual report
13 November 2018	Mr Moleketi absent with apology	Half-year report

Ms Tryphosa Ramano, although an executive director, serves on the committee to align it with best-practice recommendations. All other members are non-executive directors.

The committee has its own terms of reference approved by the board and reviewed annually. The chairman reports to the board on activities and recommendations made by the committee and the latest minutes of meetings are included in board packs.

In line with its terms of reference, the committee's objectives are to assist the board in monitoring PPC's activities – against relevant legislation, other legal requirements or prevailing codes of best practice – on matters relating to:

- Social and economic development
- Corporate citizenship
- Transformation
- The environment
- Health and public safety
- Stakeholder relationships
- Labour and employment

The committee reported on its activities for the review period at the board meeting on 24 June 2019. At this meeting, the board confirmed that the committee has complied with its terms of reference.

Part 2

Corporate governance compliance

This section deals with disclosure on compliance with relevant and prescribed corporate governance principles.

Compliance with King IV

King IV became effective for financial years from 1 April 2017. PPC has aligned its corporate governance practices with best-practice proposals in King IV.

Further information is available at **www.ppc.africa.**

The King IV journey is closely connected to three paradigm shifts in the corporate world:

- General acceptance that the employment, transformation and provision of financial capital represent only a fraction of an organisation's activities. Instead, inclusive capitalism takes account of the employment, transformation and provision of all sources of capital. This new way of thinking, known as inclusive capitalism, has the potential to trigger profound change. One is that, instead of simply providing aid to developing countries, developed-country companies operating in more developing countries should focus on adopting the model of inclusive capitalism in that country, and thereby create sustainable value
- The second shift is towards sustainable capitalism. The shift from short term to long-term thinking arises from the need to create sustainable value. In essence, sustainable capitalism refers to an economic system in which value is created sustainably. In short, performance in terms of all-inclusive value should be assessed over the longer term. The capital market system must reward long-term decision-making
- Finally, there has been a further move from siloed reporting to integrated reporting, consistent with the concept of an inclusive, sustainable capital market system. The traditional financial reporting system was a revolutionary development when it was instituted. It has since had to respond to market regulators, standards boards, ever-more complex legislation and the regulation of accounting and corporate reporting. It is accepted that, while fully compliant and duly audited financial statements are critical, they are insufficient to discharge the duty of accountability. Similarly, a sustainability report is critical but insufficient. The reality is that the resources or capitals used by organisations constantly interconnect and interrelate. The organisation's reporting should reflect this interconnectedness, and indicate how its activities affect, and are affected by, the six capitals it uses and the triple context in which it operates

For the review period, PPC has complied with the King IV principles (also referred to as the code).

We describe how we have applied those principles in the following section, together with the sections on risk management, IT governance and directors' remuneration.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Nonkululeko Gobodo
Chairman

REPORT TO SHAREHOLDERS ON THE ACTIVITIES OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019.

During the June 2018 board meeting, the board approved the integration of the audit, risk and compliance committee (ARC or the committee), in which proposed terms of reference (ToR) were approved.

The newly established committee met for the first time in September 2018. All pending items relating to risk and compliance matters were transferred to the audit, risk and compliance committee (ARC) and are being reported to shareholders under the ARC mandate for the year ended 31 March 2019.

The ARC is a statutory committee established in terms of section 94 of the Companies Act and is a committee of the board. In addition to specific statutory responsibilities the board has assigned additional responsibilities in terms of the JSE Listings Requirements and King IV. In summary, the ARC responsibilities are:

- Assists the board by advising and making submissions on financial reporting
- Oversee the governance, risk management process and internal control (financial and non-financial controls)
- Oversee external and internal audit functions

Additional objectives over and above the specific statutory responsibilities assigned to the ARC include:

- Promote a proactive approach to identify, evaluate, manage and monitor risks in the business
- Ensure compliance with applicable laws and adopted non-binding rules, codes and standards

Terms of Reference (ToR)

The committee has formal terms of reference that were reviewed during the year and approved by the board. It has executed its duties in the period in line with these terms of reference.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT continued

Composition

The risk and compliance committee met twice prior to the integration and at the time of dissolving the risk and compliance committee the membership was:

Membership	Qualification	Status
N Gobodo	CA(SA)	Independent
T Leaf-Wright (chairman)	Chartered Institute of Secretaries	Independent
C Naude	BSc (Hons) (geology, chemistry), MBL	Independent
J Claassen	BEng, EDP	Executive

The risk and compliance committee met on the following dates:

Meeting date[1]	Attendance	Focus of the meeting
10 April 2018	All present	Risk register review, combined assurance, risk appetite matrix and insurance programme
24 May 2018	All present	Risk reviews

[1] From 20 September 2018, meetings were held under the auspices of the ARC committee (included in the audit committee report).

The ARC comprises three independent non-executive directors:

Membership	Qualification (relevant)	Tenure (years)
N Gobodo (chairman)	CA(SA)	2
N Mkhondo	CA(SA), MBA	1
C Naude	BSc (Hons) (geology, chemistry), MBL	4

Effective 9 April 2018, Mr Tim Ross, the committee chairman, resigned as non-executive director of PPC. Ms Nonkululeko Gobodo was subsequently appointed as the audit committee chairman, she was replaced by Mr Ignatius Sehoole in September 2018, who unfortunately resigned on 31 December 2018 and was replaced by Ms Gobodo as chairman of the newly integrated ARC committee. Mr Mark Thompson will be replacing Ms Gobodo as chairman of ARC at on 29 August 2019.

During the June 2018 board meeting, the board approved the integration of the audit and risk and compliance committee (ARC or the committee), in which a proposed terms of reference was approved.

The CEO, CFO, CAE, senior financial executives of the group, along with representatives from the external auditors, attend committee meetings by invitation. The internal and external auditors have unrestricted access to the committee.

Meetings

The committee held five[2] scheduled meetings during the year, with attendance shown below:

Meeting date	Attendance
8 June 2018	All present
12 July 2018	All present
20 September 2018	All present
15 November 2018	Ms Mkhondo absent with apology
25 March 2019	All present

[2] The audit committee and risk and compliance committee were joined with effect 20 September 2018 to form the ARC committee. All meetings from this date onwards were held as part of the ARC committee.

Audit report

Statutory duties

In executing its statutory duties for the year, the committee:

- Nominated Mr Andrew Mashifane, from the audit firm Deloitte & Touche (Deloitte), for appointment as lead engagement auditor. In the opinion of the committee, Mr Andrew Mashifane was independent of the company
- Determined Deloitte's terms of engagement
- Determined that the appointment of Deloitte complies with the relevant provisions of the Companies Act, JSE Listings Requirements and King IV
- Developed and implemented a policy setting out the extent of any non-audit services the external auditor may provide to the company or may not provide
- Pre-approved all non-audit service contracts with Deloitte
- Received no complaints on the accounting practices and internal audit of the company, the content or auditing of its financial statements, internal financial controls or related matters
- Engaged with the board on any matters concerning the company's accounting policies and financial controls

Delegated duties

In executing its delegated duties and making its assessments (as reflected in its ToR), the committee obtained feedback from external and internal audit and, based on the processes and assurances obtained, believes the accounting practices are effective. Accordingly, the committee, believe that it has fulfilled all its obligations set out below.

Financial statements

The committee reviewed the audited annual financial statements, short-form announcements and accompanying reports to shareholders and other announcements on the company's 2019 results to the public.

Integrated reporting

- Recommended to the board to engage an external assurance provider on material sustainability issues

- Reviewed disclosure of sustainability issues in the integrated and supplementary reports to ensure it is reliable and ensure that there is no conflict with financial information
- Recommended the integrated report to the board for approval

Internal audit

- Took responsibility for the performance assessment of the CAE, Ms Candice Putzier. A formal performance assessment was performed at the end of the financial year and nothing has come to the attention of the committee indicating a decline in performance
- Approved the internal audit plan and changes to the plan and satisfied itself that the audit plan makes provision for effectively addressing the critical risk areas of the business
- Reviewed internal audit's compliance with its charter and considered whether the internal audit function has the necessary resources, budget and standing in PPC to discharge its functions

External audit

- Evaluated and reported on the independence of the external auditor
- Reviewed the quality and effectiveness of the external audit process
- Based on its satisfaction with the results of activities outlined above, recommended to the board that Deloitte should be reappointed for 2020 with Mr Andrew Mashifane nominated as the registered auditor
- Determined fees to be paid and terms of engagement of the auditor
- Ensured the appointment of the auditor complies with the Companies Act and other relevant legislation

Financial director

The committee has satisfied itself of the appropriateness of the expertise and experience of Ms Tryphosa Ramano, the financial director, and confirms this to the shareholders.

Financial function

- The committee has reviewed the expertise, resources and experience of the company's finance function
- In making these assessments, the committee obtained feedback from external and internal audit
- Based on the processes and assurances obtained, the committee believes the accounting practices are functional and effective. While the finance function is generally effective, there are some deficiencies that require management's attention. The committee is satisfied that management is implementing appropriate plans to remedy the situation

Internal financial controls

- Reviewed the effectiveness of the company's system of internal financial controls, and received assurance from management and internal audit
- Reviewed material issues raised by the internal and external audit process

Internal controls

- While control deficiencies were identified during the reporting period, we believe that internal financial controls are effective as there are compensating controls in place to mitigate these deficiencies. Management has implemented a process to monitor effectiveness of financial controls. Deficiencies are reported upon on a quarterly basis to the ARC

Key areas from the year-end audit report

As noted in the directors' report, preparing the financial statements require management and the board to exercise judgement in compiling financial information. To the extent that significant judgements were applied, appropriate disclosure are reflected in the respective notes to the financial statements.

The auditors also report on matters they deem significant. These are discussed in their report on page 142 of the integrated annual report.

In finalising the consolidated annual financial statements for the year ended 31 March 2019, the committee considered the following transactions and balances to have been prepared with a significant amount of judgement:

Potential impairment of significant assets

PPC performs impairment calculations twice each year, at interim and at year-end stage. All PPC's subsidiaries are assessed for indications or conditions that may suggest an impairment. In accordance with International Accounting Standards (IAS) 36.10(a) and (b), the following are assessed irrespective of whether there is any indication of impairment:

- Goodwill acquired in a business combination
- Intangible asset with an indefinite useful life
- Intangible asset not yet available for use

Where such an indication exists, PPC estimates the recoverable amount of the asset and compares this to the current carrying amount of the entity and the goodwill balance (where applicable) (IAS 36.09). PPC measures the recoverable amount as value in use, as it expects to recover the value of the asset through use, unless an asset has been identified as held for sale or there is a suitable market where fair values are readily available. The selection of an appropriate method is prescribed by International Financial Reporting Standards (IFRS) requirements.

The group has expanded into the DRC and Rwanda, with the DRC plant commissioned during the 2017 calendar year. The plant in Rwanda was commissioned in the calendar year 2015. PPC has been operating in Zimbabwe since acquiring the business in 2001, with a further investment in a cement mill in Harare that was commissioned in the 2017 financial year.

Given the economic and political environments, Zimbabwe changed its functional currency. Life-of-mine estimates and impairment assessments were undertaken by management on all subsidiaries.

The committee assessed assumptions used by management in performing impairment assessments, applying the value-in-use model, including assessment of the weighted average cost of capital applicable to each subsidiary. It concluded that there was no impairment required on any of the cash generating units; being PPC Barnet DRC, CIMERWA, PPC Zimbabwe, PPC Cement SA and the rest of the materials businesses. However, impairments of R82 million were approved for specific PPC Cement SA assets not in use and planned for retirement in 2020.

It was also noted that management should continue to monitor the impairment

indicators and, if still applicable by the time the company finalises its 2020 half-year results, further impairment reviews should be performed.

Valuation of the Zimbabwe results and financial performance

Following the announcement of the Zimbabwe mid-term MPS on 1 October 2018, the economy witnessed a shift into an inflationary environment where parallel market premiums increased to levels ranging between 300 % and 400 % from a previous average of 150 % prior to October 2018. The increase in the parallel rates had an inflationary impact as noticed with the increased inflation rates from 5.4 % in September 2018 to 56,90 % in January 2019. This gave rise to challenges including but not limited to the introduction of multi-tier pricing by businesses, negative investor confidence, valuation and accounting difficulties and speculative pricing affecting the consumer. Exporters faced the imminent risk of being uncompetitive as the export incentive that the government had put in place a few years ago had been eroded by the increasing parallel market premiums. Without government intervention through the Central Bank, the re-dollarisation of the economy was imminent, therefore, the Central Bank through the recently presented MPS sought to address the issues plaguing the economy through introducing new monetary policy measures.

The Reserve Bank of Zimbabwe (RBZ) governor, Dr John Mangudya presented the much-awaited Monetary Policy Statement (MPS) on 20 February 2019 in a bid to steer the economy back to the upward trajectory initially anticipated by the government.

Through the new measures, the RBZ expects inflation and parallel rates to subside significantly, improving local economy competitiveness, appropriately rewarding exporters and simultaneously reducing price distortions and arbitrage opportunities within the domestic market.

The RBZ has acknowledged the non-equivalence of the bond note and the US$ which was previously said to be at parity. The government has established an inter-bank foreign exchange market in Zimbabwe to formalise the existing trading of the RTGS balances, US$ and other currencies at a willing-buyer, willing-seller basis through the banks and bureau de changes. The "RTGS$" shall be adopted by all entities for the settlement of domestic transactions with the objective of eliminating the existence of the multi-tier pricing system of charging of goods and services in foreign currency within the local market.

After considering the application of IAS 21 *Effects of Changes in Foreign Exchange Rates*, the committee concluded that the functional currency of the Zimbabwe subsidiary has changed from the United States dollar (US$) to Zimbabwean real time gross settlement dollar (RTGS$). The effect of the change in functional currency has been accounted for prospectively from FY2019 onwards. This is as per IAS 21, paragraph 35. There is no restatement required on comparative results for the PPC group.

Going concern

The ARC also considered the going concern risk for the PPC group. Despite the expansion and growth within the PPC group that includes the commissioning of the SK9 operations in PPC Cement SA as well as the commissioning of the DRC plant in the past financial year, external factors beyond the group's control have contributed to a global economy that is declining, with significant decline in commodity prices. This has culminated in downward pressures on selling prices in the regions in which the group operates. In addition South Africa, which is major contributor to group earnings, has seen intensified competition in terms of new entrants as well as imports into the country despite the economic slowdown, resulting in overcapacity in the South African market. The board and executive management have reviewed the group's business and capital structure and developed a business plan in order to be able to deal effectively with the effects of a continuation of the current low selling price environment and limited economic growth. Key elements of the business plan are the reduction of costs and improvements in efficiencies, through the Plan 1 2020 process which includes additional savings and cost efficiencies from the initial Plan 0 2020. These are identified savings which the group has committed to, which will support the group's business plans and capital structures. Part of the group's strategy is to curtail discretionary capital expenditure while preserving the ability of the business to increase production and compete efficiently when cement prices and economies improve.

On 22 March 2019, S&P Global Ratings (S&P) downgraded PPC's long and short-term South African national scale corporate credit ratings from 'zaA-/zaA-2' to 'zaBBB-/zaA-3'. The rationale for the downgrade was attributed to challenging domestic trading conditions and announced changes to monetary policy in Zimbabwe.

Furthermore, despite the deteriorating economic environment and the challenges being faced with processing of foreign payments by the banks in Zimbabwe, the ARC believes that PPC Zimbabwe has the ability to continue in operation as a going concern for the foreseeable future. PPC Zimbabwe has set out action plans to help ensure that operations are not interrupted due to difficulties in remitting payments to foreign suppliers. Through the action plans, PPC Zimbabwe is exploring various mitigation methods such as increasing export sales and obtaining a trade financing mechanism facility.

During the current year, CIMERWA was in breach of certain debt covenants with external funders. The directors have obtained waivers for the breach and are satisfied that the breach has been remediated.

Concerning PPC Zimbabwe, we concluded that there were no breaches of debt covenants on both IFRS and RTGS statutory accounts.

Both CIMERWA and PPC Zimbabwe are going concerns for the foreseeable future. In addition to the group's current trading position, forecasts and facilities in place, the directors believe that the group will be able to comply with its financial covenants and be able to meet its obligations as they fall due and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis. The 2019 group financial statements therefore do not include any adjustments that would result if the going concern assumption was not used as the basis for the underlying preparation of the financial statements. The ARC concluded that the group will continue to be a going concern for the foreseeable future.

Deferred taxation assets

Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Future tax profits are estimated based on the business plans, which include estimates and assumptions regarding economic growth, interest, inflation and tax rates and the competitive environment. At year-end, the group had deferred taxation assets of R220 million (March 2018: R245 million).

CIMERWA has accumulated tax losses over the last four years with a significant amount arising in 2015 from claiming a 50% investment deduction on the new plant. Article 29 of law no 16/2005 capped the utilisation of tax losses to a five-year period following the tax loss. A new income tax law, law no 016/2018 has been gazetted repealing law no 16/2005 of 18/08/2005 on direct income tax. This new law is applicable to CIMERWA. Article 32 of law no 016/2018, which came into effect on 13 April 2018, states that the Rwandan Revenue Authority (RRA) may authorise the taxpayer who duly applies, to carry forward losses for more than five tax periods if tax payer fulfils requirements determined by an order of the Minister. The ministerial order was published in the official gazette on 6 May 2018 indicating that a taxpayer may apply for losses to be carried forward more than five tax periods, subject to fulfilment of certain conditions. The deferred taxation asset recognised in CIMERWA is also affected by the maintenance of the existing shareholders. Any disposal of shares by the existing shareholders equal to and higher than 25% will result in the loss of the deferred taxation asset. In a letter dated 16 November 2018, Agaciro Developments Fund (AgDF) notified the CIMERWA board of directors of its intention to sell its shareholding of 16,55% in CIMERWA. An assessment of the conditions indicates that the CIMERWA deferred tax of R209 million (2018: R242 million) is recoverable.

The PPC Barnet DRC Manufacturing deferred tax asset of R173 million was assessed based on the DRC's tax laws applicable at 2019 year-end close. The assessment of the deferred tax recoverability was based on the subsidiary's approved business plans and compliance with DRC's tax laws and regulations, the recognised deferred taxation asset was assessed to be recoverable.

PPC Aggregates Quarries Botswana's deferred tax asset of R20 million was assessed for recoverability. The recoverability assessment has taken into account the approved business plan and Botswana's applicable tax laws and regulations and based on the assessment, no impairment was recognised during the year.

Pronto Building Materials and PPC Ltd's deferred tax assets recoverability assessments were based on applicable South African tax laws and the approved business plans and the assessment, no impairment was recognised during the year.

Risk management

The committee is an integral component of the risk management process and specifically reviewed:

- Financial risks
- Financial reporting risks
- Internal financial controls
- Fraud risks as they relate to financial reporting
- IT governance

Enterprise risk management

In fulfilling management's responsibility, a risk management plan is compiled, implemented and monitored to ensure the continuous improvement of risk management processes as they are embedded in PPC's business processes. Key activities in the review period included:

- The committee reviewed management's report on executing the risk management plan against targets and is satisfied with progress
- The committee reviewed the group risk register was reviewed and approved by exco
- The committee noted management's remedial action plans to reduce the group's inherent risk exposure
- The committee is satisfied with progress in embedding risk management processes as part of day-to-day management in the group
- The committee noted that phase two: BCM readiness reviews of the business continuity management programme which were conducted across the operations with the exception of a few operations which are still in progress. The status and outcome of these readiness reviews have been shared with management and the committee. The value of conducting these readiness reviews has been acknowledged throughout the business and has ensured that there is a common understanding of the BCM framework and the importance of having robust business continuity plans in place which can be invoked at any time when an incident may occur
- The committee also noted planning and preparation for phase 3 – simulations and testing of the BCM plans have commenced and will be carried out in due course
- The committee noted incidents of, among others, theft, robberies and fraud that were reported to the group compliance and risk division. Management actions are monitored to ensure controls are implemented to prevent similar incidents in the future. A consolidated report, including trend analysis, is presented to the committee for deliberation
- Insurance underwriting surveys were conducted according to the risk management plan with a total of 12 completed during this financial year. Management's progress in addressing these recommendations are monitored
- In addition to the insurance underwriting surveys, insurance awareness roadshows are being carried out across the group to highlight the importance of insurance as a risk transfer strategy. Emphasis is placed on ensuring that there is a common understanding of the types of risk covered and the claims process to be followed in the event of an incident

Key future focus areas

The following strategic focus areas were identified for the 2020 financial year and beyond:

Enterprise risk management

We believe at PPC that enterprise risk management is a journey we have embarked on. By continuously reviewing and improving enterprise risk management, we ensure PPC's risk management processes and systems remain relevant, add value and are embedded in the business process of all operations and divisions. Risk reviews ensure that issues are identified and adequately defined and managed. Risks are rated in line with the risk matrix and response strategies, and actions are recorded and implemented.

Business continuity management

Readiness reviews (phase 2) will be completed, followed by phase 3 (simulations and testing of business continuity plans).

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT continued

Insurance underwriting survey recommendations

The implementation of action plans by management to address underwriting survey recommendations will be monitored.

Insurance awareness programme

Continue to conduct insurance awareness roadshows across the group.

Material matters

During the review period, risk registers in the PPC group were reviewed.

Group compliance

As a governance principle, the board ensures PPC complies with applicable laws and considers adhering to non-binding rules, codes and standards. This responsibility has been delegated to the audit, risk and compliance committee, which monitors compliance issues, approves the compliance policy, ensures it is observed and that any compliance risks are reported.

Management is responsible for implementing the compliance policy and day-to-day management of compliance risks. This includes responsibility for ensuring appropriate remedial or disciplinary action is taken if non-compliances are identified. Key activities undertaken by the group compliance division over the year included:

- The compliance manual is continually being updated in line with the approved framework as the compliance processes evolve
- Governance structures for compliance were revised
- Roles and responsibilities for compliance were defined and related job profiles updated
- The regulatory universe for South Africa is reviewed each quarter and an update provided to the committee
- Country-specific regulatory universes are being compiled for all operations in the RoA, and were presented to the committee for review and approval
- Workshops were conducted across the group to compile compliance risk management profiles for each operation and division. The committee is provided with a status update on the progress and once completed the results will be provided to the committee
- The group's non-compliance reporting and management procedure was approved and implemented to ensure that non-compliances are reported to the group compliance and risk division
- A non-compliance register is maintained and updated by the group compliance officer
- The current policy management system was reviewed and improved by automating the process, however, information technology challenges have been experienced and the implementation of the revised system has been delayed
- The threshold for disclosure of significant fines and penalties is R30 million. Management has confirmed that there were no significant fines and penalties

Compliance management

Key activities we embarked on in the review period will continue, focusing on:

- The compliance policy will be reviewed, updated and submitted to the committee for approval
- Workshops will continue across the group to embed the revised framework and compile compliance risk management profiles for operations and divisions which have not been completed within this financial year
- A regulatory universe for each operating country in Africa has been established and compliance risk management profiles will be compiled for each operation
- A risk-based approach will be followed in developing and implementing compliance risk management plans across the group
- Compliance monitoring tools and indicators will be continuously improved and implemented
- The compliance division will drive adoption of a group compliance issue register
- Once the system challenges have been addressed, we will implement the revised PPC policy management system.

Regulatory compliance

The committee has fulfilled all its statutory duties as per the requirements of section 94(7) of the Companies Act. The committee also complies with paragraph 3.84(g) of the JSE Listings Requirements and the requirements of King IV.

On behalf of the ARC committee

Nonkululeko Gobodo
Chairman

18 July 2019

SET COMMITTEE REPORT

Nonkululeko Gobodo
Chairman

REPORT TO SHAREHOLDERS ON THE ACTIVITIES OF THE SET COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

The PPC SET committee is a statutory committee tasked with assisting the board in monitoring the group's activities, as well as promoting a high ethical behaviour throughout the group. The committee is governed by terms of reference that detail its duties under the Companies Act, the JSE Listings Requirements and King IV, as well as those responsibilities assigned to it by the board.

During the reporting year, the SET committee's terms of reference was reviewed and approved by the board. The board was satisfied that the committee executed its duties in line with the terms of reference.

The SET committee is composed of three independent non-executive directors, and one executive director, with a diverse skills set.

Membership	Status	Qualification
N Gobodo (chairman)	Independent	CA(SA)
M Gumbi	Independent	BProc, LLB
J Moleketi	Independent	MSc, AMP, postgraduate diploma
T Ramano	Executive	CA(SA)

Meeting date	Attendance
6 April 2018	Mr Moleketi and Ms Ramano absent with apology
10 May 2018	Mr Moleketi and Ms Ramano absent with apology
13 November 2018	All in attendance

SET COMMITTEE REPORT continued

Responsibilities

The SET committee reports directly to the PPC board, and is responsible for the monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship. The committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of the company's executive committee.

The committee's function includes monitoring the company's compliance with applicable legislation, as well as adhering to codes of best practice in the following dimensions:

- Social and economic development in terms of the Employment Equity Act and Broad-Based Black Economic Empowerment (BBBEE) Act
- Transformation, including oversight of the company's transformation strategy, implementation of the roadmap, reviewing policies and approving the integrated report to stakeholders on aspects of transformation
- Good corporate citizenship, including promoting equality, preventing unfair discrimination, eliminating corruption and contributing to the development of communities
- Best practice in environmental management and prioritising health and public safety
- Oversight of stakeholder engagement and management, as well as considering those issues around stakeholder perceptions
- PPC's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including the group's standing under the International Labour Organisation protocol on decent work and working conditions, employee relationships, as well as PPC's contribution to the development of employees
- The governance of ethics and implementing the ethics management programme
- Monitor functions required by the Companies Act and its regulations.

In terms of its delegated authority, the committee has the power to investigate any activity within the scope of its terms of reference.

Key activities during the review period

The SET committee held three meetings during 2019, during which the committee reviewed and considered those initiatives and reports detailing matters that fell within its mandate. Details of these matters are discussed in this report.

During the year, the committee reviewed its terms of reference with the aim of ensuring that it continues to operate within its scope and limits, as mandated by the board. Furthermore, the committee considered regulatory developments during the financial year, as well as the impact any revised legislative requirements would have on PPC, such as the 2018 mining charter published and gazetted by the Department of Mineral Resources.

PPC is committed to delivering on the South African transformation agenda and to fulfil its legal and moral obligations as a good corporate citizen. Therefore, the SET committee approved PPC's transformation strategy, which is built on the four pillars of ownership and control, commercial relationships, human capital, and community and social relationships. The committee also discussed the progress of the head office restructuring and post-restructuring dispute matters.

PPC aspires to help people experience a better quality of life. Therefore, the committee's corporate social investment (CSI) discussions focused on the status of certain initiatives, particularly the construction of science laboratories in previously disadvantaged schools and sponsoring the first mobile clinics in Johannesburg and Tshwane. PPC's social and labour plan (SLP) report, a compliance element under regulation 46 of the MPRDA, was also reviewed and approved, along with the plans and progress on the implementation of the stakeholder engagement framework.

For more information on our CSI initiatives and SLPs, refer to page 80.

PPC embarked on a journey to rebuild its culture in 2018 by revising its company values. Building on this, the SET committee considered initiatives aimed at further revitalising the company culture, thereby ensuring that PPC creates a healthy, rewarding and satisfying working environment for all employees, and includes the development and implementation of the group code of conduct. More than 80% of employees attended climate creation workshops that focused on creating a positive environment to enable a high-performing culture, and more than 100 employees who volunteered as ambassadors of change underwent change management training.

The committee also reviewed the company's sustainability performance, particularly those matters relating to health and safety, energy and water management, as well as the environmental impact of dust pollution and waste. Furthermore, the committee focused on matters relating to ethics and ethics reports, as well as matters that could potentially lead to fraud and corruption, or could potentially negatively impact the reputation of the company.

All other aspects of the committee responsibilities are detailed in our supplementary reports, which can be accessed at www.ppc.africa.

The committee monitors the group's performance against the company's vision and values and makes recommendations to the board to meet the expectations of various stakeholders. It is satisfied that it has discharged all its responsibilities and carried out all the functions assigned to it by the board.

On behalf of the SET committee

Nonkululeko Gobodo
Chairman social, ethics and transformation committee

18 July 2019

INDEPENDENT LIMITED ASSURANCE REPORT (NON-FINANCIAL SUSTAINABILITY REPORT)

to the directors of PPC Ltd

We have performed our limited assurance engagement in respect of the key performance indicators (KPI) (subject matter) for the year ended 31 March 2019.

The subject matter comprises the selected KPIs conducted in accordance with the Global Reporting Initiative Standards (GRI Standards), as prepared by the responsible party, during the year ended 31 March 2019.

The terms of the GRI Standards and management's basis of preparation comprise the criteria by which the company's compliance is to be evaluated for purposes of our limited assurance engagement. The KPIs are as follows:

No	KPIs	Boundary
	Social	
1	Information on employees and other workers	South Africa (excluding Pronto, Ulula and 3Q) Botswana Zimbabwe
2	New employee hires and employee turnover	South Africa (excluding Pronto, Ulula and 3Q) Botswana Zimbabwe
3	Collective bargaining agreements	South Africa (excluding Pronto, Ulula and 3Q) Botswana Zimbabwe
4	Types of injury and rates of injury, lost days, absenteeism and number of work-related fatalities	*All KPIs (excluding absenteeism):* South Africa (excluding Pronto, Safika, Ulula and 3Q) Botswana Zimbabwe *Absenteeism:* South Africa (excluding Pronto, Ulula and 3Q) Botswana Zimbabwe
5	Average hours of training per year per employee	South Africa (excluding Pronto, Ulula and 3Q)
6	Diversity of governance bodies and employees	Group
7	Operations with local community engagement, impact assessments and development programmes	South Africa
8	Non-compliance with laws and regulations in the social and economic area	Group
	Environmental	
9	Energy consumption within the organisation	PPC SA Cement
10	Direct (scope 1) GHG emissions	PPC SA Cement
11	Energy indirect (scope 2) GHG emissions	PPC SA Cement
12	Nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions	South Africa (excluding Pronto and Safika)
13	Non-compliance with environmental laws and regulations	Group
	Economic	
14	Direct economic value generated and distributed	Group

Directors' responsibility

The directors being the responsible party, and where appropriate, those charged with governance are responsible for the KPI information, in accordance with the GRI Standards.

The responsible party is responsible for:

- Ensuring that the KPIs are presented in accordance with the GRI Standards
- Confirming the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information
- Designing, establishing and maintaining internal controls to ensure that the KPI information is presented in accordance with the GRI Standards

INDEPENDENT LIMITED ASSURANCE REPORT (NON-FINANCIAL SUSTAINABILITY REPORT) continued

to the directors of PPC Ltd

Assurance practitioner's responsibility

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historic Financial Information*. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the subject matter of the engagement.

We shall not be responsible for reporting on any KPI transactions beyond the period covered by our limited assurance engagement.

Quality control

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independence and other ethical requirements

We have complied with the independence and other ethical requirements of Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of work performed

We have performed our procedures on the KPI transactions of the company, as prepared by management in accordance with the GRI Standards for the year ended 31 March 2019.

Our evaluation included performing such procedures as we considered necessary which included:

- Interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected subject matter
- Testing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected subject matter for disclosure in the report
- Inspected supporting documentation and performed analytical review procedures
- Evaluated whether the selected KPI disclosures are consistent with our overall knowledge and experience of sustainability processes at PPC Ltd

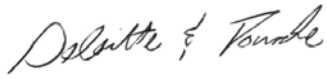
Our assurance engagement does not constitute an audit or review of any of the underlying information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the non-financial performance indicators have been presented, in all material respects, in accordance with GRI Standards, supported by management's internal basis of preparation.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that KPI are not prepared, in all material respects, in accordance with the GRI Standards, supported by management's internally developed basis of preparation.



Deloitte & Touche
Registered Auditors

Per Mark Victor
Partner
18 July 2019

Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton
2052

*National Executives: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal TP Pillay Consulting *JK Mazzocco Talent & Transformation MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *TJ Brown Chairman of the Board*

A full list of partners and directors is available on request **Partner and Registered Auditor*

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Part 1: Background statement

Dear shareholder

I am pleased to present the remuneration committee's report for the 12 months ended 31 March 2019, highlighting key issues considered during the period.

The past year has been challenging for the company, mainly due to the lagging South African economy and low growth. Overcapacity, lack of demand for cement and the impact of competition from new entrants in the cement industry impacted company performance for the period. All these factors contributed to PPC's muted performance for the review period, and are reflected in remuneration outcomes.

Given these challenges, the committee has reflected and responded to shareholder views by incorporating a policy that ensures the delivery of sustained value as well as the attraction and retention of key skills at all levels in the organisation. In support of this principle, the committee has reviewed the allocation policy of the long-term incentive (LTI) scheme to further focus and align to the company's strategic imperatives and, at the same time, be more meaningful and impactful for employees, cognisant of the fact that the purpose of the LTI is to retain key talent and reward and encourage good performance. As a result of this process, only selected employees were offered LTI awards during 2019 which resulted in cost savings for the company. The committee remains cognisant of the fact that the retention of top talent remains a priority and further work on the allocation of LTI awards during 2020 is planned.

The committee is also pleased to confirm that management has adopted an integrated approach to performance management, succession, talent management and a pay-for-performance strategy. In support of these strategies, a new integrated human resources (HR) system is being designed to complement these employee programmes.

In addition, certain structural changes will be implemented to the short-term incentive (STI) scheme to further drive and enhance the aforementioned pay-for-performance strategy. These changes are discussed in further detail below.

Due to the subdued company performance, most of the financial and non-financial targets set for the annual STI were not met, resulting in management and the committee proposing that no STI be paid to employees for FY2019. Further to this, the CEO and CFO declined to receive their approved annual LTI awards. I want to take this opportunity to thank them for this gesture under difficult circumstances.

The following initiatives are planned for the upcoming year:

- Adoption of a pay-progression model to further enhance our approach to performance management
- Refining our LTI allocation policy with the view to retain our employees with top performance and potential
- The roll-out of the changes made to the STI scheme
- Development of fair pay charter
- Development of a malus and clawback policy
- Implementation of the increase cycle to 1 April to align to the company's financial year

At the 2018 annual general meeting, 97,95 % of PPC's shareholders who voted endorsed the remuneration policy while 69,71 % endorsed the remuneration implementation report. The policy vote was a solid outcome in the current climate and is indicative of shareholders' support of the remuneration policy. The most notable shareholder concerns related to the implementation report and the exit payment to the outgoing CEO.

The committee considers shareholder dialogue imperative, as a result in 2018/2019, the chairman of the committee, CEO, CFO and a representative from our investor relations department had face-to-face meetings with our major shareholders on our remuneration policy and to address concerns around the exit package of the former CEO. Overall, there was support for our incentive structures and level of transparency of our report. The committee will continue to evaluate and consider feedback by shareholders in future.

In line with King IV and the JSE Listings Requirements, the report is presented in three parts: this background statement (part 1), followed by the company-wide remuneration philosophy and policy with specific focus on the policy as it applies to executive management (part 2) and lastly, implementation of the policy for the 12 months from 1 April 2018 to 31 March 2019 (part 3).

Todd Moyo
Chairman of the remuneration committee

18 July 2019

Part 2: Remuneration policy

Governance and the remuneration committee

Role of the committee

As a committee of the board, the committee assists in setting the company's remuneration policy as well as remuneration for directors and prescribed officers. It operates according to its approved terms of reference, published on the company's website. For more detail on these terms of reference, refer to page 110 of the governance report.

Members

All members are non-executive directors, and the majority are independent as defined by King IV. The committee held four meetings in the period, with attendance shown on page 110.

The CEO, CFO and group HR executive attend meetings by invitation to assist the committee in executing its mandate. Other members of the executive management can be invited when appropriate. No executives participate in the voting process or are present at committee meetings when their own remuneration is considered.

The remuneration committee has appointed PwC as independent advisers and is satisfied that they acted independently.

Shareholder engagement

Shareholder engagement remains a focus area for the committee. In the event that our remuneration policy (in part 2) or implementation report (in part 3) are voted against by 25% or more of voting rights exercised by our shareholders, the committee will take the following steps as a minimum:

- Engage in face-to-face meetings with shareholders to ascertain reasons for dissenting votes
- Address legitimate and reasonable objections raised
- This may include amending our remuneration policy or clarifying/adjusting our remuneration governance or processes

Fair and responsible pay

The committee is focused on responsible remuneration practices and strives for a fair, living wage for all employees by reviewing salaries and ensuring these remain competitive in the industry. Our industry faces many challenges and we recognise the need to retain our top talent to ensure a focused and driven effort to meet shareholder expectations.

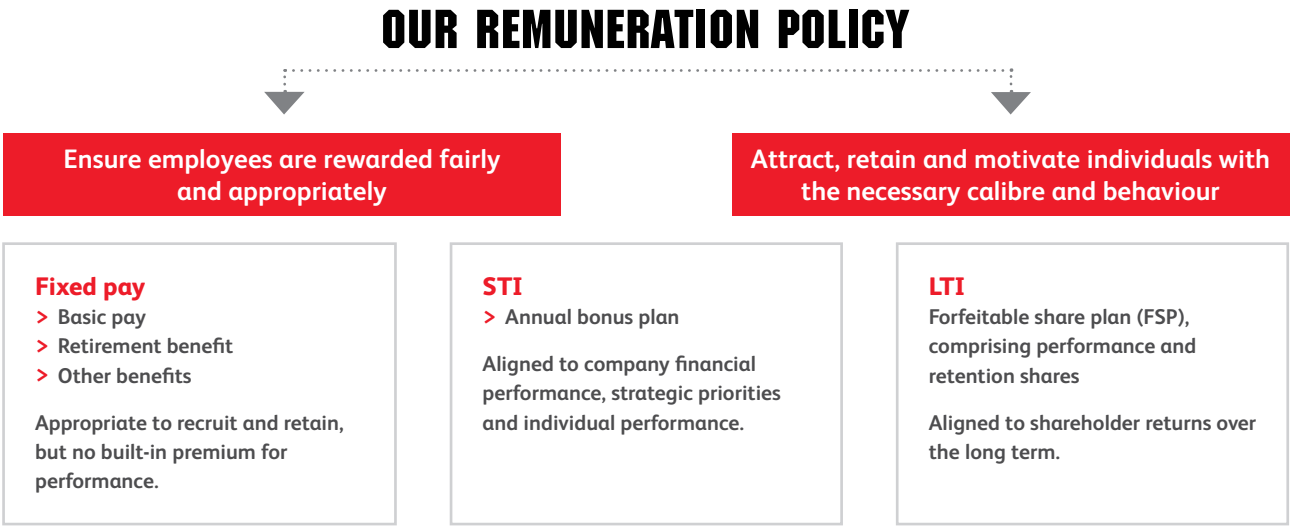
The company continuously strives for fair and responsible pay by remaining sensitive to the wage differential between executive and lower-income employees in awarding annual salary increases. Accordingly, annual increases for lower-income employees this year exceeded inflation while increases awarded to executives and management employees were inflation-linked. PPC also adopted a policy to close the internal Gini co-efficient for the group. Furthermore, minimum entry-level pay for all roles has been set and executive increases are capped to conform to market benchmarks.

Our remuneration policy

In the remainder of this part, we summarise the company-wide remuneration policy and, as applicable, detail the policy as it applies to executive management.

Our full remuneration policy can be viewed at www.ppc.africa.

Company-wide remuneration policy – overview



Key principles of the remuneration policy

To meet our business objectives, remuneration and reward policies and practices must support the following principles:

- Encourage organisational, team and individual performance
- Designed to drive a high-performance culture
- Based on the premise that employees should share in the success of the company
- Be designed to attract and retain high-calibre individuals with the optimum mixture of competencies
- Promote an ethical culture and responsible corporate citizenship
- The remuneration of executive management

The policy conforms to King IV and is based on the following principles:

- Remuneration practices are aligned with corporate strategy
- Total rewards are set at competitive levels in the relevant market
- Incentive-based rewards are earned by achieving demanding performance conditions consistent with shareholder interests over the short, medium and long term
- Incentive plans, performance measures and targets are structured to operate effectively throughout the business cycle
- Is fair and responsible in the context of overall employee remuneration in the company
- Performance conditions used in variable pay structures support positive outcomes across the economic, social and environmental context in which the company operates, and/or all the capitals the company uses or affects
- The design of LTI is prudent and does not expose shareholders to unreasonable financial risk

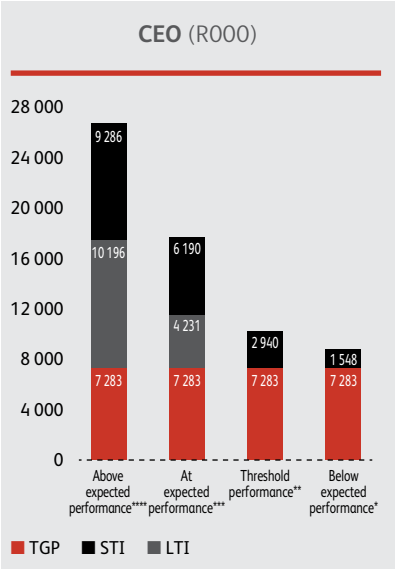
Elements of remuneration

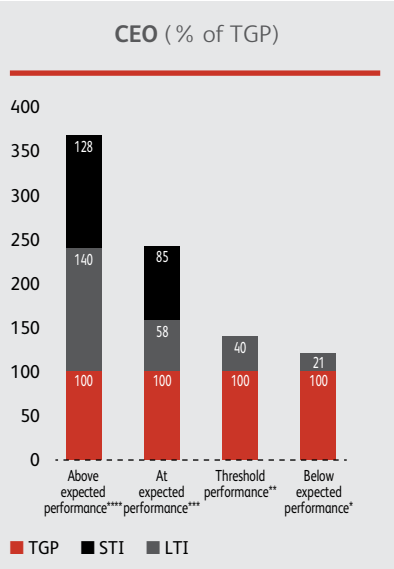
	Element	Definition	Applicable grades
Fixed	Total guaranteed pay (TGP)	The fixed element of remuneration (TGP) includes salary, car allowance, retirement, life insurance and medical aid contributions.	Paterson grades F4 – C5
	Base pay plus benefits	Base pay refers to the cash basic pay and excludes benefits. Benefits are over and above base pay and include the company's contribution to medical aid, retirement fund and any other employer funded group benefits.	Paterson grades C4 – A3
Variable	STI	An annual STI is paid in cash and gives employees an incentive to achieve the company's short and medium-term goals, with payment levels based on both company and individual performance, depending on the level of the employee.	All employees Paterson grades F4 – A3
	LTI	LTIs comprise performance shares and retention shares awarded under the PPC FSP. The committee retains the discretion to determine the award policy. Where used for performance, vesting is subject to company performance vesting conditions. Where used for retention, continued employment is used as a vesting condition. The company previously operated a share appreciation rights scheme (SARs).	Paterson grades F4 – D3 and other employees nominated by the executive

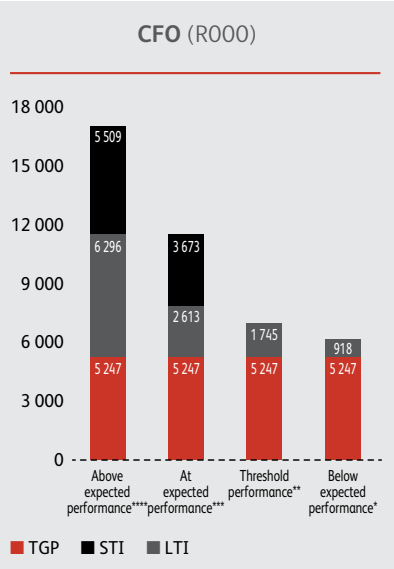
Details on executive directors and prescribed officers

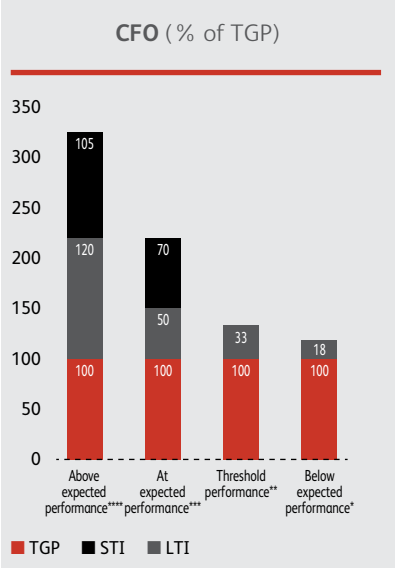
Package design

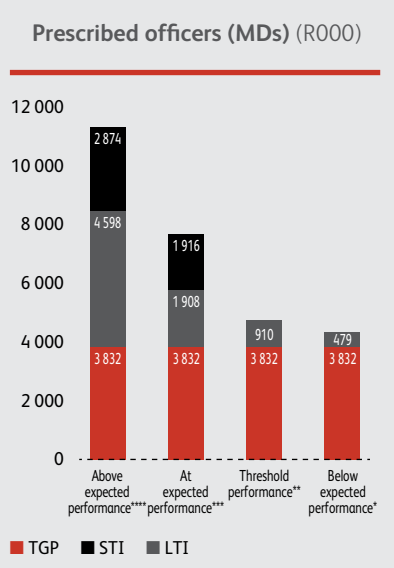
Our policy for executive directors and prescribed officers means a significant portion of remuneration received depends on company performance. In part 3, we show actual total pay outcomes for the 12 months ended 31 March 2019, while total pay opportunities for the CEO, CFO and prescribed officers (on average) under the following three performance scenarios are illustrated below:

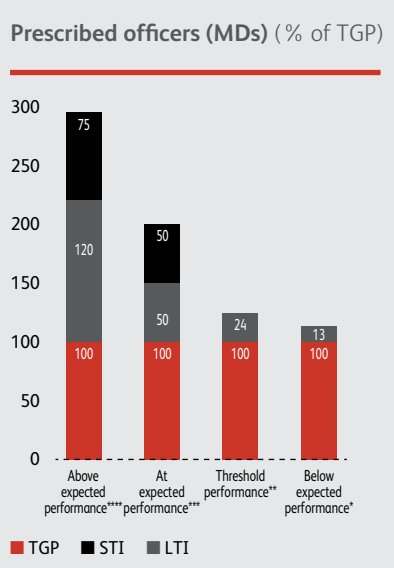












Overview of remuneration policy

TGP

The company generally pays fixed remuneration at the relevant market median. The 2020 increase cycle has moved to 1 April.

Monthly pay and benefits are targeted to be competitive for comparable roles in companies of similar complexity and size, taking cognisance of the performance and experience of the employee concerned. Market data is used to benchmark salary and benefits and to inform decisions on salary adjustments. Salary increases are not guaranteed and are adjusted annually based on market benchmarks, market inflation, company affordability, company performance and to address market anomalies.

Professional advisers appointed by the remuneration committee provide annual benchmark information. For executive directors and prescribed officers, a peer group comprising listed companies is used to benchmark TGP. The remainder of the employees are benchmarked against survey data.

Employee benefits

The following benefits are provided as part of TGP:

- Participation in the PPC retirement fund is compulsory for all permanent employees. This is an in-house defined contribution fund and provides risk cover for death and disability
- Employees are required to belong to a choice of company sponsored external medical aids or to be a member of their spouse/life partner's medical aid
  - Employees are covered for death, medical and disability expenses as a result of an accident
  - Employees who need to use their motor vehicle in their duties can elect to allocate an appropriate portion of their TGP as a car allowance
- Employees who are not on TGP receive a fixed monthly basic cash salary component – base pay and benefits in addition to base pay. Benefits include the company contribution to medical aid, retirement fund and any other employer funded group benefit.

STIs

Changes for 2020

The following changes are applicable from 2020 and discussed in further detail below:

- A new STI formula, using the sum of business and personal performance, will be adopted to further enhance the pay for performance culture
- To ensure affordability, an EBITDA modifier (up to 100 %) will be applied to personal performance
- New business performance measures will apply
- The weighting between business and personal performance measures has been reviewed and enhanced weighting between company and individual performance has been reviewed
- Payment of any bonus is subject to a free cash flow condition

Purpose

To reward employees for contributing to the company's financial and strategic objectives. The STI scheme has been designed to be easy to understand, pay out fairly and be differentiated according to individual performance, while being linked to PPC's overall financial performance.

Participation

All employees are eligible to participate in the STI, but different levels of staff have different weightings assigned between business and personal performance, depending on their line of sight.

Operation

The STI scheme is measured over a one-year period. The following bonus formula will apply from 2020:

Annual TGP/basic pay x STI maximum % x [(business performance % x weighting)] + [(personal performance % x weighting) x EBITDA modifier]

The payment of the bonus is further subject to having sufficient free cash flow. The remuneration committee retains the right to vary the terms of the STI in special circumstances. For example, in previous years, this was applied pro rata across all participants to reduce the cost to company in line with lower than expected profits.

STI maximum %

The STI maximum percentage varies by grade:

Position	STI maximum percentage
CEO	140
CFO	120
Prescribed officers	120

Business performance measures

A combination of group and business unit performance conditions are used, depending on the employee's seniority and role. The measures comprises: EBITDA (applicable to all employees) and liquidity measures (only applicable to senior management).

STIs (continued)

Personal performance measures and EBITDA modifier

No bonus is payable below threshold performance.

Personal performance is measured through personal scorecards with objective and subjective measures, including financial and non-financial goals. They cover all aspects of an individual's role that are important to creating value and sustainability. To ensure the STI remains affordable, a group EBITDA modifier will be applied to the personal performance score. The modifier ranges from 0 % to 100 %, meaning that the personal score can only be moderated downwards.

Weighting between business and individual performance

The seniority of an employee will determine the weighing between business and personal performance. In the case of executive directors and prescribed officers, business performance will have 70 % weighting and personal performance a 30 % weighting.

Performance percentages

The performance achievement of the business and individual performance will result in a performance score being attached to each performance outcome.

Target performance will result in a 50 % performance percentage while stretch performance will result in a 100 % performance percentage. Linear percentages will apply between these levels.

LTI – FSP

Changes for 2020

Further work is anticipated on the allocation principles to align the LTI with the company's performance management system. Applicable performance measures are set for each financial year.

Purpose

To align FSP participants with shareholders over the long term by making performance awards, with vesting subject to company performance conditions and continued employment, and to act as a retention tool by making retention awards, with vesting subject to continued employment.

Operation and instruments

Annual awards are made. Currently, FSP awards are used and forfeitable shares are awarded. These are free shares with full voting and dividend rights from award date. The FSP comprises performance awards that are subject to forward looking performance conditions and retention awards. Details on the allocation between these instruments are provided below.

Award policy

During 2019 a new award policy was adopted using performance and potential as entry requirements.

Performance versus retention instruments

For executive directors and prescribed officers, at least 75 % and 50 % respectively of the total LTI award should be performance based. The committee has the discretion to make ad hoc retention awards to address retention and attraction requirements.

The current mix between FSP performance and retention awards for executive directors and prescribed officers is shown below:

Level	Retention %	Performance %
CEO	25	75
CFO	25	75
Prescribed officers (managing directors)	25	75
Prescribed officers (company secretary)	60	40

Performance measurement

Appropriately stretched performance conditions are set by the committee each time an award is made, measured over a three-year performance period. Please refer to part 3 for performance conditions and measurement used in 2018.

Vesting periods

Awards of forfeitable shares (performance awards) vest after three years and are subject to both continued employment from the date of award and achievement of performance measures noted above. Retention awards under the FSP are subject to continued employment measured over a three-year period.

Dilution

LTIs are not dilutive to shareholders as they can only be settled by purchasing shares in the market.

BBBEE schemes

South African employees participated in a BBBEE scheme in 2008 and a second scheme in 2012. Certain directors and prescribed officers also participated in these schemes as detailed on page 139.

Employment contracts – executive directors

The remuneration committee, subject to circumstances, will maintain the following policy for executive directors' employment contracts:

- All executive director and prescribed officer agreements contain a minimum six-month restraint of trade clause
- Contracts should not commit the company to pay on termination arising from the director's failure to perform agreed duties
- Employment contracts contain no balloon payments on termination of employment
- If a director is dismissed because of a disciplinary procedure, a shorter notice period should apply without entitlement for compensation for this period
- Contracts should not compensate directors for severance because of change of control.

Appointment of non-executive directors

Non-executive directors appointed during the year are subject to election by shareholders at the first shareholders' meeting following their appointment. These directors are also required to retire, according to the board rotation plan.

Non-executive directors' fees

The CEO recommends board fees to the remuneration committee for approval by the board. This recommendation follows input from independent advisers on benchmark studies based on the same comparator group used for executive directors' remuneration. PPC pays its non-executive directors a retainer fee (including attendance at all scheduled meetings) plus an attendance fee for special meetings beyond the scheduled number of meetings. To the extent applicable, the lead independent director fee will be included in the board fee but the lead independent director will be paid additional fees for his committee memberships and chairmanships. Fees are exclusive of value added tax.

Non-binding advisory vote on part 2

The remuneration policy will be subject to a non-binding advisory vote at the annual general meeting on 29 August 2019. The policy is reviewed annually and the opinions of shareholders are an important consideration during these reviews.

Part 3: Implementation of policies for the review period

Summary of remuneration activities/decisions

The main issues considered and approved by the remuneration committee for the 12 months ended 31 March 2019 included:

- Approve the committee work plan for 2019
- Review remuneration policy and approve remuneration report
- Review shareholder feedback post annual general meeting and shareholder engagement
- Approve TGP increases for senior management and other staff
- Approve STI targets for executive directors, prescribed officers and all other staff
- Approve STI outcomes for 2019
- Approve LTIs awarded in 2019
- Review fees payable to non-executive directors

TGP adjustments (2019)

Annual salary increases are effected in October, taking account of market benchmark movements and company affordability. Management employees, including prescribed officers, received an average increase based on the July consumer price index (CPI) of 5,1 %, while non-management employees and unionised employees received an average increase of CPI + 1 %. The average increase across all employees was 6 %.

STI outcomes FY2019

Factor	Weight %	Threshold	Target	Stretch	Achievement	Score %
EBITDA – Rm	25	2 493	2 770	3 324	1 946	0,0
Normalised HEPS – cents	20	52	58	70	22	0,0
Cash HEPS – cents	30	127	141	170	83	0,0
Transformation: BEE	5	Level 3	Level 3	Level 2	Level 4	0,0
Sustainability: Emissions	10	10 varying targets have been set			8/10 targets	8,0
Safety: LTIFR and fatalities	10	0,28	0,24	0,20	0,30	0,0
Total	100					8,0

Due the above financial targets not being met no STIs were paid to any employees.

LTIs

In line with the disclosure format recommended by King IV, the following information on LTIs is disclosed:

- LTIs awarded in 2019
- LTIs vesting in 2019
- LTIs settled in 2019
- Outstanding LTIs

Further details appear in the table unvested LTI awards and cash value of settled awards on page 132.

LTIs awarded in 2019

Annual allocations

LTIs awarded in 2019 were approved by the committee during August 2018 but for various reasons the awards were only made on 25 March 2019. To ensure a consistent use of performance periods compared to previous awards, the performance conditions will be tested over the performance period commencing 1 April 2018, ending 31 March 2021.

Prescribed officers were awarded a mix of performance and retention shares in terms of the FSP.

The following performance targets, weighting and vesting conditions apply to the performance awards made:

Performance conditions and weighting	Detail of performance conditions	Vesting profile	Peer group for testing relative TSR condition
> Relative TSR against peer group median (40 %) > Absolute TSR (60 %)	Three-year relative TSR > Threshold – median of peer group > Stretch – upper quartile of peer group Three-year absolute TSR > Threshold – cost of equity > Stretch – cost of equity plus 6 % To mitigate market volatility in determining applicable values at the onset and at vesting, a 20-day smoothing period will be applied, using the TSR daily index for the 20 trading days up to and including the start date of the performance period and the average TSR daily index for the 20 trading days up to and including the end date of the performance period.	> Below threshold – 0 % vesting > At threshold – 30 % vesting > Stretch – 100 % vesting, with linear vesting between these levels	INDI 25

Special retention awards

The two managing directors each received a special award of retention FSP during 2018. These awards were made to address retention risks faced by PPC and to address the war for talent that is a challenge in the industry at present.

Total FSPs awarded during the year

FSPs awarded for 2019 to executive directors and prescribed officers are reflected below, expressed as a percentage of TGP.

	FSP award 2019	Total indicative value of shares
J Claassen*	–	–
T Ramano*	–	–
N Lekula	**572 200**	1 925 246
M Ramafoko	**483 000**	1 625 064
J Snyman**	–	–

* *Declined the LTI award.*

** *Resigned 31 January 2019 prior to award allocation.*

LTI awards vesting during 2019

No LTI awards vested during 2019 due to the non-fulfilment of any performance conditions.

Remuneration paid to executive directors and prescribed officers for the 12 months ended 31 March 2019 and 2018*

All figures stated in R000		Salary	Retirement and medical contributions	Car allowance	Cash incentive	LTIP reflected	Other	Total single figure of remune-ration
Executive directors								
JT Claassen[5,6]	**2019**	**5 710**	**959**	**300**	**–**	**–**	**9**	**6 978**
JT Claassen[1,4,8,9]	2018	3 140	591	300	1 441	907	893	7 272
DJ Castle	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
DJ Castle[4,10]	2018	1 786	248	–	–	–	16 832	18 866
MMT Ramano[5,6]	**2019**	**3 934**	**849**	**240**	**–**	**–**	**7**	**5 030**
MMT Ramano[1,4,11]	2018	3 751	786	240	1 352	985	1 236	8 350
Prescribed officers								
NL Lekula[2,3,5,6]	**2019**	**3 479**	**495**	**–**	**–**	**3 275**	**4**	**7 253**
NL Lekula[1,4,11,12]	2018	2 862	387	–	880	462	700	5 291
JHDLR Snyman[6,13]	**2019**	**1 752**	**225**	**98**	**–**	**–**	**1 993**	**4 068**
JHDLR Snyman[1,4]	2018	2 041	260	117	463	381	5	3 267
M Ramafoko[2,3,6]	**2019**	**2 482**	**430**	**367**	**–**	**2 764**	**82**	**6 125**
M Ramafoko[1,7,9,11,14]	2018	1 743	311	367	641	469	681	4 212

(1) *FSPs without performance conditions awarded on 29 March 2018 are included in the LTIP reflected for 2018 at the closing share price of R7,85 on that date.*

(2) *FSPs without performance conditions awarded on 17 May 2018 are included in the LTIP reflected for 2019 at the closing share price of R8,81 on that date.*

(3) *FSPs without performance conditions awarded on 29 March 2019 are included in the LTIP reflected for 2019 at the closing share price of R4,70 on that date.*

(4) *The performance period of the 2015 SARs ended on 30 September 2017 and are included in the LTIP reflected for 2018 at zero as the shares are effectively underwater although 6,3 % of the awards vested.*

(5) *The performance period of the 2016 SARs ended on 31 March 2019 and are included in the LTIP reflected for 2019 at zero (as the shares are effectively underwater) with an actual vesting of 0 %.*

(6) *The performance period of the 2016 FSPs ended on 31 March 2019 and are included in the LTIP reflected for 2019 at the 20-day year-end VWAP of R4,70 with an actual vesting of 0 %.*

(7) *The BEE 1 participation rights vested on 29 March 2018 and the value of the shares vesting in participants are included in the LTIP reflected for 2018.*

(8) *JT Claassen (previously a prescribed officer) was appointed as interim CEO in July 2017 and as permanent CEO in February 2018.*

(9) *"Other" includes a relieving allowance.*

(10) *DJ Castle resigned as CEO from the board in July 2017. He received an exit package of R16,832 million included in "Other" which consisted of notice pay, leave pay and a separation package.*

(11) *Due to the underperformance of the BBBEE BEE 1 transaction, the remco resolved to make ex gratia payments to certain participants of the Black Managers Trust which are included under "Other".*

(12) *"Other" includes relieving allowance and leave payout.*

(13) *JHDLR Snyman resigned on 31 January 2019. "Other" includes a separation package of R1,989 million.*

(14) *M Ramafoko became a prescribed officer in February 2018. However, his remuneration for the full financial year has been disclosed.*

* ***This table and related information has been audited.***

Schedule of unvested awards and cash flow on settlement

Names	End of vesting period	Opening number on 1 April 2017	Granted during 2018	Forfeited/ lapsed during 2018	Number adjusted for effect of rights offer during 2018	Settled during 2018	Closing number on 31 March 2018	Cash value of receipts during 2018[15] R
Executive directors								
JT Claassen								
Share appreciation rights								
08/08/2007 cash-settled	08/08/2010	40 000	–	–	–	–	40 000	–
17/09/2008 cash-settled	17/09/2011	24 000	–	–	–	–	24 000	–
25/09/2009 cash-settled	25/09/2012	26 000	–	–	–	–	26 000	–
29/05/2015 equity-settled	19/02/2018	148 800	–	(139 426)	–	–	9 374	–
30/08/2016 equity-settled	30/08/2019	314 773	–	–	–	–	314 773	–
Forfeitable shares – with performance conditions								
14/02/18	18/02/2017	21 500	–	(21 500)	–	–	–	–
16/08/30	39/08/2019	55 700	–	–	–	–	55 700	–
18/03/29	15/05/2020	–	577 700	–	–	–	577 700	–
Forfeitable shares – without performance conditions								
14/02/18	18/02/2017	33 353	–	–	–	(33 353)	–	93 267
15/05/29	19/02/2018	23 900	–	–	–	(23 900)	–	172 797
16/08/30	30/08/2019	33 400	–	–	–	–	33 400	–
18/03/29	15/05/2020		115 500	–	–	–	115 500	–
BBBEE schemes								
BEE 2	–	22 501	–	–	–	–	22 501	–
Total								266 064
DJ Castle[26]								
Share appreciation rights								
29/05/2015 equity-settled	30/08/2019	2 333 652	–	(2 216 934)		–	116 718	–
30/08/2016 equity-settled	30/08/2019	1 166 195	–	(988 027)	–	–	178 168	–
Forfeitable shares – with performance conditions								
16/08/30	30/08/2019	206 400	–	(206 400)	–	–	–	–
Forfeitable shares – without performance conditions								
15/05/29	30/08/2019	125 150	–	(25 794)	–	(99 356)	–	473 928
16/08/30	15/05/2020	123 900	–	(86 042)	–	(37 858)	–	180 583
Total								654 511
MMT Ramano								
Share appreciation rights								
29/05/2015 equity-settled	19/02/2018	581 300	–	(544 678)	–	–	36 622	–
30/08/2016 equity-settled	30/08/2019	712 524	–	–	–	–	712 524	–
Forfeitable shares – with performance conditions								
14/02/18	18/02/2017	128 700	–	(128 700)	–	–	–	–
16/08/30	30/08/2019	126 100	–	–	–	–	126 100	–
18/03/29	15/05/2020	–	562 200	–	–	–	562 200	–
Forfeitable shares – without performance conditions								
15/05/29	30/08/2019	56 900	–	–	–	(56 900)	–	411 387
16/08/30	30/08/2019	75 700	–	–	–	–	75 700	–
18/03/29	15/05/2020	–	112 400	–	–	–	112 400	–
BBBEE schemes								
BEE 1	23/03/2018	335 249	–	–	–	(335 249)	–	102 218
BEE 2	01/10/2019	372 737		–	–	–	372 737	–
Total								513 605

Closing estimated fair value at 31 March 2018 (16,17,18,19,20, 21,24,25) R	Granted during 2019	Forfeited/ lapsed during 2019	Settled during 2019	Closing number on 31 March 2019	Cash value of receipts during 2019[15] R	Closing estimated fair value at 31 March 2019 (16,17,18,19,20,21, 24,25) R	Strike price R
–	–	(40 000)	–	–	–	–	26,95
–	–	(24 000)	–	–	–	–	18,97
–	–	–	–	26 000	–	–	21,3
–	–	–	–	9 374	–	–	9,84
1 171 763	–	–	–	314 773	–	–	5,85
–	–	–	–	–	–	–	n/a
346 788	–	–	–	55 700	–	–	n/a
4 351 115	–	–	–	577 700	–	–	n/a
–	–	–	–	–	–	–	n/a
–	–	–	–	–	–	–	n/a
251 562	–	–	–	33 400	–	156 956	n/a
869 922	–	–	–	115 500	–	542 768	n/a
–	–	–	–	22 501	–	–	n/a
6 991 150					–	699 725	
–	–	(116 718)	–	–	–	–	9,84
663 242	–	–	(178 168)	–	68 515	–	5,85
–	–	–	–	–	–	–	n/a
–	–	–	–	–	–	–	n/a
–	–	–	–	–	–	–	n/a
663 242					68 515	–	
–	–	–	–	36 622	–	–	9,84
2 652 417	–	–	–	712 524	–	–	5,85
–	–	–	–	–	–	–	n/a
785 098	–	–	–	126 100	–	–	n/a
4 234 372	–	–	–	562 200	–	–	n/a
–	–	–	–	–	–	–	n/a
570 156	–	–	–	75 700	–	355 736	n/a
846 573	–	–	–	112 400	–	528 200	n/a
–	–	–	–	–	–	–	n/a
–	–	–	–	372 737	–	–	n/a
9 088 618					–	883 937	

(15) Includes the proceeds from awards settled during the year.

(16) The 2008 and 2009 SARs are underwater and therefore included at a zero estimated fair value.

(17) 6,3% of the 2015 SARs vested on 15 March 2018 (vesting was postponed due to the closed period). The vested awards are underwater and are therefore included at a zero intrinsic value.

(18) The 2016 SARs are included at an estimated fair value based on an indicative valuation of R3,72 which includes an estimate of 100% of performance conditions being met.

(19) As the performance conditions have not been achieved, the 2014 FSPs with performance conditions were forfeited when the closed period ended on 15 March 2018.

(20) The 2016 FSPs with performance conditions are included at the 20-day year-end VWAP of R4,70 (2018: R7,53) and 0% (2018: 83%) of performance conditions met.

(21) The 2018 FSPs with performance conditions were approved by the remco on 15 May 2017 but could not be made due to the closed period – these were awarded on 29 March 2018 following the end of the closed period. The FSPs with performance conditions are included at the 20-day year-end VWAP of R4,70 (2018: R7,53) and an estimated 0% (2018: 100%) of performance conditions to be met.

(22) The 2016 SARs are included at a zero intrinsic fair value due to the awards being underwater.

(23) The 2019 FSPs with performance conditions were awarded on 29 March 2019 and are included at the 20-day year-end VWAP of R4,70 and an estimated 40% of performance conditions to be met.

(24) The FSPs without performance conditions are included at the 20-day year-end VWAP of R4,70 (2018: R7,53). The vesting of the 2014 FSPs without performance conditions were postponed until the end of the closed period resulting from the cautionary announcement on 15 March 2018.

(25) The outstanding tranches of the BBBEE schemes' fair value were estimated as zero as these awards were underwater.

(26) Due to DJ Castle's early exit, he forfeited part of his 2015 SARs, 2016 SARs, 2015 FSPs and 2016 FSPs without performance conditions. The balance of his 2016 FSPs without performance conditions vested early on 15 March 2018 and was exercised on 3 October 2018.

(27) JHDLR Snyman resigned effective 31 January 2019. Therefore a portion of his awards were forfeited while he will keep the remaining awards until it vests.

Prescribed officers

Names	End of vesting period	Opening number on 1 April 2017	Granted during 2018	Forfeited/ lapsed during 2018	Number adjusted for effect of rights offer during 2018	Settled during 2018	Closing number on 31 March 2018	Cash value of receipts during 2018[15] R
NL Lekula								
Share appreciation rights								
08/08/2007 cash-settled	08/08/2010	38 000	–	–	–	–	38 000	–
17/09/2008 cash-settled	17/09/2011	30 000	–	–	–	–	30 000	–
25/09/2009 cash-settled	25/09/2012	24 000	–	–	–	–	24 000	–
29/05/2015 equity-settled	19/02/2018	126 200	–	(118 249)	–	–	7 951	–
30/08/2016 equity-settled	30/08/2019	277 494	–	–	–	–	277 494	–
Forfeitable shares – with performance conditions								
14/02/18	18/02/2017	18 300	–	(18 300)	–	–	–	–
16/08/30	30/08/2019	49 100	–	–	–	–	49 100	–
18/03/29	15/05/2020	–	273 000	–	–	–	273 000	–
19/03/29	25/08/2021	–	–	–	–	–	–	–
Forfeitable shares – without performance conditions								
14/02/18	18/02/2017	11 000	–	–	–	(11 000)	–	79 530
15/05/29	19/02/2018	20 300	–	–	–	(20 300)	–	146 769
16/08/30	30/08/2019	29 500	–	–	–	–	29 500	–
18/03/29	15/05/2020	–	54 600	–	–	–	54 600	–
18/05/17	17/05/2021	–	–	–	–	–	–	–
19/03/29	25/08/2021	–	–	–	–	–	–	–
BBBEE schemes								
BEE 1	23/03/2018	109 531	–	–	–	(109 531)	–	33 395
BEE 2	01/10/2019	220 634	–	–	–	–	220 634	–
Total								259 694
JHDLR Snyman[27]								
Share appreciation rights								
08/08/2007 cash-settled	08/08/2010	25 000	–	–	–	–	25 000	–
17/09/2008 cash-settled	17/09/2011	27 000	–	–	–	–	27 000	–
25/09/2009 cash-settled	25/09/2012	23 000	–	–	–	–	23 000	–
29/05/2015 equity-settled	19/02/2018	114 400	–	(107 193)	–	–	7 207	–
Forfeitable shares – with performance conditions								
14/02/18	18/02/2017	15 100	–	(15 100)	–	–	–	–
16/08/30	30/08/2019	74 500	–	–	–	–	74 500	–
18/03/29	15/05/2020	53 900	–	–	–	–	53 900	–
Forfeitable shares – without performance conditions								
14/02/18	19/02/2018	9 000	–	–	–	(9 000)	–	65 070
15/05/29	30/08/2019	18 400	–	–	–	(18 400)	–	133 032
16/08/30	30/08/2019	44 700	–	–	–	–	44 700	–
18/03/29	15/05/2020	48 500	–	–	–	–	48 500	–
BBBEE schemes								
BEE 2	01/10/2019	18 167	–	–	–	–	18 167	–
Total								198 102

Closing estimated fair value at 31 March 2018 (16,17,18,19,20, 21,24,25) R	Granted during 2019	Forfeited/ lapsed during 2019	Settled during 2019	Closing number on 31 March 2019	Cash value of receipts during 2019[15] R	Closing estimated fair value at 31 March 2019 (16,17,18,19,20,21, 24,25) R	Strike price R
–	–	(38 000)	–	–	–	–	26,95
–	–	(30 000)	–	–	–	–	18,97
–	–	–	–	24 000	–	–	21,3
–	–	–	–	7 951	–	–	9,84
1 032 990	–	–	–	277 494	–	–	5,85
–	–	–	–	–	–	–	n/a
305 696	–	–	–	49 100	–	–	n/a
2 056 179	–	–	–	273 000	–	–	n/a
–	476 800	–	–	476 800	–	896 249	n/a
–	–	–	–	–	–	–	n/a
–	–	–	–	–	–	–	n/a
222 188	–	–	–	29 500	–	138 629	n/a
411 236	–	–	–	54 600	–	256 581	n/a
–	320 833	–	–	320 833	–	1 507 688	n/a
–	95 400	–	–	95 400	–	448 312	n/a
–	–	–	–	–	–	–	n/a
–	–	–	–	220 634	–	–	n/a
4 028 288					–	3 247 460	
–	–	(25 000)	–	–	–	–	26,95
–	–	(27 000)	–	–	–	–	18,97
–	–	(23 000)	–	–	–	–	21,3
–	–	–	–	7 207	–	–	9,84
–	–	–	–	–	–	–	n/a
463 837	–	(14 486)	–	60 014	–	–	n/a
405 963	–	(22 194)	–	31 706	–	–	n/a
–	–	–	–	–	–	–	n/a
–	–	–	–	–	–	–	n/a
336 671	–	(8 691)	–	36 009	–	169 217	n/a
365 292	–	(27 413)	–	21 087	–	99 094	n/a
–	–	–	–	18 167	–	–	n/a
1 571 763					–	268 311	

(15) Includes the proceeds from awards settled during the year.

(16) The 2008 and 2009 SARs are underwater and therefore included at a zero estimated fair value.

(17) 6,3% of the 2015 SARs vested on 15 March 2018 (vesting was postponed due to the closed period). The vested awards are underwater and are therefore included at a zero intrinsic value.

(18) The 2016 SARs are included at an estimated fair value based on an indicative valuation of R3,72 which includes an estimate of 100% of performance conditions being met.

(19) As the performance conditions have not been achieved, the 2014 FSPs with performance conditions were forfeited when the closed period ended on 15 March 2018.

(20) The 2016 FSPs with performance conditions are included at the 20-day year-end VWAP of R4,70 (2018: R7,53) and 0% (2018: 83%) of performance conditions met.

(21) The 2018 FSPs with performance conditions were approved by the remco on 15 May 2017 but could not be made due to the closed period – these were awarded on 29 March 2018 following the end of the closed period. The FSPs with performance conditions are included at the 20-day year-end VWAP of R4,70 (2018: R7,53) and an estimated 0% (2018: 100%) of performance conditions to be met.

(22) The 2016 SARs are included at a zero intrinsic fair value due to the awards being underwater.

(23) The 2019 FSPs with performance conditions were awarded on 29 March 2019 and are included at the 20-day year-end VWAP of R4,70 and an estimated 40% of performance conditions to be met.

(24) The FSPs without performance conditions are included at the 20-day year-end VWAP of R4,70 (2018: R7,53). The vesting of the 2014 FSPs without performance conditions were postponed until the end of the closed period resulting from the cautionary announcement on 15 March 2018.

(25) The outstanding tranches of the BBBEE schemes' fair value were estimated as zero as these awards were underwater.

(26) Due to DJ Castle's early exit, he forfeited part of his 2015 SARs, 2016 SARs, 2015 FSPs and 2016 FSPs without performance conditions. The balance of his 2016 FSPs without performance conditions vested early on 15 March 2018 and was exercised on 3 October 2018.

(27) JHDLR Snyman resigned effective 31 January 2019. Therefore a portion of his awards were forfeited while he will keep the remaining awards until it vests.

REMUNERATION REPORT continued

Names	End of vesting period	Opening number on 1 April 2017	Granted during 2018	Forfeited/ lapsed during 2018	Number adjusted for effect of rights offer during 2018	Settled during 2018	Closing number on 31 March 2018	Cash value of receipts during 2018[15] R
M Ramafoko								
Share appreciation rights								
29/05/2015 equity-settled	19/02/2018	54 100	–	(50 692)	–	–	3 408	–
Forfeitable shares – with performance conditions								
14/02/18	18/02/2017	4 300	–	(4 300)	–	–	–	–
16/08/30	30/08/2019	73 900	–	–	–	–	73 900	–
18/03/29	15/05/2020	95 000	–	–	–	–	95 000	–
19/03/29	25/08/2021	–	–	–	–	–	–	–
Forfeitable shares – without performance conditions								
14/02/18	19/02/2018	6 000	–	–	–	(6 000)	–	43 380
15/05/29	30/08/2019	13 000	–	–	–	(13 000)	–	93 990
16/08/30	30/08/2019	44 300	–	–	–	–	44 300	–
18/03/29	15/05/2020	57 000	–	–	–	–	57 000	–
18/05/17	17/05/2021	–	–	–	–	–	–	–
19/03/29	25/08/2021	–	–	–	–	–	–	–
BBBEE schemes								
BEE 1	23/03/2018	71 132	–	–	–	(71 132)	–	21 690
BEE 2	01/10/2019	107 994	–	–	–	–	107 994	–
Total								159 060

Closing estimated fair value at 31 March 2018 (16,17,18,19,20, 21,24,25) R	Granted during 2019	Forfeited/ lapsed during 2019	Settled during 2019	Closing number on 31 March 2019	Cash value of receipts during 2019(15) R	Closing estimated fair value at 31 March 2019 (16,17,18,19,20,21, 24,25) R	Strike price R
–	–	–	–	3 408	–	–	9,84
–	–	–	–	–	–	–	n/a
460 101	–	–	–	73 900	–	–	n/a
715 520	–	–	–	95 000	–	–	n/a
–	402 500	–	–	402 500	–	756 586	n/a
–	–	–	–	–	–	–	n/a
–	–	–	–	–	–	–	n/a
333 658	–	–	–	44 300	–	208 179	n/a
429 312	–	–	–	57 000	–	267 860	n/a
–	270 833	–	–	270 833	–	1 272 723	n/a
–	80 500	–	–	80 500	–	378 293	n/a
–	–	–	–	–	–	–	n/a
–	–	–	–	107 994	–	–	n/a
1 938 592					–	2 883 641	

(15) *Includes the proceeds from awards settled during the year.*

(16) *The 2008 and 2009 SARs are underwater and therefore included at a zero estimated fair value.*

(17) *6,3% of the 2015 SARs vested on 15 March 2018 (vesting was postponed due to the closed period). The vested awards are underwater and are therefore included at a zero intrinsic value.*

(18) *The 2016 SARs are included at an estimated fair value based on an indicative valuation of R3,72 which includes an estimate of 100% of performance conditions being met.*

(19) *As the performance conditions have not been achieved, the 2014 FSPs with performance conditions were forfeited when the closed period ended on 15 March 2018.*

(20) *The 2016 FSPs with performance conditions are included at the 20-day year-end VWAP of R4,70 (2018: R7,53) and 0% (2018: 83%) of performance conditions met.*

(21) *The 2018 FSPs with performance conditions were approved by the remco on 15 May 2017 but could not be made due to the closed period – these were awarded on 29 March 2018 following the end of the closed period. The FSPs with performance conditions are included at the 20-day year-end VWAP of R4,70 (2018: R7,53) and an estimated 0% (2018: 100%) of performance conditions to be met.*

(22) *The 2016 SARs are included at a zero intrinsic fair value due to the awards being underwater.*

(23) *The 2019 FSPs with performance conditions were awarded on 29 March 2019 and are included at the 20-day year-end VWAP of R4,70 and an estimated 40% of performance conditions to be met.*

(24) *The FSPs without performance conditions are included at the 20-day year-end VWAP of R4,70 (2018: R7,53). The vesting of the 2014 FSPs without performance conditions were postponed until the end of the closed period resulting from the cautionary announcement on 15 March 2018.*

(25) *The outstanding tranches of the BBBEE schemes' fair value were estimated as zero as these awards were underwater.*

(26) *Due to DJ Castle's early exit, he forfeited part of his 2015 SARs, 2016 SARs, 2015 FSPs and 2016 FSPs without performance conditions. The balance of his 2016 FSPs without performance conditions vested early on 15 March 2018 and was exercised on 3 October 2018.*

(27) *JHDLR Snyman resigned effective 31 January 2019. Therefore a portion of his awards were forfeited while he will keep the remaining awards until it vests.*

Increase in non-executive directors' fees

No increases are proposed for non-executive directors' fees. Please refer to the notice of annual general meeting, which details proposed board fees for 2020.

Remuneration paid to non-executive directors for the year ended March 2019*

			Committee							
	Board fees R000	Chairman fees R000	Nomina-tions R000	Audit R000	Risk and com-pliance R000	Remune-ration R000	Social and ethics R000	Invest-ment R000	Special meetings R000	Total R000
AC Ball[e]	288	–	–	–	–	–	–	101	21	410
S Dakile-Hlongwane[a]	144	–	–	–	–	–	51	–	43	238
N Gobodo	288	–	72	237	51	–	206	–	149	1 003
N Goldin[b]	144	–	–	68	–	51	–	51	85	399
TJ Leaf-Wright[c]	144	–	–	–	103	–	51	51	43	392
NL Mkhondo[e]	288	–	72	68	–	101	–	51	149	729
PJ Moleketi[e]	–	1 194	–	–	–	–	–	–	234	1 428
T Moyo	288	–	72	68	–	206	–	–	170	804
CH Naude	288	–	–	68	51	101	–	206	107	821
M Gumbi	288	–	–	–	–	51	51	–	43	433
I Sehoole[d]	216	–	–	136	–	–	–	–	64	416
	2 376	1 194	216	645	205	510	359	460	1 108	7 073

Notes:
[a] Resigned 30 August 2018.
[b] Resigned 30 August 2018.
[c] Resigned 30 August 2018.
[d] Resigned 31 December 2018.
[e] Resigned 1 March 2018.
** **This table and related information has been audited.***

Total emoluments to non-executive directors for the 12 months to 31 March 2018*

			Committee							
	Board fees R000	Chairman fees R000	Nomi-nations R000	Audit R000	Risk and com-pliance R000	Remune-ration R000	Social and ethics R000	Invest-ment R000	Special meetings R000	Total R000
A Ball[a]	24	–	–	–	–	–	–	–	–	24
S Dakile-Hlongwane	282	–	–	–	–	–	99	–	190	571
D Earp[b]	–	–	–	–	–	–	–	–	–	–
N Gobodo	282	–	36	134	–	–	103	–	317	872
N Goldin	282	–	–	134	–	99	–	99	641	1 255
T Leaf-Wright	282	–	–	–	201	–	99	99	661	1 342
T Mboweni[c]	68	–	17	–	–	–	48	–	–	133
S Mhlarhi[d]	258	–	30	–	–	91	–	91	664	1 134
N Mkhondo[e]	24	–	–	–	–	–	–	–	–	24
J Moleketi[f]	–	98	–	–	–	–	–	–	–	98
T Moyo	282	–	71	134	–	201	–	–	326	1 014
C Naude	282	–	–	–	99	99	–	201	683	1 364
P Nelson[g]	–	2 310	–	–	–	–	–	–	–	2 310
T Ross[h]	366	–	–	265	99	–	–	99	641	1 470
	2 432	2 408	154	667	399	490	349	589	4 123	11 611

[a] Appointed 2 March 2018.
[b] Appointed 15 January 2018 and resigned 2 March 2018.
[c] Resigned 18 July 2018.
[d] Resigned 2 March 2018.
[e] Appointed 2 March 2018.
[f] Appointed 2 March 2018.
[g] Resigned 2 March 2018.
[h] Resigned 9 April 2018
** **This table and related information has been audited.***

Interests of executive directors and prescribed officers in share capital

The aggregate direct beneficial holdings of directors and their immediate families (none of whom holds over 1 %) in the issued ordinary shares of the company are detailed below. There are indirect holdings by directors and their immediate families.

Name	Number of shares as at 31 March 2019
J Claassen	**137 266**
T Ramano	**460 222**
N Lekula	**168 242**
M Ramafoko	**8 565**
J Snyman[1]	**–**

[1] *Resigned on 31 January 2019.*

Interests of directors and prescribed officers in BBBEE schemes

In 2008, in terms of the company's first BBBEE transaction, certain executive directors and prescribed officers were granted participation rights in the loan-funded Black Managers Trust which owns shares that are subject to vesting conditions and a lock-in period restricting transferability. This expired on 15 December 2016. Residual shares after settling outstanding debt obligations vested in the participants' names in March 2018.

In the 2013 financial year, after implementing PPC's second BBBEE transaction, executive directors and prescribed officers were among South African employees granted participation rights in a notional loan-funded trust owning shares that are subject to vesting conditions and a lock-in period restricting transferability. This expires in September 2019. The participation rights held by executive directors and prescribed officers were as follows:

Name	BEE 2
Executive directors	
J Claassen	**22 501**
T Ramano	**372 737**
Prescribed officers	
N Lekula	**220 634**
M Ramafoko	**107 994**
J Snyman[1]	**–**

[1] *Resigned on 31 January 2019.*

Non-binding advisory vote on part 3

The implementation report will be subject to a non-binding advisory vote at the annual general meeting on 29 August 2019.

DRC

Project cost: US$10 million

Project start date: July 2017

The DRC's first national museum was built on instruction of former president Mobutu with the aim of redefining the country's identity after the colonialism period. The museum comprised a set of small warehouses with an instore capacity estimated to 50 000 items, including collections, paintings, cultural artefacts and audio recording documents.

Unfortunately, the museum has been neglected as a result of lack of maintenance. In 2017, the Korean government offered to construct a new museum, one that is able to house the former national museum items, as well as those items from Europe as part of a restitution programme. The new building was built in Lingwala, and was inaugurated at the end of June 2019.

We are proud to have supplied a total of 2 195 tonnes of cement – both SURECAST and SURECEM.

PPC STRENGTH GUARANTEED

PPC

APPENDICES

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF PPC LIMITED

Opinion

The summarised consolidated financial statements PPC Limited, which comprise the summarised consolidated statement of financial position as at 31 March 2019, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of PPC Limited for the year ended 31 March 2019.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of PPC Limited, in accordance with the basis of preparation and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Summarised consolidated Financial Statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited consolidated Financial Statements and our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 18 July 2019. That report also includes the communication of key audit matters.

Directors' Responsibility for the Summarised consolidated Financial Statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the basis of preparation and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summarised Financial Statements.

Deloitte & Touche.

Deloitte & Touche
Registered Auditors
Per: Andrew Mashifane
Partner
18 July 2019

Deloitte Place
The woodlands
Woodlands Drive
Woodmead
Sandton
2052

ABRIDGED AUDITED SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	Notes	Year ended 31 March 2019 Audited Rm	Year ended 31 March 2018 Audited Rm	% change
Revenue	2	**10 409**	10 271	1
Cost of sales		**8 399**	7 924	6
Gross profit		**2 010**	2 347	(14)
Administrative and other operating expenditure		**1 083**	1 343	(19)
Operating profit before item listed below:		**927**	1 004	(8)
Empowerment transactions IFRS 2 charges		**33**	48	
Operating profit		**894**	956	(6)
Fair value and foreign exchange (loss)/gains	3.1	**(9)**	143	
Finance costs	4	**681**	675	1
Investment income		**95**	52	
Profit before equity-accounted earnings		**299**	476	(37)
Loss from equity-accounted investments		**(67)**	(60)	
Impairments	5	**(82)**	(174)	
Profit before taxation		**150**	242	(38)
Taxation	6	**6**	205	(97)
Profit for the year		**144**	37	289
Attributable to:				
Shareholders of PPC Ltd		**235**	149	58
Non-controlling interests		**(91)**	(112)	19
Other comprehensive profit/(loss), net of taxation				
Items that will be reclassified to profit or loss on disposal		**1 304**	(598)	318
Translation of foreign operations	3.2	**1 304**	(598)	318
Total comprehensive profit/(loss)		**1 448**	(561)	
Attributable to:				
Shareholders of PPC Ltd		**1 453**	(347)	519
Non-controlling interests		**(5)**	(214)	98
EARNINGS PER SHARE (CENTS)	7			
Basic		**16**	10	60
Diluted		**16**	10	60

ABRIDGED AUDITED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2019

	Notes	31 March 2019 Audited Rm	31 March 2018* Audited Rm
ASSETS			
Non-current assets		**14 665**	12 910
Property, plant and equipment	8	**12 587**	11 393
Goodwill	9	**236**	230
Other intangible assets	10	**558**	557
Equity-accounted investments		**149**	182
Other non-current assets*	11	**333**	297
Financial assets*	11	**582**	6
Deferred taxation assets	17	**220**	245
Current assets		**3 071**	3 262
Inventories		**1 276**	1 182
Trade and other receivables*	13	**1 166**	1 151
Taxation receivable*		**177**	93
Cash and cash equivalents	14	**452**	836
Non-current assets held for sale	12	**92**	34
Total assets		**17 828**	16 206
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	15	**3 943**	3 984
Other reserves		**2 251**	967
Retained profit		**3 031**	2 817
Equity attributable to shareholders of PPC Ltd		**9 225**	7 768
Non-controlling interests		**115**	120
Total equity		**9 340**	7 888
Non-current liabilities		**5 628**	5 909
Provisions	16	**427**	526
Deferred taxation liabilities	17	**844**	1 042
Long-term borrowings	18	**4 064**	4 079
Other non-current liabilities	19	**293**	262
Current liabilities		**2 860**	2 409
Short-term borrowings	18	**938**	603
Trade and other payables*	20	**1 919**	1 735
Taxation payable*		**3**	71
Total equity and liabilities		**17 828**	16 206

** The prior year amounts have been re-presented for enhanced disclosure as detailed in notes 11, 13 and 20.*

ABRIDGED AUDITED SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	Notes	Year ended 31 March 2019 Audited Rm	Year ended 31 March 2018 Audited Rm
Cash flow from operating activities			
Operating cash flows before movements in working capital		**1 917**	1 889
Working capital movements		**63**	411
Cash generated from operations		**1 980**	2 300
Finance costs paid		**(618)**	(592)
Investment income received		**46**	52
Taxation paid		**(151)**	(330)
Cash available from operations		**1 257**	1 430
Dividends paid		**(4)**	–
Net cash inflow from operating activities		**1 253**	1 430
Cash flow from investing activities			
Acquisition of additional shares in an equity-accounted investment		**–**	(42)
Investment in Zimbabwe government bonds		**(310)**	–
Investment in Zimbabwe Stock Market		**(14)**	–
Investment in intangible assets		**(24)**	(6)
Investment in property, plant and equipment (adjusted for capital expenditure accruals)		**(773)**	(921)
Proceeds from disposal of property, plant and equipment		**9**	29
Other investing activities		**12**	28
Net cash outflow from investing activities		**(1 100)**	(912)
Cash flow from financing activities[a]			
Borrowings repaid before repayment of the notes	18	**(290)**	(597)
Proceeds from the sale of shares held by consolidated BBBEE entity		**–**	36
Purchase of PPC Ltd shares in terms of the FSP share incentive scheme	15	**(41)**	(16)
Repayment of notes		**(20)**	–
Net cash outflow from financing activities		**(351)**	(577)
Net movement in cash and cash equivalents		**(198)**	(59)
Cash and cash equivalents at the beginning of the year		**836**	990
Exchange rate movements on opening cash and cash equivalents		**(186)**	(95)
Cash and cash equivalents at the end of the year		**452**	836

[a] *In 2019, the non-cash changes on borrowings amounted to R621 million arising from unfavourable unrealised foreign exchange differences. Refer to note 24 for the relevant currency conversions.*

ABRIDGED AUDITED SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

		Other	
	Stated capital Rm	Foreign currency translation reserve Rm	Movement in financial asset Rm
Balance at 31 March 2017 (audited)	3 919	891	14
IFRS 2 charges	–	–	–
Sale of shares, treated as treasury shares, by consolidated BBBEE entity	64	–	–
Shares purchased in terms of FSP incentive scheme treated as treasury shares	(72)	–	–
Total comprehensive (loss)/income	–	(496)	–
Vesting of shares held by certain BBBEE 1 entities	73	–	–
Balance at 31 March 2018 (audited)	3 984	395	14
Adjustment as a result of new standards adopted during the year (refer note 1)	–	–	–
Balance at 1 April 2018	3 984	395	14
Dividends declared	**–**	**–**	**–**
IFRS 2 charges	**–**	**–**	**–**
Shares distributed to BBBEE 1 beneficiaries	**–**	**–**	**–**
Shares purchased in terms of FSP incentive scheme treated as treasury shares	**(41)**	**–**	**–**
Total comprehensive income/(loss)	**–**	**1 218**	**–**
Balance at 31 March 2019 (audited)	**3 943**	**1 613**	**14**

reserves				
Equity compensation reserve Rm	Retained profit Rm	Equity attributable to shareholders of PPC Ltd Rm	Non-controlling interests Rm	Total equity Rm
559	2 668	8 051	334	8 385
72	–	72	–	72
–	–	64	–	64
–	–	(72)	–	(72)
–	149	(347)	(214)	(561)
(73)	–	–	–	–
558	2 817	7 768	120	7 888
–	(17)	(17)	–	(17)
558	2 800	7 751	120	7 871
–	**(4)**	**(4)**	**–**	**(4)**
72	**–**	**72**	**–**	**72**
(6)	**–**	**(6)**	**–**	**(6)**
–	**–**	**(41)**	**–**	**(41)**
–	**235**	**1 453**	**(5)**	**1 448**
624	**3 031**	**9 225**	**115**	**9 340**

SEGMENTAL INFORMATION

for the year ended 31 March 2019

The group discloses its operating segments according to the business units which are reviewed by the group executive committee, who are also the chief operating decision-makers for the group. The group executive committee includes executive directors. The operating segments are initially identified based on the products produced and sold and then per geographical location. The key operating segments are southern Africa cement, Rest of Africa cement, lime, aggregates and readymix and group shared services. No individual customer comprises more than 10 % of the group revenue.

	Consolidated		Cement Southern Africa[a]	
	31 March 2019 Audited Rm	31 March 2018 Audited Rm	**31 March 2019 Audited Rm**	31 March 2018 Audited Rm
Revenue				
Gross revenue	**10 683**	10 524	**5 643**	5 704
Intersegment revenue[d]	**(274)**	(253)	**(212)**	(205)
Total revenue[e]	**10 409**	10 271	**5 431**	5 499
Operating profit before item listed below	**927**	1 004	**570**	827
Empowerment transactions IFRS 2 charges	**33**	48	**–**	–
Operating profit	**894**	956	**570**	827
Fair value and foreign exchange (loss)/gains	**(9)**	143	**10**	(19)
Finance costs	**681**	675	**222**	265
Investment income	**95**	52	**61**	42
Profit before equity-accounted earnings	**299**	476	**419**	585
Earnings from equity-accounted investments	**(67)**	(60)	**–**	–
Impairments	**(82)**	(174)	**(82)**	11
Profit before taxation	**150**	242	**337**	596
Taxation	**6**	205	**(122)**	202
Profit/(loss) for the year	**144**	37	**459**	394
Attributable to:				
Shareholders of PPC Ltd	**235**	149	**459**	394
Non-controlling interests	**(91)**	(112)	**–**	–
	144	37	**459**	394
Basic earnings per share (cents)	**16**	10	**30**	26
Depreciation and amortisation	**1 019**	876	**387**	373
EBITDA[f]	**1 946**	1 880	**957**	1 200
EBITDA margin (%)	**18,7**	18,3	**17,6**	21,8
Assets				
Non-current assets (excluding equity-accounted investments)	**14 516**	12 728	**4 294**	4 272
Equity-accounted investments	**149**	182	**–**	–
Non-current assets held for sale	**92**	34	**–**	–
Current assets	**3 071**	3 262	**1 371**	1 235
Total assets	**17 828**	16 206	**5 665**	5 507
Investments in property, plant and equipment	**817**	801	**572**	460
Liabilities				
Non-current liabilities	**5 628**	5 909	**2 026**	2 181
Current liabilities	**2 860**	2 409	**1 069**	796
Total liabilities	**8 488**	8 318	**3 095**	2 977
Capital commitments (refer to note 21)	**245**	596	**186**	482

[a] *Southern Africa comprises South Africa and Botswana.*

[b] *Rest of Africa comprises Zimbabwe, Rwanda, DRC, Mozambique and cross-border sales from southern Africa.*

[c] *Group shared services and other comprises group shared services, BEE and group eliminations.*

[d] *All sales are concluded at an arm's length. Segments are disclosed net of intersegment transactions.*

Cement		Materials business					
Rest of Africa[b]		Lime		Aggregates and readymix		Group services and other[c]	
31 March 2019 Audited Rm	31 March 2018 Audited Rm	**31 March 2019 Audited Rm**	31 March 2018 Audited Rm	**31 March 2019 Audited Rm**	31 March 2018 Audited Rm	**31 March 2019 Audited Rm**	31 March 2018 Audited Rm
2 826	2 762	**896**	849	**1 318**	1 209	**–**	–
–	–	**(62)**	(48)	**–**	–	**–**	–
2 826	2 762	**834**	801	**1 318**	1 209	**–**	–
331	389	**86**	95	**(63)**	(22)	**3**	(285)
2	2	**–**	–	**–**	–	**31**	46
329	387	**86**	95	**(63)**	(22)	**(28)**	(331)
(6)	(69)	**–**	1	**3**	(1)	**(16)**	231
447	338	**38**	24	**27**	20	**(53)**	28
64	18	**22**	18	**17**	15	**(69)**	(41)
(60)	(2)	**70**	90	**(70)**	(28)	**(60)**	(169)
(67)	(61)	**–**	–	**–**	–	**–**	1
–	(168)	**–**	–	**–**	(17)	**–**	–
(127)	(231)	**70**	90	**(70)**	(45)	**(60)**	(168)
7	34	**17**	24	**(9)**	18	**113**	(73)
(134)	(265)	**53**	66	**(61)**	(63)	**(173)**	(95)
(43)	(153)	**53**	66	**(61)**	(63)	**(173)**	(95)
(91)	(112)	**–**	–	**–**	–	**–**	–
(134)	(265)	**53**	66	**(61)**	(63)	**(173)**	(95)
(3)	(10)	**4**	4	**(4)**	(4)	**(11)**	(6)
479	347	**37**	40	**80**	79	**36**	37
810	736	**123**	135	**17**	57	**39**	(248)
28,7	26,7	**14,8**	16,8	**1,3**	4,7		
8 281	6 638	**309**	309	**629**	672	**1 003**	837
146	179	**–**	–	**–**	–	**3**	3
92	34	**–**	–	**–**	–	**–**	–
1 109	1 375	**245**	214	**324**	327	**22**	111
9 628	8 226	**554**	523	**953**	999	**1 028**	951
143	235	**46**	41	**37**	48	**19**	17
6 032	5 608	**11**	32	**345**	264	**(2 786)**	(2 176)
1 330	1 186	**129**	83	**164**	170	**168**	174
7 362	6 794	**140**	115	**509**	434	**(2 618)**	(2 002)
17	50	**1**	2	**3**	38	**38**	25

[e] Revenue from external customers generated by the group's material foreign operations is as follows:
Botswana R516 million (2018: R438 million)
DRC R494 million (2018: R144 million)
Rwanda R885 million (2018: R804 million)
Zimbabwe R1 447 million (2018: R1 813 million).

[f] EBITDA is defined as operating profit before empowerment transactions IFRS 2 charges, depreciation, amortisation, financial charges and taxation.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2019

1. BASIS OF PREPARATION

The abridged audited summarised consolidated financial statements are prepared in accordance with the provisions of the Companies Act of South Africa, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and contain at a minimum the requirements of IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the abridged audited summarised consolidated financial statements were derived in terms of IFRS. These abridged audited summarised consolidated financial statements do not include all the information required for the full consolidated annual financial statements.

The accounting policies and methods of computation used are consistent with those used in the preparation of the consolidated annual financial statements for the year ended 31 March 2018, except where the group has adopted new or revised accounting standards, amendments and interpretations, including the consequential amendment of those standards to other standards, which became effective during the period under review.

A copy of the auditor's report on the annual consolidated financial statements is available on the company's website at www.ppc.africa, together with the financial statements identified in the respective auditor's report.

New standards, amendments to standards and interpretations adopted in the current financial period

IFRS 9 *Financial Instruments*

The standard became effective in the current reporting year requiring the group to make adjustments to retained earnings as a result of adopting the standard.

The impact of the adoption of this standard and the new accounting policy is disclosed below.

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for the annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The group has applied IFRS 9 modified retrospective approach, with the initial application date of 1 April 2018 with no adjustments to comparative information for the period beginning 1 April 2017. The effect of adopting IFRS 9 resulted in a R17 million net decrease in opening equity balances.

The change did not have a material impact on the group's operating, investing and financing cash flows.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding.

The assessment of the group's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments which solely comprised principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. Investment in government bonds, trade receivables and other loan receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

There are no changes in classification and measurement for the group's financial liabilities.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward looking expected credit loss (ECL) approach. IFRS 9 requires the group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, on 1 April 2018, the group recognised additional impairment of R23 million, predominately relating to the ECL on trade receivables. This resulted in a net decrease in equity of R17 million (post-tax) as at 1 April 2018.

Refer to notes 11, 13 and 14 for ECL assessment performed as at 31 March 2019.

IFRS 15 *Revenue from Contracts with Customers*

On 1 April 2018 the group implemented IFRS 15 *Revenue from Contracts with Customers* which replaced IAS 18 *Revenue*. Revenue comprises the consideration received or receivable on contracts entered into with customers in the ordinary course of the entity's activities. Revenue is shown net of taxes, cash discounts, settlement discounts and rebates given to customers. Revenue is recognised as the amount of the transaction prices allocated to each performance obligation and this is determined by the amount that depicts the consideration to which the entity expects to be entitled in exchange for transferring the goods and services promised to the customer.

Revenue is recognised on the sale of goods when control is transferred to the customer. Revenue from providing services is recognised when the service has been performed.

The group aligned its measurement and recognition principles of revenue with that of IFRS 15 upon adoption. There is no material impact on the measurement and recognition of revenue.

1. BASIS OF PREPARATION continued

New standards, amendments to standards and interpretations to be adopted in the next financial period continued

IFRS 16 *Leases* is effective for years commencing on or after 1 January 2019. The standard will be adopted by the PPC group for the financial reporting period commencing 1 April 2019. The group has completed an initial assessment of the potential impact of the adoption of IFRS 16 on its consolidated financial statements.

IFRS 16 requires a lessee to recognise a right-of-use asset and lease obligations for all leases except for short-term leases, or leases of low-value assets which the leases may be treated similarly to operating leases under the current standard IAS 17 if the exceptions are applied. A lessee measures its lease obligation at the present value of future lease payments, and recognises a right-of-use asset initially measured at the same amount as the lease obligation including costs directly related to entering into the lease. Right-of-use assets are subsequently treated in a similar way to other assets such as property, plant and equipment or intangible assets dependent on the nature of the underlying item.

PPC group has various rental agreements in place. In accordance with the above, right-of-use assets and lease obligations (liabilities) associated to these rentals would be recognised in the statement of financial position.

The group currently recognises the rental expense of the properties on a straight-line basis over the lease term. Upon the adoption of IFRS 16, the group's operating lease charge in profit or loss will be replaced by a depreciation charge in respect of the corresponding right-of-use assets, as well as an interest charge relating to the respective lease liabilities, which may in aggregate be different to the current operating lease charge.

PPC group will account for all leases under a single on-balance sheet model in a similar manner to finance leases under IAS 17, with the exception of the short-term and low-value leases. The group has prepared an impact assessment on each subsidiary.

Based on the assessment performed, the estimated impact of IFRS 16 on the group's 2020 financial year-end will be the following:

- The group will recognise a potential right-of-use asset of R92 million and a corresponding lease liability of R92 million
- The group will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. PPC group will potentially recognise depreciation of R22 million and an interest expense of R10 million. The depreciation of the asset is based on the lower of the remaining lease period or the useful life of the asset

Management continues to assess the implications of the remaining insignificant individual leases in which the group is the lessee, which may cause the final impact to differ from the estimates provided above.

Change in accounting estimate

During the year, the group reassessed the useful lives of its property, plant and equipment as required by IAS 16 *Property, Plant and Equipment*. The useful lives of the assets were adjusted to reflect more appropriately the pattern of the consumption of the future economic benefits embodied in the assets concerned. In accordance with IAS 16 *Property, Plant and Equipment*, this reassessment represents a change in accounting estimate and is therefore applied prospectively in terms of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of the change in applying the adjusted useful lives for the year ended 31 March 2019 is a decrease in the depreciation expense of R17 million.

Management have assessed the discount rate applied in determining the decommissioning and rehabilitation provision for Cement southern Africa. In the current year there was a change in estimate, which is applied prospectively. The impact of the change in discount rate applied amounted to R89 million reduction to the provision for rehabilitation and decommissioning, with a R59 million reduction to cost of sales and R30 million reduction to the decommissioning asset.

All monetary information and figures presented in these financial statements are stated in rand, unless otherwise indicated.

Going concern

At year-end, current assets of R3 071 million (2018: R3 262 million) exceeded current liabilities of R2 860 million (2018: R2 409 million) by R211 million (2018: R853 million).

PPC's cash flows are under pressure due to the economic environment PPC operates in as well as pricing pressures in the South African market.

Group debt position has increased since the beginning of the financial year mainly due to the weaker rand/dollar closing exchange rate which was R14,42 (March 2018: R11,82).

To mitigate the liquidity risk, management has adopted the following risk management plan:

- Refinancing maturing debt and increasing loan facilities from R2,4 billion to R3,1 billion. The loan facility of R700 million has been approved by the lenders. At the date of this report the group had committed borrowing facilities of R2,4 billion and 70 % (2018: 72 %) of these facilities were utilised. R731 million of the committed borrowing facilities were unutilised at the reporting date. These numbers exclude project funding in Rwanda, DRC and Zimbabwe
- The R3,1 billion facility, as well as the cost saving measures that the group is currently exploring provides additional headroom
- Negotiation of the DRC debt to reschedule the capital repayments for a further two years are in progress with the lenders
- The covenant ratio target for group debt to EBITDA has been favourably amended and confirmed by a revised agreement between PPC and the lenders
- Improved debtors collection measures have been implemented in order to increase cash inflows
- Dividends due from PPC Zimbabwe and the outstanding rights offer proceeds have been invested in government bonds

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

1. BASIS OF PREPARATION continued

Going concern continued

Furthermore, despite the deteriorating economic environment and the challenges being faced with processing of foreign payments by the banks in Zimbabwe. The directors believe that PPC Zimbabwe has the ability to continue in operation as a going concern for the foreseeable future. The change in the Zimbabwe functional currency resulted in the reduction of EBITDA by R108 million. PPC Zimbabwe has set out action plans to help ensure that operations are not interrupted due to difficulties in remitting payments to foreign suppliers. Through the action plans, PPC Zimbabwe is exploring various mitigation methods such as increasing export sales and obtaining a trade financing mechanism facility.

During the current year, CIMERWA was in breach of certain debt covenants with external funders. The directors have obtained waivers for the breach and are satisfied that the breach has been remediated.

Concerning PPC Zimbabwe, we concluded that there were no breaches of debt covenants on both IFRS and RTGS statutory accounts.

Both CIMERWA and PPC Zimbabwe are going concerns for the foreseeable future. In addition to the group's current trading position, forecasts and facilities in place, the directors believe that the group will be able to comply with its financial covenants and be able to meet its obligations as they fall due and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis.

Change of the Zimbabwe functional currency

Due to the deteriorating United States dollar (US$) liquidity issues in Zimbabwe the government created the real time gross settlement (RTGS) as an alternative method of payment which was fixed on a 1:1 parity with the US$. On 1 October 2018 the Reserve Bank of Zimbabwe announced that banks must separate foreign accounts from RTGS accounts with effect from 15 October 2018, thus officially recognising that actual foreign currency is different to RTGS. The result of the change was a reassessment of the functional currency of the entity. In determining the functional currency the entity assessed the currencies that influenced sales and expenses which revealed a mix between RTGS and US$. Management then concluded that the functional currency of PPC Zimbabwe is the RTGS$.

On 20 February 2019 the Reserve Bank of Zimbabwe announced that the RTGS would be recognised as an official currency and that an interbank foreign exchange market would be established to formalise trading in RTGS balances with other currencies.

The effect of the change meant that the US$ statement of financial position, as at 30 September 2018 needed to be fair valued to RTGS$. Further analysis on the currency movement between the US$/RTGS$ rate was performed at 31 March 2019, and the exchange differences were recorded in profit or loss in accordance with IAS 21.

The application of the change in functional currency has been applied prospectively in our financial results for the 2019 reporting period. For inclusion in the summarised consolidated income statement of the group, results in respect of Zimbabwe have been translated at the average US$ exchange rate for the period up to 30 September 2018 and at the estimated RTGS$ rate for the remaining six months of the financial year. For inclusion in the consolidated statement of financial position, results have been translated at the estimated closing RTGS$ rate of 3,01 to US$ (being the interbank rate) and an average rate of 3,5. On 1 October 2018, an opening RTGS$ rate of 3,5 to the US$ was applied. The inputs considered in this estimate include the recent announcement to increase the fuel price for those settling in RTGS$, global relative fuel prices and the official inflation rate.

Financial impact of the change in functional currency (FC) on the group's key performance indicators

	FY2019 Before FC change*	**FY2019 Impact**	**FY2019 Reported**	FY2018 Reported
EBITDA	**2 054**	**(108)**	**1 946**	1 880
Profit attributable to shareholders of PPC Ltd	**287**	**(52)**	**235**	149
EPS	**19**	**(3)**	**16**	10
HEPS	**23**	**(3)**	**20**	15

** Assumes no change in functional currency and 1:1 conversion between RTGS$ and US$, below are the sensitivities performed on the RTGS$ rate.*

	RTGS$3,5 to US$ – Reported	RTGS$6 to US$	RTGS$10 to US$
Group impact			
EBITDA	1 946	1 867	1 844
Profit attributable to shareholders of PPC Ltd	235	163	144
EPS	16	11	10
HEPS	20	15	14

These abridged audited summarised consolidated financial statements have been prepared under the supervision of MMT Ramano CA(SA), chief financial officer, and were approved by the board of directors on Thursday, 18 July 2019. The directors take full responsibility for the preparation of these abridged audited summarised consolidated financial statements.

2. REVENUE

Adoption of IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue*. The standard requires entities to identify the separate performance obligations and allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices. The group's primary revenue is derived from the sale of cementitious goods and as a result the group also earns incidental transport revenue from delivering these goods to customers. The incidental transport revenue has always been included as part of revenue earned, however, due to the adoption of IFRS 15, the aforementioned streams of revenue are two separate performance obligations, which are always met at the same time.

The group has the following revenue streams, which are all recognised at a point in time:

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Disaggregation of revenue		
Revenue from the sale of cementitious goods[(a)]	**9 071**	9 095
Revenue from transportation services	**1 338**	1 176
Total revenue	**10 409**	10 271
Major goods and services per primary geographical markets		
Cementitious goods	**9 071**	9 095
Southern Africa	**6 376**	6 462
Rest of Africa	**2 695**	2 633
Transport revenue	**1 338**	1 176
Southern Africa	**1 207**	1 047
Rest of Africa	**131**	129

[(a)] *Cementitious goods include the sale of cement, readymix, limestone, clinker, ash and aggregates.*

Timing of revenue recognition

Revenue from the sale of cementitious goods and transport is recognised at the same time, upon delivery, as management considers it as the point the control of the goods is transferred to the customers and the delivery obligation is fulfilled. Payment of the transaction price is also payable immediately at this point.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm

3. FAIR VALUE AND FOREIGN EXCHANGE MOVEMENTS

3.1 Fair value and foreign exchange (losses)/gains

Movements in the fair value and foreign exchange gains are recognised in the income statement and comprise the following:		
Gain on remeasurement of put option liability (refer to note 22)	**–**	238
(Loss)/gain on unlisted collective investments	**(1)**	5
ECL on Zimbabwe government bonds	**(40)**	–
Gain/(loss) on translation of foreign currency denominated monetary items	**32**	(100)
	(9)	143

The fair value adjustment on the Zimbabwe government bonds was determined by applying an ECL of 12,7 % against the total asset recognised which resulted in an ECL of R40 million.

Included in the gain/(loss) on translation of foreign currency denominated monetary items, is a gain of R8 million arising from the remeasurement of the Zimbabwe monetary items following the change in functional currency, and a loss of R13 million (2018: R80 million) comprising the remeasurement following the devaluations of the Congolese franc against the US dollar and a fair value adjustment relating to the discounting of the non-current VAT receivable in the DRC. Furthermore, a remeasurement loss of R16 million (2018: R12 million) has been recorded against the US dollar denominated project funding in Rwanda. Also included in the loss on translation of foreign currency monetary items are losses or gains made on open forward exchange contracts held for capital purchases and working capital requirements.

Details on foreign exchange rates can be found in note 24.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

3. FAIR VALUE AND FOREIGN EXCHANGE MOVEMENTS continued

3.2 Translation of foreign operations

Movements in the translation of foreign operations are recognised in the statement of comprehensive income. The group's foreign currency translation reserve arises from the following foreign subsidiaries:

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
PPC Zimbabwe*	**886**	(219)
CIMERWA Limitada	**144**	(168)
PPC DRC Barnet	**269**	(213)
PPC Botswana	**4**	–
PPC Mozambique	**1**	2
	1 304	(598)

** Included in PPC Zimbabwe is a gain of R488 million arising from the change in the functional currency.*

The gain recorded in the current year is due to the weakening of the rand against the functional currencies of the group's subsidiaries. Details of the fair value hierarchies are disclosed in note 22.

4. FINANCE COSTS

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Bank and other short-term borrowings	**32**	305
Notes	**10**	8
Long-term loans and project funding	**569**	303
	611	616
Capitalised to plant and equipment	**–**	(23)
Finance costs before time value of money adjustments	**611**	593
Interest on penalties	**3**	–
Time value of money adjustments on rehabilitation and decommissioning provisions and put option liability	**67**	82
	681	675
Southern Africa	**234**	337
Rest of Africa	**447**	338

The total finance costs excluding time value of money adjustments, relate to borrowings held at amortised cost. For details of borrowings refer to note 18.

5. IMPAIRMENTS

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Impairment of property, plant, equipment and intangible assets	**(82)**	(182)
Impairment of the VAT receivable in the DRC	**–**	(3)
Profit on disposal of property, plant and equipment	**–**	11
Gross impairments	**(82)**	(174)
Taxation impact	**23**	56
Net impairments	**(59)**	(118)

Impairment of property, plant, equipment and intangible assets

IAS 36 states that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. When there are indications that an asset is impaired, a recoverable amount is calculated and compared to the carrying value. During the year, an impairment of R82 million, relating to property, plant and equipment was recognised (refer to note 8).

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
6. TAXATION		
The taxation charge comprises:		
Current taxation	3	332
Current year	93	347
Prior years	(90)	(15)
Deferred taxation	(30)	(127)
Current year	(84)	(119)
Prior years	12	(8)
Change in taxation rate	42	–
Withholding taxation	33	–
	6	205
	%	%
Taxation rate reconciliation		
A reconciliation of the standard South African normal taxation rate is shown below:		
Profit before taxation (excluding loss from equity-accounted investments)	3	68
Prior years' taxation impact	36	(7)
Profit before taxation, including prior years' taxation adjustments	39	61
Effective rate of taxation		
Income taxation effect of:	(11)	(33)
Expenditure not deductible in terms of legislation	(15)	(14)
Expenditure attributable to non-taxable income	(5)	(16)
Empowerment transactions and IFRS 2 charges not taxation deductible	(4)	(3)
Fair value adjustments on financial instruments not subject to taxation	(4)	22
Impact of s12I and s12L of the South African Income Tax Act	58	–
DRC ANAPI tax holiday	6	–
Prior year adjustment for forfeitable share plan movement	(9)	–
Foreign taxation rate differential	7	16
Deferred taxation not raised*	(6)	(23)
Change in taxation rate	(19)	–
ZIMRA voluntary disclosure programme interest reversal	5	–
Transfer pricing adjustment	(10)	(12)
Withholding taxation	(15)	(3)
South African normal taxation rate	28	28

** The deferred taxation not recognised is as a result of the portion of the deferred taxation asset relating to the assessed losses at PPC Aggregates Quarries Botswana and PPC Barnet DRC Manufacturing that has not been recognised due to the insufficient future taxable profits to fully utilise the asset. Furthermore, the deferred taxation asset has not been recognised by PPC Ltd's capital loss relating to BEE loans.*

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

	Year ended 2019 Audited Cents	Year ended 2018 Audited Cents
7. EARNINGS AND HEADLINE EARNINGS		
Earnings per share		
Basic	**16**	10
Diluted	**16**	10
Headline earnings per share		
Basic	**20**	15
Diluted	**20**	15
Determination of headline earnings per share		
Earnings per share	**16**	10
Adjusted for items below, net of taxation:		
Impairment of property, plant, equipment and intangible assets	**3**	6
Loss/(profit) on sale of property, plant and equipment	**1**	(1)
Headline earnings per share	**20**	15
Headline earnings	**Rm**	Rm
Profit for the year	**144**	37
Impairment of property, plant, equipment and intangible assets	**82**	182
Taxation on impairment of property, plant, equipment and intangible assets	**(23)**	(58)
Profit/(loss) on sale of property, plant and equipment	**14**	(11)
Taxation on profit/(loss) on sale of property, plant and equipment	**(4)**	2
Headline earnings	**213**	152
Attributable to:		
Shareholders of PPC Ltd	**304**	231
Non-controlling interests	**(91)**	(79)
Cash earnings per share (cents)	**83**	95
Cash earnings per share is calculated using cash available from operations divided by the total weighted average number of shares in issue for the period.		
Cash conversion ratio	**1,0**	1,2

The basic earnings per share of 16 cents per share was outside the previously published range as reported on 21 June 2019, due to the fair value loss on the Zimbabwe government bonds.

Cash conversion ratio is calculated using cash generated from operations divided by EBITDA.

The cash earnings per share (cents) and the cash conversion ratio are non-IFRS measures as described in the accounting policies of the company, which will be included in the annual financial statements for the year ended 31 March 2019.

The difference between the number of shares in the determination of earnings and diluted earnings per share relates to shares held under the forfeitable share incentive scheme that have not vested.

For the weighted average number of shares used in the calculation, refer to note 15.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
8. PROPERTY, PLANT AND EQUIPMENT		
Net carrying value at the beginning of the period	**11 393**	12 531
Additions	**793**	795
Depreciation	**(952)**	(798)
Disposals	**(23)**	(18)
Other movements	**(127)**	(24)
Impairments (refer to note 5)	**(82)**	(165)
Translation differences	**1 585**	(928)
Net carrying value at the end of the year	**12 587**	11 393
Comprising:		
Freehold and leasehold land, buildings and mineral rights	**2 330**	1 567
Decommissioning assets	**68**	133
Plant, vehicles, furniture and equipment	**10 189**	9 693
	12 587	11 393
Property, plant and equipment pledged as security:		
DRC	**3 475**	3 111
Rwanda	**1 492**	1 321
Zimbabwe	**2 372**	2 028
	7 339	6 460

For details on capital commitments, refer to note 21.

8. PROPERTY, PLANT AND EQUIPMENT continued

Cost capitalisation

Significant judgement is required in identifying costs to be capitalised to a project during the construction, testing and ramp-up phases. Judgement is further required to identify indirect costs that may be capitalised. Revenue and the related cost of sales generated during the pre-commissioning phase are capitalised to the plant.

The cost of an item of property, plant and equipment is recognised as an asset if it meets the following requirements:
- It is probable that future economic benefits associated with the item will flow to the entity; and
- The cost of the item can be measured reliably

The cost of an item of PPE comprises:
- Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discount and rebates
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that year (IAS 16.16)

During the current year, the Slurry Kiln 9 (SK9) was commissioned. The total costs capitalised into the project amounted to R1,4 billion. In accordance with IAS 16, profits of R18 million earned during the testing phase, comprising revenue (R74 million) less cost of sales (R56 million), has been written off against the capitalised cost of the project.

Impairment assessment – PPC Cement SA

IAS 36 provides that if there is an indication that an asset may be impaired, the recoverable amount of the asset (or, if appropriate, the cash-generating unit (CGU)) is determined. The recoverable amount of the CGU was determined to exceed the carrying amount, therefore no impairment has been recognised for the CGU. As the cement industry is a cyclical environment, manufacturers will go through troughs where some of the assets (kilns) will be idle when demand is down. However, maintenance on these assets will continue to ensure that when the market conditions improve they are in a position to take advantage. As a result it is quite key in this industry to review individual assets that form part of a CGU separately.

As at the end of the March 2019 financial year, a few of the PPC cement kilns were not in use due to market constraints. The cement industry is, however, a cyclical environment and the demand can pick up at any time when the market conditions become favourable.

PPC Cement SA identified the assets that are no longer in use but still have a carrying amount. In applying the requirements of IAS 36, PPC Cement SA decided to impair these assets. They will be derecognised from the fixed assets registers once a decision to scrap the assets has been taken. The total impairment recognised on these assets is R82 million, being the book value of these assets and is reflected under the Cement southern Africa segment in the segmental analysis.

Impairment assessment – Zimbabwe

As a result of the current economic environment, liquidity challenges and the change in functional currency in Zimbabwe, an impairment assessment was undertaken. In spite of the economic challenges, the financial performance of the business has been above our internal forecasts and prior year before the impact of the change in functional currency. The inclusion of the Harare mill has improved cash flows.

In performing the impairment review, a value-in-use methodology was applied. Cash flow projections were based on financial forecasts approved by management applying a 19 % (2018: 16 %) US dollar discount rate. The cash flow projections during the forecast period are based on similar pricing and margins to those currently being achieved by the business and takes into consideration the future trends within the industry, geographical location and expected growth in neighbouring countries. The values used reflect past experiences while the economic growth rates of approximately 3 % per annum (2018: 2 % per annum) are management's best estimates that have been prepared using leading financial institutions' forecasts.

Following the impairment assessment review, the recoverable amount of US$232 million (R3,3 billion) (2018: US$411 million (R4,9 billion)) for PPC Zimbabwe was calculated to be higher than its carrying amount resulting in no impairment. The reason for the significant decrease in the recoverable amount is due to the challenging economic conditions and the change in the functional currency. There are no indications that any reasonable possible change in the key assumptions on which the recoverable amount has been calculated would cause the carrying amount to exceed the recoverable amount of this CGU.

Zimbabwe is included under the Rest of Africa (RoA) segment.

Impairment assessment – DRC

PPC, in partnership with the Barnet group and International Finance Corporation (IFC), completed the construction of a 1,2 million tonnes per annum integrated cement plant for approximately US$300 million in the DRC, near Kimpese in Kongo Central province in western DRC, 230km south-west of the capital Kinshasa.

Following impairment indicators being identified, management performed an impairment assessment. IAS 36 *Impairment of Assets* provides two options for assessing recoverable amounts and states that the recoverable amount is the higher of the fair value less cost to sell or value in use.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

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8. PROPERTY, PLANT AND EQUIPMENT continued

Impairment assessment – DRC continued

In performing the impairment review, a value-in-use methodology was applied. Cash flow projections were based on financial forecasts approved by management applying a 17 % (2018: 17 %) US dollar discount rate. The cash flow projections during the forecast period are based on similar pricing and margins to those currently being achieved by the business and takes into consideration the future trends within the industry, geographical location and expected growth in neighbouring countries. The values used reflect current industry performance and experiences while the economic growth rates of approximately 5 % per annum (2018: 4 % per annum) are management's best estimates that have been prepared using leading financial institutions' forecasts.

The DRC general elections were successfully held in December 2018, thereby improving the political stability, market confidence and subsequently the economic prospects.

Cement consumption grew by 43 % to 539 000 tonnes from 378 000 tonnes. The country currently has a cement import ban in place and no exports have been recorded by the BCC since mid-2015. There is also a new 0,6 million tonne plant being constructed by Diamond cement in the DRC (Brazzaville). The IFC suggests that the country will reach a cement supply deficit by 2022.

Sales volumes have been softer than expected due to a number of external factors (economic, political, market activities of competitors – some of whom are new entrants in the market). However, PPC Barnet DRC has in the past few months slowly improved the sales volume and subsequently revenue.

Real GDP growth was an estimated 4,0 % in 2018, up from 3,7 % in 2017, due to higher commodity prices and greater mining production. The primary sector continued to be the key driver of growth, sustained by a dynamic extraction sector.

Following the impairment assessment review, no further impairment was recognised as the calculated recoverable amount of US$271 million (R3,9 billion) (2018: US$265 million (R3,1 billion)) is above the carrying amount.

DRC is included under the Rest of Africa (RoA) segment.

		Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
9. GOODWILL			
Net carrying value at the beginning of the year		**230**	237
Translation differences		**6**	(7)
Net carrying value at the end of the year		**236**	230
Goodwill, net of impairments, is allocated to the following CGUs:			
CIMERWA Limitada	(Rest of Africa cement segment)	**31**	25
Cement SA (Pty) Limited	(Southern Africa cement segment)	**78**	78
Readymix	(Aggregates and readymix segment)	**127**	127
		236	230

Refer to note 22 for fair value hierarchy on goodwill.

CIMERWA Limitada (CIMERWA)

The recoverable amount for this CGU of R2 557 million (2018: R1 094 million) was determined based on a value-in-use calculation, using cash flow projections based on financial forecasts approved by management and covering an initial seven-year period and a post-forecast period of 13 years, bringing the total period of the cash flows to 20 years from the report date. The company's budgeting cycle time horizon is seven years and management believes this should provide a more accurate base for the value-in-use calculation. A Rwandan franc discount rate of 17 % (2018: 18 %) was used in the valuation. The significant increase in the recoverable amount compared to prior year is due to increased capacity and the debottlenecking of the plant during the year.

Cash flow projections during the forecast period of seven years were based on improved margins and profitability, following the commissioning of the new plant in September 2015, taking cognisance of an appropriate ramp-up period. Selling prices and cost of sales were forecast to increase at applicable inflation rates varying between 5,1 % and 5,4 % (2018: 5 % and 6 %), impacted by anticipated competitor activity in the earlier phase of the planning horizon. The cash flows post the forecast period had been extrapolated using specific growth rates of 7,3 % (2018: 6,7 %) per annum which is in line with the real inflation rate in Rwanda. The forecast period was limited to the life of mine, currently estimated at 20 years.

The forecast takes into consideration the future trends within the industry, geographical location and expected growth in neighbouring countries. The values used reflect past experiences while the economic growth rates are management's best estimates that have been prepared using leading financial institutions' forecasts.

9. GOODWILL continued

CIMERWA Limitada (CIMERWA) continued

In both the current and prior reporting periods, the recoverable amount was deemed to be higher than the current carrying value, resulting in no impairment being charged against profit and loss. CIMERWA is included under Cement Rest of Africa in the segmental analysis.

There are no indications that any reasonable possible change in the key assumptions on which the recoverable amount has been calculated would cause the carrying amount to exceed the recoverable amount of this CGU.

PPC Cement SA (Pty) Ltd

During the year PPC Cement SA (Pty) Ltd and Safika were integrated into one entity PPC Cement SA (Pty) Ltd. Therefore, for purposes of impairment testing, the goodwill is allocated to the integrated Cement SA entity.

The recoverable amount of R7 495 million (2018: R11 114 million) for the combined Cement SA CGUs was determined based on value-in-use calculations, using cash flow projections based on financial forecasts approved by management and covering an initial seven-year period. The company's budgeting cycle time horizon is seven years and management believes this should provide a more accurate base for the value-in-use calculation. A discount rate of 13 % (2018: 13 %) and terminal growth rate of 5,6 % (2018: 5,5 %) have been used in the valuation.

Cash flow projections during the forecast period are based on similar pricing and margins to those currently being achieved by the businesses. Selling prices and cost of sales are forecast to increase at rates linked to local inflation forecasts varying between 6 % and 10 % (2018: 6 % and 10 %). The values used reflect past experiences while the economic growth rates of approximately 2 % (2018: 2 %) per annum are management's best estimates that have been prepared using leading financial institutions' forecasts.

In both the current and prior reporting periods, the recoverable amount was deemed higher than the current carrying value, resulting in no impairment being charged against profit and loss. The Cement SA CGU is included under Cement Southern Africa in the segmental analysis.

There are no indications that any reasonable possible change in the key assumptions on which the recoverable amount has been calculated would cause the carrying amount to exceed the recoverable amount of this CGU.

Readymix

During the 2017 reporting period the PPC group undertook to re-organise the manner in which it discloses its operating segments according to the business units which are managed by the group executive committee. One of these key segments is aggregates and readymix. Included in the readymix segment is the Pronto, 3Q Mahuma and Ulula Ash.

Applying judgement, management was of the opinion that the natural synergy between the operations of Pronto, 3Q Mahuma and Ulula Ash, will result in a greater total competitive advantage for the group and should therefore be considered as one CGU. Assessed as its own group of assets, the readymix business operation can be seen to generate revenue and incur expenses which are independent of other groups of assets within the PPC group. This can also be substantiated further by the manner in which the group discloses the performance of its different business units in its segmental information.

Therefore, for purposes of impairment testing, the goodwill is allocated to the combined readymix CGU. They represent the lowest level within the entity at which goodwill is monitored for internal management purposes.

The recoverable amount of R816 million (2018: R453 million) for the CGU was determined based on value-in-use calculations, using cash flow projections based on financial forecasts approved by management and covering an initial seven-year period, which is in line with the company's budgeting cycle time horizon as management believes this should provide a more accurate base for the value-in-use calculation. A discount rate of 14 % (2018: 16 %) and terminal growth rate of 2 % (2018: 5,5 %) have been used in the valuation.

The significant increase in the recoverable amount compared to the prior year is due to synergies in managing Pronto, Ulula and 3Q as a single CGU and the reduced management fees.

Cash flow projections during the forecast period are based on similar pricing and margins to those currently being achieved by the business, noting that selling prices achieved during the year are below last year. Selling prices and cost of sales are forecast to increase at rates linked to local inflation forecasts and vary between 6 % and 10 % (2018: 5 % and 9 %). The values used reflect past experiences while the economic growth rates of approximately 2 % (2018: 2 %) per annum are management's best estimates that have been prepared using leading financial institutions' forecasts.

Following the goodwill impairment assessment review, the recoverable amount of readymix was calculated to be higher than its carrying amount resulting in no impairment to goodwill.

It is estimated that a decrease in net cash flows by 45 % (2018: 4 %) would result in the carrying amount exceeding the recoverable amount.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
10. OTHER INTANGIBLE ASSETS		
Balance at the beginning of the year	**557**	677
Disposals	**–**	–
Additions	**24**	6
Amortisation	**(67)**	(78)
Impairments (refer to note 5)	**–**	(17)
Translation differences	**44**	(31)
Balance at the end of the year	**558**	557
Comprising:		
Right of use of mineral assets	**193**	166
ERP development and other software	**106**	105
Brand and trademarks and customer relationships	**259**	286
	558	557
11. FINANCIAL AND OTHER NON-CURRENT ASSETS		
Investment in Zimbabwe government bonds	**279**	6
Investment in the Zimbabwe Stock Market	**14**	–
PPC Zimbabwe financial asset	**289**	–
Financial assets	**582**	6
Unlisted collective investment	**141**	134
VAT receivable	**101**	104
Long-term receivable	**91**	59
Other non-current assets	**333**	297

Investment in Zimbabwe government bonds

The investment in government bonds of R277 million, subsequent to the recognition of an ECL of R40 million, arises as a result of the requirement to invest the proceeds of the dividends of R232 million (2018: R66 million) and the rights issue proceeds of R85 million (2018: R82 million) which is invested in the 7 % Zimbabwe government bonds for a period of one year. Per the Zimbabwe exchange control guidelines, these are treated as legacy debts and dividends pre-20 February 2019 (date of publication of Statutory Instrument 33). The investment was registered with the Zimbabwean authorities in accordance with Statutory Instrument 33 and therefore qualify for the 1:1 conversion of US$ to RTGS$. The remaining R2 million represents treasury bills issued in exchange for the funds previously expropriated by the Reserve Bank of Zimbabwe.

In accordance with the requirements of IFRS 9, an ECL assessment was performed on the Zimbabwe government bonds taking into account a range of expected default rates on government bonds with similar credit profiles, which resulted in an ECL of R40 million.

In assessing the ECL default rate, the following was considered:

- The historical average recovery rate for sovereign bonds measured by Moody's in their Sovereign Default and Recovery Rates Study 1983 – 2016 is 65 %
- The recovery rate is measured by the ratio of the present value of cash flows received as a result of the distressed exchange versus those initially promised, discounted using yield to maturity immediately prior to default
- This methodology closer reflects IFRS 9
- Sub-Saharan African countries comprise a significant portion of sovereign defaults. The most recent at time of publication of the report was the 2016 by Mozambique where there was a loss of approximately 12 %

Based on the above it was determined that an ECL of 12,7 % was deemed appropriate.

As a result of the uncertainty around the expatriation of funds from Zimbabwe, the investment in government bonds has been classified as non-current.

Investment in the Zimbabwe Stock Market

The investment in the stock market relates to the investment in PPC and Old Mutual shares in Zimbabwe on the Zimbabwe Stock Exchange. This investment is held in RTGS$. The market value as at 31 March 2019 was RTGS$2,9 million (R14 million). As a result of the uncertainty around the expatriation of funds from Zimbabwe, the investment in the Zimbabwe Stock Market has been classified as non-current.

11. FINANCIAL AND OTHER NON-CURRENT ASSETS continued

PPC Zimbabwe financial asset

The PPC Zimbabwe financial asset arose as a result of the US$ denominated Zimbabwe loan (refer to note 18). The loan was registered with the Zimbabwean authorities in accordance with Statutory Instrument 33 and therefore qualifies for the 1:1 conversion of US$ to RTGS$. The financial asset recognised represents the difference between the closing RTGS$ rate of 3,01 and the rate of 1, being the rate approved by the Zimbabwean authorities for the settlement of this loan. Fair value disclosure with regards to this financial instrument has been disclosed in note 22.

Unlisted collective investment

This comprises an investment by the PPC Environmental Trust in the Old Mutual Capital Builder Portfolio, with the fair value being calculated using the ruling prices on 31 March 2019. Put options are also held over the value of the investments in order to protect the capital of the portfolio. At 31 March 2019, the value of the put options were not material. During the year, a further R9 million (2018: R7 million) was reinvested into the unit trusts. These funds are held to fund PPC's South African environmental obligations. Refer to note 14 for the restricted cash.

VAT receivable

The group incurred VAT during the construction of the plant in the DRC. In the 2017 financial year, management received a letter from the DRC Finance Department which indicates that the VAT needs to be paid to PPC Barnet DRC on condition that the money is utilised for discharge of local suppliers and local salary obligations. The letter did not, however, state when the payments will be initiated. As a result of the uncertainty around the timing of receipt of the funds, the VAT receivable has been classified as non-current.

During the year, a loss of R13 million (2018: R80 million) comprising the remeasurement following devaluations of the Congolese franc against the US dollar and a fair value adjustment relating to the non-current VAT receivable was recorded and is reflected in fair value and foreign exchange gains/(losses) in the income statement (refer to note 3). Refunds amounting to R12 million (2018: R11 million) were received during the year. An amount of Rnil (2018: R3 million) assessed to be irrecoverable was impaired during the year.

Long-term receivable

When the plant in the DRC was being constructed, PPC Barnet DRC entered into an agreement whereby PPC and the local power corporation would build the necessary power facility to supply electricity. In terms of this agreement, the portion initially contributed by PPC would be repaid through electrical usage of the plant. When PPC pays the power corporation, a portion of the amount owing is withheld and offset against this non-current asset.

The prior year balance, relating to financial assets of R6 million has been re-presented and disclosed separately on the face of the statement of financial position.

Refer to note 22 for financial instrument classifications in terms of IFRS 9 and the fair value disclosure required in terms of IFRS 13.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
12. NON-CURRENT ASSETS HELD FOR SALE		
Assets classified as held for sale	**92**	34

In September 2015, the PPC Zimbabwe board approved the disposal of houses at its Colleen Bawn and Bulawayo factories which was anticipated to be finalised in 12 months. The disposal has been delayed due to the government processing of the sectional title deeds and is now anticipated to be completed during the 2020 financial year. The houses have already been allocated to the employees through a systematic process and the agreements of sale have been drafted and are with the lawyers. It is management's view that the outstanding processes will be completed by September 2019. In the current year, a valuation of the houses was performed by an independent valuator and a fair value gain of R48 million was recognised for the houses which increased the recorded value for assets held for sale to R92 million (2018: R34 million). The fair value was estimated based on the market prices of similar properties. The movement from prior year was also impacted by the exchange rate movements (refer to note 24).

Zimbabwe is reported under the Rest of Africa (RoA) segment in the segmental report.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
13. TRADE AND OTHER RECEIVABLES		
Trade receivables	**960**	958
Loss allowance	**(49)**	(58)
Net trade receivables	**911**	900
Mark-to-market adjustments	**9**	1
Proceeds due from the sale of PPC shares held by consolidated BBBEE entities	**–**	7
Interest receivable	**23**	12
Short-term portion of long-term receivable*	**35**	30
Other financial receivables**	**39**	73
Trade and other financial receivables	**1 017**	1 023
Prepayments	**149**	115
VAT receivable	**–**	13
	1 166	1 151
Net trade receivables comprise	**911**	900
Trade receivables that are neither past due nor impaired	**685**	704
Trade receivables that are past due but not impaired	**226**	196

** This relates to the short-term portion of the long-term receivable due from the local electricity provider in the DRC, further details are disclosed in note 11.*

*** Included in other financial receivables is operating lease receivables and employee-related receivables.*

Refer to note 22 for fair value of trade and other receivables.

The prior year balances relating to taxation receivable of R93 million have been re-presented and disclosed separately on the face of the statement of financial position.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
14. CASH AND CASH EQUIVALENTS		
Balance at the end of the year	**452**	836
Currency analysis:		
Botswana pula	**66**	51
Mozambican metical	**2**	7
RTGS dollar (Zimbabwe)	**123**	–
Rwandan franc	**42**	45
South African rand	**62**	124
United States dollar	**157**	609
	452	836

Cash and cash equivalents are recognised less of ECLs. During the current year, in line with the requirements of IFRS 9, cash and cash equivalents were assessed for ECLs by analysing the credit rating of each financial institution where PPC Ltd and its subsidiaries have invested cash. This resulted in an ECL of R6 million being recognised in the current year, of which R5 million relates to cash deposits held in Zimbabwe banks.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the year, as shown in the consolidated statement of cash flows, can be reconciled to the related items in the consolidated reporting position as shown above.

Cash and cash equivalents include cash on hand and cash on deposit. Amounts denominated in foreign currencies have been translated at ruling exchange rates at year-end (refer to note 24).

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Included in cash and cash equivalents is restricted cash:		
PPC Environmental Trust	**9**	8
PPC Zimbabwe	**44**	49
	53	57

Cash and cash equivalents held by the PPC Environmental Trust can only be utilised for environmental obligations in South Africa and are therefore not freely available.

In accordance with the requirements of lenders to PPC Zimbabwe, PPC Zimbabwe is required to deposit funds in an escrow account which can only be used for the purposes of making capital and interest repayments on the loan. Refer to note 18 for further details on the Zimbabwe loan.

14. CASH AND CASH EQUIVALENTS continued

PPC Zimbabwe

The rand value of the gross cash balances in Zimbabwe significantly reduced to R206 million (comprising RTGS$, US$, pula and rand) compared to R515 million at the end of March 2018 due to the introduction of the RTGS$ with a closing exchange rate of 3,01 to the US$. The introduction of the RTGS$ as the functional currency in Zimbabwe resulted in a 67 % devaluation against the US$ at year-end using the official interbank year end rate of US$1:RTGS$3,01. Furthermore, the decrease was also caused by the settlement of foreign creditors which improved over the period and the transfer of the dividend amounts owing to PPC Ltd which was invested in the Zimbabwe government bonds and listed shares in the Zimbabwe stock market.

The dividends due to PPC Ltd were registered as legacy debt in accordance with monetary policy requirements. The Reserve Bank of Zimbabwe confirmed that it will provide forex funds (when they become available) to settle the debt in exchange for RTGS funds at a rate of US$1:RTGS$1.

Please refer to the table below for analysis of the Zimbabwe cash:

	US$	Rand
Cash on hand – 31 March 2018	44	515
Cash on hand – 31 March 2019	14	206
Restricted cash	3	44
Percentage of cash restricted	7 %	8 %
Cash transferred – trading	9	118
Cash transferred – PPC Ltd non-resident account	16	220
Cash transferred rate	57 %	66 %

Comparatives not presented as changes in functional currency have been applied prospectively.

	Year ended 2019 Audited Shares 000	Year ended 2018 Audited Shares 000
15. STATED CAPITAL		
Authorised shares		
Ordinary shares	**10 000 000**	10 000 000
Preference shares	**20 000**	20 000
Number of ordinary shares and weighted average number of shares		
Total shares in issue at the beginning of the year	**1 591 760**	1 591 760
Shares issued during the year	**1 354**	–
Total shares in issue before adjustments for treasury shares	**1 593 114**	1 591 760
Shares issued in terms of the second BBBEE transaction	**(37 382)**	(37 382)
Shares held by consolidated BBBEE trusts and trust funding SPVs	**(20 144)**	(20 144)
Shares held by consolidated Porthold Trust (Pvt) Limited	**(1 285)**	(1 285)
Shares purchased in terms of the FSP share incentive scheme	**(27 146)**	(19 955)
Shares held by the consolidated Safika Trust	**(1 354)**	–
Total shares in issue (net of treasury shares)	**1 505 803**	1 512 994
Weighted average number of shares, used for:		
Earnings and headline earnings per share	**1 511 971**	1 510 163
Dilutive earnings and headline earnings per share	**1 532 949**	1 531 802
Cash earnings per share	**1 511 971**	1 510 163

Shares are weighted for the period in which they are entitled to participate in the profits of the group.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

15. STATED CAPITAL continued

Shares held by consolidated participants of the second BBBEE transaction

Shares issued in terms of the second BBBEE transaction were facilitated by means of a notional vendor funding (NVF) mechanism, with the transaction concluding on 30 September 2019. These shares participate in 20 % of the dividends declared by PPC during the NVF period. With the exception of the Bafati Investment Trust, entities participating in this transaction are consolidated into the PPC group in terms of IFRS 10 *Consolidated Financial Statements*.

Shares held by consolidated BBBEE trusts and trust funding SPVs

In terms of IFRS 10 *Consolidated Financial Statements*, certain of the BBBEE trusts and trust funding SPVs from PPC's first BBBEE transaction are consolidated, and as a result, shares owned by these entities are carried as treasury shares on consolidation.

Shares held by consolidated Porthold Trust Pvt Limited

Shares owned by a Zimbabwe employee trust company are treated as treasury shares.

FSP share incentive scheme

In terms of the forfeitable share plan (FSP) long-term incentive scheme, 27 145 639 shares (2018: 19 955 207) are held in total for participants of this long-term incentive scheme. The shares are treated as treasury shares during the vesting periods of the awards. During the year, nil shares (2018: 3 832 250 shares) vested.

In terms of IFRS requirements, 5 % (2018: 5 %) of the total shares in issue are treated as treasury shares following the consolidation of the various BBBEE entities, employee trusts and incentive share schemes.

Shares held by the consolidated Safika Consolidated Management Trust

Shares issued during the year in order to retain and incentivise the Safika key management employees. This transaction was also facilitated through a NVF mechanism.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Stated capital		
Balance at the beginning of the year	**3 984**	3 919
Sale of shares, treated as treasury shares, by consolidated BBBEE entity	**–**	62
Shares purchased in terms of FSP share incentive scheme treated as treasury shares	**(41)**	(72)
Vesting of shares held by certain BBBEE 1 entities	**–**	2
Vesting of shares held in terms of the FSP share incentive scheme	**–**	73
Balance at the end of the year	**3 943**	3 984

16. PROVISIONS

Decommissioning and rehabilitation	**395**	495
Post-retirement healthcare benefits	**32**	31
	427	526

Decommissioning and rehabilitation

Group companies are required to restore mining and processing sites at the end of their productive lives to an acceptable condition consistent with local regulations, and in line with group policy. PPC has set up an environmental trust in South Africa to administer the local funding requirements of its decommissioning and rehabilitation obligations. Currently, there are no such regulations in the other jurisdictions in which the group operates for the creation of a rehabilitation trust fund. The investments in the trust fund are carried at fair value through profit or loss and amount to R141 million (2018: R134 million) at year-end (refer to note 11).

Management have assessed the discount rate applied in determining the decommissioning and rehabilitation provision for Cement southern Africa. In the current year there was a change in estimate, which is applied prospectively. The impact of the change in discount rate applied amounted to a R89 million reduction to the provision for rehabilitation and decommissioning, with a R59 million reduction to cost of sales and a R30 million reduction to the decommissioning asset, which is included in amounts reversed.

The majority of the decommissioning and rehabilitation provision relates to the South African operations. The key inputs used for calculating the provision in South Africa are (i) inflation rates of 4 % (2018: 5,6 %); (ii) risk-free discount rate of 6,8 % to 9,9 % (2018: 7,8 %) and (iii) life of mine limited to a maximum of 30 years.

Post-retirement healthcare benefits (defined benefit plan)

Historically, qualifying employees were granted certain post-retirement healthcare benefits. The obligation for the employer to pay medical aid contributions after retirement is no longer part of the conditions of employment for new employees. A number of pensioners remain entitled to this benefit, the cost of which has been fully provided.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
17. DEFERRED TAXATION		
Net liability at the end of the year comprises:	**624**	797
Deferred taxation asset	**220**	245
Deferred taxation liability	**844**	1 042
Analysis of deferred taxation		
Property, plant, equipment and intangible assets	**1 284**	1 189
Other non-current assets	**50**	134
Current assets	**(6)**	(10)
Non-current liabilities	**(111)**	(124)
Current liabilities	**(65)**	(75)
Reserves	**4**	1
Taxation losses	**(532)**	(318)
	624	797

Deferred taxation assets

Deferred taxation assets are recognised to the extent it is probable that taxable profits will be available in future periods, against which deductible temporary differences can be utilised. The recognition of deferred tax assets is assessed at subsidiary level taking into account the applicable legal provisions of the country in which the PPC subsidiary recognising the deferred tax asset is registered. Further, the recognition of deferred tax assets take into account applicable tax rates, which may vary between reporting periods.

CIMERWA has accumulated tax losses over the last four years with a significant amount arising in 2015 from claiming a 50 % investment deduction on the new plant. Article 29 of law no 16/2005 capped the utilisation of tax losses to a five-year period following the tax loss. A new income tax law, law no 016/2018 has been gazetted repealing law no 16/2005 of 18 August 2005 on direct income tax. This new law is applicable to CIMERWA. Article 32 of law no 016/2018, which came into force on 13 April 2018, states that the Rwandan Revenue Authority (RRA) may authorise the taxpayer who duly applies, for their loss carried forward of more than five tax periods if the tax payer fulfils requirements determined by an order of the Minister. The Ministerial order was published in the official gazette on 6 May 2018 indicating that a taxpayer may apply for losses to be carried forward more than five tax periods, subject to fulfilment of certain conditions. The deferred taxation asset recognised in CIMERWA is also affected by the maintenance of the existing shareholders. Any disposal of shares by the existing shareholders equal to or higher than 25 % will result in the loss of the deferred taxation asset. An assessment of the new law and the conditions indicates that the CIMERWA deferred tax of R209 million (2018: R242 million) is recoverable.

The PPC Barnet DRC Manufacturing deferred tax asset of R173 million was assessed based on the DRC's tax laws applicable at 2019 year-end close. The assessment of the deferred tax recoverability was based on the subsidiary's approved business plans and compliance with DRC's tax laws and regulations, the recognised deferred taxation asset was assessed to be recoverable.

PPC Aggregates Quarries Botswana's deferred tax asset of R20 million was assessed for recoverability. The recoverability assessment has taken into account the approved business plan and Botswana's applicable tax laws and regulations and based on the assessment, no impairment was recognised during the year.

Pronto Building Materials' deferred tax asset of R17 million recoverability assessment was based on applicable South African tax laws and the approved business plans and based on the assessment, no impairment was recognised during the year.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

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18. LONG-TERM BORROWINGS

Notes	Terms
PPC 002: five years	Unsecured notes, issued under the company's R6 billion domestic medium-term note programme, and are recognised net of capitalised transaction costs
PPC 003: five years	
South Africa long-term funding	R700 million amortising loan facility, maturing in 2021 with capital repayments of R175 million in 2019 and 2020 and R350 million in 2021
	R800 million general banking facility expiring in 2022
Project funding	
	US dollar denominated, repayable in monthly instalments over a 10-year period, starting March 2016
	Rwanda franc denominated, repayable in monthly instalments over a 10-year period, starting March 2016
	US dollar denominated, capital and interest payable biannually starting July 2017 ending January 2027, with a capital repayment holiday until January 2020
	US dollar denominated, interest payable biannually. Biannual repayments in equal instalments over five years starting December 2016
	Less: short-term portion of long-term borrowings
Long-term borrowings	
Add: short-term borrowings, bank overdrafts and short-term portion of long-term borrowings	
Total borrowings	
Maturity analysis of total borrowings:	
One year	
Two years	
Three years	
Four years	
Five and more years	

Assets encumbered are as follows:
Property, plant and equipment (refer to note 8)

The group had committed borrowing facilities of R2,4 billion and utilised 70 % (2018: 72 %) of these facilities at the date of this report. At reporting date, R731 million of borrowing facilities remain unutilised. These numbers exclude project funding in Rwanda, DRC and Zimbabwe.

Security	Interest rate	Year ended 31 March 2019 Audited Rm	Year ended 31 March 2018 Audited Rm
Unsecured	Three-month JIBAR plus 1,5 %	–	20
Unsecured	Three-month JIBAR plus 1,48 %	111	111
Unsecured	Variable rates at 270 basis points above three-month JIBAR	523	696
Unsecured	Variable rates at 305 basis points above three-month JIBAR	796	696
		3 201	2 889
Secured by CIMERWA's property, plant and equipment	Variable at 725 basis points above six-month US dollar LIBOR	353	347
Secured by CIMERWA's property, plant and equipment	Fixed rate of 16 %	408	300
Secured by PPC Barnet DRC's property, plant and equipment	Six-month US dollar LIBOR plus 975 basis points	2 150	1 763
Secured by PPC Zimbabwe's property, plant and equipment, inventory and trade and other receivables	Six-month US dollar LIBOR plus 700 basis points	290	479
		4 631	4 412
		(567)	(333)
		4 064	4 079
		938	603
		5 002	4 682
		938	603
		943	764
		1 406	836
		483	1 192
		1 232	1 287
		5 002	4 682
		7 339	6 460

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
19. OTHER NON-CURRENT LIABILITIES		
Cash-settled share-based payment liability	–	2
Put option liability	274	245
Finance lease liabilities	2	5
Liability to non-controlling shareholder in subsidiary company	17	14
	293	266
Less: Short-term portion of other non-current liabilities	–	(4)
	293	262

Put option liability

The International Finance Corporation (IFC) was issued a put option in September 2015 in terms of which PPC Ltd is required to purchase all or part of the shares held by the IFC in PPC Barnet DRC Holdings. The put option may be exercised after six years from when the IFC subscribed for the shares but only for a five-year period. The put option value was calculated using the DRC's forecast EBITDA applying an earnings multiple less net debt and then present valued.

Following the valuation of the put option, no fair value adjustment has been recognised as the fair value is the same as the current carrying amount.

Forecast EBITDA is based on financial forecasts approved by management, with pricing and margins similar to those currently being achieved by the business unit, albeit lower than in the prior year, while selling prices and costs are forecast to increase at local inflation projections and extrapolated using local GDP growth rates averaging 5 % per annum (2018: 5 %) taking cognisance of the plant production ramp-up and adjusted for the impact of competitor activity and political environment within the country and neighbouring countries. An EBITDA multiple of 7 times (2018: 7 times) was determined using comparison of publicly available information on other cement businesses operating in similar territories. The present value of the put option was calculated at R274 million (2018: R245 million). The increase in the liability follows the time value of money adjustments.

Refer to note 22 for sensitivity analysis.

Liability to non-controlling shareholder in subsidiary company

Relates to US dollar denominated interest payable on initial equity contribution into the DRC group of companies by a non-controlling shareholder. The accruing of interest ceased in September 2015 and the amount payable will be repaid once the external funding of the DRC has been settled.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
20. TRADE AND OTHER PAYABLES		
Accrued finance charges	4	8
Cash-settled share-based payment liability (short-term portion)	–	2
Capital expenditure payables	64	45
Finance lease liabilities	–	1
Unclaimed dividends	11	11
Other financial payables*	22	57
Retentions held for plant and equipment	316	259
Trade payables and accruals	1 368	1 079
Trade and other financial payables	1 785	1 462
Payroll accruals	138	248
VAT (receivable)/payable	(4)	25
	1 919	1 735

Trade and other payables, payroll accruals and regulatory obligations are payable within a 30 to 60-day period.

The prior year balances relating to taxation payable of R71 million have been re-presented and disclosed separately on the face of the statement of financial position.

** Included in other financial payables is income received in advance and short-term provisions.*

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
21. COMMITMENTS		
Contracted capital commitments	**128**	339
Approved capital commitments	**117**	257
Capital commitments	**245**	596
Operating lease commitments	**121**	128
	366	724
Capital commitments		
Southern Africa	**228**	546
Rest of Africa	**17**	50
	245	596
Capital commitments are anticipated to be incurred:		
– Within one year	**245**	500
– Between one and two years	**–**	96
	245	596

The decrease in commitments follows the successful commissioning of Slurry expansion project (SK9).

Capital expenditure commitments are stated in current values which, together with expected price escalations, will be financed from surplus cash generated and borrowing facilities available to the group.

22. FINANCIAL RISK MANAGEMENT

Fair value of assets and liabilities

	Notes	Level	Year ended 31 March 2019 Audited Rm	Year ended 31 March 2018 Audited Rm
Financial assets				
The financial assets carried at fair value are classified into three categories as reflected below:				
At amortised cost				
Investment in Zimbabwe government bonds	11	2	**279**	6
Trade and other financial receivables	13	2	**1 017**	1 023
Cash and cash equivalents	14	1	**452**	836
At fair value through other comprehensive income				
Investment in the Zimbabwe Stock Market	11	1	**14**	–
At fair value through profit or loss				
Unlisted collective investments at fair value (held for trading)	11	2	**141**	134
PPC Zimbabwe financial asset	11	2	**289**	–
Total financial assets			**2 192**	1 999
Level 1			**466**	836
Level 2			**1 726**	1 163
Non-financial assets				
Assets held for sale	12	2	**92**	34
Goodwill#	9	3	**236**	230
Equity-accounted investments^		3	**625**	582
VAT receivable	11	2	**101**	104
Long-term receivable	11	2	**91**	59
Prepayments	13	2	**149**	115
Financial liabilities				
At amortised cost				
Long-term borrowings	18	2	**4 064**	4 079
Short-term borrowings	18	2	**938**	603
Finance lease liabilities	19	2	**2**	5
Liability to non-controlling shareholder in subsidiary company	19	2	**17**	14
Trade and other financial payables	20	2	**1 785**	1 462
At fair value through profit or loss				
Cash-settled share-based liability	19	2	**–**	2
Put option liability	19	3	**274**	245
Decommissioning and rehabilitation obligations	16	3	**395**	495
Total financial liabilities			**7 080**	6 410
Level 2			**6 806**	6 165
Level 3			**274**	245

 # The movement in the fair value of goodwill recognised relates to foreign currency exchange differences.

^ Relates to the fair value of the investment in associates which is different to the carrying amount of R149 million, determined using the equity-accounted method. The reported fair value is determined using discounted cash flows, which involves using unobservable inputs such as the forecast cash flows and the discount rate. An adjustment of 1 % in the discount rate used will result in a movement of R56 million in the reported fair value.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

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22. FINANCIAL RISK MANAGEMENT continued

Methods and assumptions used by the group in determining fair values:

* Level 1 – financial assets and liabilities that are valued accordingly to unadjusted market prices for similar assets and liabilities. Market prices in this instance are readily available and the price represents regularly occurring transactions which have been concluded on an arm's length transaction.
* Level 2 – financial assets and liabilities are valued using observable inputs, other than the market prices noted in the level 1 methodology, and make reference to pricing of similar assets and liabilities in an active market or by utilising observable prices and market-related data.
* Level 3 – financial assets and liabilities that are valued using unobservable data, and requires management judgement in determining the fair value.

The estimated fair value of financial instruments is determined, at discrete points in time, by reference to the mid price in an active market wherever possible. Where no such active market exists for the particular asset or liability, the group uses valuation techniques to arrive at fair value, including the use of prices obtained in recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

The fair value of unlisted investment has been valued based on the purchase agreement following the decision to dispose of the investment, while unlisted collective investment is valued using the closing unit price at year-end. Investment in government bonds is valued using the discounted face value of the bills. Further details are disclosed in note 11.

The fair value of loans receivable and payable is based on the market rates of the loan and the recoverability.

The fair value of cash and cash equivalents, trade and other financial receivables and trade and other financial payables approximate their respective carrying amounts of these financial instruments because of the short period to maturity. Where the short period to maturity is extended, the company then discounts the current carrying amount using the latest available borrowing rates against the expected maturity period.

The PPC Zimbabwe financial asset (refer to note 11) should be valued using RTGS forward curves, however, these are not available. As a result of their being no other similar available market data, the financial asset has been valued at the year-end US$:RTGS$ exchange rate and no further fair value adjustment has been recognised.

The put option liability has been calculated using EBITDA forecasts prepared by management and discounted to present value.

The fair value of derivative financial instruments relating to cash-settled share appreciation rights is determined with reference to valuation performed by third-party financial institutions at reporting date, using an actuarial binomial pricing model.

This note has been refined from that reported in the prior period to only include financial instruments held at fair value.

Level 3 sensitivity analysis

Financial instrument	Valuation technique	Main assumptions	Increase/ decrease Rm
Put option liabilities	Earnings multiple	EBITDA and net debt	29

If the key unobservable inputs to the valuation model, being estimated EBITDA and net debt, were 1 % higher/lower while all the other variables were held constant, the carrying amount of the put option liabilities would decrease/increase by R29 million.

The valuation of the put option liability follows the changes in the DRC operation's recoverable amount. During the current year, following an impairment review, management opted not to reverse the previously recognised impairment and as a result no fair value adjustment has been recognised on the put option liability.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Movements in level 3 financial instruments		
Financial liability		
Balance at the beginning of the period	**245**	434
Remeasurements	**–**	(238)
Time value of money adjustments	**29**	49
Balance at the end of the year	**274**	245

Remeasurements are recorded in fair value adjustments on financial instruments in the income statement.

23. EVENTS AFTER THE REPORTING DATE

Business combination

On 4 May 2019, Habesha Cement Share Company (Habesha), a cement manufacturing company incorporated in Ethiopia and currently accounted in the PPC group results as an investment in associate, granted PPC and Industrial Development Corporation (IDC) a right to appoint an additional board member. PPC and IDC have a 38 % and 20 % shareholding in Habesha, respectively. PPC and IDC have signed a voting agreement, in terms of which they agreed to vote as a block on key matters pertaining to Habesha. Given PPC's technical knowledge and experience in the cement manufacturing industry and the fact that PPC has significant shareholding in Habesha compared to IDC, it is likely that PPC will be a key decision-maker in terms of the voting agreement.

Furthermore, PPC entered into an agreement with Habesha, in terms of which PPC is required to provide consulting and technical services. These services, among other include:

- Consulting services – such as developing strategic direction and objectives, providing commercial guidance and aligning the policies and procedures of Habesha to those of PPC
- Technical services – relating to finance, sales and marketing, treasury, human resources, legal and risk management

Taking into account the two agreements, management believes that PPC has control over Habesha from 4 May 2019 and has the exposure to variable returns and ability to affect those returns.

In terms of IAS 10, this is considered to be a non-adjusting post-balance sheet event as the meeting where the resolution was passed to give IDC and PPC a right to appoint an additional board member took place after the reporting period. The potential evidence of control therefore never existed at year-end.

Effective from 4 May 2019, being the acquisition date, PPC will account for Habesha as a subsidiary and the financial results of Habesha will be consolidated into PPC group. PPC's share of profits will remain as 38 %.

The acquisition accounting has not yet been finalised at the time of these financial statements as the event occurred after the reporting date and the acquisition of Habesha involved a complex analysis of among other things; the voting rights held directly by PPC, its voting agreement with the IDC, and the effect of its technical agreements with Habesha. As such the group will provide more information in its interim reporting on a final or preliminary basis dependent on the state of completion of the required accounting procedures at that time.

Refinancing strategy

Due to the expected liquidity constraints, in April 2019, the investment committee approved the engagement with the lenders for the funding facility package to be increased from R2,4 billion to R3,1 billion. This facility has been approved by the lenders and is considered to be a non-adjusting subsequent event in accordance with IAS 10.

Movement in RTGS$:US$ rate

At 31 March 2019, an official inter-bank rate of 3,01 between the US$ and RTGS$ has been used in the translation of the Zimbabwe results following the change in functional currency. This rate has since deteriorated to 8,83 at 18 July 2019, the date of approval of these abridged summarised consolidated annual financial statements. This rate was obtained from www.marketwatch.co.zw. For the sensitivity analysis on the RTGS$ rate refer to note 1.

Reserve Bank of Zimbabwe directive

On 24 June 2019, the government of Zimbabwe issued Statutory Instrument 142 which abolished the multi-currency system in Zimbabwe. Government has removed the multi-currency regime and restricted domestic transactions to local currency, renamed Zimbabwe dollar (ZWL), in an effort to enhance the affordability of goods and services in Zimbabwe.

Further to the SI 142 of 2019, the Reserve Bank of Zimbabwe, through a directive RU 102/2019 dated 25 June 2019, announced that it will implement the support measures to buttress and strengthen the local unit of account. Management has assessed the statutory requirements as announced by the Reserve Bank of Zimbabwe and applied the following measures to comply with these requirements:

TDB loan (refer to note 18)

- PPC Zimbabwe transferred the required funds to Stanbic Bank where the legacy debt was registered. The legacy debts funds that had been confirmed by RBZ to be settled at 1:1 mainly relate to the TDB loan balance of US$31 million. PPC Zimbabwe is in receipt of a letter from the RBZ already confirming the 1:1 settlement
- A written instruction was submitted by PPC Zimbabwe to Stanbic Bank to transfer the said TDB funds to the RBZ in line with the directive
- In addition, a written instruction was submitted to Stanbic instructing them to apply to the RBZ to settle the outstanding balance of the June 2019 TDB instalment of US$5 million on a 1:1 basis between the ZWL and the US$

Dividends and rights issue proceeds legacy debt invested in government bonds (refer to note 11)

- In order to comply with the above RBZ directive, PPC Ltd issued a written instruction to Stanbic to divest from the 7 % savings bonds held with the RBZ and to transfer the equivalent RTGS$ funds of the legacy debt at 1:1 with the US$.
- Stanbic has subsequently confirmed that they have initiated the disinvestment process of the 7 % RBZ savings bonds and are expecting the funds to be credited into PPC Ltd's non-resident account. These funds will then be transferred to the RBZ as directed

Management believes that this event is a non-adjusting post-balance sheet event as the instruction to transfer the legacy debt funds to RBZ is a condition that arose after year-end. Furthermore management believes that at year-end transactions relating to the Zimbabwe legacy debt are appropriately recognised and disclosed in these annual financial statements.

There are no events that occurred after the reporting date, other than those listed above, that may have a material impact on the group's reported financial position at 31 March 2019.

NOTES TO THE ABRIDGED AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2019

24. CURRENCY CONVERSION GUIDE

In preparing the financial statements of the subsidiary companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are 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 translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated to closing rate. Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Approximate value of foreign currencies to the rand:

	Average		Closing	
	2019	2018	**2019**	2018
Botswana pula	**1,32**	1,28	**1,34**	1,22
US dollar	**13,63**	13,06	**14,42**	11,82
Rwandan franc	**0,02**	0,02	**0,02**	0,01
RTGS dollar (to the US dollar)	**3,50**	N/A	**3,01**	N/A
Mozambican metical	**0,20**	0,22	**0,23**	0,19

25. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party directly or indirectly has the ability to control or jointly control the other party or exercise significant influence over the other party or is a member of the key management of PPC group. In particular, this relates to associates, as transactions with the consolidated subsidiaries are eliminated. In the ordinary course of business, PPC Group Shared Services Pty Limited, a subsidiary of PPC Ltd, entered into various transactions with Habesha Cement Share Company, an associate of PPC Ltd. The effect of these transactions is included in the financial performance and results of the group. Terms and conditions are determined on an arm's length basis. No impairment of receivables related to the amount of outstanding balances is required.

The following table shows transactions with the related parties that are included in the group's annual financial statements.

	Year ended 2019 Audited Rm	Year ended 2018 Audited Rm
Services rendered to a related party		
Habesha Cement Share Company	2	–
Amounts receivable from a related party		
Habesha Cement Share Company	2	–
Dividends received from a related party		
Olegra Pty Limited	1	1

Refer to note 23 for post-balance sheet events impacting the accounting treatment of the Habesha Cement Share Company by the PPC group.

26. OTHER DISCLOSURES

Contingent liabilities and guarantees

A PPC group supplier has instigated legal proceedings against the group for the possible damages relating to a contract. In terms of the contract, the supplier would provide certain services relating to sales and marketing. The total claim is estimated at R3 million.

Management believes that the claim has no merit, and is currently contesting the matter in court. In accordance with IAS 37, no provision has been made in these financial statements.

The total guarantees issued by the group, by means of a bank guarantee, in favour of the various suppliers was R102 million (2018: R102 million). Included in this amount are financial guarantees for the environmental rehabilitation and decommissioning obligations of the group to the DMR amounting to R76 million (2018: R76 million).

PPC LTD
(Incorporated in the Republic of South Africa)
Company registration number: 1892/000667/06
JSE/ZSE code: PPC
JSE ISIN: ZAE 000170049
JSE code: PPC003
JSE ISIN: ZAG000117524
(PPC or company or group)

DIRECTORS
PJ Moleketi (Chairman), JT Claassen (CEO), AC Ball, N Gobodo, MF Gumbi, NL Mkhondo, T Moyo*, CH Naude, MMT Ramano, MR Thompson
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FORWARD LOOKING STATEMENT

This report, including statements on the demand outlook, PPC's expansion projects and its capital resources and expenditure, contains certain forward looking views that are not historical facts and relate to other information which is based on forecasts of future results and estimates of amounts not yet determinable. By their nature, forward looking statements involve uncertainties and the risk that these forward looking statements will not be achieved. Although PPC believes the expectations reflected in these statements are reasonable, no assurance can be given that these expectations will prove correct. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, outcomes could differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment, other government action and business and operational risks.

Forward looking statements apply only as at the date on which they are made. PPC does not undertake to update or revise them, whether arising from new information, future events or otherwise. While PPC takes reasonable care to ensure the accuracy of information presented, it accepts no responsibility for any damages – be they consequential, indirect, special or incidental, whether foreseeable or unforeseeable – based on claims arising out of misrepresentation or negligence in connection with a forward looking statement. This report is not intended to contain any profit forecasts or profit estimates, and some information in this report may be unaudited.

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