

**Auditors' Report  
and  
Consolidated Audited Financial Statements  
of  
LafargeHolcim Bangladesh Limited  
For the year ended 31 December 2017**

**Independent Auditors' Report  
to the Shareholders  
of  
LafargeHolcim Bangladesh Limited**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of LafargeHolcim Bangladesh Limited, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Bangladesh Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of LafargeHolcim Bangladesh Limited as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

### Report on Other Legal and Regulatory Requirements

The consolidated financial statements also comply with the applicable sections of the Companies Act 1994, Securities and Exchange Rules-1987 and other applicable laws and regulations.

We also report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b. in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- c. the group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income dealt with by the report are in agreement with the books of account and return; and
- d. the expenditures incurred and payments made were for the purposes of the Company's business.

Dhaka, Bangladesh  
Dated: 20 March 2018




Nurul Faruk Hasan & Co  
Chartered Accountants

**LAFARGEHOLCIM BANGLADESH LIMITED**  
**Consolidated Statement of Financial Position**  
**As at 31 December 2017**

	NOTES	2017 <u>Taka'000</u>	2016 <u>Taka'000</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	11,499,747	11,776,095
Intangible assets	6	974,607	828,230
Other receivables	9	153,010	137,043
		<u>12,627,364</u>	<u>12,741,368</u>
<b>CURRENT ASSETS</b>			
Inventories	7	1,344,902	1,245,198
Trade receivables	8	1,531,303	1,361,677
Other receivables	9	2,399,257	1,933,076
Derivative instruments	15	15,176	838
Cash and cash equivalents	10	3,632,655	3,697,428
		<u>8,923,293</u>	<u>8,238,217</u>
<b>TOTAL ASSETS</b>		<u><u>21,550,657</u></u>	<u><u>20,979,585</u></u>
<b>EQUITY &amp; LIABILITIES</b>			
Share capital	11.3	11,613,735	11,613,735
Retained earnings		3,132,305	3,488,351
Other components of equity	11.6	(46,737)	(82,748)
Foreign currency translation	3.6	574,404	353,123
<b>SHAREHOLDERS' EQUITY- PARENT COMPANY</b>		<u>15,273,707</u>	<u>15,372,461</u>
Non-controlling interests	12	(4)	(23)
<b>EQUITY</b>		<u>15,273,703</u>	<u>15,372,438</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	13	2,228,528	2,276,021
Employee benefits	14	29,903	64,464
Provisions	16	36,992	30,187
		<u>2,295,423</u>	<u>2,370,672</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	17	2,899,767	2,332,586
Other payables	18	522,925	378,489
Derivative instruments	15	-	1,103
Short-term debt	19	558,839	524,297
		<u>3,981,531</u>	<u>3,236,475</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>21,550,657</u></u>	<u><u>20,979,585</u></u>

The accompanying Notes 1 to 36 form an integral part of these financial statements.

  
Chief Financial Officer

  
Company Secretary

  
Director

  
Chief Executive Officer

As per our annexed report of same date

Dhaka, Bangladesh  
Dated: 20 March 2018



  
Nurul Faruk Hasan & Co  
Chartered Accountants

**LAFARGEHOLCIM BANGLADESH LIMITED**  
**Consolidated Statement of Profit or Loss**  
**for the year ended 31 December 2017**

	NOTES	2017 <u>Taka '000</u>	2016 <u>Taka '000</u>
<b>REVENUE</b>	22	10,819,131	10,728,855
Cost of sales	23	(8,220,256)	(6,914,622)
<b>GROSS PROFIT</b>		<u>2,598,875</u>	<u>3,814,233</u>
General and administrative expenses	24	(1,079,212)	(723,336)
Sales and marketing expenses	25	(263,029)	(195,972)
Other operating (expenses)/income	26	13,961	(10,800)
<b>OPERATING PROFIT</b>		<u>1,270,595</u>	<u>2,884,125</u>
Finance cost	27	(41,429)	(71,459)
Finance income	27	126,656	134,796
<b>PROFIT BEFORE TAX</b>		<u>1,355,822</u>	<u>2,947,462</u>
Income tax	28	(550,531)	(720,979)
<b>PROFIT FOR THE YEAR</b>		<u>805,291</u>	<u>2,226,483</u>
 <i>Attributable to:</i>			
Owners of the parent Company		805,328	2,226,535
Non-controlling interests		(37)	(52)
		<u>805,291</u>	<u>2,226,483</u>
Basic earnings per share (Taka)	29	0.69	1.92
Diluted earnings per share (Taka)	29	0.69	1.92

*The accompanying Notes 1 to 36 form an integral part of these financial statements.*

  
 Chief Financial Officer

  
 Company Secretary

   
 Director      Chief Executive Officer

As per our annexed report of same date

Dhaka, Bangladesh  
 Dated: 20 March 2018

  
 Nurul Faruk Hasan & Co  
 Chartered Accountants

**LAFARGEHOLCIM BANGLADESH LIMITED**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2017**

	<u>2017</u> <u>Taka '000</u>	<u>2016</u> <u>Taka '000</u>
<b>PROFIT FOR THE YEAR</b>	<u>805,291</u>	<u>2,226,483</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Actuarial gain/(loss)	25,635	(40,985)
Income tax on items that will not be reclassified to profit or loss	(6,109)	10,217
<b>Total items that will not be reclassified to profit or loss</b>	<u>19,526</u>	<u>(30,768)</u>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedge instruments	16,485	1,015
Exchange differences on translating foreign operations	221,281	(24,407)
Non controlling interests- currency translation adjustment	56	(10)
<b>Total items that may be reclassified to profit or loss</b>	<u>237,822</u>	<u>(23,402)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>	<u>257,348</u>	<u>(54,170)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>1,062,639</u>	<u>2,172,313</u>
<i>Attributable to:</i>		
Owners of the parent Company	1,062,620	2,172,375
Non-controlling interests	19	(62)
	<u>1,062,639</u>	<u>2,172,313</u>

*The accompanying Notes 1 to 36 form an integral part of these financial statements.*

  
 Chief Financial Officer

  
 Company Secretary

  
 Director

  
 Chief Executive Officer

As per our annexed report of same date

Dhaka, Bangladesh  
 Dated: 20 March 2018

  
 **Nurul Faruk Hasan & Co**  
 Chartered Accountants

**LAFARGEHOLCIM BANGLADESH LIMITED**  
**Consolidated Statement of Changes in Equity**  
**for the year ended 31 December 2017**

(All figures are in Taka '000)

	Share capital	Retained earnings	Other components of equity	Foreign currency translation	Equity for parent company	Non controlling interests	Total equity
<b>Balance at 1 January 2016</b>	11,613,735	2,423,190	(52,995)	377,530	14,361,460	39	14,361,499
Total comprehensive income/(loss) for the year	-	2,226,535	(29,753)	(24,407)	2,172,375	(62)	2,172,313
Interim dividend	-	(580,687)	-	-	(580,687)	-	(580,687)
Final dividend	-	(580,687)	-	-	(580,687)	-	(580,687)
<b>Balance at 31 December 2016</b>	<b>11,613,735</b>	<b>3,488,351</b>	<b>(82,748)</b>	<b>353,123</b>	<b>15,372,461</b>	<b>(23)</b>	<b>15,372,438</b>
<b>Balance at 1 January 2017</b>	11,613,735	3,488,351	(82,748)	353,123	15,372,461	(23)	15,372,438
Total comprehensive income for the year	-	805,328	36,011	221,281	1,062,620	19	1,062,639
Interim dividend	-	(580,687)	-	-	(580,687)	-	(580,687)
Final dividend	-	(580,687)	-	-	(580,687)	-	(580,687)
<b>Balance at 31 December 2017</b>	<b>11,613,735</b>	<b>3,132,305</b>	<b>(46,737)</b>	<b>574,404</b>	<b>15,273,707</b>	<b>(4)</b>	<b>15,273,703</b>

  
 Chief Financial Officer

  
 Company Secretary

  
 Director

  
 Chief Executive Officer


Dhaka, Bangladesh  
 Dated: 20 March 2018

**LAFARGEHOLCIM BANGLADESH LIMITED**  
**Consolidated Statement of Cash Flows**  
**for the year ended 31 December 2017**

	NOTES	2017 <u>Taka '000</u>	2016 <u>Taka '000</u>
<b>Cash Flows From Operating Activities</b>			
Cash receipts from customers		10,471,052	10,277,743
Cash paid to suppliers and employees		<u>(8,401,062)</u>	<u>(7,318,068)</u>
Cash generated in operations		2,069,990	2,959,675
Income taxes paid		(778,139)	(337,716)
Other receipts		7,667	7,979
<b>Net cash generated by operating activities</b>		<u><u>1,299,518</u></u>	<u><u>2,629,938</u></u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(319,471)	(556,204)
Payments for intangible assets		(36,237)	(18,451)
Proceeds from sale of property, plant and equipment		1,442	598
Interest income		125,581	134,350
<b>Net cash used in investing activities</b>		<u><u>(228,685)</u></u>	<u><u>(439,707)</u></u>
<b>Cash Flows From Financing Activities</b>			
Decrease in short term debt	34	30,993	(542,041)
Payment of interest and other finance costs		(44,484)	(53,235)
Dividend paid		<u>(1,155,202)</u>	<u>(1,145,412)</u>
<b>Net cash used in financing activities</b>		<u><u>(1,168,693)</u></u>	<u><u>(1,740,688)</u></u>
Net effect of foreign currency translation on cash and cash equivalents		33,087	(1,959)
<b>Net increase in cash and cash equivalents</b>		<u><u>(64,773)</u></u>	<u><u>447,584</u></u>
<b>Cash and Cash Equivalents at Beginning of the Year</b>		3,697,428	3,249,844
<b>Cash and Cash Equivalents at End of the Year</b>		<u><u>3,632,655</u></u>	<u><u>3,697,428</u></u>

  
Chief Financial Officer

  
Company Secretary

  
Director

  
Chief Executive Officer

Dhaka, Bangladesh  
Dated: 20 March 2018



**LAFARGEHOLCIM BANGLADESH LIMITED**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2017**

**1 Background and Introduction**

**Formation and legal status**

LafargeHolcim Bangladesh Limited (LHBL) - (hereinafter referred to as "the Company") was incorporated on 11 November 1997 as a private limited company in Bangladesh under the Companies Act 1994 having its registered office in Dhaka. The Company has subsequently been converted into a public limited company on 20 January 2003 and went for Initial Public Offering of shares in November 2003 which was fully subscribed and issued. The shares have since been listed and are being traded in Dhaka and Chittagong Stock Exchanges. At the time of incorporation the name of the Company was "Lafarge Surma Cement Limited". On 07 February 2017 the Registrar of Joint Stock Companies and Firms of Bangladesh (RJSC) approved the name change to "LafargeHolcim Bangladesh Limited" of the Company. Presently the Company has two subsidiaries in India. The main objectives of the subsidiaries are to support the holding company. A brief description of each of the subsidiary is given below:

**Lum Mawshun Minerals Private Limited (LMMPL)** - incorporated under the Indian Companies Act 1956 on 17 November 1994 as a private limited company with its registered office at Shillong in the State of Meghalaya, India.

**Lafarge Umiam Mining Private Limited (LUMPL)** - incorporated under the Indian Companies Act 1956 on 22 March 1999 as a private limited company with its registered office at Shillong in the State of Meghalaya, India.

**2 Nature of Business**

The Company has established the country's only modern, integrated and state-of-the-art cement manufacturing plant at Chhatak under Sunamganj district. The Company extracts and processes the basic raw materials of limestone from its own quarry in Meghalaya. A 17 kilometres cross-border belt conveyor links the quarry with the cement plant for transportation of raw materials.

The Company is engaged in manufacturing and marketing of cement and clinker in the local market.

**3 Summary of Significant Accounting Policies**

**3.1 Basis of preparation**

These financial statements have been prepared in line with LafargeHolcim Group accounting policies following Generally Accepted Accounting Principles (GAAP) after due compliance with the Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. More specifically, the consolidated financial statements of the Company have been prepared in accordance with the provisions of Bangladesh Financial Reporting Standard 10 "Consolidated Financial Statements".

The financial statements have been prepared under the historical cost convention, except for the following:

- i) derivative financial instruments, measured at fair value; and
- ii) financial instruments at fair value through profit or loss, measured at fair value.

**3.2 Principles of consolidation**

The accounts of all the subsidiaries of the Company have been fully consolidated as the Company directly controls more than 50% of the voting shares of these entities.

The Company has made following investments in its subsidiaries which have been eliminated during consolidation:

<u>Name of subsidiary</u>	<u>2017</u> <u>Taka'000</u>	<u>2016</u> <u>Taka'000</u>
Lafarge Umiam Mining Private Limited, India	476,609	476,609
Lum Mawshun Minerals Private Limited, India	469	469
	<u>477,078</u>	<u>477,078</u>

All inter-company balances between the Company and its subsidiaries are eliminated on consolidation.

### 3.3 Scope of consolidation

The name of subsidiaries, country of incorporation and proportion of ownership interest are as follows:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>% of ownership interest</i>
Lafarge Umiam Mining Private Limited	India	100
Lum Mawshun Minerals Private Limited	India	74

### 3.4 Use of Estimates and Judgements

#### i) Estimates

The preparation of financial statements in conformity with BFRS recognition and measurement of principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues and expenses. Such estimates are prepared on the assumption of going concern and are established based on currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from the estimates.

Significant estimates made by management in the preparation of these financial statements include assumptions used for depreciation, deferred taxes and provisions for employees benefits.

#### ii) Judgements

The accounting for certain provisions and the disclosure of contingent liabilities and claims at the date of the financial statements is judgemental.

### 3.5 Functional and presentation currency

These financial statements are presented in Bangladesh Taka which is the functional and presentation currency of the Company. Figures have been rounded off to the nearest thousand Taka, unless stated otherwise.

### 3.6 Translation of financial statements denominated in foreign currencies

The accounts of the Indian subsidiaries have been translated into Bangladesh Taka using the year end closing rate of exchange for all financial position items and the average rate of exchange for revenues, expenses and amounts presented in the statement of cash flows. The resulting translation adjustments are included as a separate component of shareholders' equity. The exchange rates used for consolidating the Indian entities are as follows:

<i>Taka equivalent of Rs. 1</i>	<u>2017</u>	<u>2016</u>
Average rate	1.2358	1.1679
Closing rate	1.2937	1.1587

### 3.7 Property, plant and equipment

#### i) Recognition of property, plant and equipment

These are capitalised at cost of acquisition and subsequently stated at cost less accumulated depreciation and accumulated impairment losses. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its operating condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

#### ii) Subsequent costs

Subsequent maintenance and normal repairs are expensed as incurred while major renewals and improvements are capitalised.

#### iii) Construction in progress

These expenditures are capitalised and recognised as operating assets upon completion of the acquisition process or construction, where applicable and physical possession thereof.

#### iv) Depreciation of property, plant and equipment

Straight line depreciation method is followed and depreciation has been charged on all assets acquired that are put to use except land. Depreciation is charged at the date of acquisition and no depreciation is charged at the date of disposal. The rates of depreciation and category of property, plant and equipment (PP&E) are as follows:

<u>Category of PP&amp;E</u>	<u>Rate %</u>
Leasehold improvement	20
Building	2
Plant building	2.5
Plant & machinery	3.33
Vehicles	20
Computer equipment	33.33
Office equipment	10 & 20
Furniture & fixtures	10

#### v) Impairment of property, plant and equipment

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication that the assets might be impaired. Any provision of impairment is charged to the statement of profit or loss in the period concerned.

### 3.8 Intangible assets

#### i) Software

Software costs are capitalised where it is expected to provide future enduring economic benefits. Capitalisation costs include license fees and cost of implementation/ system integration services which are capitalised in the year in which the relevant software is installed for use. Costs of maintenance, upgradation and enhancements are charged off as revenue expenditure unless they bring similar significant additional long term benefits.

#### ii) Others

Capitalisation costs of leased land and quarry land include statutory fees, lump sum payment to lessor and subsequent development cost. These are shown as "intangible assets" in line with Group policy.

#### iii) Construction in progress

These expenditures are capitalised and recognised as operating assets upon completion of the development process.

#### iv) Amortization of intangible assets

##### a) Software

Software costs are amortised using the straight-line method over their useful lives (three years).

##### b) Others

The leased land and quarry land are amortised using the straight-line method over their amortisation year calculated on the basis of different leased years. However, the quarry lands are amortised over a maximum of thirty years.

### 3.9 Inventories

Inventories are stated at the lower of cost and net realisable value while packing materials and spare parts are valued at cost. The cost of inventories is based on the weighted average cost method.

### 3.10 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

#### i) Non-derivative financial assets

Non-derivative financial assets consist of trade receivables, other receivables (except prepayments), cash and cash equivalents that are available for use by the Company without any restriction. All non-derivative financial assets are accounted for at trade date. The carrying amounts of all non-derivative financial assets are reviewed for impairment on an annual basis to assess if there is any indication that the assets may be impaired. The Company derecognises a non-derivative financial asset when no further cash flow is expected to flow to the Company from the asset and if substantially all risks and rewards attached to the asset has been transferred.

##### a) Trade receivables

Trade receivables represent the amounts due from customers for delivering goods. Trade and other receivables are initially measured at cost which is the fair value of the consideration given in return. After initial measurement, these are carried at cost less impairment losses due to uncollectibility of any amount so measured. Impairment loss is recognised in the consolidated statement of profit or loss.

##### b) Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash, highly liquid investments and cash equivalents which are not subject to significant changes in value with an original maturity date of generally less than three months from the time of purchase.

#### ii) Non-derivative financial liabilities

Non-derivative financial liabilities consist of trade payables, other payables, short term debts and long term debts. The Company initially accounted for all non-derivative financial liabilities on the transaction date. The Company derecognises a non-derivative financial liability when its contractual obligations are discharged, cancelled or expired.

#### iii) Derivative instruments

The Company enters into financial derivative contracts only in order to reduce its exposure to changes in interest rates and foreign currency exchange rates.

Forward exchange contracts are used to hedge foreign currency exchange rate exposures.

Pursuant to the guidance in BAS 39 and BAS 32, the Company records in the consolidated statement of financial position derivative instruments at their fair values. The accounting of changes in fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Company designates its derivatives based on the criteria established under BAS 39.

In case of fair value hedge relationship, changes in fair value on the hedging items are recognised in the consolidated statement of profit or loss of the year of change.

In case of cash flow hedge relationship, changes in fair value on the hedging items are recognised directly in other comprehensive income for the effective portion and in the consolidated statement of profit or loss under the "Finance cost/income" caption for the ineffective portion. The gain and loss recognised in equity is subsequently reclassified to the consolidated statement of profit or loss when hedge exposure affects earnings.

### 3.11 Foreign currency translation/ transaction

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate between the functional currency and foreign currency at the date of the transaction.

At each financial position date, monetary assets and liabilities denominated in foreign currencies recorded at historical cost are retranslated at the functional currency closing rate provided by Bangladesh Bank (Central bank). The resultant gain and loss has been reflected in the financial statements. These rates are as follows:

Currencies	2017		2016	
	Closing rate	Average rate	Closing rate	Average rate
BDT/USD	82.7000	80.4475	78.7400	78.4695
BDT/EUR	98.3138	90.9579	81.9802	86.8486
BDT/GBP	110.7932	103.6984	96.2676	106.3512
BDT/INR	1.2937	1.2358	1.1587	1.1679

### 3.12 Employees' benefit schemes

#### i) Gratuity plan- LHBL

The Company had operated an unfunded gratuity plan till 15 January 2014 and thereafter, the scheme has been converted to a funded one. However, the provision has been made in respect of all eligible employees and reflected in these accompanying financial statements. At the time of separation, the liability to each employee is settled in cash. Actuary valuation of the gratuity plan is carried out by a professional actuary.

#### ii) Gratuity plan- LUMPL

The Company operates an unfunded gratuity scheme, provision for which has been made in respect of all eligible employees and reflected in these accompanying financial statements. In the time of separation, the liability to each employee is settled in cash. Actuary valuation of the gratuity fund is carried out by a professional actuary.

#### iii) Provident fund

The Company also operates a recognised provident fund scheme with equal contributions by the employees and the Company. The fund is administered by the Board of Trustees.

#### iv) Workers' profit participation and welfare funds

The Company recognises a provision for Workers' Profit Participation and Welfare funds @ 5% of income before tax before charging such expenses as per Bangladesh Labour Act, 2006.

### 3.13 Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

#### Current tax

Current tax is computed on the taxable income for the year, using the enacted tax rates at the reporting date and any adjustment to tax payable in respect of previous years.

#### Deferred tax

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements in accordance with the provisions of BAS 12. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax liabilities are recognised for all temporary taxable differences.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 3.14 Revenue recognition

Sale of the products, net of value added tax and discounts/commissions, is recognised upon raising invoices to customers.

### 3.15 Provision

The Company recognises provisions when it has a legal or constructive obligation resulting from past events, the resolution of which would result in outflow of resources embodying economic benefits from the Company.

### 3.16 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

### **3.17 Materiality and aggregation**

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

### **3.18 Comparatives**

Comparative figures and account titles in the financial statements have been rearranged/reclassified where necessary to conform with changes in presentation in the current year.

### **3.19 Dividend distribution**

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared and paid.

## **4 Financial Risk Management Policies**

The management of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework. Financial risk management policies require establishing standard procedures to identify and analyse the main risks to which the Company is exposed and continually deploying and managing risk management systems designed to eliminate or reduce the probability that risks will arise and to limit their impact.

The Company is exposed to credit risk, liquidity risk and market risk.

5. Property, Plant and Equipment

<i>Figures in Taka'000</i>	Freehold land	Building	Plant building	Plant & machinery	Vehicles	Computer equipment	Office equipment	Furniture & fixtures	Construction in progress	Total
<b>COST</b>										
At January 1, 2017	555,819	168,891	550,330	14,787,040	225,497	116,002	214,598	67,617	629,206	17,315,000
Additions	-	-	-	148,410	6,482	-	1,592	-	137,119	293,603
Adjustments	-	-	-	-	-	-	-	428	-	428
Disposals	-	-	-	-	(12,889)	(3,309)	(250)	(179)	(121,008)	(137,635)
Transfers	-	-	-	39,388	-	-	46,877	-	(86,265)	-
Translation adjustments	2,766	12,380	1	188,694	3,733	1,571	1,750	836	(533)	211,198
At December 31, 2017	558,585	181,271	550,331	15,163,532	222,823	114,264	264,567	68,702	558,519	17,682,594
<b>DEPRECIATION</b>										
At January 1, 2017	-	32,435	128,791	4,918,404	164,406	104,435	137,691	52,743	-	5,538,905
Disposals	-	-	-	-	(9,096)	(3,309)	(250)	(165)	-	(12,820)
Adjustments	-	-	-	-	(520)	-	538	461	-	479
Charge for the year	-	5,238	16,053	509,344	25,142	7,281	18,389	5,895	-	587,342
Translation adjustments	-	2,279	(1)	59,731	3,567	1,494	1,336	535	-	68,941
At December 31, 2017	-	39,952	144,843	5,487,479	183,499	109,901	157,704	59,469	-	6,182,847
<b>CARRYING AMOUNT</b>										
At December 31, 2017	558,585	141,319	405,488	9,676,053	39,324	4,363	106,863	9,233	558,519	11,499,747
At December 31, 2016	555,819	136,456	421,539	9,868,636	61,091	11,567	76,907	14,874	629,206	11,776,095

	2017	2016
	Taka'000	Taka'000
Production and maintenance overhead (Note- 23.2)	552,658	554,671
Depot operating and transportation costs (Note- 23.4)	1,870	1,846
General and administrative expenses (Note- 24)	32,814	25,371
	<u>587,342</u>	<u>581,888</u>

5.1 Depreciation charge for the year allocated to  
 Production and maintenance overhead (Note- 23.2)  
 Depot operating and transportation costs (Note- 23.4)  
 General and administrative expenses (Note- 24)

## 5.2 Disposal of property, plant and equipment

<i>Figures in Taka '000- Disposal details</i>						
	Vehicles	Computer equipment	Office equipment	Furniture & fixtures	Construction in progress	Total
Cost	12,889	3,309	250	179	121,008	137,635
Accumulated depreciation	(9,096)	(3,309)	(250)	(165)	-	(12,820)
<b>Carrying amount at December 31, 2017</b>				<b>14</b>	<b>121,008</b>	<b>124,815</b>
<b>Sale proceeds</b>	<b>1,289</b>	<b>110</b>	<b>17</b>	<b>26</b>	-	<b>1,442</b>
<b>Mode of disposal</b>	Company policy	Company policy/tender	Company policy/tender	Company policy	Company policy	
<b>Particulars of purchaser</b>	Employees	Third party & Employees	Third party & Written off	Third party & Written off	Written off	
<b>6. Intangible Assets</b>						
<i>Figures in Taka '000</i>						
COST						
At January 1, 2017		16,089	976,845	111,594	35,600	1,140,128
Additions*		-	618	537	116,566	117,721
Disposals		-	-	(65,843)	(911)	(66,754)
Transfers		-	36,674	4,580	(41,254)	-
Translation adjustments		1,874	115,559	(4,615)	20,085	132,903
<b>At December 31, 2017</b>		<b>17,963</b>	<b>1,129,696</b>	<b>46,253</b>	<b>130,086</b>	<b>1,323,998</b>
AMORTIZATION						
At January 1, 2017		7,705	223,106	81,087	-	311,898
Disposals		-	-	(65,843)	-	(65,843)
Charge for the year		467	59,500	13,173	-	73,140
Translation adjustments		920	28,782	494	-	30,196
<b>At December 31, 2017</b>		<b>9,092</b>	<b>311,388</b>	<b>28,911</b>	-	<b>349,391</b>
<b>CARRYING AMOUNT</b>						
<b>At December 31, 2017</b>		<b>8,871</b>	<b>818,308</b>	<b>17,342</b>	<b>130,086</b>	<b>974,607</b>
<b>At December 31, 2016</b>		<b>8,384</b>	<b>753,739</b>	<b>30,507</b>	<b>35,600</b>	<b>828,230</b>

\*Construction in progress of intangible assets related to migration of ERP Software (JDE to SAP) of BDT 116,566 (in thousands). This migration is required for the company to align with LafargeHolcim group.



	2017 Taka'000	2016 Taka'000
<b>7 Inventories</b>		
Raw materials	254,295	209,410
Spare parts	860,817	878,015
Packing materials	8,159	3,148
Other materials	10,952	50,508
Finished goods and work in process	210,679	104,117
	<u>1,344,902</u>	<u>1,245,198</u>
<b>8 Trade Receivables</b>		
Trade receivables (Note- 8.1)	1,546,505	1,373,631
Valuation allowance (Note- 8.2)	(15,202)	(11,954)
	<u>1,531,303</u>	<u>1,361,677</u>
<b>8.1 Ageing of trade receivables</b>		
The ageing of gross trade receivables at reporting date are as follows:		
Within the credit period	1,071,414	787,833
1-30 days	275,111	328,838
31-60 days	74,226	127,348
61-180 days	110,552	117,658
Over 180 days	15,202	11,954
	<u>1,546,505</u>	<u>1,373,631</u>
<b>8.2 The change in the valuation allowance for doubtful receivables is as follows:</b>		
Balance at 1 January	(11,954)	(10,609)
Current year addition	(3,248)	(1,345)
Balance at 31 December	<u>(15,202)</u>	<u>(11,954)</u>
<b>9 Other Receivables</b>		
Contractors, consultants, suppliers and others	407,383	154,277
VAT current account	290,901	238,810
Advance to employees	24,859	59,207
Security and other deposits	167,582	147,666
Prepaid expenses	78,700	80,487
Other receivables	31,546	25,947
Advance income tax (Note- 9.1)	1,543,865	1,342,808
Accrued interest on bank deposits	7,431	20,917
	<u>2,552,267</u>	<u>2,070,119</u>
<i>Current portion</i>	<u>2,399,257</u>	<u>1,933,076</u>
<i>Non-current portion</i>	<u>153,010</u>	<u>137,043</u>
Receivables mentioned above are unsecured and considered good. Advances made to employees include advance related to employee matters and for running the day to day operation cost of different departments.		
<b>9.1 Advance income tax- net of tax provision</b>		
Advance income tax-deducted at source	3,186,666	2,393,812
Current tax liabilities (Note- 20)	(1,642,801)	(1,051,004)
	<u>1,543,865</u>	<u>1,342,808</u>
<b>10 Cash and Cash Equivalents</b>		
<i>Cash in hand</i>		
LafargeHolcim Bangladesh Limited	2,216	435
Lafarge Umiam Mining Private Limited	106	62
	<u>2,322</u>	<u>497</u>
<i>Cash at banks</i>		
<i>LafargeHolcim Bangladesh Limited</i>		
In current accounts	1,787,378	990,814
In short term deposit accounts	20,514	112,989
In fixed deposit receipts	1,505,470	2,494,069
	<u>3,313,362</u>	<u>3,597,872</u>
<i>Cash at banks</i>		
<i>Lafarge Umiam Mining Private Limited</i>		
In current accounts	161,005	1,405
In term deposit accounts	93,912	38,575
Bank-in-transit	62,027	59,054
	<u>316,944</u>	<u>99,034</u>
<i>Cash at banks</i>		
<i>Lum Mawshun Minerals Private Limited</i>		
In current account	27	25
	<u>27</u>	<u>25</u>
	<u>3,632,655</u>	<u>3,697,428</u>

	2017 Taka'000	2016 Taka'000
<b>11 Share Capital</b>		
<b>11.1 Authorized capital</b>		
1,400,000,000 ordinary shares of Taka 10 each	<u>14,000,000</u>	<u>14,000,000</u>

In the year 2011, authorized capital has been increased from Taka 7,000,000,000 to Taka 14,000,000,000. Further, steps have been taken to issue right shares of 58,068,675 ordinary shares of Taka 100 per share at par value amounting to Taka 5,806,867,500 offered on the basis of 1:1, for which approval of Bangladesh Securities and Exchange Commission (BSEC) has been received on 8 September 2011. Moreover, face value of each ordinary share has been denominated from Taka 100 to Taka 10 at 4 December 2011.

<b>11.2 Issued and subscribed capital</b>		
1,161,373,500 ordinary shares of Taka 10 each	<u>11,613,735</u>	<u>11,613,735</u>
<b>11.3 Paid up capital</b>		
Fully paid up in cash	5,759,888	5,759,888
Fully paid up in other than cash	46,980	46,980
Fully paid up in cash as rights issue	5,806,867	5,806,867
	<u>11,613,735</u>	<u>11,613,735</u>

**11.4 Composition of shareholders at 31 December**

Name of the shareholders	Nationality/ Incorporated in	Number of shares		Holding %	
		2017	2016	2017	2016
Surma Holding B.V.	The Netherlands	683,698,700	683,698,700	58.87	58.87
Sinha Fashions Limited	Bangladesh	35,100,000	35,100,000	3.02	3.02
Islam Cement Limited	Bangladesh	31,914,200	31,914,200	2.75	2.75
Other Shareholders	Bangladesh and NRB	410,660,600	410,660,600	35.36	35.36
		<u>1,161,373,500</u>	<u>1,161,373,500</u>	<u>100.00</u>	<u>100.00</u>

**11.5 Classification of shares by holding at 31 December**

Slabs by number of shares	Number of shareholders		Holding %	
	2017	2016	2017	2016
Less than 500 Shares	9,167	10,581	0.20	0.23
501 to 5,000 Shares	14,075	14,964	2.44	2.54
5,001 to 10,000 Shares	2,550	2,519	1.65	1.63
10,001 to 20,000 Shares	1,564	1,523	1.97	1.91
20,001 to 30,000 Shares	560	565	1.21	1.21
30,001 to 40,000 Shares	301	292	0.91	0.88
40,001 to 50,000 Shares	221	211	0.88	0.84
50,001 to 100,000 Shares	375	358	2.36	2.21
100,001 to 1,000,000 Shares	389	366	9.15	8.77
Over 1,000,000 Shares	43	45	79.23	79.78
	<u>29,245</u>	<u>31,424</u>	<u>100.00</u>	<u>100.00</u>

**11.6 Other Components of Equity**

Cash flow hedge *	14,042	(2,443)
Actuarial loss-net of tax	(60,779)	(80,305)
	<u>(46,737)</u>	<u>(82,748)</u>

\*The effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the head. The loss relating to the ineffective portion is recognised immediately in the statement of profit or loss, and is included in the finance costs line item.

**11.7 Dividends**

The final dividend amounts to Taka 580,686,750 which is Taka 00.50 per share of Taka 10 each for the year 2017 proposed by the Board of Directors of the Company for approval at the Annual General Meeting of Shareholders. As this dividend is subject to approval by shareholders at the Annual General Meeting, it has not been included as a liability in these financial statements as of December 31, 2017.

**12 Non-Controlling Interests**

Retained earnings	(552)	(514)
Share capital	184	165
Share money deposits	364	326
	<u>(4)</u>	<u>(23)</u>

	2017 Taka'000	2016 Taka'000
<b>13 Deferred Taxes</b>		
<i>Deferred tax by type of temporary differences that resulted in deferred tax assets and liability.</i>		
Property, plant and equipment	2,253,730	2,304,282
Derivative instruments	3,610	1,434
<b>Deferred tax liabilities</b>	<b>2,257,340</b>	<b>2,305,716</b>
Provision for gratuity	25,011	26,707
Provision for doubtful debts	3,801	2,988
<b>Deferred tax assets</b>	<b>28,812</b>	<b>29,695</b>
<b>Net deferred tax liability</b>	<b>2,228,528</b>	<b>2,276,021</b>
<b>13.1 Change in deferred tax assets and liability</b>		
Balance at 1 January- deferred tax liability	2,276,021	2,318,292
Deferred tax expenses for the year (Note- 28)	(70,135)	(26,897)
Other components of equity	6,318	(10,321)
Translation adjustments	16,324	(5,053)
<b>Balance at 31 December- deferred tax liability</b>	<b>2,228,528</b>	<b>2,276,021</b>
<b>14 Employee Benefits</b>		
Contribution to gratuity plan	29,903	64,464
	<b>29,903</b>	<b>64,464</b>
<b>14.1 LafargeHolcim Bangladesh Limited (Funded Plan)</b>		
<b>Net position of gratuity plan</b>		
Present value of defined benefit obligation	264,157	269,679
Fair value of plan assets	(249,443)	(218,314)
<b>Net funded status</b>	<b>14,714</b>	<b>51,365</b>
<b>Actuarial valuation</b>		
The actuarial valuations of the plan and the present value of the defined benefit obligation were carried out at 31 December 2017 by a professional actuary using Projected Unit Credit Method.		
<b>Assumptions employed for the valuations are as follows:</b>	2017	2016
	%	%
Expected rate of salary increase	8.00	8.00
Expected return on plan assets	8.00	8.00
	2017	2016
	Taka'000	Taka'000
<b>Movement in the present value of the defined benefit obligation are as follows:</b>		
Balance at 1 January	269,679	249,656
Adjustment	-	5,573
Current service cost	36,758	31,399
Interest cost	20,297	20,418
Actuarial (gain)/loss	(23,657)	(24,298)
Benefits paid during the year	(38,920)	(13,069)
<b>Balance at 31 December</b>	<b>264,157</b>	<b>269,679</b>
<b>Movement in the fair value of the plan assets are as follows:</b>		
Balance at 1 January	218,314	221,755
Adjustment	-	5,652
Contributions from employer	51,365	51,365
Expected return on plan assets	18,684	18,193
Actuarial loss	-	(65,582)
Benefits paid during the year	(38,920)	(13,069)
<b>Balance at 31 December</b>	<b>249,443</b>	<b>218,314</b>
<b>14.2 Lafarge Umiam Mining Private Limited (Unfunded Plan)</b>		
<b>Actuarial valuation</b>		
The actuarial valuations of the plan and the present value of the defined benefit obligation were carried out at 31 December 2017 by a professional actuary using Projected Unit Credit Method.		
	2017	2016
	%	%
<b>Assumptions employed for the valuations are as follows:</b>		
Discount rate	7.82	7.13
Expected rate of salary increase	8.00	8.00

	2017 Taka'000	2016 Taka'000
<b>Movement in the present value of the defined benefit obligation are as follows:</b>		
Balance at 1 January	13,099	11,480
Current service cost	1,736	1,360
Interest cost	996	908
Actuarial (gain)/loss	(1,166)	(299)
Benefits paid during the year	(1,026)	(107)
Translation adjustment	1,550	(243)
<b>Balance at 31 December</b>	<b>15,189</b>	<b>13,099</b>

#### 15 Derivative Instruments

The Company entered into forward contracts with the commercial banks in order to manage its foreign exchange exposure due to change in exchange rates. The amount is the difference between market prices and prices the Company would pay to settle the foreign exchange liabilities at the end of the year.

#### 16 Provisions

##### Site restoration provisions

Balance at 1 January	30,187	27,787
Addition for the year	3,141	2,968
Translation adjustment	3,664	(568)
<b>Balance at 31 December</b>	<b>36,992</b>	<b>30,187</b>

The Company is legally required to restore a quarry site, the estimated costs of site restoration are accrued and recognised to the cost of sales, on the basis of mines closure plan submitted to Indian Bureau of Mines (IBM).

#### 17 Trade Payables

Payable for goods and services	2,168,329	1,605,957
General assistance fee (Note- 17.1)	294,990	203,359
Trademark license fee (Note- 17.2)	294,990	203,359
Advances paid by customers	141,458	319,911
	<b>2,899,767</b>	<b>2,332,586</b>

##### 17.1 General assistance fee

The amount is payable to Lafarge S.A. and Cementos Molins for general assistance fee (1 percent of annual net turnover of the Company in accordance with the General Assistance Agreement).

##### 17.2 Trademark license fee

The amount is equally payable to Lafarge S.A. and Cementos Molins for trademark license fee (1 percent of annual net turnover of the Company in accordance with the Trademark License Agreement).

#### 18 Other Payables

Payables to suppliers of property, plant and equipment	176,918	69,147
Income tax and VAT deducted at source	140,338	96,675
Others	157,828	170,998
Dividend payable	47,841	41,669
	<b>522,925</b>	<b>378,489</b>

#### 19 Short Term Debt

Bank overdraft facilities (Note- 19.1)	596	55,800
Short term credit facilities (Note-19.2)	558,243	468,497
	<b>558,839</b>	<b>524,297</b>

##### 19.1 Used bank overdrafts facilities

###### Lafarge Umiam Mining Private Limited

Citibank N.A., Mumbai	596	28,209
State Bank of India	-	27,591
	<b>596</b>	<b>55,800</b>

			2017 Taka'000	2016 Taka'000
<b>19.2 Used short term credit facilities</b>				
Citibank N.A., Mumbai			372,162	259,839
The Hongkong and Shanghai Banking Corporation Limited, Mumbai			-	149,604
Standard Chartered Bank, Mumbai			186,081	59,054
			<u>558,243</u>	<u>468,497</u>
<b>20 Current Tax Liabilities</b>				
Balance at 1 January			1,051,004	304,624
Provision for the year			620,666	747,876
Translation adjustment			(28,869)	(1,496)
Balance at 31 December			<u>1,642,801</u>	<u>1,051,004</u>
<b>21 Commitments and Contingencies</b>				
<b>21.1 Commitments</b>				
	Less than 1 year	1 to 5 years	More than 5 years	
	Taka'000	Taka'000	Taka'000	2017 Taka'000
				2016 Taka'000
<b>Commitments related to operating activities</b>				
Purchase commitments	1,323,730	-	-	1,323,730
Capital expenditure commitments	167,747	-	-	167,747
Operating leases	53,030	53,030	-	106,060
Guarantees given	17,750	379,294	63,068	460,112
<b>21.2 Contingent Liabilities</b>				
<b>LafargeHolcim Bangladesh Limited</b>				
Claim of VAT Authority for cancellation of VAT rebate relating to 2008-2009, 2009-2010 and 2010-2011 for which Writ Petitions 6074/2011, 6493/2012 and 11839/2014 respectively have been filed by the Company before the Hon'ble High Court of Dhaka, the outcomes of which are yet to be received. However, the Company is in the opinion that the claim by the VAT authority is unjustified and has no merit as well.			35,066	35,066
Claim of VAT Authority for cancellation of VAT rebate relating to 2006-2008 for which a Writ Petition No. 6492/2012 has been filed and the Company has already received a favourable decision from VAT Appellate Tribunal but the VAT authority has preferred a writ petition before the Hon'ble High Court of Dhaka, and the matter is awaiting disposal. However, the Company expects a favourable decision since there is no strong ground in support of the claim raised by the VAT authority.			74,157	74,157
During the assessment year 2008-2009 the rate of Gross Profit (GP) of the Company was 11.51% as per the audited financial statements. At that time of tax assessment, the Deputy Commissioner of Taxes (DCT) unilaterally raised the GP rate to 29.68% with reference to past records. The Company filed an appeal against the Order of DCT and at the first appeal the rate was reduced to 25%. Thereafter, the Company went for the second appeal with the Taxes Appellate Tribunal, Division Bench-1, Dhaka. The Tribunal, after hearing, reduced the GP to 24%. This resulted in an additional amount of Gross Profit of Taka 299,745 (in thousands) as per the tax assessment. However, the Company's management feels that the claim by the Tax authority is unjustified and has no merit. The Company has filed reference case No. 80 of 2015 before the Hon'ble High Court against the Order of the Tribunal.			112,404	112,404
During the assessment year 2009-2010 following the Taxes Appellate Tribunal's order a tax demand has been created. This was due mainly to the fact that Company's contribution to Workers' Profit Participation and Welfare Fund was disallowed unlawfully and the receipts of insurance claim were considered twice. Moreover, treatment of exchange loss and cost of goods were also unjust and not maintainable in the eye of law. However, the Company's management feels that the claim by the Tax authority is unjustified and has no merit. The Company has filed reference case No. 81 of 2015 before the Hon'ble High Court against the Order of the Tribunal.			135,111	135,111
<b>21.3 Claims</b>				
a. Claims against the Company not acknowledged as debt			NIL	NIL
b. Claims by the Company not acknowledged as receivable			NIL	NIL
<b>21.4</b> Clinker production of the Company at the plant stopped from April 2010 due to the suspension of supply of limestone from the quarry and resumed in August 2011. During this period, the gas consumption from Jalalabad Gas Transmission and Distribution System Limited drastically reduced since there was no clinker production. Under the agreement with Jalalabad Gas, the Company needs to take a minimum quantity falling which it needs to pay as advance the shortfall between the minimum quantity and the actual quantity consumed. The Company raised a dispute with Jalalabad Gas that this is a force majeure event and hence, the Company is not liable to pay this advance but this was not accepted by them. Thereafter the matter has been referred to arbitration. The Company has received the arbitration Award in its favour on 30 June 2015. Jalalabad Gas has applied for set aside of the arbitration award which, in all probability, will not change the position, except delaying the closing of the issue.				

	2017 Taka'000	2016 Taka'000
<b>21.5 Lafarge Umiam Mining Private Limited</b>		
<p>The Company entered into a Limestone Mining Agreement with a mining contractor (the "Contractor"). The Contractor failed to engage the right mining equipment, many mining equipment were more than 5 years old and in violation of the provisions of the Agreement. The Contractor failed to produce right sizes of Limestone as specified in the Agreement. Company issued notices of Breach, Material Breach to the Contractor in terms of the Agreement. On 28.02.2016 the Agreement was terminated. Company submitted its 'Request for Arbitration' to the Secretariat of the International Court of Arbitration (ICC), Paris as per the provisions of the Agreement, with a claim of Taka 264.86 million. The Contractor made counter-claim of Taka 733.25 million. By order dated 11.09.2016, the ICC appointed Arbitration Tribunal rejected the counterclaim of the Contractor on procedural ground. On 11.12.2016, the Contractor filed an application before the Calcutta High Court under Section 34 of the Arbitration and Conciliation Act, 1996 seeking to set aside the Order of the Arbitration Tribunal dated 11.09.2016 (the "Application"). The Hearing on the Application is awaited. Arbitration proceedings however continue to proceed on the claim filed by LUMPL. The Contractor has filed an application for stay of the Order dated 11.09.2016 before the tribunal on the ground that the matter is pending before the High Court. The application is yet to be heard by the Tribunal. The Company is of the opinion that the counter-claim of the Contractor, even if taken on record by the Tribunal at a subsequent stage or under order of the High Court, is not likely to succeed in full on merits of the matter and accordingly counterclaim of the Contractor has not been acknowledged as debt and no provision for the same has been made. The lawyers are of the view that the case of Company is strong on merits.</p>		
<b>22 Revenue</b>		
Sale of gray cement*	7,748,241	8,875,577
Sale of cement clinker	2,944,913	1,853,278
Other sales (Limestone and slag sales to Holcim Cement Bangladesh Limited)	125,977	-
	<b>10,819,131</b>	<b>10,728,855</b>
<b>*Sale of gray cement</b>		
Local sales	7,741,722	8,855,378
Export in Export Processing Zones	6,519	20,199
	<b>7,748,241</b>	<b>8,875,577</b>
<b>23 Cost of Sales</b>		
Opening finished goods and work in process (Note- 7)	104,117	148,797
Raw materials costs (Note- 23.1)	2,349,213	2,226,885
Toll manufacturing costs	1,005,749	82,234
Power and fuel costs	1,366,175	1,304,776
Production and maintenance costs (Note- 23.2)	1,678,715	1,302,888
Plant general and administrative costs (Note- 23.3)	450,530	443,987
Freight cost to customers	650,260	607,249
Depot operating and transportation costs (Note- 23.4)	823,035	898,955
Site restoration costs	3,141	2,968
Closing finished goods and work in process (Note- 7)	(210,679)	(104,117)
	<b>8,220,256</b>	<b>6,914,622</b>
<b>23.1 Raw materials costs</b>		
Limestone	1,397,174	1,040,967
Clay	73,653	85,506
Gypsum	201,533	220,617
Iron Ore	78,348	47,985
Sand	32,261	32,428
Slag	192,952	187,358
Packing Bags	363,976	430,671
Others	9,316	181,353
	<b>2,349,213</b>	<b>2,226,885</b>
<b>23.2 Production and maintenance costs</b>		
Salary, allowances and benefits	280,709	257,108
Contributions to employees' benefit schemes	20,820	21,838
Maintenance	145,359	164,237
Other supplies and spares	264,937	200,767
Material handling	67,848	57,356
Other expenses	156,569	6,209
Technical studies	649	1,734
Impairment of construction in progress	121,008	-
Depreciation (Note- 6.1)	552,658	554,671
Amortization of intangible assets	68,158	38,968
	<b>1,678,715</b>	<b>1,302,888</b>

	2017 Taka'000	2016 Taka'000
<b>23.3 Plant general and administrative costs</b>		
Salary, allowances and benefits	117,410	101,038
Contributions to employees' benefit schemes	5,022	6,365
Staff welfare expenses	42,965	18,430
Training, seminars and meetings	1,720	2,015
Travelling	13,689	14,572
Rent	6,961	5,627
Gas, electricity and water	2,282	4,814
Telephone, fax and postage	2,524	2,670
Office maintenance	58,272	74,419
Security services	77,489	64,232
Printing and stationery	976	1,015
Other supplies and spares	16,715	17,947
Other office expenses	24,446	10,417
Legal expenses	4,700	5,396
Consultancy	11,086	17,310
Vehicles running expenses	11,419	19,138
Corporate social activities	27,410	20,536
Insurance	25,444	58,046
	<b>450,530</b>	<b>443,987</b>
<b>23.4 Depot operating and transportation costs</b>		
Salary, allowances and benefits	106,754	98,587
Contributions to employees' benefit schemes	9,192	6,915
Staff welfare expenses	2,956	1,339
Training, seminars and meeting	1,062	3
Depreciation (Note- 6.1)	1,870	1,846
Depot other maintenance costs	155,403	122,193
Transportation costs	545,798	668,072
	<b>823,035</b>	<b>898,955</b>
<b>24 General and Administrative Expenses</b>		
Salary, allowances and benefits	241,582	152,534
Contributions to employees' benefit schemes	18,603	14,243
Staff welfare expenses	3,892	4,618
Training, seminars and meeting	18,034	10,762
Travelling	12,327	9,046
Rent	46,794	44,718
Gas, electricity and water	3,551	3,057
Telephone, fax and postage	4,748	3,705
Entertainment	8,496	4,038
Office maintenance	10,893	5,072
Office security services	2,287	2,322
Printing and stationery	2,030	978
IT maintenance expenses	98,561	89,539
Other office expenses	14,388	7,717
Registration and other fees	3,710	2,418
Audit and tax advisory fees (Note- 24.1)	3,757	3,919
Legal expenses	668	1,763
Vehicles running expenses	18,672	14,137
Publicity and public relation	15,092	9,289
General assistance fee	91,631	100,394
Trademark license fee	91,631	100,394
Consulting, survey and studies	290,914	3,495
Administrative depreciation (Note- 6.1)	32,814	25,371
Amortization of intangible assets	4,982	9,633
Contribution to Workers' Profit Participation and Welfare Fund	39,155	100,174
	<b>1,079,212</b>	<b>723,336</b>

	2017 Taka'000	2016 Taka'000
<b>24.1 Audit and Tax Advisory Fees</b>		
Statutory audit fee	250	200
Group audit fees	1,000	1,020
Interim audit fee	230	230
Certification fees	52	144
Pocket expenses	70	70
Tax and VAT advisory services	561	635
Total for LafargeHolcim Bangladesh Limited (Note- 24)	<u>2,163</u>	<u>2,299</u>
Statutory audit fee	1,094	1,203
Tax advisory services	408	328
Total for Lafarge Umiam Mining Private Limited (Note- 24)	<u>1,502</u>	<u>1,531</u>
Statutory audit fee	44	44
Tax advisory services	48	45
Total for Lum Mawshun Minerals Private Limited (Note- 24)	<u>92</u>	<u>89</u>
	<u>3,757</u>	<u>3,919</u>
<b>25 Sales and Marketing Expenses</b>		
Salary, allowances and benefits	121,325	82,180
Contributions to employees' benefit schemes	12,181	6,562
Staff welfare expenses	1,459	-
Training, seminars and meeting	129	2,159
Travelling	9,255	27,210
Gas, electricity and water	139	266
Telephone, fax and postage	1,217	1,264
Entertainment	1,766	1,085
Office maintenance	6,196	1,083
Printing and stationery	105	239
Other office expenses	2,152	411
Registration and other fees	2,087	1,893
Vehicles running expenses	23,016	5,024
Advertisement and promotion	78,384	64,678
Provision for trade receivables	3,247	1,345
General survey and studies	371	573
	<u>263,029</u>	<u>195,972</u>
<b>26 Other Operating (Expenses)/ Income</b>		
Loss on sale of property, plant and equipment	(2,363)	(19,967)
Sale of miscellaneous scrap items	7,667	7,979
Others	8,657	1,188
	<u>13,961</u>	<u>(10,800)</u>
<b>27 Finance Costs and Income</b>		
Interest on short term debt	22,487	32,066
Exchange loss	-	17,506
Other finance costs	3,918	8,510
Bank charges and commission	15,024	13,377
Finance costs	<u>41,429</u>	<u>71,459</u>
Interest income on bank deposits	111,740	134,796
Exchange gain	14,916	-
Finance income	<u>126,656</u>	<u>134,796</u>
Net finance income	<u>85,227</u>	<u>63,337</u>
<b>28 Income Tax</b>		
Current income tax expenses	620,666	747,876
Deferred income tax	(70,135)	(26,897)
	<u>550,531</u>	<u>720,979</u>
<b>28.1 Reconciliation of effective tax rate (%)</b>		
Statutory tax rate	32.03	28.00
Dividend income from subsidiary company	(8.43)	-
Permanent differences	18.42	0.95
Effect on opening deferred tax adjustments	-	(2.98)
Effect of foreign tax differentials	(1.42)	(1.51)
Effective tax rate	<u>40.60</u>	<u>24.46</u>



		2017 Taka'000	2016 Taka'000
<b>29 Earnings Per Share</b>			
The computation of basic earnings per share for the years ended 31 December 2017 and 31 December 2016 are as follows:			
<b>NUMERATOR</b>	<i>(Thousands of Taka)</i>		
<b>INCOME FOR THE YEAR- ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>		805,328	2,226,535
<b>DENOMINATOR</b>	<i>(Thousands of Shares)</i>		
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>		1,161,374	1,161,374
<b>BASIC EARNINGS PER SHARE</b>	<i>Taka</i>	0.69	1.92
<b>DILUTED EARNINGS PER SHARE</b>	<i>Taka</i>	0.69	1.92

### 30 Related Party Transactions

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on arms' length basis. The name of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of BAS 24.

Name of the Party and relationship	Nature of transaction	Transaction value during the year Taka '000	Receivable/ (Payable) at 31 Dec 2017 Taka '000
Surma Holdings B.V.-Group Company	Dividend payment	615,328	-
Holcim Asean Business Service Centre	Intercompany services/Technical assistance	149,621	(173,097)
Lafarge S.A.-Group Company	Technical assistance/Trademark license	114,691	(381,986)
Cementos Molins-Group Company	Trademark license/Travel expenses	76,970	(259,627)
LafargeHolcim Ltd-Group Company	Intercompany services	2,364	2,364
LH Trading Ltd- Group Company	Intercompany services	-	16,276
LH Trading Pte Ltd- Group Company	Intercompany purchase	262,081	(76,932)
PT Lafarge Cement Indonesia Group Company	Intercompany services	-	664
MBEYA Cement Company Ltd. Group Company	Intercompany services	3,618	5,987
Holcim Group Services Ltd. Group Company	Intercompany services	1,151	(1,343)
Lafarge International Services Singapore Group Company	Intercompany services	5,380	(2,379)
Holcim Cement (Bangladesh) Ltd. Group Company	Clinker sales and intercompany services	2,250,566	578,136
Holcim Cement (Bangladesh) Ltd. Group Company	Cement purchase	1,157,646	(149,323)
Eastern Housing Ltd. Shareholder's associated entity	Cement sales	7,382	1,290
Aftab Bahumukhi Farms Ltd.- Shareholder's associated entity	Cement sales	17	(14)
Bengal Development Corporation- Shareholder's associated entity	Cement sales	11,605	3,179
Jahurul Islam Medical College- Shareholder's associated entity	Cement sales	1,570	212
Opex Group- Shareholder's associated entity	Cement sales	4,103	258
Shikharraa Developments Ltd.- Shareholder's associated entity	Cement sales	-	12
Sinha Peoples Energy Ltd.- Shareholder's associated entity	Cement sales	1,713	329
Lafarge Umiam Mining Private Limited - Subsidiary company	Purchase of limestone	2,799,669	(136,226)

### 31 Directors', Managers' and Officers' Remuneration

Salary, allowances and benefits	346,999	271,568
Contributions to employees' benefit scheme	28,444	23,443
Reimbursable expenses	13,235	11,593
	<b>388,678</b>	<b>306,604</b>

During the year, the Board of Directors of the Company did not receive any remuneration or fees for services rendered by them.

### 32 Financial Instruments

#### 32.1 Credit risk

Credit risk represents the financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It mainly comprises trade receivables, advances to suppliers, trade deposits and bank balances. The Company's maximum exposure to credit risk at the reporting date are its trade receivables. To mitigate the credit risk against trade receivables, the Company has a system of specific credit line to the customer. These outstanding amounts are regularly monitored. The Company has obtained bank guarantees from all trade customers. A large part of non trade customers are also covered by bank guarantees.

2017  
Taka'000

2016  
Taka'000

Maximum exposure to credit risk of the Company at reporting date are as follows:

Trade receivables (Note- 8)	1,531,303	1,361,677
Other receivables excluding prepaid expenses (Note- 9)	2,473,567	1,989,632
	<u>4,004,870</u>	<u>3,351,309</u>

### 32.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient resources and arrangement of credit lines with the various banks for managing its liquidity risk.

Contractual maturity analysis for financial liabilities of the Company at reporting date is as follows:

	Carrying amount Taka'000	6 months or less Taka'000	From 6 to 12 months Taka'000	From 1 to 5 years Taka'000
Trade payables	2,899,767	2,169,062	730,705	-
Other payables	522,925	381,555	141,370	-
Short-term debt	558,839	558,839	-	-
Derivative instruments	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>3,981,531</b>	<b>3,109,456</b>	<b>872,075</b>	<b>-</b>

	Carrying amount Taka'000	6 months or less Taka'000	From 6 to 12 months Taka'000	From 1 to 5 years Taka'000
Trade payables	2,332,586	1,826,195	506,391	-
Other payables	378,489	353,862	24,627	-
Short-term debt	524,297	524,297	-	-
Derivative instruments	1,103	1,103	-	-
<b>Balance at 31 December 2016</b>	<b>3,236,475</b>	<b>2,705,457</b>	<b>531,018</b>	<b>-</b>

### 32.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and other price risks. The objective of market risk management is to manage and control market risk exposures within an acceptable range. The Company uses derivative instruments to hedge exposures to exchange rate and interest rate risks.

#### a) Foreign currency risk

The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on its certain short and long term debts and purchases that are denominated in foreign currencies. The majority of the Company's foreign currency transactions are denominated in INR, USD, EURO, and GBP. The Company also has exposure in foreign currencies relating to some services.

The Company, as part of its currency risk management, enters into forward contracts with the commercial banks to ensure its net exposure is kept to an acceptable low level.

Exposure to currency risk of the Company at reporting date is as follows:

Balance at 31 December 2017	BDT'000	INR'000	USD'000	EUR'000	GBP'000
<b>Foreign currency denominated assets</b>					
Cash and cash equivalents	317,831	245,092	2	6	-
Other receivables	1,295,760	988,360	207	-	-
<b>Total</b>	<b>1,613,591</b>	<b>1,233,452</b>	<b>209</b>	<b>6</b>	<b>-</b>
<b>Foreign currency denominated liabilities</b>					
Trade payables	897,149	518,253	2,470	228	-
Other payables	142,074	36,076	879	231	-
Short-term debt	558,821	461	6,750	-	-
<b>Total</b>	<b>1,598,044</b>	<b>554,790</b>	<b>10,099</b>	<b>459</b>	<b>-</b>
<b>Balance at 31 December 2016</b>					
<b>Foreign currency denominated assets</b>					
Cash and cash equivalents	99,438	85,544	3	1	-
Other receivables	725,287	611,882	207	-	-
<b>Total</b>	<b>824,725</b>	<b>697,426</b>	<b>210</b>	<b>1</b>	<b>-</b>
<b>Foreign currency denominated liabilities</b>					
Trade payables	588,127	405,527	1,130	357	-
Other payables	76,585	50,035	-	227	-
Short-term debt	524,304	48,158	5,950	-	-
<b>Total</b>	<b>1,189,016</b>	<b>503,720</b>	<b>7,080</b>	<b>584</b>	<b>-</b>

2017  
Taka'000

2016  
Taka'000

**Exchange rate sensitivity**

If the BDT increases in value against a currency, the value in BDT of assets, liabilities, income and expenses originally recorded in the other currencies will decrease. Conversely, if the BDT decreases in value against a currency, the value in BDT of assets, liabilities, income and expenses originally recorded in the other currency will increase. Consequently, increases and decreases in the value of the BDT may affect the value in BDT of non-BDT assets, liabilities, income and expenses, even though the value of these items have not changed in their original currency.

A change of 50 basis points (bp) in foreign currencies would have increased or decreased equity and profit or loss of the Company by the amounts shown below.

Particulars	2017	2016
	Estimated impact on profit/loss and equity (+/-)	Estimated impact on profit/loss and equity (+/-)
	Taka'000	Taka'000
Assets denominated in USD	87	83
Assets denominated in INR	7,979	4,041
Liabilities denominated in USD	4,176	2,787
Liabilities denominated in EUR	226	239
Liabilities denominated in INR	3,589	2,918

**b) Interest rate risk**

The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its debts and short term deposits.

**Interest rate sensitivity**

A +/- 1% change in short-term interest rates calculated on the financial assets and financial liabilities, would have a maximum impact on the Company's 2017 profit before tax of +/- Taka 16,085 (Taka 26,456 for 2016) in thousands and Taka 5,588 (Taka 5,243 for 2016) in thousands respectively.

*Interest bearing financial instruments of the Company at reporting date are as follows:*

<b>Financial assets</b>			
Term deposits	1,619,896	2,645,633	
	<u>1,619,896</u>	<u>2,645,633</u>	
<b>Financial liabilities</b>			
Short-term bank borrowings	558,839	524,297	
	<u>558,839</u>	<u>524,297</u>	

**c) Other price risk**

The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk and currency risk. The Company is not exposed to any equity risk, as the Company does not have any investment in equity shares. The Company also does not have any significant exposure to commodity price risk.

**32.4 Fair values**

The following details the cost and fair values of financial instruments:

**FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION**

At 31 December Thousand Taka	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>ASSETS</b>				
<i>Financial assets at fair value through profit and loss</i>				
Accrued interest	7,431	7,431	20,917	20,917
<i>Loans and Receivables at amortized costs</i>				
Trade receivables	1,531,303	1,531,303	1,361,677	1,361,677
Other receivables	2,544,836	2,544,836	2,049,202	2,049,202
Cash and cash equivalents	3,632,655	3,632,655	3,697,428	3,697,428
Derivative instruments	15,176	15,176	838	838
<b>LIABILITIES</b>				
<i>Financial liabilities at amortized cost</i>				
Trade payables	2,899,767	2,899,767	2,332,586	2,332,586
Other payables	522,925	522,925	378,489	378,489
Short-term debt	558,839	558,839	524,297	524,297
Derivative instruments	-	-	1,103	1,103

	2017 Taka'000	2016 Taka'000
<b>33 Number of Employees</b>	<b>2017</b>	<b>2016</b>
<i>LafargeHolcim Bangladesh Limited</i>		
<i>Nationality:</i>		
Bangladeshi	386	380
Non-Bangladeshi	8	5
<i>Lafarge Umiam Mining Private limited</i>		
<i>Nationality:</i>		
Indian	127	118
Non-Indian	1	1
	<u>522</u>	<u>504</u>
<i>Salary range:</i>		
Monthly Taka 3,000 or above	522	504
Monthly below Taka 3,000	NIL	NIL

**34 Reconciliation of liabilities from financing activities**

	Opening balance 2016	Cash flows	Non-cash currency translation	Closing balance 2017
Short-term debt	524,297	30,993	3,549	558,839

**35 Subsequent Events**

LafargeHolcim Bangladesh Limited (the "Company") has acquired 100% shares of Holcim Cement (Bangladesh) Limited for a consideration of BDT 5,047,820 (in thousand) only. The transfer of shares of Holcim Cement Bangladesh Limited in the name of the company has been completed on 07 January 2018. Accordingly, Holcim Cement Bangladesh Limited has become 100% owned subsidiary of the company.


**36 Standards Issued but not yet effective**

BFRS 15: The company will not be materially impacted by BFRS 15 since the company is primarily involved in the delivery at a point of cement and clinker which are separately itemized on the invoice, net of discount.

BFRS 9: Except for the disclosure requirements, the new standard will not materially impact the company's financial statements.

  
Chief Financial Officer

  
Company Secretary

  
Director

  
Chief Executive Officer

## Nurul Faruk Hasan & Co

Chartered Accountants

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