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**Auditors' Report
and
Audited Consolidated Financial Statement
of
LafargeHolcim Bangladesh Limited
For the year ended 31 December 2018**

Nurul Faruk Hasan & Co
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of LafargeHolcim Bangladesh Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of LafargeHolcim Bangladesh Limited, (the "Group") which comprise the consolidated statement of financial position as at 31 December 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 36 to the consolidated financial statements which describes the amalgamation of the fully owned subsidiary Holcim Cement (Bangladesh) Limited ("Holcim") with LafargeHolcim Bangladesh Limited ("LafargeHolcim"). The Board of Directors of LafargeHolcim in its meeting held on 29 November 2018, approved the amalgamation of LafargeHolcim with Holcim whereby Holcim will merge with LafargeHolcim, and LafargeHolcim shall be the surviving entity. The approval is subject to requisite approval of the banks and other creditors to Holcim, approval of the shareholders of the LafargeHolcim, and finally, the sanction of the Hon'ble High Court Division of the Supreme Court of Bangladesh. The amalgamation is currently in process. The consolidated financial statements of the current year have not been adjusted due to the proposed amalgamation. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Acquisition of Holcim Cement (Bangladesh) Limited*The key audit matter:*

The Group acquired 100% of outstanding shares of Holcim Cement (Bangladesh) Limited ("Holcim") for consideration of Tk5,047 million. The transfer of share for this acquisition was completed on 7 January 2018. The accounting for this transaction is complex due to the judgments and estimates that are required to identify and measure the fair value of the net assets acquired. Due to the size and significance of the event, we considered this to be a key audit matter.

See Note 7 to the consolidated financial statements for relevant disclosures regarding the acquisition of Holcim.

How the matter was addressed in our audit:

Our audit procedures in this area included, among others:

- Challenging the valuation produced by the Group and the methodology used to identify the assets and liabilities acquired; in particular the methodologies adopted and key assumptions used in valuing the freehold and leasehold land, building, vehicle and plant and machinery;
- Verifying the amount of goodwill arising on the acquisition of Holcim; in particular the calculation of goodwill in accordance with the requirement of IFRS 3 *Business Combinations*;
- Verifying the accounting for material acquisition-related costs per IFRS;
- Verifying the completeness of transfer of ownership of the Subsidiary;
- Evaluating the adequacy of the financial statement disclosures.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of the auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially

inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we will communicate the matter to those charged with governance of the Group.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, the Companies Act, 1994, the Securities and Exchange Rules, 1987, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act, 1994 and the Securities and Exchange Rules, 1987, we also report the following:

- 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 Group 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 were for the purposes of the Group's business.

The engagement partner on the audit resulting in this independent auditors' report is Md. Faruk Uddin Ahammed.



Nurul Faruk Hasan & Co
Chartered Accountants

Dhaka, Bangladesh
Date: 27 February 2019

LAFARGEHOLCIM BANGLADESH LIMITED
Consolidated statement of financial position
As at 31 December

	Note	2018 Taka'000	2017* Taka'000
Assets			
Non-current assets			
Property, plant and equipment	5	16,665,097	11,499,747
Goodwill	6	317,776	-
Intangible assets	6	2,613,994	974,607
Other assets	10	142,176	153,010
Total non-current assets		19,739,043	12,627,364
Current assets			
Inventories	8	2,378,070	1,344,902
Trade receivables	9	1,887,838	1,938,686
Other assets	10	566,487	448,009
Advance income tax	11	1,854,576	1,543,865
Derivative instruments	18	16,022	15,176
Cash and cash equivalents	12	446,194	3,632,655
Total current assets		7,149,187	8,923,293
Total assets		26,888,230	21,550,657
Equity & liabilities			
Equity			
Share capital	13.3	11,613,735	11,613,735
Retained earnings		3,666,293	3,132,305
Other components of equity	13.6	(116,930)	(46,737)
Foreign currency translation	3.5	415,288	574,404
Equity attributable to owners of the Company		15,578,386	15,273,707
Non-controlling interests	14	(66)	(4)
Total equity		15,578,320	15,273,703
Non-current liabilities			
Borrowings	15A	984,478	-
Deferred tax liability	16	3,104,680	2,228,528
Employee benefits	17	205,623	29,903
Provisions	19	37,428	36,992
Total non-current liabilities		4,332,209	2,295,423
Current liabilities			
Trade payables	20	4,316,413	2,899,767
Other current liability	21	668,642	522,925
Borrowings	15B	1,992,646	558,839
Total current liabilities		6,977,701	3,981,531
Total liabilities		11,309,910	6,276,954
Total equity and liabilities		26,888,230	21,550,657

*See Note 3.16

The accompanying Notes 1 to 38 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: 27 February 2019


Nurul Faruk Hasan & Co
Chartered Accountants

LAFARGEHOLCIM BANGLADESH LIMITED
Consolidated statement of profit or loss
For the year ended 31 December

	Note	2018 <u>Taka '000</u>	2017* <u>Taka '000</u>
Revenue	23	16,631,529	10,819,131
Cost of sales	24	(12,531,583)	(8,220,256)
Gross profit		<u>4,099,946</u>	<u>2,598,875</u>
Other operating income	27A	176,639	16,324
General and administrative expenses	25	(1,289,385)	(1,078,614)
Sales and marketing expenses	26	(511,569)	(263,627)
Other operating expenses	27B	(165,146)	(2,363)
Operating profit		<u>2,310,485</u>	<u>1,270,595</u>
Finance cost	28	(434,986)	(41,429)
Finance income	28	7,237	126,656
Profit before tax		<u>1,882,736</u>	<u>1,355,822</u>
Income tax	29	(768,084)	(550,531)
Profit for the year		<u><u>1,114,652</u></u>	<u><u>805,291</u></u>
Profit attributable to:			
Owners of the parent Company		1,114,675	805,328
Non-controlling interests		(23)	(37)
		<u><u>1,114,652</u></u>	<u><u>805,291</u></u>
Earnings per share			
Basic (Taka)	30	0.96	0.69
Diluted (Taka)	30	0.96	0.69

*See Note 3.16

The accompanying Notes 1 to 38 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: 27 February 2019


Nurul Faruk Hasan & Co
Chartered Accountants

LAFARGEHOLCIM BANGLADESH LIMITED
Consolidated statement of comprehensive income
For the year ended 31 December

	2018 <u>Taka '000</u>	2017* <u>Taka '000</u>
Profit for the year	<u>1,114,652</u>	<u>805,291</u>
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss)	(59,505)	19,526
Total items that will not be reclassified to profit or loss	<u>(59,505)</u>	<u>19,526</u>
Items that are or may be reclassified subsequently to profit or loss		
Cash flow hedge instruments	(10,688)	16,485
Foreign operation - foreign currency translation differences	(159,116)	221,281
Non controlling interests- currency translation adjustment	(39)	56
Total items that may be reclassified to profit or loss	<u>(169,843)</u>	<u>237,822</u>
Other comprehensive loss for the year	<u>(229,348)</u>	<u>257,348</u>
Total comprehensive income for the year	<u><u>885,304</u></u>	<u><u>1,062,639</u></u>
Profit attributable to:		
Owners of the parent Company	885,366	1,062,620
Non-controlling interests	(62)	19
	<u><u>885,304</u></u>	<u><u>1,062,639</u></u>

*See Note 3.16

The accompanying Notes 1 to 38 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: 27 February 2019


Nurul Faruk Hasan & Co
Chartered Accountants

LAFARGEHOLCIM BANGLADESH LIMITED
Consolidated statement of changes in equity
For the year ended 31 December

	Share capital	Retained earnings	Other components of equity	Foreign currency translation	Equity for parent company	Non controlling interests	Total equity
Balance at 1 January 2017	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
Final dividend for 2016	-	(580,687)	-	-	(580,687)	-	(580,687)
Interim dividend	-	(580,687)	-	-	(580,687)	-	(580,687)
Balance at 31 December 2017	11,613,735	3,132,305	(46,737)	574,404	15,273,707	(4)	15,273,703
Balance at 1 January 2018	11,613,735	3,132,305	(46,737)	574,404	15,273,707	(4)	15,273,703
Total comprehensive income for the year	-	1,114,675	(70,193)	(159,116)	885,366	(62)	885,304
Final dividend for 2017	-	(580,687)	-	-	(580,687)	-	(580,687)
Balance at 31 December 2018	11,613,735	3,666,293	(116,930)	415,288	15,578,386	(66)	15,578,320

(Taka '000)


Company Secretary


Chief Financial Officer


Director


Chief Executive Officer

LAFARGEHOLCIM BANGLADESH LIMITED
Consolidated statement of cash flows
For the year ended 31 December

	Note	2018 Taka '000	2017 Taka '000
Cash flows from operating activities			
Cash receipts from customers		18,464,814	10,471,052
Cash paid to suppliers and employees		(14,650,566)	(8,345,858)
Cash generated from operations		3,814,248	2,125,194
Income taxes paid		(717,206)	(778,139)
Other receipts		15,707	7,667
Net cash from operating activities	38	3,112,749	1,354,722
Cash flows from investing activities			
Payments for property, plant and equipment		(803,334)	(319,471)
Payments for intangible assets		-	(36,237)
Proceeds from sale of property, plant and equipment		10,499	1,442
Interest income		8,655	125,581
Acquisition of subsidiary company, net of cash acquired		(4,986,476)	-
Net cash used in investing activities		(5,770,656)	(228,685)
Cash flows from financing activities			
Proceeds from long-term debt		1,695,100	-
(Decrease)/increase in short term debt		(1,473,316)	30,993
Payment of interest and other finance costs		(359,476)	(44,484)
Dividend paid		(576,920)	(1,155,202)
Net cash used in financing activities		(714,612)	(1,168,693)
Net decrease in cash and cash equivalents		(3,372,519)	(42,656)
Net effect of foreign currency translation on cash and cash equivalents		(12,651)	33,087
Cash and cash equivalents at beginning of the year		3,632,059	3,641,628
Cash and cash equivalents at end of the year*	12	246,889	3,632,059

* Cash and cash equivalents includes bank overdraft that are repayable on demand and form an integral part of cash management.


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer

LAFARGEHOLCIM BANGLADESH LIMITED
Notes to the consolidated financial statements
For the year ended 31 December

1 General information

LafargeHolcim Bangladesh Limited (LHBL) - (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 was subsequently 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 change of name of the Company to "LafargeHolcim Bangladesh Limited".

The Company has three subsidiaries. A brief description of each of the subsidiaries is given below:

Holcim Cement (Bangladesh) Limited (HBL) - HBL is the 100% owned subsidiaries of the Company. HBL was formerly known as Hyundai Cement (Bangladesh) Company Limited, was incorporated in Bangladesh as a private company limited by shares under the Companies Act, 1994. Holcim Bangladesh Limited, United Cement Industries Limited ("UICL") and Saiham Cement Industries Limited ("Saiham") were merged together following an order of the Hon'ble High Court Division of the Supreme Court of Bangladesh in December 2011 and were allowed to carry out its business in the name of United Cement Industries Limited. Subsequently, United Cement Industries Limited was renamed as Holcim Cement (Bangladesh) Limited.

Lafarge Umiam Mining Private Limited (LUMPL) - LUMPL is 100% owned subsidiary of the Company. LUMPL was 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.

Lum Mawshun Minerals Private Limited (LMMPL) - LMMPL is a 74% owned subsidiary of the Company. LMMPL was 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.

2 Nature of business

LafargeHolcim Bangladesh Limited (LHBL) - The Company operates a cement manufacturing plant at Chhatak under Sunamganj district. The Company extracts and processes the basic raw materials of limestone from the quarry in Meghalaya owned by the Company's fully owned subsidiary Lafarge Umiam Mining Private Limited. 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.

Holcim Cement (Bangladesh) Limited (HBL) - HBL is engaged in manufacturing and marketing of cement and clinker in the local market and international market.

Lafarge Umiam Mining Private Limited (LUMPL) - LUMPL owns and operates the limestone and shale mine located at Nongtraï and Shella area of East Khasi Hills District, Meghalaya. The project involves supply of crushed limestone and shale from the mines located in the State of Meghalaya through continuous cross border elevated belt conveyor to the plant at Chhatak in Bangladesh promoted by Lafarge SA France and Cementos Molins of Spain for the manufacture of clinker, cement and building materials by LHBL.

Lum Mawshun Minerals Private Limited (LMMPL) - LMMPL was formed for acquisition of mining and land rights to facilitate the mining operation of limestone and shale. During the earlier years LMMPL transferred the mining and land rights as well as freehold and leasehold lands as was acquired to LUMPL along with the preoperative expenses and related account balances pertaining to such lands transferred, after obtaining necessary approval from the Government of India. Consequently, there has been no business during the year as well as in the previous years. However, LMMPL is exploring new opportunities.

3 Summary of significant accounting policies

3.1 Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), the Companies Act 1994 and the Securities and Exchange Rules 1987. They were authorised for issue by the Company's board of directors on 27 February 2019.

3.2 Basis of consolidation

The accounts of all the subsidiaries of the Company have been fully consolidated as the Company controls these entities. The Company holds majority of voting right in all of the subsidiaries.

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

Name of subsidiary	Country of incorporation	% of ownership interest
Holcim Cement (Bangladesh) Limited	Bangladesh	100
Lafarge Umiam Mining Private Limited	India	100
Lum Mawshun Minerals Private Limited	India	74

Acquisition of subsidiary

LafargeHolcim Bangladesh Limited (the "Company") has acquired 100% shares of Holcim Cement (Bangladesh) Limited for a consideration of Tk5,047 million. The transfer of shares of Holcim Cement Bangladesh Limited in the name of the Company was completed on 07 January 2018.

i) Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

ii) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company 'controls' an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii) Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv) Loss of control

When the Company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v) Transactions eliminated on consolidation

Intra-Company balances and transactions, and any unrealised income and expenses arising from intra-Company transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.3 Use of estimates and judgements

i) Estimates

The preparation of financial statements in conformity with IFRS 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 judgmental.

iii) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in Financial instruments (Note 3.10 and 33)

3.4 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.

3.5 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:

Taka equivalent of Rs. 1	2018	2017
Average rate	1.2229	1.2937
Closing rate	1.2021	1.2358

3.6 Property, plant and equipment (PPE)

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 are as follows:

Category	Rate %
Building	2-2.5
Plant & machinery	3.33
Vehicles	20
Office equipment	10, 20 & 33.33
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 year concerned.

3.7 Goodwill

Goodwill arising on acquisition of subsidiary is measured at cost less accumulated impairment losses.

3.8 Intangible assets

i) Software

Software costs are capitalised where it is expected to provide future 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 Company policy.

iii) Construction in progress

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

iv) Amortisation 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

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI and FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets - Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objective for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated-e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets-Subsequent measurement and gains and losses; Policy applicable from 1 January 2018.

Financial assets at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets-Policy applicable before 1 January 2018

The Company classified its financial assets into the following category:

- loans and receivables
- at FVTPL, and within this category as derivative hedging instrument

Financial assets- Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

- loans and receivables
- at FVTPL, and within this category as derivative hedging instrument

Financial liabilities- Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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 IFRS 9, 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 IFRS 9.

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.

iv. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.11 Employees' benefit schemes

i) Gratuity plan- LHBL

The Company 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- HBL

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) 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.

iv) 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.

v) Workers' profit participation and welfare funds- for LHBL & HBL

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.

3.12 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount or current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii) 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 IAS 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.

3.13 Revenue recognition

Sale of the products, net of value added tax is recognised upon meeting the performance obligation and raising invoices to customers.

Contract liabilities primarily relate to the advance consideration received from customers for goods for which delivery will occur at a future point in time.

3.14 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.

3.15 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.

3.16 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.

Moreover, comparative figures of 2017 consists only of LafargeHolcim Bangladesh Limited (the Company) with its subsidiaries (LUMPL and LMMPL). Holcim Cement (Bangladesh) Limited become a subsidiary of the Company on 7 January 2018. As such, the 2018 figure includes HBL in addition to the Company, LUMPL and LMMPL.

3.17 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.

3.18 Operating segment

LafargeHolcim Bangladesh Limited does not have any operating segment whose results are regularly reviewed by the entity's Chief Operating Decision Maker to make decision about resource to be allocated to segments and assess its performance and for which discreet financial information is available.

3.19 Preparation and presentation of the consolidated financial statements

The Board of Directors are responsible for the preparation and fair presentation of the consolidated financial statements of LafargeHolcim Bangladesh Limited. LafargeHolcim Bangladesh Limited has three subsidiary companies incorporated in India and Bangladesh as detailed in Note-1.

4 Adoption of new International Financial Reporting Standards

The Company has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. Except for separately presenting impairment loss on trade receivables and contract liabilities.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control-at a point in time or over time-requires judgement.

IFRS 15 did not materially impact the Company as the net sales relate to delivery at a point in time of gray cement and cement clinker. The Company has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated- i.e. it is presented, as previously reported, under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items. This standard replaces IAS 39 *financial Instruments: Recognition and Measurement*.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. However impairment of trade receivables are presented under selling and marketing expense similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality consideration.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Figures in Taka'000				
Financial assets				
Trade receivables	Loans and receivables	Amortised cost	1,938,686	1,938,686
Other assets	Loans and receivables	Amortised cost	601,019	601,019
Forward exchange contract used for hedging	Fair value-hedging instrument	Fair value- hedging instrument	15,176	15,176
			2,554,881	2,554,881
Financial liabilities				
Borrowings	Other financial liabilities	Other financial liabilities	558,839	558,839
Trade payables	Other financial liabilities	Other financial liabilities	2,899,767	2,899,767
Other current liabilities	Other financial liabilities	Other financial liabilities	522,925	522,925
			3,981,531	3,981,531

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. The foreign exchange forward contract hedge qualified as cash flow hedges under IAS 39 as at 31 December 2017, also qualified as cash flow hedges under IFRS 9. Pursuant to the guidance in IFRS 9, 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. 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 period 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.

C. IFRS 16- Leases

IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases. Correspondingly, assets must be recognised for the right of use received and liabilities must be recognised for payment obligations entered into for all leases. The Company currently expects to transition to IFRS 16 in accordance with the modified retrospective approach. For leases that have to date been classified as operating leases in accordance with IAS 17, the lease liability will be carried at the present value of the remaining lease payments, discounted using the lessees incremental borrowing rate at the time the standard is first applied. The right-of-use asset will generally be measured at the amount of the lease liability. The Company currently plans to make use of relief options available for leases or low value assets and short-term leases (shorter than twelve months).

The Company is currently finalizing its review of the results of the analysis of existing leases and the impact IFRS 16 will have on its financial statements.

D. International Financial Reporting Standards (IFRS)

The Institute of Chartered Accountants of Bangladesh has adopted IFRS effective from annual periods beginning on or after 1 January 2018. IFRS replaced all Bangladesh Financial Reporting Standards. Adoption of IFRS does not have major impact on the Company's financial statements.

5 Property, plant and equipment

A. Reconciliation of carrying amount

Figures in Taka'000	Freehold land	Building	Plant & machinery	Vehicles	Office equipment	Furniture & fixtures	Construction in progress	Total
Cost								
At January 1, 2018	558,585	731,602	15,163,532	222,823	378,831	68,702	558,519	17,682,594
Acquisition of HBL (Note- 7)	850,000	1,632,658	2,964,704	13,301	31,323	-	99,073	5,591,059
Additions	-	10,459	288,271	37,800	37,931	14	359,003	733,478
Disposals	-	(18,654)	(274,365)	(7,710)	(5,293)	(19,772)	-	(325,794)
Transfers	-	34,592	582,701	-	-	-	(617,293)	-
Translation adjustments	(1,877)	(8,401)	(130,884)	(3,038)	(2,397)	(567)	(8,226)	(155,390)
At December 31, 2018	1,406,708	2,382,256	18,593,959	263,176	440,395	48,377	391,076	23,525,947
Accumulated depreciation								
At January 1, 2018	-	184,795	5,487,479	183,499	267,605	59,469	-	6,182,847
Disposals	-	(3,805)	(115,235)	(6,257)	(5,284)	(19,568)	-	(150,149)
Charge for the year	-	107,929	706,685	21,075	35,870	7,677	-	879,236
Translation adjustments	-	(1,709)	(44,074)	(2,756)	(2,166)	(379)	-	(51,084)
At December 31, 2018	-	287,210	6,034,855	195,561	296,025	47,199	-	6,860,850

Carrying amount

At December 31, 2018	1,406,708	2,095,046	12,559,104	67,615	144,370	1,178	391,076	16,665,097
At December 31, 2017	558,585	546,807	9,676,053	39,324	111,226	9,233	558,519	11,499,747

5.1 Depreciation charge for the year allocated to

Production and maintenance overhead (Note 24.2)
 Depot operating and transportation costs (Note 24.4)
 General and administrative expenses (Note 25)
 Sales and marketing (Note 26)

	2018	2017
	Taka'000	Taka'000
Production and maintenance overhead	832,935	552,658
Depot operating and transportation costs	8,192	1,870
General and administrative expenses	31,793	32,216
Sales and marketing	6,316	598
	879,236	587,342

B. Details of disposal of property plant and equipment

<i>Figures in Taka'000- Disposal details</i>		Building	Plant & machinery	Vehicles	Office equipment	Furniture & fixtures	Total
Cost		18,654	274,365	7,710	5,293	19,772	325,794
Accumulated depreciation		(3,805)	(115,235)	(6,257)	(5,284)	(19,568)	(150,149)
Carrying amount at December 31, 2018		14,849	159,130	1,453	9	204	175,645
Sale proceeds		300	4,441	3,899	1,391	468	10,499
Mode of disposal			Company policy	Company policy/tender	Company policy	Company policy	
Particulars of purchaser/type of disposal			Third party & Written off	Third party & employees	Third party & Written off	Third party	

6 Goodwill and intangible assets

<i>Figures in Taka'000</i>		Goodwill	Leasehold land	Quarry land	Software	Construction in progress	Total excluding goodwill	Total including goodwill
Cost								
At January 1, 2018		-	17,963	1,129,696	46,253	130,086	1,323,998	1,323,998
Acquisition of HBL (Note- 7)		317,776	1,804,379	-	-	-	1,804,379	2,122,155
Additions		-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-
Transfers		-	-	-	117,409	(117,409)	-	-
Translation adjustments		(1,272)	(1,272)	(79,988)	(341)	-	(81,601)	(81,601)
At December 31, 2018		317,776	1,821,070	1,049,708	163,321	12,677	3,046,776	3,364,552
Accumulated depreciation								
At January 1, 2018		-	9,092	311,388	28,911	-	349,391	349,391
Disposals		-	-	-	-	-	-	-
Charge for the year		-	13,129	43,494	50,543	-	107,166	107,166
Translation adjustments		-	(644)	(22,795)	(336)	-	(23,775)	(23,775)
At December 31, 2018		-	21,577	332,087	79,118	-	432,782	432,782
Carrying amount								
At December 31, 2018		317,776	1,799,493	717,621	84,203	12,677	2,613,994	2,931,770
At December 31, 2017		-	8,871	818,308	17,342	130,086	974,607	974,607

	2018	2017
Amortisation charge for the year allocated to	Taka'000	Taka'000
Production and maintenance costs (Note 24.2)	65,827	68,158
General and administrative expenses (Note 25)	41,339	4,982
	107,166	73,140

7 Acquisition of Holcim Cement (Bangladesh) Limited

Pursuant to the global merger between Lafarge and Holcim, LafargeHolcim Bangladesh Limited ("Lafarge") acquired 100% shares of Holcim Cement (Bangladesh) Limited ("Holcim") for consideration of Tk5,047 million. The transfer of shares of Holcim in the name of the Lafarge was completed on 7 January 2018. Accordingly, Holcim became a 100% owned subsidiary of Lafarge.

For the year ended 31 December 2018, Holcim contributed revenue of Tk6,595 million and profit before tax of Tk31 million to the consolidated results.

A. Effective date

The business combination was accounted for as of 7 January 2018, being the effective date of the acquisition since Lafarge controlled Holcim from that date by owning 100% of the share capital and voting rights.

B. Acquisition method

For accounting purposes, Lafarge has been determined as the acquirer. The acquisition method has been applied. The identifiable assets and liabilities of Holcim have been fair valued at the effective date of the acquisition. The excess of the consideration transferred over the fair value of the Holcim's identifiable net assets is recorded as goodwill.

C. Acquisition-related cost

Acquisition-related costs of Tk76 million (2017: Tk9 million) were incurred for the current year. These have been recognised in general and administration expenses. Acquisition-related costs have been incurred for registering equity instruments, consulting, surveys and studies etc.

The recognised amounts of identifiable assets acquired and liabilities assumed as part of the acquisition are as follows:

	Fair Value Taka'000
Assets	
Non-current assets	
Property, plant and equipment	7,395,438
	7,395,438
Current assets	
Inventories	984,292
Trade receivables	812,824
Other assets	138,514
Advance income tax	453,975
Cash and cash equivalents	159,984
	2,549,589
Total assets (A)	9,945,027
Non-current liabilities	
Deferred tax liability	965,447
Employee benefits	85,504
	1,050,951
Current liabilities	
Trade payables	2,027,464
Other current liability	43,015
Current portion of long-term borrowings	75,000
Short-term borrowings	2,018,553
	4,164,032
Total liabilities (B)	5,214,983
Total identifiable net assets acquired (A-B)	4,730,044
Consideration transferred for the acquisition (A)	5,047,820
Non controlling interest (B)	-
Net assets at acquisition (C)	4,730,044
Goodwill (A+B-C)	317,776

Trade receivables comprise gross contractual amounts due of Tk911 million, of which Tk190 million was expected to be uncollectible as at 1 January 2018.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

	2018 Taka'000	2017 Taka'000
8 Inventories		
Raw materials	582,972	254,295
Semi-finished and finished products	735,729	210,679
Parts and supplies	1,059,369	879,928
	<u>2,378,070</u>	<u>1,344,902</u>
9 Trade receivables		
Trade receivables	1,331,888	1,546,505
Valuation allowance	(166,231)	(15,202)
Advance payment to trade suppliers	722,181	407,383
	<u>1,887,838</u>	<u>1,938,686</u>

See Note 33B(i) for disclosures regarding credit risk, impairment loss on trade receivables from contracts with customers and ageing analysis of trade receivables.

10 Other assets		
Prepaid expenses	86,339	78,700
VAT current account	319,175	290,901
Advance to employees	13,795	24,859
Security and other deposits	235,123	167,582
Other receivables	8,736	31,546
Advance payment to suppliers of fixed assets	39,482	-
Accrued interest on bank deposits	6,013	7,431
	<u>708,663</u>	<u>601,019</u>
Current portion	566,487	448,009
Non-current portion	142,176	153,010

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.

11 Advance income tax- net of tax provision		
Advance income tax-deducted at source	6,413,267	3,186,666
Current tax liabilities (Note 11.1)	(4,558,691)	(1,642,801)
	<u>1,854,576</u>	<u>1,543,865</u>
11.1 Current tax liabilities		
Balance at 1 January	1,642,801	1,051,004
Acquisition of HBL	2,128,537	-
Provision for the year	823,324	620,666
Translation adjustment	(35,971)	(28,869)
Balance at 31 December	<u>4,558,691</u>	<u>1,642,801</u>
12 Cash and cash equivalents		
Cash in hand	2,295	2,322
Cash at banks	443,899	2,124,863
Short-term deposits	-	1,505,470
Cash and cash equivalents in statement of financial position	<u>446,194</u>	<u>3,632,655</u>
Bank overdrafts*	(199,305)	(596)
Cash and cash equivalents for the purpose of the statement of cash flows	<u>246,889</u>	<u>3,632,059</u>

* Bank overdrafts are repayable on demand and form an integral part of cash management. Bank overdrafts are included in short-term borrowings.

13 Share capital		
13.1 Authorised capital		
1,400,000,000 ordinary shares of Taka 10 each	<u>14,000,000</u>	<u>14,000,000</u>

In the year 2011, authorised capital was increased from Tk7,000,000,000 to Tk14,000,000,000. Further 58,068,675 ordinary shares of Tk100 per share were issued as right shares at par amounting to Tk5,806,867,500 offered on the basis of 1:1, for which approval of Bangladesh Securities and Exchange Commission (BSEC) was obtained on 8 September 2011. Moreover, face value of each ordinary share has been denominated from Tk100 to Tk10 at 4 December 2011.

	2018 Taka'000	2017 Taka'000
13.2 Issued and subscribed capital		
1,161,373,500 ordinary shares of Tk10 each	<u>11,613,735</u>	<u>11,613,735</u>
13.3 Paid up capital		
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>

13.4 Composition of shareholders at 31 December

Name of the shareholders	Nationality/ Incorporated in	Number of shares		Holding %	
		2018	2017	2018	2017
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>

13.5 Classification of shares by holding at 31 December

Slabs by number of shares	Number of shareholders		Holding %	
	2018	2017	2018	2017
Less than 500 Shares	9,003	9,167	0.20	0.20
501 to 5,000 Shares	14,125	14,075	2.43	2.44
5,001 to 10,000 Shares	2,627	2,550	1.69	1.65
10,001 to 20,000 Shares	1,624	1,564	2.06	1.97
20,001 to 30,000 Shares	546	560	1.17	1.21
30,001 to 40,000 Shares	284	301	0.87	0.91
40,001 to 50,000 Shares	210	221	0.83	0.88
50,001 to 100,000 Shares	360	375	2.25	2.36
100,001 to 1,000,000 Shares	339	389	7.92	9.15
Over 1,000,000 Shares	43	43	80.58	79.23
	<u>29,161</u>	<u>29,245</u>	<u>100.00</u>	<u>100.00</u>

13.6 Other components of equity

Cash flow hedge *	3,354	14,042
Actuarial loss-net of tax	(120,284)	(60,779)
	<u>(116,930)</u>	<u>(46,737)</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.

13.7 Dividends

The final dividend amounts to Tk1.16 billion which is Tk1.00 per share of Tk10 each for the year 2018 was 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 for the year ended 31 December 2018.

14 Non-controlling interests

Retained earnings	(575)	(552)
Share capital	171	184
Share money deposits	338	364
	<u>(66)</u>	<u>(4)</u>

15 Borrowings

A. Borrowings- long term

Non-current portion -unsecured	984,478	-
	<u>984,478</u>	<u>-</u>

The loans were availed from two commercial banks for the acquisition of Holcim Cement (Bangladesh) Limited. The loans are denominated in Bangladesh Taka with face value of Tk1.2 billion and Tk1.2 billion respectively. Interest rates for both loans are based upon T-Bill rates plus 3.5% margin. The loans are repayable on 2021.

	2018 Taka'000	2017 Taka'000
B. Borrowings- short term		
Current portion of long term- unsecured	800,000	-
Bank overdraft facilities (Note- 15B(i))	199,305	596
Short term credit facilities (Note-15B(ii))	968,133	558,243
Derivative liabilities*	25,208	-
	<u>1,992,646</u>	<u>558,839</u>

i) Used bank overdrafts facilities

Bank overdrafts in Bangladesh Taka	199,305	-
Bank overdrafts in foreign currency	-	596
	<u>199,305</u>	<u>596</u>

ii) Used short term credit facilities

Short term credit facilities in Bangladesh Taka	750,000	-
Short term credit facilities in foreign currency	218,133	558,243
	<u>968,133</u>	<u>558,243</u>

*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 Deferred tax liability

Deferred tax by type of temporary differences that resulted in deferred tax assets and liability.

Property, plant and equipment	3,294,328	2,257,340
Deferred tax liability	<u>3,294,328</u>	<u>2,257,340</u>
Provision for gratuity	86,129	25,011
Provision for doubtful debts	56,080	3,801
Business loss carry forward	26,741	-
Provision for obsolescence of spare parts	20,698	-
Deferred tax assets	<u>189,648</u>	<u>28,812</u>
Net deferred tax liability	<u>3,104,680</u>	<u>2,228,528</u>

16.1 Change in deferred tax assets and liability

Balance at 1 January- deferred tax liability	2,228,528	2,276,021
Acquisition of HBL	965,447	-
Deferred tax income for the year	(55,240)	(70,135)
Other components of equity	(22,354)	6,318
Translation adjustments	(11,701)	16,324
Balance at 31 December- deferred tax liability	<u>3,104,680</u>	<u>2,228,528</u>

17 Employee benefits

Funded plan (Note 17.1)	95,558	14,714
Unfunded plan (Note 17.1)	110,065	15,189
	<u>205,623</u>	<u>29,903</u>

17.1 Funded Plan

A. Net position of gratuity plan

Present value of defined benefit obligation	315,812	264,157
Fair value of plan assets	(220,254)	(249,443)
Net funded status	<u>95,558</u>	<u>14,714</u>

B. Actuarial valuation

The actuarial valuations of the plan and the present value of the defined benefit obligation were carried out at 31 December 2018 by a professional actuary using Projected Unit Credit Method.

	2018 %	2017 %
C. Assumptions employed for the valuations are as follows:		
Salary increase rate	8.00	8.00
Discount rate	7.25	8.00

	2018 <u>Taka'000</u>	2017 <u>Taka'000</u>
D. Movement in the present value of the defined benefit obligation are as follows:		
Balance at 1 January	264,157	269,679
Current service cost	36,496	36,758
Interest cost	20,297	20,297
Actuarial loss/(gain)	43,802	(23,657)
Benefits paid during the year	(48,940)	(38,920)
Balance at 31 December	<u>315,812</u>	<u>264,157</u>

E. Movement in the fair value of the plan assets are as follows:

Balance at 1 January	249,443	218,314
Contributions from employer	-	51,365
Expected return on plan assets	19,955	18,684
Actuarial loss	(204)	-
Benefits paid during the year	(48,940)	(38,920)
Balance at 31 December	<u>220,254</u>	<u>249,443</u>

17.2 Unfunded Plan

A. Actuarial valuation

The actuarial valuations of the plan and the present value of the defined benefit obligation were carried out at 31 December 2018 by a professional actuary using Projected Unit Credit Method.

	2018 %	2017 %
B. Assumptions employed for the valuations are as follows:		
Salary increase rate	8.00	8.00
Discount rate	7.82	7.82

C. Movement in the present value of the defined benefit obligation are as follows:

Balance at 1 January	15,189	13,099
Acquisition of HBL	85,504	-
Adjustment with valuation report	97	-
Current service cost	13,970	1,736
Interest cost	7,283	996
Actuarial loss/(gain)	15,539	(1,166)
Benefits paid during the year	(26,383)	(1,026)
Translation adjustment	(1,134)	1,550
Balance at 31 December	<u>110,065</u>	<u>15,189</u>

18 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.

19 Provisions

Site restoration provisions

Balance at 1 January	36,992	30,187
Addition for the year	3,108	3,141
Translation adjustment	(2,672)	3,664
Balance at 31 December	<u>37,428</u>	<u>36,992</u>

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).

20 Trade payables

Payable for goods and services	3,280,480	2,168,329
General assistance fee	289,919	294,990
Trademark license fee	289,919	294,990
Contract liabilities	456,095	141,458
	<u>4,316,413</u>	<u>2,899,767</u>

	2018 Taka'000	2017 Taka'000
21 Other current liabilities		
Payables to suppliers of fixed assets	146,544	176,918
Income tax and VAT deducted at source	154,604	140,338
Others	283,964	157,828
Accrued interest payable	31,922	-
Dividend payable	51,608	47,841
	668,642	522,925

22 Commitments and Contingencies

22.1 Commitments

Commitments related to operating activities

Purchase commitments	2,756,448	1,323,730
Capital expenditure commitments	158,814	167,747
Operating leases	220,350	106,060
Guarantees given	481,978	460,112
	3,617,590	2,057,649

22.2 Contingent Liabilities

LafargeHolcim Bangladesh Limited

Tax related cases with the Hon'ble High Court	247,515	247,515
VAT related cases with the Hon'ble High Court	109,225	109,225
	356,740	356,740

Holcim Cement (Bangladesh) Limited

Tax related cases with the tax authorities and Hon'ble High Court	1,621,668	1,977,126
VAT related cases with the VAT authorities and Hon'ble High Court	181,500	181,500
Custom related case with the Hon'ble High Court	5,000	5,000
	1,808,168	2,163,626

22.3 Claims

a. Claims against the Company not acknowledged as debt	Nil	Nil
b. Claims by the Company not acknowledged as receivable	Nil	Nil

22.4 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 applied to High Court to set aside of the arbitration award. On August 16, 2018, the High Court rejected their application. Accordingly, the award of arbitration remains in full effect. Jalalabad Gas may file appeal in the Appellate Division against the above judgment of the High Court within sixty (60) days of receiving the certified copy of the judgment of the High Court.

22.5 Lafarge Umiam Mining Private Limited

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 28.02.2017 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 Tk264.86 million. The Contractor made counter-claim of Tk733.25 million. By order dated 11.09.2017, the ICC appointed Arbitration Tribunal rejected the counterclaim of the Contractor on procedural ground. On 11.12.2017, 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 11.09.2017 (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 11.09.2017 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.

	2018 Taka'000	2017 Taka'000
23 Revenue		
Sale of gray cement*	16,272,300	7,748,241
Sale of cement clinker	359,229	2,944,913
Other sales (Limestone and slag sales to Holcim Cement (Bangladesh) Limited)	-	125,977
	<u>16,631,529</u>	<u>10,819,131</u>
Products transferred at a point in time	16,631,529	10,819,131
Services transferred over time	-	-
	<u>16,631,529</u>	<u>10,819,131</u>
*Sale of gray cement		
Local sales	16,122,396	7,741,722
Export in Export Processing Zones and India	149,904	6,519
	<u>16,272,300</u>	<u>7,748,241</u>
24 Cost of Sales		
Opening finished goods and work in process (Note- 8)	210,679	104,117
Raw materials costs (Note- 24.1)	4,188,580	2,349,213
Purchased clinker*	2,731,817	-
Toll manufacturing costs**	-	1,005,749
Power and fuel costs	1,892,925	1,366,175
Production and maintenance costs (Note- 24.2)	2,185,175	1,678,715
Plant general and administrative costs (Note- 24.3)	429,579	450,530
Freight cost to customers	650,342	650,260
Depot operating and transportation costs (Note- 24.4)	975,107	823,035
Site restoration costs	3,108	3,141
Closing finished goods and work in process (Note- 8)	(735,729)	(210,679)
	<u>12,531,583</u>	<u>8,220,256</u>

* Clinker imported for HBL production.

**In the last year, the Company purchased cement from Holcim Cement (Bangladesh) Limited (HBL) under toll manufacturing agreement as a third party purchase. During the year, LafargeHolcim Bangladesh Limited (LHBL) purchased cement from HBL a wholly owned subsidiary of LHBL, which is reported in the separate financial statements. As HBL has become a subsidiary of LHBL since January, 2018, this inter-company purchase is eliminated in the consolidated financial statement for the year 2018.

24.1 Raw materials costs

Fly ash	456,040	-
Slag	517,674	192,952
Gypsum	503,303	201,533
Iron ore	22,342	78,348
Sand	22,428	32,261
Clay	91,229	73,653
Limestone	1,691,739	1,397,174
Packing materials	836,328	363,976
Others	47,497	9,316
	<u>4,188,580</u>	<u>2,349,213</u>

24.2 Production and maintenance costs

Salary, allowances and benefits	403,562	280,709
Contributions to employees' benefit schemes	26,562	20,820
Maintenance	198,027	145,359
Other supplies and spares	344,328	264,937
Material handling	60,959	67,848
Other expenses	249,620	156,569
Technical studies	3,355	649
Impairment of construction in progress*	-	121,008
Depreciation	832,935	552,658
Amortisation of intangible assets	65,827	68,158
	<u>2,185,175</u>	<u>1,678,715</u>

*In the year 2007, the management took a project for establishing another clinker production line which is called "2nd line clinker production project". In the year 2017, the management decided to discontinue the project after duly studying the current business environment. Hence, all project costs incurred in the project period, charged in profit and loss.

	2018 <u>Taka'000</u>	2017 <u>Taka'000</u>
24.3 Plant general and administrative costs		
Salary, allowances and benefits	115,787	117,410
Contributions to employees' benefit schemes	6,762	5,022
Staff welfare expenses	36,554	42,965
Training, seminars and meetings	1,409	1,720
Travelling	12,515	13,689
Rent	8,135	6,961
Gas, electricity and water	1,765	2,282
Telephone, fax and postage	2,358	2,524
Office maintenance	55,588	58,272
Security services	85,404	77,489
Printing and stationery	1,622	976
Other supplies and spares	1,790	16,715
Other office expenses	26,039	24,446
Legal expenses	2,695	4,700
Consultancy	12,620	11,086
Vehicles running expenses	7,962	11,419
Corporate social activities	26,232	27,410
Insurance	24,342	25,444
	<u>429,579</u>	<u>450,530</u>
24.4 Depot operating and transportation costs		
Salary, allowances and benefits	131,600	106,754
Contributions to employees' benefit schemes	12,878	9,192
Staff welfare expenses	3,573	2,956
Training, seminars and meeting	835	1,062
Depreciation	8,192	1,870
Depot other operating costs	204,665	155,403
Transportation costs	613,364	545,798
	<u>975,107</u>	<u>823,035</u>
25 General and administrative expenses		
Salary, allowances and benefits	274,204	241,582
Contributions to employees' benefit schemes	21,135	18,603
Staff welfare expenses	4,077	3,892
Training, seminars and meeting	15,559	18,034
Travelling	7,656	12,327
Rent	74,348	46,794
Gas, electricity and water	1,528	3,551
Telephone, fax and postage	6,964	4,748
Entertainment	6,322	8,496
Office maintenance	3,666	10,893
Office security services	784	2,287
Printing and stationery	3,180	2,030
IT maintenance expenses	181,414	98,561
Other office expenses	52,872	14,388
Registration and other fees	5,324	3,710
Audit and tax advisory fees	9,300	3,757
Legal expenses	8,945	668
Vehicles running expenses	15,631	18,672
Publicity and public relation	9,225	15,092
General assistance fee*	229,801	91,631
Trademark license fee**	137,466	91,631
Consulting, survey and studies	79,462	290,914
Depreciation	31,793	32,216
Amortisation of intangible assets	41,339	4,982
Contribution to Workers' Profit Participation and Welfare Fund	67,390	39,155
	<u>1,289,385</u>	<u>1,078,614</u>

*General assistance fee includes royalty fee Tk132 million. General assistance fee 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) and royalty fee is payable to Holcim Technology Ltd. (2% of third party sales in accordance with the Royalty agreement dated 15 October 2014 which is effective from 1 January 2013).

**Trademark license fee includes administrative support fee Tk40 million. Trademark license fee 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). Administrative support fee is payable to Holcim Group Service Ltd. for the administrative support rendered by virtue of Administrative Support Agreement. The agreement is effective from 1 January 2017.

	2018 Taka'000	2017 Taka'000
26 Sales and marketing expenses		
Salary, allowances and benefits	218,240	121,325
Contributions to employees' benefit schemes	14,913	12,181
Staff welfare expenses	911	1,459
Training, seminars and meeting	701	129
Travelling	27,670	9,255
Rent	2,759	-
Gas, electricity and water	262	139
Telephone, fax and postage	5,654	1,217
Entertainment	2,352	1,766
Office maintenance	6,248	6,196
Printing and stationery	133	105
Other office expenses	35,290	2,151
Registration and other fees	6,519	2,087
Vehicles running expenses	17,244	23,016
Advertisement and promotion	151,411	78,384
Provision for trade receivables	8,803	3,248
General survey and studies	6,143	371
Depreciation	6,316	598
	511,569	263,627
27 Other operating income and expenses		
A. Other operating income		
Sale of miscellaneous scrap items	15,707	7,667
Provision written back for trade receivables	48,014	-
Others	112,918	8,657
	176,639	16,324
B. Other operating expenses		
Loss on sale of property, plant and equipment	(165,146)	(2,363)
	(165,146)	(2,363)
28 Finance costs and income		
Interest on short & long term borrowings	321,294	22,487
Other finance costs	8,179	3,918
Bank charges and commission	18,451	15,024
Exchange loss	87,062	-
Finance costs	434,986	41,429
Interest income on bank deposits	7,237	111,740
Exchange gain	-	14,916
Finance income	7,237	126,656
Net finance (cost)/income	(427,749)	85,227
29 Income tax		
Current income tax expenses	676,793	620,666
Current income tax expenses for prior years	146,531	-
Deferred income tax	(55,240)	(70,135)
	768,084	550,531
29.1 Reconciliation of effective tax rate (%)		
Average statutory tax rate	31.54	32.03
Dividend income from subsidiary company	-	(8.43)
Prior years adjustment	6.28	-
Permanent differences	4.91	18.42
Effect of foreign tax differentials	(1.93)	(1.42)
Effective tax rate	40.80	40.60

30 Earnings per share

The computation of basic earnings per share for the years ended 31 December 2018 and 31 December 2017 are as follows:

Numerator		<i>(Thousands of Taka)</i>	
Income for the year- attributable to owners of the company		1,114,675	805,328
Denominator		<i>(Thousands of Shares)</i>	
Weighted average number of shares outstanding		1,161,374	1,161,374
Basic earnings per share	<i>Taka</i>	0.96	0.69
Diluted earnings per share	<i>Taka</i>	0.96	0.69

31 Related party transactions

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

Name of the Party and relationship	Nature of transaction	Transaction value during	Receivable/ (Payable)
		the year Taka'000	as at 31 December 2018 Taka'000
Surma Holdings B.V.-Group Company	Dividend payment	333,213	-
Holcim Asean Business	Intercompany services/Technical assistance	91,516	(243,124)
Lafarge Asia SDN BHD-Group	Intercompany services/Technical assistance	-	(71,251)
Lafarge S.A.-Group Company	Technical assistance/Trademark license	113,557	(373,716)
Cementos Molins-Group Company	Trademark license/Travel expenses	82,230	(254,998)
LH Trading Ltd- Group Company	Intercompany services	-	16,276
LH Trading Pte Ltd- Group Company	Intercompany purchase	3,098,647	(52,890)
PT Lafarge Cement Indonesia Group Company	Intercompany services	-	664
Holcim Group Services Ltd. Group Company	Intercompany services	50,079	(108,440)
Lafarge International Services Group Company	Intercompany services	1,290	(1,297)
Holcim Phillipines,Inc- Group Company	Intercompany services	-	(82)
Holcim Services (South Asia) India Group Company	Intercompany services	6,677	(23,492)
Lafarge Industries South Africa (PTY) Ltd. Group Company	Intercompany services	3,812	4,719
Holcim Technology Ltd. Group Company	Intercompany services	104,859	(497,554)
ACC Ltd.- Group Company	Intercompany services	-	(146)
Holcim Technology Holderbank Group Company	Intercompany services	83,411	(5,810)
Eastern Housing Ltd. Shareholder's associated entity	Cement sales	10,667	1,005
Aftab Group Shareholder's associated entity	Cement sales	878	103
Bengal Development Corporation- Shareholder's associated entity	Cement sales	20,239	3,061
Jahurul Islam Medical College- Shareholder's associated entity	Cement sales	-	3
Opex Group- Shareholder's associated entity	Cement sales	3,793	418
Shikharaa Developments Ltd.- Shareholder's associated entity	Cement sales	713	(13)
Sinha Peoples Energy Ltd.- Shareholder's associated entity	Cement sales	1,105	234
Delta Life Insurance Company Limited Shareholder's associated entity	Insurance service	2,094	(1,009)

32 Directors', managers' and officers' remuneration

Salary, allowances and benefits	412,919	346,999
Contributions to employees' benefit scheme	35,137	28,444
Reimbursable expenses	25,406	13,235
	473,462	388,678

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

33 Financial instruments

The effect of initially applying IFRS 9 on the Company's financial instruments is described in Note 3.10 and 4B.

A. Accounting classifications

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measure at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2018

In thousands of Taka	Fair value - Hedging instruments	Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value							
Forward exchange contracts used for hedging	16,022	-	-	16,022	-	16,022	-
Financial assets not measured at fair value	16,022			16,022		16,022	
Trade and other assets	-	2,504,149	-	2,504,149	-	-	-
Cash and cash equivalents	-	446,194	-	446,194	-	-	-
		2,950,343		2,950,343			
Financial liabilities measured at fair value							
Forward exchange contracts used for hedging	25,208	-	-	25,208	-	25,208	-
	25,208			25,208		25,208	
Financial liabilities not measured at fair value							
Borrowings	-	-	2,951,916	2,951,916	-	-	-
Trade payables	-	-	4,316,413	4,316,413	-	-	-
Other current liabilities*	-	-	636,720	636,720	-	-	-
			7,905,049	7,905,049			
31 December 2017							
Financial assets measured at fair value							
Forward exchange contracts used for hedging	15,176	-	-	15,176	-	15,176	-
	15,176			15,176		15,176	
Financial assets not measured at fair value							
Trade and other assets	-	2,453,574	-	2,453,574	-	-	-
Cash and cash equivalents	-	3,632,655	-	3,632,655	-	-	-
		6,086,229		6,086,229			
Financial liabilities measured at fair value							
Forward exchange contracts used for hedging	-	-	-	-	-	-	-
Financial liabilities not measured at fair value							
Borrowings	-	-	558,839	558,839	-	-	-
Trade payables	-	-	2,899,767	2,899,767	-	-	-
Other current liabilities*	-	-	522,925	522,925	-	-	-
			3,981,531	3,981,531			

* Other payables that are not financial liabilities are not included.

B. Financial risk management

i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other current assets.

The carrying amounts of financial assets represents the maximum credit exposure.

Impairment losses on financial assets recognised in profit or loss were as follows.

<i>Figures in Taka'000</i>	2018	2017
Impairment loss on trade receivables from contracts with customers	(166,231)	(15,202)
	(166,231)	(15,202)

Trade receivables and other current assets

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which the customers operate.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness. The Company's review includes financial statements, industry information. Credit limits are established for each customer and reviewed on a regular basis. Any sales exceeding those limits require approval from the credit committee.

The Company's limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for distributions and corporate customers respectively. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a distributors, corporate customer, industry, trading history with the Company and existence of previous financial difficulties. The Company obtains bank guarantee and security cheques from all trade customers. A large part of non trade customers are also covered by bank guarantee and security cheques.

An analysis of the credit quality of trade receivables is as follows.

<i>Figures in Taka'000</i>	2018	2017
Neither past due	549,441	1,071,414
Past due		
Past due 1-30 days	358,211	275,111
Past due 31-90 days	101,446	129,502
Past due 91-120 days	102,524	55,276
Over 180 days	220,266	15,202
	1,331,888	1,546,505

For trade receivables the Company determined impairment losses on trade receivables by using a provision policy, estimated based on historical credit loss based on past due status of the debtors. The Company also considered whether the receivables were secured by bank guarantee or security cheques or both in determining the amount of impairment loss.

The change in the impairment loss on trade receivables is as follows:

<i>Figures in Taka'000</i>	2018	2017
Balance at 1 January	(15,202)	(11,954)
Acquisition of HBL	(190,240)	-
Provision written back	48,014	-
Current year addition	(8,803)	(3,248)
	(166,231)	(15,202)

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

Trade receivables (Note 9)	1,331,888	1,546,505
Other assets	616,311	514,888
	1,948,199	2,061,393

Cash and cash equivalents

The Company held cash and cash equivalents of Tk446 million at 31 December 2018 (2017: Tk3,632 million). The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

31 December 2018	Carrying amount	6 months or less	From 6 to 12 months	From 1 to 5 years
In thousand taka	Taka'000	Taka'000	Taka'000	Taka'000
Non-derivative financial liabilities				
Trade payables	4,316,413	2,886,663	1,429,750	-
Other current liabilities	668,642	520,544	148,098	-
Borrowings	2,951,916	1,567,438	400,000	984,478
	7,936,971	4,974,645	1,977,848	984,478
Derivative financial liabilities				
Forward exchange contracts used for hedging	25,208	25,208	-	-
	25,208	25,208	-	-
31 December 2017				
Trade payables	2,899,767	2,169,062	730,705	-
Other current liabilities	522,925	381,555	141,370	-
Borrowings	558,839	558,839	-	-
	3,981,531	3,109,456	872,075	-
Derivative financial liabilities				
Forward exchange contracts used for hedging	-	-	-	-
	-	-	-	-

iii) Market risk

Market risk is the risk that changes in market prices- e.g. foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Company in line with the requirements of IFRS 9.

a) Currency risk

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which purchases and borrowings are denominated. The currencies in which these transactions are primarily denominated are euro, US dollars, Swiss franc and Indian rupee.

Exposure to currency risk:

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows.

Balance at 31 December 2018	BDT'000	INR'000	USD'000	EUR'000	CHF'000
Foreign currency denominated assets					
Other assets	1,120,573	917,732	207	-	-
Cash and cash equivalents	180,640	138,107	172	2	-
Total	1,301,213	1,055,839	379	2	-
Foreign currency denominated liabilities					
Trade payables	1,069,744	457,707	5,311	248	-
Other current liabilities	393,234	35,402	3,142	899	17
Total	1,462,978	493,109	8,453	1,147	17

Balance at 31 December 2017	BDT'000	INR'000	USD'000	EUR'000	CHF'000
Foreign currency denominated assets					
Other assets	1,295,760	988,360	207	-	-
Cash and cash equivalents	317,831	245,092	2	6	-
Total	1,613,591	1,233,452	209	6	-
Foreign currency denominated liabilities					
Trade payables	897,149	518,253	2,470	228	-
Other current liabilities	700,895	36,537	7,629	231	-
Total	1,598,044	554,790	10,099	459	-

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	31 December 2018		31 December 2017	
	Closing rate	Average rate	Closing rate	Average rate
BDT/INR	1.2021	1.2229	1.2937	1.2358
BDT/USD	83.9000	83.4686	82.7000	80.4475
BDT/EUR	95.2517	98.5670	98.3138	90.9579
BDT/CHF	84.6167	85.8055	-	-
BDT/GBP	105.9993	111.4302	110.7932	103.6984

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	2018	2017
	Estimated impact on profit/loss and equity (+/-) Taka'000	Estimated impact on profit/loss and equity (+/-) Taka'000
Assets denominated in USD	159	87
Assets denominated in INR	6,346	7,979
Liabilities denominated in USD	3,546	4,176
Liabilities denominated in EUR	546	226
Liabilities denominated in CHF	7	-
Liabilities denominated in INR	2,964	3,589

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 2018 profit before tax of +/- Tk104 (Tk16,199 for 2017) in thousands and Tk29,771 (Tk5,588 for 2017) in thousands respectively.

	2018 Taka'000	2017 Taka'000
Interest bearing financial instruments of the Company at reporting date are as follows:		
Financial assets		
Term deposits	10,422	1,619,896
	<u>10,422</u>	<u>1,619,896</u>
Financial liabilities		
Borrowings	2,977,124	558,839
	<u>2,977,124</u>	<u>558,839</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.

34 Number of Employees	2018	2017
A. LafargeHolcim Bangladesh Limited		
<i>Nationality:</i>		
Bangladeshi	341	386
Non-Bangladeshi	6	8
B. Holcim Cement (Bangladesh) Limited		
<i>Nationality:</i>		
Bangladeshi	285	-
Non-Bangladeshi	1	-
C. Lafarge Umiam Mining Private Limited		
<i>Nationality:</i>		
Indian	127	127
Non-Indian	1	1
	<u>761</u>	<u>522</u>
Salary range:		
Monthly Taka 3,000 or above	761	522
Monthly below Taka 3,000	Nil	Nil

35 Reconciliation of liabilities from financing activities in foreign currency	Opening balance 2018	Cash flows	Non-cash currency translation	Closing balance 2018
Borrowings-short term	558,839	(303,403)	(37,303)	218,133

36 Amalgamation of Holcim Cement (Bangladesh) Limited

The Board of Directors of LafargeHolcim Bangladesh Limited in its meeting held on 29 November 2018, approved the amalgamation of its subsidiary Holcim Cement (Bangladesh) Limited with its parent company LafargeHolcim Bangladesh Limited. The approval is subject to requisite approval of the banks and other creditors to the subsidiary, approval of the shareholders of LafargeHolcim Bangladesh Limited, and finally, the sanction of the Hon'ble High Court Division of the Supreme Court of Bangladesh. The amalgamation of the Company is currently in process.

	2018 Taka'000	2017 Taka'000
37 Comparative information for the shareholders		
Net Asset Value (NAV) Per Share	13.41	13.15
Earning Per Share (EPS)	0.96	0.69
Net Operating Cash Flow Per Share (NOCFPS)	2.68	1.17
Profit for the year	1,114,652	805,291

	2018 <u>Taka'000</u>	2017 <u>Taka'000</u>
38 Reconciliation of net profit with cash flows from operating activities		
Net profit for the year	1,114,652	805,291
Depreciation and amortisation	986,402	660,482
Other non-cash items	8,803	3,248
Non-operating items	1,195,833	465,304
Changes in net working capital	(192,941)	(579,603)
Cash flows from operating activities	<u>3,112,749</u>	<u>1,354,722</u>


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer

Nurul Faruk Hasan & Co

Chartered Accountants

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