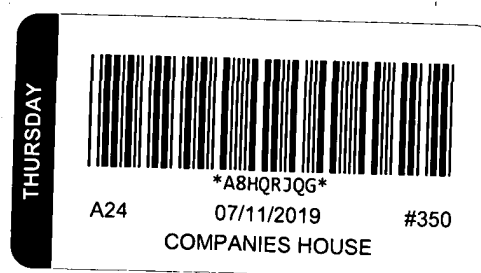


**LAFARGE INTERNATIONAL HOLDINGS
LIMITED**

Annual Report and Financial Statements

For the year ended 31 December 2018



LAFARGE INTERNATIONAL HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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LAFARGE INTERNATIONAL HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Crossley
L Jacques
H B Möller
D Forder
M Unternährer

COMPANY SECRETARY

H B Möller

REGISTERED OFFICE

Park Lodge
London Road
Dorking
Surrey
RH4 1TH
United Kingdom

INDEPENDENT AUDITOR

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

LAFARGE INTERNATIONAL HOLDINGS LIMITED

STRATEGIC REPORT

The directors present the Strategic report for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is a holding company for investment in domestic and overseas subsidiaries and associated companies.

FUTURE DEVELOPMENTS

It is expected that the Company will continue to act as an investment holding company for the foreseeable future.

BUSINESS REVIEW

The Company is a holding company for investment in domestic and overseas subsidiaries either directly or through its wholly owned subsidiaries Lafarge Redland Readymix Limited and Blue Circle International Holdings BV, and will continue to act as such for the foreseeable future. The Company does not actively trade and is an indirect wholly owned subsidiary of LafargeHolcim Limited.

The Company's main source of income is interest on (a) a long-term fixed rate deposit of £293m with a fellow UK group undertaking and (b) short-term loan of £461m (principal plus interest) advanced to another fellow group undertaking and (c) net pension interest earned on pension assets.

The Company's loss after tax for the year is £6,368,000 (2017: loss of £108,621,000) as detailed in the Profit and Loss account on page 10. This amount includes an impairment of £641,000 (2017: £116,395,000) (see note 9).

The Company is also the sponsor of the Lafarge UK Pension Plan and would be required to fund deficit contributions in the event of a Pension fund liability. The Company has recorded a Pension fund asset (gross of deferred tax) of £230,700,000 as at 31 December 2018 (2017: pension fund asset £226,200,000), an increase of £4,500,000 which reflects the actuarial gain over the year mainly driven by an increase in the discount rate, reduction in life expectancy and offset by a reduction in the value of scheme assets. It includes a Guaranteed Minimum Pension (GMP) equalisation cost of £27,000,000, Pension augmentations cost of £698,000 and a Pension Increase Exchange (PIE) offer income of £7,100,000 (see note 14).

KEY PERFORMANCE INDICATORS

Key performance indicators are not considered necessary for an understanding of the development, performance or position of the Company, due to the nature of its operations as a holding company.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's principal risks are as follows:-

Credit Risks

The Company's principal assets are investments in overseas and associated companies. The Company also has receivables that primarily relate towards other group companies. Any impairment arising on these is recognised based on comparisons to fair value or net assets of these undertakings.

Liquidity Risks

The Company's funding requirements are under constant review. All funding is done through Lafarge Minerals Limited or other UK group related companies either on a short term loan basis or through the cash pooling arrangement, and is ultimately funded by LafargeHolcim Limited.

Currency Risks

The Company has minimal currency risk, and where any exposures exist, these are hedged directly with Group.

Brexit Risk

The Company has carefully considered the impact of Brexit on its operations and it has been determined that the main risk surrounds balances in foreign currencies. The company ensures that at all times it holds minimal balances in foreign currency. The Company only purchases foreign currency when it has a firm commitment. All foreign currencies are bought and sold through the ultimate parent.

The Directors of the businesses and Group have reviewed these potential impacts and taken where possible appropriate actions to limit any impact of a no-deal Brexit. The Company is not a trading entity and has no significant operations outside of Europe so to some extent the impact of Brexit on the Group is expected to be limited.

LAFARGE INTERNATIONAL HOLDINGS LIMITED


STRATEGIC REPORT (CONTINUED)

GOING CONCERN

The directors have considered the going concern assumption in preparing these financial statements. The net asset value of the company at the year-end is £1,934,575,000 (2017: £1,924,011,000). The Company operates as part of the LafargeHolcim Limited cash pooling arrangement. Each company participating in the cash pooling arrangement has a memorandum balance, with the true balance at bank being the sum of all of the memorandum balances. While the overall balance at bank in the cash pool is usually maintained as a positive cash balance, there are points in time during which the overall balance may temporarily fall into an overdraft position. The nature of the cash pooling arrangement increases the risk to the Company of withdrawing cash balances in full on demand, in the event of other LafargeHolcim companies having overdraft positions. The directors do not consider that this presents a material risk to the Company regarding the availability of cash balances to continue operations under the normal course of business.

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approved and authorised for issue by the board of Directors and signed on its behalf by:



Howard Möller
Director

5 November 2019

LAFARGE INTERNATIONAL HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

The directors present their annual report and the audited financial statements for the year ended 31 December 2018. The financial risk management policies referred to in the Strategic report under principal risks and uncertainties, the future developments and going concern referred to in the Strategic report also form part of Directors' report by cross-reference.

DIRECTORS

The directors who held office throughout the year and to the date of this report, except where otherwise stated, are as follows:

J Atherton-Ham	(resigned 30 April 2019)
K Boldt	(resigned 31 May 2018)
L Jacques	(appointed 31 May 2018)
S Crossley	
H B Möller	
O Templar-Coates	(resigned 12 January 2018)
D Forder	(appointed 12 January 2018)
M Unternährer	
G Vanlerberghe	(resigned 8 March 2018)

The Articles of Association of the Company contain an indemnity in favour of all of the directors of the Company that, subject to law, indemnifies the directors from the assets of the Company against any liability incurred by them in defending any proceedings in which judgement is given in their favour (or otherwise disposed of without any finding or admission of any material breach of duty on their part).

DIVIDENDS

The directors paid a dividend of £nil for the year ended 31 December 2018 (2017: £422,000). Subsequent to the year end the Company received a dividend of £300,000,000 from its subsidiary Associated International Cement Limited and paid an interim dividend of £300,000,000 to the immediate parent undertaking Lafarge Building Materials Limited (see note 20).

DIRECTORS' INDEMNITY

The Articles of Association of the Company contain a qualifying third party indemnity in favour of all of the directors of the Company that, subject to law, indemnifies the directors from the assets of the Company against any liability incurred by them in defending any proceedings in which judgement is given in their favour (or otherwise disposed of without any finding or admission of any material breach of duty on their part).

The qualifying third party indemnity provisions were for the benefits of its Directors of the Company and the Directors in its subsidiaries and were in place through out the year and remain in force at the date of this report.

AUDITOR

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed. No notice in accordance with section 488 of the Companies Act 2006 (which would operate to prevent the deemed reappointment of the auditor under s487(2) of that Act) has been or is expected to be received and accordingly the necessary conditions are in place for the deemed reappointment of the auditor to take place in absence of an Annual General Meeting.

LAFARGE INTERNATIONAL HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

POST BALANCE SHEET EVENTS

On 10 May 2019, Lafarge Finance Limited sold its 13.5% shareholding in the Company to Lafarge Building Materials Limited (LBM), the immediate parent undertaking for £400,000,000. After this transaction, LBM holds 100% of the shares of the Company (see note 20).

The shares in Associated International Cement Limited (AIC) held by Blue Circle International Holdings BV (BCIHBV) with a book value of GBP 946,396,000 were transferred to the Company as a dividend in specie (see note 20).

On 20 May 2019, the Company did a capital reduction of its ordinary share capital from 1,480,000,000 ordinary shares of £1 each to £1,180,000,000 ordinary shares of £1 each by cancelling and extinguishing 300,000,000 ordinary shares of £300,000,000 and crediting the amount to the profit and loss reserve (see note 16 and 20).

On 20 May 2019, the Company received a dividend of £300,000,000 from AIC and paid an interim dividend of £300,000,000 to Lafarge Building Materials Limited, the immediate parent undertaking (see note 20).

In 2019 a further provision of £10,125,000 has been created in respect to a litigation from divested operations (see note 20).

A second Pension Increase Exchange (PIE) offer was concluded in 2019, which resulted in income of £6,400,000.

Approved and authorised for issue by the board of Directors and signed on its behalf by:



Howard Möller
Director

5 November 2019

LAFARGE INTERNATIONAL HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAFARGE INTERNATIONAL HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lafarge International Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAFARGE INTERNATIONAL HOLDINGS LIMITED (CONTINUED)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAFARGE INTERNATIONAL HOLDINGS LIMITED (CONTINUED)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Lee Highton FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

5 November 2019

LAFARGE INTERNATIONAL HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Administrative expenses		(23,159)	(2,788)
OPERATING LOSS	4	(23,159)	(2,788)
Gains /(loss) on exchange		134	(37)
Impairment on investments	9	(641)	(116,395)
Finance income	5	98,121	100,283
Finance costs	6	(82,105)	(88,210)
Income from shares in group undertakings	8	-	422
LOSS BEFORE TAXATION		(7,650)	(106,725)
Tax credit/(charge) on loss	7	1,282	(1,896)
LOSS FOR THE FINANCIAL YEAR		<u>(6,368)</u>	<u>(108,621)</u>

All activities derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

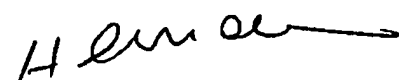
	2018 £000	2017 £000
Loss for the financial year	(6,368)	(108,621)
Actuarial gains on pension scheme	20,400	7,500
Movement on deferred tax asset relating to pension scheme	(3,468)	(1,275)
Other comprehensive income for the year	<u>16,932</u>	<u>6,225</u>
Total comprehensive income /(loss) for the year	<u>10,564</u>	<u>(102,396)</u>

LAFARGE INTERNATIONAL HOLDINGS LIMITED

BALANCE SHEET As at 31 December 2018

	Note	2018 £000	2017 £000
FIXED ASSETS			
Investments	9	967,516	967,516
Retirement benefit asset	14	230,700	226,200
		<u>1,198,216</u>	<u>1,193,716</u>
CURRENT ASSETS			
Debtors: Amounts falling due within one year	10	461,075	751,159
Debtors: Amounts falling due after more than one year	10	293,713	-
Cash at bank and in hand	11	22,557	20,599
		<u>777,345</u>	<u>771,758</u>
CREDITORS: amounts falling due within one year	12	<u>(1,767)</u>	<u>(2,657)</u>
NET CURRENT ASSETS		<u>775,578</u>	<u>769,101</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,973,794</u>	<u>1,962,817</u>
Provision for liabilities	13	<u>(39,219)</u>	<u>(38,806)</u>
NET ASSETS		<u><u>1,934,575</u></u>	<u><u>1,924,011</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	1,680,000	1,680,000
Profit and loss account		254,575	244,011
SHAREHOLDERS' FUNDS		<u><u>1,934,575</u></u>	<u><u>1,924,011</u></u>

The financial statements of Lafarge International Holdings Limited, registered number 00514387, were approved by the board of directors and authorised for issue on 5 November 2019.



Howard Möller
Director

LAFARGE INTERNATIONAL HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY As at 31 December 2018

	Note	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2017		1,680,000	346,829	2,026,829
Loss for the financial year		-	(108,621)	(108,621)
Dividend paid*		-	(422)	(422)
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Actuarial gains on pension scheme	14	-	7,500	7,500
Movement on deferred tax asset relating to pension scheme	14	-	(1,275)	(1,275)
Total comprehensive income		-	6,225	6,225
At 31 December 2017		1,680,000	244,011	1,924,011
Loss for the financial year		-	(6,368)	(6,368)
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Actuarial gains on pension scheme	14	-	20,400	20,400
Movement on deferred tax asset relating to pension scheme	14	-	(3,468)	(3,468)
Total comprehensive income		-	16,932	16,932
At 31 December 2018		1,680,000	254,575	1,934,575

*in 2017 the company paid a dividend of £422,000 (£0.0003 per share) to Lafarge Building Materials Ltd which it had received from Hereford Recycling Ltd (£207,000) and Tunnel Building Products Ltd (£215,000) having declared final dividends in advance of being liquidated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

1. GENERAL INFORMATION

Lafarge International Holdings Limited (the Company) is a private company limited by shares incorporated in United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of LafargeHolcim Limited. The group accounts of LafargeHolcim Limited are available to the public and can be obtained as set out in note 19.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, impairment of assets, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, financial instruments, related party transactions and remuneration of key management personnel.

Where relevant, equivalent disclosures have been given in the group financial statements of LafargeHolcim Limited. The group financial statements of LafargeHolcim Limited are available to the public and can be obtained as set out in note 19.

The financial statements have been prepared on the historical cost basis except for pension assets that are measured at fair value at the end of each reporting period, as explained in accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net recognised value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

There have been no transfers between the different hierarchy levels in 2018 and 2017.

The principal accounting policies adopted are set out below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern

The directors have considered the going concern in preparing these financial statements. The net asset value of the company at the year-end is £1,934,575,000 (2017: £1,924,011,000). The Company operates as part of the LafargeHolcim Limited Group cash pooling arrangement. After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Also refer to the Strategic report on page 2.

Investments

Investments in group companies and participating interests are stated at cost, less amounts provided in respect of any impairment in their value.

At each balance sheet date the directors review the carrying amount of its investments to determine whether there is any indication that the investment suffered an impairment loss. Such indicators include among others; the subsidiary generating losses and doubts over the going concern. If such indication exists, the recoverable amount is estimated to determine the extent of the impairment loss (if any).

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

Retirement benefit costs - Defined Benefit Pension Costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The Company participates in a group defined benefit scheme which is the legal responsibility of the ultimate parent as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the profit and loss account. No contributions were paid during the period.

Defined benefit – the difference between the fair values of the assets held in the company's defined benefit pension schemes and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the company's balance sheet as a pension scheme asset or liability as appropriate.

The amounts charged to the profit and loss account as part of staff costs are the costs arising from employee services rendered in the period. The net interest income on the net defined benefit asset is recorded as other finance income in the profit and loss account. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit asset) are recognised immediately in other comprehensive income.

Pension Fund Risk management

The company and trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the Plan. By investing in assets such as LDI (Liability Driven Investments) investments and a longevity swap, which perform in line with the liabilities of the Plan, the Plan is protected against inflation or life expectancy being higher than expected.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs - Defined Benefit Pension Costs (continued)

Pension Fund Risk management (continued)

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The Plan holds a proportion of growth assets which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Plan's long-term objectives.

Inflation risk

The majority of the Plan's benefit obligations are linked to inflation, and higher inflation leads to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation).

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the Plan's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Plan's bond holdings.

Life expectancy

The majority of the Plan's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the liabilities.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

Dividends

Dividends from subsidiary undertakings, associated undertakings and other investments are included when received, and if declared in respect of their accounting periods ending on or before the Company's year end and are legally binding.

Financial Instruments

IFRS 9, which replaces IAS 39 Financial instruments: Recognition and measurement, was adopted for the period starting January 1, 2018. Comparative figures have not been restated. The accounting policies were changed to comply with IFRS 9 as issued by the IASB in July 2014. Except for the disclosure requirements, the new standard did not materially impact the Company's financial statements.

In 2019 the company will adopt no new or revised standards or interpretations relevant to the Company. The improvements to IFRSs relate largely to clarification issues only. Therefore, the adoption of these amendments will not materially impact the Company's financial statements.

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. Since the receivables of the Company are with 100% LH Group companies, the credit risk is considered very low.

The company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Impairment of financial assets

The Company revised its impairment methodology under IFRS 9, defining 2 types of financial assets subject to IFRS 9's expected credit loss model. For trade receivables, the Company applies the simplified approach providing for expected credit losses using the lifetime expected loss provision for trade receivables. For loans and receivables already in place at 1 January 2018, the credit provision is determined based on the credit risk standing at each reporting date. There was no material impact relating to provisions on loan receivables on conversion to IFRS 9.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of IFRS 9.

Derivative financial instruments and hedge accounting

The Company has not entered into derivative financial instruments during the years 2017 and 2018.

The Pension Fund enters into derivatives instruments directly with the institutions in the name of the Fund.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The company has no estimation uncertainty.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the company's accounting policies

The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of investments in subsidiaries

Determining whether the Company's investment in subsidiary undertakings have been impaired is based on comparing the current investment cost to its value in use. For non-operating or financial holding companies the Net Assets Value is used as the recoverable value. If there is an indication of impairment, it is provided for in full. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investment and a suitable discount rate in order to calculate present values. The calculation used cash flow projections from financial budgets approved by senior management covering a three year period extrapolated to 7 years. The discount rate applied to post-tax cash flow projections is the Company's post-tax discount rate of 20.4% for Nigeria, which is predominantly one of the underlying holdings of the investment held by BCIHBV.

During the year the investments were written down by £641,000 (2017: £116,395,000) due to the impairment of MiddleBorough Reclamation Opportunity Corporation for £470,000 and Redland Brow Landfill Inc for £171,000 (2017: £926,000). Redland Brow Landfill Inc is a clean-up operation and generates no income therefore the investment has been impaired. The impairment for MiddleBorough Reclamation Opportunity Corporation as the entity generates no income and its sole investment was sold in January 2019.

In 2017, there was an impairment towards (a) Hereford Recycling Limited for £207,000, and Tunnel Building Products Limited for £66,000 which were both being liquidated, and (b) Blue Circle International Holdings BV (BCIHBV) investment in Associated International Cement Limited for £115,195,000 as a result of poor trading performance.

Pensions

The Company maintains a defined benefit pension plan for which it has recorded a pension asset at the end of the year. The pension asset is based on an actuarial assessment that requires a number of assumptions including discount rate, mortality rates and return on plan assets that may necessitate material adjustments to this asset in the future. The assumptions used are the best estimates based on historical trends and the composition of the membership. Details of the principal actuarial assumptions used in calculating the recognised asset for the defined benefit plan are given in note 14. The value of the assets may also change materially from year to year.

4. OPERATING LOSS

The Company had no employees during the year (2017: nil). No director received any remuneration from the Company (2017: £nil). They are regarded as group employees and paid by a fellow group undertaking, Lafarge Building Materials Limited.

The auditor's remuneration for the years ended 31 December 2018 of £4,100 (2017: £4,100) for auditing of the financial statements is borne by a fellow group undertaking, Lafarge Building Materials Limited. There were no non-audit fees in both the years.

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

5. FINANCE INCOME

	2018 £000	2017 £000
Interest receivable and similar income from group undertakings	10,121	6,283
Expected return on pension scheme assets	88,000	94,000
	<u>98,121</u>	<u>100,283</u>

Interest rate sensitivity

The Company's sensitivity analysis has been determined based on the interest rate exposure relating to the Company's financial liabilities at variable rate on a post hedge basis as at December 31. A 1 (one) percentage point change is used when the interest rate risk is reported internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

At December 31, a 1 (one) percentage point increase in interest rates, with all other assumptions held constant, would result in approximately £9,754,000 of annual additional financial income before tax on a post hedge basis. As in previous year, this is mainly attributable to the interest rate impact on capital market debt being offset by the impact on cash and cash equivalents and financial assets.

6. FINANCE COSTS

	2018 £000	2017 £000
Other interest payable and similar charges to group companies	5	10
Interest costs on pension scheme liabilities	82,100	88,200
	<u>82,105</u>	<u>88,210</u>

7. TAX CREDIT/ (CHARGE) ON LOSS

(a) Tax on loss

	2018 £000	2017 £000
Current tax		
United Kingdom corporation tax at 19 % (2017: 19.25%) based on the loss for the year	1,421	1,138
Prior year adjustment	-	78
Total current tax	<u>1,421</u>	<u>1,216</u>
Deferred tax		
Origination and reversal of timing differences	(2,703)	680
Total deferred tax	<u>(2,703)</u>	<u>680</u>
Total tax (credit)/ charge	<u>(1,282)</u>	<u>1,896</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

7. TAX CREDIT/ (CHARGE) ON LOSS (CONTINUED)

(b) Factors affecting current tax for the year

The tax charged for the year differs from the standard rate of corporation tax in the UK: 19% (2017: 19.25%). The differences are explained below:

	2018	2017
	£000	£000
Loss before taxation	(7,650)	(106,725)
Tax charge on loss at standard rate	(1,454)	(20,545)
Effects of:		
Disallowed expenses	266	22,534
Non-taxable income	-	(171)
Tax rate changes	318	-
Group relief not paid for	(412)	-
Prior year adjustment	-	78
Total tax for the year	(1,282)	1,896

A deferred tax asset of £102,506,812 (2017: £102,506,812) has not been recognised in respect of timing differences relating to capital losses as there is insufficient evidence that the asset will be recovered.

(c) Factors that may affect future tax charge

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly the company's profits for this accounting period are taxed at the standard rate of 19%. The standard rate will fall further to 17% with effect from 1 April 2020. The Finance Act 2019, which received Royal Assent in February 2019 has resulted in no material change in the tax rate.

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax as at 31 December 2018 has been calculated at a rate of 17% (2017: 17%).

8. INCOME FROM SHARES IN GROUP UNDERTAKINGS

Lafarge Finance Limited has waived the rights for the foreseeable future to receive any dividends on the 40,000,000 3.38% Preference 'A' Shares of £200,000,000 with effect from 20 December 2012.

The dividend in 2017 was received from two wholly owned subsidiaries, which have been placed in liquidation.

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2018

9. INVESTMENTS HELD AS FIXED ASSETS

	Shares in group undertakings
Cost	
At 1 January 2018	1,211,554
Additions	641
Disposal	(273)
	<hr/>
At 31 December 2018	1,211,922
	<hr/>
Provisions	
At 1 January 2018	(244,038)
Provision for impairment	(641)
Reversal of impairment	273
	<hr/>
At 31 December 2018	(244,406)
	<hr/>
Net book value	
At 31 December 2018	967,516
	<hr/>
At 31 December 2017	967,516
	<hr/>

Details of group undertakings are given in note 16.

During the year the investments in (a) Redland Brow Landfill Inc. were increased by £171,000 (2017: £203,000), and (b) Middleborough Reclamation Opportunity Corporation were increased by £470,000 (2017: £nil) due to the loan being converted to an investment in the entity.

During the year the investments were written down by £641,000 (2017: £116,395,000) due to the impairment of (a) Redland Brow Landfill Inc for £171,000 which is a clean-up operation and generates no income and (b) Middleborough Reclamation Opportunity Corporation for £470,000 (2017: £nil) as the entity generates no income and its sole investment was sold in January 2019.

During the year, there was a disposal of investments of £273,000 due to the strike off of Hereford Recycling Limited and Tunnel Building Products Limited, which were fully impaired in the prior year. Accordingly, the impairment recorded previously was reversed.

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

10. DEBTORS

	2018 £000	2017 £000
Amounts due within one year		
Amount owed by fellow group undertakings	460,924	750,982
Prepaid expenses	113	156
Other debtors	38	21
	<u>461,075</u>	<u>751,159</u>
Amounts due after more than one year		
Amounts owed by fellow group undertakings	<u>293,713</u>	<u>-</u>

Amounts due within one year

This includes an amount of (a) £460,897,000 (2017: £456,629,000) including accrued interest of £1,215,863 (2017: £666,000) and (b) £nil (2017: £293,933,000) including interest of £nil (2017: £220,000). Both loans were advanced to fellow group undertakings. The loans charge an interest rate of LIBOR + 0.25%. The USD loan for GBP1,411,000 including interest of £9,000 (2017: GBP1,362,000 (including interest of £6,000)) to a fellow US group company being MiddleBorough Reclamation Opportunity Corporation was converted to investments net of prior years' impairment of GBP941,000. The net amount transferred to investments was £470,000.

The £460,897,000 loan has no fixed maturity and is repayable on demand subject to a minimal notice period. The £293,713,100 loan which was due to mature on 15 December 2018 was repaid early on 24 September 2018 and advanced to another fellow group undertaking.

Amounts due after more than one year

This represents an amount of £293,713,100 (2017: £nil) advanced to a fellow group undertaking at a 7 year fixed interest rate maturing 23 September 2025.

11. CASH AT BANK AND IN HAND

The balance shown in the financial statements related to a memorandum account being the Company's portion of a group bank account in the name of Lafarge Minerals Limited, a fellow subsidiary.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Other creditors	340	153
Amounts owed to fellow group companies	-	306
Group relief	1,421	1,138
Bank overdraft	6	1,060
	<u>1,767</u>	<u>2,657</u>

The amounts owed to group companies are non-interest bearing and repayable on demand.

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2018

13. PROVISION FOR LIABILITIES

	2018 £000	2017 £000
Litigation provision	-	352
Deferred tax (note 14)	39,219	38,454
	<u>39,219</u>	<u>38,806</u>
	2018 £000	2017 £000
Litigation provision	352	385
At 1 January	-	352
Provided in the year	(352)	(385)
Utilised in year	-	352
At 31 December	-	352

The provision for litigation reported in 2017 refers to an accrual for lawyer's fees.

14. PENSION SCHEME

The Company is the sole sponsoring employer of the Lafarge UK Pension Plan (the Plan) a defined benefit plan for qualifying employees and former employees of Lafarge SA's UK subsidiaries. The Plan is a registered scheme for tax purposes under Part 4 of the Finance Act 2004, is established by a Trust Deed and throughout the year Lafarge UK Pension Trustees Limited acted as the Trustee of the Plan. The Trustee statutory funding objective under the Pensions Act 2004, is to have sufficient and appropriate assets and is funded prudently.

The last funding valuation of the Plan was carried out by a qualified actuary as at 30 June 2018 and showed a surplus of £36M. The company is not paying any deficit contributions. The next funding valuation is due no later than 30 June 2021, at which progress against the funding target will be reviewed.

The Plan is closed to new members and existing members ceased to accrue future benefits after 31 October 2011. No other post-retirement benefits are provided. The Plan is a funded scheme.

Based on the legal advice received by the Company, any surplus at the point the last member of the Plan dies would be returned to the Company. The Company has therefore concluded that the IFRIC 14 surplus restrictions currently have no impact in relation to the Plan. In particular, there is:

- No limit the amount of surplus that can be recognised on a balance sheet; and
- No additional liability reflecting the extent to which payment of any agreed deficit contributions (currently nil) would result in an unrecognised surplus.

Following the merger of Lafarge SA and Holcim Limited in July 2015, the Trustee and the LafargeHolcim group had been in discussions in relation to appropriate post-merger covenant support for the Plan. An agreement was reached in September 2016.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

14. PENSION SCHEME (CONTINUED)

In 2018 there were a number of special events that occurred during the year and have been recognised in these financial statements. These were:

- # Guaranteed Minimum Pension (GMP) equalisation - A High Court case concluded on 26 October 2018 which determined that UK pension schemes need to equalise "GMP" benefits between men and women. The Scheme Actuary estimated the potential cost of GMP equalisation to be around 1% of liabilities, so a cost of £27,000,000 was recognised in Administrative expenses in 2018.
- ** Pension Increase Exchange (PIE) exercise (Plan Amendment) – during 2018, a number of pensioner members were offered the option to convert some of their increasing pension in the Plan into a higher non-increasing pension. The estimated impact of this exercise based on estimated take-up at the time of preparing these financial statements resulted in a Defined benefit Obligation (DBO) reduction of £7,100,000 and this has been accounted for in the 2018 P&L as a past service credit.
- ** Augmentations (Plan Amendment) – over the year there were a number of member benefit augmentations. The estimated cost of these were £698,000 and accounted for in the 2018 P&L as a past service cost.

Throughout the year Lafarge UK Pension Trustees Limited acted as the Trustee of the Plan. There are nine Directors in office who hold a £1 share each in the capital of the company. There were no other interests in the capital of the company. The constitution of the Trustee Board is as follows:

- The Chairman, who must be independent of the Employers and serves for a term reviewed every three years. Serving Directors nominate candidates for appointment by the Principal Employer;
- Four Directors appointed by the Principal Company of the Plan (Employer Nominated Directors); and.
- Four Directors elected by the membership, Member Nominated Directors (MNDs).

Under the Pensions Act 2004 the Trustee must establish and operate an effective system of governance including adequate internal controls. The Board retains overall responsibility for all aspects of the Plan but has delegated certain tasks and functions to committees, as it believes this will lead to better governance. Each committee has written Terms of Reference, which are reviewed annually. There are five committees - the Investment Strategy Committee, the Administration and Discretions Committee, the Defined Contribution Sub-Board, the Employer Monitoring Committee and the Audit and Risk Management Committee.

The most important actuarial assumptions for accounting purposes as at 31 December 2018 are as follows:

	2018	2017
Key assumptions used:		
	%	%
Discount rate	3.0	2.6
Pension increases in payment – RPI (0.5)	3.1	3.1
Pension increases in payment – CPI (0.3)	1.9	1.9
Pension increases in payment – RPI min 3% max 5%	3.6	3.6
Pension increases in deferment – RPI	3.2	3.2
Pension increases in deferment – CPI	2.1	2.1
Expected long-term rate on plan assets	3.0	2.6

The sensitivities were calculated by our actuarial advisors; Wills Towers Watson (WTW) at 31 December 2017 and Aon at 31 December 2018. The sensitivity information shown is approximate and has been determined by taking into consideration the duration of the liabilities and the overall profile of the Plan membership.

The sensitivities disclosed in 2017 at based on a plus / minus 1% * compared to the 2018 sensitivities of plus / minus 0.5%. If a more accurate approach had been taken to determine the sensitivities, then the results might be slightly different to those shown below.

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2018

14. PENSION SCHEME (CONTINUED)

2018	DBO Total £000	%	2017	DBO Total £000	%
Base Scenario	2,956,700		Base Scenario	3,236,500	
Discount rate – 0.5%	3,191,600	+7.9%	Discount rate – 1.0% *	3,872,200	+19.6%
Discount rate + 0.5%	2,749,900	-7.0%	Discount rate + 1.0% *	2,720,300	-15.9%
Inflation – 0.5%	2,791,100	-5.6%	Inflation – 1.0% *	2,790,900	-13.8%
Inflation + 0.5%	3,122,300	+5.6%	Inflation + 1.0% *	3,762,400	+16.2%
Life expectancy + 1 year	3,114,100	+5.3%	Life expectancy + 1 year	3,399,700	+5.0%
Life expectancy – 1 year	2,799,400	-5.3%	Life expectancy – 1 year	3,081,100	-4.8%

	2018 £000	2017 £000
Present value of defined benefit obligations	(2,956,700)	(3,236,500)
Fair value of schemes' assets	3,187,400	3,462,700
Surplus in scheme	<u>230,700</u>	<u>226,200</u>

Deferred tax movement	2018 £000	2017 £000
At 1 January	(38,454)	(36,499)
Credited/(debited) to profit and loss account for the year	2,703	(680)
Debited to statement of comprehensive income for the year	(3,468)	(1,275)
At 31 December	<u>(39,219)</u>	<u>(38,454)</u>

The total deferred tax liability at the year-end is £39,219,000 (2017: £38,454,000) relating to the Group's pension scheme surplus.

Movements in present value of defined benefit obligations	2018 £000	2017 £000
At 1 January	3,236,500	3,230,300
Interest cost	82,100	88,200
Actuarial losses	(222,698)	81,500
Plan Amendments **	(6,402)	-
Guaranteed Minimum Pension (GMP) equalisation impact #	27,000	-
Benefits paid	(159,800)	(163,500)
At 31 December	<u>2,956,700</u>	<u>3,236,500</u>

Movements in fair value of plan assets	2018 £000	2017 £000
At 1 January	3,462,700	3,445,000
Expected return	88,000	94,000
Employer contributions	698	-
Actuarial gains	(202,298)	89,000
Scheme costs	(1,900)	(1,800)
Benefits paid	(159,800)	(163,500)
At 31 December	<u>3,187,400</u>	<u>3,462,700</u>

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2018

14. PENSION SCHEME (CONTINUED)

The fair value of the plan assets and the return on those assets were as follows:

	2018 £000	2017 £000
Fair value of plan assets	3,187,400	3,462,700
Actual return on plan assets	(114,298)	183,000

As at 31 December the plan assets were invested in the following proportion:

	Fair value of assets 2018	Fair value of assets 2017
Equities Instruments	349,700	426,300
Government Bonds	190,000	197,600
Corporate Bonds	174,900	216,400
Liability-Driven Investments	1,216,000	1,426,700
Alternative Investments	741,200	718,000
Investment Funds	234,400	212,600
Property	43,800	37,700
Derivatives	(23,200)	12,100
Structured Debt	96,100	148,000
Cash & Equivalents	159,400	60,000
Other	5,100	7,300
Total	3,187,400	3,462,700

In terms of the Discretionary Fiduciary Management and Investment Advisory Services Agreement guidelines, the Fiduciary Manager (FM) has a fairly wide ranging delegated power to change the asset allocation within the Investment Fund which are stipulated in the agreement. The independent monitor of the FM checks this asset allocation every quarter that the FM has kept to these ranges as part of their monitoring contract.

On 10 August 2018 the Trustee of the Plan entered into a longevity swap arrangement, with the aim to reduce the Plan's exposure to longevity risk (the risk associated with increasing life expectancy) which will reduce longevity related volatility in the plan's funding position, resulting in a more stable balance sheet position, and which has been identified as the largest individual risk in the Plan. The swap covers pensioners and dependent members whose benefits came into payment on or before 31 December 2016 and who were alive on 1 January 2018, representing 60% of the plan's IAS19. The value of the longevity swap as at 31 December 2019 was calculated as £61m cost and is included in the Liability Driven Investment portfolio asset category.

The experience gains and losses of the pension schemes reported in the statement of comprehensive income is:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Net remeasurement - financial	(198,000)	104,900
Net remeasurement - demographic	(79,900)	(10,100)
Net remeasurement - experience	55,202	(13,300)
Return on assets, excluding interest	202,298	(89,000)
Total remeasurement shown in OCI	(20,400)	(7,500)

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

14. PENSION SCHEME (CONTINUED)

The net pension income / (expense) recognised in the company's profit and loss account is as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Amount charged to operating profit:		
Administrative expenses	(1,900)	(1,800)
Plan Amendments	6,402	-
Guaranteed Minimum Pension (GMP)	(27,000)	-
Employer contributions	698	-
Total amount charged to operating profit	(21,800)	(1,800)
Other finance income:		
Interest income on pension scheme assets	88,000	94,000
Interest expense on pension scheme liabilities	(82,100)	(88,200)
Net finance income	5,900	5,800
Net pension (expense)/income	(15,900)	4,000

The company is expecting to pay no contributions in 2018 (2017: £Nil) in financial year 31 December 2018.

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Company's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Final Pay members

	2018 years	2017 years
Retiring today:		
Males	20.5	22.3
Females	23.3	23.7
Retiring in 20 years:		
Males	22.2	24.0
Females	25.2	25.6

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2018

14. PENSION SCHEME (CONTINUED)

Mortality assumptions (continued):

LRPS members

	2018 years	2017 years
Retiring today:		
Males	22.2	22.3
Females	23.3	23.7
Retiring in 20 years:		
Males	24.0	24.0
Females	25.2	25.6

15. CALLED UP SHARE CAPITAL

	2018 £000	2017 £000
Authorised, called up, issued and fully paid:		
1,480,000,000 (2017: 1,480,000,000) Ordinary shares authorised and issued of £1 each	1,480,000	1,480,000
200,000,000 (2017: 200,000,000) non-cumulative non-redeemable fixed rate Preference shares of £1 each	200,000	200,000
	<u>1,680,000</u>	<u>1,680,000</u>

On 20 May 2019, the Company did a capital reduction of its ordinary share capital from 1,480,000,000 ordinary shares of £1 each to 1,180,000,000 ordinary shares of £1 each by cancelling and extinguishing 300,000,000 ordinary shares of £300,000,000 and crediting the amount to the profit and loss reserve.

The preference shares confer on the holders, priority on a return of assets and the right to attend and vote at general meetings.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2018

16. SUBSIDIARY UNDERTAKINGS

Details of investments in ordinary share capital of the below group undertakings are:

Name	Address	Nature of business	Country of incorporation and operation	Share of equity held beneficially by the Company
Blue Circle International Holdings BV	Park Lodge, London Road, Dorking RH4 1TH	Holding company	Netherlands	100%
Middleborough Reclamation Opportunity Corporation	13450 Sunrise Valley Drive, Suite 220 Herndon, VA 20171 USA	Parent company	USA	100%
MRO LLC	6211 Ann Arbor Rd Dundee, MI 48131 USA	Joint Venture	USA	50%
Redland Brow Landfill Inc	Miller Thompson, 40 West Suite 5800	Non-trading company	Canada	100%
Lafarge Redland Readymix Limited ("LRRMX")	Park Lodge, London Road, Dorking RH4 1TH	Holding company	UK	100%
Associated International Cement Limited ("AIC")	As above	Holding company	UK	*100%
Lafarge Nigeria (UK) Limited	As above	Holding company	UK	100%
Changeissues Limited	As above	Dormant company	UK	100%
Lafarge Associated Nigeria Ltd	27B Gerrard Road, Ikoyi, Lagos, Nigeria	Holding company	Nigeria	100%
Lafarge Africa PLC	27B Gerrard Road, Ikoyi, Lagos, Nigeria	Cement	Nigeria	++ 27.77%
Atlas Cement Company Limited	Federal Ocean Complex, Onne Port, Complex, Rivers State, Port Harcourt, 500001, Nigeria	Cement	Nigeria	+++* 100%
Ashakacem PLC	Ashaka Works, Near Gombe, Gombe State, Nigeria	Cement	Nigeria	+++* 58.6%
East African Portland Cement Limited	L R 337/113/1 Namanga Road, Off Namanga Road, P.O. Box 40101-00100, Nairobi, Kenya	Cement	Kenya	14.6%
Lafarge SA Holdings Limited	35 Westfield Road, Longmeadow Business Estate, Ext 11, Edenvale, 1609, Johannesburg, South Africa	Holding company	South Africa	+++* 100%
Associated Pan Malaysia Cement Sdn Bhd.	Level 12, Bangunan TH Uptown No 3, No 3, Jalan SS21/39, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Cement	Malaysia	*** 100%
Lafarge Cement Sdn Bhd	As above	Cement	Malaysia	*** 100%
Lafarge Drymix Sdn Bhd	As above	Cement	Malaysia	*** 100%
CMCM Perniagaan Sdn Bhd	As above	Cement	Malaysia	*** 100%
Jumewah Shipping Sdn Bhd	As above	Shipping cement	Malaysia	*** 100%

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2018

16. SUBSIDIARY UNDERTAKINGS (CONTINUED)

Name	Address	Nature of business	Country of incorporation and operation	Share of equity held beneficially by the Company
Kedah Cement Jetty Sdn Bhd	As above	Management & Operation of a jetty	Malaysia	***100%
Lafarge Aggregates Sdn Bhd	As above	Investment holding	Malaysia	***100%
Lafarge Aggregates (Pantai Remis) Sdn Bhd	As above	Producer & Supplier	Malaysia	***100%
Lafarge Aggregates (Ipoh) Sdn Bhd	Level 12, Bangunan TH Uptown No 3, No 3, Jalan SS21/39, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia	Producer & Supplier	Malaysia	***100%
Lafarge Concrete (Malaysia) Sdn Bhd	As above	Concrete	Malaysia	***93.26%
Lafarge Concrete Industries Sdn Bhd	As above	Concrete	Malaysia	***93.26%
Lafarge Concrete (East Malaysia) Sdn Bhd	As above	Concrete	Malaysia	***93.26%
Probuilders Centre Sdn Bhd	As above	Cement	Malaysia	***100%
Holcim Malaysia Sdn Bhd	As above	Cement	Malaysia	***100%
Holcim Marketing (Malaysia) Sdn Bhd	As above	Cement	Malaysia	***100%
ISB Kuari Kota Tinggi Sdn Bhd	As above	Granit & Quarry	Malaysia	***100%
Geocycle Malaysia Sdn Bhd	As above	Cement	Malaysia	***100%
M-Cement Sdn Bhd	As above	Investment holding	Malaysia	***100%
Kedah Cement Holdings Berhad	As above	Investment holding	Malaysia	***100%
Lafarge Shared Services Sdn Bhd	As above	Accounting & Management	Malaysia	***100%
LMCB Holding Pte	3A International Business Park, 07-01/05, Singapore, 609935	Investment Holding	Singapore	***100%
Lafarge Cement Singapore Pte Limited	As above	Cement	Singapore	***100%
Supermix Concrete Pte Limited	As above	Investment Holding	Singapore	***100%
Lafarge Marketing Pte Limited	As above	Investment Holding	Singapore	***100%
PMCWS Enterprises Pte Limited	As above	Investment Holding	Singapore	***100%
LCS Shipping Pte Limited	As above	Shipping	Singapore	***100%
Alliance Concrete Singapore Pte Limited	72 Sungei Kadut Street, 1, Singapore, 729372	Concrete	Singapore	***50%

*denotes 8.95% held directly by Lafarge Associated Nigeria Limited and 18.82% by AIC

**denotes companies held directly by Lafarge Africa PLC

+denotes companies held partly direct and indirectly

++denotes companies held indirectly

*** denoted held by Lafarge Malaysia Berhad directly – sold 17 May 2019

LAFARGE INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

16. SUBSIDIARY UNDERTAKINGS (CONTINUED)

Details of associated undertakings held by LRRMX are as follows:

Company	Registered address	Country of registration & operation	Proportion of ordinary shares held %
Readymix Gulf Limited **	PO Box 52942, Dubai UAE	Sharjah – UAE	49% \$
Readymix Muscat LLC	PO Box 3887, Ruwi, 112, Sultanate of Oman	Oman	40%
Premix LLC	PO Box 3887, Ruwi, 112, Sultanate of Oman	Oman	40%
Readymix Qatar W.L.L.	PO Box 5007, Doha, Qatar	Qatar	49%
Qatar Quarry Company W.L.L.	PO Box 5007, Doha, Qatar	Qatar	25%
Qatar Precast W.L.L *	PO Box 5007, Doha, Qatar	Qatar	2.13% \$
Construction Materials Co W.L.L.	PO Box 5007, Doha, Qatar	Qatar	49%

All the above companies are engaged in the manufacture and supply of construction materials.

\$ shares held directly by the Company.

*Readymix Qatar W.L.L. and Construction Materials Co W.L.L. own 57.39% and 38.26% respectively of Qatar Precast W.L.L. which increases the Company's effective shareholding of Qatar Precast W.L.L. to 49%.

** Readymix Muscat LLC and Premix LLC own 25.5% each of Readymix Gulf Limited which increases the Company's effective shareholding of Readymix Gulf Limited to 69.4%.

17. CONTINGENT LIABILITIES

As at 31 December 2018, the Company had a bank guarantee facility with HSBC Bank PLC for Canadian dollar 3,017,638 (2017: Canadian dollar 3,017,638) to support its wholly owned subsidiary Redland Brow Landfill Inc.

In 2019 a further provision of £10,125,000 has been created in respect to a litigation from divested operations (see note 20).

18. RELATED PARTY DISCLOSURES

Balances held with related parties comprise of:

	2018 £000	2017 £000
Balances held under cash pooling arrangement with Lafarge Minerals Limited	22,556	20,599
Balances held under cash pooling arrangement with Lafarge Minerals Limited	(6)	(1,060)
Amounts due from fellow group undertakings < 1 year	460,924	750,982
Amounts due from fellow group undertakings > 1 year	293,713	-
Amounts owed to fellow group companies	-	(306)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

19. ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY

LafargeHolcim Limited, a company registered in Switzerland, is the smallest and largest undertaking to consolidate the financial statements of the Company. LafargeHolcim Limited is regarded by the directors as being the Company's ultimate parent company and controlling entity.

The immediate parent undertakings in the UK are Lafarge Building Materials Limited and Lafarge Finance Limited. Lafarge Building Materials Limited is a company registered in England and Wales and incorporated in Great Britain. Lafarge Finance Limited is a company registered in Jersey and incorporated in Jersey (see note 20).

Copies of the group accounts of LafargeHolcim Limited having its registered office at Zurcherstrasse 156, CH-8645 Jona, Switzerland may be obtained from the Investor Relations Department, investor.relations@lafargeholcim.com, or from www.lafargeholcim.com/presentation-results.

20. POST BALANCE SHEET EVENT

On 10 May 2019, Lafarge Finance Limited sold its 13.5% shareholding in the Company to Lafarge Building Materials Limited (LBM), the immediate parent undertaking for £400,000,000. After this transaction, LBM holds 100% of the shares of the Company.

On 16 May 2019, the shares in Associated International Cement Limited (AIC) held by Blue Circle International Holdings BV (BCIHBV) with a book value of GBP 946,396,000 were transferred to the Company as a dividend in specie.

On 20 May 2019, the Company did a capital reduction of its ordinary share capital from 1,480,000,000 ordinary shares of £1 each to £1,180,000,000 ordinary shares of £1 each by cancelling and extinguishing 300,000,000 ordinary shares of £300,000,000 and crediting the amount to the profit and loss reserve.

On 20 May 2019, the company received a dividend of £300,000,000 from AIC and paid an interim dividend of £300,000,000 to LBM, the immediate parent undertaking.

In 2019 a further provision of £10,125,000 has been created in respect to a litigation from divested operations.

A second Pension Increase Exchange (PIE) offer was concluded in 2019, which resulted in an income of £6,400,000.