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**Auditors' Report
and
Audited Separate Financial Statements
of
LafargeHolcim Bangladesh Limited
For the year ended 31 December 2019**

Nurul Faruk Hasan & Co
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of LafargeHolcim Bangladesh Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LafargeHolcim Bangladesh Limited, (the "Company") which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its 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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, 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 2.2 to the financial statements which describes the basis of accounting for amalgamation of Holcim Cement (Bangladesh) Limited with the Company.

Our opinion is not modified in respect of this matter.

We also draw attention to Note 19.4 to the financial statements, which describes the excess gas tariff raised by Jalalabad Gas Transmission and Distribution System Limited.

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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill

The key audit matter:

The Company reported goodwill of Tk317,776 million as at 31 December 2019. The impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount is based on the higher of the value in use or fair value less costs to sell. The recoverable amount is derived from discounted forecast cash flow model. This model uses several key assumptions, including estimates of future sales volumes and prices, operating costs, terminal value growth rates and discount rate.

See Note 6 to the financial statements for relevant disclosures regarding goodwill.

How the matter was addressed in our audit:

Our audit procedures in this areas included, among others:

- Evaluating the appropriateness of the discount rate applied, which included comparing the weighted average cost of capital used by the management with weighted average cost of capital independently developed by the engagement team using various publicly available input parameters relevant to the market in which the Company operates;
- Evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation, long term growth rates and terminal growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the business;
- Performing retrospective testing and sensitivity analysis of the key assumptions used in the discounted cash flow model, which included assessing the effect of alterations to the key input parameters used in determining the discount rates and reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the estimated headroom;
- Evaluating the adequacy of the financial statement disclosures regarding goodwill.

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 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 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 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 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 Company.

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

Management is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

We communicate with 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 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 Company so far as it appeared from our examination of those books;
- c. the Company's statement of financial position, statement of profit or loss and 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 Company'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: 04 March 2020

LafargeHolcim Bangladesh Limited
Statement of financial position
As at 31 December

| | 2019 | 2018 |
|--------------------------------------|--------------------------|--------------------------|
| Note | <u>Taka'000</u> | <u>Taka'000</u> |
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 5 16,854,211 | 9,830,244 |
| Intangible assets | 6 356,913 | 84,139 |
| Investment in subsidiaries | 7 519,893 | 5,567,713 |
| Total non-current assets | <u>17,731,017</u> | <u>15,482,096</u> |
| Current assets | | |
| Inventories | 8 2,722,492 | 1,501,367 |
| Trade receivables | 9 1,581,595 | 2,907,068 |
| Other current assets | 10 440,975 | 380,641 |
| Advance income tax | 11 1,158,412 | 849,947 |
| Cash and cash equivalents | 12 237,374 | 201,900 |
| Total current assets | <u>6,140,848</u> | <u>5,840,923</u> |
| Total assets | <u>23,871,865</u> | <u>21,323,019</u> |
| Equity & liabilities | | |
| Capital and reserves | | |
| Share capital | 13.4 11,613,735 | 11,613,735 |
| Retained earnings | 2,133,175 | 2,298,905 |
| Other components of equity | 13.7 (48,129) | (98,942) |
| Total equity | <u>13,698,781</u> | <u>13,813,698</u> |
| Non-current liabilities | | |
| Borrowing | 14A 178,997 | 984,478 |
| Deferred tax liability | 15 2,819,140 | 1,897,124 |
| Employee benefits | 16 157,547 | 95,558 |
| Total non-current liabilities | <u>3,155,684</u> | <u>2,977,160</u> |
| Current liabilities | | |
| Trade payables | 17 5,062,866 | 2,528,987 |
| Other current liabilities | 18 979,560 | 594,008 |
| Borrowings | 14B 974,974 | 1,409,166 |
| Total current liabilities | <u>7,017,400</u> | <u>4,532,161</u> |
| Total liabilities | <u>10,173,084</u> | <u>7,509,321</u> |
| Total equity and liabilities | <u>23,871,865</u> | <u>21,323,019</u> |

The accompanying Notes 1 to 40 form an integral part of these financial statements.


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer

Per our annexed report of same date


Nurul Faruk Hasan & Co
Chartered Accountants

Dhaka, Bangladesh
Dated: 04 March 2020

LafargeHolcim Bangladesh Limited
Statement of profit or loss
For the year ended 31 December

| | Note | 2019 Taka '000 | 2018 Taka '000 |
|---|------|-------------------|-------------------|
| Revenue | 20 | 11,908,631 | 12,115,261 |
| Cost of sales | 21 | (8,619,129) | (9,352,077) |
| Gross Profit | | 3,289,502 | 2,763,184 |
| Other operating income | 24A | 41,608 | 8,065 |
| General and administrative expenses | 22 | (817,662) | (837,987) |
| Sales and marketing expenses | 23 | (330,634) | (276,654) |
| Other operating expense | 24B | (39,769) | (155,038) |
| Operating Profit | | 2,143,045 | 1,501,570 |
| Finance cost | 25 | (238,940) | (234,307) |
| Finance income | 25 | 8,739 | 2,431 |
| Net finance cost | | (230,201) | (231,876) |
| Profit before WPPF & tax | | 1,912,844 | 1,269,694 |
| Workers' profit participation and welfare fund (WPPF) | | (95,642) | (63,485) |
| Profit before tax | | 1,817,202 | 1,206,209 |
| Income tax expense | 26 | (563,853) | (360,790) |
| Profit for the year | | 1,253,349 | 845,419 |
| Earnings Per Share | | | |
| Basic | 27A | 1.08 | 0.73 |
| Diluted | 27A | 1.08 | 0.73 |

The accompanying Notes 1 to 40 form an integral part of these financial statements.


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer

Per our annexed report of same date

Dhaka, Bangladesh
Dated: 04 March 2020


Nurul Faruk Hasan & Co
Chartered Accountants

LafargeHolcim Bangladesh Limited
Statement of comprehensive income
For the year ended 31 December

| | 2019 | 2018 |
|--|-------------------------|-------------------------|
| | <u>Taka '000</u> | <u>Taka '000</u> |
| Profit for the year | <u>1,253,349</u> | <u>845,419</u> |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Actuarial gain/(loss) | 55,536 | (37,870) |
| Related tax | (13,884) | 11,002 |
| | <u>41,652</u> | <u>(26,868)</u> |
| Items that may be reclassified to profit or loss | | |
| Cash flow hedge | 12,215 | (12,424) |
| Related tax | (3,054) | 3,106 |
| | <u>9,161</u> | <u>(9,318)</u> |
| Other comprehensive income for the year, net of tax | <u>50,813</u> | <u>(36,186)</u> |
| Total comprehensive income for the year | <u>1,304,162</u> | <u>809,233</u> |

The accompanying Notes 1 to 40 form an integral part of these financial statements.


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer

LafargeHolcim Bangladesh Limited
Statement of changes in equity
For the year ended 31 December

In thousands of taka

| | Share capital | Retained earnings | Other components of equity | Total equity |
|--|-------------------|-------------------|----------------------------------|-------------------|
| Balance at 1 January 2018 | 11,613,735 | 2,034,173 | (62,756) | 13,585,152 |
| Total comprehensive income/(loss) for the year | - | 845,419 | (36,186) | 809,233 |
| Final dividend for 2017 | - | (580,687) | - | (580,687) |
| Balance at 31 December 2018 | 11,613,735 | 2,298,905 | (98,942) | 13,813,698 |
| Balance at 1 January 2019 | 11,613,735 | 2,298,905 | (98,942) | 13,813,698 |
| Total comprehensive income for the year | - | 1,253,349 | 50,813 | 1,304,162 |
| HBL amalgamation (Note- 7B) | - | (257,705) | - | (257,705) |
| Final dividend for 2018 | - | (1,161,374) | - | (1,161,374) |
| Balance at 31 December 2019 | 11,613,735 | 2,133,175 | (48,129) | 13,698,781 |

The accompanying Notes 1 to 40 form an integral part of these financial statements.


 Chief Financial Officer


 Company Secretary


 Director


 Chief Executive Officer

LafargeHolcim Bangladesh Limited
Statement of cash flows
For the year ended 31 December

| | Note | 2019 Taka '000 | 2018 Taka '000 |
|---|------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 14,895,360 | 11,616,966 |
| Cash paid to suppliers and employees | | <u>(11,306,775)</u> | <u>(10,465,772)</u> |
| Cash generated from operations | | 3,588,585 | 1,151,194 |
| Income taxes paid | | (312,489) | (289,091) |
| Other receipts | | 41,608 | 8,065 |
| Net cash generated from operating activities* | 36 | <u>3,317,704</u> | <u>870,168</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (582,183) | (521,488) |
| Proceeds from sale of property, plant and equipment | | 2,002 | 5,758 |
| Interest income | | 8,739 | 5,758 |
| Amalgamation and acquisition of a subsidiary (Note 7B) | | 102,265 | (5,047,820) |
| Net cash used in investing activities | | <u>(469,177)</u> | <u>(5,557,792)</u> |
| Cash flows from financing activities | | | |
| (Repayment)/proceeds from borrowings | | (890,230) | 2,370,100 |
| Repayments of the lease liabilities | | (7,971) | - |
| Interest paid on lease liabilities | | (945) | - |
| Repayment of short term debt | | (561,933) | - |
| Payment of interest and other finance costs | | (235,380) | (219,234) |
| Dividend paid | | (1,154,661) | (576,920) |
| Net cash (used)/generated in financing activities | | <u>(2,851,120)</u> | <u>1,573,946</u> |
| Net decrease in cash and cash equivalents | | <u>(2,593)</u> | <u>(3,113,678)</u> |
| Cash and cash equivalents at beginning of the year | | 201,900 | 3,315,578 |
| Cash and cash equivalents at end of the year | 12 | <u>199,307</u> | <u>201,900</u> |

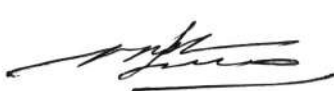
*Refer to Note 36 for a reconciliation between net profit with cash flows from operating activities.

The accompanying Notes 1 to 40 form an integral part of these financial statements.


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer

LafargeHolcim Bangladesh Limited
Notes to the financial statements
For the year ended 31 December

1 General information

LafargeHolcim Bangladesh Limited (the "Company" or LHBL) 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 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 building materials in local and international market.

2 Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in line with the International Financial Reporting Standards (IFRS), the Companies Act 1994 and the Securities and Exchange Rules 1987. More specifically, the financial statements of the Company have been prepared in accordance with the provisions of International Accounting Standard 27 "Separate Financial Statements". They were authorized for issue by the Company's board of directors on 4 March 2020.

2.2 Basis of amalgamation

Holcim Cement (Bangladesh) Limited (HBL) became a fully owned subsidiary of LafargeHolcim Bangladesh Limited (the "Company") on 7 January 2018. Pursuant to the order of the High Court Division of the Supreme Court of Bangladesh, HBL was amalgamated with the Company effective from 26 November 2019. Per the court order, all the assets and liabilities of HBL have been transferred to and vested in the Company. The Company is controlled by the same parties before and after the amalgamation and the control is not transitory. As such the amalgamation is similar in nature to a common control transaction. In absence of specific guidance in IFRS for common control transaction, management has applied the following policies:

1. Prior period separate financial statements of the Company have not been restated.
2. The carrying amount of assets and liabilities of HBL has been reflected in the statement of financial position of the Company as at 31 December 2019. Where applicable, fair value adjustments have been made to the carrying amounts based on the acquisition date fair values of assets and liabilities of HBL.
3. Investment in subsidiary - HBL and net equity of HBL have been eliminated and the excess representing goodwill has been booked into the financial statements of the Company. This goodwill originally arose on the acquisition of HBL as on 7 January 2018.
4. Intercompany balances and transactions have been eliminated.

2.3 Use of estimates and judgments

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, impairment of investment in subsidiary and provisions for employees benefits.

ii) Judgments

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 2.9 and 30)

2.4 Functional and presentation currency

These financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is the Company's functional and presentation currency. Figures have been rounded off to the nearest thousand Taka, unless stated otherwise.

2.5 Property, plant and equipment

i) Recognition of property, plant and equipment

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

ii) Subsequent costs

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

iii) Construction in progress

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

iv) Depreciation of property, plant and equipment

Straight line depreciation method is followed and depreciation has been charged on all assets acquired that are put to use except land. Depreciation is charged from 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 period concerned.

vi) Retirement and disposals

An asset is derecognised on disposal or when no further economic benefits are expected from its use. Gains and losses on disposals are determined by comparing proceeds with carrying amounts, and are recognized in the statement of income in "Profit (Loss) on disposals and other non-operating income (expenses)".

2.6 Goodwill

As discussed in Note 2.2 Basis of amalgamation, Holcim Cement (Bangladesh) Limited (HBL) has been amalgamated with the Company pursuant to a court order. Investment in subsidiary - HBL and net equity of HBL have been eliminated and the excess representing goodwill has been booked into the financial statements of the Company. This goodwill originally arose on the acquisition of HBL as on 7 January 2018.

2.7 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) Amortization of intangible assets

Software

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

2.8 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.

2.9 Financial instruments

i. Recognition and initial measurement

Trade receivables 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:

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:

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:

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 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.

2.10 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.

2.11 Employees' benefit schemes

i) Gratuity plan

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

ii) 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 a Board of Trustees.

iii) Workers' profit participation and welfare funds

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

2.12 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 of 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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 period.

2.17 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 Adoption of new and revised International Financial Reporting Standards

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the separate financial statements of the Company.

IFRS 16 Leases

IFRS 16 introduces new requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements and impact of the adoption of IFRS 16 on the Company's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach. The Company utilized the option to measure the right-of-use asset at an amount equal to the lease liability in accordance with para C8 of IFRS 16 at the date of initial application. This approach does not require restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Company:

- a) Recognises right-of-use assets and lease liabilities in the separate statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of Cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented in profit or loss. The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognize right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 10.03%.

On transition to IFRS 16, the Company recognized additional right-of-use assets-building of Tk16.8 million and additional lease liability of Tk16.8 million.

4 Preparation and presentation of the separate financial statements

The management of the Company is responsible for the preparation and fair presentation of the separate financial statements of LafargeHolcim Bangladesh Limited.

5 Property, plant and equipment

A. Reconciliation of carrying amount

| <i>In thousands of taka</i> 2019 | Right of use assets- | | | | | | | | | | Total |
|-------------------------------------|----------------------|------------------|------------------|----------------|-------------------|----------------|------------------|----------------------|--------------------------|-------------------|-------|
| | Freehold land | Leasehold land | Building | building* | Plant & machinery | Vehicles | Office equipment | Furniture & fixtures | Construction in progress | | |
| Cost | | | | | | | | | | | |
| Balance at 1 January 2019 | 532,077 | - | 638,270 | - | 13,681,111 | 187,458 | 364,613 | 40,918 | 266,765 | 15,711,212 | |
| HBL amalgamation (Note- 7B) | 850,000 | 1,779,022 | 1,529,891 | 113,525 | 2,783,786 | 5,234 | 27,332 | 17,201 | 134,226 | 7,240,217 | |
| Additions | - | - | 10,531 | 16,823 | 245,571 | (7,537) | 44,351 | - | 145,054 | 462,330 | |
| Disposals | - | - | - | - | (67,174) | (1,996) | (1,996) | (209) | (2,775) | (79,691) | |
| Transfers | - | - | 27,901 | - | 188,129 | 185,155 | 4,800 | 15,776 | (236,606) | - | |
| Balance at 31 December 2019 | 1,382,077 | 1,779,022 | 2,206,593 | 130,348 | 16,831,423 | 185,155 | 439,100 | 73,686 | 306,664 | 23,334,068 | |
| Accumulated depreciation | | | | | | | | | | | |
| Balance at 1 January 2019 | - | - | 173,701 | - | 5,249,811 | 161,350 | 258,748 | 37,358 | - | 5,880,968 | |
| Disposals | - | - | - | - | (28,809) | (7,537) | (1,365) | (209) | - | (37,920) | |
| Charge for the year | - | - | 17,057 | 8,916 | 558,787 | 11,542 | 29,868 | 10,639 | - | 636,809 | |
| Balance at 31 December 2019 | - | - | 190,758 | 8,916 | 5,779,789 | 165,355 | 287,251 | 47,788 | - | 6,479,857 | |
| Carrying amounts | | | | | | | | | | | |
| At 31 December 2019 | 1,382,077 | 1,779,022 | 2,015,835 | 121,432 | 11,051,634 | 19,800 | 151,849 | 25,898 | 306,664 | 16,854,211 | |
| <i>In thousands of taka</i> 2018 | | | | | | | | | | | |
| Cost | | | | | | | | | | | |
| Balance at 1 January 2018 | 532,077 | - | 612,952 | - | 13,310,203 | 187,043 | 346,994 | 60,690 | 424,365 | 15,474,324 | |
| Additions | - | - | 8,308 | - | 247,957 | 8,125 | 22,912 | - | 243,275 | 530,577 | |
| Disposals | - | - | - | - | (260,914) | (7,710) | (5,293) | (19,772) | - | (293,689) | |
| Transfers | - | - | 17,010 | - | 383,865 | - | - | - | (400,875) | - | |
| Balance at 31 December 2018 | 532,077 | - | 638,270 | - | 13,681,111 | 187,458 | 364,613 | 40,918 | 266,765 | 15,711,212 | |
| Accumulated depreciation | | | | | | | | | | | |
| Balance at 1 January 2018 | - | - | 158,059 | - | 4,875,319 | 152,149 | 240,269 | 53,916 | - | 5,479,712 | |
| Disposals | - | - | - | - | (101,784) | (6,257) | (5,284) | (19,568) | - | (132,893) | |
| Charge for the year | - | - | 15,642 | - | 476,276 | 15,458 | 23,763 | 3,010 | - | 534,149 | |
| Balance at 31 December 2018 | - | - | 173,701 | - | 5,249,811 | 161,350 | 258,748 | 37,358 | - | 5,880,968 | |
| Carrying amounts | | | | | | | | | | | |
| At 31 December 2018 | 532,077 | - | 464,569 | - | 8,431,300 | 26,108 | 105,865 | 3,560 | 266,765 | 9,830,244 | |

* The opening balance of right-of-use- building as at the initial application date of 1 January 2019 was Tk16,823 (thousand).

| | 2019 Taka'000 | 2018 Taka'000 |
|--|------------------|------------------|
| Production and maintenance costs (Note 21.2) | 563,856 | 501,920 |
| Depot operating and transportation costs (Note 21.4) | 25,511 | 8,192 |
| General and administrative expenses (Note 22) | 46,275 | 23,350 |
| Sales and Marketing Expenses (Note 23) | 1,167 | 687 |
| | 636,809 | 534,149 |

Depreciation charge for the year allocated to

Production and maintenance costs (Note 21.2)
 Depot operating and transportation costs (Note 21.4)
 General and administrative expenses (Note 22)
 Sales and Marketing Expenses (Note 23)

B. Details of disposal of property plant and equipment

| 2019 | Plant & machinery | Vehicles | Office equipment | Furniture & fixtures | Construction in progress | Total |
|--|------------------------------|-------------------------|---------------------------|---------------------------------|---------------------------------|----------------|
| Cost | 67,174 | 7,537 | 1,996 | 209 | 2,775 | 79,691 |
| Accumulated depreciation | (28,809) | (7,537) | (1,365) | (209) | - | (37,920) |
| Carrying amount at December 31, 2019 | 38,365 | - | 631 | - | 2,775 | 41,771 |
| Sale proceeds | - | 1,924 | 59 | 18 | - | 2,001 |
| Mode of disposal | Company policy | Tender | Tender | Tender | Company policy | |
| Particulars of purchaser/type of disposal | Written off | Third party & employees | Third party & Written off | Third party | Written off | |
| 2018 | Plant & machinery | Vehicles | Office equipment | Furniture & fixtures | Construction in progress | Total |
| Cost | 260,914 | 7,710 | 5,293 | 19,772 | - | 293,689 |
| Accumulated depreciation | (101,784) | (6,257) | (5,284) | (19,568) | - | (132,893) |
| Carrying amount at December 31, 2019 | 159,130 | 1,453 | 9 | 204 | - | 160,796 |
| Sale proceeds | - | 3,899 | 1,391 | 468 | - | 5,758 |
| Mode of disposal | Company policy | Company policy/ Tender | Company policy | Company policy | Company policy | |
| Particulars of purchaser/type of disposal | Written off | Third party & employees | Third party & Written off | Third party | Written off | |

6 A. Intangible assets

| Reconciliation of carrying amount | | Construction | | Total |
|------------------------------------|------|----------------|----------------|----------------|
| <i>In thousands of taka</i> | | Goodwill | Software | |
| 2019 | 2019 | | | |
| Cost | | | | |
| Balance at 1 January 2019 | | - | 158,848 | 158,848 |
| HBL amalgamation (Note- 7B) | | 317,776 | | 317,776 |
| Balance at 31 December 2019 | | 317,776 | 158,848 | 476,624 |
| Accumulated depreciation | | | | |
| Balance at 1 January 2019 | | - | 74,709 | 74,709 |
| Charge for the year | | - | 45,002 | 45,002 |
| Balance at 31 December 2019 | | - | 119,711 | 119,711 |
| Carrying amounts | | | | |
| At 31 December 2019 | | 317,776 | 39,137 | 356,913 |
| <i>In thousands of taka</i> | | | | |
| 2018 | | | | |
| Cost | | | | |
| Balance at 1 January 2018 | | | 41,439 | 158,848 |
| Transfer | | | 117,409 | (117,409) |
| Disposals | | | 158,848 | - |
| Accumulated depreciation | | | | |
| Balance at 1 January 2018 | | | 24,166 | 24,166 |
| Charge for the year | | | 50,543 | 50,543 |
| Disposals | | | 74,709 | 74,709 |
| Carrying amounts | | | | |
| Balance at 31 December 2018 | | | 84,139 | 84,139 |

Amortization charge for the year allocated to

| | 2019 | 2018 |
|---|---------------|---------------|
| | Taka'000 | Taka'000 |
| Production and maintenance costs (Note 21.2) | 5,245 | 9,204 |
| General and administrative expenses (Note 22) | 39,757 | 41,339 |
| | 45,002 | 50,543 |

B. Impairment testing for goodwill

The recoverable amount was based on the value in use, determined by discounting the future cash flows to be generated from continuing use. The key assumptions used in the estimation of the recoverable amount are discount rate of 11.34%, terminal value growth at the rate of 5.5% and average EBITDA growth rate of 10.8%. Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined based on the inflation rate. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over past years and the estimated sales volume and price growth for the next five years.

| | 2019 Taka'000 | 2018 Taka'000 |
|---|------------------|------------------|
| 7 Investment in subsidiaries | | |
| A. Details of investment in subsidiary | | |
| Lafarge Umiam Mining Private Limited (LUMPL) <i>- a fully owned subsidiary incorporated in India</i> | 519,356 | 519,356 |
| Lum Mawshun Minerals Private Limited (LMMPL) <i>- a 74% owned subsidiary incorporated in India</i> | 537 | 537 |
| Holcim Cement (Bangladesh) Limited <i>- a fully owned subsidiary incorporated in Bangladesh</i> | - | 5,047,820 |
| | 519,893 | 5,567,713 |

These represent investments made in the above entities against the shares issued by those companies in the name of LafargeHolcim Bangladesh Limited (formerly known as Lafarge Surma Cement Limited).

Shares held in different entities are as follows:

| Name of entities | Face value per share | Number of ordinary shares held by the Company | |
|--------------------------------------|-------------------------|--|------------|
| | | 2019 | 2018 |
| Lafarge Umiam Mining Private Limited | Indian Rupees 10 | 41,133,099 | 41,133,099 |
| Lum Mawshun Minerals Private Limited | Indian Rupees 100 | 4,046 | 4,046 |
| Holcim Cement (Bangladesh) Limited | Bangladesh Tk. 100 | - | 88,243 |

B. Amalgamation of Holcim Cement (Bangladesh) Limited

The Hon'ble High Court Division of the Supreme Court of Bangladesh approved the scheme of amalgamation of Holcim Cement (Bangladesh) Limited (the "Subsidiary") with the Company. The amalgamation becomes effective after filing of the certified copy of the Judgment and Order of the court with the Registrar of Joint Stock Companies and Firm (RJSC). See Note 2.2 Basis of amalgamation for detail.

8 Inventories

| | | |
|-------------------------------------|------------------|------------------|
| Raw materials | 846,362 | 419,481 |
| Semi-finished and finished products | 941,597 | 315,757 |
| Parts and supplies | 934,533 | 766,129 |
| | 2,722,492 | 1,501,367 |

9 Trade receivables

| | | |
|------------------------------------|------------------|------------------|
| Trade receivables | 1,147,611 | 2,609,708 |
| Advance payment to trade suppliers | 433,984 | 297,360 |
| | 1,581,595 | 2,907,068 |

See note 30B(i) for disclosures regarding credit risk, allowance for doubtful debts and ageing analysis of trade receivables.

10 Other current assets

| | | |
|--|----------------|----------------|
| Prepaid expenses | 66,824 | 55,970 |
| VAT current account | - | 264,748 |
| Advance to employees | 8,505 | 10,467 |
| Security and other deposits | 89,674 | 8,393 |
| Other receivables | 28,065 | 6,733 |
| Advance payment to suppliers of fixed assets | 247,907 | 34,330 |
| | 440,975 | 380,641 |

Other current assets mentioned above are unsecured and considered good. Advances made to employees include advance related to employee matters and for running the day to day operating cost of different departments.

11 Advance income tax

| | | |
|-------------------------------------|------------------|----------------|
| Advance income tax | 5,879,943 | 2,466,414 |
| Current tax liabilities (Note 11.1) | (4,721,531) | (1,616,467) |
| | 1,158,412 | 849,947 |

11.1 Current Tax Liabilities

| | | |
|----------------------------------|------------------|------------------|
| Balance at 1 January | 1,616,467 | 1,180,566 |
| HBL amalgamation (Note- 2.2) | 2,459,992 | - |
| Provision for the year (Note 26) | 645,072 | 435,901 |
| Balance at 31 December | 4,721,531 | 1,616,467 |

| | 2019 Taka'000 | 2018 Taka'000 |
|---|------------------|------------------|
| 12 Cash and cash equivalents | | |
| Cash in hand | 2,340 | 2,066 |
| | <u>2,340</u> | <u>2,066</u> |
| Cash at banks | | |
| Current accounts | 214,849 | 189,412 |
| Short term deposit accounts | 20,185 | 10,422 |
| | <u>235,034</u> | <u>199,834</u> |
| Cash and cash equivalents in statement of financial position | 237,374 | 201,900 |
| Bank overdrafts* | (38,067) | - |
| Cash and cash equivalents for the purpose of the statement of cash flows | 199,307 | 201,900 |

* Bank overdrafts are included in short term borrowings.

13 Share capital

13.1 Authorized capital

| | | |
|---|-------------------|-------------------|
| 1,400,000,000 ordinary shares of Taka 10 each | 14,000,000 | 14,000,000 |
|---|-------------------|-------------------|

13.2 In the year 2011, authorized capital was increased from Taka 7,000,000,000 to Taka 14,000,000,000. Further 58,068,675 ordinary shares of Taka 100 per share were issued as right shares at par amounting to Taka 5,806,867,500 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 Taka 100 to Taka 10 at 4 December 2011.

13.3 Issued and subscribed capital

| | | |
|---|-------------------|-------------------|
| 1,161,373,500 ordinary shares of Taka 10 each | 11,613,735 | 11,613,735 |
|---|-------------------|-------------------|

13.4 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> |

13.5 Composition of shareholders at 31 December

| Name of the shareholders | Nationality/ Incorporated in | Number of shares | | Holding % | |
|--------------------------|---------------------------------|----------------------|----------------------|---------------|---------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 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 |
| | | 1,161,373,500 | 1,161,373,500 | 100.00 | 100.00 |

13.6 Classification of shares by holding at 31 December

| Slabs by number of shares | Number of shareholders | | Holding % | |
|-----------------------------|------------------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Less than 500 Shares | 8,500 | 9,003 | 0.19 | 0.20 |
| 501 to 5,000 Shares | 13,422 | 14,125 | 2.33 | 2.43 |
| 5,001 to 10,000 Shares | 2,628 | 2,627 | 1.70 | 1.69 |
| 10,001 to 20,000 Shares | 1,709 | 1,624 | 2.17 | 2.06 |
| 20,001 to 30,000 Shares | 589 | 546 | 1.27 | 1.17 |
| 30,001 to 40,000 Shares | 278 | 284 | 0.84 | 0.87 |
| 40,001 to 50,000 Shares | 216 | 210 | 0.86 | 0.83 |
| 50,001 to 100,000 Shares | 395 | 360 | 2.49 | 2.25 |
| 100,001 to 1,000,000 Shares | 353 | 339 | 7.73 | 7.92 |
| Over 1,000,000 Shares | 43 | 43 | 80.43 | 80.58 |
| | 28,133 | 29,161 | 100.00 | 100.00 |

| | 2019 Taka'000 | 2018 Taka'000 |
|--|------------------|------------------|
| 13.7 Other components of equity | | |
| Actuarial loss-net of tax | (47,972) | (89,624) |
| Others | (157) | (9,318) |
| | <u>(48,129)</u> | <u>(98,942)</u> |

13.8 Dividends

The final dividend amounts to Taka 1.16 billion which is Taka 1.00 per share of Taka 10 each for the year 2019 has been proposed by the Board of Directors of the Company for approval at the Annual General Meeting of Shareholders. As this dividend is subject to approval by shareholders at the Annual General Meeting, it has not been included as a liability in these financial statements as of 31 December 2019.

| | 2019 | 2018 |
|--|------------------|------------------|
| | Taka'000 | Taka'000 |
| 14 Borrowings | | |
| A. Borrowings- long term | | |
| Non-current portion -Unsecured | 94,248 | 984,478 |
| Non-current portion-lease liabilities | 84,749 | - |
| | <u>178,997</u> | <u>984,478</u> |
| <p>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 Taka 1.2 billion and Taka 1.2 billion respectively. Interest rates for both loans are based upon T-Bill rates plus 3.5% margin. The loans are repayable on 2021.</p> | | |
| B. Borrowings- short term | | |
| Current portion of long term -Unsecured | 800,000 | 800,000 |
| Short-term credit facilities | 138,067 | 600,000 |
| Current portion of lease liabilities* | 37,628 | - |
| Derivative liabilities** | (721) | 9,166 |
| | <u>974,974</u> | <u>1,409,166</u> |
| <p>* The opening balance of lease liability as at 1 January 2019 was Tk16,823 (thousands).</p> <p>**The Company entered into forward contracts with the commercial bank 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.</p> | | |
| 15 Deferred tax liability | | |
| <i>Deferred tax by type of temporary differences that resulted in deferred tax assets and liability.</i> | | |
| Property, plant and equipment | 2,983,389 | 1,944,052 |
| Actuarial gain | 7,183 | - |
| Deferred tax liabilities | <u>2,990,572</u> | <u>1,944,052</u> |
| Provision for gratuity | 73,640 | 41,672 |
| Provision for doubtful debts | 48,091 | 5,256 |
| Business loss carry forward | 26,741 | - |
| Provision for obsolescence of spare parts | 22,960 | - |
| Deferred tax assets | <u>171,432</u> | <u>46,928</u> |
| Net deferred tax liability | <u>2,819,140</u> | <u>1,897,124</u> |
| 15.1 Change in deferred tax assets and liability | | |
| Balance at 1 January- deferred tax liability | 1,897,124 | 1,989,150 |
| HBL amalgamation (Note- 7B) | 989,351 | |
| Deferred tax income for the year (Note 26) | (81,219) | (75,111) |
| Other component of equity | 13,884 | (16,915) |
| Balance at 31 December- deferred tax liability | <u>2,819,140</u> | <u>1,897,124</u> |
| 16 Employee benefits | | |
| Funded plan (Note 16.1) | 72,692 | 95,558 |
| Unfunded plan (Note 16.2) | 84,855 | - |
| | <u>157,547</u> | <u>95,558</u> |
| 16.1 Funded plan | | |
| A. Net position of gratuity plan | | |
| Present value of defined benefit obligation | 308,961 | 315,812 |
| Fair value of plan assets | (236,269) | (220,254) |
| Net funded status | <u>72,692</u> | <u>95,558</u> |
| B. Actuarial valuation | | |
| <p>The actuarial valuations of the plan and the present value of the defined benefit obligation were carried out at 31 December 2019 by a professional actuary using Projected Unit Credit Method.</p> | | |
| C. Assumptions employed for the valuations are as follows: | 2019 | 2018 |
| | % | % |
| Salary increase rate | 8.00 | 8.00 |
| Discount rate | 9.20 | 7.25 |

| | 2019 Taka'000 | 2018 Taka'000 |
|---|------------------|------------------|
| D. Movement in the present value of the defined benefit obligation are as follows: | | |
| Balance at 1 January | 315,812 | 264,157 |
| Current service cost | 35,215 | 36,496 |
| Interest cost | 21,830 | 20,297 |
| Actuarial (gain)/loss [Note D.1] | (45,915) | 43,802 |
| Benefits paid during the year | (17,981) | (48,940) |
| Balance at 31 December | 308,961 | 315,812 |

| | | |
|----------------------------------|-----------------|---------------|
| D.1 Actuarial (gain)/loss | | |
| Demographic assumptions | 86 | (6,489) |
| Financial | (56,462) | 20,363 |
| Experience | 10,461 | 29,928 |
| | (45,915) | 43,802 |

| | | |
|---|----------------|----------------|
| E. Movement in the fair value of the plan assets are as follows: | | |
| Balance at 1 January | 220,254 | 249,443 |
| Expected return on plan assets | 15,968 | 19,955 |
| Actuarial gain/(loss) | 9,622 | (204) |
| Benefits paid during the year | (9,575) | (48,940) |
| Balance at 31 December | 236,269 | 220,254 |

The above has been invested in bond.

F. Sensitivity

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| Effect in thousands of taka | 31 December 2019 | |
|-----------------------------|------------------|----------|
| | Increase | Decrease |
| Discount rate | 296,816 | 321,978 |
| Salary increase rate | 322,064 | 296,632 |

16.2 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 2019 by a professional actuary using Projected Unit Credit Method.

| B. Assumptions employed for the valuations are as follows: | | |
|---|-----------|-----------|
| | 2019 % | 2018 % |
| Salary increase rate | 8.00 | - |
| Discount rate | 9.20 | - |

| | 2019 Taka'000 | 2018 Taka'000 |
|---|------------------|------------------|
| C. Movement in the present value of the defined benefit obligation are as follows: | | |
| Balance at 1 January | 92,603 | - |
| Adjustment with valuation report | (91) | - |
| Current service cost | 11,625 | - |
| Interest cost | 6,420 | - |
| Actuarial (gain)/loss [Note C.1] | (20,522) | - |
| Benefits paid during the year | (5,180) | - |
| Balance at 31 December | 84,855 | - |

| | | |
|----------------------------------|-----------------|----------|
| C.1 Actuarial (gain)/loss | | |
| Demographic assumptions | 13 | - |
| Financial | (17,422) | - |
| Experience | (3,113) | - |
| | (20,522) | - |

D. Sensitivity

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| Effect in thousands of taka | 31 December 2019 | |
|-----------------------------|------------------|----------|
| | Increase | Decrease |
| Discount rate | 81,162 | 88,836 |
| Salary increase rate | 88,863 | 81,106 |

| | 2019 | 2018 |
|-------------------------------------|------------------|------------------|
| | Taka'000 | Taka'000 |
| 17 Trade payables | | |
| Payable for goods and services | 4,128,835 | 1,564,710 |
| General assistance fee (Note- 17.1) | 397,942 | 289,919 |
| Trademark license fee (Note- 17.2) | 397,942 | 289,919 |
| Contract liabilities | 138,147 | 384,439 |
| | 5,062,866 | 2,528,987 |

17.1 General assistance fee

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

17.2 Trademark license fee

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

18 Other current liabilities

| | | |
|---------------------------------------|----------------|----------------|
| Payables to suppliers of fixed assets | 226,533 | 144,263 |
| Income tax and VAT deducted at source | 236,845 | 111,433 |
| Others | 425,717 | 258,120 |
| Accrued interest payable | 32,144 | 28,584 |
| Dividend payable | 58,321 | 51,608 |
| | 979,560 | 594,008 |

19 Commitments and Contingencies

19.1 Commitments

Commitments related to operating activities

| | | |
|---------------------------------|------------------|------------------|
| Purchase commitments | 3,059,875 | 2,379,251 |
| Capital expenditure commitments | 381,259 | 117,059 |
| Guarantees given | 518,269 | 460,417 |
| | 3,959,403 | 2,956,727 |

19.2 Contingent Liabilities

| | | |
|--|------------------|----------------|
| Tax related cases with the Hon'ble High Court | 1,869,132 | 247,515 |
| VAT related cases with the Hon'ble High Court | 413,183 | 109,225 |
| Custom related cases with the Hon'ble High Court | 5,000 | - |
| | 2,287,315 | 356,740 |

19.3 Claims

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

19.4 Jalalabad Gas Transmission & Distribution Systems Ltd. (JGTDS) and LafargeHolcim Bangladesh Ltd. executed a Gas Sales Agreement (GSA) on 19 January 2003. According to the GSA, gas bills are payable by the Company to JGTDS as per tariff fixed by the Government subject to a Ceiling Price. In 2015, the gas price fixed by Bangladesh Energy Regulatory Commission (BERC) crossed the Ceiling Price and JGTDS started invoicing the Company as per BERC rate. The Company submitted written objections and since then the Company have been paying as per Ceiling Price. As per the legal opinion of the independent lawyer engaged by the Company, the Ceiling Price under the GSA is legally binding on JGTDS, and the invoices raised by JGTDS are not tenable under the relevant laws.

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | Taka'000 | Taka'000 |
| 20 Revenue | | |
| Sale of gray cement* | 11,598,536 | 9,676,886 |
| Sale of cement clinker | 310,095 | 2,194,098 |
| Other sales (Limestone, slag and gypsum sales to Holcim Cement (Bangladesh) Limited) | - | 244,277 |
| | 11,908,631 | 12,115,261 |
| Products transferred at a point in time | 11,908,631 | 12,115,261 |
| *Sale of gray cement | | |
| Local sales | 11,593,553 | 9,664,690 |
| Export in Export Processing Zones | 4,983 | 12,196 |
| | 11,598,536 | 9,676,886 |

| | 2019 <u>Taka'000</u> | 2018 <u>Taka'000</u> |
|---|-------------------------|-------------------------|
| 21 Cost of Sales | | |
| Opening finished goods and work in process (Note- 34) | 315,757 | 179,729 |
| Raw materials costs (Note- 21.1) | 3,563,275 | 3,665,489 |
| Purchased clinker | 394,400 | - |
| Toll manufacturing costs | 527,266 | 1,740,376 |
| Power and fuel costs | 1,252,972 | 1,196,532 |
| Production and maintenance costs (Note- 21.2) | 1,321,590 | 1,253,791 |
| Plant general and administrative costs (Note- 21.3) | 231,884 | 238,001 |
| Freight cost to customers | 494,992 | 570,669 |
| Depot operating and transportation costs (Note- 21.4) | 930,517 | 823,247 |
| Closing finished goods and work in process (Note- 34) | (413,524) | (315,757) |
| | 8,619,129 | 9,352,077 |
| 21.1 Raw materials costs | | |
| Slag | 292,940 | 256,741 |
| Fly ash | 51,134 | - |
| Gypsum | 294,861 | 271,673 |
| Iron ore | 23,799 | 22,342 |
| Sand | 15,834 | 22,428 |
| Clay | 103,696 | 91,229 |
| Limestone | 2,353,524 | 2,588,316 |
| Packing materials | 425,046 | 387,080 |
| Others | 2,441 | 25,680 |
| | 3,563,275 | 3,665,489 |
| 21.2 Production and maintenance costs | | |
| Salary, allowances and benefits | 197,194 | 199,616 |
| Contributions to employees' benefit schemes | 16,983 | 15,737 |
| Maintenance | 56,850 | 84,444 |
| Other supplies and spares | 296,788 | 246,593 |
| Material handling | 64,090 | 60,959 |
| Other expenses | 119,681 | 131,963 |
| Technical studies | 903 | 3,355 |
| Depreciation | 563,856 | 501,920 |
| Amortization of intangible assets | 5,245 | 9,204 |
| | 1,321,590 | 1,253,791 |
| 21.3 Plant general and administrative costs | | |
| Salary, allowances and benefits | 69,776 | 78,648 |
| Contributions to employees' benefit schemes | 2,570 | 2,743 |
| Staff welfare expenses | 34,259 | 33,268 |
| Training, seminars and meetings | 579 | 1,251 |
| Travelling | 2,687 | 3,765 |
| Rent | 1,003 | 1,343 |
| Gas, electricity and water | 331 | 306 |
| Telephone, fax and postage | 1,450 | 1,480 |
| Office maintenance | 27,618 | 30,588 |
| Security services | 22,478 | 27,592 |
| Printing and stationery | 566 | 438 |
| Other supplies and spares | 3,075 | 1,790 |
| Other office expenses | 17,862 | 17,731 |
| Consultancy | 281 | 186 |
| Vehicles running expenses | 7,884 | 7,831 |
| Corporate social activities | 20,394 | 10,269 |
| Insurance | 19,071 | 18,772 |
| | 231,884 | 238,001 |
| 21.4 Depot operating and transportation costs | | |
| Salary, allowances and benefits | 99,776 | 100,137 |
| Contributions to employees' benefit schemes | 9,705 | 10,268 |
| Staff welfare expenses | 1,209 | 2,994 |
| Training, seminars and meeting | 710 | 718 |
| Depreciation | 25,511 | 8,192 |
| Depot other maintenance costs | 151,225 | 148,550 |
| Transportation costs | 642,381 | 552,388 |
| | 930,517 | 823,247 |

| | 2019 | 2018 |
|---|-----------------|------------------|
| | Taka'000 | Taka'000 |
| 22 General and administrative expenses | | |
| Salary, allowances and benefits | 253,952 | 213,879 |
| Contributions to employees' benefit schemes | 18,927 | 17,941 |
| Staff welfare expenses | 1,852 | 3,554 |
| Training, seminars and meeting | 13,812 | 15,237 |
| Travelling | 7,541 | 6,725 |
| Rent | 47,710 | 49,001 |
| Gas, electricity and water | 97 | 205 |
| Telephone, fax and postage | 1,463 | 1,380 |
| Entertainment | 4,573 | 6,075 |
| Office maintenance | 4,646 | 3,666 |
| Office security services | 364 | 749 |
| Printing and stationery | 1,959 | 1,781 |
| IT maintenance expenses | 76,267 | 114,431 |
| Other office expenses | 18,629 | 24,728 |
| Registration and other fees | 4,472 | 3,949 |
| Audit and tax advisory fees | 2,370 | 3,574 |
| Legal expenses | 18,797 | 6,469 |
| Vehicles running expenses | 15,160 | 15,631 |
| Publicity and public relation | 7,263 | 9,225 |
| General assistance fee | 108,023 | 97,894 |
| Trademark license fee | 108,023 | 97,894 |
| Royalty fee | 13,011 | - |
| Consulting, survey and studies | 2,719 | 79,310 |
| Depreciation | 46,275 | 23,350 |
| Amortization of intangible assets | 39,757 | 41,339 |
| | 817,662 | 837,987 |
| 23 Sales and marketing expenses | | |
| Salary, allowances and benefits | 118,772 | 130,503 |
| Contributions to employees' benefit schemes | 9,864 | 11,766 |
| Staff welfare expenses | 135 | 35 |
| Travelling | 14,458 | 10,168 |
| Gas, electricity and water | 829 | 184 |
| Telephone, fax and postage | 1,663 | 1,492 |
| Entertainment | 1,123 | 2,235 |
| Office maintenance | 6,755 | 6,248 |
| Printing and stationery | 160 | 57 |
| Other office expenses | 7,937 | 9,491 |
| Registration and other fees | 1,947 | 2,322 |
| Vehicles running expenses | 10,150 | 17,244 |
| Advertisement and promotion | 126,317 | 77,309 |
| Provision for trade receivables | 1,469 | 5,820 |
| Bad debt | 27,465 | - |
| General survey and studies | 423 | 1,093 |
| Depreciation | 1,167 | 687 |
| | 330,634 | 276,654 |
| 24 Other operating income and expenses | | |
| A. Other operating income | | |
| Gain on sale of miscellaneous scrap items | 41,608 | 8,065 |
| | 41,608 | 8,065 |
| B. Other operating expenses | | |
| Loss on sale of property, plant and equipment | (39,769) | (155,038) |
| | (39,769) | (155,038) |
| 25 Finance costs and income | | |
| Interest on borrowings | 205,251 | 213,955 |
| Other finance costs | 7,331 | 2,019 |
| Bank charges and commission | 7,698 | 9,378 |
| Interest expenses on lease liabilities | 945 | - |
| Exchange loss | 17,715 | 8,955 |
| Finance costs | 238,940 | 234,307 |
| Interest income on bank deposits | 8,739 | 2,431 |
| Finance income | 8,739 | 2,431 |
| Net finance costs | 230,201 | 231,876 |

| | 2019 Taka'000 | 2018 Taka'000 |
|--|------------------|------------------|
| 26 Income tax | | |
| Current income tax expenses | 645,072 | 435,901 |
| Deferred tax income | (81,219) | (75,111) |
| | 563,853 | 360,790 |
| 26.1 Reconciliation of tax rate | | |
| Statutory tax rate | 25.00% | 25.00% |
| Permanent differences | 1.61% | 4.91% |
| Effective tax rate | 26.61% | 29.91% |

27 A. Earnings per share

The computation of basic and diluted earnings per share for the years ended 31 December 2019 and 31 December 2018 are as follows:

| Numerator | <i>(Thousands of Taka)</i> | | |
|---|------------------------------|-----------|-----------|
| Profit for the year | | 1,253,349 | 845,419 |
| 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> | 1.08 | 0.73 |
| Diluted earnings per share | <i>Taka</i> | 1.08 | 0.73 |

B. Net asset value (NAV) per share

The computation of net asset value per share for the years ended 31 December 2019 and 31 December 2018 are as follows:

| Numerator | <i>(Thousands of Taka)</i> | | |
|---|------------------------------|--------------|--------------|
| Net asset value for the year | | 13,698,781 | 13,813,698 |
| Denominator | <i>(Thousands of Shares)</i> | | |
| Weighted average number of shares outstanding | | 1,161,374 | 1,161,374 |
| Net asset value per share | <i>Taka</i> | 11.80 | 11.89 |

C. Net operating cash flow per share (NOCFPS)

The computation of net operating cash flow per share for the years ended 31 December 2019 and 31 December 2018 are as follows:

| Numerator | <i>(Thousands of Taka)</i> | | |
|---|------------------------------|-------------|-------------|
| Net operating cash flow for the year | | 3,317,704 | 870,168 |
| Denominator | <i>(Thousands of Shares)</i> | | |
| Weighted average number of shares outstanding | | 1,161,374 | 1,161,374 |
| Net operating cash flow per share | <i>Taka</i> | 2.86 | 0.75 |

28 Related party transactions

During the period, 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.

| 2019 | | | Transaction value during the period | Receivable/ (Payable) at 2019 |
|--|---------------------------------|--|---|-------------------------------------|
| Name of the party | Relationship | Nature of transaction | Taka '000 | Taka '000 |
| Lafarge Umiyam Mining Private Limited | Subsidiary company | Purchase of limestone | 2,649,180 | (259,278) |
| LH Trading Pte Ltd | Group Company | Intercompany purchase | 1,605,289 | (11,343) |
| Surma Holding B.V. | Shareholder | Dividend Payment | 687,728 | - |
| Lafarge S.A. | Group Company | Technical assistance/Trademark license | 125,307 | (498,880) |
| Cementos Molins | Group Company | Trademark license/Travel expenses | 90,739 | (345,693) |
| Holcim East Asia Business Service | Group Company | Intercompany services | 82,482 | (66,834) |
| Holcim Asean Business Service Centre | Group Company | Intercompany services/Technical assistance | 21,524 | (70,508) |
| Holcim Group Services Ltd. | Group Company | Intercompany services | 20,163 | (128,851) |
| Bengal Development Corporation | Shareholder's associated entity | Cement sales | 17,469 | 2,469 |
| LH Trading Ltd | Group Company | Intercompany services | 7,017 | 18,823 |
| Lafarge International Services Singapore | Group Company | Intercompany services | 6,080 | (1,759) |
| Eastern Housing Ltd. | Shareholder's associated entity | Cement sales | 5,181 | 426 |
| Lafarge Industries South Africa (PTY) Ltd. | Group Company | Intercompany services | 2,699 | 7,418 |
| Jahurul Islam Medical College | Shareholder's associated entity | Cement sales | 1,280 | 481 |
| Bank Asia Limited | Shareholder's associated entity | Cement sales | 1,582 | (204) |
| Opex Group | Shareholder's associated entity | Cement sales | 1,084 | 256 |
| Sinha Peoples Energy Ltd. | Shareholder's associated entity | Cement sales | 738 | 147 |
| Holcim Services (South Asia) India | Group Company | Intercompany services | - | (16,980) |
| Holcim Philippines, Inc | Group Company | Intercompany services | - | (128) |
| Aftab Bahumukhi Firm Ltd. | Shareholder's associated entity | Cement sales | - | (15) |

| 2018 | | | Transaction value during the period | Receivable/ (Payable) at 2018 |
|--|---------------------------------|--|-------------------------------------|-------------------------------|
| Name of the party | Relationship | Nature of transaction | Taka '000 | Taka '000 |
| Holcim Cement (Bangladesh) Ltd. | Subsidiary company | Clinker sales | 3,797,233 | 1,711,472 |
| Lafarge Umiyam Mining Private Limited | Subsidiary company | Purchase of limestone | 2,537,478 | (156,277) |
| LH Trading Pte Ltd | Group Company | Intercompany purchase | 523,587 | (20,843) |
| Surma Holding B.V. | Shareholder | Dividend Payment | 333,213 | - |
| 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) |
| Holcim Asean Business Service Centre | Group Company | Intercompany services/Technical assistance | 55,099 | (141,800) |
| Bengal Development Corporation | Shareholder's associated entity | Cement sales | 20,239 | 3,061 |
| Eastern Housing Ltd. | Shareholder's associated entity | Cement sales | 10,667 | 1,005 |
| Holcim Group Services Ltd. | Group Company | Intercompany services | 7,422 | (9,441) |
| 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 |
| Opex Group | Shareholder's associated entity | Cement sales | 3,793 | 418 |
| Delta Life Insurance Company Limited | Shareholder's associated entity | Insurance service | 2,094 | (1,009) |
| Lafarge International Services Singapore | Group Company | Intercompany services | 1,290 | (1,297) |
| Sinha Peoples Energy Ltd. | Shareholder's associated entity | Cement sales | 1,105 | 234 |
| Aftab Bahumukhi Firm Ltd. | Shareholder's associated entity | Cement sales | 878 | 103 |
| Shikharaa Developments Ltd. | Shareholder's associated entity | Cement sales | 713 | (13) |
| Lafarge Asia SDN BHD | Group Company | Intercompany services/Technical assistance | - | (71,251) |
| LH Trading Ltd | Group Company | Intercompany services | - | 16,276 |
| PT Lafarge Cement Indonesia | Group Company | Intercompany services | - | 664 |
| Holcim Phillipines, Inc | Group Company | Intercompany services | - | (82) |
| Jahurul Islam Medical College | Shareholder's associated entity | Cement sales | - | 3 |

| | 2019 | 2018 |
|--|----------------|----------------|
| | Taka'000 | Taka'000 |
| 29 Directors', managers' and officers' remuneration | | |
| Salary, allowances and benefits | 381,443 | 353,830 |
| Contributions to employees' benefit scheme | 28,981 | 31,803 |
| Reimbursable expenses | 15,740 | 16,296 |
| | <u>426,164</u> | <u>401,929</u> |

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

30 Financial Instruments

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 measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2019

| In thousands of Taka | Carrying amount | | | Fair value | | | |
|---|----------------------------------|------------------------------------|-----------------------------|------------|---------|------------|---------|
| | Fair value - Hedging instruments | Financial assets at amortised cost | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| Financial assets measured at fair values | | | | | | | |
| Forward exchange contracts used for hedging | 721 | - | - | 721 | - | 721 | - |
| | 721 | - | - | 721 | - | 721 | - |
| Financial assets not measured at fair value | | | | | | | |
| Trade and other current assets | - | 1,707,839 | - | 1,707,839 | - | - | - |
| Cash and cash equivalents | - | 237,374 | - | 237,374 | - | - | - |
| | - | 1,945,213 | - | 1,945,213 | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | |
| Borrowings | - | - | 1,154,692 | 1,154,692 | - | - | - |
| Trade payables | - | - | 5,062,866 | 5,062,866 | - | - | - |
| Other current liabilities | - | - | 979,560 | 979,560 | - | - | - |
| | - | - | 7,197,118 | 7,197,118 | - | - | - |

31 December 2018

| In thousands of Taka | Carrying amount | | | | Fair value | | |
|---|--|--|--------------------------------|-----------|------------|---------|---------|
| | Fair value - Hedging instruments | Financial assets at amortised cost | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| Financial assets not measured at fair value | | | | | | | |
| Trade and other current assets | - | 3,197,409 | - | 3,197,409 | - | - | - |
| Cash and cash equivalents | - | 201,900 | - | 201,900 | - | - | - |
| | - | 3,399,309 | - | 3,399,309 | - | - | - |
| Financial liabilities measured at fair value | | | | | | | |
| Forward exchange contracts used for hedging | 9,166 | - | - | 9,166 | - | 9,166 | - |
| | 9,166 | - | - | 9,166 | - | 9,166 | - |
| Financial liabilities not measured at fair value | | | | | | | |
| Borrowings | - | - | 2,384,478 | 2,384,478 | - | - | - |
| Trade payables | - | - | 2,528,987 | 2,528,987 | - | - | - |
| Other current liabilities | - | - | 594,008 | 594,008 | - | - | - |
| | - | - | 5,507,473 | 5,507,473 | - | - | - |

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.

| In thousands of Taka | 2019 | 2018 |
|--|------------------|-----------------|
| Impairment loss on trade receivables from contracts with customers | (145,549) | (21,022) |
| | (145,549) | (21,022) |

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 gross trade receivables is as follows.

| In thousands of Taka | 2019 | 2018 |
|-------------------------|------------------|------------------|
| Neither past due | 920,100 | 2,245,784 |
| Past due | | |
| Past due 1-30 days | 150,039 | 206,880 |
| Past due 31-90 days | 38,618 | 68,960 |
| Past due 91-180 days | 45,184 | 69,280 |
| Over 180 days | 139,219 | 39,826 |
| | 1,293,160 | 2,630,730 |

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 valuation allowance for doubtful receivables is as follows:

| In thousands of Taka | 2019 | 2018 |
|-----------------------------|------------------|-----------------|
| Balance at 1 January | (21,022) | (15,202) |
| HBL amalgamation (Note- 7B) | (123,058) | - |
| Current year addition | (1,469) | (5,820) |
| | (145,549) | (21,022) |

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

| In thousands of Taka | 2019 | 2018 |
|---|------------------|------------------|
| Trade receivables net of impairment loss | 1,147,611 | 2,609,708 |
| Other current assets excluding prepaid expenses | 374,151 | 324,671 |
| | 1,521,762 | 2,934,379 |

Cash and cash equivalents

The Company held cash and cash equivalents of Taka 237 million at 31 December 2019 (2018: Taka 202 million). The cash and cash equivalents are held with bank and financial institution counterparties with satisfactory credit ratings. 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 2019 | 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 | 5,062,866 | 4,174,847 | 888,019 | - |
| Other current liabilities | 947,416 | 814,363 | 133,053 | - |
| Borrowings | 1,032,315 | 538,067 | 400,000 | 94,248 |
| Lease liabilities | 122,377 | - | 8,852 | 113,525 |
| | 7,164,974 | 5,527,277 | 1,429,924 | 207,773 |
| Derivative financial liabilities | | | | |
| Forward exchange contracts used for hedging | (721) | (721) | - | - |
| | (721) | (721) | - | - |
| 31 December 2018 | | | | |
| Trade payables | 2,528,987 | 1,802,924 | 726,063 | - |
| Other current liabilities | 565,424 | 417,326 | 148,098 | - |
| Borrowings | 2,384,478 | 1,000,000 | 400,000 | 984,478 |
| | 5,478,889 | 3,220,250 | 1,274,161 | 984,478 |
| Derivative financial liabilities | | | | |
| Forward exchange contracts used for hedging | 9,166 | - | - | - |
| | 9,166 | - | - | - |

iii) Market risk

Market risk is the risk that changes in market prices- e.g. foreign exchange rates, interest rates and equity prices-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 and Swiss franc.

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 2019 | BDT'000 | USD'000 | EUR'000 | CHF'000 |
|---|----------------|--------------|--------------|------------|
| Foreign currency denominated assets | | | | |
| Other receivables | 19,102 | 225 | - | - |
| Cash and cash equivalents | 444 | 3 | 2 | - |
| Total | 19,546 | 210 | 2 | - |
| Foreign currency denominated liabilities | | | | |
| Trade payables | 492,212 | 4,610 | 271 | 856 |
| Other current liabilities | 133,053 | 550 | 899 | 12 |
| Total | 625,265 | 5,160 | 1,170 | 868 |
| Balance at 31 December 2018 | | | | |
| Foreign currency denominated assets | | | | |
| Other receivables | 17,367 | 207 | - | - |
| Cash and cash equivalents | 442 | 3 | 2 | - |
| Total | 17,809 | 210 | 2 | - |
| Foreign currency denominated liabilities | | | | |
| Trade payables | 335,059 | 3,712 | 248 | - |
| Other current liabilities | 132,711 | 544 | 899 | 17 |
| Total | 467,770 | 4,256 | 1,147 | 17 |

The following significant exchange rates have been applied.

| Currencies | 31 December 2019 | | 31 December 2018 | |
|------------|------------------|--------------|------------------|--------------|
| | Closing rate | Average rate | Closing rate | Average rate |
| BDT/USD | 84.9000 | 84.4486 | 83.9000 | 83.4686 |
| BDT/EUR | 94.8885 | 94.5461 | 95.2517 | 98.5670 |
| BDT/CHF | 87.7429 | 84.9766 | 84.6167 | 85.8055 |

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 | 2019 | 2018 |
|--------------------------------|--|--|
| | Estimated impact on profit/loss and equity (+/-) | Estimated impact on profit/loss and equity (+/-) |
| | Taka'000 | Taka'000 |
| Assets denominated in USD | 89 | 88 |
| Assets denominated in EUR | 1 | 1 |
| Liabilities denominated in USD | 1,792 | 1,785 |
| Liabilities denominated in EUR | 555 | 546 |
| Liabilities denominated in CHF | 75 | 7 |

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.

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 2019 profit before tax of +/- Taka 202 (Taka 104 for 2018) in thousands and Taka 9,550 (Taka 23,936 for 2018) in thousands respectively.

| Interest bearing financial instruments of the Company at reporting date are as follows: | 2019 | 2018 |
|---|------------------|------------------|
| | Taka'000 | Taka'000 |
| Financial assets | | |
| Short-term deposits | 20,185 | 10,422 |
| | 20,185 | 10,422 |
| Financial liabilities | | |
| Long-term borrowings- including current portion of the long term borrowings | 978,997 | 1,784,478 |
| Short-term borrowings | 174,974 | 609,166 |
| | 1,153,971 | 2,393,644 |

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.

31 Number of employees

LafargeHolcim Bangladesh Limited

Nationality:

| | 2019 | 2018 |
|-----------------------------|------------|------------|
| Bangladeshi | 607 | 341 |
| Non-Bangladeshi | 8 | 6 |
| | 615 | 347 |
| Salary range: | | |
| Monthly Taka 3,000 or above | 615 | 347 |
| Monthly below Taka 3,000 | Nil | Nil |

| | 2019 Taka '000 | 2018 Taka '000 |
|---|-------------------|-------------------|
| 32 Expenditure in foreign currencies | | |
| Technical assistance | 30,301 | 66,466 |
| | 30,301 | 66,466 |
| 33 Materials consumption | | |
| <i>In terms of value</i> | | |
| Imported | | |
| Raw materials | 2,941,325 | 3,116,730 |
| Spare parts and other supplies | 200,285 | 186,287 |
| | 3,141,610 | 3,303,017 |
| Indigenous | | |
| Raw materials | 568,375 | 523,079 |
| Spare parts and other supplies | 85,836 | 62,096 |
| | 654,211 | 585,175 |
| | 3,795,821 | 3,888,192 |
| <i>In terms of percentage</i> | | |
| Imported | | |
| Raw materials | 77 | 80 |
| Spare parts and other supplies | 5 | 5 |
| | 83 | 85 |
| Indigenous | | |
| Raw materials | 15 | 13 |
| Spare parts and other supplies | 2 | 2 |
| | 17 | 15 |
| | 100 | 100 |

34 Opening and closing finished goods and work in process

| Items | Unit | 2019 | | 2018 | |
|-------------------------------|------|--------------|----------------|--------------|----------------|
| | | Quantity'000 | Taka'000 | Quantity'000 | Taka'000 |
| Gray cement | MT | 36 | 130,404 | 30 | 106,676 |
| Cement clinker | MT | 51 | 178,694 | 20 | 68,522 |
| Work in process | MT | 5 | 6,659 | 3 | 4,531 |
| Balance at 1 January | | 92 | 315,757 | 53 | 179,729 |
| Gray cement | MT | 46 | 184,967 | 36 | 130,404 |
| Cement clinker | MT | 60 | 225,015 | 51 | 178,694 |
| Work in process | MT | 3 | 3,542 | 5 | 6,659 |
| Balance at 31 December | | 109 | 413,524 | 92 | 315,757 |

| | 2019 Taka '000 | 2018 Taka '000 |
|--|-------------------|-------------------|
| 35 Comparative information of the shareholders (Note- 27) | | |
| Net Asset Value (NAV) Per Share | 11.80 | 11.89 |
| Earning Per Share (EPS) | 1.08 | 0.73 |
| Net Operating Cash Flow Per Share (NOCFPS) | 2.86 | 0.75 |
| Profit for the year (in thousand) | 1,253,349 | 845,419 |

36 Reconciliation of net profit with cash flows from operating activities

| | 2019 | 2018 |
|---|------------------|----------------|
| Net profit for the year | 1,253,349 | 845,419 |
| Depreciation and amortization | 681,811 | 584,692 |
| Other non-cash items | 1,469 | 5,820 |
| Non-operating items | 794,054 | 592,666 |
| Changes in net working capital | 587,021 | (1,158,429) |
| Cash flows from operating activities | 3,317,704 | 870,168 |

37 Installed capacity and actual production (figures in thousand MT)

| Products | Annual installed capacity | Actual production | |
|----------------|---------------------------|-------------------|-------|
| | | 2019 | 2018 |
| Gray cement | 1,500 | 1,223 | 1,231 |
| Cement clinker | 1,400 | 1,268 | 1,270 |

| | 2019 <u>Taka'000</u> | 2018 <u>Taka'000</u> |
|----------------------------|-------------------------|-------------------------|
| 38 Value of imports | | |
| Raw materials and others | 3,514,797 | 3,476,295 |
| | <u><u>3,514,797</u></u> | <u><u>3,476,295</u></u> |

39 Remittances of foreign currency


Interim and final dividend


| | 2019 | | 2018 | |
|---------------------------------------|-------------------------|--------------------------------|-------------------------|------------------------------------|
| <u>Name of Shareholder</u> | <u>Number of shares</u> | <u>Final for 2018 Taka'000</u> | <u>Number of shares</u> | <u>Final for 2017 and Taka'000</u> |
| Surma Holding B.V. (The Netherlands)* | 341,849,350 | 307,664 | 341,849,350 | 153,832 |
| Jean Hidier (France) | 11,560 | 8 | 11,560 | 4 |
| Mohammed Abdul Gaffar (UK) | 18,010 | 13 | 18,010 | 6 |

| | 2019 | | 2018 | |
|--------------------------------------|-----------------|---------------|-----------------|---------------|
| <u>Name of Shareholder</u> | <u>Currency</u> | <u>Amount</u> | <u>Currency</u> | <u>Amount</u> |
| Surma Holding B.V. (The Netherlands) | EUR | 3,208,180 | EUR | 1,604,090 |
| Jean Hidier (France) | EUR | 83 | EUR | 41 |
| Mohammed Abdul Gaffar (UK) | GBP | 116 | GBP | 58 |

* In addition to the above, an amount of Taka 307,664,415 (EUR 3,206,508) representing 341,849,350 shares has been remitted through NITA account.

| 40 Lease disclosures | 2019 <u>Taka '000</u> |
|--|----------------------------------|
| Expenses for leases of low value assets | - |
| Payments for leases of low value assets | - |
| Short-term lease expenses | (65,730) |
| Payment for short-term leases excluding short term sub-lease | (2,392) |
| Short term sub lease payment | (63,338) |
| Average lease terms (in years) | 2 |


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer