

**Audited Financial Statements
Of
LafargeHolcim Bangladesh Limited
For the year ended 31 December 2020**

Hoda Vasi Chowdhury & Co

Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

LafargeHolcim Bangladesh Limited

Report of the audit of the financial statements

Opinion

We have audited the financial statements of **LafargeHolcim Bangladesh Limited** (hereinafter referred to as "the Company"), which comprise the statement of financial position as at 31 December 2020, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994 and other applicable laws and regulations.

Basis for opinion

We have 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 ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled other ethical responsibilities in accordance with 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 19.4 of the accompanying financial statements stating that the Group has legal issue in relation to the excess gas tariff raised by Jalalabad Gas Transmission and Distribution System Limited. A dispute has arisen between the parties as on 03 January 2021 and the demand made by Jalalabad Gas Transmission and Distribution System Limited for payment of gas price as per the tariff fixed by Bangladesh Energy Regulatory Commission (BERC). In response to Jalalabad Gas's demand for additional payment, LafargeHolcim Bangladesh Limited has been maintaining the position as opined by the Group's legal advisor that the gas price is governed by the Gas Sales Agreement (GSA) dated 19 January 2003, which provides for a Ceiling Price (USD 2.8 per thousand Standard Cubic Foot). Jalalabad Gas issued a notice to LafargeHolcim Bangladesh Limited threatening to terminate the GSA and discontinue supply of gas to the Plant of LafargeHolcim Bangladesh Limited. The Group has filed an Arbitration Application and the Hon'ble High Court Division Bangladesh passed an order on 07 February 2021 issuing a Rule as prayed for, and pending hearing of the Rule, the Hon'ble Court directed Jalalabad Gas to maintain *status quo* in respect of supply of gas at the Plant and further restrained Jalalabad Gas from terminating the GSA or stopping supply of gas to the Plant, for a period of three (3) months from date.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. These results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1) Revenue

Revenue recognition has significant and wide influence on financial statements. The Company reported revenue for the amount of Taka 16,223 million. Revenue is recognized when the amounts and the related costs are reliably measured and the performance obligation is completed through passing of control to the customers. While the risk and rewards are being transferred for the performance obligations at the delivery point and control has passed, there is a risk that the Company might misstate or manipulate sales quantity or price in the financial statements. There is also a risk that revenue may be overstated or understated through various discounts and incentives.

How our audit addressed the key audit matter

- We assessed the reporting environment of the Company as well as other relevant systems supporting the accounting or revenue;
- We examined customer invoice (Mushak 6.3), VAT submission form (Mushak 9.1) and receipts of payment on a test basis;
- We examined ERP system (SAP) which generated sales report (48 report) and compared with dispatch report (701 report);
- We summarized Mushak 9.1, Mushak 6.7, month wise sales and cross checked with financial statements booked as revenue;
- We performed detailed walk through tests for the discounts and trade incentives;
- We obtained supporting documents for sales transactions recorded;
- We assessed whether the sufficient disclosure has been given; and
- We tested the timing of revenue recognition as well as cut off checked.

2) Impairment testing of goodwill

Refer to Note 6(B) to the financial statements

Included on the financial statements is an intangible assets balance of Taka 318 million as at 31 December 2020.

The Company is required to, at least annually, perform impairment assessments of intangible assets including goodwill that have an indefinite useful life. For intangible assets with useful lives, the Company is required to review these for impairment whenever events or changes in circumstances indicate that

their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives.

For the purpose of performing impairment assessments, intangible assets including goodwill have been allocated to the Company of cash generating units (“CGUs”). The recoverable amount of the underlying CGUs is supported by value-in-use calculations which are based on future discounted cash flows.

Management concluded that the intangible assets including goodwill were not impaired for the year ended 31 December 2020.

We focused on this area as the assessments made by management involved significant estimates and judgments, including sales growth rates, gross profit margin, net profit margin and perpetual growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGUs. These estimates and judgments may be affected by unexpected changes in future market or economic conditions or discount rates applied.

How our audit addressed the key audit matter

- We understood, evaluated and validated management’s key controls over the impairment assessment process;
- We compared the methodology used (value-in-use calculations based on future discounted cash flows) by the Company with market practice;
- We obtained management’s future cash flow forecasts, tested the mathematical accuracy of the underlying value-in-use calculations and agreed them to the approved one-year financial budget and future forecasts. We also compared historical actual results to those budgeted to assess the quality of management’s forecasts;
- We also assessed the reasonableness of key assumptions used in the calculations, comprising sales growth rates, operating profit margin, EBITDA margin, perpetual growth rate and discount rates. When assessing these key assumptions, we discussed them with management to understand and evaluate management’s basis for determining the assumptions, and compared them to external industry outlook reports and economic growth forecasts from a number of sources. We also engaged our valuation experts to assist us in assessing the reasonableness of the discount rates used by management by comparing the discount rates used to entities with similar risk profiles and market information;
- We obtained and tested management’s sensitivity analysis around the key assumptions, to ascertain that selected adverse changes to key assumptions, both individually and in aggregate, would not cause the carrying amount of intangible assets including goodwill to exceed the recoverable amount;
- We evaluated management’s assessment on whether any events or change in circumstances indicate there may be a change in the expected useful lives of intangible assets; and
- We found the Company estimates and judgments used in the impairment assessment and review of useful lives of intangible assets to be supported by the available evidence.

3) Deferred tax liabilities

The Company reported net deferred tax liabilities amounting to Taka 2,380 million as at 31 December 2020. Significant judgment is required in relation to deferred tax liabilities as their recoverability is dependent on forecasts of future profitability over a number of years.

Refer to Note 15 to the financial statements for relevant disclosures regarding deferred tax liabilities.

How our audit addressed the key audit matter

- We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company key controls over the recognition and measurement of deferred tax assets (DTAs) and the assumptions used in estimating the Company future taxable income;
- We also assessed the completeness and accuracy of the data used for the estimations of future taxable income;
- We involved tax specialists to assess key assumptions, controls, recognition and measurement of deferred tax (DTs); and
- Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.

Other matter

The financial statements for the prior period were audited by Nurul Faruk Hasan & Co, Chartered Accountants, the opinion was unmodified, and the date of their audit report was 04 March 2020.

Reporting on other information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this 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.

If, based on the work we have performed, on the other information obtained prior to the date of this audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws and regulations 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 International Standards on Auditing (ISAs), we exercised professional judgment and maintained 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 omissions, 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 the 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 a 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe 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 International Standards on Auditing (ISAs), 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 purpose 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 and the statement of profit or loss and other comprehensive income along with the annexed notes 1 to 40 dealt with by the report are in agreement with the books of account; and
- d. the expenditures incurred and payments made were for the purposes of the Company's affairs.

Dhaka, 02 MAR 2021

DVC 2103180469AS137211



A F Nesaruddin, FCA
Senior Partner
Enrolment # 469
Hoda Vasi Chowdhury & Co
Chartered Accountants

LafargeHolcim Bangladesh Limited
Statement of financial position
As at 31 December

	Note	2020 Taka'000	2019 Taka'000
Assets			
Non-current assets			
Property, plant and equipment	5	16,696,730	16,854,211
Intangible assets	6	317,776	356,913
Investment in subsidiaries	7	519,893	519,893
Total non-current assets		17,534,399	17,731,017
Current assets			
Inventories	8	2,187,723	2,722,492
Trade receivables	9	1,083,760	1,567,210
Other current assets	10	380,377	455,360
Advance income tax	11	649,343	1,158,412
Cash and cash equivalents	12	1,292,660	237,374
Total current assets		5,593,863	6,140,848
Total assets		23,128,262	23,871,865
Equity & liabilities			
Capital and reserves			
Share capital	13.4	11,613,735	11,613,735
Retained earnings		2,955,783	2,133,175
Other components of equity	13.7	(102,614)	(48,129)
Total equity		14,466,904	13,698,781
Non-current liabilities			
Borrowings	14A	53,227	178,997
Deferred tax liability	15	2,379,700	2,819,140
Employee benefits	16	267,128	157,547
Total non-current liabilities		2,700,055	3,155,684
Current liabilities			
Trade payables	17	5,130,044	5,247,898
Other current liabilities	18	741,422	740,005
Borrowings	14B	30,090	974,974
Unclaimed dividend		59,747	54,523
Total current liabilities		5,961,303	7,017,400
Total liabilities		8,661,358	10,173,084
Total equity and liabilities		23,128,262	23,871,865
Net Asset Value (NAV) Per Share	35	12.46	11.80

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


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer

As per our annexed report of same date

Dhaka, Bangladesh
Dated: 02 MAR 2021

DVC: 2103180469AS137211



A F Nesaruddin, FCA
Senior Partner
Enrolment # 469
Hoda Vasi Chowdhury & Co
Chartered Accountants

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

	Note	2020 Taka '000	2019* Taka '000
Revenue	20	16,222,483	11,974,133
Cost of sales	21	(12,187,486)	(8,684,631)
Gross profit		4,034,997	3,289,502
Other operating income	24A	21,071	41,608
General and administrative expenses	22	(1,088,570)	(817,662)
Sales and marketing expenses	23	(408,903)	(330,634)
Other operating expense	24B	-	(39,769)
Operating profit		2,558,595	2,143,045
Finance cost	25	(99,786)	(238,940)
Finance income	25	13,616	8,739
Net finance cost		(86,170)	(230,201)
Profit before WPPF & tax		2,472,425	1,912,844
Workers' profit participation and welfare fund (WPPF)		(123,621)	(95,642)
Profit before tax		2,348,804	1,817,202
Income tax expense	26	(364,822)	(563,853)
Profit for the year		1,983,982	1,253,349
Earnings Per Share			
Basic	27A	1.71	1.08
Diluted	27A	1.71	1.08

*See note number 2.15

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


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer

As per our annexed report of same date

Dhaka, Bangladesh

Dated: **02 MAR 2021**

DVC: **2103180469AS137211**



A F Nesaruddin, FCA

Senior Partner

Enrolment # 469

Hoda Vasi Chowdhury & Co

Chartered Accountants

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


	2020 <u>Taka '000</u>	2019* <u>Taka '000</u>
Profit for the year	<u>1,983,982</u>	<u>1,253,349</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial (loss)/gain-net off tax	(60,146)	41,652
	<u>(60,146)</u>	<u>41,652</u>
Items that may be reclassified to profit or loss		
Cash flow hedge- net off tax	5,661	9,161
	<u>5,661</u>	<u>9,161</u>
Other comprehensive income for the year, net of tax	<u>(54,485)</u>	<u>50,813</u>
Total comprehensive income for the year	<u>1,929,497</u>	<u>1,304,162</u>

*See note number 2.15

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


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer

As per our annexed report of same date

Dhaka, Bangladesh

Dated: **02 MAR 2021**

DVC: **2103180469AS137211**



A F Nesaruddin, FCA

Senior Partner

Enrolment # 469

Hoda Vasi Chowdhury & Co

Chartered Accountants

**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 as 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	-	(257,705)	-	(257,705)
Final dividend for 2018	-	(1,161,374)	-	(1,161,374)
Balance as at 31 December 2019	11,613,735	2,133,175	(48,129)	13,698,781
Balance as at 1 January 2020	11,613,735	2,133,175	(48,129)	13,698,781
Total comprehensive income for the year	-	1,983,982	(54,485)	1,929,497
Final dividend for 2019	-	(1,161,374)	-	(1,161,374)
Balance as at 31 December 2020	11,613,735	2,955,783	(102,614)	14,466,904

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

	Notes	2020 Taka '000	2019* Taka '000
Cash flows from operating activities			
Cash receipts from customers		16,673,625	14,895,360
Cash paid to suppliers and employees		(12,419,671)	(11,306,775)
Cash generated from operations		4,253,954	3,588,585
Income taxes paid		(280,311)	(312,489)
Other receipts		8,134	41,608
Net cash generated from operating activities**	36	3,981,777	3,317,704
Cash flows from investing activities			
Payments for property, plant and equipment		(642,303)	(582,183)
Proceeds from sale of property, plant and equipment		6,630	2,002
Interest income		13,616	8,739
Amalgamation and acquisition of a subsidiary		-	102,265
Net cash used in investing activities		(622,057)	(469,177)
Cash flows from financing activities			
Repayment of long-term borrowings		(94,248)	(890,230)
Repayments of the lease liabilities		(30,135)	(7,971)
Interest paid on lease liabilities		(7,782)	(945)
Repayment of short term debt		(951,820)	(561,933)
Payment of interest and other finance costs		(64,299)	(235,380)
Dividend paid		(1,156,150)	(1,154,661)
Net cash used in financing activities		(2,304,434)	(2,851,120)
Net Increase/ (decrease) in cash and cash equivalents		1,055,286	(2,593)
Cash and cash equivalents at beginning of the year		237,374	201,900
Cash and cash equivalents at end of the year	12	1,292,660	199,307
Net Operating Cash Flow Per Share (NOCFPS)	35	3.43	2.86

*See note number 2.15

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

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 the 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 02 March 2021.

Pursuant to recent amendment to the Companies Act, 1994 incorporating certain amendments, among others, is to change of the word 'Limited' by the word 'PLC' in case of Public Limited Companies including listed ones. Necessary formalities are in progress in implementing these changes.

2.2 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 categorized 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 2.8 and 30).

2.3 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.

2.4 Property, plant and equipment

i) Recognition of property, plant and equipment

These are capitalized 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 capitalized.

iii) Construction in progress

These expenditures are capitalized and recognized 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:

<u>Category</u>	<u>Rate %</u>
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 derecognized 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 profit or loss in "Gain/(Loss) on disposals and other non-operating income (expenses)".

vii) Leases

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The Company uses its incremental borrowing rate as the discount rate.

The Company presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.5 Goodwill

In the year 2019, Holcim Cement (Bangladesh) Limited (HBL) was 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 07 January 2018.

2.6 Intangible assets

i) Software

Software costs are capitalized where it is expected to provide future economic benefits. Capitalization costs include license fees and cost of implementation/ system integration services which are capitalized in the year in which the relevant software is installed for use. Costs of maintenance, up gradation 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 amortized using the straight-line method over their useful lives of three years.

2.7 Inventories

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

2.8 Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized 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: amortized 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 amortized 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 realizing 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 amortized cost:

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

Financial liabilities- Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized 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 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 recognized in the 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 recognized directly in other comprehensive income for the effective portion and in the statement of profit or loss under the "Finance cost/income" caption for the ineffective portion. The gain and loss recognized in equity is subsequently reclassified to the 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 recognized 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 derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes 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 recognized 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 recognized 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.

2.9 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.

2.10 Employees' benefit schemes

i) Gratuity plan- funded

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

ii) Gratuity plan- unfunded (Holcim Cement Bangladesh Limited- amalgamation)

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

iii) Provident fund

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

iv) Workers' profit participation and welfare funds

The Company recognizes a provision for Workers' Profit Participation and Welfare Funds @ 5% of income before tax before charging such expenses per Bangladesh Labor Act, 2006 (Amended in 2013).

2.11 Taxation

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized 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*.

if) Current tax

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

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

ii) Deferred tax

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

Deferred tax liabilities are recognized for all temporary taxable differences.

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

2.12 Revenue recognition

Sale of the products, net of value added tax is recognized 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.

2.13 Provision

The Company recognizes 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.

2.14 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.

2.15 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.

Moreover, comparative figures of 2019 consists only LafargeHolcim Bangladesh Limited (LHBL) and one month's figures of Holcim Cement (Bangladesh) Limited (HBL). 2020 figures are included in HBL since HBL amalgamated with LHBL dated on 26 November 2019.

2.16 Dividend distribution

Final dividend distributions to the Company's shareholders are recognized 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 recognized in the period in which the dividends are declared and paid. During the year under review, the Company has not paid any interim dividend.

2.17 Impact from COVID-19

The company has considered the possible impacts that may result from COVID-19 in the preparation of these financial results including the recoverability of carrying amount of financial and non- financial assets. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of COVID-19, the company has, at the date of approval of these financial results, used internal and external sources of information and expects that the carrying amount of the assets will be recovered.

3 Adoption of new and amended International Financial Reporting Standards

The following new and amended standards are not expected to have a material impact on the Company's financial statements:

- i) COVID-19-Related Rent Concessions (Amendments to IFRS 16)
- ii) Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)
- iii) Reference to Conceptual Framework (Amendments to IFRS 3)
- iv) Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

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

In thousands of taka

	Freehold land	Leasehold land	Building	Right of use of assets	Plant & machinery	Vehicles	Office equipment	Furniture & fixtures	Construction in progress	Total
2020										
Cost										
Balance as at 1 January 2020	1,507,337	1,653,763	2,206,594	130,348	16,831,426	209,053	413,009	75,874	306,664	23,334,068
Additions	-	-	3,650	-	207,826	-	982	-	558,776	771,234
Disposals	-	-	-	-	(2,163)	(16,661)	(1,289)	(827)	-	(20,940)
Transfers	-	-	6,475	-	142,241	-	9,441	-	(158,157)	-
Balance as at 31 December 2020	1,507,337	1,653,763	2,216,719	130,348	17,179,330	192,392	422,143	75,047	707,283	24,084,362
Accumulated depreciation										
Balance as at 1 January 2020	-	-	190,758	8,916	5,779,789	165,355	293,415	41,624	-	6,479,857
Disposals	-	-	-	-	(1,986)	(16,661)	(1,289)	(827)	-	(20,763)
Charge for the year	-	600	91,332	39,297	735,053	25,310	27,810	9,136	-	928,538
Balance as at 31 December 2020	-	600	282,090	48,213	6,512,856	174,004	319,936	49,933	-	7,387,632
Carrying amounts										
Balance as at 31 December 2020	1,507,337	1,653,163	1,934,629	82,135	10,666,474	18,388	102,207	25,114	707,283	16,696,730
2019										
Cost										
Balance as 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	-	44,351	-	145,054	462,330
Disposals	-	-	-	-	(67,174)	(7,537)	(1,996)	(209)	(2,775)	(79,691)
Transfers	-	-	27,901	-	188,129	-	4,800	15,776	(236,606)	-
Balance as 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 as 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 as at 31 December 2019	-	-	190,758	8,916	5,779,789	165,355	287,251	47,788	-	6,479,857
Carrying amounts										
Balance as 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

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)

	2020	2019
	Taka'000	Taka'000
	837,200	563,856
	33,112	25,511
	56,346	46,275
	1,880	1,167
	928,538	636,809

B. Details of disposal of property plant and equipment

2020	In thousands of taka					Total
	Plant & machinery	Vehicles	Office equipment	Furniture & fixtures	Construction in progress	
Cost	2,163	16,661	1,289	827	-	20,940
Accumulated depreciation	(1,986)	(16,661)	(1,289)	(827)	-	(20,763)
Carrying amount as at 31 December 2020	177	-	-	-	-	177
Sale proceeds	923	5,443	57	207	-	6,630

Mode of disposal	Tender		Tender		Tender		Tender	
	Third party & written off	Third party & employees	Third party	Third party	Third party	Third party	Third party	Third party
Particulars of purchaser/ type of disposal								

2019	In thousands of taka					Total
	Plant & machinery	Vehicles	Office equipment	Furniture & fixtures	Construction in progress	
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 as at 31 December 2019	38,365	-	631	-	2,775	41,771
Sale proceeds	-	1,925	59	18	-	2,002

Mode of disposal	Company policy		Company policy/Tender		Company policy/Tender		Company policy	
	Written off	Third party & employees	Third party & Written off	Third party	Third party	Third party	Written off	Written off
Particulars of purchaser/ type of disposal								

6 A. Intangible assets

Reconciliation of carrying amount

In thousands of taka

	Goodwill	Software	Construction in progress	Total
2020				
Cost				
Balance as at 1 January 2020	317,776	158,847	-	476,623
Balance as at 31 December 2020	317,776	158,847	-	476,623
Accumulated depreciation				
Balance as at 1 January 2020	-	119,711	-	119,711
Charge for the year	-	39,136	-	39,136
Balance as at 31 December 2020	-	158,847	-	158,847
Carrying amounts				
Balance as at 31 December 2020	317,776	-	-	317,776

2019

	Goodwill	Software	Construction in progress	Total
Cost				
Balance as at 1 January 2019	-	158,848	-	158,848
HBL amalgamation	317,776	-	-	317,776
Balance as at 31 December 2019	317,776	158,848	-	476,624
Accumulated depreciation				
Balance as at 1 January 2019	-	74,709	-	74,709
Charge for the year	-	45,002	-	45,002
Balance as at 31 December 2019	-	119,711	-	119,711
Carrying amounts				
Balance as at 31 December 2019	317,776	39,137	-	356,913

Amortization charge for the year allocated to
Production and maintenance costs (Note 21.2)
General and administrative expenses (Note 22)

	2020	2019
	Taka '000	Taka '000
	-	5,245
	39,136	39,757
	39,136	45,002

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. 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.

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	2020 Taka'000	2019 Taka'000
7 Investment in subsidiaries		
Details of investment in subsidiaries		
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
	519,893	519,893

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	
		2020	2019
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
		2,187,723	2,722,492
8 Inventories			
Raw materials		708,465	846,362
Semi-finished and finished products		601,566	941,597
Parts and supplies		877,692	934,533
		2,187,723	2,722,492
9 Trade receivables			
Trade receivables		846,803	1,147,611
Advance payment to trade suppliers		236,957	419,599
		1,083,760	1,567,210

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	63,480	66,824
Advance to employees	8,295	8,505
Security and other deposits	90,095	89,674
Other receivables	24,609	28,065
Advance payment to suppliers of fixed assets	193,898	262,292
	380,377	455,360

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	6,160,254	5,879,943
Current tax liabilities (Note-11.1)	(5,510,911)	(4,721,531)
	649,343	1,158,412

11.1 Current Tax Liabilities

Balance at 1 January	4,721,531	1,616,467
HBL amalgamation (Note-2.2)	-	2,459,992
Provision for the year (Note-26)	789,380	645,072
Balance at 31 December	5,510,911	4,721,531

	2020 Taka'000	2019 Taka'000
12 Cash and cash equivalents		
Cash in hand	2,422	2,340
	<u>2,422</u>	<u>2,340</u>
* Cash at banks		
Current accounts	1,090,238	214,849
Short term deposit accounts	200,000	20,185
	<u>1,290,238</u>	<u>235,034</u>
Cash and cash equivalents in statement of financial position	<u>1,292,660</u>	<u>237,374</u>
Bank overdrafts*	-	(38,067)
Cash and cash equivalents for the purpose of the statement of cash flows	<u>1,292,660</u>	<u>199,307</u>

* 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	<u>14,000,000</u>	<u>14,000,000</u>
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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 08 September 2011. Moreover, face value of each ordinary share has been denominated from Taka 100 to Taka 10 at 04 December 2011.

13.3 Issued and subscribed capital

1,161,373,500 ordinary shares of Taka 10 each	<u>11,613,735</u>	<u>11,613,735</u>
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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	Holding %		Number of Shares	
		2020	2019	2020	2019
Surma Holding B.V.	The Netherlands	58.87	58.87	683,698,700	683,698,700
Sinha Fashions Limited	Bangladesh	3.02	3.02	35,100,000	35,100,000
Islam Cement Limited	Bangladesh	2.75	2.75	31,914,200	31,914,200
Other Shareholders	Bangladesh and NRB	35.36	35.36	410,660,600	410,660,600
Total		100	100	1,161,373,500	1,161,373,500

13.6 Classification of shares by holding at 31 December

Slabs by number of shares	Holding%		Number of shareholders	
	2020	2019	2020	2019
Less than 500 Shares	0.17	0.19	7,767	8,500
501 to 5,000 Shares	2.14	2.33	12,123	13,422
5,001 to 10,000 Shares	1.64	1.70	2,503	2,628
10,001 to 20,000 Shares	2.06	2.17	1,614	1,709
20,001 to 30,000 Shares	1.23	1.27	573	589
30,001 to 40,000 Shares	0.86	0.84	284	278
40,001 to 50,000 Shares	0.96	0.86	241	216
50,001 to 100,000 Shares	2.55	2.49	404	395
100,001 to 1,000,000 Shares	7.94	7.73	359	353
Over 1,000,000 Shares	80.45	80.43	49	43
Total	100	100	25,917	28,133

	2020 Taka'000	2019 Taka'000
13.7 Other components of equity		
Actuarial loss-net of tax	(108,118)	(47,972)
Others	5,504	(157)
	<u>(102,614)</u>	<u>(48,129)</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 2020 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 2020.

14 Borrowings

A. Borrowings- long term

Non-current portion-unsecured	-	94,248
Non-current portion-lease liabilities	53,227	84,749
	<u>53,227</u>	<u>178,997</u>

B. Borrowings- short term

Current portion of long term-Unsecured	-	800,000
Short-term credit facilities	-	138,067
Current portion of lease liabilities	29,853	37,628
Derivative liabilities*	237	(721)
	<u>30,090</u>	<u>974,974</u>

*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.

15 Deferred tax liability

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

Property, plant and equipment	2,479,806	2,983,389
Actuarial gain	-	7,183
Deferred tax liabilities	<u>2,479,806</u>	<u>2,990,572</u>

Provision for gratuity	37,660	73,640
Actuarial loss	9,583	-
Provision for doubtful debts	36,463	48,091
Business loss carry forward	-	26,741
Provision for obsolescence of spare parts	16,400	22,960
Deferred tax assets	<u>100,106</u>	<u>171,432</u>
Net deferred tax liability	<u>2,379,700</u>	<u>2,819,140</u>

15.1 Change in deferred tax assets and liability

Balance at 1 January-deferred tax liability	2,819,140	1,897,124
HBL amalgamation	-	989,351
Deferred tax income for the year (Note 26)	(424,558)	(81,219)
Other component of equity	(14,882)	13,884
Balance at 31 December- deferred tax liability	<u>2,379,700</u>	<u>2,819,140</u>

16 Employee benefits

Funded plan (Note 16.1)	161,137	72,692
Unfunded plan (Note 16.2)	105,991	84,855
	<u>267,128</u>	<u>157,547</u>

	2020 <u>Taka'000</u>	2019 <u>Taka'000</u>
16.1 Funded plan		
A. Net position of gratuity plan		
Present value of defined benefit obligation	372,688	308,961
Fair value of plan assets	(211,551)	(236,269)
Net funded status	<u><u>161,137</u></u>	<u><u>72,692</u></u>

B. Actuarial valuation

The actuarial valuations of the plan and the present value of the defined benefit obligation were carried out at 31 December 2020 by a professional actuary using Projected Unit Credit Method.

	2020 %	2019 %
C. Assumptions employed for the valuations are as follows:		
Salary increase rate	8.00	8.00
Discount rate	7.00	9.20

	<u>Taka'000</u>	<u>Taka'000</u>
D. Movement in the present value of the defined benefit obligation are as follows:		
Balance at 1 January	308,961	315,812
Current service cost	32,427	35,215
Interest cost	26,809	21,830
Actuarial loss/(gain) [Note D.1]	41,347	(45,915)
Benefits paid during the year	(36,856)	(17,981)
Balance at 31 December	<u><u>372,688</u></u>	<u><u>308,961</u></u>

D.1 Actuarial loss/(gain)

Demographic assumptions	-	86
Financial	65,214	(56,462)
Experience	(23,867)	10,461
	<u><u>41,347</u></u>	<u><u>(45,915)</u></u>

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

Balance at 1 January	236,269	220,254
Expected return on plan assets	21,737	15,968
Actuarial (loss) gain	(14,210)	9,622
Benefits paid during the year	(32,245)	(9,575)
Balance at 31 December	<u><u>211,551</u></u>	<u><u>236,269</u></u>

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 2020	
	Increase	Decrease
Discount rate	356,036	390,601
Salary increase rate	390,344	356,111

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 2020 by a professional actuary using Projected Unit Credit Method.

	2020 %	2019 %
B. Assumptions employed for the valuations are as follows:		
Salary increase rate	8.00	8.00
Discount rate	7.00	9.20

	2020 Taka'000	2019 Taka'000
C. Movement in the present value of the defined benefit obligation are as follows:		
Balance as at 1 January	84,855	92,603
Adjustment with valuation report	-	(91)
Current service cost	8,733	11,625
Interest cost	7,392	6,420
Actuarial loss/(gain) [Note C.1]	11,518	(20,522)
Benefits paid during the year	(6,507)	(5,180)
Balance as at 31 December	105,991	84,855

C.1 Actuarial loss/(gain)

Demographic assumptions	-	13
Financial	20,955	(17,422)
Experience	(9,437)	(3,113)
	11,518	(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 2020	
	Increase	Decrease
Discount rate	100,595	111,827
Salary increase rate	111,743	100,619

17 Trade payables

Payable for goods and services	4,841,563	5,109,751
Contract liabilities	288,481	138,147
	5,130,044	5,247,898

18 Other current liabilities

Payables to suppliers of fixed assets	102,038	41,501
Income tax and VAT deducted at source	201,760	236,845
Others	437,624	429,515
Accrued interest payable	-	32,144
	741,422	740,005

19 Commitments and Contingencies

19.1 Commitments

Commitments related to operating activities

Purchase commitments	3,551,659	3,059,875
Capital expenditure commitments	139,501	381,259
Guarantees given	521,192	518,269
	4,212,352	3,959,403

19.2 Contingent Liabilities

Tax related cases with the Hon'ble High Court	1,869,132	1,869,132
VAT related cases with the Hon'ble High Court	413,183	413,183
Custom related cases with the Hon'ble High Court	5,000	5,000
	2,287,315	2,287,315

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. (“Jalalabad Gas”) and LafargeHolcim Bangladesh Ltd (“LHBL”) executed a Gas Sales Agreement (GSA) on 19 January 2003, under which Jalalabad Gas supplies gas to the plant of LHBL located at Chhatak, Sunamganj (the “Plant”). A dispute has arisen between the parties as on 03 January 2021 when Jalalabad Gas issued a notice to LHBL threatening to terminate the GSA and discontinue supply of gas to the Plant of LHBL.

LHBL issued a Notice of Arbitration in accordance with the terms of the GSA. LHBL further filed an Arbitration Application No. 5 of 2021 before the Hon’ble High Court Division of the Supreme Court of Bangladesh seeking interim relief in aid of the arbitration. The Hon’ble High Court Division Bangladesh passed an order on 07 February 2021 (a certified copy of which was issued on 10 February 2021) issuing a Rule as prayed for, and pending hearing of the Rule, the Hon’ble Court directed Jalalabad Gas to maintain status quo in respect of supply of gas at the Plant and further restrained Jalalabad Gas from terminating the GSA or stopping supply of gas to the Plant, for a period of three (3) months from date. The Hon’ble Court directed LHBL to furnish a Bank Guarantee for the differential amount accrued Taka 860 million till 07 February 2021 only from a scheduled bank in the name of the Registrar of the High Court Division of the Supreme Court of Bangladesh, within fifteen (15) days from the date of receipt of the Order.

	2020 Taka'000	2019 Taka'000
20 Revenue		
Sale of gray cement*	15,926,030	11,598,536
Sale of cement clinker	296,453	310,095
Other sales (Limestone, slag and gypsum sales to Holcim Cement (Bangladesh) Limited)	-	65,502
	<u>16,222,483</u>	<u>11,974,133</u>
Products transferred at a point in time	<u>16,222,483</u>	<u>11,974,133</u>
*Sale of gray cement		
Local sales	15,753,150	11,593,553
Export in Export Processing Zones and India	172,880	4,983
	<u>15,926,030</u>	<u>11,598,536</u>
21 Cost of Sales		
Opening finished goods and work in process (Note-34)	413,524	315,757
Raw materials costs (Note-21.1)	4,499,634	3,563,275
Consumption of purchased clinker	3,078,264	459,902
Toll manufacturing costs	-	527,266
Power and fuel costs	1,692,759	1,252,972
Production and maintenance costs (Note-21.2)	1,785,333	1,321,590
Plant-general and administrative costs (Note-21.3)	301,328	231,884
Freight cost to customers	259,358	494,992
Depot operating and transportation costs (Note-21.4)	758,852	930,517
Closing finished goods and work in process (Note-34)	(601,566)	(413,524)
	<u>12,187,486</u>	<u>8,684,631</u>
21.1 Raw materials costs		
Slag	474,616	292,940
Fly ash	496,718	51,134
Gypsum	431,365	294,861
Iron ore	62,018	23,799
Sand	16,162	15,834
Clay	99,118	103,696
Limestone	2,155,160	2,353,524
Packing materials	757,281	425,046
Others	7,196	2,441
	<u>4,499,634</u>	<u>3,563,275</u>

	2020 <u>Taka'000</u>	2019 <u>Taka'000</u>
21.2 Production and maintenance costs		
Salary, allowances and benefits	236,414	197,194
Contributions to employees' benefit schemes	16,507	16,983
Maintenance	60,206	56,850
Other supplies and spares	296,170	296,788
Material handling	89,515	64,090
Other expenses	248,743	119,681
Technical studies	578	903
Depreciation	837,200	563,856
Amortization of intangible assets	-	5,245
	<u>1,785,333</u>	<u>1,321,590</u>
21.3 Plant-general and administrative costs		
Salary, allowances and benefits	127,550	69,776
Contributions to employees' benefit schemes	10,141	2,570
Staff welfare expenses	35,439	34,259
Training, seminars and meetings	7	579
Travelling	482	2,687
Rent	-	1,003
Telephone, fax and postage	2,600	1,450
Office maintenance	23,716	27,618
Security services	29,079	22,478
Printing and stationery	407	566
Other supplies and spares	2,202	3,075
Other office expenses	18,741	18,193
Consultancy	-	281
Vehicles running expenses	9,869	7,884
Corporate social activities	3,525	20,394
Insurance	37,570	19,071
	<u>301,328</u>	<u>231,884</u>
21.4 Depot operating and transportation costs		
Salary, allowances and benefits	101,463	99,776
Contributions to employees' benefit schemes	8,599	9,705
Staff welfare expenses	1,100	1,209
Training, seminars and meeting	361	710
Depreciation	33,112	25,511
Depot other maintenance costs	92,448	151,225
Transportation costs	521,769	642,381
	<u>758,852</u>	<u>930,517</u>
22 General and administrative expenses		
Salary, allowances and benefits	289,390	253,952
Contributions to employees' benefit schemes	15,612	18,927
Staff welfare expenses	102	1,852
Training, seminars and meeting	8,445	13,812
Travelling	1,738	7,541
Rent	-	47,710
Gas, electricity and water	1,001	97
Telephone, fax and postage	2,202	1,463
Entertainment	1,866	4,573
Office maintenance	1,799	4,646
Office security services	250	364
Printing and stationery	1,219	1,959
IT maintenance expenses	80,702	76,267
Balance Carried Forward	<u>404,326</u>	<u>433,163</u>

	2020 <u>Taka'000</u>	2019 <u>Taka'000</u>
<i>Balance Brought Forward</i>	404,326	433,163
Other office expenses	10,917	18,629
Registration and other fees	6,074	4,472
Audit and tax advisory fees	1,775	2,370
Legal expenses	2,674	18,797
Vehicles running expenses	15,704	15,160
Publicity and public relation	4,537	7,263
General assistance fee (Note- 22.1)	269,837	108,023
Trademark license fee (Note- 22.2)	269,837	108,023
Royalty fee	-	13,011
Consulting, survey and studies	7,407	2,719
Depreciation	56,346	46,275
Amortization of intangible assets	39,136	39,757
	<u>1,088,570</u>	<u>817,662</u>
22.1 General assistance fee		
The amount is payable to Lafarge S.A. and LafargeHolcim Limited for general assistance fee (2 percent of annual net turnover of the Company in accordance with the General Assistance Agreement) for the year 2020. (2019: 1 percent of annual net turnover of the Company, payable to Lafarge S.A. and Cementos Molins).		
22.2 Trademark license fee		
The amount is payable to Lafarge S.A., LafargeHolcim Limited and Cementos Molins for trademark licence fee (2 percent of annual net turnover of the Company in accordance with the Trademark License Fee Agreement) for the year 2020. (2019: 1 percent of annual net turnover of the Company, payable to Lafarge S.A. and Cementos Molins).		
23 Sales and marketing expenses		
Salary, allowances and benefits	168,733	118,772
Contributions to employees' benefit schemes	12,648	9,864
Staff welfare expenses	918	135
Travelling	17,215	14,458
Gas, electricity and water	789	829
Telephone, fax and postage	3,549	1,663
Entertainment	401	1,123
Office maintenance	1,635	6,755
Printing and stationery	146	160
Other office expenses	7,541	7,937
Registration and other fees	7,798	1,947
Vehicles running expenses	13,734	10,150
Advertisement expenses	157,766	112,667
Promotional expenses	12,972	13,650
Provision for trade receivables	303	1,469
Bad debt	-	27,465
General survey and studies	875	423
Depreciation	1,880	1,167
	<u>408,903</u>	<u>330,634</u>
24 Other operating income and expenses		
A. Other operating income		
Sale of miscellaneous scrap items	8,134	41,608
Gain on sale of property, plant and equipment	6,453	-
Provident fund forfeited amount*	4,092	-
Other	2,392	-
	<u>21,071</u>	<u>41,608</u>
B. Other operating expenses		
Loss on sale of property, plant and equipment	-	39,769
	<u>-</u>	<u>39,769</u>

* The amount represents from 2015 to 2020.

	2020 <u>Taka'000</u>	2019 <u>Taka'000</u>
25 Finance costs and income		
Interest on borrowings	37,508	205,251
Other finance costs	13,966	7,331
Bank charges and commission	8,414	7,698
Interest expenses on lease liabilities	7,782	945
Exchange loss	32,116	17,715
Total finance costs	<u>99,786</u>	<u>238,940</u>
Interest income on bank deposits	13,616	8,739
Total finance income	<u>13,616</u>	<u>8,739</u>
Net finance costs	<u>86,170</u>	<u>230,201</u>
26 Income tax		
Current income tax expenses	789,380	645,072
Deferred tax income	(424,558)	(81,219)
	<u>364,822</u>	<u>563,853</u>
26.1 Reconciliation of tax rate		
Statutory tax rate	25.00%	25.00%
Permanent difference	-1%	1.61%
Prior years adjustment	-	4.42%
Change in structure (HBL amalgamation)	-8.01%	-
Effective tax rate	<u>15.53%</u>	<u>31.03%</u>

27 A. Earnings per share

The computation of basic and diluted earnings per share for the years ended 31 December 2020 and 31 December 2019 are as follows:

Numerator	<i>(Thousands of Taka)</i>		
Profit for the year		1,983,982	1,253,349
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>	1.71	1.08
Diluted earnings per share	<i>Taka</i>	1.71	1.08

B. Net asset value (NAV) per share

The computation of net asset value per share for the years ended 31 December 2020 and 31 December 2019 are as follows:

Numerator	<i>(Thousands of Taka)</i>		
Net asset value for the year		14,466,904	13,698,781
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>	12.46	11.80

C. Net operating cash flow per share (NOCFPS)

The computation of net operating cash flow per share for the years ended 31 December 2020 and 31 December 2019 are as follows:

Numerator	<i>(Thousands of Taka)</i>		
Net operating cash flow for the year		3,981,777	3,317,704
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>	3.43	2.86

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.

2020

Name of the party	Relationship	Nature of transaction	Transaction value during the year	
			Taka '000	Receivable/ (payable) as at 2020
Lafarge Umiann Mining Private Limited	Subsidiary company	Purchase of limestone	2,042,192	(503,874)
Surma Holding B.V.	Shareholder	Dividend Payment	683,699	-
LH Trading Pte Ltd	Group Company	Intercompany purchase	624,102	(167,747)
Lafarge S.A.	Group Company	Technical assistance/Trademark license	236,107	(402,293)
Cementos Molins	Group Company	Trademark license/Travel expenses	67,459	(158,198)
LafargeHolcim Limited	Group Company	Trademark license	236,107	(236,107)
Holcim Asean Business Service Centre	Group Company	Intercompany services/Technical assistance	-	(40,500)
Bengal Development Corporation	Shareholder's associated entity	Cement sales	3,805	(77)
Holcim Group Services Ltd.	Group Company	Intercompany services	13,494	(36,784)
LH Trading Ltd	Group Company	Intercompany services	1,112	784
Lafarge International Services Singapore Pte Ltd.	Group Company	Intercompany services	16,923	(5,438)
Eastern Housing Ltd.	Shareholder's associated entity	Cement sales	5,577	618
Jahurul Islam Medical College	Shareholder's associated entity	Cement sales	3,234	555
Bank Asia Limited	Shareholder's associated entity	Cement sales	204	(1)
Holcim Services (South Asia) India	Group Company	Intercompany services	40,561	(40,527)
Holcim Technology Holderbank	Group Company	Intercompany services	-	(5,810)
Holcim Technology Ltd.	Group Company	Trademark license	-	(263,541)
Aftab Bahumukhi Firm Ltd.	Shareholder's associated entity	Cement sales	-	(15)
Opex Group	Shareholder's associated entity	Cement sales	246	(84)
Sinha Peoples Energy Ltd.	Shareholder's associated entity	Cement sales	82	(11)

2019

Name of the party	Relationship	Nature of transaction	Transaction value during the year	
			2019	2019
			Taka '000	Taka '000
Lafarge Uram Mining Private Limited	Subsidiary company	Purchase of limestone	2,649,180	(259,278)
Summa Holding B.V.	Shareholder	Dividend Payment	687,728	-
LH Trading Pte Ltd	Group Company	Intercompany purchase	1,605,289	(11,343,00)
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 Asean Business Service Centre	Group Company	Intercompany services/Technical assistance	21,524	(70,508)
Holcim East Asia Business Service	Group Company	Intercompany services	82,482	(66,834)
Bengal Development Corporation	Shareholder's associated entity	Cement sales	17,469	2,469
Holcim Group Services Ltd.	Group Company	Intercompany services	20,163	(128,851)
LH Trading Ltd	Group Company	Intercompany services	7,017	18,823
Lafarge International Services Singapore Pte Ltd.	Group Company	Intercompany services	6,080	(1,759)
Sinha Peoples Energy Ltd.	Shareholder's associated entity	Cement sales	738	147
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
Opex Group	Shareholder's associated entity	Cement sales	1,084	256
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)
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)

29 Directors', managers' and officers' remuneration

Salary, allowances and benefits
Contributions to employees' benefit scheme
Reimbursable expenses

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

	2020	2019
	Taka '000	Taka '000
Salary, allowances and benefits	413,784	381,443
Contributions to employees' benefit scheme	28,923	28,981
Reimbursable expenses	10,755	15,740
	<u>453,462</u>	<u>426,164</u>

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 2020

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	(237)	-	-	(237)	-	(237)	-
	(237)	-	-	(237)	-	(237)	-
Financial assets not measured at fair value							
Trade and other current assets	-	1,206,759	-	1,206,759	-	-	-
Cash and cash equivalents	-	1,292,660	-	1,292,660	-	-	-
	-	2,499,419	-	2,499,419	-	-	-
Financial liabilities not measured at fair value							
Borrowings	-	-	83,080	83,080	-	-	-
Trade payables	-	-	5,130,044	5,130,044	-	-	-
Other current liabilities	-	-	741,422	741,422	-	-	-
	-	-	5,954,546	5,954,546	-	-	-
31 December 2019							
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	-	1,693,454	-	1,693,454	-	-	-
Cash and cash equivalents	-	237,374	-	237,374	-	-	-
	-	1,930,828	-	1,930,828	-	-	-
Financial liabilities measured at fair value							
Forward exchange contracts used for hedging	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Financial liabilities not measured at fair value							
Borrowings	-	-	1,154,692	1,154,692	-	-	-
Trade payables	-	-	5,247,898	5,247,898	-	-	-
Other current liabilities	-	-	740,005	740,005	-	-	-
	-	-	7,142,595	7,142,595	-	-	-

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	2020	2019
Impairment loss on trade receivables from contracts with customers	(145,852)	(145,549)
	(145,852)	(145,549)

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 to two 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 cheques from customers.

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

In thousands of Taka	2020	2019
Neither past due	652,681	920,100
Past due		
Past due 1-30 days	144,388	150,039
Past due 31-90 days	30,540	38,618
Past due 91-180 days	24,900	45,184
Over 180 days	140,146	139,219
	992,655	1,293,160

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	2020	2019
Balance at 1 January	(145,549)	(21,022)
HBL amalgamation	-	(123,058)
Current year addition	(303)	(1,469)
	(145,852)	(145,549)

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

In thousands of Taka	2020	2019
Trade receivables net of impairment loss	846,803	1,147,611
Other current assets excluding prepaid expenses	316,897	388,536
	1,163,700	1,536,147

Cash and cash equivalents

The Company held cash and cash equivalents of Taka 1,293 million at 31 December 2020 (2019: Taka 237 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 2020

	Carrying amount Taka'000	6 months or less Taka'000	From 6 to 12 months Taka'000	From 1 to 5 years Taka'000
Non-derivative financial liabilities				
Trade payables	5,130,044	4,231,324	898,720	-
Other current liabilities	741,422	667,733	73,689	-
Lease liabilities	83,080	-	29,853	53,227
	5,954,546	4,899,057	1,002,262	53,227
Derivative financial liabilities				
Forward exchange contracts used for hedging	237	237	-	-
	237	237	-	-

31 December 2019

Non-derivative financial liabilities				
Trade payables	5,247,898	4,359,879	888,019	-
Other current liabilities	707,861	574,808	133,053	-
Borrowings	1,032,315	538,067	400,000	94,248
Lease liabilities	122,377	-	8,852	113,525
	7,110,451	5,472,754	1,429,924	207,773
Derivative financial liabilities				
Forward exchange contracts used for hedging	(721)	(721)	-	-
	(721)	(721)	-	-

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 2020	BDT'000	USD'000	EUR'000	CHF'000
<i>* Foreign currency denominated assets</i>				
Other receivables	9,073	107	-	-
Cash and cash equivalents	377	2	2	-
Total	9,450	109	2	-
<i>Foreign currency denominated liabilities</i>				
Trade payables	1,004,048	11,072	291	364
Other current liabilities	80,322	586	231	69
Total	1,084,370	11,658	522	433
Balance at 31 December 2019				
<i>Foreign currency denominated assets</i>				
Other receivables	19,102	225	-	-
Cash and cash equivalents	444	3	2	-
Total	19,546	228	2	-
<i>Foreign currency denominated liabilities</i>				
Trade payables	492,212	4,610	271	856
Other current liabilities	133,053	550	899	12
Total	625,265	5,160	1,170	868

The following significant exchange rates have been applied.

Currencies	31 December 2020		31 December 2019	
	Closing rate	Average rate	Closing rate	Average rate
BDT/USD	84.8020	84.8724	84.9000	84.4486
BDT/EUR	103.8740	96.6986	94.8885	94.5461
BDT/CHF	96.1365	90.4896	87.7429	84.9766

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	Estimated impact on profit/loss and equity (+/-)	
	2020	2019
	Taka'000	Taka'000
Assets denominated in USD	46	89
Assets denominated in EUR	1	1
Liabilities denominated in USD	4,943	1,792
Liabilities denominated in EUR	271	555
Liabilities denominated in CHF	208	75

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 2020 profit before tax of +/- Taka 2,000 (Taka 202 for 2019) in thousands and Taka 833 (Taka 11,540 for 2019) in thousands respectively.

	2020 Taka'000	2019 Taka'000
<i>Interest bearing financial instruments of the Company at reporting date are as follows:</i>		
Financial assets		
Short-term deposits	200,000	20,185
	<u>200,000</u>	<u>20,185</u>
Financial liabilities		
Long-term borrowings- including current portion of the long term borrowings	53,227	978,997
Short-term borrowings	30,090	174,974
	<u>83,317</u>	<u>1,153,971</u>

c) Other price risk

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

31 Number of employees	2020	2019
<i>LafargeHolcim Bangladesh Limited</i>		
<i>Nationality:</i>		
Bangladeshi	551	607
Non-Bangladeshi	6	8
	<u>557</u>	<u>615</u>
<i>Salary range:</i>		
Monthly Taka 3,000 or above	557	615
Monthly below Taka 3,000	Nil	Nil
	<u>557</u>	<u>615</u>
32 Expenditure in foreign currencies		
Technical assistance	38,589	30,301
	<u>38,589</u>	<u>30,301</u>
33 Materials consumption		
<i>In terms of value</i>		
Imported		
Raw materials	3,061,141	2,941,325
Spare parts and other supplies	208,860	200,285
	<u>3,270,001</u>	<u>3,141,610</u>
Indigenous		
Raw materials	934,579	568,375
Spare parts and other supplies	89,512	85,836
	<u>1,024,091</u>	<u>654,211</u>
	<u>4,294,092</u>	<u>3,795,821</u>

Hoda Vasi Chowdhury & Co

In terms of percentage

Imported

Raw materials

Spare parts and other supplies

Indigenous

Raw materials

Spare parts and other supplies

	2020	2019
	71	78
	5	5
	76	83
	22	15
	2	2
	24	17
	100	100

34 Opening and closing finished goods and work in process

Items	Unit	2020		2019	
		Quantity'000	Taka'000	Quantity'000	Taka'000
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 1 January		109	413,524	92	315,757
Gray cement	MT	31	128,074	46	184,967
Cement clinker	MT	119	467,465	60	225,015
Work in process	MT	5	6,027	3	3,542
Balance at 31 December		155	601,566	109	413,524

35 Comparative information of the shareholders (Note- 27) In Taka

	2020	2019
Net Asset Value (NAV) Per Share	12.46	11.80
Earning Per Share (EPS)	1.71	1.08
Net Operating Cash Flow Per Share (NOCFPS)	3.43	2.86
Profit for the year (in thousand)	1,983,982	1,253,349

36 Reconciliation of net profit with cash flows from operating activities

	Taka '000	Taka '000
Net profit for the year	1,983,982	1,253,349
Depreciation and amortization	967,674	681,811
Other non-cash items	303	1,469
Non-operating items	450,992	794,054
Changes in net working capital	578,826	587,021
Cash flows from operating activities	3,981,777	3,317,704

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

Products	Annual installed capacity	Actual production	
		2020	2019
Gray cement	4,027	2,480	1,223
Cement clinker	1,290	1,180	1,268

38 Value of imports

	2020 Taka'000	2019 Taka'000
Raw materials and others	5,048,548	3,514,797
	5,048,548	3,514,797

39 Remittances of foreign currency

Interim and final dividend

Name of Shareholder	2020		2019	
	Number of Shares	Final for 2019 Taka'000	Number of shares	Final for 2018 Taka'000
Surma Holding B.V. (The Netherlands)*	341,849,350	307,664	341,849,350	307,664
Jean Hidier (France)	11,560	8	11,560	8
Mohammed Abdul Gaffar (UK)	18,010	13	18,010	13

Name of Shareholder	2020		2019	
	Currency	Amount	Currency	Amount
Surma Holding B.V. (The Netherlands)	EUR	3,224,994	EUR	3,208,180
Jean Hidier (France)	EUR	84	EUR	83
Mohammed Abdul Gaffar (UK)	GBP	120	GBP	116

* 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	2020	2019
	Taka '000	Taka '000
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	(7,410)	(2,392)
Short term sub lease payment	-	(63,338)
Average lease terms (in years)	2	2


Chief Financial Officer


Company Secretary


Director


Chief Executive Officer