

The background of the cover is a grey, textured wall. Green ivy leaves are arranged in a decorative border at the top and left sides. The text is centered in the lower half of the page.

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# ANNUAL REPORT

# 2019

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**HEIDELBERGCEMENT  
BANGLADESH LTD.**



## STRONGER TOGETHER

Bangladesh witnessed positive level of progress in the year of 2019. It was observed throughout the year, the country held on a good track with constant pace of attaining its predetermined targets, and thus brought to us the fruits of solid record of growth. The need for such achievement is the need of time. However, the job of conquering all the risks and concerns associated with each way of success, was not a piece of cake. It demanded continuous and unwavering efforts and collective supports of the nation. And finally, the Country has attained advancement in the field of science, technology, trade & commerce and so on. Massive infrastructural development, easy access of foreign investment, automation of public services under a common platform, rise in average income, higher living standard and purchasing power contributes a lot in terms of total development of the Country. To be with the same pace of the nation's progress, HeidelbergCement Bangladesh Limited (HCBL), being one of the major players in the cement industry, is playing a significant role with its consolidated annual cement production capacity of 3510k tons, employing 379 people and holding considerable portion of the market share through ensuring smooth supply of cement.

But in Bangladesh, metropolitan areas are constantly growing in respect of its limited space, presenting big challenges to urban developers. Here, HCBL has taken the challenge with a motto of "Stronger Together". It is not only about building mega structures and expanding the horizon of urban dwellers but also maintain sustainable relationships with the stakeholders of the company. Because HCBL itself believes that if we can work together, we can achieve more. By satisfying the needs of its stakeholders in every aspect, the Company is able to maintain a strong position as a sustainable cement provider and solidify its position to change the future.



**HEIDELBERGCEMENT  
BANGLADESH LTD.**



**HeidelbergCement Bangladesh Limited** is proud of its two very popular and preferred cement brands “ScanCement” & “RubyCement”. The construction experts recommend these two brands as the best quality cement for every sort of establishments- large and small. The Consistent quality of our cement and strong brand image permit us to charge price premiums in the highly competitive cement market of Bangladesh. It’s a matter of pride to us for becoming the proud partner of the development of the country by maintaining the utmost good faith of all our stakeholders.

# HEIDELBERGCEMENT BANGLADESH LTD.

## Letter of Transmittal

All Shareholders of HeidelbergCement Bangladesh Limited (HCBL)  
Bangladesh Securities and Exchange Commission (BSEC)  
Registrar of Joint Stock Companies and Firms (RJSC)  
Dhaka Stock Exchange Limited (DSE)  
Chittagong Stock Exchange Limited (CSE)  
Bangladesh Investment Development Authority (BIDA)  
National Board of Revenue (NBR)  
Bangladesh Bank (BB) &  
All other stakeholders of HCBL

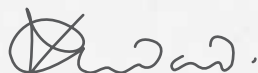
### **Annual report of HeidelbergCement Bangladesh Limited (HCBL) for the year ended 31 December 2019.**

Dear Sir(s),

We are pleased to enclose a copy of HCBL's Annual Report together with the audited financial statements (consolidated and standalone) as on 31 December 2019, comprised of, statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2019 along with notes thereto of HCBL for your kind information and record.

General review of this report, unless explained otherwise, is based on the financials of the 'HCBL'.

Best regards,  
Yours Sincerely,  
For HeidelbergCement Bangladesh Limited



Md. Emdadul Haque, ACA  
Company Secretary

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## Financial Calendar

### 31st Annual General Meeting

15 June 2020 (Monday)

Circulation of Notice of 31st Annual General Meeting

15 June 2020 (Monday)

Issuance of Annual Report 2019

30 June 2020 (Tuesday)

31st Annual General Meeting

### Disclosure of PSI and Record Date

22 April 2020 (Wednesday)

Release of price-sensitive information to regulators and shareholders.

14 June 2020 (Sunday)

Record date instead of the book closure period.

### Disclosure of Quarterly Results

Q1/ 09 April 2019 (Tuesday)

Unaudited results for the 1st quarter ended 31 March 2019

Q2/ 23 July 2019 (Tuesday)

Unaudited results for the half-year ended 30 June 2019

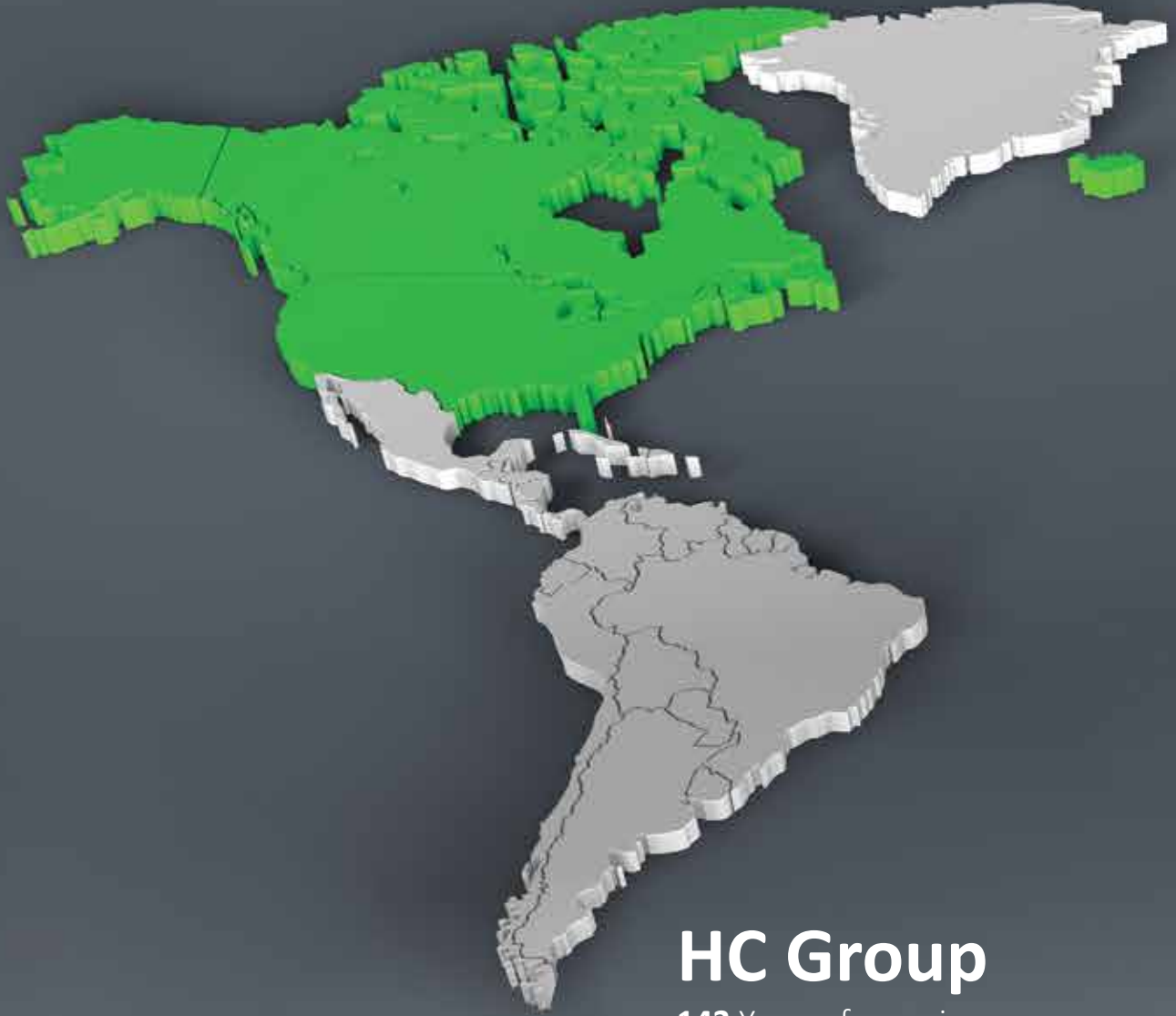
Q3/ 23 October 2019 (Wednesday)

Unaudited results for the 3rd quarter ended 30 September 2019

Q4/ 22 April 2020 (Wednesday)

Audited results for the year ended 31 December 2019

# Global Presence



## HC Group

**143** Years of experience

**55,000+** Employees

**€18,851** Million Annual Turnover

**3,000** Locations





HeidelbergCement in  
**Bangladesh**

# HCBL IN BRIEF



**HeidelbergCement Bangladesh Limited (HCBL)** is one of the largest producers of quality cement in Bangladesh. HCBL is a member of HeidelbergCement Group, Germany. The group has 143 years of experience in producing cement and is operating in more than 50 countries. Moreover, It has around 55,000 employees who work at more than 3,000 production sites and its reported annual turnover is equivalent to €18.9 billion. In Bangladesh it represents two reputed brands namely “**RubyCement**” and “**ScanCement**”.

In 1998 HeidelbergCement Group established its presence in Bangladesh by setting up a floating terminal with onboard packing facilities in the port of Chittagong and by distributing the cement to the key markets of Dhaka and Chittagong. In 1999 the Group further strengthened its position in Bangladesh and built a Greenfield manufacturing plant near Dhaka namely “ScanCement International Limited” with an installed capacity of 0.750 million tons per year. In 2000, HeidelbergCement Group bought a minority position in a Chittagong based company namely “Chittagong Cement Clinker Grinding Co. Limited (CCCGCL)” quickly followed by the acquisition of a controlling stake. The plant in Chittagong has an installed capacity of 0.7 million tons per annum.

In 2003, the two companies were amalgamated and the Company’s name was changed to HeidelbergCement Bangladesh Limited. Since 2004, the Company has diversified its product range by introducing Portland Composite Cement (PCC) into the market. The Company also produces other types of cement namely Ordinary Portland Cement (OPC). The Company further increased the capacity of its Kanchpur plant by setting up another grinding unit of 0.45 million tons per year that was commissioned in 2008. The company has also increased the capacity of its Chittagong plant by installing another grinding unit of 0.750 million tons per year which is on operation from the end of 2011 and the Company inaugurated the cement mill in 2012. Both the plants are certified according to the globally applicable environmental management system standards-14001. In 2013, the Company installed another Cement Silo with a capacity of 8,000MT in its Kanchpur plant as a part of its Silo project which helps to increase the productivity of the Company. The company has also increased the capacity of its Kanchpur plant by installing another grinding unit of 0.472 million tons per year which is on operation from the end of 2019.

The Company has three subsidiary companies namely Meghna Energy Limited, Emirates Cement Bangladesh Limited and Emirates Power Company Limited.



## Our Vision Mission & Values

### Vision:

#### Corporate Image:

Building worldwide growth by building a better world

#### Business Culture:

Building on local responsibility for international success

#### Employee Policy:

Building our business on the knowledge of our people

### Mission:

#### Market Strategy:

Building our growth on a solid base of earnings

#### Customer Philosophy:

Building customer satisfaction, because their success is our success

#### Quality Standard:

Building on quality products to build our reputation

### Values:

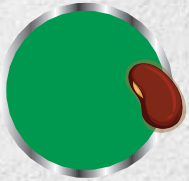
#### Commitment to Environmental Protection:

Building on environmental care also makes economic sense

#### Commitment to Innovation:

Building on new technologies determines our future success

# HCBL'S MILESTONES



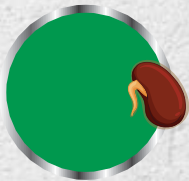
**1998**

HeidelbergCement group established its presence in Bangladesh by setting up a floating terminal with onboard packing facilities in the port of Chittagong.



**2008**

HCBL increased the capacity of its Kanchpur plant by setting up another grinding unit of 0.450 million tons per year that was commissioned.



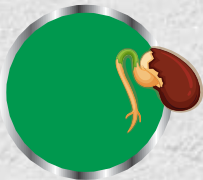
**1999**

A Greenfield manufacturing plant was built near Dhaka namely "ScanCement International Limited (SIL)" with an installed capacity of 0.750 million tons per year.



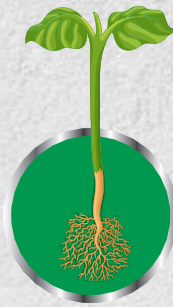
**2012**

HCBL inaugurated another grinding unit of 0.750 million tons per year in its Chittagong plant which is in operation.



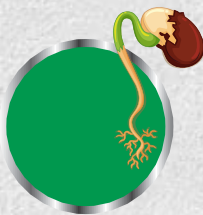
**2000**

The acquisition of "Chittagong Cement Clinker Grinding Co. Limited (CCCGCL)" was completed.



**2013**

HCBL inaugurated another Silo having capacity of 8,000MT in its Kanchpur plant.



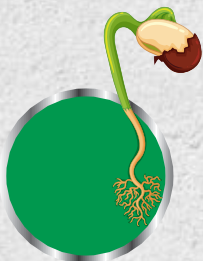
**2003**

The SIL & the CCCGCL were amalgamated and the Company's name was changed to HeidelbergCement Bangladesh Limited.



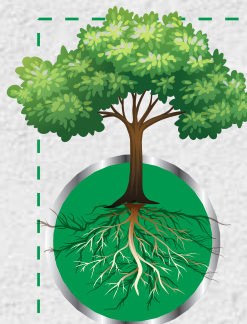
**2017**

The acquisition of 99.99% shares of Meghna Energy Limited was successfully done.



**2004**

HCBL has diversified its product range by introducing Portland Composite Cement (PCC) into the market.



**2019**

HCBL inaugurated another grinding unit of 0.472 million tons per year in its Kanchpur plant which is in operation.

The acquisition of 100% shares of Emirates Cement Bangladesh Limited and Emirates Power Company Limited.



# Prestigious Projects

## Bijoy Sarani-Tejgaon Railway Overpass

The 3rd flyover in Dhaka with a length of 669 Meters was opened by the Honorable Prime Minister of Bangladesh to general public in April 2010.

**Construction Company:** RP construction  
**Brand used:** ScanCement



## Mohakhali Flyover

The flyover has a total length of 1.12 km with a total 19 nos. of span of pre-stressed segmental box girder profile. The flyover was opened for all in November 2004.

**Brand used:** ScanCement



## Lalon Shah (Pakshi) Bridge

Lalon Shah (Pakshi) Bridge, the country's second largest bridge with a length of 1.8 km, over the river Padma at Pakshi-Bheramara point opened to traffic in May 2004.

**Brand used:** ScanCement



### Shah Amanat International Airport

Shah Amanat International Airport is the second largest airport of Bangladesh. It was constructed in early 1940s and had been used during World War II. Following several changes in construction plans the government took the initiative to re-build the airport around the late 90s.

**Brand used:** RubyCement



### Bahaddarhat Flyover

It's the Government's initiative to build a flyover at Bahaddarhat in Chittagong metro to reduce traffic congestion. The length and width: 1.4 km and 14 meters. Project construction started in April, 2011.

**Brand used:** RubyCement



### Third Karnaphuli Bridge

The most beautiful bridge of the country with a length of 950 meters over the river Karnaphuli to connect the southern part of Chittagong with the rest of the country was opened for all in September 2010 by The Honorable Prime Minister of Bangladesh.

**Brand used:** RubyCement



### North South University

One of the pioneers in the private universities of the country, North South University's new building was opened for academic use in May 2009. Constructed by ABC-Monico JV, the 13-storied building is on the 5.65 acres premises in Bashundhara R/A.

**Brand used:** ScanCement



### Chittagong Port Flyover

The Government took steps to build the first ever flyover of Chittagong connecting New Mooring container terminal and Custom House in October 2008. The length of the flyover is 978 meters.

**Brand used:** RubyCement



### Gulistan-Jatrabary Flyover

It is the longest flyover of the country as well as about 11 km long flyover in Dhaka which has connected 30 districts.

**Brand used:** ScanCement



### Tongi-Bhairab Railway Double Track Project

64 km double-line railway tracks from Tongi to Bhairab on the Dhaka-Chittagong and Dhaka-Sylhet route, has made train journey more smooth, speedy & safe.

**Construction Company:** China Major Bridge Engineering Co. Ltd.

**Brand used:** ScanCement



### Summit Meghnaghat Power Plant

335/305 MW Dual Fuel Combined Cycle power plant at Meghnaghat, Narayanganj.

**Construction Company:** China National Electric Engineering Co.

**Brand used:** ScanCement



### New Mooring Container Terminal (Phase 2)

The implementation of back up facilities behind berth No. 4 & 5 of New Mooring Container Terminal of Chittagong port started on 40 acres area.

**Construction Company:** Project Builders Limited.

**Brand used:** RubyCement



### Police Plaza Concord Shopping Mall, Dhaka

Police Plaza Concord Shopping Mall is the multistoried commercial building is a centrally air-conditioned shopping complex and offices are equipped with modern facilities. This plaza was jointly built by Bangladesh Police Welfare Trust and Concord Group adjacent to Hatirjheel on the way to Gulshan Circle 1. Its basic foundation is 16-storey and at present is 12-storey. It is constructed on an acre of land by the Concord Engineers and Construction Ltd.

**Brand used:** ScanCement (Exclusive)



### Muradpur Lalkhan Bazar Flyover, Chittagong

The Construction works of 5.2-kilometre-long Muradpur-Lalkhan Bazar flyover, as part of the massive development work for Chittagong. The flyover was opened for traffic movement in the mid of June, 2017.

**Brand used:** RubyCement



### Dhaka Chittagong Four Lanes Highway

200 KM of Dhaka-Chittagong Four Lanes Highway has increased the efficiency of the road transport and has optimized the utilization of Chittagong port.

**Construction company:** Sinohydro Corporation Ltd.

**Brand used:** RubyCement



## Modunaghat Water Treatment Plant, Chittagong

A part of 'Chittagong Water Supply Improvement and Sanitation Project (CWSISP)'. The primary purpose of this project is to construct a surface water treatment plant at Modunaghat, Chittagong. The aim of this study is to work on the treatment process of Modunaghat Water Treatment Plant (MWTP). Everyday about 100 Million Liter per Day (MLD) water will be drawn from the river. About 90 MLD will be ready to be distributed among the people and the Remaining 10 MLD will be used for backwashing and chlorine mixing.

**Brand used:** RubyCement



Some other completed projects:

**Cox's Bazar Airport Development Project**

**Apex Tannery Project, Saver**

## Some Other Ongoing Prestigious Projects of HeidelbergCement Bangladesh Limited:

### Padma Multipurpose Bridge

The 6150 meters long Padma Bridge is a multipurpose road-rail bridge across the Padma River under construction in Bangladesh. It will connect Louhajong, Munshiganj to Shariatpur and Madaripur, linking the south-west of the country, to northern and eastern regions. Padma Bridge is the most challenging construction project in the history of Bangladesh. It is our pride that the main structure of the bridge is being built by using ScanCement.

**Construction Company:** Chain Railway Major Bridge Engineering Group



- Padma Railway Link Project
- Karnaphuli Tunnel, Chittagong
- CDA Ring Road Project, Chittagong
- Mirershorai Economic Zone Embankment Project, Chittagong
- 150 MW Mirershorai Economic Zone Power Plant
- Dohazari- Cox's Bazar Railway Project, Chittagong
- Kalurghat-Chaktai Road Construction Project
- CDA Elevated Expressway Project from Lalkhanbazar to Chittagong Airport
- Cross Boarder Network Road and Bridge Construction Project at Dohazari and Chokoria



# Comparative Financial Highlights



# Comparative Financial Highlights

Year	Consolidated		HeidelbergCement Bangladesh Limited				
	2019	2018	2019	2018	2017	2016	2015
<b>Operating Results (Taka in Million):</b>							
Net Revenues	11,986	11,151	11,927	11,151	9,802	10,600	10,485
Gross Profit	1,228	1,932	1,154	1,814	1,957	2,742	2,537
Income From Operations	238	1,040	172	924	1,020	1,946	1,702
EBITDA	733	1,514	597	1,345	1,460	2,369	2,178
EBIT	229	986	163	870	959	1,837	1,603
Net Income/(Loss)	-187	810	-258	711	803	1508	1402
Contribution to National Exchequer	3,460	2,780	3,401	2,717	2,700	3,128	2,841
<b>Financial Results (Taka in Million):</b>							
Net Cash Provided by Operating Activities	263	639	202	546	796	1,724	1,963
Total Assets	10,891	8,425	10,085	8,222	8,730	10,189	9,772
Total Liabilities	6,830	3,753	6,204	3,659	4,031	4,597	3,993
Shareholder's Equity	4,061	4,672	3,881	4,563	4,700	5,592	5,779
Net Working Capital	-634	1,404	-925	795	1,962	2,810	3,032
Net Borrowings	2,138	-1,613	2,041	-1,054	-2,652	-3,722	-3,912
Capital Employed	15,664	11,457	14,044	11,210	12,053	14,035	12,927
<b>Share information:</b>							
Market Capitalization (Taka in Million)	9,419	18,912	9,419	18,912	24,008	31,207	31,761
Issued Ordinary Shares (Taka in Million)	56.504	56.504	56.504	56.504	56.504	56.504	56.504
<b>Per Share Data (Taka):</b>							
Primary Earnings (loss) Per Share	-3.3	14.3	-4.6	12.6	14.2	26.7	24.8
Dividend Per Share	0	7.5	0	7.5	15	30	30
Book Value Per Share	192.7	149.1	178.5	145.5	154.5	180.3	172.9
Net Assets Value Per Share	71.9	82.7	68.7	80.8	83.2	99	102.3
Market Value Per Share	166.7	334.7	166.7	334.7	424.9	552.3	562.1
<b>Financial Ratio</b>							
<b>Liquidity Ratios:</b>							
Current Ratio	0.87:1	1.46:1	0.77:1	1.27:1	1.59:1	1.73:1	1.96:1
Quick Ratio	0.43:1	0.86:1	0.31:1	0.68:1	1.24:1	1.34:1	1.65:1

# Comparative Financial Highlights

Year	Consolidated		HeidelbergCement Bangladesh Limited				
	2019	2018	2019	2018	2017	2016	2015
<b>Operating Ratios:</b>							
Accounts Receivable Turnover Ratio	10.9	18.6	13.2	18.6	8.5	9.5	10.6
Inventory Turnover Ratio	5.7	6.1	6.7	6.3	8.4	7.1	10.7
Asset Turnover Ratio	1.1	1.3	1.2	1.4	1.1	1.0	1.1
<b>Profitability Ratios:</b>							
Gross Margin Ratio	10.2%	17.3%	9.7%	16.3%	20.0%	25.9%	24.2%
Operating Income Ratio	2.0%	9.3%	1.4%	8.3%	10.4%	18.4%	16.2%
Net Income Ratio	-1.6%	7.3%	-2.2%	6.4%	8.2%	14.2%	13.4%
Return on Assets Ratio	-1.7%	9.6%	-2.6%	8.6%	9.2%	14.8%	14.3%
Return on Equity Ratio	-4.6%	17.3%	-6.7%	15.6%	17.1%	27.0%	24.3%
Net Operating Cash Flow to Net Profit Ratio	-140.7%	79.0%	-78.3%	76.8%	99.1%	114.3%	140.0%
<b>Stockholder Ratios:</b>							
Earnings-per Share	-3.3	14.3	-4.6	12.6	14.2	26.7	24.8
Price Earnings (P/E) Ratio	-50.5	23.4	-36.4	26.6	29.9	20.7	22.7
Dividend Yield Ratio	0.00	0.02	0.00	0.02	0.04	0.05	0.05
Dividend Payout Ratio	0.0%	52.3%	0.0%	59.6%	105.5%	112.4%	120.9%
<b>Solvency Ratios</b>							
Times Interest Earned Ratio	7.0	244.4	5.0	215.7	370.2	847.6	818.1
Debt to Equity Ratio	1.54	0.68	1.46	0.69	0.86	0.82	0.69
Bad Debt Ratio	0.00	0.01	0.00	0.01	0.00	0.00	0.00
<b>Other Ratios</b>							
Net Gearing	0.53	-0.35	0.53	-0.23	-0.56	-0.67	-0.68
EBITDA To Net Interest Cover (Times)	19.59	543.02	17.24	482.40	-3639.72	1215.87	1119.96
Net Borrowing to Assets	0.20	-0.19	0.20	-0.13	-0.30	-0.37	-0.40
Return on Capital Employed	-0.01	0.07	-0.02	0.06	0.07	0.11	0.11
Number of Employees	379	267	273	267	270	276	269



## Consolidated Performance at a Glance in 2019

### Revenue

BDT in Thousand

11,986,319

### Gross Profit

BDT in Thousand

1,228,046

### Operating Profit

BDT in Thousand

237,524

### Profit Before Tax

BDT in Thousand

284,296

### Net Profit/(Loss) After Tax

BDT in Thousand

(186,656)

### NAV

Per Share BDT

71.88

### EPS

Per Share BDT

(3.30)

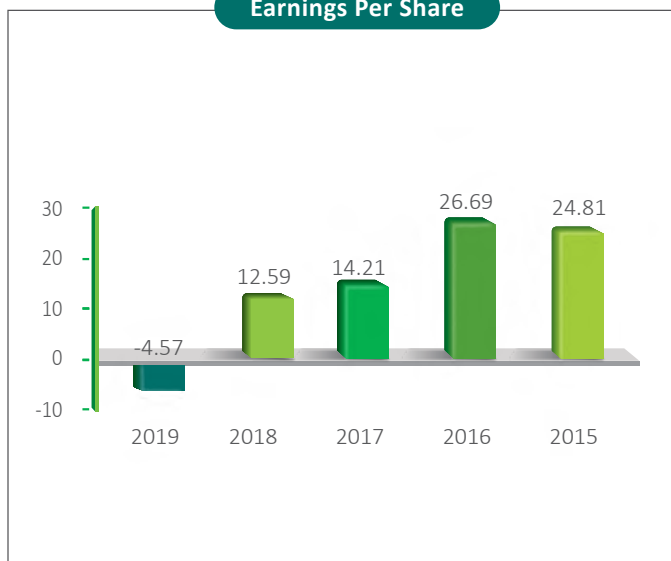
### NOCF

Per Share BDT

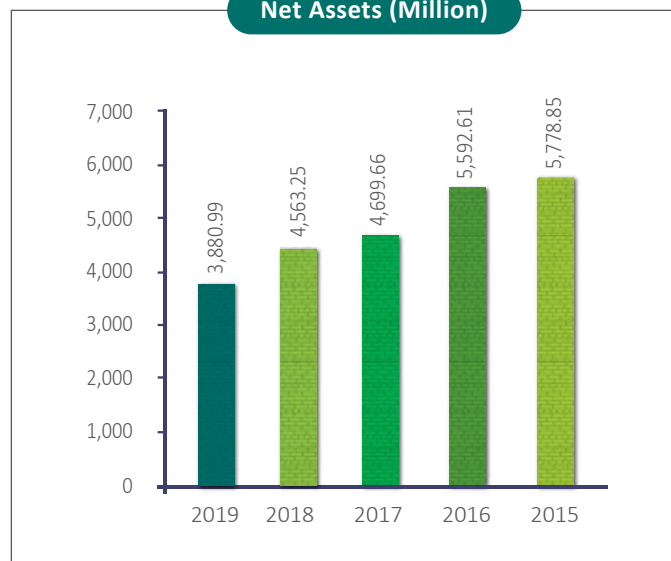
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# Performance at a Glance in 2019 (Standalone)

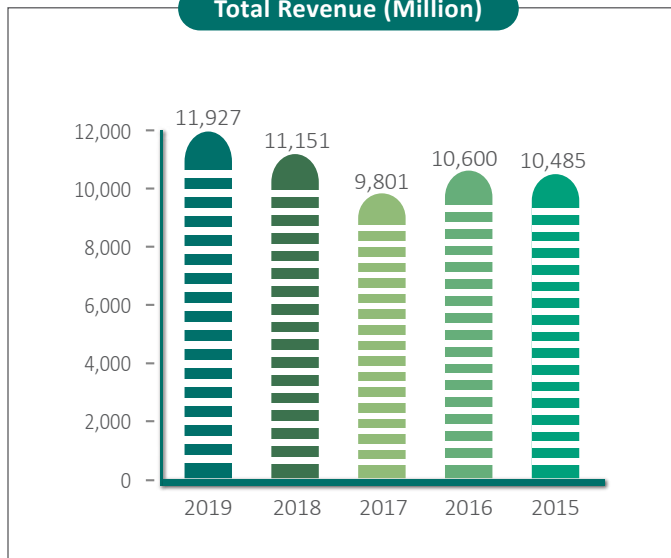
### Earnings Per Share



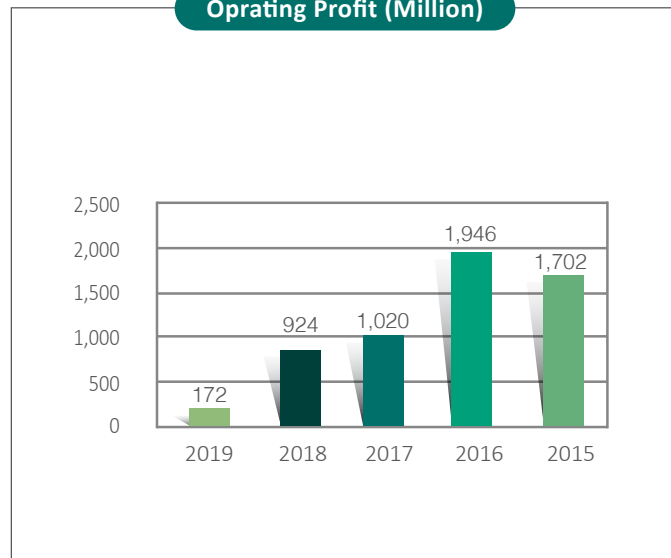
### Net Assets (Million)



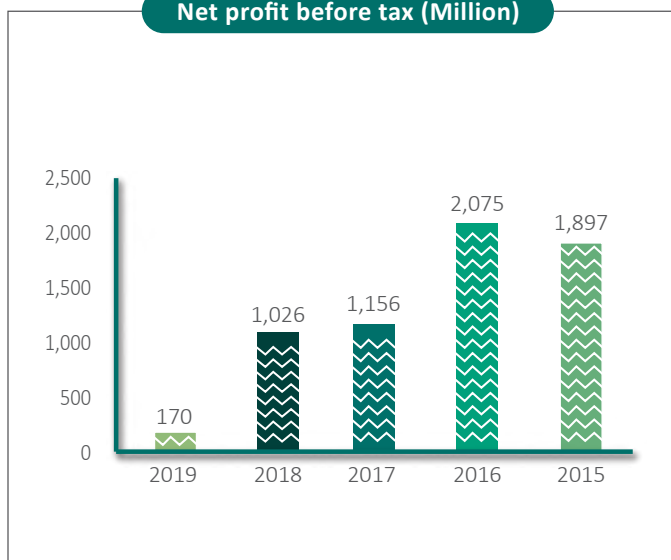
### Total Revenue (Million)



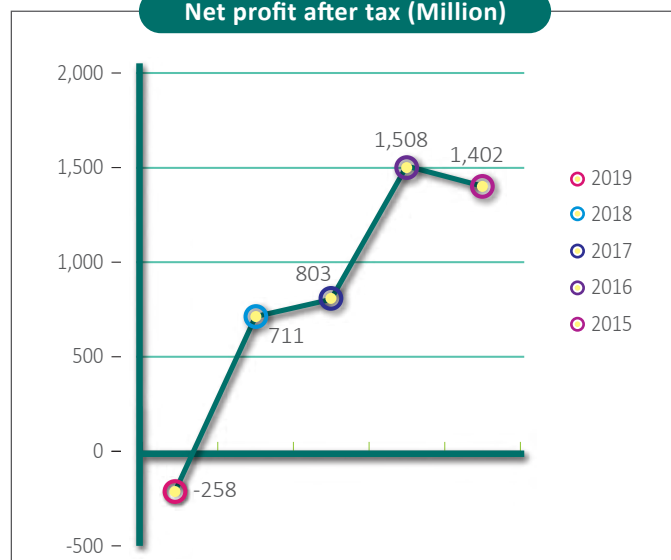
### Operating Profit (Million)



### Net profit before tax (Million)

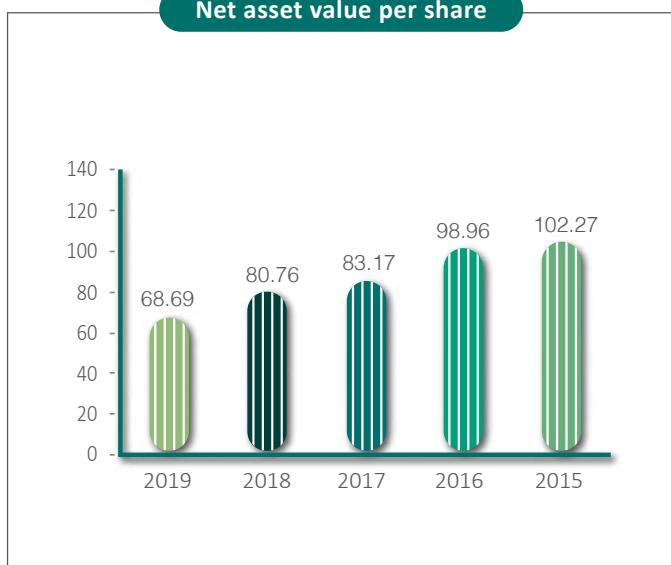


### Net profit after tax (Million)

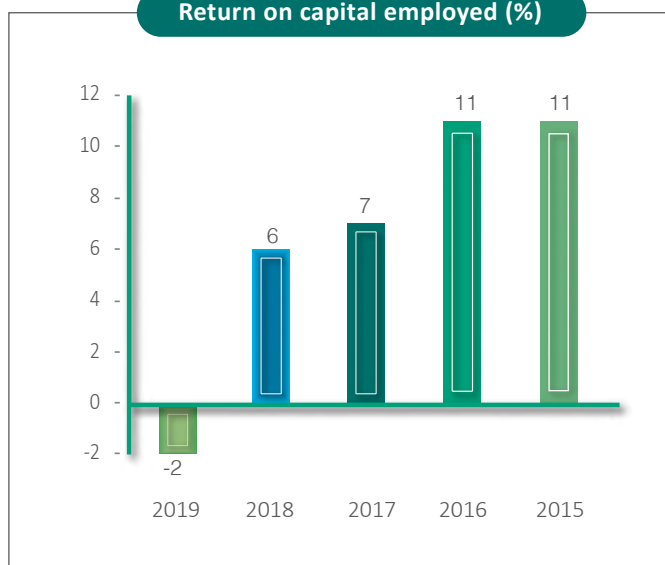


# HCBL'S Performance at a Glance in 2019 (Standalone)

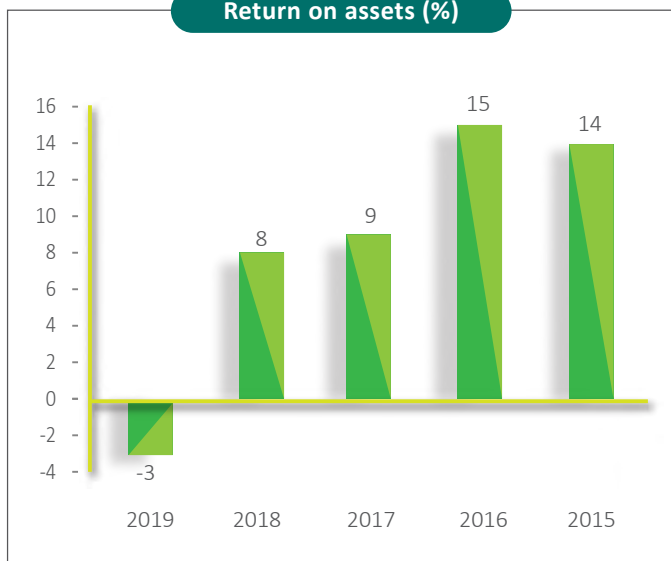
### Net asset value per share



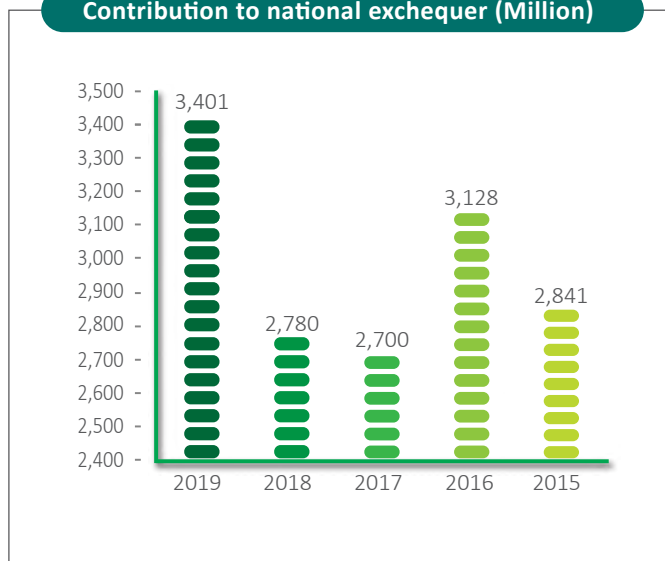
### Return on capital employed (%)



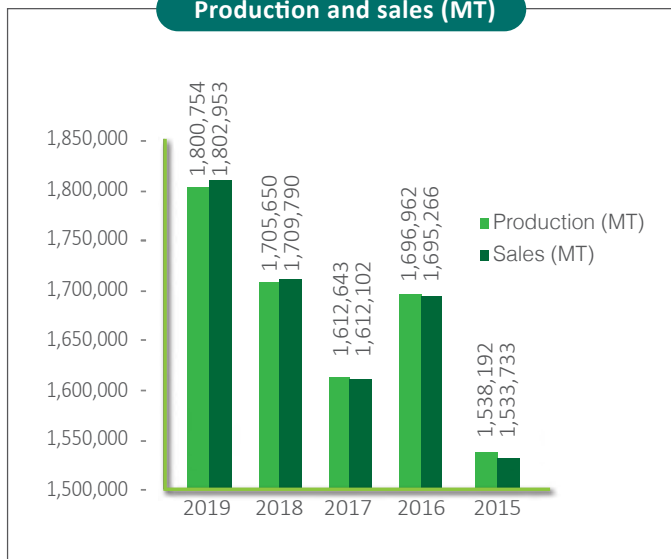
### Return on assets (%)



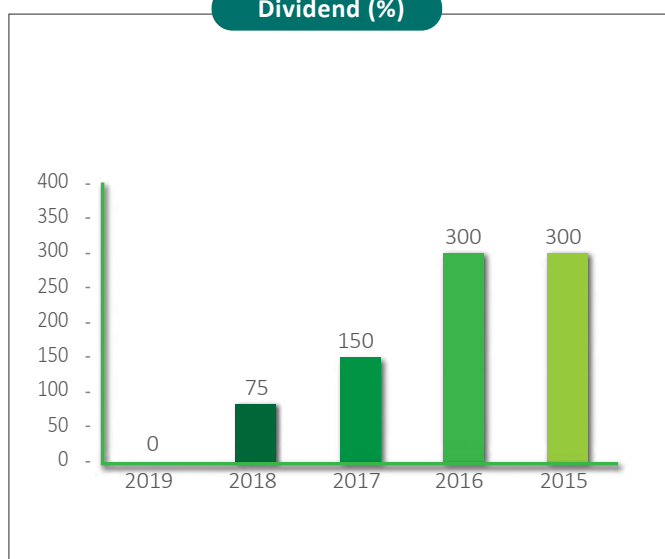
### Contribution to national exchequer (Million)



### Production and sales (MT)

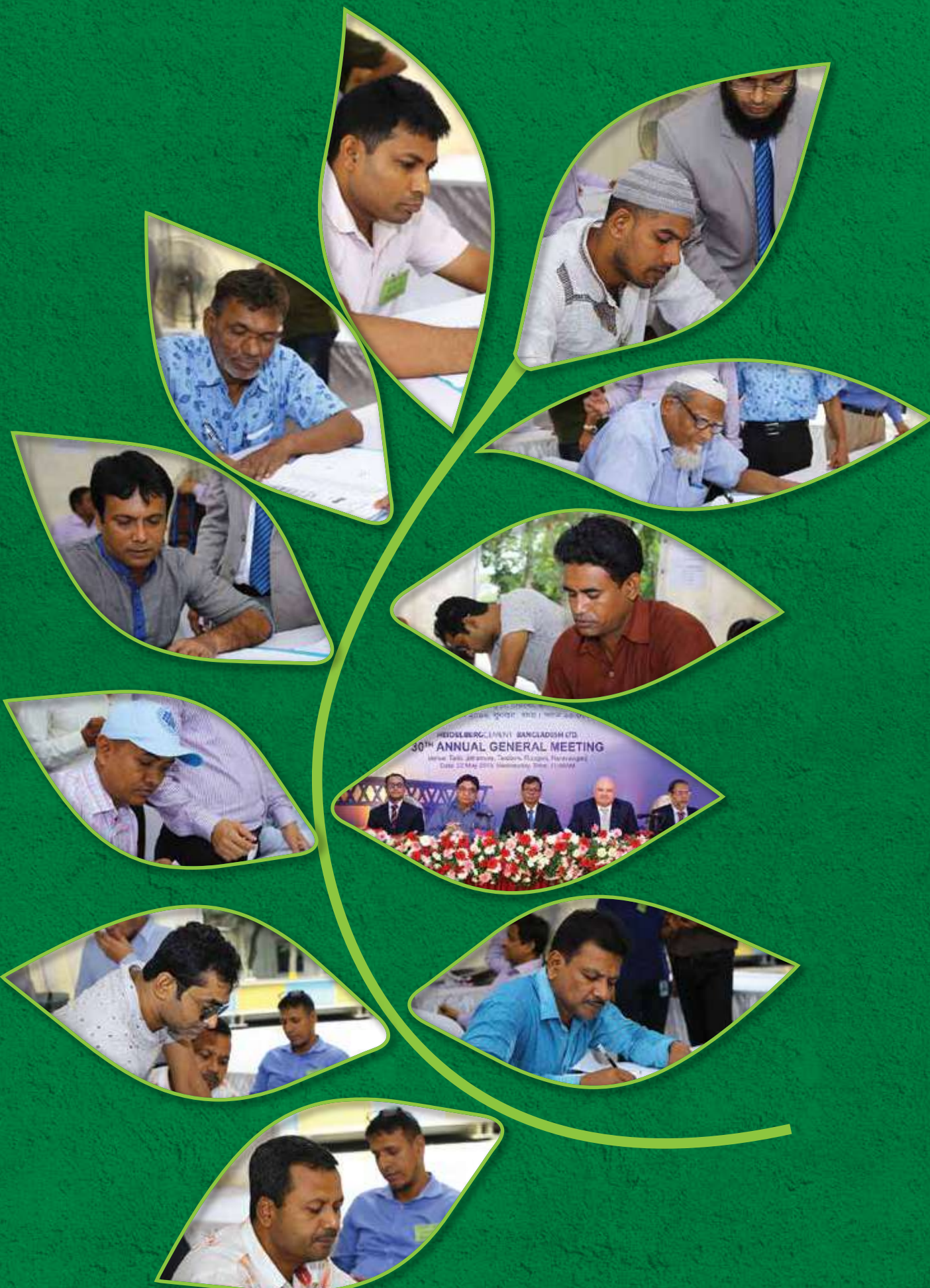


### Dividend (%)



# To the Members of HCBL











# HEIDELBERGCEMENT Bangladesh Limited

Registered Office: Mouza-Tatki, P.O.-Tarabow, Tarabow Pouroshava, P.S.-Rupgonj, Dist.-Narayangonj  
Corporate Office: Symphony (6<sup>th</sup> & 7<sup>th</sup> Floor), Plot No. SE(F) 9, Road No.142, South Avenue, Gulshan-1, Dhaka -1212

## NOTICE OF 31<sup>st</sup> ANNUAL GENERAL MEETING (AGM) A virtual meeting through digital platform

NOTICE is hereby given to all the members of HeidelbergCement Bangladesh Limited that the 31st Annual General Meeting (AGM) of the Company will be held using Digital Platform (in accordance with BSEC Order SEC/SRMIC/04-231/932 dated 24 March 2020) on Tuesday, 30 June 2020 at 11.00 A.M., to transact the following business:

### AGENDA

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 31 December 2019 together with the Reports of the Auditors and the Directors thereon.
2. To approve dividend as recommended by the Board of Directors.
3. To approve the appointment of Mr. Abdul Khalek, FCA as an Independent Director.
4. To appoint Directors in place of Ms. Sim Soek Peng, Mr. Fong Wei Kurk, and Mr. Jashim Uddin Chowdhury, FCA, who are retiring by rotation and being eligible have offered themselves up for re-appointment.
5. To appoint M/s. ACNABIN, Chartered Accountants, as the Statutory Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration. To appoint and if thought fit to pass, with or without modifications, the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 210 and other applicable provisions of the Companies Act, 1994, and pursuant to the recommendations of the Board Audit Committee and the Board of Directors, M/s. ACNABIN, Chartered Accountants (licensed to practice under ICAB, Bye-law 1973), having consented to act as such, be and are hereby appointed as the Auditors of the Company from the conclusion of this Meeting to hold office until the conclusion of the next Annual General Meeting, at a remuneration of BDT 850,000.00 (BDT Eight Lac Fifty Thousand) to conduct the audit for the financial year ending 31 December 2020 payable in one or more installments plus Value Added Tax (VAT) as applicable.”

6. To re-appoint M/s. Hoque Bhattacharjee Das & Co., Chartered Accountants, as the Compliance Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration.

#### SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to paragraph (a) of Notification No. BSEC/CMRRCD/2009-193/2/Admin/103 dated 5 February 2020 of the Bangladesh Securities and Exchange Commission, approval is hereby granted to the Company to purchase raw materials namely clinker, slag, gypsum, and limestone from HC Trading Malta Limited, a related party to the Company, amounting to more than one percent (1%) of the Company’s revenue for the immediate preceding financial year.”

### Explanatory Statements:

#### Agenda No. 5


The current Statutory Auditor of the Company, Hoda Vasi Chowdhury & Co., Chartered Accountants, will retire from the office of auditors as per notification no. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018 issued by the Bangladesh Securities and Exchange Commission, as the auditors have completed three (3) consecutive years of auditing the Company. M/s. ACNABIN, Chartered Accountants having office at BDBL Bhaban (Level-13), 12 Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh, have already indicated their interest and consent to act as auditor of the Company for the year ending 31 December 2020, if they are appointed so. The Board of Directors recommends the above ordinary resolution for the members' approval.

#### Agenda No. 7

The Company in its ordinary course of business and/or on arm's length basis sources material from different suppliers of raw materials. To ensure the stability of supplies in terms of quality, price and logistics, the Company proposes to enter into transaction(s) with HC Trading Malta Limited ("HCT") (a related party of the Company as defined in the International Financial Reporting Standards). Pursuant to paragraph (a) of Notification No. BSEC/CMRRCD/2009-193/2/Admin/103 dated 5 February 2020 of the Bangladesh Securities and Exchange Commission, no issuer company shall, except with the approval of the general body of its shareholders, enter into any contract for the supply of goods and materials amounting to 1% (one percent) or above of the revenue for the immediate preceding financial year with any related party.

The Company envisages that the transaction(s) entered into with HCT whether individually and/or in the aggregate would exceed the stipulated threshold of 1% (one percent) of the annual turnover of the Company as per the latest audited financial statements of the Company during a financial year of the Company. Hence, approval of the shareholders is being sought for the said related party transaction(s) proposed to be entered into by the Company with HCT in the financial year 2020. The Board of Directors recommends the above ordinary resolution for the members' approval.

By Order of the Board



**Md. Emdadul Haque ACA**  
Company Secretary

Dated: 15 June 2020

### NOTES:

- Due to closure of trading and settlement activities on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) from 26 March to 30 May 2020, the 'Record Date' in lieu of Book Closure has been shifted from 28 May 2020 to 14 June 2020. Accordingly, the date of the 31st AGM has been shifted from 24 June 2020 to 30 June 2020 in compliance with the relevant regulations vide the decision of the Board of Directors of the Company.
- The Shareholders whose names would appear in the Register of Members of the Company or the Depository on the 'Record Date' will be eligible to attend the 31st AGM through the online live portal to ensure the safety of Shareholders given the ongoing coronavirus pandemic.
- The detailed login process and link of the online live portal to attend the meeting will be communicated to the shareholders in due course. Therefore, the shareholders are requested to update their email addresses through their respective Depository Participant (DP).
- A Shareholder entitled to attend and vote at the AGM may appoint a Proxy in his/her stead. Such proxy must be a Shareholder of the Company. The Proxy Form must be affixed with requisite revenue stamp and must be deposited at the Corporate Office of the Company at least 48 hours before the time fixed for the Meeting.
- The soft copy of the Annual Report-2019 of the Company will be sent to the shareholders' respective e-mail addresses. However, interested shareholders may collect hard copies of the Annual Report-2019 from the Company's share office by submitting a written request. The soft copy of Annual Report-2019 is available on the Company's website at [http://www.heidelbergcementbd.com/investors\\_relation.aspx](http://www.heidelbergcementbd.com/investors_relation.aspx).

# Corporate Information

**Company Name: HeidelbergCement Bangladesh Limited**

**AUTHORIZED CAPITAL:** BDT 1,000,000,000

**PAID-UP CAPITAL:** BDT 565,035,800

## BOARD OF DIRECTORS

### CHAIRMAN

Kevin Gerard Gluskie

### MANAGING DIRECTOR

Jose Marcelino Ugarte

### INDEPENDENT DIRECTORS

Dr. Muhammad Abdul Mazid

Abdul Khalek, FCA

### DIRECTORS

Md. Abul Hossain

Juan Francisco Defalque

Fong Wei Kurk

Sim Soek Peng

Jashim Uddin Chowdhury, FCA

## BOARD COMMITTEE

### AUDIT COMMITTEE

Dr. Muhammad Abdul Mazid (Chairman)

Abdul Khalek, FCA (Member)

Sim Soek Peng (Member)

Mamun-Ul- Hoque Chowdhury

Md. Emdadul Haque, ACA (Secretary)

### MANAGEMENT COMMITTEE

Jose Marcelino Ugarte

Jashim Uddin Chowdhury, FCA

Ashraful Amin Badal

Mustaque Ahmed

Terence Ong Kian Hock

Saikat Khan

### NOMINATION & REMUNERATION COMMITTEE

Dr. Muhammad Abdul Mazid (Chairman)

Fong Wei Kurk (Member)

Sim Soek Peng (Member)

Md. Emdadul Haque, ACA (Secretary)

### SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

Mustaque Ahmed

Terence Ong Kian Hock

Mohammad Alamgir

Mahmud Al Rashid Joarder

### STATUTORY POSITION

#### CHIEF FINANCIAL OFFICER

Jashim Uddin Chowdhury, FCA

#### HEAD OF INTERNAL AUDIT & COMPLIANCE

Mamun-Ul-Hoque Chowdhury

#### COMPANY SECRETARY

Md. Emdadul Haque, ACA

### REGISTERED OFFICE

Mouza-Tatki, Post Office- Tarabow, Tarabow Pouroshava, P.S.- Rupgonj, Dist.- Narayangonj

### CORPORATE OFFICE

Symphony (6th and 7th Floor), Plot No. SE (F) 9, Road No.142, South Avenue, Gulshan-1, Dhaka-1212

### PLANTS

Dhaka Plant: Tatki, Jatramora, Tarabow, P.S. -Rupgonj, Dist.-Narayangonj

Chittagong Plant: South Haliashahar, G.P.O. Box No. 372, Chittagong-4204

### STATUTORY AUDITORS

M/s. Hoda Vasi Chowdhury & Co.  
Chartered Accountants

Address: BTMC Bhaban (Level- 7 & 8), 7-9, Karwan Bazar, Dhaka-1215

### COMPLIANCE AUDITORS

Hoque Bhattacharjee Das & Co.  
Chartered Accountants

Address: Cosmic Tower (9th Floor), 106/ka Naya Paltan, Box Culvert Road, Dhaka-1000

### BANKERS

Standard Chartered Bank  
Citibank N.A.  
The HSBC Ltd.  
BRAC Bank Ltd.

Dhaka Bank Ltd.  
Uttara Bank Ltd.  
One Bank Ltd.  
Southeast Bank Ltd.

Eastern Bank Ltd.  
Dutch-Bangla Bank Ltd.  
Pubali Bank Ltd.  
National Credit & Commerce Bank Ltd.

### WEBSITE & E-MAIL

Website: [www.heidelbergcementbd.com](http://www.heidelbergcementbd.com)

E-mail: [info@heidelbergcementbd.com](mailto:info@heidelbergcementbd.com)

### INVESTOR RELATIONS

Telephone +88-02-58815600; Ext. 304 & 305

Fax +88-02-9847003

### STOCK EXCHANGE LISTING

Dhaka Stock Exchange Ltd.  
Listing year-1989  
Trading Code-HEIDELBCEM  
Scrip Code: 21614

Chittagong Stock Exchange Ltd.  
Listing year-1995  
Scrip Code-HEIDELBCEM  
Scrip ID No. 15002

### CENTRAL DEPOSITORY SYSTEM

Through CDS the trading of HeidelbergCement Bangladesh Limited shares have started from 18th July 2004

# কর্পোরেট ইনফরমেশন

## কোম্পানীর নাম : হাইডেলবার্গসিমেন্ট বাংলাদেশ লিমিটেড

অনুমোদিত মূলধন: ১,০০০,০০০,০০০ টাকা

পরিশোধিত মূলধন: ৫৬৫,০৩৫,৮০০ টাকা

### পরিচালনা পর্ষদ

#### চেয়ারম্যান

কেভিন জেরার্ড গুসকি

#### স্বতন্ত্র পরিচালক

ড. মুহাম্মদ আবদুল মজিদ  
আব্দুল খালেক, এফসিএ

#### পরিচালক

মো. আবুল হোসেন  
জুয়ান ফ্রান্সিসকো ডিফাল্কে  
ফং উই কুর্ক  
সিম সাক পেং  
জসিম উদ্দিন চৌধুরী, এফসিএ

#### ব্যবস্থাপনা পরিচালক

জোসে মার্শেলিনো উগার্চে

### বোর্ড কমিটি

#### অডিট কমিটি

ড. মুহাম্মদ আবদুল মজিদ (চেয়ারম্যান)  
আব্দুল খালেক, এফসিএ (সদস্য)  
সিম সাক পেং (সদস্য)

মামুন-উল-হক চৌধুরী  
মোঃ ইমদাদুল হক, এসিএ (সচিব)

#### ম্যানেজমেন্ট কমিটি

জোসে মার্শেলিনো উগার্চে  
জসিম উদ্দিন চৌধুরী, এফসিএ  
আশরাফুল আমিন বাদল

মুসতাক আহমেদ  
টেরেস অং কিয়ান হক  
সৈকত খান

#### নমিনেশন এন্ড রেমুনারেশন কমিটি

ড. মুহাম্মদ আবদুল মজিদ (চেয়ারম্যান)  
ফং উই কুর্ক (সদস্য)

সিম সাক পেং (সদস্য)  
মোঃ ইমদাদুল হক, এসিএ (সচিব)

#### সেফটি, হেলথ এন্ড ইনভাইরনমেন্ট কমিটি

মুসতাক আহমেদ  
টেরেস অং কিয়ান হক

মুহাম্মদ আলমগীর  
মাহমুদ আল রশিদ জোয়ার্দার

#### স্ট্যাটুটরী পজিশন

প্রধান হিসাবরক্ষণ কর্মকর্তা  
জসিম উদ্দিন চৌধুরী, এফসিএ

হেড অব ইন্টারনাল অডিট এন্ড কমপ্লায়েন্স  
মামুন-উল-হক চৌধুরী

কোম্পানী সচিব  
মোঃ ইমদাদুল হক, এসিএ

#### রেজিস্টার্ড ঠিকানা

মৌজা-টাটকি, জাতরামোড়া, ডাকঘর-তারাবো, থানা-রূপগঞ্জ, জেলাঃ নারায়ণগঞ্জ

#### কর্পোরেট ঠিকানা

সিফনী (৭ম ও ৮ম তলা), প্লট নং-এসই(এফ) ৯, রোড নং ১৪২, সাউথ এ্যাভিনিউ, গুলশান - ১, ঢাকা - ১২১২

#### কারখানাসমূহ

ঢাকা প্ল্যান্ট : মৌজা-টাটকি, জাতরামোড়া, ডাকঘর-তারাবো,  
থানা - রূপগঞ্জ, জেলাঃ নারায়ণগঞ্জ

চট্টগ্রাম প্ল্যান্ট : দক্ষিণ হালিশহর,  
জি.পি.ও বক্স নং-৩৭২, চট্টগ্রাম-৪২০৪

#### স্ট্যাটুটরী অডিটরস

মেসার্স হুদা ভাসি চৌধুরী এন্ড কোং  
চার্টার্ড একাউন্ট্যান্টস

ঠিকানা: বিটিএমসি ভবন (লেভেল- ৭,৮), ৭-৯, কারওয়ান বাজার, ঢাকা-১২১৫

#### কমপ্লায়েন্স অডিটরস

হক ভট্টাচার্য এন্ড কোং.  
চার্টার্ড একাউন্ট্যান্টস

ঠিকানাঃ কসমিক টাওয়ার (৯ম ফ্লোর), ১০৬/ক নয়া পল্টন, বক্স কালভার্ট রোড,  
ঢাকা-১০০০

#### ব্যাংকার্স

স্ট্যান্ডার্ড চার্টার্ড ব্যাংক  
সিটি ব্যাংক এনএ  
দি এইচএসবিসি লিঃ  
ব্র্যাক ব্যাংক লিঃ

ঢাকা ব্যাংক লিঃ  
উত্তরা ব্যাংক লিঃ  
ওয়ান ব্যাংক লিঃ  
সাউথইস্ট ব্যাংক লিঃ

ইস্টার্ন ব্যাংক লিঃ  
ডাচ বাংলা ব্যাংক লিঃ  
পূবালী ব্যাংক লিঃ  
ন্যাশনাল ক্রেডিট এন্ড কর্মাস ব্যাংক লিঃ

#### ওয়েবসাইট এন্ড ই-মেইল

ওয়েবসাইট: www.heidelbergcementbd.com

ই-মেইল: info@heidelbergcementbd.com

#### ইনভেস্টরস রিলেশনস্

টেলিফোন: +৮৮-০২-৫৮৮১৫৬০০ এক্সটে: ৩০৪, ৩০৫

ফ্যাক্স +৮৮-০২-৯৮৪৭০০৩

#### স্টক এক্সচেঞ্জ লিস্টিং

ঢাকা স্টক এক্সচেঞ্জ লিঃ  
লিস্টিং বছর - ১৯৮৯  
ট্রেডিং কোড - HEIDELBCEM  
ক্লিপিং কোড - ২১৬১৪

চট্টগ্রাম স্টক এক্সচেঞ্জ লিঃ  
লিস্টিং বছর - ১৯৯৫  
ক্লিপিং কোড - HEIDELBCEM  
ক্লিপিং আইডি - ১৫০০২

#### সেন্ট্রাল ডিপোজটরী সিস্টেম

হাইডেলবার্গসিমেন্ট বাংলাদেশ লিমিটেড এর শেয়ার বিগত ১৮ জুলাই ২০০৪ হইতে সিডিএস এর মাধ্যমে ট্রেড সম্পন্ন হচ্ছে

# Sustaining Growth

From the early stage of survival and recovery, HeidelbergCement Bangladesh Limited is methodically protecting and promoting diversity and it has progressed to reach a position of strength and potential for growth. The Company's strategy is built on three pillars of economy, ecology and social responsibility. We always have emphasized the importance of technical advancement, environmental and climate protection as well as safety of the employees and workers.



*To get complete annual report  
& to know us well*

**PLEASE  
VISIT OUR  
WEBSITE**

**[www.heidelbergcementbd.com](http://www.heidelbergcementbd.com)**

# Board of Directors



# Kevin Gerard Gluskie

## Chairman



Age: 52 years  
Nationality: Australian  
Date of Appointment: 25 February 2016  
Length of Service in the HC Group: 30 years  
Date of Last Re-election: 22 May 2019  
Membership in Board Committee: Nil

Mr. Gluskie studied in Civil Engineering from the University of Tasmania in 1988 and MBA from the Australian Graduate School of Management in 2001. He is currently a Member of the Managing Board of HeidelbergCement AG.

### Directorship of Other Companies:

- HeidelbergCement AG
- Cement Australia Holdings Pty Limited
- Cement Australia Pty Limited
- Butra HeidelbergCement Sdn Bhd
- Alliance Construction Materials Limited
- HeidelbergCement India Limited
- Hanson Building Materials (S) Pte Ltd.
- Hanson Investment Holdings Pte Ltd.
- Hanson Pacific (S) Pte Limited
- HeidelbergCement Asia Pte Ltd.
- HeidelbergCement Myanmar Company Limited
- China Century Cement Ltd.
- Jidong Heidelberg (Fufeng) Cement Company Limited
- Jidong Heidelberg (Jingyang) Cement Company Limited
- Easy Point Industrial Ltd.
- HeidelbergCement Holding HK Limited
- Squareal Cement Ltd.
- Asia Cement Public Company Limited
- Jalapathan Cement Public Company Limited
- Guangzhou Heidelberg Yuexiu Enterprise Management Consulting Company Ltd.



## Jose Marcelino Ugarte Managing Director



Age: 48 years  
Nationality: Filipino  
Date of Appointment: 21 July 2011  
Length of Service in HC Group: 8.6 years  
Date of Last Re-election: 22 May 2019  
Membership in Board Committee: Nil

Mr. Ugarte completed graduation in Business Administration in 1996 from the University of San Francisco, California, USA. He is a member of the Australian Institute of Company Directors.

He joined as Managing Director of HeidelbergCement Bangladesh Limited on August 2011. Under his excellent leadership HC Bangladesh experienced remarkable growth and maximum stakeholders return.

He is such a corporate personality having 22 years working experience together with Cramdells Development

Corporation and CEMEX in different capacities.

### Directorship of Other Companies:

- Butra HeidelbergCement (BHC) Sdn Bhd
- Meghna Energy Limited
- Emirates Cement Bangladesh Limited
- Emirates Power Company Limited

## Dr. Muhammad Abdul Mazid Independent Director



Age: 67 years  
Nationality: Bangladeshi  
Date of Appointment: 17 July 2018  
Length of Service with HC Group: N/A  
Date of Last Re-election: N/A  
Membership in Board Committee: NRC & BAC

Dr. Mazid completed post-graduation from the University of Dhaka in English Literature & pursued further education in Oxford, UK. Moreover, He is a PhD holder in Social Science (the theme of the thesis: Agro Economy in the Coastal Belt of Bangladesh).

He is a retired Secretary to the Government of Bangladesh and former chairman of the National Board of Revenue (NBR), Chittagong Stock Exchange (CSE), South Asian Federation of Exchanges (SAFE). He has over 35 years' experience of

working in the private & public finance sector, and international organization. Currently, he is the Adviser of Bangladesh's country's largest and ground-breaking conglomerate A K Khan and Company Limited. He does not hold directorship in any other company.

## Abdul Khalek, FCA Independent Director



Age: 60 years

Nationality: Bangladeshi

Date of Appointment: 23 July 2019 (First Term)

Length of Service with HC Group: N/A

Date of Last Re-election: N/A

Membership in Board Committee: BAC

Mr. Khalek is a fellow member of the Institute of Chartered Accountants of Bangladesh. He completed post-graduation in Commerce from the University of Dhaka in 1985. He has a high academic career and commendable experience in the field of corporate policy formulation and implementation, mentoring, business diversification, financial management, tax planning and compliance, internal audit, corporate governance and secretarial functions. He served Berger Paints Bangladesh Limited (BPBL) under different capacities (22 years as CFO). Currently, he is acting as adviser to MD and member of the Board of Directors and Audit Committee of BPBL.

### Directorships of Other Companies:

- Berger Becker Bangladesh Limited : A JV of BPBL and Becker Industrial Coating Holding AB, Sweden
- Berger Fosroc Bangladesh Ltd. : A JV of BPBL and Fosroc International Limited, UK
- Jenson & Nicholson (Bangladesh) Limited : Hundred percent subsidiary of BPBL

## Md. Abul Hossain Director



Age: 54 years

Nationality: Bangladeshi

Date of Appointment: 23 October 2019

Length of Service with HC Group: N/A

Date of Last Re-election: N/A

Membership in Board Committee: N/A

Mr. Hossain completed graduation and post-graduation in Statistics from Jahangirnagar University. He has been serving the Investment Corporation of Bangladesh (ICB) as Managing Director since 21 August 2019. Immediately before his joining at ICB, he acted as Managing Director at Karmasangsthan Bank (KB). During his service life, he served different Banks and Financial Institutions. He has over 30 years of diversified experience in the field of investment banking, specialized and commercial banking, Islamic banking, Asset management and ICT works.

### Directorships of Other Companies:

- British American Tobacco Bangladesh Co. Ltd. (BATBC)
- GlaxoSmithKline Bangladesh Ltd. (GSK)
- Standard Bank Limited
- National Tea Company Limited (NTC)
- Apex Tannery Limited
- Central Depository Bangladesh Ltd. (CDBL)
- United Power Generation & Distribution Company Limited (UPGDCL)
- Aramit Limited
- Bangladesh Institute of Capital Market (BICM)
- Apex Footwear Limited
- The Peninsula Chittagong Limited
- Ratanpur Steel Re-rolling Mills Limited (RSRM)
- Padma Bank Limited

## Juan-Francisco Defalque Director



Age: 56 years  
Nationality: Belgian  
Date of Appointment: 23 July 2015  
Length of Service in HC Group: 30 years  
Date of Last Re-election: 22 May 2019  
Membership in Board Committee: Nil

Mr. Defalque completed post-graduation in Mining Engineering from Catholic University of Louvain-la-Neuve, Belgium in 1982-1987. He has worked for about 30 years in the Cement industry in different capacities. He is a highly experienced executive who demonstrates the ability to lead diverse teams of professionals to new levels of success in challenging environments. His core competency includes managing large investment projects, suppliers and contractors selection and commissioning and hand over of the new facilities or plants to operations.

### Directorship of Other Companies:

- PT Indocement Tungal Prakarsa Tbk.
- Asia Cement Public Company Limited
- Zuari Cement Limited
- Gulbarga Cement Limited

## Sim Soek Peng Director



Age: 51 years  
Nationality: Malaysian  
Date of Appointment: 29 January 2014  
Length of Service in HC Group: 16 years  
Date of Last Re-election: 07 June 2018  
Membership in Board Committee: NRC & BAC

Ms. Sim is a CPA from the Malaysian Association of Certified Public Accountants (MICPA) as well as a Chartered Accountant from the Malaysian Institute of Accounting (MIA). She is skilled at leading diverse teams of accounting professionals to meet the Group requirements. She has 27 years of Accounting & Finance related experience in Property and Construction, FMCG Manufacturing & Building Materials companies. Her core competency includes strong knowledge of group reporting, financial analysis, capital evaluations, ERP systems, customs, and taxation matters as well as inter-company transactions and transfer pricing issues.

### Directorships of Other Companies:

- HeidelbergCement India Limited
- Hanson Building Materials (S) Pte Ltd.

- Hanson Investment Holdings Pte Ltd.
- Hanson Pacific (S) Pte Limited
- Butra HeidelbergCement Sdn Bhd
- Asia Cement Public Company Limited
- Zuari Cement Limited
- Alliance Construction Materials Limited
- Pioneer Concrete (Hong Kong) Limited
- HeidelbergCement Asia Pte Ltd.
- Sitapuram Power Limited
- Gulbarga Cement Limited

## Fong Wei Kurk Director

Age: 43 years

Nationality: Singaporean

Date of Appointment: 29 January 2014

Length of Service in the HC Group: 8 years

Date of Last Re-election: 07 June 2018

Membership in Board Committee: NRC

Mr. Fong completed graduation in Law from the National University of Singapore in 2001 and passed the Board of Legal Education Post-graduate Practical Law Course in 2001. He was admitted to the Singapore Bar as an advocate and solicitor in 2002. He has specialized knowledge and experience in capital markets, merger & acquisition deals, energy-related transactions and outbound deals. He joined the HeidelbergCement Group in 2012 and is currently working as the Legal Director for Asia-Pacific.



### Directorships of Other Companies:

- Butra HeidelbergCement Sdn Bhd, Brunei

## Jashim Uddin Chowdhury, FCA Director & Chief Financial Officer

Age: 57 years

Nationality: Bangladeshi

Date of Appointment: 20 June 2006

Length of Service with HC Group: 19 years

Date of Last Re-election: 11 May 2017

Membership in Board Committee: N/A

Mr. Chowdhury is a fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB). His areas of competency includes analyzing an organization's critical financial requirements, identification of deficiencies and potential opportunities and improvement of shareholders' offerings. Apart from leading finance team as CFO, he is also looking after the IT function of the Company.



### Directorships of Other Companies:

- Meghna Energy Limited
- Emirates Cement Bangladesh Limited
- Emirates Power Company Limited

# Management Committee



**Jose Marcelino Ugarte**  
Managing Director



**Mustaque Ahmed**  
Director Human Resources



**Ashrafal Amin (Badal)**  
Director Purchasing & Logistics  
Project Co-ordination



**Jashim Uddin Chowdhury, FCA**  
Chief Financial Officer



**Terence Ong Kian Hock**  
Technical Director



**Saikat Khan**  
Head of Legal & Corporate Affairs



**Md. Emdadul Haque, ACA**  
Company Secretary & SSC Manager

# Message from the Chairman

**Dear Shareholders, Colleagues and Friends of HeidelbergCement Bangladesh Limited,**

On behalf of the Board of Directors, I am pleased to present to you HeidelbergCement Bangladesh Limited's (The "Company" or "HCBL"), annual report containing, among others, the financial statements together with its subsidiaries for the financial year ended 31 December 2019 ("FY 2019").





The recorded revenue of the Company was BDT 11,927 million in 2019, which was increased by BDT 835 million resulting from 7.5% growth compared to the corresponding period in 2018. In terms of Sales Volume of the Company 5.4% growth was recorded in the year 2019, which was 1,802.9k tons cement. The Company's net profit before tax for the financial year was BDT 170.4 million and Earnings Per Share (EPS) was BDT -3.30.

In 2019, the return on our investment did not meet our expectations. The business started to develop with a positive look in the first two quarters. But the business result negatively turned from the third quarter and began to decrease the profit of the preceding quarters. Albeit an upward trend was recorded in terms of sales revenue, the margin we achieved was negative due to the factors affected our business, among others, excessive pressure of raw material price hike in the international market and cost of goods sold, low financial income, and the imposition of minimum tax on import of raw material. Furthermore, existing market competition to grow volumes forced us to adjust our prices significantly.

In light of the business performance, borrowings followed by the acquisition of Emirates Cement Bangladesh Limited & Emirates Power Company Limited, financial expenses and cash scarcity & forecasted cash flows of the Company, the Board of Directors proposed no dividend for the year 2019 and the same will be placed before the members for approval at the Annual General Meeting to be held on 30 June 2020.

In today's world, we all are facing the threat of existence and struggling hard to combat the ongoing COVID-19 pandemic. All sectors especially the business and commerce, both domestic and international, have been materially affected by the novel coronavirus. The business environment becomes even more challenging and this unavoidable situation impedes the way of making a profit. Nevertheless, the first quarter result of 2020 draws a ray of hope for all of us and produce positive business development. The government imposes lockdown for stopping the spreading of the virus which may produce the adverse business result in the upcoming quarters. At our end, we have already chalked-out To-Do List to recover this temporary crisis and have

implemented the highest level of required action to all our levels to minimize the negative business result in the maximum possible way.

However, to successfully navigate a challenging, changing worldwide macroeconomic, environmental, and geopolitical environment, we maintain a proactive approach to business aimed at constantly improving our performance, and above all, strengthening our ability to create greater value in the future. With this in mind, we have reinforced our commitment to health and safety, sustainability, and customer-centric innovation to transform our company to build a better world for all of our stakeholders. With our advantageous geographical positioning in attractive markets in Bangladesh and our high degree of operational efficiency, we consider ourselves well-equipped to face the challenges and to grab advantage of the opportunities in 2020.

I would like to extend my gratitude to our management team, staff, bankers, and business associates for their commitment and contribution towards the Company. Further, I would like to extend my sincere appreciation to my fellow Directors on the Board for providing guidance amidst the tough operating environment. My thanks also go to the Government bodies, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, and other statutory bodies for their support of the various activities of the Company. Last but not least, I would like to express my deep gratitude and warm greetings to all the respected stakeholders for your continuous support and for placing your confidence in us to lead the Company successfully into the future.

We will continue to drive ahead in building a more sustainable business for our customers while enhancing our shareholders' value.



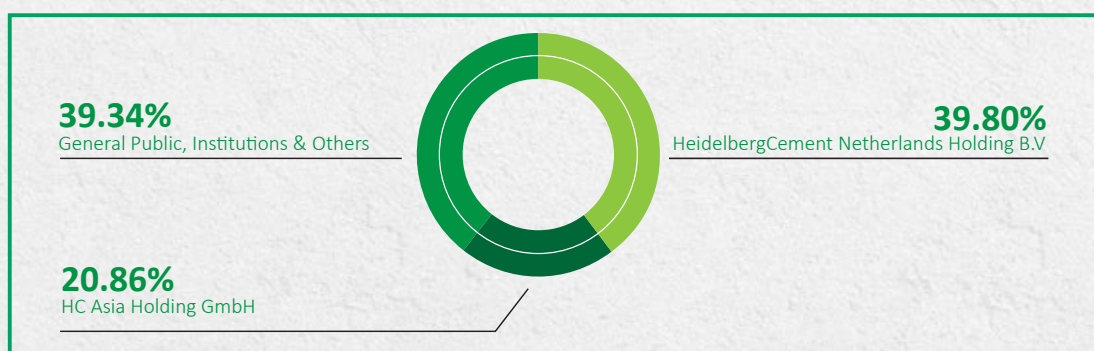
Kevin Gerard Gluskie  
Chairman  
Board of Directors  
HeidelbergCement Bangladesh Limited

# Shareholding Position

## Break-up of total shareholding

Shareholders	Year-2019
HeidelbergCement Netherlands Holding B.V.	39.80%
HC Asia Holding GmbH	20.86%
General Public, Institutions & Others	39.34%

## Break-up of total shareholding Year-2019



## Classification of shareholders by holding

No. of shares held	01 January 2019			31 December 2019		
	No. of shareholders	Total holding	Percentage	No. of shareholders	Total holding	Percentage
0 – 5,000	12,831	4,016,329	7.11	12,745	4,023,055	7.12
5,001 – 50,000	264	3,784,749	6.70	285	3,790,339	6.71
50,001 – 200,000	53	4,878,416	8.63	55	4,857,308	8.60
200,001 – 500,000	3	987,367	1.75	3	983,162	1.74
500,001–10,000,000	4	8,559,309	15.15	4	8,572,306	15.17
10,000,000– 56,503,580	2	34,277,410	60.66	2	34,277,410	60.66

## Top Ten Shareholders of the Company as on 31 December 2019

Name of shareholders	No. of shares held	Percentage
HEIDELBERGCEMET NETHERLANDS HOLDING B.V.	22,493,020	39.81
H.C. ASIA HOLDING GMBH	11,784,390	20.86
INVESTMENT CORP. OF BANGLADESH	4,608,514	8.16
ICB UNIT FUND	2,449,577	4.34
SHANTA HOLDINGS LIMITED	1,514,215	2.68
BANGLADESH FUND	401,586	0.71
PUBALI BANK SECURITIES LIMITED	302,791	0.54
ICB AMCL UNIT FUND	285,990	0.51
SONALI BANK LTD.	255,000	0.45
IBSL STOCK DEALER ACCOUNT	211,747	0.37



# INTERNAL CONTROL & RISK MANAGEMENT



## Internal control

The internal management control system at HeidelbergCement is based primarily on annual operational planning, ongoing management accounting and control, quarterly management meetings as well as regular Board meetings and reporting to the Group. Annual planning defines budget on the basis of macroeconomic analyses, its assessment of market conditions and cost targets. From this, specific targets are derived for individual operating units, which are used as the basis of detailed planning for the individual departments and setting of targets.

The indicators used for this purpose are determined and presented uniformly throughout the HeidelbergCement Group. Reports on financial status and selected sales volumes and production overviews are prepared accordingly. Reports on results of operations and working capital are prepared also in order to monitor cash flow as a key management indicator for the Company. Detailed reports on the assets positions are submitted at the end of each quarter. Internal quarterly reporting has been including a detailed tax reporting. At the management meetings, the Management committee discusses business developments including target achievement along with the outlook for the relevant year and any measures that need to be taken.

## Measures for identifying, assessing and limiting risks

In order to identify and assess risks, individual business transactions at HeidelbergCement are analyzed using the criteria of potential risk and probability of occurrence. Suitable control measures are then established on the basis of these analyses. To limit the risks, transactions above a certain volume or with a certain complexity are subject to an established approval process. Furthermore, organizational measures (e.g. separation of functions in sensitive areas) and ongoing target/actual comparisons are performed for key accounting figures. The IT systems used for accounting are protected from unauthorized access by appropriate security measures.

The established control and risk management systems are not able to guarantee accurate and complete accounting with absolute certainty. In particular, individual false assumptions, inefficient controls and illegal activities may limit the effectiveness of the internal control and risk management systems employed. Exceptional or complex circumstances that are not handled in a routine manner also entail a latent risk.

## Risk Assessment

The assessment of the overall risk situation is the result of a consolidated examination of all major compound and individual

risks. Overall, the Board is not aware of any risks that could threaten the existence of the Company either independently or in combination with other risks. The Company has a solid financial base and the liquidity position is comfortable. Third-party evaluations serve as another indicator for the overall risk assessment. HeidelbergCement is aware of the opportunities and risks for its business activity. The measures described above play a significant role in allowing HeidelbergCement to make use of the opportunities to further develop the Company without losing sight of the risks. Our control and risk management system, standardised across the Group, ensures that any major risks that could negatively affect our business performance are identified at an early stage.

## Identification and assessment of risks

The process of identifying risks is performed regularly on a decentralized basis by the management and by the globally responsible Group functions in HeidelbergCement. General macro-economic data as well as other industry-specific factors and risk information sources serve as auxiliary parameters for the identification process.

Appropriate thresholds for reporting relevant risks have been established for HCBL, taking into account the specific circumstances. On the basis of our Group's risk model and according to the defined risk categories, the risks are assessed with reference to a minimum probability of occurrence of 10% and their potential extent of damage. The risk statement also includes risks that do not have a direct impact on the financial situation, but that can have an effect on non-monetary factors such as reputation or strategy. In the case of risks that cannot be directly calculated, the potential extent of damage is assessed on the basis of qualitative criteria such as low risk or risks constituting a threat to the Company's existence.

The process of regular identification is supplemented with an ad-hoc risk report in the event of the sudden occurrence of serious risks or of sudden damage caused. This can arise, in particular, in connection with political events, trends in the financial markets, or natural disasters.



## Risk Management

HeidelbergCement Bangladesh Limited (HCBL)'s risk policy is based on the business strategy, which focuses on safeguarding the Company's existence and sustainably increasing its value. Entrepreneurial activity is always forward looking and therefore subject to certain risks. Identifying risks, understanding them, and reducing them systematically are the responsibility of the Management Committee & the Board and a key task for all managers individually. HCBL is subject to various risks that are not fundamentally avoided, but instead accepted, provided they are consistent with the legal and ethical principles of entrepreneurial activity and are well balanced by the opportunities they present. Opportunity and risk management at HCBL is closely linked by Group-wide planning and monitoring systems.

The Management Committee of HCBL is obliged to set up and supervise an internal control and risk management system. The Board also has overall responsibility for the scope and organisation of the established systems. The Audit Committee also reviews the effectiveness of the risk management system on a regular basis. HeidelbergCement group has imposed transparent regulations to govern competencies and responsibilities for risk management that are based on the Group's structure.

A code of conduct, guidelines, and principles apply across the Company for the implementation of systematic and effective risk management. The standardised internal control and risk management system at HeidelbergCement is based on financial resources, operational planning, and the risk management strategy established by the Managing Board of the Group. It comprises several components that are carefully coordinated and systematically incorporated into the structure and workflow organisation.

The essential elements of the risk management system are:

- Documentation of the general conditions for a methodical, efficient risk management in a Group guideline. In addition to this Risk Management Policy, the Code of Business Conduct is concerned with the code of conduct and compliance standards to be observed.
- Coordination of risk management in the Group Insurance;
- Managers are responsible for corporate risk at operational level
- Direct information, reporting and open communication of quantified risks between the Management committee and Group managing Board;
- Standardized and regular reporting to Group.

## Sustainability and compliance risks

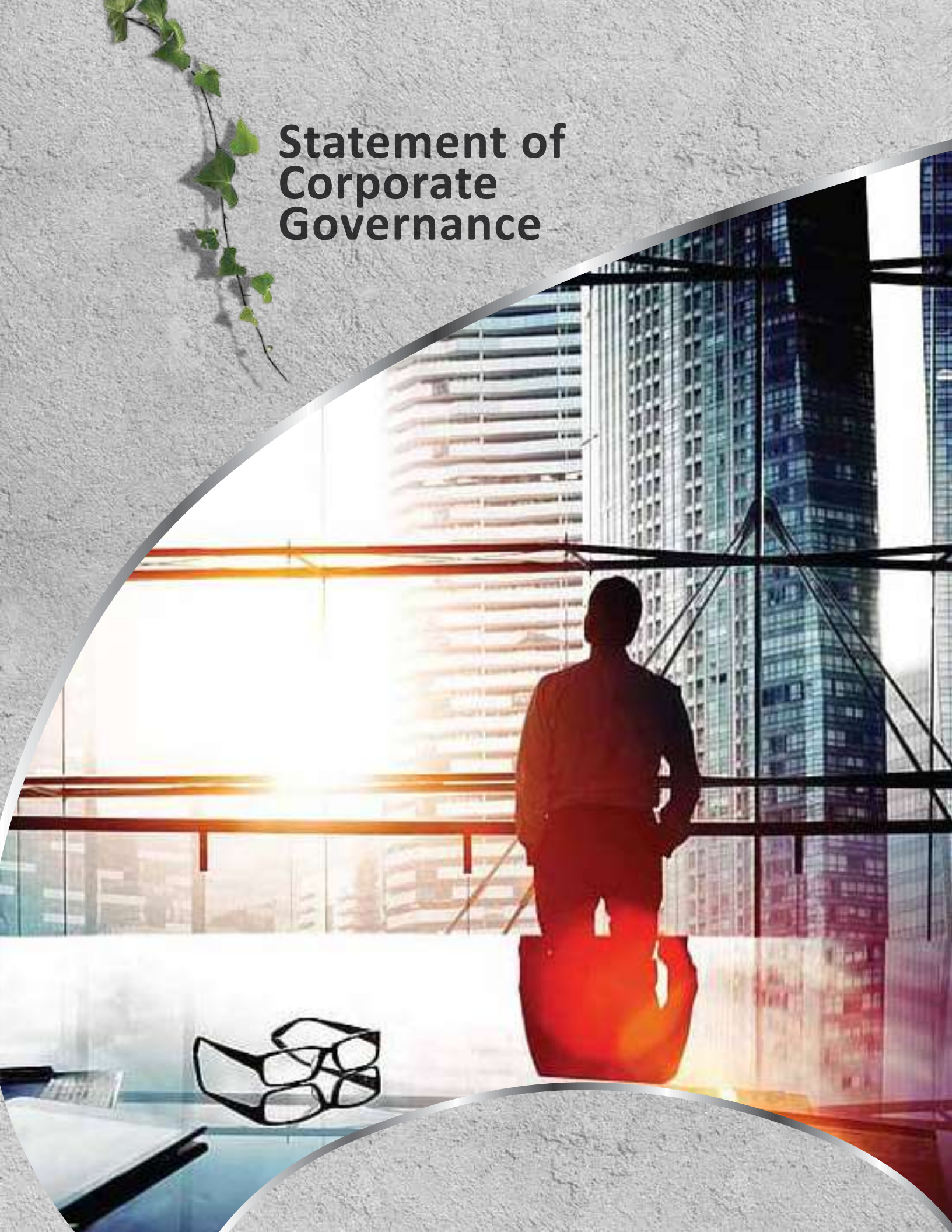
As part of its sustainable corporate governance, HCBL makes a special commitment to protect the environment, preserve resources, conserve biodiversity, and to act in a socially responsible way. We consider concern for the environment, climate protection, and sustainable resource conservation to be the foundation for the future development of our Company. Compliance with current legal and internal regulations forms an integrated part of our corporate

culture and is therefore a task and an obligation for every employee. Violations of our commitments or of laws and internal guidelines pose direct sanction risks in addition to strategic and operational risks, and also entail a risk to reputation.

We have implemented a compliance program aligned with the HeidelbergCement Group to ensure conduct that is compliant with both the law and internal guidelines. This comprises, amongst other things, informational leaflets, a compliance hotline, and employee training measures, which are conducted using state-of-the-art technologies and media such as electronic learning platforms, and which focus on the risk areas of antitrust and competition legislation as well as anticorruption regulations. We have developed a plan for the evaluation, as well as the reduction, of corruption risks and potential conflicts of interest, which has been gradually implemented.



# Statement of Corporate Governance



# Statement of Corporate Governance



HeidelbergCement Bangladesh Limited (HCBL)'s ethos is simple: best practice in corporate governance is best practice in business. This has been the way HC Group operates to ensure that the Group meets its long-term objectives to enhance shareholders' value on a sustainable basis. In practice, the Board leads in setting the tone and direction for the Group's strategy and management, with an emphasis on the importance of governance and plays an active role in administering governance practices and reviewing the Group's governance framework to ensure its relevance and ability to meet future challenges. Our good corporate governance assists us to gain trustworthiness and acceptability of all stakeholders directly or indirectly involved with us, either countrywide or worldwide.

## Corporate Governance Framework

HCBL's Corporate Governance Framework is developed based on the following statutory requirements, best practices, and guidelines:-

- i) Companies Act, 1994 (CA 1994);
- ii) Stock Exchanges Listing Regulations, 2015;
- iii) Corporate Governance Code, 2018 and Financial Reporting & Disclosure Notification, 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC);
- iiii) Secretarial Standards issued by the Institute of Chartered Secretaries of Bangladesh &
- v) Other rules, laws, and regulations, enforceable in time to time.

## Compliance with BSEC Code of Corporate Governance (BSECCG), 2018

HCBL has complied in all respects with the principles and recommendations of the Corporate Governance Code notified by the Bangladesh Securities and Exchange Commission (BSEC) dated 3 June 2018 (the "Code") as and when it becomes enforceable in FY19. We have included throughout this governance review all of the main principles and recommendations of BSECCG 2018 that are applied to the Company. The table to facilitate understanding of HCBL's compliance with the Code 2018 in respect of FY19 is attached as Annexure-C per requirements.

## Shareholders' Rights

The shareholders are the ultimate authority on decision making. The shareholders are entitled to attend at every annual general meeting either in person or through a proxy or authorised representative. Each shareholder is eligible to exercise his/her decision-making authority once against his/her total shareholding in a particular general meeting. Unless polling is requested, in accordance with the Articles of Association of HCBL, voting at general meetings will be carried out by way of a show of hands.

Usually, matters reserved for shareholders' approval at AGM include the following: -

- i) Adoption of Audited Financial Statements;
- ii) Declaration of final dividends (if any);
- iii) Election and re-election of Directors;
- iiii) Appointment/re-appointment of external auditors;
- v) Appointment/re-appointment of compliance auditors.

## 1. BOARD OF DIRECTORS:

### 1.1) Composition:

The Directors of the Board are appointed by the Shareholders at the Annual General Meeting (AGM) and the appointed Directors are accountable to the Shareholders and who are supposed to act in such a way which ensures the best interest of the shareholders as well. The Board of Directors consists of Nine (9) members including two independent directors. The Board is re-constituted every year at each Annual General Meeting when one-third of the members retire and seeks re-election. The independent directors are not subject to such retirement by rotation. A director is liable to be removed if the conditions of the Articles of Association and the provisions of the Companies Act, 1994 are not fulfilled.

### (1.2) Roles & Responsibilities:

There are defined roles and responsibilities in the code of conduct for the Board of Directors' of the Company as recommended by the Nomination & Remuneration Committee and approved by the Board of Directors. However, the roles & responsibilities of the Board of Directors are to protect the shareholders' assets and ensure a decent return on their investment. In HCBL, directors feel that it is their primary responsibility also to protect the employees of the company. The Board of Directors is the highest governing authority within the management structure. The Board of Directors holds the ultimate responsibility & accountability with due diligence for conducting the activities of the Company as per provisions of law in the interest of the shareholders, the stakeholders, the state and the society. Doing so, the Board of Directors holds periodic meetings, at least once in a quarter and provides appropriate decisions/directions to the Executive Management. Such meetings usually consider operational performance, financial results, review of budgets, capital expenditure proposals for Balancing, Modernization, Rehabilitation and Expansion (BMRE) or new projects/divisions/product lines, procurement of funds by issue of shares or borrowing, procurement of raw materials, plant & machinery, pricing of products/discounts, recruitment, training and promotion of officers, approval of audited accounts and distribution of dividends and other interest of the stakeholders including the employees and workers.

## ৩০তম বার্ষিক সাধারণ সভা

সভার স্থান : টাটকি, যাত্রামুড়া, তারাবো, রূপগঞ্জ, নারায়ণগঞ্জ  
তারিখ : ২২ মে ২০১৯, বুধবার। সময় : সকাল ১১:০০টা

### HEIDELBERGCEMENT BANGLADESH LTD. 30<sup>TH</sup> ANNUAL GENERAL MEETING

Venue: Talki, Jatramora, Tarabow, Rugganj, Narayanganj  
Date: 22 May 2019, Wednesday, Time: 11:00AM



### (1.3) Board Meeting

Under the Articles of Association of the Company (AOA), the Directors may meet together for the dispatch of business adjourn and otherwise regulate their meetings and proceedings, as they think fit. The meeting of the Board of Directors shall be held once in every three months and at least four such meetings shall be held in every year. No business shall be transacted at any meeting of the Board of Directors unless a quorum is present when the meeting proceeds to business. Four (4) Directors present in person shall form a quorum for the meeting of the Board of Directors. The Board of Directors meets for both scheduled meetings and on other occasions to deal with urgent and important matters that require attention.

The calendar for Board meetings providing scheduled dates for meetings of the Board, Board committees and AGM as well as the Board Annual Calendar providing major items on the agenda for each financial year are fixed for the whole year in advance so as to enable Management to plan ahead and ensure the Board meetings are booked into their respective schedules. During the year 2019, 5 (Five) Board meetings were held and the attendance were recorded as follows:

### (1.4) Relationship with Shareholders & Public:

The shareholders as the owner are required to be provided with material information on the Company's operation quarterly, half-yearly and annually, the latter at the AGM. They are also provided routine services by the Company Secretary in relation to transfer of shares, transmission of shares, replacement in case of loss or damage of shares, payment of dividends etc. The Board is however responsible to the public for publication of any price sensitive information as per BSEC regulation. A qualified Chartered Accountant, Md. Emdadul Haque is in charge of all these responsibilities as Company Secretary.

### (1.5) Relationship with Government:

In its role on accountability to the Government, the Board of Directors are very much cautious and make payment of all dues to Government in the form of import duty, customs duty and port charges, VAT, Corporate Taxes and other levies as and when they become due on the basis of actual operations. This has enabled the Company to enhance its contribution to the National Exchequer on a progressive rate year after year.

Name of the Director	Position	Meeting		Date of appointment/ (cessation)
		Eligibility to attend	Attended	
Mr. Kevin Gerard Gluskie	Chairman	05	03	N/A
Mr. Jose Marcelino Ugarte	Managing Director	05	05	N/A
Dr. Muhammad Abdul Mazid	Independent Director	05	05	N/A
Mr. Golam Farook	Independent Director	02	02	(18 July 2019)
Mr. Jashim Uddin Chowdhury FCA	Director	05	05	N/A
Mr. Fong Wei Kurk	Director	05	05	N/A
Ms. Sim Soek Peng	Director	05	04	N/A
Mr. Juan Francisco Defalque	Director	05	04	N/A
Mr. Kazi Sanaul Hoq	Director	03	01	(23 October 2019)
Mr. Abdul Khalek, FCA	Independent Director	02	02	23 July 2019
Mr. Md. Abul Hossain	Director	02	02	23 October 2019

## **(1.6) Chairman of the Board and Chief Executive Officer**

Mr. Kevin Gerard Gluskie is in charge of the Chairman of the Board of Directors of the Company and Mr. Jose Marcelino Ugarte is playing the role of Managing Director of the Company. Under their excellent leadership, the Company is marching towards progress and prosperity year to year.

## **(1.7) Distinctive Roles and Responsibilities of the Chairman and Managing Director**

The positions of the Chairman and the Managing Director are filled by different individuals and their roles and responsibilities are different from each other. The HCBL Board has clearly defined their respective roles and responsibilities which properly guide them to discharge their duty effectively and efficiently. The Chairman is responsible for the operations, leadership, and governance of the Board, ensuring its effectiveness and assumes the formal role as the leader in chairing all Board meetings and shareholders' meetings. He leads the Board in overseeing Management and principally ensures that the Board fulfills its obligations outlined by the HCBL Board and as required under the relevant legislations.

The Managing Director is responsible for the management of the Company's business, organizational effectiveness and implementation of Board strategies, policies, and decisions. By virtue of his position as a Board member, he also acts as the intermediary between the Board and the management committee.

## **(1.8) Independence**

In exercise of independence inside the Board, HCBL measures the independence of its Directors based on the criteria prescribed under the regulations wherein a Director should be independent and entitled to enjoy freedom from any business or other relationship that could materially interfere from the reflection of independent judgment or the ability to act in the best interest of the Company. A Director should also be willing to express his own opinion at the Board free of concern irrespective of his position or the position of any third party.

## **(1.9) Directors' Commitment**

Each Board member is expected to commit sufficient time to carry out his/her role as Director and/or member of the Board Committees in which he/she is a member of. A Director is expected to advise the Chairman of the Board. In doing so, the Director is expected to indicate the time commitment with respect to the affairs of the Board and Board Committees.

## **(1.10) Directors' Code of Ethics & Employees' Code of Conduct**

The Board had adopted the Directors' Code of Ethics since 2012 as prescribed by the BSEC and the same is adhered to at all times.

The corporate culture of uncompromising integrity is applicable across the Group and the Code of Conduct manual applicable to employees provides guidance on high ethical business standards and guidelines. The code serves as a guideline for employees

conduct in the workplace, business conduct when dealing with external parties, and includes key issues such as bribery, conflicts of interests, insider trading and data integrity and retention. The Code of Conduct is disseminated throughout to employees of HCBL through its intranet and as a part of its enforcement, employees are required, on annual basis, to submit their declaration to adhere to and observe its provisions.

## **(1.11) Re-Appointment & Re-Election of Directors**

In accordance with the Articles of Association of the Company, Directors newly appointed during the year must offer themselves to the shareholders for re-election at the first AGM following their appointment and one-third (1/3) of the Directors other than Independent Directors are subject to retirement by rotation at every AGM but shall be eligible for re-election. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-election. The Managing Director, as Director, is subject to the same retirement by rotation provisions as the other Directors, notwithstanding any contractual terms that may have been entered into with the Company.

At this forthcoming AGM, the three Directors who will be retiring by rotation are Mr. Fong Wei Kurk, Ms. Sim Soek Peng and Mr. Jashim Uddin Chowdhury, FCA will also retire at this AGM. All of them, being eligible, offer themselves for re-election.

## **(1.12) Management of Conflicts of Interest**

The Board aims to avoid any sort of conflict of interest in line with the Group policy as far as possible and formal procedures for managing compliance on conflicts of interest are in place. Where the Board is considering a matter in which a Director has direct or indirect interest, the respective Director immediately discloses the nature of his interest and abstains from participating in any discussion or voting on the subject matter and, where appropriate, excuses himself/herself from being present in the deliberations. This is recorded in the minutes of the meetings.

## **(1.13) Chief Financial Officer (CFO)**

A Fellow Chartered Accountant (FCA), Mr. Jashim Uddin Chowdhury, with his long service experience and expertise, is leading the Finance Team of the Company as Chief Financial Officer. He is a seasonal accountant especially in cost control, wealth maximization, development of the operating plan, making of the budget, ensuring adoption of IFRS and AIS in preparation of financial statements and other applicable rules of reporting. The CFO attends the meetings of the Board of Directors as required under condition no. 3(2) of the Code.

## **(1.14) Head of Internal Audit & Compliance (HIAC)**

Mr. Mamun-UI-Hoque Chowdhury is serving the Company as Head of Internal Audit & Compliance. He has long experience in the field of audit and compliance and very much passionate to perform his defined roles and responsibilities under the supervision of Managing Director of the Company. He is accountable to the Board of Audit Committee of the Company. The HIAC are also allowed to attend the meetings of the Board of Directors as required under condition no. 3(2) of the Code.

### (1.15) Company Secretary (CS)

Md. Emdadul Haque, an Associate Chartered Accountant (ACA), has been appointed by the Board of Directors in its meeting as Company Secretary of the Company as per the requirement of BSEC. He is also the secretary of the other sub-committees of the Board. Mr. Haque has a long involvement with the Company. His core responsibilities cover the efficient administration of a company, particularly with regard to ensuring compliance with statutory and regulatory requirements and for ensuring that decisions of the board of directors are implemented. As per condition no. 3(2), the CS also attends each meeting of the Board of Directors except those which involves consideration of agenda relating to him.



## 2. BOARD COMMITTEES:

### (2.1) Board Audit Committee (BAC)

In compliance with condition no. 3(4) of the Code the Board has formed an Audit Committee. The Committee consists of three Board members. It is headed by the Independent Director, Dr. Muhammad Abdul Mazid as the Chairman. Other members are Ms. Sim Soek Peng and Mr. Abdul Khalek FCA. The Chief Financial Officer (CFO), the Head of Internal Audit and Compliance (HIAC) and the Company Secretary (CS) are permanent invitees to the Meetings of the Audit Committee.

#### Role of the Committee:

The Audit Committee carries out its responsibilities as per the provisions of law and submits its report to the Board of Directors from time to time. The Committee mandatorily reviews information such as internal audit reports related to internal control weakness, management discussion and analysis of financial condition and result of operations, statement of significant related party transactions and such other matters as prescribed. The Audit Committee shall also co-ordinate with the internal and external auditors as and when required. The Audit Committee ensures that adequate internal checks & balances supported by adequate MIS are in place for detection of errors, frauds and other deficiencies. The BAC is also responsible for prevention of conflict of interest between the Company and its Directors, officials, customers, suppliers, Government, and any other interested groups and detects or removes any scope/chance of insider trading in the company's stock. The Audit Committee also ensures compliance requirements of the Code and other agencies. During the year 2019, 4 (Four) BAC meetings were held and the attendance thereof has been stated in the report of Audit Committee. A report on the activities carried out by the Audit Committee is enclosed as a part of the Annual Report.

### (2.2) Nomination & Remuneration Committee (NRC)

Nomination & Remuneration Committee has been formed on 15

Name	Status with the Committee	Status with the Board
Dr. Muhammad Abdul Mazid	Chairman	Independent Director
Mr. Fong Wei Kurk	Member	Non-executive Director
Ms. Sim Soek Peng	Member	Non-executive Director

October 2018 with the approval of the Board in its meeting, with three members as per Condition 6(1)(b) of the Code. The Committee includes one Independent Director and two Non-Executive Directors. Dr. Muhammad Abdul Mazid, being an independent director was duly appointed by the Board as the Chairman of the Committee.

#### Role of the Nomination and Remuneration Committee:

The powers, role and terms of reference of the Nomination and Remuneration Committee covers the areas as contemplated under Section 6(5) of the Code, besides other terms as referred by the Board of Directors. The role includes formulation of criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy relating to the remuneration for the directors and Top Level Executives; formulation of criteria for evaluation of Independent Directors and the Board; devising a policy on diversity of Board of Directors; and identification of persons who are qualified to become directors and Recommend to the Board of their appointment, removal and noting their cessation.

During the year 2019, three (3) NRC meetings were held. Please find the attendance record in the report of Nomination & Remuneration Committee.

### (2.3) Management Committee

The Management Committee is led by the Managing Director who is appointed by the Board of Directors for a term of 5 years (renewable) with the approval of shareholders in the Annual General Meeting. The Managing Director is supported by a professional, well educated, trained and experienced team consisting of Executive Directors, Directors and a host of Senior Executives in the hierarchy of management. The Management Committee is responsible for preparation of budgetary segment plans/sub-segment plans for every cost/profit centers and the committee is also held accountable for performance therefor.

## (2.4) Safety Health and Environmental Committee

HCBL is committed to complying with all applicable environmental laws, standards, and requirements and takes a proactive and long-term view on environmental matters to prevent pollution and continuously improve environmental performance. Health & safety is an integral part of all our business activities. Under his effective leadership of Mr. Mohammad Alamgir, Country Health & Safety Manager, overall Health and Safety management of HCBL is moving forward even more successfully and is building a healthy safety culture in the Company. For the purpose of making awareness and to encourage following safety rules irrespective of place of work, among our all stakeholders, many programs were arranged on behalf of HCBL, within and outside of the Company throughout the year.

## 3. Other Governance Apparatus

The Company, in its efforts for Corporate Good Governance Practices, uses a series of top-ranking professional service providers including Legal experts, Bankers, Insurers and Technical experts who continuously assist the Board of Directors and the Executive Management in properly discharging their duties to all the shareholders, stakeholders, the Government and the public as highlighted below:

### (3.1) Independent Directors:

In compliance of the BSEC Regulations on Good Governance, the Board of Directors as empowered by the Regulations, appointed Dr. Muhammad Abdul Mazid, former Secretary to GoB and Chairman of National Board of Revenue (NBR) and Mr. Abdul Khalek, FCA as the non-shareholder Independent Director. It is expected that their expertise would induce the company to more disclosure and protect the interest of all investors, particularly for general and smaller investors.

### (3.2) Statutory Auditor:

The present auditors of the Company, The most significant part of the certification of the financial statement for the year ended 30 December 2019 by a Chartered Accountant firm is done by M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants in order to comply with Financial Reporting and Disclosure notification dated 20 June 2018 of BSEC, maintain transparency and above all protection of the interest of investors. In this process, International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), Financial Reporting Act 2015 and International Standard of Auditing (ISA) are maintained strictly. This has been possible due to the high-level capability and integrity of M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants whose sincere performance has played a very trustworthy role in the protection of the interest of the investors.

### (3.3) Subsidiary Company

HCBL has three subsidiary companies namely i) Meghna Energy Limited, ii) Emirates Cement Bangladesh Limited and iii) Emirates Power Company Limited. The detail of the subsidiaries is furnished below;

Meghna Energy Limited (MEL), a Small Power Plant, dedicated for power generation and distribution to the KP's Production and

Bangladesh Rural Electrification Board (BREB), has been acquired by HCBL through a share purchase agreement dated 26 October 2016 with HeidelbergCement Central Europe East Holding B.V. Now, MEL's activities are being controlled since HCBL holds 99.99% shares of total shareholding of it. The proposal of amalgamation has been approved by the members of both the Companies at their respective extra-ordinary general meeting and the process is ready to produce before the High Court for Court's approval.

Emirates Cement Bangladesh Limited (ECBL) is a private company limited by shares incorporated under the laws of Bangladesh with an issued and paid-up capital of BDT 1,589,299,720. On 5th December 2019, HCBL has acquired the Company's 100% stake and accordingly took controlled of the Company. ECBL operates a cement grinding plant of 660,000 tons per annum capacity on the outskirts of Dhaka.

Emirates Power Company Limited (EPCL) is a private company limited by shares incorporated under the laws of Bangladesh with an issued and paid-up capital of BDT 269,961,500. On 5 December 2019, HCBL took controlling power by acquiring 100% stake of the company. EPCL operates a power plant to support the cement grinding plant.

### (3.4) Dividend Policy

Dividend policy of the Company refers to the policy chalked out regarding the amount it would pay to their shareholders as a dividend. These policies shape the attitude of the investors and the financial market in general towards the concerned company. The company performs according to capital repatriation and remittance that is granted by the Bangladesh Investment Development Authority (BIDA) which directs payment to be made to the investors. Each shareholder is entitled to a dividend on the net profit of the Company according to shareholding. The General Meeting of Shareholders will declare the amount of dividend to be paid. In this process, HCBL follows a consistent dividend policy.

### (3.5) Company Secretary

To ensure effective assimilation and timely flow of information required by the Board and to maintain necessary liaison with internal organs as well as external agencies, the Board has appointed a Company Secretary. The Code also requires a listed company to appoint a full-fledged Company Secretary, as distinct from other managers of the Company. In pursuance of the same, the Board of Directors has appointed a Company Secretary and defined his roles & responsibilities. In HCBL among other functions, the Company Secretary:

- Performs as the bridge between the Board, Management and shareholders on strategic and statutory decisions and directions.
- Acts as a quality assurance agent in all information stream towards the Shareholders/Board.
- Is responsible for ensuring that appropriate Board procedures are followed and advises the Board on Corporate Governance matters.
- Acts as the Disclosure officer of the Company and monitors the compliance of the Acts, rules, regulations, notifications, guidelines, orders/directives etc. Issued by the BSEC or Stock Exchange(s) applicable to the conduct of the business activities of the Company so as to the interest of the investors.



### **(3.6) Corporate Social Responsibilities (CSR):**

The Board of Directors are also concern for community development as a part of the Corporate Social Responsibilities (CSR) especially in the areas of gender equality, race-religion-regional equality, non-employment of child labour, human rights, environmental pollution, social marketing, social activities (promotion of sports & culture, health care and population control programs, elimination of corruption programs, participation in charitable activities etc. in non-partisan manner) right to form and participate in Union under ILO convention, employment of disabled etc. Besides this, the BOD especially cares for education.

### **(3.7) CEO/ CFO CERTIFICATION**

Managing Director and the Director-Finance/CFO of the Company have certified to the Board of Directors, inter alia, the accuracy of financial statements and adequacy of internal controls for the financial reporting as required under condition no. 1(5)(xxvi) of the Code for the year ended 31 December 2019.

## **(4) RELATIONSHIP WITH OTHER STAKEHOLDERS AND SHAREHOLDERS**

### **(4.1) Communication with Shareholders and Investors**

The Board acknowledges the importance of an effective communication channel between the Board, stakeholders, institutional investors and the investing public at large to provide a clear and complete picture of the Company's performance and position as much as possible. The Company is fully committed to maintaining a high standard in the dissemination of relevant and material information on the development in its commitment to maintain effective, comprehensive, timely and continuing disclosure. There is also a strong emphasis on the importance of timely and equitable dissemination of information and easy access to them as well. Disclosures of corporate proposals and/or financial results are made in compliance with the Regulations. Therefore, information that is price-sensitive or may be regarded as undisclosed material information about the Company is not disclosed to any party until it is already in the public domain through disclosure.

HCBL uses a number of formal channels to account to shareholders and stakeholders; particularly-

#### **(4.1.1) Annual Report**

The Annual Report is a major channel of communication disclosing information not only on the Group's business, financial and other key activities but also additional information such as operations performance, challenges, and its management. The Board places great importance on the content of the Annual Report to ensure the accuracy of the information as the Annual Report is a vital source of information for investors, shareholders, and the general public. The senior management and personnel from various divisions play an important role to ensure the accuracy of information and full compliance with the relevant regulatory requirements. The contents of the Annual Report are continuously enhanced, taking into account developments, amongst others, in corporate governance.

#### **(4.1.2) Announcements to BSEC and Stock Exchanges**

The announcement of quarterly financial results, circulars, and various announcements are made via stock exchanges link in full compliance with regulatory authorities' disclosure requirements. The same is also made available through uploading on HCBL's official website.

#### **(4.1.3) Media Releases**

Media releases are also disseminated to the media on all significant corporate developments and business initiatives to keep the investing community and shareholders updated on the Company's developments. Media releases are subject to approval by the Managing Director.



#### (4.1.4) Company Website

All information on share prices, financial reports, stock exchange filings, presentations, financial calendar, and ownership profile are posted on the Investor Relations section. In addition, quarterly results are also available for streaming or downloading from the Company's corporate website at [www.heidelbergcementbd.com](http://www.heidelbergcementbd.com).

#### (4.1.5) Annual General Meeting

The AGM is undoubtedly the primary engagement platform between the Board and shareholders of the Company and has historically been well attended and has seen an increasing turn out year-on-year indicating a high level of engagement with shareholders. At the AGM in 2019, Directors were present in person to engage directly with, and be accountable to the shareholders for the stewardship of the Company. The proceedings of the AGM normally commences with a concise but comprehensive presentation by the Chairman of the meeting on the financial performance of the Company for the preceding financial year, preceding quarter and the Company's vision and initiatives. During the AGM, the shareholders are also at liberty to raise questions on all affairs of the Company. The Chairman, subject to the line of questions and relevance, entertains questions raised at the AGM as long as there is sufficient time and they are not repetitive.

## (5) ACCOUNTABILITY AND AUDIT

### (5.1) Financial Reporting

The Board is committed to ensuring that a clear, balanced and meaningful assessment of the Company's financial performance and prospects through the audited financial statements and the quarterly announcement of results are provided to shareholders and regulatory bodies. In this respect, the Board through the BAC oversees the process and the integrity and quality of financial reporting, both annually and quarterly. The BAC, in this respect, assists the Board by reviewing the financial statements and quarterly announcements of results to ensure completeness, accuracy, and adequacy in the presence of external auditors and internal auditors before recommending the same for the Board's approval. The detail of the Company's financial statements for FY19 can be found together with this Annual Report.

### (5.2) Related Party Transactions (RPTs)

The Company has an internal compliance framework to ensure it meets its obligations under the regulations including obligations relating to related party transactions. Processes and procedures are in place, to ensure that Related Party Transactions (RPTs) are entered into on terms not more favorable to related parties than to the public. This is achieved after taking into account the pricing and contract rates, terms and conditions, level of service and expertise required, the quality of products and services provided, as compared to prevailing market prices and rates, industry norms and standards, as well as general practice, adopted by service providers of similar capacities and capabilities generally available in the open market. The annual internal audit plan incorporates a review of all RPTs to ensure that all the relevant approvals for RPTs have been obtained. The number of RPTs entered into during the FY19, is disclosed in note no. 48 of the consolidated financial statements.

In closing, HCBL in itself committed to ensure and demonstrate best compliance practice in the industry. The essence of the Code is to create such an environment of good governance and practice in all spheres of business and the Company to maintain the impeccable image of the Group is passionate for establishing an example of good governance leader in the country accordingly.

# Reports of the Committee of the Board of Directors

- Report of the Audit Committee
- Report of the Nomination & Remuneration Committee



# REPORT OF THE AUDIT COMMITTEE FOR THE YEAR 2019



21 April 2020

To  
The Board of Directors  
HeidelbergCement Bangladesh Limited

The Audit Committee (the “Committee”) in HeidelbergCement Bangladesh Limited, as a sub-committee of the Board of Directors, assists the Board in fulfilling its oversight responsibilities with due diligence and utmost care. The Committee assists the Board of Directors in ensuring that the financial statements reflect a true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business. The purview of the Committee includes risk management with special emphasis on ensuring compliance with all applicable legislation and regulation.

## Composition of the Committee

Name	Status with the Committee	Status with the Company	Date of Appointment/(Cessation)
Dr. Muhammad Abdul Mazid	Chairman	Independent Director	17 July 2018
Ms. Sim Soek Peng	Member	Non-executive Director	15 October 2018
Mr. Abdul Khalek, FCA	Member	Independent Director	23 July 2019
Mr. Golam Farook	Retired Member	Retired Independent Director	(18 July 2019)
Mr. Md. Emdadul Haque, ACA	Secretary	Company Secretary	17 July 2018

A total of four (4) meetings were held during 2019. The Company Secretary functioned as the Secretary to the Committee as per regulatory guidelines. The Head of Internal Audit & Compliance attended the meetings by invitation. The Managing Director & other members of the Management Committee, representatives of the External Auditors and other Company employees were invited to attend the meetings as and when the Committee required their presence.

Name	Status with the Committee	Audit Committee Meeting held during 2019			
		22.01.2019	08.04.2019	22.07.2019	22.10.2019
Dr. Muhammad Abdul Mazid	Chairman	√	√	√	√
Ms. Sim Soek Peng	Member	√	√	√	√
Mr. Abdul Khalek, FCA	Member	n/a	n/a	n/a	√
Mr. Golam Farook	Member	√	√	n/a	n/a
Mr. Jashim Uddin Chowdhury, FCA	Invitee	√	√	√	√
Mr. Mamun-Ul-Hoque Chowdhury	Invitee	√	√	√	√
Mr. Md. Emdadul Haque, ACA	Secretary	√	√	√	√

The detailed duties of the Committee are well defined and approved by the Board of Directors. Its primary responsibilities are as follows:

- i) Reviewing and recommending to the Board the approval of the financial statements prepared for statutory purposes;
- ii) Monitoring the Company’s financial reporting and internal control systems;
- iii) Reporting to the Board of Directors on internal audit findings from time to time considering the significance of the issues;
- iiii) Reviewing the efficiency and effectiveness of the internal audit function;
- v) Reviewing the findings and recommendations made by external auditors and proposing remedies to the Board of Directors.



The Committee report has been prepared pursuant to Condition 5(6)(a) and 5(7) of the Code of Corporate Governance issued by the Bangladesh Securities and Exchange Commission on 03 June 2018. The Committee briefs the Board of Directors at each Board meeting on the proceedings of the Committee meeting, and also keeps the Board of Directors apprised of any a) conflicts of interests; b) suspected or presumed fraud or irregularity or material defect identified in the internal control system; c) suspected infringement of laws, including securities-related laws, rules and regulations; and d) any other matter which shall be disclosed immediately to the Board of Directors. The Committee keeps an eye on anything that has a material impact on the financial condition and results of operation and discusses any relevant findings with the Board and the Management, seeking rectification if required. If the Committee is of the view that such requests have been unreasonably ignored by the Board and/or Management despite reporting such matters, it is the prerogative of the Committee to report such findings to the Bangladesh Securities and Exchange Commission. The Committee did not have such concerns during the year under review.

The Audit Committee considered the scope and methodology of the audits, as well as the independence, objectivity, and qualification of the external auditors. The Committee reviewed the work of the external auditors and concluded that the financial reporting was satisfactory and in compliance with generally accepted accounting principles as adopted in Bangladesh and that the audit was satisfactorily conducted. In connection with financial reporting, the Committee also reviewed the Company's 2019 financial statements. The Audit Committee concluded that all reported financial results have been presented in accordance with applicable rules.

The Committee also reviewed the Company's self-assessment of Corporate Governance practices, based on a checklist provided by the Bangladesh Securities and Exchange Commission. The Committee was satisfied that the Company's Corporate Governance practices exceeded national standards.

Besides these, the Committee reviewed the Company's key enterprise-wide risk identification, assessment and mitigation methodologies, process and management, based on the HeidelbergCement Group's risk management framework and local risk issues. The Committee concluded that risk management was satisfactory, with the formulation of highly structured and well-defined risk categories, as well as the identification and review of the major risks affecting the Company's flow of operations and their impact in upcoming years.

The Committee will continue to monitor the progress made by the Internal Audit Division for "Risk-Based Audit" implementation by conducting random sampling of Corporate Governance and Ethics compliance issues and ensuring the clearance of outstanding items from previous years.

## Activities during the year

During the year under review, the Committee focused on, inter alia, the following activities:

- a) Overseeing the financial reporting process;
- b) Monitoring the choice of accounting policies and principles;
- c) Reviewing the internal audit plan for the year 2019 along with the risk-based auditing system;
- d) Monitoring the internal audit and compliance process and reviewed the internal audit and compliance report;
- e) Reviewing the draft financial statements and recommending them to the Board for consideration after holding a meeting with the representatives of the External Auditors;
- f) Reviewing the Quarterly & Half Yearly Financial Statements of the Company to evaluate the Company's performance before submission to the Board for approval;
- g) Reviewing significant internal audit findings with a view to taking timely corrective actions;
- h) Placing of compliance reports/minutes before the Board detailing the decisions taken/recommendations made by the Committee in various meetings for information/concurrence of the Board on a quarterly basis;
- i) Reviewing and examining the annual audited financial statements for the year ended 2019 and recommending the same for the Board's for approval;
- j) Reviewing the Management's Discussion and Analysis report before disclosing in the Annual Report;
- k) Overseeing the hiring and determination of audit fees, assessing the time required for the audit, and evaluating the performance of the auditors.
- l) Reviewing the Operating plan 2019

On behalf of Board Audit Committee



Dr. Muhammad Abdul Mazid  
Chairman

# REPORT OF THE NOMINATION & REMUNERATION COMMITTEE (NRC) FOR THE YEAR 2019

In accordance with condition 6(2) of the Code of Corporate Governance (the “Code”) issued by the Bangladesh Securities and Exchange Commission (BSEC) dated 3 June 2018, the Company formed a Nomination & Remuneration Committee on 15 October 2018 as a sub-committee of the Board of Directors. The primary responsibility of the Committee is to assist the Board in the formulation and implementation of the nomination criteria or policy which has been attached herewith as Annexure-E. The Nomination and Remuneration policy sets out, inter alia, the following:

- criteria for identification of directors and top level executives, including the necessary qualifications, positive attributes and independence of directors;
- necessity for board diversity; and
- criteria for determining remuneration.

## Constitution of the NRC:

The Committee is comprised of three (3) non-executive directors to act as member of this Committee. The members and their meeting attendance are recorded as follows;

Name of the Director	Status with the Committee	Status with the Company	Meeting held during 2019		
			09.04.2019	22.07.2019	22.10.2019
Dr. Muhammad Abdul Mazid	Chairman	Independent Director	√	√	√
Mr. Fong Wei Kurk	Member	Non-executive Director	√	√	√
Ms. Sim Soek Peng	Member	Non-executive Director	√	√	√
Md. Emdadul Haque	Secretary	Company Secretary	√	√	√

The Committee met three (3) times in the year under review, satisfying both conditions 6(2)(h) & 6(4) of the Code. The Company Secretary of the Company functioned as the Secretary to the Committee as per the Code.

## Role of the NRC:

The detailed responsibilities of the Nomination & Remuneration Committee are well defined in the Terms of Reference (TOR) which were duly adopted by the NRC in compliance with Condition 6(1)(c) of the Code. The Terms of Reference for the NRC are as follows:

- a) To formulate the criteria for determining the qualifications, positive attributes and independence of a director and recommend a policy to the Board relating to the remuneration of the directors and top-level executives, taking into account the following:
  - i. the level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate suitable directors and senior management to run the Company successfully;
  - ii. the relationship of remuneration to performance should be clear and meets appropriate performance benchmarks; and
  - iii. the remuneration to directors and top-level executives should involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- b) To devise a policy on the Board’s diversity taking into consideration age, gender, experience, ethnicity, educational background, and nationality;
- c) To identify persons who are qualified to become directors and who may be appointed in top-level executive positions in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
- d) To formulate the criteria for evaluation of the performance of independent directors and the Board;
- e) To identify the Company’s needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and
- f) To develop, recommend and review annually the Company’s human resources and training policies.

## Activities that were carried out during 2019:

During the year under review the Committee carried out the following activities:

- a) Review the appointment of an independent director of the Company and recommendation of the same to the Board for approval;
- b) Recommendation to develop the criteria for evaluation of the performance of independent directors and the Board;
- c) Consideration of the appointment of MD of the Investment Corporation of Bangladesh (ICB), as a director of the Company and recommendation of the same to the Board for approval.

On behalf of Nomination & Remuneration Committee



Dr. Muhammad Abdul Mazid  
Chairman



# পদ্মা সেতুর মূল কাঠামো গড়ে উঠছে শুধুমাত্র স্ক্যানসিমেন্টের শক্তিতে সেই শক্তিতে গড়ে উঠুক আপনার স্বপ্নের বাড়ি

আপনার বাড়ির ফাউন্ডেশন, প্লান্টার ও সব ধরনের  
ঢালাইয়ের জন্য ব্যবহার করুন স্ক্যানসিমেন্ট।



**SCAN CEMENT**  
HEIDELBERGCEMENT Group

প্লান্টার ভবিষ্যৎ

HEIDELBERGCEMENT



# Report of the Board of Directors



# Report of the Board of Directors and Management Discussion and Analysis

For the year ended 31 December 2019

## INTRODUCTION

The Directors are pleased to present to you the Annual Report 2019 of the Company along with audited annual financial statements for the financial year ended 31 December 2019 for your valued consideration, approval, and adoption. The consolidated performance of the Company and its subsidiaries has been referred to as applicable. Further, in compliance with Section 184 of the Companies Act, 1994 and the Corporate Governance Code (the “Code”) issued by the Bangladesh Securities and Exchange Commission (BSEC) on 3 June 2018, the Company has made all requisite disclosures in this report with the objective of accountability and transparency in its operations and to make you aware about its performance and future perspective.

## ACQUISITION OF EMIRATES CEMENT BANGLADESH LIMITED & EMIRATES POWER COMPANY LIMITED

The Company executed a share purchase agreement (the “Agreement”) on 12 November 2019 with UltratechCement Middle East Investments (the “Seller”), Mr. Vinod Kumar Damani (the “Minority Seller”), Emirates Cement Bangladesh Limited (“ECBL”), Emirates Power Company Limited (“EPCL”) and Mr. Jashim Uddin Chowdhury (the “Minority Purchaser”) for the purchase of 100% of the issued and paid-up capital of both ECBL and EPCL. The transaction was completed on 5 December 2019.

ECBL is a private company limited by shares incorporated under the laws of Bangladesh with an issued and paid-up capital of BDT 1,589,299,720 comprising 158,929,972 shares of BDT 10 each (the “ECBL Shares”) with 158,929,962 shares of BDT 10 each in the name of the Seller (the “Seller’s ECBL Shares”) and 10 shares of BDT 10 each in the name of the Minority Seller (the “Minority Seller’s ECBL Shares”). ECBL operates a cement grinding plant of 660,000 tons per annum capacity on the outskirts of Dhaka.

On the other hand, EPCL is a private company limited by shares incorporated under the laws of Bangladesh with an issued and paid-up capital of BDT 269,961,500 comprising 2,699,615 shares of BDT 100 each (the “EPCL Shares”) with 2,699,605 shares of BDT 100 each in the name of the Seller (the “Seller’s EPCL Shares”) and 10 shares of BDT 100 each in the name of the Minority Seller (the “Minority Seller’s EPCL Shares”). EPCL operates a power plant to support the cement grinding plant.

Per the directions of Bangladesh Bank, (i) out of the ECBL Shares, only 149,891,451 shares can be transferred at fair value (the “Fair Value ECBL Shares”) and no consideration can be paid outside of Bangladesh for the remaining 9,038,521 shares (the “Zero Value ECBL Shares”); and (ii) out of the EPCL Shares, only 2,618,330 shares can be transferred at fair value (the “Fair Value EPCL Shares”) and no consideration can be paid outside of Bangladesh for the remaining 81,285 shares (the “Zero Value EPCL Shares”). At closing, the Company has purchased the Seller’s Fair Value ECBL Shares for USD 20,418,679 and the Seller’s Fair Value EPCL Shares for USD 1,100,000 (in aggregate USD 21,518,679, the “Seller’s Closing Amount Portion”), and the Minority Purchaser has purchased the Minority Seller’s ECBL Shares for USD 1.36 and the Minority Seller’s EPCL Shares for USD 4.20 (in aggregate USD 5.56, the “Minority Seller’s Closing Amount Portion”). The Company has also paid BDT 1 for the Zero Value ECBL Shares and another BDT 1 for the Zero Value EPCL Shares in cash to the Seller.

The acquisition will help the Company overcome its current space restrictions at Kanchpur in order to grow with the market as the land on which the ECBL plant sits has sufficient space for expansion (89k sqm vs the Company’s Kanchpur plant at 59k sqm) and is conveniently located by the river. The value of ECBL’s land is estimated at around USD 10m. Furthermore, expected RCO synergies in the first-year amount to USD 1.4m for lower overheads and headcount reduction as well as savings in inward logistics for the target companies and USD 1.4m for the Company from savings in inward logistics.

## STATEMENT OF THE COMPANY’S AFFAIRS

In Financial Year 2019 (FY19), HeidelbergCement Bangladesh Limited (HCBL) has delivered very challenging but optimistic results. Although the year under review witnessed an even more challenging and competitive market, the Company adopted prudent business strategies which delivered competitive results to protect the shareholders’ interests. As a result, net profit before tax for FY19 was BDT 170.4 million and total revenue in 2019 was BDT 11,927 million, which is 7% higher than the actual revenue of BDT 11,151 million in 2018. HCBL continued to be the leader in the industry in terms of Health and Safety, Corporate Social Responsibility and Employee Welfare.

## CEMENT INDUSTRY

The Bangladesh cement industry is one of the fastest growing cement markets in the world, with per capita cement consumption in Bangladesh

# Report of the Board of Directors

almost doubling from 95kg in 2011 to 187kg in 2018. The Bangladesh cement industry is mainly driven by basic infrastructure needs such as housing and industrial establishments. The country's increasing urbanization has stimulated the building materials sector and generated considerable demand for cement in the last couple of years. Consequently, robust growth in the demand for cement is expected. In the year under review, an increased pace of urbanization, increases in purchasing power, growth of the real estate sector, rising inward remittance and stability in the political arena all contributed towards an increase in cement consumption. Demand from various industries and large infrastructure projects of both public and private sectors has also played an active role in fostering the growth in demand for quality cement.

The market has excessive production capacity compared to its actual demand. Nevertheless, most of the market players have already adopted a strategy of expansion of business capacity with the hope of an increase in demand for cement consumption and some other players are contemplating to move forward in the same way. Due to that, the market faces intense competition. Furthermore, the gas price hike for industrial use higher transportation costs and costs of funds, and changes in tax law have resulted in an increase in the cost of production of cement. At the same time, intense market competition has not allowed the producers to increase the price of cement much, resulting in profit margins for cement manufacturers being squeezed even further. Overall, even though the outlook for cement demand growth is very robust, profitability remains a concern for all cement manufacturers.

## OPERATIONS

### 1. Sales and Production

In 2019, we delivered 1.8 million tons of cement from our Kanchpur and Chittagong plants combined, which is 5.4% higher than the total volume we sold in 2018. Overall production volume of the Company increased by 95K tons against the prior year.

### 2. Price

Our uncompromising emphasis on product quality, relentless efforts in product innovation and consumer confidence in the consistent performance of our cement has allowed us to command a price premium. In spite of the market competition, the Company has succeeded in maintaining its price leadership due to our customers' faith in our products.

### 3. Customer Service

Good and responsive customer service has always been a top priority at HCBL. A skilled, experienced and dedicated team of civil engineers is always ready to provide the best solutions and consultation to our valued customers.

### 4. Product Innovation

As part of its continuous pursuit of innovation and constant drive to improve quality, HCBL introduced Portland Composite Cement (PCC) during 2003 as per Bangladesh Standards for cement of the Bangladesh Standard Testing Institution (BSTI). The Company was the pioneer in introducing PCC in Bangladesh. Portland Composite Cement (CEM II) is now the most commonly used type of cement in Bangladesh and Europe. The Company believes that global competition, coupled with concerns about climate change, is creating an important new mandate for product innovation, exceptional customer service, and strong policy leadership. We are investing in new technologies & research, expanding our use of technology for customers and ensuring that our customer service is the best in the industry.

The result of an extensive research done in HCBL's concrete lab showed that the concrete made with ScanCement PCC gains compressive strength beyond 28 days. It was found that even after 28 days the concrete gains 65% more strength over 2 years.

### 5. Marketing Activities

The cement industry in Bangladesh is getting increasingly competitive day-by-day due to excess capacity. To gain more market share, cement industry players are initiating aggressive marketing plans. Our brands, **ScanCement** and **RubyCement**, command top-of-mind recall in the market, particularly in markets where these brands are sold.

We took many innovative initiatives e.g. association with sports, to increase our brand visibility and customer loyalty. These initiatives helped us to be in the top-of-mind of the consumers as well as to gain market share.

- i) **Outdoor Visibility:** To increase brand visibility we did outdoor branding last year. Outdoor visibility activities included shop signs, shop paint, and mega sign installations.
- ii) **Demand Generation Activities:** To increase demand and awareness among customers as well as influencers we conducted several demand generation activities through one-to-one communication. Under the demand generation program, we arranged face-to-face meetings with, among others, masons, house owners, and engineers.
- iii) **Brand Image Enhancing Activities:** We published press advertisements and ran Facebook campaigns featuring the country's pride, Padma Bridge, to enhance our brand image.

# Report of the Board of Directors

## AWARDS

The Company is proud to have been awarded the Second Position under the Category of Cement Manufacturing-Bangladesh in the “ICMAB Best Corporate Award-2018” Competition by the Institute of Cost and Management Accountants of Bangladesh (ICMAB) as a testament to the Company’s unwavering commitment to good corporate governance practices. This prestigious award was presented by the Honourable Minister for Planning, Mr. Muhammad Abdul Mannan at the Grand Ballroom of Hotel InterContinental, Dhaka on 15 December 2019.

## KEY INITIATIVES IN THE MANUFACTURING PROCESS

HCBL produces top-quality cement in Bangladesh, offering both Ordinary Portland Cement (OPC) and Portland Composite Cement (PCC). State-of-the-art technology is employed at every stage of the manufacturing process to produce the finest quality of cement for sustainable and durable construction for various types of customers in Bangladesh. The key milestones we have achieved till today are:

- Consistently high level of cement quality exceeding BDS EN42.5;
- Low Carbon Footprint due to innovations in production techniques and power-saving initiatives;
- Highly trained workforce as the Company is committed to employee development, sending its engineers for Technical Training with other plants around the world with our associated companies situated in more than 50 countries and over 3000 locations.



## Kanchpur Expansion Project:

In 2019, we have successfully launched, at the lowest possible cost to optimize our return on investment, a new grinding unit comprised of a third ball mill, a 3,000-ton silo for fly ash, a new 9.5MVA incoming electrical substation synchronized with the existing 9.9 MW power plant and the expansion of the current water treatment plant. The project had to be completed before the beginning of the peak season in November 2019: in fact, the plant started producing cement in August 2019 – two months ahead of plan! This was possible because a dedicated team reworked the schedule with a continuous focus on precisely what was needed for the plant to commence production expeditiously.

In 2019, the mill produced 50,155 tons of cement between August and September and in October the production reached an annual output of 573,000 tons, which was well above the planned capacity.

## Wharf Expansion Project:

This project was designed to increase unloading capacity so as to reduce the cost of unloading raw materials and thereby ensuring savings from Barge operations. In Bangladesh, barges are taken from the Water Transport Cell (WTC) which is an association of barge owners and they usually allocate barges to all cement companies that do not have their own coaster vessels or need additional vessels to transport raw materials. With increased unloading capacity, barges will be released to us at a much faster rate, enabling us to earn dispatch and lower demurrage amount. The construction of this project is at the final stage and it will start to operate soon.



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# Report of the Board of Directors

## Substation Expansion Project (9.5MVA):

The existing available power generation capacity at Kanchpur plant is 11.4MW, and 14.4 MW is required to run the whole plant including a new cement mill (3rd ball mill). To meet the power consumption demand of the Kanchpur expansion project an additional 3 MW power will be added from the Bangladesh Rural Electrification Board (BREB) and will be synchronized with the existing load or directly fed to the 3rd cement mill.

The government is discouraging the installation and use of Captive Power Plant (CPP) and accordingly we need to shift power source from the present CPP to grid power. Moreover, the rise in gas prices for industrial use compels us to shift to grid power.

Some other major initiatives associated with the production process:

### i) Low Carbon Cement Production:

New technologies have enabled us to increase our use of clinker substitutes and alternative fuels in cement production, leading to significant and direct (e.g. from limestone de-carbonization) CO<sub>2</sub> emissions reductions. Moreover, producing power from natural gas with lean burning confirms zero carbon emission which helps to maintain our commitment to a greener environment.

### ii) Electrical Energy Efficiency Enhancement

Continuous improvements to the production process have been made to lower the amount of electricity required. Replacing older plants with more modern and efficient technologies and continually modernizing existing plants will result in improved electrical performance. For example, the application of enhanced grinding techniques and Power Factor Improvement (PFI) devices, using LED lighting inside the plants and variable speed drives all contribute towards lowering the levels of electrical energy required. We believe we are heading in the right direction towards consuming the lowest amount of power possible per unit of cement production.

### iii) Continuous Quality Control and Assurance Activities

Best quality cement production for our customers is a key criteria of our business policy. To ensure such quality, our products are inspected and tested frequently including through third-party sampling tests to ensure compliance with BSTI standards and maintaining our ISO 9001 certification in every aspect of production. To support this aim, we have an international standard quality assurance laboratory in our plants equipped with EU/US origin testing equipment and highly trained personnel.

### iiii) Dust Emission Control and it's Prevention and Collection Enhancement

Generation of fine particulates and dust are inherent in the manufacturing process, but most are recovered and recycled with Programmable Logic Control (PLC) dust collector and by carrying out preventive maintenance on each dust collector and measuring dust at set frequencies to observe dust emission inside the plant.

We have achieved generation of fewer than 0.2 kilograms of dust per metric ton (kg/t) of material using dust recovery systems. More than sufficient ventilation systems are in use in conjunction with hoods and enclosures covering transfer points and conveyors. Drop distances are also being minimized by the use of adjustable conveyors, and dusty areas such as roads are wetted down through the use of water auto sprinkler system to reduce dust generation. Moreover, we have modified the existing dust collector with an automated zone-wise pulse system. Various mechanical types of equipment are also used to control/collect dust such as the dust collector, Cyclone, industrial vacuum cleaner, etc. In both plants, old bag filters have been replaced with new and more efficient types. We have also installed a new high-performance Eco-hopper on material receiving point to control dust emission during raw material unloading.

### v) Continual Improvement Programme (CIP)

We have implemented CIP to make the plant better in respect of maintenance, mill optimization, environment, etc. The approach might become a new way of knowledge sharing and exchange of information Group-wide between plants.

Innovative technologies and excellent quality make HCBL the market leader for the cement industry. We are employing our best efforts to set the industry benchmarks with respect to mill operation, product quality and environment protection in Bangladesh.

### vi) Resource Optimization:

Production operating performance is managed by the adjustment of variable inputs like energy, raw materials and human resource for resource optimization. These adjustments are usually based on set points for operation control and resource availability. Such resource optimization adjustments, honed from lessons learned through the years, have helped in driving towards our goal of best possible performance and best possible output per ton of cement for every unit of energy and the human resource involved. We are currently sending engineers overseas on attachment and training to tap on the experience of the HeidelbergCement group plants in over 3000 locations located in more than 50 countries. The knowledge brought back by these engineers and the benefit of such resource development can be seen in the vast number of improvements implemented.

# Report of the Board of Directors

## INFORMATION TECHNOLOGY

As part of the group global integration, HCBL is now connected with the HeidelbergCement global infrastructure hub using SingTel connectivity and using central e-mail windows exchange server systems from the Group. By deploying Group Standard Infrastructure, it enables a more efficient approach to support the Company's operations. As a part of the HeidelbergCement Group, we have now successfully migrated to the HeidelbergCement cloud environment.

## DIRECTORS' DECLARATION AS TO FINANCIAL STATEMENTS

As part of the preparation and presentation of the financial statements, the Directors also report that:

- The financial statements prepared by the Management of the Company present a true and fair view of the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts as required by law have been maintained.
- Appropriate accounting policies have been consistently applied in formulating the Financial Statements and accounting estimates are reasonable and prudent.
- The Financial Statements were prepared in accordance with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS).
- The CEO and the CFO have certified to the Board that they have reviewed the financial statements and believe that these statements do not contain any materially untrue statement or omit any material factor or contain statements that might be misleading.
- The CEO and the CFO have certified to the Board that they have reviewed the financial statements and believe that these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- The CEO and the CFO have further certified to the Board that there was, to the best of their knowledge and belief, no transaction entered into by the Company during the year which was fraudulent, illegal or in violation of the Company's Code of Conduct.

## REVIEW OF FINANCIAL PERFORMANCE

The financial statements of the Company for the financial year ended 31 December 2019 as well as for 31 December 2018 presented in this Annual Report comply with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS). Appropriate accounting policies have also been consistently applied in the preparation of the financial statements and the accounting estimates have been based on reasonable and prudent judgment. During FY19, the Company reported its highest ever production volume, sales volume, and sales revenue. During the year ended 31 December 2019, the Company produced 1,801k MT of cement compared to 1,706k MT in the year ended December 2018, an increase of 5.6%. Cement sales for the year were 1,803k MT compared to 1,710k MT in FY18, an increase of 5.4%. Net sales revenue in FY19 was BDT 11,927 million compared to BDT 11,151 million in FY18, an increase of 7%. The gross profits in FY19 and FY18 were reported at BDT 1,154 million and BDT 1,814 million respectively. Correspondingly, the net profit for FY19 was BDT -258 million compared to BDT 711 million in FY18. Higher raw materials import cost, BDT depreciation against USD, lower sales price and higher tax from minimum tax laws collectively impacted on the overall profitability of the Company. A brief overview of the financial performance of HCBL for 2019 compared to 2018 is set out below:-

Particulars	Standalone BDT'000		**Consolidated BDT'000	
	2019	2018	2019	2018
Net Revenue	11,927,153	11,151,286	11,986,319	11,151,286
Gross Profit	1,153,870	1,814,465	1,228,046	1,931,512
Operating Profit	172,329	924,370	237,524	1,040,157
Net Finance Income	7,059	155,234	55,736	191,154
Profit Before Tax	170,424	1,025,635	284,296	1,177,341
Income Tax Expenses	428,916	314,486	470,952	367,583
Profit After Tax	-258,492	711,149	-186,656	809,758
Earnings Per Share (EPS)	-4.57	12.59	-3.30	14.33

\*\*Consolidated financial statements are the combined/aggregated financial statements of HeidelbergCement Bangladesh Limited and its subsidiary companies, namely (i) Meghna Energy Limited; (ii) Emirates Cement Bangladesh Limited; and (iii) Emirates Power Company Limited.

# Report of the Board of Directors

## i) Un-appropriated Profit of HCBL in 2019

Financial Results for the Year 2019:	BDT '000
Un-appropriated profit from previous period	2,945,188
Net Profit for the year after Tax	-258,492
<b>Total Funds available for appropriation</b>	<b>2,686,696</b>

### Directors Recommended Dividend:

Dividend @ 0%	0
Un-appropriated profit carried forward to next year	2,686,696

## ii) Brief summary of Company-wise performance is as under:

Particulars	2019	2018	+/- in%
Cement Production	1,800,754 MT	1,705,650 MT	5.6
Cement Sales	1,802,954 MT	1,709,790 MT	5.4

Particulars	Company	2019 BDT'000	2018 BDT'000	+/- in%
Net Revenue	HCBL	11,927,153	11,151,286	7%
	MEL	353,314	377,202	-6%
	ECBL	59,166	N/A	N/A
	EPCL	1,311	N/A	N/A
Consolidated Revenue		11,986,319	11,151,286	7%
Operating Profit	HCBL	172,329	924,370	-81%
	MEL	73,260	115,786	37%
	ECBL	(8,065)	N/A	N/A
	EPCL	0	N/A	N/A
Consolidated Operating Profit		237,524	1,040,157	-77%
Net Profit	HCBL	(258,492)	711,149	-136%
	MEL	85,090	98,610	-14%
	ECBL	(13,254)	N/A	N/A
	EPCL	0	N/A	N/A
Consolidated Net Profit		(186,656)	809,758	-123%

## HCBL (Cement Business):

- The net cement price realizations though improved during the year were not adequate to compensate for the increase in variable costs, especially of raw materials.
- Cost of Goods Sold per ton YTD December 2019 increased by BDT 515 per ton against prior year. The main driver was the increase in Clinker, Slag and Fly ash price.
- Raw materials cost in the Chittagong plant was affected by an increase in unloading/local transportation costs due to jetty size limitation. The Company is using the main jetty facilities of the Chittagong port for slag and limestone delivery with additional handling cost of BDT 420 per ton. The Company has taken effective action to extend the Jetty to accommodate bigger vessels following approval from the appropriate authorities to reduce handling costs.

# Report of the Board of Directors

- It is important to note that the Company's focus on cost rationalization and to increase efficiency in input costs has helped to keep the operating costs under control. This focused approach towards costs as well as growth in cement volumes helped the Company to record the net profit before tax of BDT 170 million.

## MEL (Power Business):

- Power sales depend on the prevailing fuel prices as they directly affect generation costs and consequently sales price. MEL sells power to HCBL & the Bangladesh Rural Electrification Board (BREB) at arm's length price.
- Net revenue of MEL decreased by 6.3% (BDT 353m vs BDT 377m) but the cost of sales increased by 7.1% (BDT 279m vs BDT 260m) due to increase in gas price.
- Net financial/interest income increased to BDT 54 million in 2019 as against BDT 36 million in 2018.
- The net profit of MEL stood at BDT 85 million at the end of 2019 as against BDT 99 million in 2018.

## ECBL (Cement Business):

- Effective date of acquisition of the company by HCBL on 5 December 2019.
- Financial statements were prepared for the period commencing from 6 December 2019 to 31 December 2019 (following the acquisition)
- Net loss stood at BDT 13 million.
- EPS stood at BDT (0.08).

## EPCL (Power Business):

- Effective date of acquisition of the company by HCBL on 5 December 2019.
- Financial statements were prepared for the period commencing from 6 December 2019 to 31 December 2019 (following the acquisition) and the net financial result is zero for the said period.

### iii) Brief Summary of Financial Position

Particulars	2019		2018		Growth Rate
	(BDT million)	Proportion	(BDT million)	Proportion	
<b>Non-Current Assets:</b>					
HCBL	4,233	42%	3,528	43%	19.98%
MEL	434	46%	187	20%	132.09%
ECBL	1,775	71%	N/A	N/A	N/A
EPCL	117	74%	N/A	N/A	N/A
<b>Current Assets:</b>					
HCBL	3,034	30%	3,784	46%	19.82%
MEL	502	54%	733	80%	-31.51%
ECBL	735	29%	N/A	N/A	N/A
EPCL	41	26%	N/A	N/A	N/A
Investment in Subsidiary	2,818	28%	911	11%	209.33%
<b>Total Assets:</b>					
HCBL	10,085	100%	8,222	100%	-22.65%
MEL	936	100%	919	100%	1.85%
ECBL	2,510	100%	N/A	N/A	N/A
EPCL	158	100%	N/A	N/A	N/A



# Report of the Board of Directors

## HCBL (Cement Business):

### Property, Plant and Equipment

During the year, there was an addition of BDT 1,031 million in fixed assets to ensure the operating capability of the Company. The addition includes BDT 512.6 million in Land & Building, BDT 492 million in Plant and Machinery and BDT 26.4 million for other assets.

### Capital work-in-progress

Capital work-in-progress balance of BDT 356.4 million includes BDT 187.3 million for payment of Land & Building and BDT 169 million for Plant and Machinery.

### Trade & Other Receivables

Trade Receivables increased by BDT 293.8 million (902.7m vs 608.9m) and other receivables increased by BDT 7.3 million.

### Cash and Cash equivalents

Cash and cash equivalents include cash in hand of BDT 0.114 million, cash at bank of BDT 97.4 million and fixed deposit of BDT 20.7 million. Net decrease in cash of BDT 1,074.1 million was mainly due to the payment for capital expenditure of BDT 926.9 million and dividend payment of BDT 423.7 million.

The summarized financial results for five years have been furnished in the “Comparative Financial Results” section which reflects the trend of the business performance of the Company over the years.

## RELATED PARTY TRANSACTIONS

All the transactions entered into between the Company and its related parties during the financial year ended 31 December 2019 were in the ordinary course of business and on an arm’s length basis. In note no. 45 of the consolidated financial statements, a brief description of related party transactions is given including the names of the respective related parties, nature of the relationship with them, nature of those transactions and value in the amount of such transactions.

## RISKS AND CONCERNS

HCBL has a well-defined internal control and risk management system to ensure that transactions are properly authorized, recorded, and reported. The system of internal control is sound in design and has been effectively implemented and monitored. The internal control system is supplemented by well-documented policies, guidelines and procedures and reviews carried out by the Company’s internal audit function, which submits reports to the Management and the Audit Committee of the Board. It covers the topics of measuring, assessing and limiting risks. The points of focus of the risk management system are:

- Besides pursuing efficient risk management as per group guideline, we are firmly committed to observing the code of conduct and compliance standards;
- Risk management coordination in Group Insurance;
- Corporate risk management by managers at the operational level;
- Direct information, reporting and open communication of quantified risks between the Company’s Management Committee and the Group Managing Board;
- Standardized and regular reporting to the Group.

## PROTECTION OF MINORITY INTEREST

The Board of Directors helps to play an active role in protecting the interests of the minority shareholders, especially in view of the majority shareholder exercising control over the Company. In the event of minority interests being adversely affected, the Board shall take immediate corrective actions after becoming aware of such fact. The minority shareholders have been protected from abusive actions by, or in the interest of, the controlling shareholders acting either directly or indirectly and have effective means of redress.

## GOING CONCERN

The Company has adequate resources to continue its operations for the foreseeable future and therefore the financial statements have been prepared on a going concern basis. Whilst the ongoing pandemic caused by COVID-19 has affected businesses worldwide, the Management has

# Report of the Board of Directors

assessed that there are at this point no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

## DIVIDEND

The dividend policy of the Company allows it to recommend a dividend which is commensurate with its performance, investment requirements as well as meet shareholders' expectations. During the year, the Company did not declare any interim dividend or stock bonus to its members. The Board of Directors recommends no cash dividend for the year ended 31 December 2019.

## CONTRIBUTION TO NATIONAL EXCHEQUER

The Company contributes a substantial amount to the National Exchequer by way of duties and taxes. HeidelbergCement Bangladesh Limited contributed BDT 3,401 million to the National Exchequer in 2019.

## POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the directors recommended no cash dividend (0%) per share.

## AUDITORS

The current Statutory Auditor of the Company, Hoda Vasi Chowdhury & Co., Chartered Accountants, will retire from the office of auditors as per the notification no. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018 issued by the Bangladesh Securities and Exchange Commission, as the auditors have completed three (3) consecutive years of auditing the Company. M/s. ACNABIN, Chartered Accountants having office at BDBL Bhaban (Level-13), 12 Kawran Bazar Commercial Area, Dhaka-1215, Bangladesh, have already indicated their interest and consent to act as Statutory Auditor of the Company for the year ending 31 December 2020 and to hold office until the conclusion of the next Annual General Meeting, if they are appointed so.

Being eligible and per the recommendation of the Board of Directors, M/s. ACNABIN, Chartered Accountants may be appointed as the Statutory Auditor at the 31st AGM of the Company for the year ending 31 December 2020 at a fee of BDT 850,000.00 (BDT Eight Lac Fifty Thousand) only and to hold office until the conclusion of the next Annual General Meeting.

## COMPLIANCE AUDITORS

The current Compliance Auditor of the Company, M/s. Hoque Bhattacharjee Das & Co., Chartered Accountants, of Cosmic Tower (9th Floor), 106/ka Naya Paltan, Box Culvert Road, Dhaka-1000, retire at the 31st Annual General Meeting. Being eligible, they express their willingness and consent to be reappointed. As per the Corporate Governance Code, the appointment of Compliance Auditors is also subject to approval of the members in the ensuing AGM. The Board recommends their appointment as Compliance Auditor for the year ending 31 December 2020 at a fee of BDT 30,667 (BDT Thirty Thousand Six Hundred Sixty-Seven) only and to hold office until the conclusion of the next Annual General Meeting.

## DIRECTORS PROPOSED FOR RE-ELECTION

In accordance with Article 98(a) of the Articles of Association of the Company, one-third (1/3) of the Directors who have been longest in the office are supposed to retire from the office of Directors by rotation at the ordinary general meeting in every year. This year Ms. Sim Soek Peng, Mr. Fong Wei Kurk, and Mr. Jashim Uddin Chowdhury FCA are due for retirement at the upcoming AGM. In accordance with Article 98(c) of the Articles of Association of the Company, the retiring directors are eligible for re-election. The brief resume of the retiring directors have been disclosed in the section of Board of Directors profile.

## INDEPENDENT DIRECTORS

Mr. Abdul Khalek, FCA, former Director and CFO and current advisor to MD of Berger Paints Bangladesh Limited, and Dr. Muhammad Abdul Mazid are presently the Independent Directors of the Company. Mr. Khalek was appointed as an Independent Director by the Board in its meeting on 23 July 2019 and his appointment is subject to approval of the members in the ensuing AGM. His brief resume has been disclosed in the section of Board of Directors profile.

## BOARD MEETING AND ATTENDANCE

The number of Board of Directors meetings held and attendance thereat for 2019 is duly reported in the section on "Statement on Corporate Governance".

# Report of the Board of Directors

## REMUNERATION PAID TO THE DIRECTORS

During the year, the Company has paid a total of BDT 455,000 as Board meeting attendance fees. The remuneration of Directors has been mentioned in note no. 44 of the Consolidated Financial Statements.

## PATTERN OF SHAREHOLDING

As per condition No. 1(5)(xxiii) of the Code, the pattern of shareholding (along with details of names) of parent/subsidiary/associate companies and other related parties, Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit & Compliance and their respective spouses and minor children, as well as Executives and Shareholders holding 10% or more voting interest in the Company as at 31 December 2019 has been furnished herewith as ANNEXURE-D.

## HUMAN RESOURCES & CORPORATE SOCIAL RESPONSIBILITY

Mutual trust is a pre-requisite for dedication and success. Our employees act as role models with respect to their leadership and management skills as well as their personal conduct. Having competent and inspired employees will play a significant role in our continued drive for success. As such, it is imperative that we focus our efforts on retaining and developing the best talents. The ability to harness the best from our dedicated employees will contribute to sustained growth for the Company and deliver long term value for our shareholders and other stakeholders. The human resources function, therefore, plays an indispensable role in ensuring that the Company continues to recruit and retain talented and motivated employees to further the Company's vision and goals.

The World Health Organization (WHO) has declared a pandemic over a new coronavirus which causes an illness known as COVID-19 that has spread to nearly the whole of Bangladesh. As for everyone all over the world, these are difficult times, whether from a business or health and safety angle. This poses unprecedented challenges for us to continue with business operations while ensuring the health and safety of our employees. Our people at work have risen to the challenge and are demonstrating their full commitment to performing their best whether working from home or at our sites.

The integration of employees following the acquisition of ECBL and EPCL was completed within the shortest possible time to ensure minimal business and operational disruption.

The challenging business environment compels us to refocus our efforts and equip our front line staff, especially our sales team, to improve their

competencies and better perform their roles. The Human Resources department continues to drive the efforts in recruiting and retaining talented and motivated employees to contribute to the success of the Company.

In order to attract the best talents, the Company maintains a performance-driven culture with teamwork where all employees are treated with dignity and regarded as partners. The Company follows a human capital strategy to provide for an



# Report of the Board of Directors

attractive work environment. Training and continual development of the employees is therefore a cornerstone of the human resources function in order to extract the best from them. This requires us to invest continually in training and skills upgrading, especially for our technical staff, with both local and overseas trainings made available. At the same time, due attention is paid to developing non-technical skills such as leadership, management, and motivation amongst our employees as these can determine how well HCBL positions itself against its competitors.

Maintaining congenial and successful employee relations whilst complying with labour laws will always be a big challenge for any multinational company operating in Bangladesh. The Company has thankfully enjoyed significant success in its labour relations and has been able to operate its plants smoothly for the past decade without any interruption from industrial actions or disputes.

We seek to foster good relationships with the locals wherever we operate as part of our Corporate Social Responsibility (CSR) philosophy. By supporting local projects in line with the established themes of building, environment, and education, we aim to build on our reputation as a good corporate citizen. HCBL's CSR program includes strategic flagship programs such as innovative construction of building and infrastructure by partnering non-profit organizations (local and globally renowned NGOs), supporting the Centre for the Rehabilitation of the Paralyzed (CPR), Proyash as well as continuing a regular presence in our local communities through financial assistance for meritorious school students. During the current COVID-19 outbreak, we are also trying to support some of the vulnerable people in the local communities. We strongly believe that building strong relationships and creating sustainable trust with the local community greatly enhances the ability of the Company to achieve its goals.

## OCCUPATIONAL HEALTH & SAFETY

At the end of the day, it is our people who help make HCBL a great and safe place to work in on a daily basis. Taking our social responsibility and obligations to our employees seriously, the commitment to Health & Safety has become an integral part of all operations and embedded in all aspects of our activities. Our ultimate goal is to avoid all accidents leading to death, injuries or permanent disabilities and to substantially reduce our lost-time injury, frequency and severity rates.

We recognise that Safety is not just a system but a cultural revolution of people practices and operational behavior. This practice of safety is not confined to our own employees but is transmitted down to all service providers and contractors, customers and stakeholders, whether in the delivery of goods and services or other aspects of interaction with our business.

“Every employee and contractor should return home as healthy as they came to work” is a philosophy and principle the Company to keep everyone safe at our workplace. Occupational health and safety is one of the core values of therefore a fundamental element of our work processes. It is our utmost priority to ensure that employees safely as when they entered into our premises.

emphasized in our Company and return home as

HeidelbergCement launched the Sustainability Commitments 2030 which replaced Ambitions 2020 and defined the key topics and future sustainability strategy of new Sustainability covers six key areas of particular Achieving

the Sustainability core principles of the HeidelbergCement. The Commitments 2030 of sustainability, which are importance for us. excellence in Occupational Health and Safety is one of the key sustainability commitments.

The HeidelbergCement Group has consistently been enhancing the accident reporting platform “AID” and as part of this development, they have introduced a digital application called “Intelex”. All employees can download this app on their own smartphones and report any type of accident or observation through this app. The Group has also developed a number of Health & Safety guidelines in line with international standards, which are then translated by the Company and communicated to all in our workplaces.

HCBL provides extensive training on occupational health and safety to

# Report of the Board of Directors

its permanent employees as well as external contractors. In 2019, we provided more than 3000 man hours of training & orientation to our employees, contractors and visitors. In addition to various routine programs, we have trained and developed Safety Leaders with the mission of encouraging safety conversations between Safety Leaders and workers on the spot to make the implementation process more resilient.

“Clean Site/Safe Site” is one of the signature programs of Safety Management. The 5S (Sort, Set, Shine, Standardize & Sustain) Tool plays a substantial role in this program. We have achieved significant results after applying this tool in almost 60% of our total areas.

Safety Week is a motivational, engaging and culture changing program. Safety Week 2019 was successfully conducted to inculcate a culture of safety in the Company. The week was augmented with a variety of programs such as Dramas, Storytelling on the suffering of the family due to incidents, Commitment from the Drivers & Helpers, Debates on safety topics, etc. Employees’ kids were also in the program to create awareness among them from their childhood.

All management levels at the plants and corporate office of HCBL are responsible for ensuring Occupational Health and Safety. Our occupational safety organization is subordinate to the Chairman of the Management Committee, to whom the Country Health & Safety Manager, who is responsible for coordinating the Health & Safety measures within the country, reports directly. The line managers at local management level in Bangladesh are supported by the Country Health & Safety Manager. Occupational safety measures are a part of the personal goal agreements for Directors and Officers. We also make blue collar employees responsible for setting common goal agreements on safety.

Safety KPI is one of the imperative indicators for identifying accident trends. Our Safety KPI shows a clear improving trend over the years. Since the commencement of HeidelbergCement’s operations in Bangladesh, it has only experienced one major incident for one of our Full-Time Employees (FTEs) and thankfully no fatal accidents have occurred for our FTEs to date. We have been maintaining a continued emphasis on safety at our workplaces, and thereby engendered a safety culture amongst our people, including external contractors.

Health and Safety remains the highest priority for the Company and we are aligned with our global commitment to maintaining a sustainable result of zero fatality, zero LTI in every day of our business operations.

## CORPORATE GOVERNANCE COMPLIANCE STATEMENT

The Board of Directors firmly supports and advocates good Corporate Governance practices. The Company recognizes that the long term success of business operations depends on the effective implementation of sound Corporate Governance practices, by for instance the effective segregation of duties and responsibilities to ensure transparency and accountability. Our Company fulfills all the regulatory compliance requirements issued by the Bangladesh Securities & Exchange Commission. We are pleased to confirm that the Company has complied with all the necessary guidelines under the Corporate Governance Code issued under the Bangladesh Securities & Exchange Commission Notification dated 03 June 2018. The Compliance report along with the necessary remarks/disclosure is appended in the Directors Report of the Company for the year 2019 at Annexures A to F. The Certificate of Compliance required under the said Guidelines, as provided by Hoque Bhattacharjee Das & Co., Chartered Accountants, is annexed to this report at Annexure B.

## ACKNOWLEDGMENTS

I would like to express my sincere thanks and deep gratitude to our esteemed shareholders and my colleagues for their active support and guidance. My thanks also go to the State and Government, stock exchanges and other statutory bodies for their support for the various activities of the Company. The employees have been a source of strength and the Company acknowledges their contribution to the progress of the Company. I also acknowledge the unstinting support extended by our valued customers, associates, and our bankers and would like to place on record our sincere thanks to them for their continued faith and confidence reposed in us.

By order & on behalf of the Board of Directors



**Jose Marcelino Ugarte**  
Managing Director

# HCBL in Capital Market

HeidelbergCement Bangladesh Limited is a listed Company in both bourses i.e. Dhaka Stock exchange (DSE) Limited as well as Chittagong Stock Exchange (CSE) Limited as "A" category share in capital market. The Company's capacity, sustainability, profitability and current business growth with the strategic plans show a clear strategic advantage that will enable the Company to secure market share as well as to maximize shareholders' wealth.



# Annexures



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# ANNEXURE-A

## [As per condition No. 1(5) (xxvi)]

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### HeidelbergCement Bangladesh Limited Declaration by MD and CFO

Date: 22 April 2020

The Board of Directors  
HeidelbergCement Bangladesh Limited  
Symphony (6th& 7th Floor)  
Plot# SE(F) 9, Road#142  
South Avenue, Gulshan-1  
Dhaka-1212.

**Subject: Declaration on Financial Statements for the year ended on 31 December 2019.**

Dear Sirs,

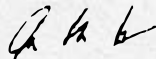
Pursuant to the condition no. 1(5)(xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 under section 2CC of the Securities and Exchange, 1969, we do hereby declare that:

- (1) The Financial Statements of HeidelbergCement Bangladesh Limited for the year ended on 31 December 2019 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

**In this regard, we also certify that: -**


- (i) We have reviewed the financial statements for the year ended on 31 December 2019 and that to the best of our knowledge and belief:
  - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading
  - (b) these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



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**Jose Marcelino Ugarte**  
Managing Director



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**Jashim Uddin Chowdhury, FCA**  
Chief Financial Officer (CFO)



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# ANNEXURE-B

## [Certificate as per condition No. 1(5) (xxvii)]

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**Hoque Bhattacharjee Das & Co.**  
Chartered Accountants

**Report to the Shareholders of HeidelbergCement Bangladesh Limited on compliance with the Corporate Governance Code**

(As required under the BSEC Codes of Corporate Governance)

We have examined the compliance status to the Corporate Governance Code by HeidelbergCement Bangladesh Limited for the year ended on December 31, 2019. This Code relates to the Notification No. BSEC/ CMRRCD/2006 -158/207/Admin/80, dated June 3, 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion and subject to the remarks and observations as reported in the connected Compliance Statement:

1. The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above-mentioned Corporate Governance Code issued by the Commission.
2. The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code.
3. Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws;
4. The standard of governance in the Company is satisfactory.

This report, however, is no endorsement about quality of contents in the Annual Report of the Company for the year ended 31<sup>st</sup> December 2019.

Dhaka,  
March 25, 2020

**Hoque Bhattacharjee Das & Co.**  
Chartered Accountants

Avijit Bhattacharjee FCA  
Partner

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Cosmic Tower (9<sup>th</sup> Floor), 106/Ka Naya Paltan, Box Culvert Road, Dhaka-1000  
Tel : +880 (2) 9355401 Fax : +880 (2) 9355407, E-mail : [info@hbdco.org](mailto:info@hbdco.org),  
Web : [www.hbdco.org](http://www.hbdco.org)

## ANNEXURE-C

### As per condition No. 1(5)(xxvii)

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

#### (Report under Condition No. 9)

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1(1)	Size of the Board of Directors: shall not less than 5 and not more than 20	✓		
<b>1(2)</b>	<b>Independent Directors</b>			
1(2) (a)	At least one-fifth (1/5) of the total number of directors	✓		
1(2)(b)(i)	Does not hold any share or holds less than 1% shares of the total paid-up shares of the Company	✓		
1(2)(b)(ii)	Not a sponsor/not connected with any sponsor or director or nominated director or shareholder of the Company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds 1% or more shares of the total paid-up shares of the Company on the basis of family relationship and his or her family members are also not allowed to hold more than 1% shares of the total paid-up shares of the Company	✓		
1(2)(b)(iii)	Not an executive of the Company in immediately preceding 2 (two) financial years	✓		
1(2)(b)(iv)	Does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated Companies	✓		
1(2)(b)(v)	Not a member or TREC holder/director/officer of any stock exchange	✓		
1(2)(b)(vi)	Not a shareholder, director excepting independent director or officer of any member or TREC holder of any stock exchange or an intermediary of the capital market	✓		
1(2)(b)(vii)	Not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of any concerned statutory audit firm or any firm that is already engaged with the Company	✓		
1(2)(b)(viii)	Not an independent director in more than 5 (five) listed companies	✓		
1(2)(b)(ix)	Not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a NBFIs	✓		
1(2)(b)(x)	Not been convicted for a criminal offence involving moral turpitude	✓		
1(2)(c)	Shall be appointed by the Board and approved by the shareholders in the AGM	✓		
1(2)(d)	The post cannot remain vacant for more than 90 (ninety) days	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1(2)(e)	The tenure of office shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only. A former independent director may be reappointed for another tenure after a time gap of 3 years from his/her completion of consecutive two tenures. The independent directors shall not be subject to retirement by rotation	✓		
<b>1(3)</b>	<b>Qualification of Independent Director</b>			
1(3)(a)	shall be a knowledgeable individual with integrity and able to ensure compliance with relevant laws as well as able to make meaningful contribution to the business	✓		
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million/ any listed company/a member of any national or international chamber of commerce or business association	✓		
1(3)(b)(ii)	Corporate leader usually top level executive not lower than CEO/ MD/AMD/DMD/COO/CFO/Head of Finance or Accounts/CS/ HIAC/Head of Administration and Human Resources or any other person who holds equivalent position and same level or ranked or salaried officials of a unlisted company having paid-up capital of Tk. 100.00 million or of a listed company or	✓		
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th grade of the national pay scale having minimum bachelor degree in economics/commerce/business or law	✓		
1(3)(b)(iv)	University Teacher having educational background in Economics or Commerce or Business Studies or Law or	✓		
1(3)(b)(v)	Practicing advocate at least in the High Court Division of Bangladesh Supreme Court/CA/CMA/CFA/CCA/CS/equivalent qualification	✓		
1(3)(c)	Minimum 10 years of experience	✓		
1(3)(d)	Relaxation in special cases as to qualifications of independent director			
<b>1(4)</b>	<b>Duality of chairperson of the Board of Directors and Managing Director or Chief Executive office</b>			
1(4)(a)	The position of the both shall be filled by different individuals	✓		
1(4)(b)	MD shall not hold same position in any other listed company	✓		
1(4)(c)	Chairperson shall be a non-executive director	✓		
1(4)(d)	Clear defined roles & responsibilities for both of them	✓		
1(4)(e)	In the absence of regular chairperson, the other members shall elect a non-executive director to chair that particular meeting	✓		
<b>1(5)</b>	<b>Directors' Report to Shareholders</b>			
1(5)(i)	An industry outlook and possible future developments in the industry	✓		
1(5)(ii)	The segment-wise or product-wise performance	✓		
1(5)(iii)	Risks and concerns	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1(5)(iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	✓		
1(5)(v)	Discussion on continuity of any extraordinary activities and their implications (gain or loss)	✓		
1(5)(vi)	A detailed discussion on related party transactions	✓		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments	✓		
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing, etc.	✓		
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements	✓		
1(5)(x)	Remuneration paid to the directors including independent directors	✓		
1(5)(xi)	Fairness of financial statements	✓		
1(5)(xii)	Maintenance of proper books of accounts	✓		
1(5)(xiii)	Adoption of appropriate & consistent accounting policies and estimates	✓		
1(5)(xiv)	Follow of IAS, IFRS in preparation of the financial statements and any departure there from has been adequately disclosed	✓		
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored	✓		
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress	✓		
1(5)(xvii)	A statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed	✓		
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained	✓		
1(5)(xix)	A statement where key operating and financial data of at least preceding 5 (five) years shall be summarized	✓		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year	✓		
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend	✓		
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director	✓		
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details)	✓		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details)	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1(5)(xxiii)(c)	Executives and	✓		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details)	✓		
1(5)(xxiv)(a)	In case of the appointment or reappointment of a director, a disclosure on the following information to the shareholders:- a brief resume of the director	✓		
1(5)(xxiv)(b)	nature of his or her expertise in specific functional areas and	✓		
1(5)(xxiv)(c)	names of companies in which the person also holds the directorship and the membership of committees of the Board	✓		
1(5)(xxv)	A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:	✓		
1(5)(xxv)(a)	accounting policies and estimation for preparation of financial statements	✓		
1(5)(xxv)(b)	changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes	✓		
1(5)(xxv)(c)	comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof	✓		
1(5)(xxv)(d)	compare such financial performance or results and financial position as well as cash flows with the peer industry scenario	✓		
1(5)(xxv)(e)	briefly explain the financial and economic scenario of the country and the globe	✓		
1(5)(xxv)(f)	risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company and	✓		
1(5)(xxv)(g)	future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM	✓		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A and	✓		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C.	✓		
<b>1(6)</b>	<b>Meeting of the BoD</b> Shall conduct Board meetings and record the minutes as per BSS	✓		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	Code of conduct for the Chairman, other Board members and Chief Executive Officer	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1(7)(b)	Availability of Code of Conduct on the website of the Company	✓		
<b>2</b>	<b>Governance of Board of Directors of Subsidiary Company:</b>			
2(a)	Same provisions shall be applicable for composition of the Board of the holding and the Board of the subsidiary	✓		
2(b)	At least one independent director on the Board of the holding Company shall be a director on the Board of the subsidiary Company	✓		
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	✓		
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also	✓		
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	✓		
<b>3(1)</b>	<b>MD or CEO, CFO, Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)-</b>			
3(1)(a)	Appointment of MD or CEO, CFO, HIAC and CS	✓		
3(1)(b)	Different individuals are in the position of MD or CEO, CFO, HIAC and CS	✓		
3(1)(c)	The MD or CEO, CS, CFO and HIAC don't hold any executive position in any other company at the same time	✓		
3(1)(d)	Clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS	✓		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	✓		
3(2)	Attendance in the meetings of the Board of MD or CEO, CS, CFO and HIAC	✓		
3(3)(a)(i)	Does not contain materially untrue statement and omit any material fact in the financial statements certified by MD & CFO	✓		
3(3)(a)(ii)	True & fair view of financial statements certified by MD & CFO	✓		
3(3)(b)	Certification of MD and CFO regarding financial statements	✓		
3(3)(c)	Annual Report contains certification of MD & CFO on financial statements	✓		
<b>4</b>	<b>Board of Directors' Committee</b>			
4(i)	An Audit Committee	✓		
4(ii)	A Nomination & Remuneration Committee	✓		
<b>5</b>	<b>Audit Committee</b>			
5(1)(a)	Audit Committee as sub-committee of the Board	✓		
5(1)(b)	Assistance of the Audit Committee to the Board	✓		
5(1)(c)	Responsible to the Board and the duties of the Audit Committee shall be clearly set forth in writing	✓		
5(2)(a)	Audit Committee composition: at least 3 members	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
5(2)(b)	All members are to be non-executive directors except chairman of the board and one member shall be an independent director	✓		
5(2)(c)	Financial literacy & minimum 10 years experience of members	✓		
5(2)(d)	Vacancy of office of audit committee member, in case of his/ her expiry or inability to hold office	✓		
5(2)(e)	The company secretary shall act as the secretary of the Committee	✓		
5(2)(f)	At least 1 (one) independent director in quorum of the committee	✓		
5(3)(a)	An independent director shall be Chairman of the committee	✓		
5(3)(b)	Chairman in the absence of regular Chairman of the Committee	✓		
5(3)(c)	Audit Committee Chairman's presence in Annual General Meeting	✓		
5(4)(a)	At least its four meetings in a financial year	✓		
5(4)(b)	Quorum: two members or 2/3 of total audit committee member	✓		
5(5)(a)	Oversee the financial reporting process	✓		
5(5)(b)	Monitor choice of accounting policies and Principles	✓		
5(5)(c)	Monitor Internal Audit & Compliance Process	✓		
5(5)(d)	Oversee hiring and performance of external Auditors	✓		
5(5)(e)	Meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption	✓		
5(5)(f)	review along with the management, the annual financial statements before submission to the Board for approval	✓		
5(5)(g)	Review the quarterly and half yearly financial statements before submission to the board for approval	✓		
5(5)(h)	Review the adequacy of internal audit Function	✓		
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	✓		
5(5)(j)	Review statement of all related party transactions submitted by the management;	✓		
5(5)(k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	✓		
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors	✓		
5(5)(m)	Oversee about the uses/applications of funds raised through IPO or RPO or Rights Share Offer	✓		
5(6)	Reporting of the Audit Committee			
5(6)(a)(i)	Reporting to the Board of Directors	✓		
5(6)(a)(ii)(a)	Report on conflicts of interests	✓		
5(6)(a)(ii)(b)	Report on suspected or presumed fraud or irregularity or material defect in internal audit/financial statements	✓		
5(6)(a)(ii)(c)	Report on suspected infringement of laws & regulatory compliances	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
5(6)(a)(ii)(d)	Any other matter deems necessary to disclose	✓		
5(6)(b)	Report on unreasonably ignored rectification to the Commission	✓		
5(7)	Reporting to the Shareholders and General Investors	✓		
<b>6</b>	<b>Nomination and Remuneration Committee (NRC)</b>			
6(1)(a)	NRC as a sub-committee of the Board	✓		
6(1)(b)	Assists the Board in formulating NRC policy	✓		
6(1)(c)	Clearly defined terms of reference of NRC	✓		
6(2)	Constitution of the NRC			
6(2)(a)	At least three members including an independent director	✓		
6(2)(b)	All members of the Committee shall be non-executive directors	✓		
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board	✓		
6(2)(d)	The Board reserve the authority to remove and appoint any member of the Committee;	✓		
6(2)(e)	The Board shall fill the vacancy in case of death, resignation, disqualification, or removal of any member	✓		
6(2)(f)	The Chairperson may appoint external expert for advice or suggestion	✓		
6(2)(g)	The company secretary shall act as the secretary of the Committee	✓		
6(2)(h)	Quorum: at least an independent director	✓		
6(2)(i)	No remuneration other than director fees/honorarium for any member	✓		
6(3)	Chairperson of the NRC			
6(3)(a)	Chairman: an independent director	✓		
6(3)(b)	In the absence of regular Chairman, Chairman from other members	✓		
6(3)(c)	Chairman's presence in annual general meeting	✓		
6(4)	Meeting of the NRC			
6(4)(a)	At least one meeting in a financial year	✓		
6(4)(b)	Any emergency meeting upon request by any member of the NRC	✓		
6(4)(c)	Quorum: Higher of two members or 2/3 of total members including at least one independent director	✓		
6(4)(d)	Confirmation of minutes in the next meeting of the NRC	✓		
6(5)	Role of the NRC			
6(5)(a)	Shall be independent and responsible or accountable to the Board and to the shareholders	✓		
6(5)(b)(i)(a)	Remuneration shall be reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully	✓		
6(5)(b)(i)(b)	Clear relationship among remuneration, performance & benchmarks	✓		
6(5)(b)(i)(c)	Balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals	✓		



Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
6(5)(b)(ii)	Devising a policy on Board's diversity	✓		
6(5)(b)(iii)	Identification of qualification of directors and recommendation for appointment and removal	✓		
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board	✓		
6(5)(b)(v)	Identifying needs for employees and determine their selection, transfer or replacement and promotion criteria	✓		
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies	✓		
6(5)(c)	Nomination and remuneration policy, the evaluation criteria and activities of NRC during the year in its annual report.	✓		
<b>7</b>	<b>External or Statutory Auditors</b>			
7(1)(i)	Not involved in appraisal or valuation services or fairness opinions	✓		
7(1)(ii)	Not involved financial information systems design and implementation	✓		
7(1)(iii)	Not involved in book-keeping or other services related to the accounting records or financial statements	✓		
7(1)(iv)	Not involved as broker-dealer services	✓		
7(1)(v)	Not involved in actuarial services	✓		
7(1)(vi)	Not involved in internal audit services or special audit services	✓		
7(1)(vii)	Not involved in any service that the Audit Committee determines	✓		
7(1)(viii)	Not involved in audit or certification services on compliance of corporate governance	✓		
7(1)(ix)	Not involved in any other service that creates conflict of interest	✓		
7(2)	No partner or his/ her family or employees of the external audit firms hold any share at least during audit work	✓		
7(3)	Auditors' or their representative presence in the AGM	✓		
<b>8</b>	<b>Maintaining a website by the Company</b>			
8(1)	An official website linked with the website of the stock exchange	✓		
8(2)	A website functional from the date of listing	✓		
8(3)	Available detailed disclosures on its website as required under the listing regulations of the stock exchange(s).	✓		
<b>9</b>	<b>Reporting and Compliance of Corporate Governance.-</b>			
9(1)	Compliance certificate on Corporate Governance Code of the Commission in the Annual Report.	✓		
9(2)	The compliance auditor shall be appointed by the shareholders in the AGM	✓		
9(3)	Annexure-C attached in the directors' report	✓		

## ANNEXURE-D

### As per condition No. 1(5)(xxiii)

The pattern of shareholding (along with detail name) of parent/subsidiary/associate companies and Other Related Parties, Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit & Compliance and their Spouse and Minor Children, Executives and Shareholders holding 10% or more voting interest in the company as at 31 December 2019 duly stated in the report.

Particulars	Nos. of shareholding	Percentage	Remarks
Directors:			
Chief Executive Officer (CEO) and his spouse and minor children	-	-	
Chief Financial Officer (CFO) and his spouse and minor children	2,340	0.004%	
Company Secretary (CS) and his spouse and minor children	-	-	
<b>Head of Internal Audit &amp; Compliance (HIAC) and his spouse and minor children</b>	-	-	
<b>Executives (Top five salaried person other than CEO, CFO, CS, HIAC):</b>	-	-	
Shareholders Holding 10% or more voting rights:	-	-	
HeidelbergCementNetharlands Holdings B.V.	22,493,020	39.80%	
HC Asia Holding GmbH, Germany	11,784,390	20.86%	

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# ANNEXURE-E

As per condition No. 6(5)(c)

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## HEIDELBERGCEMENT BANGLADESH LTD.

### Nomination and Remuneration Policy (the “Policy”)

#### 1. Preamble

HeidelbergCement Bangladesh Limited (the “Company”) is committed to excel in every sphere of its activity by attracting and retaining qualified, talented and experienced professionals through an efficient selection and evaluation mechanism.

The Board of Directors of the Company has constituted a Nomination and Remuneration Committee (the “Committee”) on 15 October 2018 to perform the delegated functions and to formulate a policy for nomination, appointment and remuneration of directors (the “Directors”) and top level executives (the “Top Level Executives”) of the Company.

The terms of reference of the Committee are as follows:

- a) To formulate the criteria for determining the qualifications, positive attributes and independence of a Director and recommend a policy to the Board relating to the remuneration of the Directors and Top Level Executives, taking into account the following:
  - i. the level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate suitable directors and senior management to run the Company successfully;
  - ii. the relationship of remuneration to performance should be clear and meets appropriate performance benchmarks; and
  - iii. the remuneration of Directors and Top Level Executives should involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate for the Company and its goals;
- b) To devise a policy on the Board’s diversity taking into consideration age, gender, experience, ethnicity, educational background, and nationality;
- c) To identify persons who are qualified to become directors and who may be appointed in top level executive positions in accordance with the criteria laid down and recommend their appointment and removal to the Board;
- d) To formulate the criteria for evaluation of the performance of independent directors and the Board;
- e) To identify the Company’s needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and
- f) To develop, recommend and review annually the Company’s human resources and training policies.

In consequence thereof, the Company has developed this Policy in accordance with condition 6(1)(b) of the Corporate Governance Code notified by the Bangladesh Securities and Exchange Commission (BSEC) dated 3 June 2018 (the “Code”).

This Policy sets out the guiding principles for the Nomination and Remuneration Committee for identifying persons who are qualified to be appointed as Directors on the Board (including independent Directors) and those who may be appointed to fill the Top Level Executive positions. The Policy also sets out the guiding principles for determining the remuneration of Directors, Top Level Executives and other employees.

#### 2. Definitions

“Board” means Board of Directors of the Company;

“HR Policy” means the human resources policy as framed by the Management which is applicable to all employees of the Company, as the same may be amended or modified from time to time;

“Independent Director” means a Director as defined under condition 1 of the Code, as amended from time to time;

“Remuneration” means any money or its equivalent is given or passed to any person for services rendered by him and includes perquisites as defined under the Income Tax Ordinance, 1984;

“Top Level Executive” means personnel of the Company who are members of its core management team (the “Management”), including the Managing Director (MD) or Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Director Human Resources, Director Marketing and Sales, Director Purchasing and Logistics, Technical Director, Head of Internal Audit and Compliance (HIAC), Head of Legal and Corporate Affairs, Company Secretary (CS) or positions of equivalent level or rank; and

#### 3. Scope

This policy is applicable to:

- ❖ Directors (Executive & Non-Executive, including Independent Directors)
- ❖ Top Level Executives

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# ANNEXURE-E

## As per condition No. 6(5)(c)

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### 4. Criteria for identification of Directors and Top Level Executives

The Committee shall review potential candidates for appointment as Director and for filling Top Level Executive positions and give its recommendations to the Board. In evaluating the suitability of potential candidates the Committee may take into account factors, such as:

**a. Qualifications for appointment as Director (Including Independent Directors)**

- ❖ personal and professional ethics, integrity and values;
- ❖ educational and professional background;
- ❖ leadership skills, standing in the profession;
- ❖ business knowledge, relevant competencies and skills, and experience;
- ❖ actual or potential conflicts of interest, if any;
- ❖ any applicable provisions of the Companies Act, 1994 and the Rules made thereunder; and
- ❖ the requirements under condition 1 & 3(1) of the Code.

In particular, the Committee shall seek to appoint Directors with the following positive attributes:

**b. Positive attributes of Directors (including Independent Directors)**

- ❖ Individuals having eminence, standing and knowledge with significant achievements in business, professions and/or public service;
- ❖ Individuals who hold sound financial or business literacy/skills;
- ❖ Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively and the willingness to address issues proactively;
- ❖ Actively update their knowledge and skills with the latest developments in the industry, market conditions and applicable legal provisions;
- ❖ Willingness to devote sufficient time and attention to the Company's business and to effectively carry out duties and responsibilities;
- ❖ To assist in bringing independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- ❖ Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company; and
- ❖ To act within their authority to assist in protecting the legitimate interests of the Company, its shareholders and employees.

**c. Independence of Directors**

- ❖ Independent Directors shall meet the requirements set out under the Companies Act, 1994 read with the Rules made thereunder, as amended from time to time, and in particular conditions 1(2) & (3) of the Code.

**d. Appointment of Top Level Executives**

Top Level Executives shall:

- ❖ possess the required qualifications, experience, skills & expertise to effectively discharge their respective duties and responsibilities;
- ❖ practice and encourage professionalism and a transparent working environment; and
- ❖ adhere strictly to the Company's Code of Conduct and other compliance policies.

The Committee shall have the discretion to consider and fix any other criteria or norms for selection of the most suitable candidates. The Committee may also institute an inquiry into the background and qualifications of the potential candidates.

### 5. Board Diversity

The Committee in nominating candidates for appointment to the Board shall ensure sufficient diversity in representation in terms of age, gender, experience, ethnicity, educational background, and nationality.

### 6. Remuneration

In order to sufficiently attract, retain and motivate Executive Directors and Top Level Executives to run the Company successfully, the remuneration shall be comprised of fixed and performance based components as detailed below:

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# ANNEXURE-E

## As per condition No. 6(5)(c)

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### i) Fixed Remuneration

The fixed remuneration shall be determined for each grade of employees and Top Level Executives after taking into account the comparative remuneration profile with respect to industry scale of the Company's business, criticality of the position and competencies and experience of the person. It shall be the Company's endeavor to pay fixed remuneration which will:

- ❖ attract, retain and motivate professionals required to successfully run the Company;
- ❖ encourage people to perform to their highest potential;
- ❖ align the performance of the business with the performance of key individuals and teams within the Company;
- ❖ allow the Company to compete in each relevant employment market;
- ❖ ensure participation in Workers' Profit Participation Fund (WPPF) as per the Bangladesh Labour Code, 2006 and the Bangladesh Labour Rules, 2015.

### ii) Performance Based Remuneration:

#### (a) Performance Management System (PMS)

The Company has a detailed and structured PMS. Based on the review of performance through the PMS process, the Company shall assess the employees' competencies, eligibility for promotion and salary increment. The MD shall from time to time decide the annual increments / mid-term revisions to be given to employees as per the guidelines set out in this Policy and the Company's HR Policy. The MD is also authorized to approve the policies for giving loans/financial assistance to the employees.

#### (b) Variable Pay

The Company shall reward Executive Directors and Top Level Executives based on the Company's performance and their own individual performance to create a strong relationship between performance and remuneration. The percentage of performance based remuneration / variable pay in the total remuneration package of each employee shall be determined according to such employee's level in the organization so as to ensure that the remuneration package is fairly balanced to attract, retain and motivate skilled professionals.

The variable pay shall be divided into two parts, of which the first part would be dependent on the Company's performance which shall be measured in financial terms such as achievement of targeted EBIT or Net Profit during the previous calendar year. The other part shall depend upon the individual employee's performance against the targets set in the goal agreement with the Company. The weightage of the Company performance vis-a-vis individual performance in the variable pay may range from 40 to 60 percent depending upon seniority of the concerned employee in the organization structure.

There shall be a goal agreement setting out the annual objectives/targets of an individual employee cascading from the organizational goals. These annual objectives/targets shall be:

- ❖ Formulated clearly, i.e. goals must be described in a concrete, precise and comprehensible manner;
- ❖ Can be influenced, i.e. the employee must have a decisive influence on the goal's achievement;
- ❖ Realistic, fair and challenging, i.e. it must be possible for the employee to achieve a goal without being under-challenged or over-challenged; and
- ❖ Must be able to measure whether the goal has been achieved, i.e. by means of quantitative standards (key figures) or qualitative standards (quality criteria based on common definitions) defined and ascertained during target setting.

The aforesaid objectives shall strike a balance between short-term and long-term goals of the Company. The progress of the employees towards the achievement of the objectives shall be reviewed together with the employee's line manager at the appropriate time following the end of each calendar year.

The remuneration/sitting fees, as the case may be, for the Non-Executive / Independent Directors, shall be in accordance with the provisions of the Act and the Rules made thereunder for the time being in force or as may be decided by the Committee/Board/shareholders.

### 7. Retirement Benefits

The Company shall comply with the applicable laws for payment of retirement benefits such as Provident Fund and Gratuity.

### 8. Termination Payments

Each employment contract shall set out in advance the notice period in case of resignation/termination of employment or the payment to be made in lieu thereof.

### 9. Review and Amendment

The Committee and the Board of Directors reserve the right to amend or modify this Policy in whole or in part, at any time, without assigning any reason whatsoever.

## ANNEXURE-F

As per condition no. 46 of DSE Listing Regulation dated 30th June 2015

### Certificate of membership of BAPLC



#### OTHER REGULATORY DISCLOSURES:

- The Company is aware of its various risks and concerns, mainly from the policy and regulatory fronts, and is prepared to meet those by systematic control.
- The Company's IPO was made in the Eighties. No further issue of any instrument was made during the year.
- From inception, the financial results of the Company have continued to grow as reflected in the yearly financial statements of the Company.
- As per IAS presentation of Financial Statements, no items of income and expense are to be presented as extraordinary gain or loss in the financial statements. Accordingly, no extraordinary gain or loss has been recognized in the financial statements.
- No significant variations have occurred between quarterly and annual financial results of the Company during 2019.
- All significant deviations from the previous year in operating results of the Company have been highlighted and reasons thereof have been explained.

# Awards



HeidelbergCement Bangladesh Limited (HCBL) has been awarded by the Institute of Cost and Management Accountants of Bangladesh (ICMAB) as the Second Position under the Category of Cement Manufacturing-Bangladesh in the ICMAB Best Corporate Award-2018 Competition.





A large, dark brown wooden leaf is the central focus, set against a vibrant green background. The words 'CORPORATE', 'SOCIAL', and 'RESPONSIBILITY' are embossed in white, bold, sans-serif capital letters across the leaf's surface. A thin, dark vine with several small, heart-shaped green leaves extends from the top left corner towards the leaf. The overall composition is clean and modern, emphasizing a connection between nature and corporate values.

**CORPORATE  
SOCIAL  
RESPONSIBILITY**

# Corporate Social Responsibility

With the strategic partnership of Habitat for Humanity Bangladesh, we built couple of houses for underprivileged families in Kaliganj and grater Gazipur district. All such projects dedicated to help the vulnerable groups/ families to improve their living conditions and economic security. The houses have been built free of cost for families with proper, dignified shelter, in order to allow them to live a more prosperous and secure life with higher standards of hygiene and comfort. They are constructed of concrete by Habitat Bangladesh with the support of local community-based organizations. The staff and managers of HeidelbergCement Bangladesh participated hands-on in the construction of the houses as volunteers. This is an excellent way for our employees to actively demonstrate their commitment by assisting the families as well as an opportunity to motivate action and promote community service. In addition we also delivered around 19000 bags of cement at cost price to Habitat for Humanity to support building such houses at the remote corners of the country.

Solid and standard educational base is one of the important pillars for a nation to dwellers of cities of Bangladesh are getting standard amenities. But the people of some from standard education due to education. In view of that citizen of the country we building Domino School ensured availability of our cement construction site of the school by discounted price.

Ideally, Domino School is providing the education (especially with values having main goal to be self-supported) to the underprivileged in the rural areas at the Northern part of Bangladesh (Four schools in Thakurgaon and one school in Bogura). People are benefited from the school learning computer, English language, hygienic campus, Character First program where the children are learning how to behave to the society being a good citizen. More than 600 children (more than 550 families) in our 5 schools are beneficiary getting this support from the Embassy for different purposes.

Furthermore, we foster good relationships at our locations and contribute to creating value locally. We pursue a reputation of good corporate citizenship and support local projects in line with the established themes of building, environment and education. As part of our Sustainability principles, Corporate Social Responsibility (CSR), we have build-up strategic partnership with some globally renowned NGOs and working together to achieve our best in the class goals. also working on many groups and partnering with Centre for the Rehabilitation of the Paralyzed (CPR), Proyash as well as continuing a regular presence in our local communities through helping meritorious school students. We are also trying to support some vulnerable people at our range and helping them to overcome the transitory Covid-19 outbreak.

## Conclusion:

The goal of our CSR activities is to embrace responsibility for the Company's actions and encourage a positive impact through our activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders. We will continue to strengthen our support for the social and economic development of our neighboring communities and will ensure transparent communication with our stakeholders. We entered into this CSR partnership to foster successful transition to a more sustainable future for our country which will ultimately showcase our commitment towards sustainability.

the journey of progress and prosperity. The education and enjoying all sort of modern parts of the country are staying away unaffordability to bear the cost of and as a proud corporate became a partner of Bangladesh and at the charging

excellent  
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Besides, we  
Paralyzed (CPR),



# Auditor's Report and Financial Statements



# Independent Auditor’s Report To the Shareholders of HeidelbergCement Bangladesh Limited Report on the Audit of the Financial Statements

## Opinion

We have audited the consolidated financial statements of HeidelbergCement Bangladesh Limited and its subsidiaries (the “Group”) as well as the separate financial statements of HeidelbergCement Bangladesh Limited (the “Company”), which comprise the consolidated and separate statements of financial position as at 31 December 2019 and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and separate financial statements of the Company give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Company as at 31 December 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 3.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and Bangladesh Securities and Exchange Commission (BSEC), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

Description of key audit matters	Our response to key audit matters
<b>Acquisition of subsidiaries (Emirates Cement Bangladesh Limited and Emirates Power Company Limited) and consolidation</b>	
<p>Effective on 5 December 2019, the Company has acquired 100% ownership of two new subsidiaries namely Emirates Cement Bangladesh Limited (ECBL) and Emirates Power Company Limited (EPCL).</p> <p>Since this will be the first set of consolidated financial statements of the Group incorporating results of ECBL and EPCL and also involve acquisition accounting, we have considered this as key audit matter.</p> <p>For separate financial statements of the Company we shall assess the carrying value of these investments to identify any potential for impairment.</p>	<p>We obtained understanding of the acquisition process followed by the Company to takeover ECBL and EPCL.</p> <p>We reviewed all related documents and agreements as well as approval letter of the central bank (Bangladesh Bank).</p> <p>We checked acquisition accounting followed by the Group on acquisition date in accordance with IFRS 3: Business Combination including charging of related expenses to profit or loss.</p> <p>We obtained an understanding, evaluated the design and tested the operating effectiveness of the key controls over the impairment testing of related goodwill appearing in the Group’s consolidated financial statements and carrying value of investments appearing in the Company’s separate financial statements. Our testing included controls over market data inputs into valuation models, model governance, and valuation adjustments.</p> <p>We evaluated the appropriateness of future cash flows used in measurement of value in use reconciling with general and industry specific market expectation.</p> <p>We have tested the parameters used to determine the discount rate applied and evaluate the measurement model.</p> <p>Overall, we consider the measurement inputs and assumptions used by management to be in line with our expectations and to lie also within a range that we consider reasonable.</p>
Refer to note 38 of the financial statements	
<b>Valuation of receivables</b>	

<p>Significant portion of the Group's external sales are made on credit and hence accounts receivable balance constitute significant component of the Group's balance sheet as at 31 December 2019.</p> <p>Due to inherent risk associated with recovery of accounts receivable balance as well as difficulties in enforcing security in case of default by debtors we have considered as key audit matter.</p>	<p>We have tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> <li>• Credit approval process and assigning credit limit to a customer;</li> <li>• Collection of securities against receivable;</li> <li>• Periodic balance confirmation from debtors;</li> <li>• Monitoring process for overdue receivables; and</li> <li>• Group's policy of creating provision against overdue receivables and periodic write off in line with IFRS 9</li> </ul> <p>Our substantive procedures in relation to the assessing valuation of receivables comprises the following:</p> <ul style="list-style-type: none"> <li>• Reconciliation of debtors ageing to general ledger;</li> <li>• Conducting cut-off testing at the year-end;</li> <li>• Reviewing subsequent receipt of receivables balance;</li> <li>• Comparing current year rebate accruals to the prior year and issuance of credit notes post year-end; and</li> <li>• Recalculation of provision for trade receivables as per 'simplified approach' as required by IFRS 9.</li> </ul>
<p>Refer to note 8 of the financial statements</p>	
<p><b>Gratuity Provision</b></p> <p>The Group operates a Gratuity Scheme which is considered a defined benefit plan as per IAS 19 and the balance is significant in the context of the overall balance sheet.</p> <p>The valuations of the retirement benefit liabilities are calculated with reference to a number of actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The net defined benefit liability is sensitive to changes in the assumptions as well as future returns from plan assets.</p>	<p>We tested the design and operating effectiveness of key controls over the completeness and accuracy of data extracted and supplied to the Group's actuary, which is used to calculate the gratuity fund obligations and related fund assets as well as net surplus or deficit.</p> <p>We read the latest actuary report and assessed reasonableness of various key actuarial assumptions to our understanding of the market condition.</p> <p>We compared the amount of contribution made during the year on account of past service cost with the previous</p>
<p>Refer to note 17 of the financial statements</p>	

**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 auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with IFRSs as explained in note 2, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these 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 Group's and the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and 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 Group's and 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 auditor's report to the related disclosures in the consolidated and separate 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 auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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


From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 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 the Securities and Exchange Rules 1987, we also report that:

- (i) 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;
- (ii) in our opinion, proper books of account as required by law have been kept by the Group and the Company so far as it appeared from our examination of those books;
- (iii) the consolidated balance sheet and consolidated profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns; and
- (iv) the expenditures incurred were for the purpose of the Company's business for the year.

The engagement partner on the audit resulting in this independent auditor's report is Sabbir Ahmed, FCA.

Hoda Vasi   
**HodaVasi Chowdhury & Co**  
 Chartered Accountants

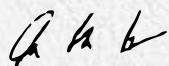
Dhaka, 22 April 2020

# Consolidated and Separate Statement of Financial Position

As at 31 December 2019

	Notes	2019 Consolidated BDT '000	2018 Consolidated BDT '000	2019 HCBL BDT '000	2018 HCBL BDT '000
<b>Non-current assets</b>					
Property, plant and equipment	4	5,728,418	3,252,315	3,766,823	3,065,784
Lessee assets-RoU	4.3	108,483	-	108,483	-
Capital works-in-progress	5	367,525	460,460	356,410	460,460
Intangible assets	6	1,215	1,708	1,215	1,708
Deferred tax assets		94,158	-	-	-
Goodwill	38	451,261	272,830	-	-
<b>Total non-current assets</b>		<b>6,751,061</b>	<b>3,987,312</b>	<b>4,232,932</b>	<b>3,527,952</b>
Investment in subsidiaries	38	-	-	2,817,533	910,750
		-	-	<b>2,817,533</b>	<b>910,750</b>
<b>Current Assets</b>					
Inventories	7	2,108,368	1,834,689	1,788,427	1,761,342
Trade and other receivables	8	1,103,334	600,558	901,957	600,559
Advances, deposits and prepayments	9	326,480	213,617	196,415	191,849
Current tax assets	22	188,081	37,502	29,892	37,502
Cash and cash equivalents	10	413,620	1,751,361	118,249	1,192,391
<b>Total current assets</b>		<b>4,139,883</b>	<b>4,437,727</b>	<b>3,034,941</b>	<b>3,783,643</b>
<b>Total assets</b>		<b>10,890,944</b>	<b>8,425,039</b>	<b>10,085,405</b>	<b>8,222,344</b>
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
Share capital	11	565,036	565,036	565,036	565,036
Capital reserve	12	605,657	605,657	605,657	605,657
General reserve		15,000	15,000	15,000	15,000
Dividend equalization fund		8,600	8,600	8,600	8,600
Retained earnings	Equity	2,867,140	3,477,574	2,686,696	3,368,965
		<b>4,061,433</b>	<b>4,671,867</b>	<b>3,880,989</b>	<b>4,563,258</b>
<b>Non-current liabilities</b>					
Suppliers' credit-blocked	13	2,565	2,565	2,565	2,565
Quasi equity loan	14	122,636	122,636	122,636	122,636
ADP loan	14.1	12,699	12,699	12,699	12,699
Borrowings	15.1	1,252,800	-	1,512,800	-
Finance lease liabilities-RoU-Long portion	16	50,823	-	50,823	-
Net defined benefit liability (gratuity)	17	25,105	-	-	-
Deferred tax liability	18	588,580	581,164	543,080	532,164
<b>Total non-current liabilities</b>		<b>2,055,208</b>	<b>719,064</b>	<b>2,244,603</b>	<b>670,064</b>
<b>Current liabilities</b>					
Trade and other payables	19	3,202,983	2,695,970	3,127,801	2,683,394
Bank overdraft		299,342	-	130,840	-
Borrowings	15.2	861,147	-	378,200	-
Finance lease liability-RoU-Current portion	16	62,370	-	62,370	-
Provision for other expenses		56,492	-	-	-
Net defined benefit liability	17	3,523	-	-	-
Provision for workers profit participation fund	20	8,970	53,981	8,970	53,981
Unclaimed dividend	21	251,633	251,647	251,633	251,647
Current tax liabilities	22	27,844	32,511	-	-
<b>Total current liabilities</b>		<b>4,774,303</b>	<b>3,034,108</b>	<b>3,959,813</b>	<b>2,989,022</b>
<b>Total liabilities</b>		<b>6,829,511</b>	<b>3,753,172</b>	<b>6,204,416</b>	<b>3,659,086</b>
<b>Total equity and liabilities</b>		<b>10,890,944</b>	<b>8,425,039</b>	<b>10,085,405</b>	<b>8,222,344</b>

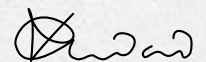
These financial statements should be read in conjunction with annexed notes.  
For and on behalf of the Board of Directors of HeidelbergCement Bangladesh Limited



Jose Marcelino Ugarte  
Managing Director



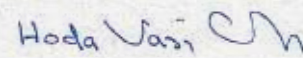
Jashim Uddin Chowdhury, FCA  
Director & Chief Financial Officer



Md. Emdadul Haque, ACA  
Company Secretary

See our annexed report of same date

Dhaka, Bangladesh  
22 April 2020



Hoda Vasi Chowdhury & Co  
Chartered Accountants

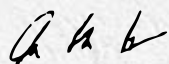
# Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 Consolidated BDT '000	2018 Consolidated BDT '000	2019 HCBL BDT '000	2018 HCBL BDT '000
Sales	24	11,986,319	11,151,286	11,927,153	11,151,286
Cost of goods sold	25	(10,758,273)	(9,219,775)	(10,773,283)	(9,336,821)
<b>Gross profit</b>		<b>1,228,046</b>	<b>1,931,512</b>	<b>1,153,870</b>	<b>1,814,465</b>
Other operating income	26	15,994	18,169	15,989	18,169
Warehousing, distribution and selling expenses	27	(470,108)	(412,122)	(466,611)	(412,122)
Administrative expenses	28	(536,408)	(497,402)	(530,920)	(496,141)
<b>Operating profit</b>		<b>237,524</b>	<b>1,040,157</b>	<b>172,329</b>	<b>924,370</b>
Non-operating Income	29	6	12	6	12
Net finance income	30	55,736	191,154	7,059	155,234
Contribution to workers' profit participation fund	20	(8,970)	(53,981)	(8,970)	(53,981)
<b>Profit before tax</b>		<b>284,296</b>	<b>1,177,341</b>	<b>170,424</b>	<b>1,025,635</b>
<b>Income tax expense</b>		(470,952)	(367,583)	(428,916)	(314,486)
Current tax:					
Current year	31	(425,536)	(394,097)	(380,000)	(337,500)
Prior year		(38,000)	(13,000)	(38,000)	(13,000)
Deferred tax income/(expenses)		(7,416)	39,514	(10,916)	36,014
<b>Profit/(loss) for the year</b>		<b>(186,656)</b>	<b>809,758</b>	<b>(258,492)</b>	<b>711,149</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income</b>		<b>(186,656)</b>	<b>809,758</b>	<b>(258,492)</b>	<b>711,149</b>
<b>Earnings per share (EPS)</b>	32	<b>-3.30</b>	<b>14.33</b>	<b>-4.57</b>	<b>12.59</b>

These financial statements should be read in conjunction with the annexed notes.

For and on behalf of the Board of Directors of HeidelbergCement Bangladesh Limited



**Jose Marcelino Ugarte**  
Managing Director



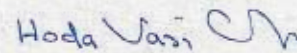
**Jashim Uddin Chowdhury, FCA**  
Director & Chief Financial Officer



**Md. Emdadul Haque, ACA**  
Company Secretary

See our annexed report of same date

Dhaka, Bangladesh  
22 April 2020



**Hoda Vasi Chowdhury & Co**  
Chartered Accountants



**Consolidated and Separate Statement of Changes in Equity**

For the year ended 31 December 2019

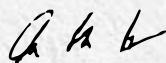
**Consolidated**

Particulars	Share capital BDT '000	Capital reserve BDT '000	General reserve BDT '000	Dividend equalisation fund BDT '000	Retained earnings BDT '000	Total BDT '000
<b>Year 2018</b>						
Balance as at 01 January 2018	565,036	605,657	15,000	8,600	3,505,370	4,699,663
Net profit for the year	-	-	-	-	809,758	809,758
Payment of dividend for 2017	-	-	-	-	(847,554)	(847,554)
Realisation of excess depreciation on revalued assets	-	-	-	-	10,000	10,000
<b>Balance as at 31 December 2018</b>	<b>565,036</b>	<b>605,657</b>	<b>15,000</b>	<b>8,600</b>	<b>3,477,574</b>	<b>4,671,867</b>
<b>Year 2019</b>						
Balance as at 01 January 2019	565,036	605,657	15,000	8,600	3,477,574	4,671,867
Net Profit/(loss) for the year	-	-	-	-	(186,656)	(186,656)
Payment of dividend for 2018	-	-	-	-	(423,777)	(423,777)
<b>Balance as at 31 December 2019</b>	<b>565,036</b>	<b>605,657</b>	<b>15,000</b>	<b>8,600</b>	<b>2,867,140</b>	<b>4,061,434</b>

**HCBL**

Particulars	Share capital BDT '000	Capital reserve BDT '000	General reserve BDT '000	Dividend equalisation fund BDT '000	Retained earnings BDT '000	Total BDT '000
<b>Year 2018</b>						
Balance as at 01 January 2018	565,036	605,657	15,000	8,600	3,505,370	4,699,663
Net profit for the year	-	-	-	-	711,149	711,149
Payment of dividend for 2017	-	-	-	-	(847,554)	(847,554)
<b>Balance as at 31 December 2018</b>	<b>565,036</b>	<b>605,657</b>	<b>15,000</b>	<b>8,600</b>	<b>3,368,965</b>	<b>4,563,258</b>
<b>Year 2019</b>						
Balance as at 01 January 2019	565,036	605,657	15,000	8,600	3,368,965	4,563,258
Net profit/(loss) for the year	-	-	-	-	(258,492)	(258,492)
Payment of dividend for 2018	-	-	-	-	(423,777)	(423,777)
<b>Balance as at 31 December 2019</b>	<b>565,036</b>	<b>605,657</b>	<b>15,000</b>	<b>8,600</b>	<b>2,686,696</b>	<b>3,880,989</b>

For and on behalf of the Board of Directors of HeidelbergCement Bangladesh Limited



**Jose Marcelino Ugarte**  
Managing Director



**Jashim Uddin Chowdhury, FCA**  
Director & Chief Financial Officer



**Md. Emdadul Haque, ACA**  
Company Secretary

Dhaka, Bangladesh  
22 April 2020

## Consolidated and Separate Statement of Cash Flows

For the year ended 31 December 2019

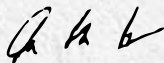
	Notes	2019 Consolidated BDT '000	2018 Consolidated BDT '000	2019 HCBL BDT '000	2018 HCBL BDT '000
<b>Cash flows from operating activities</b>					
Collections from customers	33.1	11,688,223	11,441,333	11,633,460	11,475,843
Cash received from other operating income		8,192	57,739	8,692	21,818
Cash paid to suppliers	33.2	(9,109,127)	(8,287,054)	(9,124,313)	(8,423,227)
Cash paid for operating expenses	33.3	(1,916,424)	(2,304,495)	(1,908,966)	(2,304,495)
(Payment)/adjustment of financial expenses net of exchange gain		(953)	(2,789)	(953)	(2,789)
Interest income		92,423	167,950	38,747	167,950
Interest Expenses		(38,960)	-	(33,960)	-
Income tax paid	34	(460,827)	(433,272)	(410,390)	(388,957)
<b>Net cash flow generated from operating activities (a)</b>		<b>262,547</b>	<b>639,412</b>	<b>202,317</b>	<b>546,143</b>
<b>Cash flows from investing activities</b>					
Acquisition of non-current assets		(929,379)	(413,395)	(926,990)	(402,048)
Investment in subsidiaries*	38	(2,030,082)	(433,701)	(1,893,121)	(910,750)
Proceeds from sale of non-current assets		6	39	6	39
<b>Net cash used in investing activities (b)</b>		<b>(2,959,456)</b>	<b>(847,057)</b>	<b>(2,820,105)</b>	<b>(1,312,760)</b>
<b>Cash flows from financing activities</b>					
Proceeds from loans-Citibank N.A		1,566,000	-	1,566,000	-
(Decrease)/increase in short term loan		(27,981)	-	-	-
Repayment of lease liabilities		(54,402)	-	(54,402)	-
Dividend paid	37	(423,791)	(831,296)	(423,791)	(831,296)
<b>Net cash flow used in financing activities (c)</b>		<b>1,059,825</b>	<b>(831,296)</b>	<b>1,412,807</b>	<b>(831,296)</b>
<b>Net decrease in cash and cash equivalents (a+b+c)</b>		<b>(1,637,083)</b>	<b>(1,038,941)</b>	<b>(1,204,982)</b>	<b>(1,597,912)</b>
<b>Opening cash and cash equivalents**</b>		<b>1,751,361</b>	<b>2,790,303</b>	<b>1,192,391</b>	<b>2,790,303</b>
<b>Closing cash and cash equivalents**</b>		<b>114,278</b>	<b>1,751,361</b>	<b>(12,591)</b>	<b>1,192,391</b>

\* Investment in subsidiaries (ECBL & EPCL) of Tk 1,893,121k has been netted off by Tk-136,961k of acquired cash and cash equivalents and bank overdraft.

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

These financial statements should be read in conjunction with the annexed notes.

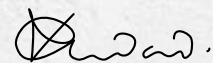
For and on behalf of the Board of Directors of HeidelbergCement Bangladesh Limited



**Jose Marcelino Ugarte**  
Managing Director



**Jashim Uddin Chowdhury, FCA**  
Director & Chief Financial Officer



**Md. Emdadul Haque, ACA**  
Company Secretary

Dhaka, Bangladesh  
22 April 2020

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

## 1. Company and its activities

### 1.1. Company profile

A project named Chittagong Cement Factory was established under Central Ordinance No. XXXVIII of 1962. The factory started production of Portland cement on 30 June 1974. The installed production capacity was 300,000 MT per annum. The Project was thereafter incorporated as a private limited company named Chittagong Cement Clinker Grinding Co Ltd (CCCGCL) on 30 June 1979 which was placed under Bangladesh Chemical Industries Corporation (BCIC) with effect from 1 July 1982. This Company (CCCGCL) was converted into a public limited company in February 1989 after revaluation of assets as well as finalisation of its net worth.

The Company commenced commercial production of its another unit in Kanchpur with effect from 1 November 1999. The production capacity of this unit is 600,000 MT. On 10 April 2008, Kanchpur plant installed second mill with capacity of 450,000 MT per annum, and on August 2019 Kanchpur Plant installed third mill with capacity of 472,000 MT per annum. The total production capacity of Dhaka and Chittagong plant currently stands at 2,850,000 MT per annum.

The Company in its 5th Extraordinary General Meeting of shareholders held on 3 October 2002 approved the scheme of Amalgamation of Scancement International Limited and Scancement Bangladesh Limited with Chittagong Cement Clinker Grinding Co. Limited, presently known as HeidelbergCement Bangladesh Limited (HCBL/the Company). The Hon'ble High Court Division of the Supreme Court of Bangladesh sanctioned the approval of the above Scheme of Amalgamation by an order dated 11 January 2003.

The registered office of the Company is situated in Tatki, P.O.: Jatramora, Union: Tarabaw, P.S.: Rupganj, Narayanganj. The address of the operational headquarters is at Symphony, Plot: SE (F) 9, Road 142, South Avenue Gulshan 1 Dhaka. Its shares are listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

The number of employees at the year end was 273 (2018: 267).

### 1.2. Nature of business

The principal activities of the Company throughout the year continued to be manufacturing, selling and marketing of gray cement under two brands namely, Ruby and Scan Cement.

### 1.3. Meghna Energy Limited (Subsidiary company)

The Company has acquired 100% ownership of one subsidiary company named Meghna Energy Limited (MEL) on which the Company got control effective on 10 January 2018. Meghna Energy Limited, a private company, limited by shares, is incorporated in Bangladesh under the Companies Act 1994, vide certificate of incorporation no C-40420(2388)/2000 Dated 05 June 2000.

The principal objective of MEL is to build, own and operate a gas burning reciprocating engine power plant at Tatki, Rupganj, Narayanganj, Dhaka to supply electricity to HeidelbergCement Bangladesh Limited.

### 1.4. Emirates Cement Bangladesh Limited (Subsidiary company)

HeidelbergCement Bangladesh Limited (HCBL) has acquired 100% ownership from Ultratech Cement Middle East Investment Limited (a UAE registered company) entity named Emirates Cement Bangladesh Limited (ECBL) on which the Company got control effective on 6th December 2019. ECBL was incorporated as a private limited company on 22 June 2000 under the Companies Act, 1994. ECBL cement plant is situated at East Mukterpur, Munshiganj, Bangladesh with annual production capacity of 660,000 MT cement.

The principle activity of the Company is producing and selling cement in the market of Bangladesh and outside of the country.

### 1.5. Emirates Power Company Limited (Subsidiary company)

HeidelbergCement Bangladesh Limited (HCBL) has acquired 100% ownership from Ultratech Cement Middle East Investment Limited (a UAE registered company) entity named Emirates Power Company Limited (EPCL) on which the Company got control effective on 6th December 2019. EPCL was incorporated as a private limited company on 2 August 2001 under the Companies Act, 1994. EPCL Power plant is situated at East Mukterpur, Munshiganj, Bangladesh. The Company went into production from June 2005 with production capacity of 10 MW.

The principal activity of the Company is producing and supplying electric power to Emirates Cement Bangladesh Limited

## 2. Basis of preparation

### 2.1. Statement of compliance

These consolidated financial statements of HeidelbergCement Bangladesh Limited (the Company) and its subsidiaries Meghna Energy Limited, Emirates Cement Bangladesh Limited and Emirates Power Company Limited (collectively referred to as the 'Group') as well as separate stand-alone financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRSs), applicable sections of the Companies Act 1994 and the Securities and Exchange Rules 1987. The title and format of these financial statements follow the requirements of IFRS which are to some extent different to the requirements of the Companies Act, 1994. However, such differences are not considered material.

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

## 2.2. Basis of consolidation

The consolidated financial statements comprise the consolidated financial position and the consolidated results of operation of HeidelbergCement Bangladesh Limited (the “Company”) and its subsidiaries Meghna Energy Limited, Emirates Cement Bangladesh Limited and Emirates Power Company Limited (collectively referred to as the ‘Group’).

Subsidiary is an enterprise controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The results of operations and total assets and liabilities of the subsidiary are included in the consolidated financial statements on a line by-line basis and the interest of non-controlling shareholders, if any, in results and net assets of the subsidiary are stated separately. The financial statements of the subsidiary are included in consolidated financial statement of the Group from the date of control achieved until the date of control ceased.

The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS)-27: “Separate Financial Statements” and International Financial Reporting Standard (IFRS)- 10: “Consolidated Financial Statements”. The consolidated financial statements are prepared to a common financial year ended on 31 December 2019.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Profit and loss resulting from transactions between the Group are also eliminated on consolidation.

## 2.3. Date of approval

The board of directors has approved these financial statements on 22 April 2020.

## 2.4. Basis of measurement

These financial statements have been prepared on going concern basis under the historical cost convention, except for some items of PPE of subsidiaries which are shown at fair value.

## 2.5. Functional and presentational currency

These financial statements are presented in Bangladesh Taka (BDT), which is both functional and presentational currency of the Group.

## 2.6. Going concern

The Company and the Group has adequate resources to continue its operation for foreseeable future and hence, the financial statements have been prepared on going concern basis. As per management’s assessment there are no materials uncertainties related to events or conditions which may cast significant doubt upon the Company’s or the Group’s ability to continue as a going concern.

## 2.7. Fair value

As fair value is a market based measurement, when measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible though entity’s intention to hold an asset or to settle or otherwise fulfill a liability is not relevant while measuring fair value. Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, 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 input).

## 2.8. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are reviewed on an ongoing basis.

The estimates and underlying assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

In particular, information about significant areas of estimation and judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 Property, plant and equipment
- Note 7 Inventories
- Note 8 Provision for doubtful debts
- Note 15 Gratuity
- Note 16 Deferred tax liability
- Note 17 Trade and other payables
- Note 29 Provision for income tax
- Note 36 Goodwill

## 2.9. 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.

## 2.10. Reporting period

The financial reporting period of the Company and the Group covers one year from 1 January to 31 December and consistently applied. However, as the Company acquired two subsidiaries ECBL and EPBL effective from 6 December 2019, consolidated financial statements have been prepared from 6 December to 31 December 2019 for ECBL and EPCL and MEL for full year and comparative disclosure on consolidated financial statements are prepared for MEL effective from 10 January 2018 where the Company had taken the control.

## 2.11. Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services within a particular economic environment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company regards its Board of Directors as its chief operating decision maker, as the Board is responsible for allocating resources, assesses performances, and makes strategic decision.

## 2.12. Application of standards

The following International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted by ICAB are applicable for the financial statements for the year under review:

- IAS 1 Presentation of financial statements
- IAS 2 Inventories
- IAS 7 Statement of cash flows
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 10 Events after the reporting period
- IAS 12 Income taxes
- IAS 16 Property, plant and equipment
- IAS 19 Employee benefits
- IAS 21 The effects of changes in foreign exchange rates
- IAS 23 Borrowing costs
- IAS 24 Related party disclosures
- IAS 27 Separate financial statements
- IAS 32 Financial instruments: Presentation
- IAS 33 Earnings per share
- IAS 36 Impairment of assets
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 38 Intangible assets
- IFRS 3 Business combinations
- IFRS 7 Financial instruments: Disclosures
- IFRS 8 Segment reporting
- IFRS 9 Financial instruments
- IFRS 13 Fair value measurement
- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases

## 2.13. New accounting standards adopted

The Company and the Group adopted IFRS 16 Leases effective from the annual reporting period beginning on 1 January 2019. IFRS 16 defines that a contract is (or contains) a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 significantly changes how a lessee accounts for operating leases. Under previous IAS 17, an entity would rent an office building or a branch premises for several years with such a rental agreement being classified as

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

operating lease would have been considered as an off balance sheet item. However, IFRS 16 does not require a lease classification test and hence all leases shall be accounted for as on balance sheet item (except some limited exception i.e. short-term lease, leases for low value items).

Under IFRS 16, an entity shall be recognizing a right-of-use (ROU) asset (i.e. the right to use the office building, branches, service center, call center, warehouse, etc.) and a corresponding lease liability. The asset and the liability are initially measured at the present value of unavoidable lease payments. The depreciation of the lease asset (ROU) and the interest on the lease liability is recognized in the profit or loss account over the lease term replacing the previous heading 'lease rent expenses'.

## 2.14. New accounting standards issued but not yet adopted

The Company and the Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2019 have been considered. However, these amendments have no material impact on the financial statements of the Group.

A number of standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. However, the Group has not early applied the following new standards in preparing these financial statements.

### (a) IFRS 17 Insurance Contracts

The Group has not yet assessed any potential impact of aforesaid new standards on its financial statements.

## 3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year. Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the value of assets and liabilities as reported.

### 3.1. Foreign currency translation

Foreign currency transactions are recorded in BDT at applicable rates of exchange ruling at the dates of transactions in accordance with IAS-21 "The Effects of Changes in Foreign Exchange Rates." Exchange rate difference at the statement of financial position date are charged/credited to statement of comprehensive income, to the extent that this treatment does not contradict with the Schedule XI of Companies Act 1994. This Schedule requires all exchange gains and losses arising from foreign currency borrowings, taken to finance acquisition of construction of fixed assets, to be credited/ charged to the cost/value of such assets.

The rate of relevant foreign exchange at year-end:

	<u>2019</u>	<u>2018</u>
1 US Dollar = BDT	84.89	83.69
1 EURO = BDT	95.19	95.81

### 3.2. Financial instruments

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

#### 3.2.1. Financial assets

The Company initially recognises receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the date at which the Company becomes a party to the contractual provisions of the transaction.

The Company derecognises a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets include cash and cash equivalents, accounts receivable and long term receivables and deposits.

#### 3.2.2. Financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the transaction date at which the company becomes a party to the contractual provisions of the liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities include loans and borrowings, accounts payable and other payables.

### 3.3. Property, plant and equipment

#### 3.3.1. Recognition and measurement

Tangible fixed assets are accounted for according to IAS-16 "Property, Plant and Equipment" at historical cost or revaluation less accumulated depreciation and the capital work-in-progress is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Maintenance, renewals and betterments that enhance the economic useful life of the

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

property, plant and equipment or that improve the capacity, quality or reduce substantially the operating cost or administration expenses are capitalised by adding it to the related property, plant and equipment.

### 3.3.2. Subsequent costs

Subsequent cost are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. In compliance with the provisions of the Companies Act 1994, adjustment is made to the original cost of fixed assets acquired through foreign currency loan at the end of each financial year by any change in liability arising out of expressing the outstanding foreign loan at the rate of exchange prevailing at the date of balance sheet.

### 3.3.3. Depreciation

Depreciation is charged on straight-line method consistent with the Group's depreciation policy. Land is not depreciated. Depreciation on the other assets is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives. In respect of acquisition of fixed assets, depreciation is charged from the month of acquisition and no depreciation is charged in the month of disposal.

The rates of depreciation for the current and comparative years are as follows:

Category of assets	2019	2018
<b>HCBL</b>		
Buildings	3%- 5%	3%- 5%
Plant and machinery	5%- 10%	5%- 10%
Furniture and equipment	10%- 20%	10%- 20%
Transport and vehicles	10%- 20%	10%- 20%
<b>Subsidiary (MEL)</b>		
Power plant and machinery	6.67%	6.67%
Other equipment and machinery	10%	10%
Building and civil work	10%	10%
Furniture and fixture	20%	20%
<b>Subsidiary (ECBL &amp; EPCL)</b>		
Buildings and other construction	3.33%	3.33%
Plant, machinery and equipment	3.33%- 10%	3.33%- 10%
Office equipment	25%	25%
Furniture and fixtures	14%	14%
Port-a-cabin	25%	25%
Motor vehicles	20%	20%
Computer and accessories	33%	33%

### 3.4. Intangible assets

Intangible fixed assets are accounted for according to IAS-38 "Intangible Assets." Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Intangible assets include acquired computer software capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

## 3.5. Inventories

Inventories are measured at lower of cost and net realisable value in accordance with IAS-2 “Inventories.” The cost of inventories includes expenditure incurred for acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

Inventories consist of raw materials, finished goods, packing materials and stores and spares.

Category of inventory		Basis of valuation
Raw and packing materials	:	At weighted average cost
Finished goods	:	At cost
Stores, accessories and spares	:	At weighted average cost
Goods-in-transit	:	At cost incurred till the balance sheet date

## 3.6. Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each date of statement of financial position. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value at appropriate discount rates.

## 3.7. Trade and other receivables

Trade and other receivables consists of unpaid bills receivable from customers carried at their original invoice amount, stated net of provision for doubtful debts. The Company initially recognises trade and other receivables at nominal value which is the fair value of the consideration given in return. After initial recognition these are carried at nominal value less impairment losses due to uncollectibility of any amount so recognised. Unpaid bills receivable from HCBL by the Subsidiary has been eliminated at the time of consolidation. To calculate provision for impairment on receivables, the Group is following ‘Simplified Approach’ as allowed under IFRS 9.

## 3.8. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and other short term highly liquid investments with original maturities of three months or less and bank overdrafts which were held and available for use by the company without any restriction, and there was insignificant risk of changes in value of these current assets.

## 3.9. Borrowings

Borrowings are classified into both current and non-current liabilities. In compliance with the requirements of IAS-23 “Borrowing Cost,” borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 3.10. Liabilities

Liabilities are broadly classified into current and non-current.

### 3.10.1. Trade and other payables

The Group recognises a financial liability when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits. Liabilities are recorded at the amount payable for settlement in respect of goods and services received by the Group. Outstanding balance of payable by HCBL to its Subsidiary has been fully eliminated at the time of consolidation.

### 3.10.2. Provision, contingent liabilities and contingent assets

#### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If a transfer of economic benefit is no longer probable the provision should be reversed. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure required to settle the obligation.

#### Accruals

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amount due to employees.

#### Contingent liabilities

A contingent liability arises when a past event may lead to an entity having a liability in the future but the financial impact of the event will only be confirmed by the outcome of some future event not wholly within the entity’s control. A contingent liability should be disclosed in the financial statements unless the possible outflow of resources is thought to be remote.



# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

## Contingent assets

A contingent asset is a potential asset that arises from past events but whose existence can only be confirmed by the outcome of future events not wholly within an entity's control. A contingent asset should be disclosed in the financial statements only when the expected inflow of economic benefits is probable.

## 3.11. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss and other comprehensive income (profit and loss statement) in accordance with IAS-12 "Income taxes."

### 3.11.1. Current tax

The Company qualifies as a "Publicly Traded Company" as defined in income tax laws. The applicable tax rate for the company is 25% and hence provision for taxation has been made on this basis which is in compliant with the Finance Act 2019.

The applicable income tax rate for the Subsidiary Meghna energy limited, Emirates Cement Bangladesh Limited and Emirates Power Company Limited is 35% and provision has been made on this basis.

### 3.11.2. Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. The deferred tax asset/income or liability/expense does not create a legal obligation to, or recoverability from, the income tax authority.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 3.12. Workers' profit participation fund

The Company has provided for WPPF in terms of section 234(1)(b) of Bangladesh Labour (Amendment) Act 2013, 5% of the net profit of each year, not later than nine (9) months from the close of that period, is required to be transferred to the Fund, the proportion of the payment to the Participation Fund and the Welfare Fund being 80:10. The remaining 10% of the amount of net profit shall be paid by the Company to the Workers' Welfare Foundation Fund, as formed under Bangladesh Workers' Welfare Foundation Act, 2006.

## 3.13. Employee benefit

The Company maintains a defined contribution plan (provident fund) and a retirement benefit obligations (approved gratuity fund) for its eligible permanent employees.

### 3.13.1. Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits for all of its permanent employees. The recognised Employees' Provident Fund is being considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes equal contribution. This fund is recognised by the National Board of Revenue (NBR).

The Company recognises contribution to defined contribution plan as an expense when an employee has rendered required services. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund. Obligations are created when they are due.

### 3.13.2. Retirement benefit obligations (gratuity)

The Company maintains a recognised gratuity scheme for all its eligible permanent employees. As per terms of contract the gratuity obligation, for employees who joined before amalgamation in their former Chittagong Cement Clinker Grinding Company Ltd, is last two months' basic salary or wages drawn and for employees who joined after amalgamation, one and half month's basic salary applicable at the time of their respective cessation of employment for each completed year of service.

The ECBL and EPCL operate an unfunded defined benefit plan (gratuity), provision in respect of which is made covering all its permanent eligible employees. Benefit payable to all eligible employees at the end of each year is determined on the basis of existing rules and regulations. Each employee on completion of the six months of service will be eligible for the scheme. The benefit payable will be computed by considering the following conditions:

- a) Employee working for more than 6 month will be entitled to one month's basic salary for each year of service up to 10 years.
- b) Employee working continuously for 10 years or above will be entitled to one and half months basic salary for each year of service.

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

### 3.13.3. Group insurance benefit

The permanent employees of the company are covered under a group term insurance scheme, premium for which is being charged to profit or loss statement.

### 3.14. Revenue recognition

#### 3.14.1. The Company HCBL & subsidiary ECBL recognises sales when products are invoiced and dispatched to the buyers.

The subsidiaries MEL and EPCL earn revenue by supplying of electricity and quantum which is determined by survey of meter reading. Since MEL generates its entire revenue through sale of electricity to HCBL and EPCL generates its entire revenue through sale of electricity to ECBL, on consolidation inter-company revenue are eliminated through the cost of sales and hence ECBL, on consolidation total revenue of MEL and EPCL has been eliminated against corresponding cost of sales of HCBL and ECBL respectively.

#### 3.14.2. Interest income on bank deposits and short-term investments is recognised on accrual basis.

#### 3.14.3. Other income is recognised on receipt or due basis.

### 3.15. Finance expenses

Finance expenses comprise bank charges. All finance expenses are recognised in the profit and loss statement along with interest income from fixed deposit and from saving or current account.

### 3.16. Advertising and promotional expenses

All costs associated with advertising and promotional activities are charged out in the year it is incurred.

### 3.17. Research, development and experiment costs

These are usually absorbed as revenue charges as and when incurred, in line with IAS 38: Intangible Assets.

### 3.18. Stocks write off/down

It includes the cost of writing off or writing down the value of redundant or damaged or obsolete stocks, which are dumped and/or old stock.

### 3.19. Repair, upkeep and maintenance charges

These are usually charged as revenue charges.

### 3.20. Basis of allocation of depreciation

Basis allocation of depreciation in different overheads are as follows:

Manufacturing, labour and overhead	75%
Warehousing, distribution and selling expenses	15%
Administrative expenses	10%

MEL's depreciation is fully allocated to Cost of Sales of the Subsidiary.

### 3.21. Environmental expenditure

Environmental expenditures, which increase life, capacity or result in improved safety or efficiency of a facility, are capitalised

### 3.22. Earnings per share

The Group and the Company separately presented consolidated and separate basic and diluted (when dilution is applicable) earnings per share (EPS) data for its ordinary shares according to IAS-33 "Earnings Per Share."

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the period, adjusted for the effect of change in number of shares for bonus issue, share split and reverse split.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no dilutive potential ordinary shares during the relevant periods.

### 3.23. Statement of cash flows

Statement of Cash Flows (Cash Flow Statement) is prepared under direct method in accordance with IAS-7 "Statement of Cash Flows" as required by the Bangladesh Securities and Exchange Rules 1987.

### 3.24. Events after the reporting period

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date are reflected in the financial statements. Material events after the balance sheet date that are not adjusting events are disclosed in the note 49.

# Notes to the consolidated and separate Financial Statements

As at 31 December 2019

	31.12.2019 BDT '000
<b>4. Consolidated property, plant and equipment</b>	
HeidelbergCement Bangladesh Limited (Note 4.1)	3,766,823
Meghna Energy Limited	174,304
Emirates Cement Bangladesh Limited	1,669,943
Emirates Power Company Limited	117,348
	<b><u>5,728,418</u></b>

## 4.1 Property, plant and equipment: HCBL

Particulars	Land and building BDT '000	Plant and machinery BDT '000	Furniture and equipment BDT '000	Transport and vehicles BDT '000	Total BDT '000
<b>Cost</b>					
At 01 January 2018	2,267,171	4,556,515	117,139	78,110	7,018,935
Additions	31,486	74,032	7,525	4,912	117,955
Disposal	-	-	(241)	(200)	(441)
<b>Balance at 31 December 2018</b>	<b><u>2,298,657</u></b>	<b><u>4,630,547</u></b>	<b><u>124,423</u></b>	<b><u>82,822</u></b>	<b><u>7,136,449</u></b>
<b>Depreciation</b>					
At 01 January 2018	938,992	2,713,607	84,204	17,297	3,754,100
Depreciation expense	61,416	232,960	10,684	11,919	316,979
Disposal	-	-	(214)	(200)	(414)
<b>Balance at 31 December 2018</b>	<b><u>1,000,408</u></b>	<b><u>2,946,567</u></b>	<b><u>94,674</u></b>	<b><u>29,016</u></b>	<b><u>4,070,665</u></b>
<b>Net book value at 31 December 2018</b>	<b><u>1,298,249</u></b>	<b><u>1,683,980</u></b>	<b><u>29,749</u></b>	<b><u>53,806</u></b>	<b><u>3,065,784</u></b>
<b>Cost</b>					
At 01 January 2019	2,298,657	4,630,547	124,423	82,822	7,136,449
Additions	512,649	491,978	8,499	17,913	1,031,039
Disposal	-	-	(186)	-	(186)
<b>Balance at 31 December 2019</b>	<b><u>2,811,307</u></b>	<b><u>5,122,525</u></b>	<b><u>132,735</u></b>	<b><u>100,735</u></b>	<b><u>8,167,302</u></b>
<b>Depreciation</b>					
At 01 January 2019	1,000,408	2,946,567	94,674	29,016	4,070,665
Depreciation expense	64,873	241,272	10,930	12,926	330,000
Disposal	-	-	(186)	-	(186)
<b>Balance at 31 December 2019</b>	<b><u>1,065,281</u></b>	<b><u>3,187,839</u></b>	<b><u>105,417</u></b>	<b><u>41,942</u></b>	<b><u>4,400,479</u></b>
<b>Net book value at 31 December 2019</b>	<b><u>1,746,025</u></b>	<b><u>1,934,686</u></b>	<b><u>27,318</u></b>	<b><u>58,794</u></b>	<b><u>3,766,823</u></b>

31.12.2019	31.12.2018
BDT '000	BDT '000

## 4.2 Break-up of addition to property, plant and equipment: HCBL

<b>Land and building</b>		
Non-factory building	135,694	31,486
Factory Building	376,955	-
	<b><u>512,649</u></b>	<b><u>31,486</u></b>
<b>Plant and machinery</b>		
Equipment apparatus and accessories	368,398	63,354
Electrical installation	122,185	10,292
Tools and equipment	1,395	386
	<b><u>491,978</u></b>	<b><u>74,032</u></b>
<b>Furniture and equipment</b>		
Furniture and fixture	604	226
Sundry assets	2,185	1,309
Computer	-	3,166
Office equipment	5,710	2,824
	<b><u>8,499</u></b>	<b><u>7,525</u></b>
<b>Transport and vehicles</b>		
Pick up van/vehicle	17,913	4,912
	<b><u>17,913</u></b>	<b><u>4,912</u></b>
	<b><u>1,031,039</u></b>	<b><u>117,955</u></b>

# Notes to the consolidated and separate Financial Statements

As at 31 December 2019

## 4.3 Lease Assets-RoU

Particulars	Lessee RoU	Lessee RoU	Total BDT '000
	Land and Buildings BDT '000	Furniture and Equipment BDT '000	
<b>Cost</b>			
At 01 January 2019			
Additions	75,603	94,854	170,458
Disposal	-	-	-
<b>Balance at 31 December 2019</b>	<b>75,603</b>	<b>94,854</b>	<b>170,458</b>
<b>Depreciation</b>			
At 01 January 2019			
Depreciation expense	33,023	28,951	61,974
Disposal	-	-	-
<b>Balance at 31 December 2019</b>	<b>33,023</b>	<b>28,951</b>	<b>61,974</b>
<b>Net book value at 31 December 2019</b>	<b>42,580</b>	<b>65,904</b>	<b>108,483</b>

The company has adapted IFRS 16 with effect from 1st January 2019.

## 4.4 Allocation of depreciation expense of HCBL to:

Manufacturing, labour and overheads (note 25.5)	293,981	237,734
Warehousing, distribution and selling expenses (note 27.1)	58,796	47,547
Administrative expense (note 28.1)	39,197	31,698
	<b>391,974</b>	<b>316,979</b>

## 4.5 Details of disposal of property, plant and equipment

Particulars	Figures in Thousand BDT				Mode of disposal	Particulars of purchaser
	Cost	Accumulated Depreciation	Book Value	Sale Proceeds		
Furniture and Equipment	186	186	-	6	Company policy/tender Third Party	
2019	186	186	-	6		
2018	441	414	27	39		
					<b>31.12.2019</b>	
					<b>BDT '000</b>	

## 5. Consolidated capital works-in-progress

HeidelbergCement Bangladesh Limited (Note 5.1)	356,410
Meghna Energy Limited	28
Emirates Cement Bangladesh Limited	11,086
Emirates Power Company Limited	-
	<b>367,525</b>

## 5.1 Capital works-in-progress - HCBL

Particulars	Land and Buildings	Plant and Machinery	Furniture and Equipment	Total BDT '000
	BDT '000	BDT '000	BDT '000	
At 1 January 2018	25,309	150,253	805	176,367
Addition	266,132	124,284	866	391,282
Capitalised during the year	(31,486)	(74,032)	(1,671)	(107,189)
At 31 December 2018	<b>259,955</b>	<b>200,505</b>	-	<b>460,460</b>
At 1 January 2019	259,955	200,505	-	460,460
Addition	440,020	460,558	21,363	921,941
Capitalised during the year	(512,649)	(491,978)	(21,363)	(1,025,990)
At 31 December 2019	<b>187,326</b>	<b>169,084</b>	-	<b>356,410</b>

# Notes to the consolidated and separate Financial Statements

As at 31 December 2019

	<b>31.12.2019</b>	
	BDT '000	
<b>6. Consolidated intangible assets</b>		
HeidelbergCement Bangladesh Limited (Note 6.1)	1,215	
	<u><b>1,215</b></u>	
	<b>Software</b>	<b>Total</b>
	BDT '000	BDT '000
<b>6.1 Intangible assets - HCBL</b>		
<b>Cost</b>		
At 01 January 2018	9,922	9,922
Additions	-	-
Balance at 31 December 2018	<u><b>9,922</b></u>	<u><b>9,922</b></u>
<b>Amortisation</b>		
At 01 January 2018	7,721	7,721
Charge for the year	493	493
Total to 31 December 2018	<u><b>8,214</b></u>	<u><b>8,214</b></u>
At 31 December 2018	<u><b>1,708</b></u>	<u><b>1,708</b></u>
<b>Cost</b>		
At 01 January 2019	9,922	9,922
Additions	-	-
Balance at 31 December 2019	<u><b>9,922</b></u>	<u><b>9,922</b></u>
<b>Amortisation</b>		
At 01 January 2019	8,214	8,214
Charge for the year	493	493
Total at 31 December 2019	<u><b>8,707</b></u>	<u><b>8,707</b></u>
At 31 December 2019	<u><b>1,215</b></u>	<u><b>1,215</b></u>
	<b>31.12.2019</b>	
	BDT '000	
<b>7. Consolidated inventories</b>		
HeidelbergCement Bangladesh Limited (Note 7.1)	1,788,427	
Meghna Energy Limited	61,816	
Emirates Cement Bangladesh Limited	217,046	
Emirates Power Company Limited	41,079	
	<u><b>2,108,368</b></u>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	BDT '000	BDT '000
<b>7.1 Inventories - HCBL</b>		
Raw materials	1,266,482	1,249,638
Finished goods	127,906	128,503
Packing materials	36,979	63,841
Stores and spares	362,969	325,269
	<u>1,794,335</u>	<u>1,767,251</u>
Provision for slow moving stores and spares	(5,908)	(5,908)
	<u><b>1,788,427</b></u>	<u><b>1,761,343</b></u>
	<b>31.12.2019</b>	
	BDT '000	
<b>8. Consolidated trade and other receivables</b>		
HeidelbergCement Bangladesh Limited (Note 8.1)	901,957	
Meghna Energy Limited	62,526	
Emirates Cement Bangladesh Limited	246,163	
	<u>1,210,646</u>	
Less: Intercompany Transactions		
Meghna Energy Limited	62,526	
Emirates Cement Bangladesh Limited	500	
Emirates Cement Bangladesh Limited	44,286	
	<u><b>1,103,334</b></u>	

# Notes to the consolidated and separate Financial Statements

As at 31 December 2019

31.12.2019  
BDT '000

31.12.2018  
BDT '000

## 8.1 Trade and other receivables - HCBL

Trade receivables		
Considered good	858,425	564,323
Considered doubtful	44,267	44,675
	<u>902,691</u>	<u>608,998</u>
Other receivables		
Third party	27,784	19,089
Inter-company	15,748	17,147
	<u>43,532</u>	<u>36,235</u>
Provision for doubtful debts	(44,267)	(44,675)
	<u><b>901,957</b></u>	<u><b>600,558</b></u>
Receivable covered under security	<u>501,658</u>	<u>575,316</u>
Outstanding for a period exceeding six months.	<u>105,002</u>	<u>94,068</u>

Trade and other receivables were stated at their nominal value. Adequate provisions has been made for all identifiable doubtful receivables.

Trade and other receivables were accrued in the ordinary course of business and no amount was due by the Directors (including Managing Director), managers and other officers of the company and any of them severally or jointly with any other person.

31.12.2019  
BDT '000

## 9. Consolidated advances, deposits and prepayments

HeidelbergCement Bangladesh Limited (Note 9.1)	196,415
Meghna Energy Limited	18,785
Emirates Cement Bangladesh Limited	110,999
Emirates Power Company Limited	281
	<u><b>326,480</b></u>

31.12.2019  
BDT '000

31.12.2018  
BDT '000

## 9.1 Advances, deposits and prepayments - HCBL

Advance paid to suppliers and employees	56,619	77,930
Security and other deposits	129,049	103,675
Prepayments	10,746	10,243
	<u><b>196,415</b></u>	<u><b>191,849</b></u>
<b>9.2</b> These include dues realisable/adjustable within one year from the balance sheet date	<u>398,995</u>	<u>162,022</u>
<b>9.3</b> These include aggregate amount due by, executives, managers, officers and staffs	<u>23,690</u>	<u>28,662</u>
<b>9.4</b> The maximum aggregated amount due by executives, managers, officers and staffs of the company at the end of any month during the year	<u>29,206</u>	<u>42,489</u>
<b>9.5</b> Advance recoverable in cash	<u>2,369</u>	<u>2,866</u>
<b>9.6</b> Advance outstanding for a period exceeding six months	<u>31,211</u>	<u>29,827</u>

31.12.2019  
BDT '000

## 10. Consolidated cash and cash equivalents

HeidelbergCement Bangladesh Limited (Note 10.1.)	118,249
Meghna Energy Limited	293,257
Emirates Cement Bangladesh Limited	2,106
Emirates Power Company Limited	7
	<u><b>413,620</b></u>

# Notes to the consolidated and separate Financial Statements

As at 31 December 2019

	31.12.2019 BDT '000	31.12.2018 BDT '000
<b>10.1 Cash and cash equivalents - HCBL</b>		
Cash in hand	114	120
Cash at bank in current accounts	10,111	48,234
Short term bank deposits (STD)	87,273	68,234
Fixed deposits receipts (FDR)	20,750	1,075,801
	<b>118,249</b>	<b>1,192,391</b>
<b>Bank Overdraft</b>		
In current account	<b>130,840</b>	<b>130,840</b>
	<b>(12,591)</b>	
Closing cash and cash equivalents as disclosed in cash flow statement		
FDR includes an amount of BDT 16,958 thousand (2018: 16,958) thousand held under lien in favour of Customs Authority.		

## 11. Share capital

### 11.1 Authorised share capital

The total authorised number of ordinary shares is 100 million with a face value of BDT 10 per share (2018: BDT 10 per share). The face value of shares were changed to BDT 10 from BDT 100 as per the decision taken in 7th Extra-Ordinary General Meeting (EGM), held on 27 November 2011, to comply with the Bangladesh Securities and Exchange Commission order no. SEC/CMRRCD/2009-193/109 dated 15 September 2011.

100,000,000 ordinary shares of BDT 10 each

	1,000,000	1,000,000
	<b>31.12.2019 BDT '000</b>	<b>31.12.2018 BDT '000</b>

### 11.2 Issued, subscribed and paid-up capital

36,358,880 ordinary shares of BDT 10 each fully paid up

20,144,710 ordinary shares of BDT 10 each issued as fully paid-up bonus shares

363,588	363,588
201,448	201,448
<b>565,036</b>	<b>565,036</b>

### 11.3 Percentage and value of shareholdings

#### Foreign shareholders

HeidelbergCement - Netherlands Holding B.V.

HC Asia Holding GmbH

	%		No. of shares ('000)	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	39.80%	39.80%	224,930	224,930
	20.86%	20.86%	117,844	117,844
	<b>60.66%</b>	<b>60.66%</b>	<b>342,774</b>	<b>342,774</b>
<b>Bangladeshi shareholders</b>				
General public	13.06%	11.72%	73,773	66,234
Company's employees	0.24%	0.24%	1,349	1,349
Investment Corporation of Bangladesh (ICB)	12.50%	12.49%	70,629	70,581
Other financial institutions	13.54%	14.88%	76,511	84,062
Director				
Mr. Golam Farook		0.01%		36
	<b>39.34%</b>	<b>39.34%</b>	<b>222,262</b>	<b>222,262</b>
	<b>100.00%</b>	<b>100.00%</b>	<b>565,036</b>	<b>565,036</b>

### 11.4 Classification of shareholders by holding

#### Shareholding range

Less than 5000 shares

5001 to 50,000 shares

50,001 to 200,000 shares

200,001 to 500,000 shares

500,001 to 10,000,000 shares

Over 10,000,000 shares

	Number of shareholders	
	2019	2018
12,745	12,831	
285	264	
55	53	
3	3	
4	4	
2	2	
<b>13,094</b>	<b>13,157</b>	

### 11.5 Option on un-issued shares

There is no option on un-issued share capital

## 12. Capital reserve

	Share premium BDT '000	Amalgamation reserve BDT '000	Total BDT '000
Balance as at 1 January 2019	193,500	412,157	605,657
Balance as at 31 December 2019	<b>193,500</b>	<b>412,157</b>	<b>605,657</b>

# Notes to the consolidated and separate Financial Statements

As at 31 December 2019

The amalgamation reserve is resulted from amalgamation transactions. It is not available for dividend distribution. Amalgamation transaction was accounted for using 'pooling-of-interest' method. Under the 'pooling-of-interest' method any difference between the acquisition consideration for and the share capital of the entities are shown as a movement in the reserves of the amalgamated entity.

## 13. Suppliers' credit-blocked

Suppliers' credit-blocked BDT 2,565 thousand represents the value of mechanical spares etc. supplied by the contractor M/s Five's Coil Bebbcock, France against French grant as replacement of damages caused to the conveyor belt being constructed by it. The value of supplies at FF 499,578 was converted at ruling exchange rate as on 30 June 1988. BCIC had claimed the amount and debentures were issued towards repayment of the amount (note 14).

## 14. Quasi equity loan

	31.12.2019 BDT '000	31.12.2018 BDT '000
Fixed assets revaluation surplus	104,122	104,122
Government equity contribution	20,000	20,000
	<u>124,122</u>	<u>124,122</u>
Foreign currency devaluation	(1,486)	(1,486)
	<u><b>122,636</b></u>	<u><b>122,636</b></u>

**14.1** At the time of transfer of 51% shares, held by BCIC, to TK Oil Refinery Limited during June 1993, the company issued 13.5% Debenture for BDT. 137,900 thousand to BCIC in repayment of the following dues:

Suppliers' credit (note 13)	2,565
Quasi equity loan (note 14)	122,636
ADP interest-excess provision	12,699
	<u><b>137,900</b></u>

The trust deed was registered on 24 June 1993 but the concerned properties have not been mortgaged and charged have not been created then as per requirement of sections 115 of Companies Act 1913. The minority share holders (40%) filed a case with sub-judge court, Dhaka against issue of debentures. The judgment was in favour of minority share holders, which means that the entire liability will not be payable to BCIC. The Government appealed to high court and the judgment was again in favour of minority share holders. The judgment and order of the High Court Division was challenged by the Government before Appellate Division of the Supreme Court and the Appellate Division vide its judgment and order dated 10.05.2007 allowed the appeal and set aside the judgment and order of the High Court Division dated 07.12.1999. Subsequently, the Government has filed pending Money Suit No. 32 of 2009 in the Court of Joint District Judge, 4th Court, Dhaka against the company claiming BDT. 437,600,148 only including debenture interest.

## 15 Consolidated Borrowings- Term loan-non-current portion

HeidelbergCement Bangladesh Limited-(Note 15.2)

	31.12.2019 BDT '000
	1,512,800
	<u>1,512,800</u>
Less: Intercompany transactions Meghna Energy Limited	<u>(260,000)</u>
	<u>1,252,800</u>

### 15.1 Consolidated Borrowings- Term loan-current portion

HeidelbergCement Bangladesh Limited (Note-15.3)  
Emirates Cement Bangladesh Limited

	378,200
	<u>547,947</u>
	926,147
Less: Intercompany transactions Meghna Energy Limited	<u>(65,000)</u>
	<u>861,147</u>

### 15.2. Borrowings- Term loan-non-current portion

Citibank N.A.  
Meghna Energy Limited (Inter Company)

	1,252,800
	<u>260,000</u>
	<u><b>1,512,800</b></u>

### 15.3. Borrowings- Term loan-current portion

Citibank N.A.  
Meghna Energy Limited (Inter Company)

	313,200
	<u>65,000</u>
	<u><b>378,200</b></u>



# Notes to the consolidated and separate Financial Statements

As at 31 December 2019

## Citibank N.A. Term loan :

HeidelbergCement Bangladesh Limited has obtained 5 years Term Loan of BDT 1,566 million from Citibank N.A. for the acquisition of Emirates Cement Bangladesh Limited and Emirates Power Company Limited. The loan amount will be repaid in twenty (20) equal quarterly instalments. The first instalment was paid on 25th March 2020. The loan is secured by Corporate Guarantee of HeidelbergCement Group to Citibank N.A.

## Meghna Energy Limited -Term loan :

HeidelbergCement Bangladesh Limited has obtained 5 years Term Loan of BDT 325 million from Meghna Energy Limited for the acquisition of Emirates Cement Bangladesh Limited and Emirates Power Company Limited. The loan will be repaid in twenty (20) equal quarterly instalments. The first instalment was paid on 31st March 2020.

## 16. Finance Lease liability

Long-term liabilities from finance lease-(non-current portion)  
Long-term liabilities from finance lease (current Portion)

2019  
BDT '000

50,823  
62,370

**113,192**

The company has adapted IFRS 16 with effect from 1st January 2019.

## 17. Retirement benefit obligations (gratuity)

### The Company

This represents gratuity payable to employees of the Company at the time of their cessation of employment with the Company. The Company's policy related to employees gratuity is stated in note- 3.13.2. During the year, the Company has established a separate trust for management of gratuity obligation and as per the latest actuarial valuation done as at 31 December 2018, the Company has transferred the entire gratuity provision to the fund. As per the actuary report the Company is required to contribute 11.50% (2018: 11.70%) of basic salary as its contribution to gratuity fund. Related fund assets and beenfit obligations as per the last actuary report were as follows:

Value of benefit obligation for past service costs	140,038,526
Value of the fund assets	146,584,807
Net surplus/(deficit)	<b>6,546,281</b>

Since the Company has transferred the required contribution to the Gratuity Fund as per the last actuary report, it is expected that as at 31 December 2019 there would be net surplus as well.

Principal actuarial assumption		
Discount rate	7%	7%
Expected return of fund assets	7%	7%
Rate of expected increase in salaries	7%	7%

### The Group

This represents gratuity payable to employees of the Group's subsidiaries ECBL and EPCL at the time of their cessation of employment with those respective entities. The subsidiaries operate an unfunded gratuity scheme and as per the policy the total retirement benefit obligations as at at 31 December 2019 are as follows: (Figures in thousand)

	ECBL	EPCL	Total
Non-current	22,447	2,658	25,105
Current	3,164	359	3,523
	<b>25,611</b>	<b>3,017</b>	<b>28,628</b>

31.12.2019  
BDT '000

## 18. Consolidated Deferred tax liability

HeidelbergCement Bangladesh Limited (Note 18.1)  
Meghna Energy Limited

543,080  
45,500  
**588,580**

31.12.2019  
BDT '000

31.12.2018  
BDT '000

### 18.1. Deferred tax liability - HCBL

Opening balance  
Provision/ (reversal) made during the year  
Closing balance

532,164  
10,916  
**543,080**

568,178  
(36,014)  
**532,164**

### 18.2 Deferred tax by type of temporary differences that resulted in deferred tax (assets) or liabilities

Property, plant and equipment	590,444	551,332
Provision for Lease Liability	(28,298)	-
Provision for inventories	(7,999)	(7,999)
Provision for doubtful debts	(11,067)	(11,169)
	<b>543,080</b>	<b>532,164</b>

# Notes to the consolidated and separate Financial Statements

As at 31 December 2019

31.12.2019  
BDT '000

## 19. Consolidated trade and other payables

HeidelbergCement Bangladesh Limited (Note 19.1)	3,127,801
Meghna Energy Limited	30,867
Emirates Cement Bangladesh Limited	107,317
Emirates Power Company Limited	44,312
	<u>3,310,296</u>
Less; Intercompany Transactions	(107,312)
Meghna Energy Limited	62,526
Emirates Cement Bangladesh Limited	500
Emirates Cement Bangladesh Limited	44,286

**3,202,984**

31.12.2019      31.12.2018  
BDT '000      BDT '000

### 19.1 Trade and other payables - HCBL

Trade payables (*)	1,550,352	1,229,446
Creditors for other finance (note 19.2)	246,852	152,683
Creditors for revenue expenses (note 19.3)	1,028,664	1,001,565
Interest Payable-MEL term loan	2,232	
Interest accrued	299,700	299,700
	<u>3,127,801</u>	<u>2,683,394</u>

(\*) BDT 63,810 thousands provided against import and supplementary duties covered by bank guarantees.

### 19.2 Creditors for other finance

Security deposits	32,800	31,300
VAT deduction at source	11,538	8,297
Tax deduction at source	55,155	33,570
Payable to employees provident fund	6,898	(1,089)
Inter company payables	3,262	3,262
Payable for capital expenditure	136,793	76,949
Others	406	395
	<u>246,852</u>	<u>152,683</u>

### 19.3 Creditors for revenue expenses

Revenue charges	643,507	657,076
Employees remuneration	50,619	50,444
Technical know-how fee	334,539	294,045
	<u>1,028,664</u>	<u>1,001,565</u>

19.4 Technical know how fee is payable to HeidelbergCement Asia Pte. @ 3% of net sales of prior year in terms of the Technical know-how and Technological transfer agreement effective from 1 January 2001.

## 20. Provision for workers' profit participation fund

Provision for liabilities and charges includes provision for Worker's Profit Participation Fund (WPPF) of BDT 8,970 thousand (2018: BDT 53,981 thousand). This represents 5% of net profit before charging WPPF (note 3.12).

31.12.2019      31.12.2018  
BDT '000      BDT '000

### 21. Unclaimed dividend

Opening balance	251,647	235,389
Addition during the year	423,777	847,554
Paid during the year	(423,791)	(831,296)
Closing balance	<u>251,633</u>	<u>251,647</u>

### 22. Consolidated provision for income tax

HeidelbergCement Bangladesh Limited	-
Meghna Energy Limited	27,729
Emirates Power Company Limited	115
	<u>27,844</u>

# Notes to the consolidated and separate Financial Statements

As at 31 December 2019

	31.12.2019 BDT '000	31.12.2018 BDT '000
<b>22.1 Consolidated income tax assets</b>		
HeidelbergCement Bangladesh Limited (Note-22.2)	29,892	
Emirates Cement Bangladesh Limited	158,189	
	<b>188,081</b>	
	<b>31.12.2019 BDT '000</b>	<b>31.12.2018 BDT '000</b>
<b>22.2 Provision for income tax /(Current income tax assets)- HCBL</b>		
Opening balance	(37,502)	955
Addition during the year:		
Current year provision	380,000	337,500
Prior year provision	38,000	13,000
	418,000	350,500
Paid during the year	(410,390)	(388,957)
Closing balance	<b>(29,892)</b>	<b>(37,502)</b>

## 23. Contingent assets, liabilities and commitments

### Contingent assets

In accordance with the resolution passed by the BCIC Board of Directors in its meeting held on 8.9.1986, land property owned by the Company measuring 48.09 decimal was transferred to BCIC at a lump sum price of BDT 10,000 thousand. BCIC did not make any payment. The Company raised claim for BDT 35,500 thousand from BCIC including BDT 25,500 thousand as interest.

### Contingent liabilities and commitments

i) Law suits are filed both against the company and by the company, lying at different stages of appeal at different courts, decisions of which are still pending. The company has assessed the possible outcomes of the cases against it and is of the opinion that these might not go against the company. Partial provisions against the eligible law suits have already been taken under note 17.2 'Revenue charges'.

	31.12.2019 BDT '000	31.12.2018 BDT '000
ii) Guarantees:		
Guarantees issued by the Company's banker with 100% margin form of FDR for import duty and supplementary duty	16,958	16,958
Guarantees issued by the Company's banker for security deposits and others	84,109	86,494
iii) Financial commitments:		
Confirmed irrevocable letters of credit (limit: BDT 1,250,000 thousand with Standard Chartered Bank & BDT 418,750 thousand, for Citibank N.A.)	1,500,360	1,668,124
iv) Capital expenditure authorized but not contracted for	5,630	43,474
v) Capital expenditure authorized and committed for	97,008	170,190
	<b>1,704,065</b>	<b>1,985,240</b>

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

## 24. Consolidated sales

	2019 BDT '000
HeidelbergCement Bangladesh Limited (Note 24.1)	11,927,153
Meghna Energy Limited	353,314
Emirates Cement Bangladesh Limited	59,166
Emirates Power Company Limited	1,311
	<u>12,340,944</u>
Less: Intercompany transactions	
Meghna Energy Limited	(353,314)
Emirates Power Company Limited	(1,311)
	<u><b>11,986,319</b></u>

### 24.1 Sales - HCBL

	2019 BDT '000	2018 BDT '000
	<b>Dhaka</b>	<b>Chittagong</b>
Domestic	6,611,085	5,275,119
Export	-	40,949
<b>Total Sales</b>	<u>6,611,085</u>	<u>5,316,068</u>
	<u><b>11,927,153</b></u>	<u><b>11,151,286</b></u>

## 25. Consolidated cost of goods sold

	2019 BDT '000
HeidelbergCement Bangladesh Limited (Note 25.1)	10,773,283
Meghna Energy Limited	278,659
Emirates Cement Bangladesh Limited	59,684
Emirates Power Company Limited	1,271
	<u>11,112,898</u>
Less: Intercompany Transactions	
Meghna Energy Limited	(353,314)
Emirates Power Company Limited	(1,311)
	<u><b>10,758,273</b></u>

### 25.1 Cost of goods sold - HCBL

	2019 BDT '000	2018 BDT '000
Opening stock of raw materials (note 25.2)	770,180	592,762
Raw materials purchased (note 25.3)	9,318,176	8,192,342
Closing stock of raw materials (note 25.4)	(718,723)	(770,180)
Raw materials consumed	9,369,633	8,014,924
Manufacturing, labour and overhead (note 25.5)	1,403,053	1,318,755
Cost of production	10,772,686	9,333,679
Opening finished goods	128,503	131,645
Closing finished goods	(127,906)	(128,503)
Cost of goods sold	<u><b>10,773,283</b></u>	<u><b>9,336,821</b></u>

### 25.2 Raw materials consumed

#### Opening inventory:

Clinker	502,945	445,189
Gypsum	87,713	36,468
Iron slag	87,618	41,977
Limestone & other	23,046	15,268
Fly ash	5,017	5,796
Packing materials	63,841	48,064
	<u><b>770,180</b></u>	<u><b>592,762</b></u>

#### Purchase:

Clinker	6,608,842	5,436,993
Gypsum	171,371	289,036
Iron slag	832,915	1,066,604
Limestone and others	495,475	324,325
Fly ash	653,386	505,087
Packing materials	556,188	570,297
	<u><b>9,318,176</b></u>	<u><b>8,192,342</b></u>

#### Raw materials available for consumption

<u><b>10,088,356</b></u>	<u><b>8,785,104</b></u>
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# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

	2019 BDT '000		2018 BDT '000			
<b>Closing inventory:</b>						
Clinker	(491,792)	(502,945)				
Gypsum	(43,608)	(87,713)				
Iron slag	(80,300)	(87,618)				
Limestone and other	(55,319)	(23,046)				
Fly ash	(10,725)	(5,017)				
Packing materials	(36,979)	(63,841)				
	<b>(718,723)</b>	<b>(770,180)</b>				
<b>Raw materials consumed</b>	<b>9,369,633</b>	<b>8,014,924</b>				
<b>25.3 Particulars in respect of opening stock, sales and closing stocks of finished goods (Figures in thousand)</b>						
	<b>Opening stock</b>		<b>Closing stock</b>		<b>Sales-net</b>	
	<b>Qty-M.T</b>	<b>BDT</b>	<b>Qty-M.T</b>	<b>BDT</b>	<b>Qty-M.T</b>	<b>BDT</b>
Year 2019	23	128,503	21	127,906	1,803	11,927,153
Year 2018	26	131,645	23	128,503	1,710	11,151,286
<b>25.4 Analysis of raw materials consumption (Figures in thousand)</b>						
	<b>31 December 2019</b>		<b>31 December 2018</b>			
	<b>Qty-M.T</b>	<b>BDT</b>	<b>Qty-M.T</b>	<b>BDT</b>		
<b>Raw materials</b>						
Clinker	1,165	6,619,994	1,052	5,379,237		
Gypsum	61	215,477	72	237,790		
Iron slag	219	840,233	285	1,020,962		
Limestone and others	133	463,203	86	316,547		
Fly ash	227	647,678	214	505,866		
Packing materials (000 Pcs)	32,608	583,050	31,543	554,521		
		<b>9,369,633</b>		<b>8,014,924</b>		
<b>25.5 Manufacturing, labour and overhead</b>					<b>2019</b>	<b>2018</b>
					<b>BDT '000</b>	<b>BDT '000</b>
Personnel Cost:						
Salaries, wages and bonus					88,014	85,622
Welfare and other benefits					80,915	76,067
					<b>168,929</b>	<b>161,689</b>
Power and fuel costs					612,465	588,067
Depreciation expense (note 4.3)					293,981	237,734
Stores and spares consumed					89,433	81,201
Cost of consumables					57,243	68,425
Repairs and maintenance					95,910	89,455
Insurance					6,564	5,849
Postage, telephone and telex					1,175	1,599
Traveling and conveyance					16,800	17,604
Rent, rates and taxes					10,491	24,860
Fuel and gas					2,121	2,014
Entertainment					6,236	5,940
Security guard					29,187	22,228
Uniform, liveries and other administrative expenses					12,516	12,089
					<b>1,403,053</b>	<b>1,318,755</b>
<b>26. Consolidated other operating income</b>					<b>2019</b>	<b>2018</b>
					<b>BDT '000</b>	<b>BDT '000</b>
HeidelbergCement Bangladesh Limited (Note 26.1)					15,989	
Emirates Cement Bangladesh Limited					5	
					<b>15,994</b>	
<b>26.1 Other operating income - HCBL</b>					<b>2019</b>	<b>2018</b>
					<b>BDT '000</b>	<b>BDT '000</b>
Berth hire charge					9,842	7,225
Scrap sales and sundry recoveries					6,147	10,944
					<b>15,989</b>	<b>18,169</b>

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

## 27. Consolidated warehousing, distribution and selling expenses

HeidelbergCement Bangladesh Limited (Note 27.1)  
Emirates Cement Bangladesh Limited

2019  
BDT '000

466,611  
3,498

**470,108**

2019  
BDT '000

2018  
BDT '000

### 27.1 Warehousing, distribution and selling expenses - HCBL

#### Personnel Cost:

Salaries, wages and bonus  
Welfare and benefits

46,922  
35,100

51,932  
32,945

**82,022**

**84,876**

Depreciation expense (note 4.3)  
Freight, loading, unloading and others  
Advertisement and business promotion expenses  
Traveling and conveyance  
Vehicle running expense  
Rent, rates and taxes  
Postage, telephone and telex  
Bad Debt  
Bad debt written-off  
Printing and stationary  
Repairs and maintenance  
Entertainment

58,796  
158,498  
132,512  
8,773  
807  
21,347  
1,785  
409  
(409)  
1,411  
210  
451

47,547  
119,668  
126,594  
8,567  
659  
20,227  
1,888  
4,670  
(4,670)  
1,421  
306  
370

**466,611**

**412,122**

## 28. Consolidated administrative expenses

HeidelbergCement Bangladesh Limited (Note 28.01)  
Meghna Energy Limited  
Emirates Cement Bangladesh Limited  
Emirates Power Company Limited

2019  
BDT '000

530,920  
1,394  
4,055  
39

**536,408**

2019  
BDT '000

2018  
BDT '000

### 28.1 Administrative expenses - HCBL

#### Personnel Cost:

Salaries, wages and bonus  
Welfare and benefits

45,696  
48,108

44,199  
40,989

**93,804**

**85,187**

Depreciation expense (note 4.3)  
Depreciation of intangible assets (note 6.1)  
Rent, rates and taxes  
Traveling and conveyance  
Postage, telephone and telex  
Annual General Meeting expenses  
Technical know-how fee (note 19.3)  
Legal and professional charges  
Entertainment  
Repairs and maintenance  
Printing and stationery  
Bank charges  
Electronic data processing expense  
Audit fee  
Advertisement  
Training expense  
Electricity  
Vehicle running expense  
Newspaper and periodicals  
Subscription on others  
Insurance, CDBL and other administrative expenses

39,197  
493  
6,752  
5,437  
1,419  
2,025  
334,539  
12,276  
4,257  
5,137  
1,042  
2,000  
10,955  
850  
201  
3,033  
1,269  
601  
42  
1,233  
4,358

31,698  
493  
25,881  
3,986  
1,451  
2,133  
294,045  
20,981  
3,827  
3,265  
996  
1,720  
13,675  
800  
331  
745  
1,360  
504  
39  
995  
2,030

**530,920**

**496,141**

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

	2019 BDT '000		2018 BDT '000
<b>29. Consolidated non-operating expenses</b>			
HeidelbergCement Bangladesh Limited (Note 29.1)	6		
	<u>6</u>		
	2019 BDT '000	2018 BDT '000	
<b>29.1 Non-operating expenses - HCBL</b>			
Gain on derecognition and sale of fixed assets	6	12	
	<u>6</u>	<u>12</u>	
<b>30. Consolidated net finance income</b>			
HeidelbergCement Bangladesh Limited (Note 30.1)	7,059		
Meghna Energy Limited	53,676		
Emirates Cement Bangladesh Limited	(5,000)		
	<u>55,736</u>		
	2019 BDT '000	2018 BDT '000	
<b>30.1 Net finance income - HCBL</b>			
Interest income on bank deposits	38,747	158,022	
Bank guarantee and other charges	(32,641)	(4,036)	
	<u>6,106</u>	<u>153,987</u>	
Net exchange gain	953	1,247	
	<u>7,059</u>	<u>155,234</u>	
	2019 BDT '000		
<b>31. Consolidated income tax expense</b>			
HeidelbergCement Bangladesh Limited (Note 31.1)	380,000		
Meghna Energy Limited	45,346		
Emirates Cement Bangladesh Limited	189		
	<u>425,536</u>		
<b>31.1 Income tax expense - HCBL</b>			
The corporate tax rate is 25% for the year 2019 (2018: 25%) as a "Publicly Traded Company". Current year tax provision has been accounted for at BDT 380,000 (2018: BDT 337,000) thousand on estimated taxable income.			
	2019 BDT '000	2018 BDT '000	
Profit before tax	170,424	1,025,635	
Income tax @ statutory rate of 25%	42,606	256,409	
Inadmissible expenses/ permanent differences *	337,394	81,091	
Current income tax charges	<u>380,000</u>	<u>337,500</u>	

\*According to new Finance Act 2019 of Bangladesh for cement manufacturer, If tax liability (25% of taxable income for HCBL) is lower compared to advance income tax at the time of raw material import, withholding tax on corporate sales and withholding tax on interest income etc. such advance income tax and withholding tax on those sources would be considered as final and minimum tax of the company. The current tax expense of BDT 380 million (compared to HCBL 25% estimated current tax expense of BDT 112 million) has been provided based on the minimum tax calculation as per new Finance Act 2019.

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

2019  
BDT '000

## 32. Consolidated earnings per share

Profit after tax for the year	(186,656)
Weighted average number of shares outstanding at the end of the year	56,504
Consolidated Earnings per share (amaount in absolute)	<b>(3.30)</b>

2019  
BDT '000

2018  
BDT '000

### 32.1 Earnings per share - HCBL

Profit /(Loss) after tax for the year	(258,492)	711,149
Weighted average number of shares outstanding at the end of the year	56,504	56,504
<b>Earnings per share (Basic)</b>	<b>(4.57)</b>	<b>12.59</b>

The calculation of the basic earnings per share is made in accordance with IAS-33, dividing the profit for the year by weighted average number of the shares issued.

#### Basic earnings

This represents earnings for the year attributable to the ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

#### Weighted average number of shares outstanding at the end of the year:

This represents the number of ordinary shares outstanding at the year beginning of the year plus the number of ordinary shares issued during the year.

#### Earnings per share (diluted)

No diluted earnings per share is required to be calculated for these years as there was no scope for dilution these years.

## 33. Notes to the Statement of Cash Flows:

The cash flow statement shows the Group and the Company's cash and cash equivalents changed during the year through inflows and outflows. Cash flows statement has been prepared as per IAS-7 using the Direct Method.

Net cash inflow from operating activities arrived after adjusting operating expenses paid, interest and taxes paid during the year.

Net cash used in investing activities includes cash outflow for Investment in subsidiaries, purchase of property, plant and equipment after adjusting sale proceeds.

Net cash inflow/(outflow) financing activities mainly for proceeds of term and short term bank loan and payment of dividend.

### 33.1 Collection from customers

Gross cash received from customers arrived at after adjusting accounts receivables with revenue for the year.

### 33.2 Cash paid to suppliers

Cash paid to various suppliers arrived at after adjusting cost of raw materials and consumption cost of spares parts consumed with creditors for trade supplies.

### 33.3 Cash paid for operating expenses

Cash paid for operating expenses arrived at after adjusting non-cash items and creditors for revenue expenses.



# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

## 34. Income tax paid

During the year the Group has paid BDT 460,784 thousand (2018 : 433,272 thousand) and the Company paid BDT 410,347 thousand (2018: BDT 388,957 thousand) as advance income tax.

## 35. Acquisition of non-current assets

This relates to outflow of cash and cash equivalents for acquisition of non-current assets.

## 36. Proceeds from sale of non-current assets

Furniture and Equipment

	2019 BDT '000	2018 BDT '000
	6	27
	<u>6</u>	<u>27</u>

## 37. Payment of dividend

In 2019, the Company paid dividend of BDT423,791 thousand (2018: BDT 831,296 thousand).

## 38. Acquisition of subsidiary and calculation of Goodwill

HCBL'S Investment:

Meghna Energy Limited

Emirates Cement Bangladesh Limited

Emirates power Company Limited

2019  
BDT '000

924,412

1,792,291

100,830

2,817,533

The Company has acquired 100% ownership of Meghna Energy Limited (MEL) effective on 10 January 2018. As per the terms of agreement, the Company has settled the entire amount of consideration amounting to Tk 924,412k in cash 4,056,457 shares @ Tk 224.52 each) as per the approval of Bangladesh Bank. MEL is a private company, limited by shares and involved in providing electricity supply to the Company's Kancpur plant as a captive power plant. The acquisition of MEL by the Company has a strategic objective to secure own power supply.

The Company has acquired 100% ownership of Emirates Cement Bangladesh Limited (ECBL) and Emirates Power Company Limited (EPCL) effective on 5th December 2019 considering amount of BDT 1,792,291k & BDT 100,830k respectively. (Figures in thousand)

	MEL	ECBL	EPCL
Total consideration paid by HCBL in cash to acquire	924,412	1,792,291	100,830
Net assets acquired at the date of gaining control			
Share capital	405,646	1,589,300	269,962
Share money deposit	17	-	-
Revaluation reserve	87,500	996,362	8,902
Retained earnings/(accumulated losses)	144,758	(967,613)	(168,561)
	<u>637,920</u>	<u>1,618,049</u>	<u>110,302</u>
Goodwill	<u>286,491</u>	<u>174,242</u>	<u>(9,472)</u>
Total goodwill			<u>451,261</u>

During 2019, MEL has earned revenue of Tk 353,314k which is fully eliminated on consolidation. At the same period MEL has made net profit of Tk 85,090k which is included in consolidated results of the Group.

The fair value of assets and liabilities acquired by the Company at acquisition date were as follows: (Figures in thousand)

	MEL	ECBL	EPCL
Property, plant & equipment	181,440	1,673,722	118,152
Capital work- in-progress	1,111	11,086	-
Deferred tax assets	-	94,158	-
Inventories	48,373	207,563	41,289
Trade and other receivable (fully recoverable)	44,296	241,760	-
Advance, deposits and prepayments	19,110	128,017	317
Current tax assets	-	158,069	(115)
Cash and bank balances	477,049	20,895	8
	<u>771,379</u>	<u>2,535,271</u>	<u>159,651</u>
Trade and other payables	385	109,612	45,463
Net defined benefit liability	-	25,422	2,997
Loans and borrowing	-	575,928	-
Provision for other liabilities and charges	60,345	48,396	890
Provision for income tax	20,229	-	-
Bank overdraft	-	157,864	-
Deferred tax liability	52,500	-	-
	<u>133,459</u>	<u>917,222</u>	<u>49,349</u>
Net assets acquired	<u>637,920</u>	<u>1,618,048</u>	<u>110,302</u>

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

## 39. Reconciliation of operating cash flow to net profit for the year

	2019 Consolidated BDT '000	2019 HCBL BDT '000	2018 HCBL BDT '000
Profit before tax	284,296	170,424	1,025,635
Depreciation of property, plant and equipment	411,144	391,974	316,979
Amortization of intangible assets	493	493	493
loss/(Profit) on sale of Fixed Assets	(6)	(6)	(12)
(Increase)/Decrease in inventories	(24,827)	(27,085)	(589,810)
(Increase)/Decrease in Trade and other receivable	(195,506)	(301,398)	323,536
(Increase)/Decrease in advance, deposits and prepayments	28,767	(4,566)	(7,061)
Increase/(Decrease) in Trade & other payables	260,649	427,881	(127,826)
Increase/(Decrease) in Provision for other liabilities and charges	(45,011)	(45,011)	(6,835)
Increase/(Decrease) in Net defined benefit liability	3,374	-	-
Income tax paid	(460,827)	(410,390)	(388,957)
Net cash flow generated from operating activities	<u>262,547</u>	<u>202,317</u>	<u>546,144</u>

## 40. Bank facilities

The Company has got the following loan facilities from Banks:

Standard Chartered Bank		
Short term loan facilities	200,000	200,000
Letter of credit	1,661,000	1,661,000
Bank Guarantee opened ended	63,000	75,200
	<u>1,924,000</u>	<u>1,936,200</u>
Citibank N.A.		
Letter of credit	424,750	418,750
	<u>424,750</u>	<u>418,750</u>
Grand Total	<u>2,348,750</u>	<u>2,354,950</u>

### Securities:

These are secured by:

a) Demand promissory note BDT 1,936,200,000 for Standard Chartered Bank and BDT 418,750,000 for Citibank N.A.

b) Letter of continuation BDT 1,936,200,000 for Standard Chartered Bank and BDT 418,750,000 for Citibank N.A.

## 41. Expenditure incurred on employees

	Number of Employees	
	2019	2018

Salaries, wages and benefits (Note 25.5, 27.1 and 28.1)

Employment through out the year in receipt of remuneration aggregating BDT 36,000 or more per year

	273	267
	<u>273</u>	<u>267</u>

Employee remuneration includes all types of benefits paid and provided both in cash and kind other than the re-imbursement of expenses incurred for the Company's business.

## 42. Expenditure in equivalent foreign currency

Technical know-how fee payable

Foreign travel for Company's business purpose

	2019 BDT '000	2018 BDT '000
Technical know-how fee payable	334,539	318,014
Foreign travel for Company's business purpose	7,100	5,655
	<u>341,639</u>	<u>322,297</u>

### 42.1 Remittances of foreign currency:

Particulars	No. of shares	2019 BDT '000	No. of shares	2018 BDT '000
Dividend:				
HeidelbergCement- Netherlands Holding B.V.	22,493,020	151,828	22,493,020	303,656
HC Asia Holding GmbH	11,784,390	75,125	11,784,390	150,251
Total dividend	<u>34,277,410</u>	<u>226,953</u>	<u>34,277,410</u>	<u>453,907</u>
HeidelbergCement Asia Pte	-	235,236	-	254,411
Singtel, Singapore	-	7,720	-	14,538
Total remittance	<u>34,277,410</u>	<u>469,910</u>	<u>34,277,410</u>	<u>722,856</u>

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

	2019 BDT '000	2018 BDT '000
<b>43. Value of Imports-at CIF basis</b>		
Raw materials	7,203,944	6,015,179
Capital Goods	412,138	170,194
Store & Spares	163,345	141,344
	<b><u>7,779,426</u></b>	<b><u>6,326,717</u></b>

## 44. Remuneration of Directors, Managers and Officers

### 44.1 Managerial Remuneration - Managers and Officers

Salary and bonus	107,861	102,291
Rent	48,268	45,795
Retirement benefits	8,236	7,528
Provident fund	7,040	6,434
Medical	5,678	5,249
Other	8,847	7,939
	<b><u>185,930</u></b>	<b><u>175,236</u></b>

### 44.2 Paid to Directors

Board meeting fee	23	15
TA/DA	432	263
	<b><u>455</u></b>	<b><u>278</u></b>

## 45. Related party transactions

During the year the company carried out a number of transactions with related parties in the normal courses of business and "on an arms length basis." The name of the related parties, the nature of the transactions and their balance at year end have been set out below:

Sl. No.	Name of the related party	Nature of relationship	Nature of the transaction	Transaction during the year		Receivable/ (payable) at closing date	
				2019 BDT '000	2018 BDT '000	2019 BDT '000	2018 BDT '000
1	HeidelbergCement Asia Pte. Ltd	Group Entity	Technical Service	334,539	294,045	(334,539)	(294,045)
2	HeidelbergCement Asia Pte. Ltd	Group Entity	Recovery of expenses	(2,275)	(1,740)	14,396	16,671
3	PT Indocement Tunggul Prakarsa Tbk	Group Entity	Payment of expenses	-	-	(3,262)	(3,262)
4	Butra HeidelbergCement	Group Entity	Recovery of expenses	1,659	2,418	494	853
5	HC Treading Malta Ltd.	Group Entity	Recovery of expenses	13,752	12,757	1,633	1,938
6	HC Trading Malta Ltd.	Group Entity	Clinker	2,092,170	3,028,444	(487,296)	(509,577)
			Gypsum	46,798	122,440	-	-
			Limestone	103,642	46,628	-	-
			Slag	-	35,202	-	-
				<b>2,242,610</b>	<b>3,232,714</b>	<b>(487,296)</b>	<b>(509,577)</b>

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

## 46. Financial instruments - Fair values and financial risk management

The carrying amounts of various financial assets and financial liabilities of the Company as at 31 December 2019 and 2018 approximates their fair value.

### Financial risk management

The Company management has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments-

- Credit risk
- Liquidity risk
- Market risk

### Credit risk

Credit risk is the risk of financial loss if a customer or counterpart to a financial instrument fails to meet its contractual obligation which arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry in which customers operate. Based on the Company's operations there is no concentration of credit risk. The Company's management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Customers that fails to meet the Company's standard credit policy may transact with the company only on a pre-payment basis.

Cash and fixed deposits with banks are maintained with both local branch of International banks and domestic schedules banks having acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure as at reporting date.

### Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

### Market risk

Market risk is the risk that includes changes in market price, such as foreign exchange rate, interest rates and equity prices that may 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.

#### i) Currency risk

The Company is exposed to currency risk on purchases of raw materials that are denominated in a currency other than the functional currency. To manage this exposure normally the Company take assistance from relevant banks and if the exchange rate is expected to be volatile it attempts to upfront agree the exchange rate of retiring LCs at the time of settlement date. At balance sheet date there were no major financial instruments having material foreign exchange risk.

#### ii) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates. The Company is not exposed to fluctuations in interest rates as it has no floating interest rate bearing financial liability as at the reporting date. The Company has not entered into any agreement involving derivative instrument at the reporting date.

## 47. Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

## 48. Segment and capacity

The Group's operating segment consists of the Company producing cement and the subsidiary supplying electricity to the Company. Since the results of the Subsidiary is eliminated in consolidation segment analysis has been provided only for the Company.

**48.1** The Company essentially provides similar products to customers across the country. Business activities in which it engages and the economic environments in which it operates are of similar nature. Its business is not segmented by products or geographical areas and its operating result is viewed as a whole by its management. Hence, segment information is not relevant for the Company.

## 48.2 Capacity and production

Line of business	Installed capacity	Actual production	
	Single shift	Multiple shifts as applicable	
	Qty-M.T.	2019	2018
Gray cement- Kanchpur	1,547,000	971,625	951,094
Gray cement- Chittagong	1,303,000	829,129	754,557
	<b>2,850,000</b>	<b>1,800,754</b>	<b>1,705,650</b>

## 49. Events after the balance sheet date

### 49.1 Proposed dividend

During the year the Board of Directors in its meeting held of 22 April 2020 proposed no dividend (2018: 75% cash) The proposed dividend is not recognised as a liability at the balance sheet date in accordance with IAS-10 "Events after the reporting period.

" IAS 1 "Presentation of Financial Statements" also requires that dividend proposed after the reporting period but before the financial statements are authorised for issue, be disclosed either on the face of balance sheet as a separate component of equity or in the notes to the financial statements. Accordingly the company is disclosing its proposed dividend in notes to the financial statements.

The provision of the Companies Act 1994 require that dividend stated to be in respect of period covered by the financial statements and that are proposed or declared after the balance sheet date but before approval of the financial statements should be either adjusted or disclosed. Considering the requirements of IAS and Companies Act 1994 dividend proposed have been disclosed in the financial statements and not shown as a liability.

Subsequent to year-end, on 11 March 2020, World Health Organization (WHO) declared a global pandemic commonly called as COVID-19. To contain the spread of this disease, along with many other countries of the world Government of Bangladesh has also taken a number of measures such declaration of general holiday, lock down, social distancing etc. As a result of these measures all business and economic activities are adversely affected which could impact the Group as well. However, since the situation is constantly changing and there is no certainty at present as to how long the situation will prevail, the potential impact of COVID 19 related matters on the Group's operation and financial results cannot be reasonably assessed."

## 50. Consolidated net operating cash flows per share (NOCFPS)

	2019 BDT '000	2018 BDT '000
Net operating cash flows	262,547	-
Weighted average number of ordinary shares outstanding	56,504	-
Net operating cash flows per share	<b>4.65</b>	-

### 50.1 Net operating cash flows per share (NOCFPS) - HCBL

	2019	2018
Net operating cash flows	202,317	546,143
Weighted average number of ordinary shares outstanding	56,504	56,504
Net operating cash flows per share	<b>3.58</b>	<b>9.67</b>

# Notes to the consolidated and separate Financial Statements

For the year ended 31 December 2019

	2019 BDT '000	
<b>50.2 Consolidated net assets value (NAV) per share</b>		
Net assets as at 31 December (represented by shareholders' equity)	4,061,433	
Weighted average number of ordinary shares outstanding	56,504	
Net assets value per share	<b>71.88</b>	
	2019 BDT '000	2018 BDT '000
<b>50.3 Net assets value (NAV) per share - HCBL</b>		
Net assets as at 31 December (represented by shareholders' equity)	3,880,989	4,563,258
Weighted average number of ordinary shares outstanding	56,504	56,504
Net assets value per share	<b>68.69</b>	<b>80.76</b>

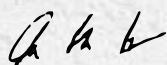
## 51. General

**51.1** Previous year's phrases and figures have been re-arranged, wherever necessary to conform to the presentation of financial statements for the year under review.

**51.2** Figures appearing in these financial statements have been rounded-off to the nearest Thousand BDT.

These financial statements should be read in conjunction with annexed notes.

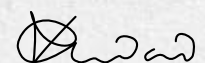
For and on behalf of the Board of Directors of HeidelbergCement Bangladesh Limited



**Jose Marcelino Ugarte**  
Managing Director



**Jashim Uddin Chowdhury, FCA**  
Director & Chief Financial Officer



**Md. Emdadul Haque, ACA**  
Company Secretary

See our annexed report of same date

Dhaka, Bangladesh  
22 April 2020

**Subsidiaries Auditor's Report  
and Financial Statements**

**Meghna Energy Limited  
Emirates Cement Bangladesh Limited  
Emirates Power Company Limited**



# Independent Auditor's Report

## To the shareholders of Meghna Energy Limited

### Report on the Audit of the Financial Statements

#### Opinion

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

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as explained in note 3.

#### Basis for opinion

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as explained in note 3, the Companies Act 1994 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.

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit space problem 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a goingconcern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification there of;
- b) in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;and
- c) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Dhaka, 18 March 2020

*Hoda Vasi*

**HodaVasi Chowdhury & Co**

Chartered Accountants

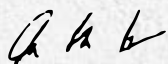
## Statement of Financial Position

As at 31 December 2019

	Notes	31 Dec 2019 BDT' 000	31 Dec 2018 BDT' 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	174,304	186,531
Capital work- in-progress		28	-
Term Loan to HCBL-non-current portion	5	260,000	-
<b>Total non-current assets</b>		<b>434,333</b>	<b>186,531</b>
<b>Current assets</b>			
Inventories	6	61,816	73,347
Advances, deposits and prepayments	7	18,785	21,768
Term Loan to HCBL-current portion	5	65,000	-
Receivable from HeidelbergCement Bangladesh Limited		62,526	78,806
Cash and cash equivalents	8	293,257	558,971
<b>Total current assets</b>		<b>501,383</b>	<b>732,891</b>
<b>Total assets</b>		<b>935,716</b>	<b>919,422</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	9	405,646	405,646
Share money deposit		17	17
Revaluation reserve		84,500	87,500
Retained earnings		341,457	253,367
		<b>831,620</b>	<b>746,530</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	10	45,500	49,000
		<b>45,500</b>	<b>49,000</b>
<b>Current liabilities</b>			
Other payables	11	200	344
Accounts payable	12	30,667	91,037
Provision for income tax	13	27,729	32,511
		<b>58,596</b>	<b>123,892</b>
<b>Total shareholders' equity and liabilities</b>		<b>935,716</b>	<b>919,422</b>

These financial statements should be read in conjunction with the annexed notes.

for and on behalf of the Board of Directors of Meghna Energy Limited



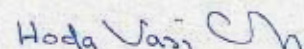
Managing Director



Director

See annexed report of the date

Dhaka, Bangladesh  
18 March 2020



**Hoda Vasi Chowdhury & Co**  
Chartered Accountants

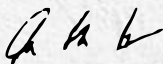
# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	Jan - Dec 2019 BDT' 000	Jan - Dec 2018 BDT' 000
Revenue	14	353,314	377,202
Cost of sales	15	(278,659)	(260,155)
<b>Gross profit</b>		<b>74,654</b>	<b>117,047</b>
General and administrative expenses	16	(1,394)	(1,261)
<b>Profit from operations</b>		<b>73,260</b>	<b>115,786</b>
Financial income	17	53,676	35,920
<b>Profit before tax</b>		<b>126,936</b>	<b>151,707</b>
Income tax expense		(41,846)	(53,098)
Current tax		(45,346)	(56,598)
Deferred tax benefit / (expense)		3,500	3,500
<b>Net profit after tax</b>		<b>85,090</b>	<b>98,610</b>
<b>Other comprehensive income</b>		-	-
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of power plant and machineries		-	150,000
Deferred tax relating to revaluation of power plant and machineries		-	(52,500)
<b>Other comprehensive income for the year</b>		-	<b>97,500</b>
<b>Total comprehensive income</b>		<b>85,090</b>	<b>196,110</b>
<b>Earnings per share (EPS)</b>		<b>20.98</b>	<b>24.31</b>

These financial statements should be read in conjunction with the annexed notes.

for and on behalf of the Board of Directors of Meghna Energy Limited



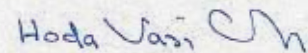
Managing Director

Dhaka, Bangladesh  
18 March 2020



Director

See annexed report of the date



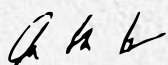
Hoda Vasi Chowdhury & Co  
Chartered Accountants

## Statement of Changes in Equity

For the year ended 31 December 2019

Particulars	Share capital BDT' 000	Share money deposit BDT' 000	Revaluation surplus BDT' 000	Retained earnings BDT' 000	Total equity BDT' 000
Balance as at 01 January 2018	405,646	17	-	144,758	550,420
Net profit for the period	-	-	-	98,609	98,609
Revaluation surplus during the year	-	-	150,000	-	150,000
Deferred tax on revaluation	-	-	(52,500)	-	(52,500)
Realisation of excess depreciation on revalued assets	-	-	(10,000)	10,000	-
<b>Balance at 31 Dec 2018</b>	<b>405,646</b>	<b>17</b>	<b>87,500</b>	<b>253,367</b>	<b>746,530</b>
Balance as at 01 January 2019	405,646	17	87,500	253,367	746,530
Net profit for the period	-	-	-	85,090	85,090
Realisation of excess depreciation on revalued assets including prior year	-	-	(3,000)	3,000	-
<b>Balance at 31 Dec 2019</b>	<b>405,646</b>	<b>17</b>	<b>84,500</b>	<b>341,457</b>	<b>831,620</b>

for and on behalf of the Board of Directors of Meghna Energy Limited



Managing Director



Director

See annexed report of the date


Dhaka, Bangladesh  
18 March 2020

**Statement of Cash Flows**

For the year ended 31 December 2019

	Notes	2019 BDT' 000	2018 BDT' 000
<b>Cash flows from operating activities</b>			
Cash receipts from customers	18	369,594	342,691
Cash paid to suppliers	19	(312,911)	(237,070)
Cash received/(paid) for operating expenses	20	1,444	(3,959)
<b>Cash generated in operations</b>		<b>58,128</b>	<b>101,663</b>
Income taxes paid		(50,128)	(44,315)
Other receipts		53,676	35,920
<b>Net cash generated from operating activities (a)</b>		<b>61,676</b>	<b>93,268</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(2,389)	(11,347)
Term Loan to HCBL		(325,000)	-
<b>Net cash used in investing activities (b)</b>		<b>(327,389)</b>	<b>(11,347)</b>
<b>Net cash used in financing activities (c)</b>			
<b>Net increase/(decrease) in cash and cash equivalents (a+b+c)</b>		(265,714)	81,921
<b>Opening cash and cash equivalents</b>		558,971	477,049
<b>Closing cash and cash equivalents</b>		<b>293,257</b>	<b>558,971</b>

for and behalf of the Board of Directors of Meghna Energy Limited



Managing Director



Director

See annexed report of the date

Dhaka, Bangladesh  
18 March 2020

## Notes to the Financial Statements

For the year ended 31 December 2019

### 1. Company and its objectives

Meghna Energy Limited (the "Company"), a private company, limited by shares, is incorporated in Bangladesh under the Companies Act 1994, vide certificate of incorporation no. C-40420(2388)/2000 Dated 05 June 2000.

The principal objective of the Company is to build, own and operate a gas burning reciprocating engine power plant at Tatki, Rupganj, Narayanganj, Dhaka to supply electricity to HeidelbergCement Bangladesh Limited.

### 2. Nature of activities

The principal activities of the Company throughout the period continued to be generation and sales of electricity to HeidelbergCement Bangladesh Limited. Operational details of the company are as under:

Name of plant	Plant capacity	Operation commencement
Meghna Energy Limited	10.9 MW	20 July 2001

### 3. Significant accounting policies

#### 3.1 Basis of preparation

##### (a) Accounting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh; Companies Act 1994 and other applicable laws and regulations.

##### (b) Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention, except for property, plant and equipment which is shown on revalued amount.

##### (c) Functional and presentational currency and level of precision

The financial statements are presented in Bangladeshi Taka (BDT), which is the Company's functional currency. All financial information presented in BDT have been rounded off to the nearest integer.

##### (d) Comparative information

As guided in paragraph 36 and 38 of IAS 1: Presentation of Financial Statements, comparative information in respect of the previous period have been presented in all numerical information in the financial statements and the narrative and descriptive information where, it is relevant for understanding of the current period's financial statements.

##### (e) Critical accounting estimates, assumptions and judgments

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting judgments, estimates and assumptions. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Critical accounting estimates and judgments are applied in case of revaluation of property, plant and equipment and related deferred tax calculation.

##### (f) Reporting period

These financial statements are prepared for the year of 01 January 2019 to 31 December 2019, intended to be used by the management of the Company for certain purpose as ascertained by them.

## Notes to the Financial Statements

For the year ended 31 December 2019

### 3.2 Foreign currency translation

Foreign currencies are translated into BDT at the rates prevailing on the last transaction date of the month. However, bank transfer of foreign currencies are translated into BDT at the rates prevailing on the date of transaction. Monetary assets and liabilities are reconverted at the balance sheet date, using the rates existing on that date. All material exchange differences, if any, are charged/credited to the profit and loss account, subject to the requirements of Schedule XI of Companies Act 1994. This Schedule requires exchange differences arising from foreign currency borrowings to finance acquisition/ construction of property, plant and equipment to be added/deducted to/from cost/value of those property, plant and equipment. During 2004, net foreign currency fluctuation loss arising from revaluation of loan amounting to BDT 803,797 has been added to property, plant and equipment.

### 3.3 Property, plant and equipment

#### (a) Recognition and measurement

Items of property, plant and equipment (PPE) are initially measured at cost. Cost includes the original purchase price of the asset and the costs incurred attributable to bringing the asset to its working condition for intended use. After initial recognition, an item of PPE is carried at cost less accumulated depreciation and impairment losses.

#### (b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit on loss and other comprehensive income as incurred.

#### (c) Depreciation

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is calculated on straight line basis so as to write off the cost of property, plant and equipment over their estimated useful lives as follows:

Category of assets	Years
Power plant and machinery	15
Other equipment and machinery	10
Building and civil work	10
Furniture and fixture	5

Depreciation is charged for full year in the year of capitalization irrespective of the date of purchase.

#### (d) Revaluation

Upon taking over of the Company by HeidelbergCement Bangladesh Limited, effective from 1 January 2018, the subsequent measurement basis for power plant and machinery has been changed from cost model to revaluation model as allowed by IAS 16. Accordingly, value of power plant and machinery is stated at revalued amount which is the fair value of these items as at 1 January 2018.

### 3.4 Intangible assets

#### (a) Recognition and measurement

“Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and impairment losses, if any. Intangible assets are recognized when all the conditions for recognition as per IAS 38: Intangible assets are met. The cost of an intangible asset comprises its purchase price, non-refundable taxes and any directly attributable costs of preparing the asset for its intended use.”

### 3.5 Inventories

Inventories are measured at lower of cost and estimated net realizable value. The cost of inventories is valued at first in first out method and includes expenditure for acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. When inventories are used, the carrying amount of those inventories are recognized in the period in which the related revenue is recognized.

## Notes to the Financial Statements

For the year ended 31 December 2019

### 3.6 Receivable from HeidelbergCement Bangladesh Limited

Accounts receivables consists of unpaid bills receivable from HeidelbergCement Bangladesh Ltd. (HCBL). Accounts receivables is recognised at original invoice value, which is the fair value of the consideration given for it.

### 3.7 Advances, deposits and prepayments

charges to other heads such as VAT current account, Titas Gas Transmission and Distribution Co Ltd etc.

Deposits are measured at payment value.

Prepayment is initially measured at cost. After initial recognition prepayment are carried at cost less charge to statement of profit on loss and other comprehensive income.

### 3.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits and other short term liquid investments with maturity duration of the three months or less which were held and available for use by the Company without any restriction, and there was insignificant risk of changes in value of these current assets.

### 3.9 Provisions

Provisions are recognised when the Company has a present obligation (legal of constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be repaid to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 3.10 Contingencies

Contingencies arising from claim, litigation, fines, penalties etc. are disclosed when it is possible that a liability has been incurred and the amount can reasonably be measured.

### 3.11 Revenue recognition

Revenue consists of supply of electricity and quantum which is determined by survey of meter reading. Revenue is recognised in the statement of profit or loss and other comprehensive income (profit or loss statement) when the significant risks and rewards of goods and services have been passed to the buyer and it can be measured reliably.

### 3.12 Taxation

The Company was entitle to tax exemption from income tax for a period of 15 years with effect from commencement of commercial production, vide SRO no. 114-Law/99 dated 26 May 1999 issued by Government of Bangladesh, under private sector power generation policy and expired the tax exemption period at July 2016. However in current provision is made at the ruling rate of tax applied on estimated total taxable income.

### 3.13 Advance income tax

Income tax deducted at source from bank interest of STD accounts and FDRs is recognised in the statement of financial position as advance income tax. It will be adjusted with corporate income tax in the future when such tax is subject to assessment.

### 3.14 Deferred tax

Deferred tax has ben calculated and provided in the financial statements using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability or asset has been calculated on the basis of current tax rate.

### 3.15 Statements of cash flows

Statement of cash flows is prepared in accordance with IAS 7: Statement of cash flows applying direct method.



## Notes to the Financial Statements

As at 31 December 2019

### 4. Property, plant and equipment

Particulars	Power plant and machinery BDT' 000	Other equipment and machinery BDT' 000	Building and civil work BDT' 000	Furniture and fixture BDT' 000	Total BDT' 000
<b>Cost</b>					
Balance as at 01 January 2018	437,307	42,338	31,241	4,569	515,455
Additions during the period	12,458	-	-	-	12,458
Revaluation during the year	150,000	-	-	-	150,000
Disposal/adjustment/reclass during the year	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>599,766</b>	<b>42,338</b>	<b>31,241</b>	<b>4,569</b>	<b>677,913</b>
<b>Depreciation</b>					
Balance as at 01 January 2018	400,138	39,489	31,097	3,291	474,016
Depreciation charged during the period	13,995	2,849	48	475	17,367
Disposal/adjustment/reclass during the period	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>414,133</b>	<b>42,338</b>	<b>31,145</b>	<b>3,767</b>	<b>491,383</b>
<b>Cost</b>					
Balance as at 01 January 2019	599,766	42,338	31,241	4,569	677,913
Additions during the period	1,974	-	-	388	2,361
Revaluation during the year	-	-	-	-	-
Disposal/adjustment/reclass during the year	-	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>601,739</b>	<b>42,338</b>	<b>31,241</b>	<b>4,957</b>	<b>680,274</b>
<b>Depreciation</b>					
Balance as at 01 January 2019	414,133	42,338	31,145	3,767	491,383
Depreciation charged during the period	14,073	-	48	467	14,587
Disposal/adjustment/reclass during the period	-	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>428,206</b>	<b>42,338</b>	<b>31,193</b>	<b>4,233</b>	<b>505,970</b>
<b>Carrying amounts</b>					
<b>As at 31 Dec 2018</b>	<b>185,632</b>	<b>0</b>	<b>96</b>	<b>802</b>	<b>186,531</b>
<b>As at 31 Dec 2019</b>	<b>173,533</b>	<b>0</b>	<b>48</b>	<b>723</b>	<b>174,304</b>

31 Dec 2019  
BDT' 000

31 Dec 2018  
BDT' 000

### 5. Term Loan to HCBL

Non-Current portion	260,000	-
Current Portion	65,000	-
	<b>325,000</b>	<b>-</b>

The company paid BDT 325 million as 5 years Term loan to its parent company Heidelbergcement Bangladesh Limited. The loan will be realised by 20 (twenty) equal quarterly instalments.

**Notes to the Financial Statements**

As at 31 December 2019

	2019 BDT' 000	2018 BDT' 000
<b>6. Inventories</b>		
Lubricant	2,239	1,990
Chemicals	408	466
Spares	54,901	66,851
Spare in transit	4,268	4,040
	<b>61,816</b>	<b>73,347</b>
<b>7. Advances, deposits and prepayments</b>		
Advances and deposits	18,785	21,768
	<b>18,785</b>	<b>21,768</b>
<b>8. Cash and cash equivalents</b>		
Cash in hand	9	8
Cash at bank- Note 8.1	293,247	558,962
	<b>293,257</b>	<b>558,971</b>
<b>8.1 Cash at bank</b>		
Bank balance in current account with:		
Standard Chartered Bank- STD 01-1165674-01	540	(4,041)
Standard Chartered Bank- STD 02-1165674-01	99	901
Fixed deposit including interest with banks	292,608	562,103
	<b>293,247</b>	<b>558,962</b>

## Notes to the Financial Statements

As at 31 December 2019

	31 Dec 2019 BDT' 000	31 Dec 2018 BDT' 000
<b>9. Share capital</b>		
<b>9.1 Authorised share capital</b>		
The authorised capital consist of 5 million ordinary shares of BDT 100 each	<u>500,000</u>	<u>500,000</u>
<b>9.2 Issued, subscribed and paid-up capital</b>		
Number of shares' 000 (ref. note 9.3)	4,056	4,056
Subscribed share capital	<u>405,646</u>	<u>405,646</u>
<b>9.3 Position of share holding</b>		
	<b>No. of shares</b>	<b>No. of shares</b>
HeidelbergCement Bangladesh Limited	4,056,457	4,056,457
HeidelbergCement Asia Pte Ltd. Singapore	1	1
Jean Claude Jamar	2	2
Bart De Leeuw	1	1
	<u>4,056,461</u>	<u>4,056,461</u>
<b>10. Deferred tax</b>		
Opening balance	49,000	-
Deferred tax recognized on revaluation surplus @35%	-	52,500
Less: Deferred tax benefit during the years	(3,500)	(3,500)
Closing balance	<u>45,500</u>	<u>49,000</u>
<b>11. Other payables</b>		
VAT deducted at source	23	23
Tax deducted at source	75	223
Audit fee	100	96
Dividend Payable	2	2
	<u>200</u>	<u>344</u>
<b>12. Accounts payable</b>		
Bills payable for maintenance	10,967	76,573
Titas Gas Transmission and Distribution Co. Ltd.	17,022	11,882
Other payables	2,678	2,582
	<u>30,667</u>	<u>91,037</u>
<b>13. Provision for income tax</b>		
Opening balance	32,511	20,229
Income tax for the year	45,346	56,597
Tax paid during the year	(50,128)	(44,315)
	<u>27,729</u>	<u>32,511</u>

## Notes to the Financial Statements

For the year ended 31 December 2019

	2019 BDT' 000	2018 BDT' 000
<b>14. Revenue</b>		
HeidelbergCement Bangladesh Limited (HCBL)	353,314	377,202
	<b>353,314</b>	<b>377,202</b>
<b>15. Cost of sales</b>		
Fuel consumption	170,375	146,664
Repair and maintenance	48,432	53,743
Operating and maintenance expenses	40,347	38,101
Depreciation	14,587	17,367
Other operating expenses	4,401	3,761
Operational insurance premium	516	519
	<b>278,659</b>	<b>260,155</b>
<b>16. General and administrative expenses</b>		
Fees and other charges	703	669
Bank and other charges	468	357
Professional fee	97	-
Audit fee	100	96
Entertainment expenses	26	121
Printing and stationary	-	17
	<b>1,394</b>	<b>1,261</b>
<b>17. Financial income</b>		
Interest on bank deposit/FDR	51,444	35,920
Interest on term loan to HCBL	2,232	-
	<b>53,676</b>	<b>35,920</b>
<b>18. Calculation of cash receipts from customers</b>		
Revenue	353,314	377,202
Opening balance of accounts receivable	78,806	44,296
Closing balance of accounts receivables	(62,526)	(78,806)
	<b>369,594</b>	<b>342,691</b>
<b>19. Calculation of cash paid to suppliers</b>		
Cost of Goods sold excluding Depreciation	264,072	242,788
Opening stock of inventory	(73,347)	(48,373)
Closing stock of inventory	61,816	73,347
Opening balance of trade payables	91,037	60,345
Closing balance of trade payables	(30,667)	(91,037)
	<b>312,911</b>	<b>237,070</b>
<b>20. Calculation of cash paid/(received) for operating expenses</b>		
Operating Expenses	1,394	1,261
Opening balance of advances, deposits and prepayments	(21,768)	(19,110)
Closing balance of advances, deposits and prepayments	18,785	21,768
Opening balance of Accrued payable	344	385
Closing balance of Accrued payable	(200)	(344)
	<b>(1,444)</b>	<b>3,959</b>
<b>21. Reconciliation of operating cash flow to net profit:</b>		
<b>Profit before tax</b>	126,936	151,707
<b>Adjustment:</b>		
Depreciation/Amortization of PPE & intangible assets	14,587	17,367
(Increase)/Decrease in working capital components:		
Inventories	11,531	(24,974)
Advance, deposits and prepayments	2,983	(2,657)
Accounts receivable from HCBL	16,280	(34,510)
Other liabilities and charges	(60,370)	30,692
Other payables	(144)	(41)
	(15,133)	(14,123)
Income Tax paid	(50,128)	(44,315)
Net cash generated from operating activities	<b>61,676</b>	<b>93,268</b>

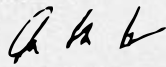
## Notes to the Financial Statements

For the year ended 31 December 2019

### 22. Others

- 21.1 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- 22.2 Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

for and on behalf of the Board of Directors of Meghna Energy Limited



Managing Director



Director

See annexed report of the date

Dhaka, Bangladesh  
18 March 2020

# Independent Auditor's Report

## To the shareholders of Emirates Cement Bangladesh Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Emirates Cement Bangladesh Limited (the "Company"), which comprise the statement of financial position as at May 7, 2019 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at May 7, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as explained in note 3.

#### Basis for opinion

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as explained in note 3, the Companies Act 1994 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.

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

#### Other matters

Effective 5 December 2019, the Company is acquired by HeidelbergCement Bangladesh Limited (the Holding Company) and pursuant to section 186 of the Companies Act 1994, these financial statements of the Company have been prepared to include with the annual report of the Holding Company. The Company's financial year is from 1 April to 31 March and hence as per section 183 of the Companies Act 1994 another set of financial statements of the Company shall be prepared and presented at the annual general meeting covering the year ending on 31 March 2020. Comparative information have been taken from the audited financial statements for the year ended 31 March 2019 which were audited by other firm of auditors who has expressed an unmodified opinion on those financial statements.

#### Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

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

Dhaka, 18 March 2020

Hoda Vasi Chowdhury

**Hoda Vasi Chowdhury & Co**

Chartered Accountants

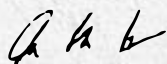
# Statement of Financial Position

As at 31 December 2019

	Notes	31 Dec 2019 BDT '000	31 Mar 2019 BDT '000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,669,943	1,709,988
Capital works-in-progress	5	11,086	11,086
Deferred tax assets	6	94,158	94,158
<b>Total non-current assets</b>		<b>1,775,187</b>	<b>1,815,232</b>
<b>Current assets</b>			
Inventories	7	217,046	194,319
Trade and other receivables	8	246,163	453,915
Advances, deposits and prepayments	9	110,999	122,721
Income tax assets	10	158,189	449,567
Cash and cash equivalents	11	2,106	377
<b>Total current assets</b>		<b>734,505</b>	<b>1,220,900</b>
<b>Total assets</b>		<b>2,509,691</b>	<b>3,036,132</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Share capital	12	1,589,300	1,589,300
Revaluation reserve	Ch. Equity	996,362	996,362
Accumulated losses	Ch. Equity	(980,868)	(598,843)
		<b>1,604,794</b>	<b>1,986,818</b>
<b>Non-current liabilities</b>			
Net defined benefit liability (gratuity)	13	22,447	25,855
<b>Total non-current liabilities</b>		<b>22,447</b>	<b>25,855</b>
<b>Current liabilities</b>			
Bank overdraft	14	168,502	65,250
Loans and borrowings	15	547,947	763,581
Trade and other payables	16	107,317	131,086
Provision for other expenses	17	55,520	60,378
Net defined benefit liability	13	3,164	3,164
<b>Total current liabilities</b>		<b>882,450</b>	<b>1,023,459</b>
<b>Total liabilities</b>		<b>904,898</b>	<b>1,049,313</b>
<b>Total equity and liabilities</b>		<b>2,509,691</b>	<b>3,036,132</b>

These financial statements should be read in conjunction with annexed notes.

For and on behalf of the Board of Directors of Emirates Cement Bangladesh Limited



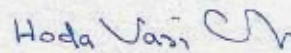
Managing Director

Dhaka, Bangladesh  
18 March 2020



Director

See annexed report of the date



Hoda Vasi Chowdhury & Co  
Chartered Accountants



# Statement of Profit or Loss and Other Comprehensive Income

For the period from 1 April 2019 to 31 December 2019

	Notes	April 2019 to December 2019 BDT '000	April 2018 to March 2019 BDT '000
Sales	18	1,170,528	2,393,098
Cost of goods sold	19	(1,057,378)	(1,625,063)
<b>Gross profit</b>		<b>113,150</b>	<b>768,036</b>
Other operating income	20	225	60
Warehousing, distribution and selling expenses	21	(83,010)	(104,697)
Administrative expenses	22	(44,558)	(78,462)
<b>Operating (loss)/profit</b>		<b>(14,193)</b>	<b>584,937</b>
Net finance expenses	23	(55,880)	(68,808)
<b>Profit before contribution to WPPF</b>		<b>(70,073)</b>	<b>516,130</b>
Contribution to WPPF		-	(24,578)
<b>Profit / (loss) before tax</b>		<b>(70,073)</b>	<b>491,552</b>
<b>Income tax expense</b>		(18,394)	(99,589)
Current tax:			
Current year	24	(18,394)	(99,589)
<b>Net profit/(loss) for the period/year</b>		<b>(88,467)</b>	<b>391,963</b>
<b>Earnings per share (EPS)</b>	25	<b>-0.56</b>	<b>2.47</b>
<b>Net profit/(loss) for the period/year</b>		<b>(88,467)</b>	<b>391,963</b>
<b>Other comprehensive income</b>			
<b>Items will not be reclassified to profit or loss</b>			
Revaluation of property, plant and equipment, net off related taxes		-	1,007,172
Remeasurements of defined benefit liability/(asset), net off related taxes		-	(3,528)
<b>Total comprehensive income for the period/year</b>		<b>(88,467)</b>	<b>1,395,607</b>

These financial statements should be read in conjunction with the annexed notes.

For and on behalf of the Board of Directors of Emirates Cement Bangladesh Limited

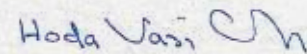


Managing Director



Director

See annexed report of the date



Hoda Vasi Chowdhury & Co  
Chartered Accountants

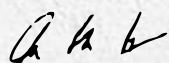
Dhaka, Bangladesh  
18 March 2020

## Statement of Changes in Equity

For the period from 1 April 2019 to 31 December 2019

Particulars	Share capital BDT '000	Revaluation reserve BDT '000	Accumulated losses BDT '000	Total BDT '000
<b>Year 2018/2019</b>				
Balance as at 01 April 2018	1,589,300	-	(998,088)	591,211
Net profit for the year	-	-	391,963	391,963
Other comprehensive income for the year	-	1,007,172	(3,528)	1,003,644
Transfer to depreciation an account of revaluation	-	(10,811)	10,811	-
<b>Balance as at 31 March 2019</b>	<b>1,589,300</b>	<b>996,362</b>	<b>(598,843)</b>	<b>1,986,818</b>
<b>Year 2019</b>				
Balance as at 01 April 2019	1,589,300	996,362	(598,843)	1,986,818
Net profit for the period ( April to Dec 2019)	-	-	(88,467)	(88,467)
Adjustment	-	-	(293,557)	(293,557)
<b>Balance as at 31 December 2019</b>	<b>1,589,300</b>	<b>996,362</b>	<b>(980,868)</b>	<b>1,604,794</b>

For and on behalf of the Board of Directors of Emirates Cement Bangladesh Limited



Managing Director



Director

See annexed report of the date

Dhaka, Bangladesh  
18 March 2020

## Statement of Cash Flows

For the period from 1 April 2019 to 31 December 2019

	Notes	April 2019 to December 2019 BDT '000	April 2018 to March 2019 BDT '000
<b>Cash flows from operating activities</b>			
Collections from customers	26	1,378,280	2,577,425
Cash received from other operating income		225	60
Cash paid to suppliers	27	(1,068,127)	(2,251,257)
Cash paid for operating expenses	28	(122,164)	(309,004)
Interest paid		(53,528)	(63,235)
Income tax paid	29	(20,574)	(76,306)
<b>Net cash flow from operating activities (a)</b>		<b>114,112</b>	<b>(122,317)</b>
<b>Cash flows from investing activities</b>			
Acquisition of non-current assets		-	(11,298)
<b>Net cash used in investing activities (b)</b>		<b>-</b>	<b>(11,298)</b>
<b>Cash flows from financing activities</b>			
(Decrease)/increase in short term loan		(215,634)	42,516
<b>Net cash flow used in financing activities (c)</b>		<b>(215,634)</b>	<b>42,516</b>
<b>Net decrease in cash and cash equivalents (a+b+c)</b>		<b>(101,521)</b>	<b>(91,099)</b>
<b>Opening cash and cash equivalents*</b>		<b>(64,873)</b>	<b>26,225</b>
<b>Closing cash and cash equivalents*</b>		<b>(166,395)</b>	<b>(64,874)</b>

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

These financial statements should be read in conjunction with the annexed notes.

For and on behalf of the Board of Directors of Emirates Cement Bangladesh Limited



Managing Director



Director

See annexed report of the date

Dhaka, Bangladesh  
18 March 2020

# Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

## 1. Company and its activities

### 1.1. Company profile

Emirates Cement Bangladesh Limited (the “Company”) was incorporated as a private limited company on 22 June 2000 under the Companies Act, 1994. It has authorised capital of Tk 1,600,000,000 divided into 160,000,000 ordinary shares of Tk 10 each. The Company’s Cement plant is situated at East Mukterpur, Munshiganj, Bangladesh.

100% share of the Company acquired by HCBL on 5th Dec 2019 as per share purchases agreement (SPA) between those.

The number of employee at the company at the year end was 98.

### 1.2. Nature of business

The principle activity of the Company is producing and selling cement in the market of Bangladesh and outside of the country. Total production capacity of the this Company is 660,000 MT per annum.

## 2. Basis of preparation

### 2.1. Accounting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh; Companies Act 1994 and other applicable laws and regulations.

#### Date of approval

The board of directors has approved these financial statements on 18th March 2020.

### 2.2. Basis of measurement

The financial statements have been prepared on a going concern basis under the historical cost convention, except for property, plant and equipment which is shown on revalued amount.

### 2.3. Functional and presentational currency

These financial statements are presented in Bangladesh Taka (BDT), which is both functional and presentational currency of the Company.

### 2.4. Going concern

The Company has adequate resources to continue its operation for foreseeable future and hence, the financial statements have been prepared on going concern basis. As per management’s assessment there are no materials uncertainties related to events or conditions which may cast significant doubt upon the Company’s ability to continue as a going concern.

### 2.5. Fair value

As fair value is a market based measurement, when measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible though entity’s intention to hold an asset or to settle or otherwise fulfill a liability is not relevant while measuring fair value. Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, 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 input).

### 2.6. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are reviewed on an ongoing basis.

The estimates and underlying assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 Property, plant and equipment
- Note 7 Inventories
- Note 8 Provision for doubtful debts
- Note 13 Gratuity
- Note 24 Provision for income tax

## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

### 2.7. 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.

### 2.8. Reporting period

The financial statements are prepared for the period 1st April to 31st December 2019, intend to be used by the management of the Company for certain purpose as ascertained by them. Therefore the amounts of previous period as presented in the financial statements are not entirely comparable with current period.

### 2.9. Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services within a particular economic environment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Company regards its Board of Directors as its chief operating decision maker, as the Board is responsible for allocating resources, assesses performances, and makes strategic decision.

### 2.10. Application of standards

The following International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted by ICAB are applicable for the financial statements for the year under review:

- IAS 1 Presentation of financial statements
- IAS 2 Inventories
- IAS 7 Statement of cash flows
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 10 Events after the reporting period
- IAS 12 Income taxes
- IAS 16 Property, plant and equipment
- IAS 19 Employee benefits
- IAS 21 The effects of changes in foreign exchange rates
- IAS 23 Borrowing costs
- IAS 24 Related party disclosures
- IAS 27 Separate financial statements
- IAS 32 Financial instruments: Presentation
- IAS 33 Earnings per share
- IAS 36 Impairment of assets
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 38 Intangible assets
- IFRS 3 Business combinations
- IFRS 7 Financial instruments: Disclosures
- IFRS 8 Segment reporting
- IFRS 9 Financial instruments
- IFRS 13 Fair value measurement
- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases

### 2.11. New accounting standards issued but not yet adopted

The Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2020 have been considered. However, these amendments have no material impact on the financial statements of the Company.

In December 2017, ICAB has decided to adopt IFRS replacing BFRS effective for annual periods beginning on or after 1 January 2018. However, since currently issued BFRS have been adopted from IFRS without any major modification, such changes would not have any material impact on financial statements.

### 3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year. Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without, however, creating any impact on the value of assets and liabilities as reported.

## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

### 3.1. Foreign currency translation

Foreign currency transactions are recorded in BDT at applicable rates of exchange ruling at the dates of transactions in accordance with IAS-21 “The Effects of Changes in Foreign Exchange Rates.” Exchange rate difference at the statement of financial position date are charged/credited to statement of comprehensive income, to the extent that this treatment does not contradict with the Schedule XI of Companies Act 1994. This Schedule requires all exchange gains and losses arising from foreign currency borrowings, taken to finance acquisition of construction of fixed assets, to be credited/ charged to the cost/value of such assets.

The rate of relevant foreign exchange at year-end:

	2019	2018
1 US Dollar = BDT	84.89	83.69
1 EURO = BDT	95.19	95.81

### 3.2. Financial instruments

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

#### 3.2.1. Financial assets

The Company initially recognises receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the date at which the Company becomes a party to the contractual provisions of the transaction.

The Company derecognises a financial asset when the contractual rights or probabilities of receiving the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets include cash and cash equivalents, accounts receivable, and long term receivables and deposits.

#### 3.2.2. Financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the transaction date at which the company becomes a party to the contractual provisions of the liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities include loans and borrowings, accounts payable and other payables.

### 3.3. Property, plant and equipment

#### 3.3.1. Recognition and measurement

Tangible fixed assets are accounted for according to IAS-16 “Property, Plant and Equipment” at historical cost or revaluation less accumulated depreciation and the capital work-in-progress is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Maintenance, renewals and betterments that enhance the economic useful life of the property, plant and equipment or that improve the capacity, quality or reduce substantially the operating cost or administration expenses are capitalised by adding it to the related property, plant and equipment.

#### 3.3.2. Subsequent costs

Subsequent cost are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. In compliance with the provisions of the Companies Act 1994, adjustment is made to the original cost of fixed assets acquired through foreign currency loan at the end of each financial year by any change in liability arising out of expressing the outstanding foreign loan at the rate of exchange prevailing at the date of balance sheet.

#### 3.3.3. Depreciation

Depreciation is charged on straight-line method consistent with the Company’s depreciation policy. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives. In respect of acquisition of fixed assets, depreciation is charged from the month of acquisition and no depreciation is charged in the month of disposal. The rates of depreciation for the current and comparative years are as follows:

The rates of depreciation for the current and comparative years are as follows:

## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

Category of assets	2019	2018
Buildings and other construction	3.33%	3.33%
Plant, machinery and equipment	3.33%- 10%	3.33%- 10%
Office equipment	25%	25%
Furniture and fixtures	14%	14%
Port-a-cabin	25%	25%
Motor vehicles	20%	20%
Computer and accessories	33%	33%

### 3.4. Inventories

Inventories are measured at lower of cost and net realisable value in accordance with IAS-2 “Inventories.” The cost of inventories includes expenditure incurred for acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

Inventories consist of raw materials, finished goods, packing materials and stores and spares.

Category of inventory	Basis of valuation
Raw and packing materials	: At weighted average cost
Finished goods	: At cost
Stores, accessories and spares	: At weighted average cost
Goods-in-transit	: At cost incurred till the balance sheet date

### 3.5. Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each date of statement of financial position. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value at appropriate discount rates.

### 3.6. Trade and other receivables

Trade and other receivables consists of unpaid bills receivable from customers carried at their original invoice amount, stated net of provision for doubtful debts. The Company initially recognises trade and other receivables at nominal value which is the fair value of the consideration given in return. After initial recognition these are carried at nominal value less impairment losses due to uncollectibility of any amount so recognised.

### 3.7. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and other short term highly liquid investments with original maturities of three months or less and bank overdrafts which were held and available for use by the company without any restriction, and there was insignificant risk of changes in value of these current assets.

### 3.8. Borrowings cost

Borrowings are classified into both current and non-current liabilities. In compliance with the requirements of IAS-23 “Borrowing Cost,” borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 3.9. Liabilities

Liabilities are broadly classified into current and non-current.

#### 3.9.1 Trade and other payables

The Company recognises a financial liability when its contractual obligations arising from past events are certain and the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits. Liabilities are recorded at the amount payable for settlement in respect of goods and services received by the Company.

#### 3.9.2. Provision, contingent liabilities and contingent assets

##### Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If a transfer of economic benefit is no longer probable the provision should be reversed. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure required to settle the obligation.

## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

### Accruals

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amount due to employees.

### Contingent liabilities

A contingent liability arises when a past event may lead to an entity having a liability in the future but the financial impact of the event will only be confirmed by the outcome of some future event not wholly within the entity's control. A contingent liability should be disclosed in the financial statements unless the possible outflow of resources is thought to be remote.

### Contingent assets

A contingent asset is a potential asset that arises from past events but whose existence can only be confirmed by the outcome of future events not wholly within an entity's control. A contingent asset should be disclosed in the financial statements only when the expected inflow of economic benefits is probable.

### 3.10. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss and other comprehensive income (profit and loss statement) in accordance with IAS-12 "Income taxes."

#### 3.10.1. Current tax

The Company qualifies as a "Private Limited Company" as defined in income tax laws. The applicable tax rate for the company is 35% and hence provision for taxation has been made on this basis which is in compliant with the Finance Act 2019.

#### 3.10.2. Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. The deferred tax asset/income or liability/expense does not create a legal obligation to, or recoverability from, the income tax authority.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 3.11. Workers' profit participation fund

The Company has provided for WPPF in terms of section 234(1)(b) of Bangladesh Labour (Amendment) Act 2013, 5% of the net profit of each year, not later than nine (9) months from the close of that period, is required to be transferred to the Fund, the proportion of the payment to the Participation Fund and the Welfare Fund being 80:10. The remaining 10% of the amount of net profit shall be paid by the Company to the Workers' Welfare Foundation Fund, as formed under Bangladesh Workers' Welfare Foundation Act, 2006.

### 3.12. Employee benefit

The Company maintains a defined contribution plan (provident fund) and a retirement benefit obligations (approved gratuity fund) for its eligible permanent employees.

#### 3.12.1. Defined contribution plan (provident fund)

Defined contribution plan is a post-employment benefit plan. The employees' provident fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes equal contribution.

The Company recognises contribution to defined contribution plan as an expense when an employee has rendered services in exchange for such contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

#### 3.12.2. Retirement benefit obligations (gratuity)

The Company operates an unfunded defined benefit plan (gratuity), provision in respect of which is made covering all its permanent eligible employees. Benefit payable to all eligible employees at the end of each year is determined on the basis of existing rules and regulations. Each employee on completion of the six months of service will be eligible for the scheme. The benefit payable will be computed by considering the following conditions:

- a) Employee working for more than 6 month will be entitled to one month's basic salary for each year of service up to 10 years.
- b) Employee working continuously for 10 years or above will be entitled to one and half months basic salary for each year of service.



## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

Present value of defined benefit obligation and the fair value of the plan assets are determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost and mutually compatible actuarial assumptions about demographic and financial variables are used.

The rate used to discount post employment benefit obligations is determined by reference to the rate stated in actuarial report. The expected return on plan assets is also based on the same discount rate and is one of the component of expenses recognized in profit or loss. Remeasurements of the net defined benefit liability and the effect of asset ceiling, if any, are recognised in profit or loss.

### 3.12.3. Group insurance benefit

The permanent employees of the company are covered under a group term insurance scheme, premium for which is being charged to profit or loss statement.

### 3.13. Revenue recognition

**3.13.1.** The Company recognises sales when products are invoiced and dispatched to the buyers.

**3.13.2.** Interest income on bank deposits and short-term investments is recognised on accrual basis.

**3.13.3.** Other income is recognised on receipt or due basis.

### 3.14. Finance expenses

Finance expenses comprise bank charges. All finance expenses are recognised in the profit and loss statement along with interest income from fixed deposit and from saving or current account.

### 3.15. Advertising and promotional expenses

All costs associated with advertising and promotional activities are charged out in the year it is incurred.

### 3.16. Research, development and experiment costs

These are usually absorbed as revenue charges as and when incurred, in line with IAS 38: Intangible Assets.

### 3.17. Stocks write off/down

It includes the cost of writing off or writing down the value of redundant or damaged or obsolete stocks, which are dumped and/or old stock.

### 3.18. Repair, upkeep and maintenance charges

These are usually charged as revenue charges.

### 3.19. Basis of allocation of depreciation

Basis allocation of depreciation in different overheads are as follows:

Manufacturing, labour and overhead	95%
Administrative expenses	5%

### 3.20. Environmental expenditure

Environmental expenditures, which increase life, capacity or result in improved safety or efficiency of a facility, are capitalised.

### 3.21. Earnings per share

The the Company separately presented consolidated and separate basic and diluted (when dilution is applicable) earnings per share (EPS) data for its ordinary shares according to IAS-33 "Earning Per Share."

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the period, adjusted for the effect of change in number of shares for bonus issue, share split and reverse split.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no dilutive potential ordinary shares during the relevant periods.

### 3.22. Statement of cash flows

Statement of Cash Flows (Cash Flow Statement) is prepared under direct method in accordance with IAS-7 "Statement of Cash Flows" as required by the Bangladesh Securities and Exchange Rules 1987.

# Notes to the Financial Statements

As at 31 December 2019

## 4. Property, plant and equipment

Particulars	Land and Buildings BDT '000	Plant and Machinery BDT '000	Furniture and Equipment BDT '000	Transport and Vehicles BDT '000	Total BDT '000
<b>Cost</b>					
At 1st April 2018	1,083,144	663,380	3,189	7,201	1,756,914
Additions	-	-	-	-	-
Disposal	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>1,083,144</b>	<b>663,380</b>	<b>3,189</b>	<b>7,201</b>	<b>1,756,914</b>
At 1st April 2019	175,456	1,410,781	41,926	23,746	1,651,908
Additions	-	-	782	-	782
Disposal	-	-	-	-	-
Adjustment for revaluations	907,688	(747,401)	(39,519)	(16,545)	104,224
<b>Balance at 31 March 2019</b>	<b>1,083,144</b>	<b>663,380</b>	<b>3,189</b>	<b>7,201</b>	<b>1,756,914</b>
<b>Depreciation</b>					
At 1st April 2018	2,034	38,026	2,142	4,724	46,926
Depreciation expense	2,578	34,201	1,958	1,308	40,045
Disposal	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>4,612</b>	<b>72,227</b>	<b>4,100</b>	<b>6,032</b>	<b>86,972</b>
At 1st April 2019	56,111	779,951	38,724	18,203	892,989
Depreciation expense	3,181	53,842	2,704	5,306	65,033
Disposal	-	-	-	-	-
Adjustment for revaluations	(57,257)	(795,767)	(39,286)	(18,785)	(911,096)
<b>Balance at 31 March 2019</b>	<b>2,034</b>	<b>38,026</b>	<b>2,142</b>	<b>4,724</b>	<b>46,926</b>
<b>Net book value at 31 December 2019</b>	<b>1,078,532</b>	<b>591,153</b>	<b>(912)</b>	<b>1,169</b>	<b>1,669,943</b>
<b>Net book value at 31 March 2019</b>	<b>1,081,110</b>	<b>625,354</b>	<b>1,047</b>	<b>2,477</b>	<b>1,709,988</b>

### 4.1. Allocation of depreciation expense to:

Manufacturing, labour and overheads (note 19.4)  
Administrative expense (note 22)

	31 Dec 2019 BDT '000	31 Mar 2019 BDT '000
Manufacturing, labour and overheads (note 19.4)	38,098	57,241
Administrative expense (note 22)	1,947	7,792
	<b>40,045</b>	<b>65,033</b>

## 5. Capital work-in-progress :

### Plant and Machinery

Opening balance	11,086	11,086
Addition	-	-
Capitalised during the year	-	-
Closing balance	<b>11,086</b>	<b>11,086</b>

## 6. Deferred tax assets

Opening balance	94,158	94,158
Provision reversed during the year	-	-
Closing balance	<b>94,158</b>	<b>94,158</b>

## 7. Inventories

Raw materials	130,105	104,884
Finished goods	18,760	24,617
Packing materials	341	2,577
Stores and spares	67,841	62,242
	<b>217,046</b>	<b>194,319</b>

## Notes to the Financial Statements

As at 31 December 2019

	31 Dec 2019 BDT '000	31 Mar 2019 BDT '000
<b>8. Trade and other receivables</b>		
Trade receivable	298,213	493,266
Provision for doubtful debt	(96,337)	(93,912)
	<u>201,877</u>	<u>399,354</u>
Other receivables		
Receivable from Emirates Power Company Ltd (EPCL)	44,286	54,561
	<u>246,163</u>	<u>453,915</u>
	<b><u>246,163</u></b>	<b><u>453,915</u></b>
Receivable covered under security	129,600	324,450
Outstanding for a period exceeding six months.	<u>132,971</u>	<u>126,839</u>

Trade and other receivables were stated at their nominal value. Adequate provisions has been made for all identifiable impaired receivables.

Trade and other receivables were accrued in the ordinary course of business and no amount was due by the Directors (including Managing Director), managers and other officers of the company and any of them severally or jointly with any other person.

### 9. Advances, deposits and prepayments

Advance paid to suppliers and employees	4,820	41,437
Security and other deposits	103,358	80,788
Prepayments	2,821	496
	<u>110,999</u>	<u>122,721</u>

### 10. Current tax assets

Opening balance	449,567	(87,627)
Current year tax expenses	(18,394)	(48,113)
	431,172	(135,740)
Advance income tax	20,574	585,307
	451,746	449,567
Adjusted with Revenue reserve*	(293,557)	-
Closing balance	<b><u>158,189</u></b>	<b><u>449,567</u></b>

\*The amount of BDT 293,557 thousand, which is 65% of initial current tax assets value of BDT 451,625 thousand is considered as irrecoverable and recognised as initial PPA adjustment as of 31st December 2019.

### 11. Cash and cash equivalents

Cash in hand	127	123
Cash at bank in current accounts	1,979	254
	<u>2,106</u>	<u>377</u>

### 12. Share capital

#### 12.1. Authorised share capital

160,000,000 ordinary shares of BDT 10 each	<u>1,600,000</u>	<u>1,600,000</u>
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#### 12.2. Issued, subscribed and paid-up share capital

158,929,972 ordinary shares of BDT 10 each	<u>1,589,300</u>	<u>1,589,300</u>
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#### 12.3. Position of shareholding

	No. of Shares	No. of Shares
HeidelbergCement Bangladesh Limited	158,929,962	0
Jashim Uddin Chowdhury, FCA	10	0
UltraTech Cement Middle East Investment Ltd.	0	158,929,962
Vinod Kumar Damani	0	10
	<b><u>158,929,972</u></b>	<b><u>158,929,972</u></b>

# Notes to the Financial Statements

As at 31 December 2019

	31 Dec 2019 BDT '000	31 Mar 2019 BDT '000
<b>13. Net defined benefit liability</b>		
Non-Current net defined benefit liability	22,447	25,855
Current net defined benefit liability	3,164	3,164
	<u>25,612</u>	<u>29,019</u>
<b>14. Bank overdraft</b>		
Bank Asia Limited	97,425	26,380
Standard Chartered Bank	71,077	38,870
	<u>168,502</u>	<u>65,250</u>

#### Bank overdraft with Bank Asia Limited

**Interest:** 11.50% p.a for any utilisation in Taka,, payable quarterly in arrears, interest on accrued from the utilisation date to the date of repayment of that utilisation.

#### Bank overdraft with Standard Chartered Bank

**Interest:** 9.95% p.a for any utilisation in Taka,, payable quarterly in arrears, interest on accrued from the utilisation date to the date of repayment of that utilisation.

<b>15. Loans and borrowings</b>		
Bank Asia Limited- Loan against trust receipt (LATR)	187,827	63,414
Bank Asia Limited- Usance payable at sight (UPAS) loan	105,950	255,136
Standard Chartered Bank- Import loan	-	68,248
Standard Chartered Bank- UPAS loan	84,170	256,783
Standard Chartered Bank- Short term loan	170,000	120,000
	<u>547,947</u>	<u>763,581</u>

#### Loan with Bank Asia Limited

**Interest :** Revolving LATR- 11.50% p.a for any utilisation in Taka, payable quarterly in arrears, Interest on accrued from the utilisation date to the date of repayment of that utilisation.

Securities (for all facilities granted by the bank):

- i) Registered mortgage of land measuring 8.91 acres along with building constructed thereon located at Mukterpur, Munshiganj
- ii) Hypothecation of plant & machinery.
- iii) Hypothecation of book debts & receivables.
- iv) Pari-passu charge with Standard Chartered Bank on all fixed & floating assets both present & future of the company covering the full loan amount.
- v) Post dated cheques favouring the bank covering the LTR & OD limit.
- vi) Registered Irrevocable General power of Attorney empowering the Bank to sell the mortgaged property.
- vii) Notarized Irrevocable General power of Attorney empowering the Bank to sell the hypothecated items.
- viii) floating assets (both present & future) of the company with RJSC covering the full amount.
- ix) Letter of trust receipt.
- x) Documents of title to goods.

#### Loan with Standard Chartered Bank

**Interest:**

Short term money market loan

9.75% p.a for any utilisation in Taka, payable quarterly in arrears, Interest on accrued from the utilisation date to the date of repayment of that utilisation.

Import Loan

9.95% p.a for any utilisation in Taka, payable quarterly in arrears, Interest on accrued from the utilisation date to the date of repayment of that utilisation.

Securities (for all facilities granted by the bank):

- i) Demand and promissory note & letter of continuation for BDT 600,000,000 each
- ii) Registered hypothecation over stocks, book debts and machinery of the company on pari-passu basis with other co-lenders where Standard Chartered Bank's share.

## Notes to the Financial Statements

As at 31 December 2019

	31 Dec 2019 BDT '000	31 Mar 2019 BDT '000
<b>16. Trade and other payables</b>		
Trade payables (Suppliers)	86,947	104,553
Other payables (Inter-company)	500	-
Other payables	19,870	26,533
	<b>107,317</b>	<b>131,086</b>
<b>16.1. Other Payables</b>		
Salaries and allowances	113	237
Accrued interest	14,381	12,030
VAT deducted at source and other payable	1,332	2,288
TDS payable (salary)	1,219	3,378
Advance from customers/retention payable	2,241	8,600
Audit fees	585	-
	<b>19,870</b>	<b>26,533</b>
<b>17. Provision for Other expenses</b>		
Retail scheme	3,727	19,033
Accrued expenses	43,985	34,976
Due to employees for unavailed leave	7,809	6,369
	<b>55,520</b>	<b>60,378</b>

## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

	April 2019 to December 2019 BDT '000	April 2018 to March 2019 BDT '000
<b>18. Sales</b>		
Domestic	1,170,528	2,189,068
Export	-	204,030
Total Sales	<b>1,170,528</b>	<b>2,393,098</b>
<b>19. Cost of goods sold</b>		
Opening stock of raw materials (note 19.1)	107,461	33,795
Raw materials purchased (note 19.1)	904,473	1,489,215
Closing stock of raw materials (note 19.1)	(130,446)	(107,461)
Raw materials consumed	<b>881,488</b>	<b>1,415,549</b>
Manufacturing labour and overhead (note 19.4)	170,034	221,233
Cost of production	<b>1,051,521</b>	<b>1,636,782</b>
Opening finished goods	24,617	12,897
Closing finished goods	(18,760)	(24,617)
Cost of goods sold	<b>1,057,378</b>	<b>1,625,063</b>

### 19.1. Raw materials consumed

#### Opening inventory:

Clinker	76,304	2,165
Gypsum	9,070	19,043
Iron slag	10,331	262
Limestone & other	6,899	4,407
Fly ash	2,280	2,250
Packing materials	2,577	5,668
	<b>107,461</b>	<b>33,795</b>

#### Purchase:

Clinker	645,104	1,016,506
Gypsum	17,745	31,420
Iron slag	18,018	45,907
Limestone and others	11,068	49,217
Fly ash	149,972	222,519
Packing materials	62,565	123,645
	<b>904,473</b>	<b>1,489,215</b>

#### Raw materials available for consumption

**1,011,933**      **1,523,010**

#### Closing inventory:

Clinker	(93,673)	(76,304)
Gypsum	(5,718)	(9,070)
Iron slag	(3,978)	(10,331)
Limestone and other	(2,789)	(6,899)
Fly ash	(23,947)	(2,280)
Packing materials	(341)	(2,577)
	<b>(130,446)</b>	<b>(107,461)</b>

#### Raw materials consumed

**881,488**      **1,415,549**

### 19.2. Particulars in respect of opening stock, sales and closing stocks of finished goods (Figures in thousand)

	Opening stock		Closing stock		Sales-net	Sales-net
	Qty-M.T	BDT	Qty-M.T	BDT	Qty-M.T	Qty-M.T
Year 2019	4.57	24,617	4.00	18,760	181.12	1,170,528
Year 2018	2.41	12,897	4.57	24,617	360.87	2,393,098

### 19.3. Analysis of materials consumption (Figures in thousand)

	31 December 2019		31 March 2019	
	Qty-M.T	BDT	Qty-M.T	BDT
Raw materials				
Clinker	119	627,735	165	942,368
Gypsum	6	21,096	13	41,393
Iron slag	7	24,372	10	35,838
Limestone and others	6	15,179	17	46,724
Fly ash	45	128,305	87	222,489
Packing materials (000 Pcs)	3,537	64,801	7,035	126,737
		<b>881,488</b>		<b>1,415,549</b>

## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

	April 2019 to December 2019 BDT '000	April 2018 to March 2019 BDT '000
<b>19.4. Manufacturing labour and overhead</b>		
<b>Personnel Cost:</b>		
Salaries, wages and bonus	19,106	23,914
Welfare and other benefits	952	1,052
	<b>20,058</b>	<b>24,966</b>
Power and fuel costs	74,032	129,597
Depreciation expense (note 4.1)	38,098	57,241
Stores and spares consumed	13,737	21,747
Repairs and maintenance	11,577	(26,430)
Insurance	1,535	681
Security guard	3,212	4,115
Material handling charges	7,784	9,317
	<b>170,034</b>	<b>221,233</b>
<b>20. Other operating income</b>		
Lease income	45	60
Profit from Sale of Fixed Assets	180	-
	<b>225</b>	<b>60</b>

	April 2019 to December 2019 BDT '000	April 2018 to March 2019 BDT '000
<b>21. Warehousing, distribution and selling expenses</b>		
Salaries, wages and bonus	24,394	30,533
Freight, loading, unloading and others	19,786	5,883
Advertisement and business promotion expenses	23,228	37,093
Commission to distributors and selling agents	15,157	30,211
Entertainment	444	976
	<b>83,010</b>	<b>104,697</b>

	April 2019 to December 2019 BDT '000	April 2018 to March 2019 BDT '000
<b>22. Administrative expenses</b>		
<b>Personnel Cost:</b>		
Salaries, wages and bonus	12,375	15,488
Welfare and benefits	-	4,108
	<b>12,375</b>	<b>19,596</b>
Depreciation expense (note 4.1)	1,947	7,792
Rent, rates and taxes	4,382	5,952
Traveling and conveyance	10,140	12,713
Postage, telephone and telex	2,478	3,637
Legal and professional charges	2,985	3,181
Repairs and maintenance	1,140	2,270
Bank charges	710	978
Audit fee	585	1,030
Registration exp	2,040	3,149
Electricity	519	687
Vehicle running expense	2,745	2,636
Newspaper and periodicals	59	174
Medical expenses	7	28
Overseas travelling and conveyance	20	198
Material testing charges	-	134
Insurance, CDBL and other administrative expenses	2,427	14,307
	<b>44,558</b>	<b>78,462</b>

## Notes to the Financial Statements

For the period from 1 April 2019 to 31 December 2019

April 2019 to December 2019 BDT '000	April 2018 to March 2019 BDT '000
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### 23. Net finance expenses

Interest expenses on LATR and import loan	32,113	43,131
Interest expenses on short term money market loan	10,480	7,454
Net foreign exchange (gain) loss	3,998	4,454
Interest expenses on bank overdraft	9,289	13,768
	<u>55,880</u>	<u>68,808</u>

### 24. Income tax expense

As per the applicable tax law, the company has to pay the tax at the rate applicable to the company, in case of income from 82C subject to higher of (a) at the rate of 0.60% of total gross receipts, (b) tax deducted at source for cement export u/s 53BBBB and tax deducted at source for corporate sales u/s 52 (as covered by section 82C), (c) at the rate 35% on taxable income under 82C; and incase of income other than 82C subject to higher of (a) at the rate of 0.60% of total gross receipts, (b) at the rate 35% on regular income.

Profit before tax	(70,073)	491,552
Income tax @ statutory rate of 35%/Gross receipts .60%	(24,526)	172,043
Inadmissible expenses/permanent differences		
Current tax charges ( Tax deducted at source )	<u>18,394</u>	<u>99,589</u>

### 25. Earnings per share (Basic)

Profit after tax for the year	(88,467)	391,963
Weighted average number of shares outstanding at the end of the year	158,930	158,930
<b>Earnings per share (Basic)</b>	<u><b>(0.56)</b></u>	<u><b>2.47</b></u>

The calculation of the basic earnings per share is made in accordance with IAS-33, dividing the profit for the year by weighted average number of the shares issued.

#### Basic earnings

This represents earnings for the year attributable to the ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

#### Weighted average number of shares outstanding at the end of the year:

This represents the number of ordinary shares outstanding at the year beginning of the year plus the number of ordinary shares issued during the year.

#### Earnings per share (diluted)

No diluted earnings per share is required to be calculated for these years as there was no scope for dilution these years.



## Notes to the Financial Statements

For the period from 1 April 2019 to 31 December 2019

### Notes to the Statement of Cash Flows:

The cash flow statement shows the Company's cash and cash equivalents changed during the year through inflows and outflows. Cash flows statement has been prepared as per IAS 7 using the Direct Method.

Net cash inflow from operating activities arrived after adjusting operating expenses paid, interest and taxes paid during the year.

Net cash used in investing activities includes cash outflow for purchase of property, plant and equipment after adjusting sale proceeds.

Net cash inflow /(outflow) financing activities mainly for short term bank loan.

### 26. Collection from customers

Gross cash received from customers arrived at after adjusting accounts receivables with revenue for the year.

### 27. Cash paid to suppliers

Cash paid to various suppliers arrived at after adjusting cost of raw materials and consumption cost of spares parts consumed with creditors for trade supplies.

### 28. Cash paid for operating expenses

Cash paid for operating expenses arrived at after adjusting non-cash items and creditors for revenue expenses.

### 29. Income tax paid

During the period the company has paid BDT 20,574 thousand as advance income tax.

### 30. Acquisition of non-current assets

This relates to outflow of cash and cash equivalents for acquisition of non-current assets.

### 31. Reconciliation of operating cash flow to net profit for the year

	April 2019 to December 2019 BDT '000	April 2018 to March 2019 BDT' 000
<b>Profit before tax</b>	(70,073)	491,552
Depreciation of property, plant and equipment	40,045	65,033
Loss on revaluation	-	10,900
(Increase)/Decrease in inventories	(22,727)	(60,638)
(Increase)/Decrease in Trade and other receivable	207,752	184,326
(Increase)/Decrease in advance, deposits and prepayments	11,722	(43,588)
Increase/(Decrease) in Trade & other payables	(23,769)	(602,050)
Increase/(Decrease) in Provision for other liabilities and charges	(4,857)	(101,456)
Increase/(Decrease) in Net defined benefit liability	(3,407)	9,910
Income tax paid	(20,574)	(76,306)
<b>Net cash flow generated from operating activities</b>	<b>114,112</b>	<b>(122,317)</b>

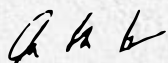
## Notes to the Financial Statements

For the period from 1 April 2019 to 31 December 2019

<b>32. Bank facilities</b>	<b>31 Dec 2019</b>	<b>31 Mar 2019</b>
	<b>BDT '000</b>	<b>BDT '000</b>
<b>The company has got the following loan facilities from Banks:</b>		
Standard Chartered Bank		
Bank Overdraft	75,000	75,000
Short term loan facilities	170,000	170,000
Letter of credit	355,000	355,000
	<b>600,000</b>	<b>600,000</b>
Bank Asia		
Bank Overdraft	100,000	100,000
Letter of credit	600,000	600,000
Bank Guarantee opened ended	11,000	11,000
	<b>711,000</b>	<b>711,000</b>
Grand Total	<b>1,311,000</b>	<b>1,311,000</b>
Citibank N.A.		
<b>33. Expenditure incurred on employees</b>	<b>Apr 19 to Dec 19</b>	<b>Apr 18 to Mar 19</b>
Salaries, wages and benefits		
Employment through out the year in receipt of remuneration aggregating BDT 36,000 or more per year	93	141
	<b>93</b>	<b>141</b>
Employee remuneration includes all types of benefits paid and provided both in cash and kind other than the re-imbursement of expenses incurred for the Company's business.		
<b>34. Managerial Remuneration - Managers and Officers</b>	<b>April 2019 to December 2019</b>	<b>April 2018 to March 2019</b>
	<b>BDT '000</b>	<b>BDT '000</b>
Salary and bonus	18,509	21,836
Rent	6,995	8,233
Retirement benefits	1,358	9,334
Provident fund	1,398	2,881
Medical	1,399	1,408
Other	13,537	14,106
	<b>43,195</b>	<b>57,798</b>

- 35.**
- 35.1 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- 35.2 Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

for and on behalf of the Board of Directors of Emirates Cement Bangladesh Limited



Managing Director



Director

See annexed report of the date

Dhaka, Bangladesh  
18 March 2020

# Independent Auditor's Report

## To the shareholders of Emirates Power Company Limited

### Report on the Audit of the Financial Statements

#### Opinion

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

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as explained in note 3.

#### Basis for opinion

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as explained in note 3, the Companies Act 1994 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.

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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.

#### Other matters

Effective 5 December 2019, the Company is acquired by HeidelbergCement Bangladesh Limited (the Holding Company) and pursuant to section 186 of the Companies Act 1994, these financial statements of the Company have been prepared to include with the annual report of the Holding Company. The Company's financial year is from 1 April to 31 March and hence as per section 183 of the Companies Act 1994 another set of financial statements of the Company shall be prepared and presented at the annual general meeting covering the year ending on 31 March 2020. Comparative information have been taken from the audited financial statements for the year ended 31 March 2019 which were audited by other firm of auditors who has expressed an unmodified opinion on those financial statements.

#### Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification there of;
- b) in our opinion, proper books of accounts as required by law have been kept by the Company so far as it appeared from our examination of those books;and
- c) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books ofaccount.

Dhaka, 18 March 2020

*Hoda Vasi*  
**Hoda Vasi Chowdhury & Co**  
Chartered Accountants

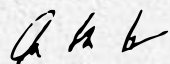
# Statement of Financial Position

As at 31 December 2019

	Notes	31 Dec 2019 BDT '000	31 Mar 2019 BDT '000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	117,348	125,844
<b>Total non-current assets</b>		<b>117,348</b>	<b>125,844</b>
<b>Current assets</b>			
Inventories	5	41,079	41,424
Advances, deposits and prepayments	6	281	249
Current tax assets		-	1,151
Cash and cash equivalents	7	7	36
<b>Total current assets</b>		<b>41,367</b>	<b>42,860</b>
<b>Total assets</b>		<b>158,716</b>	<b>168,704</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Share capital	8	269,962	269,962
Revaluation reserve	Ch. Equity	8,902	8,902
Accumulated losses	Ch. Equity	(168,561)	(168,561)
		<b>110,302</b>	<b>110,302</b>
<b>Non-current liabilities</b>			
Net defined benefit liability (gratuity)		2,658	2,485
<b>Total non-current liabilities</b>		<b>2,658</b>	<b>2,485</b>
<b>Current liabilities</b>			
Trade and other payables	9	44,312	54,582
Provision for other expenses	10	971	977
Net defined benefit liability		358	358
Provision for income tax	11	115	-
<b>Total current liabilities</b>		<b>45,756</b>	<b>55,917</b>
<b>Total liabilities</b>		<b>48,414</b>	<b>58,403</b>
<b>Total equity and liabilities</b>		<b>158,716</b>	<b>168,704</b>

These financial statements should be read in conjunction with annexed notes.

For and on behalf of the Board of Directors of Emirates Power Company Limited



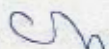
Managing Director



Director

See our annexed report of same date

Dhaka, Bangladesh  
18 March 2020

Hoda Vasi   
Hoda Vasi Chowdhury & Co  
Chartered Accountants

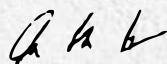
## Statement of Profit or Loss and Other Comprehensive Income

For the period ended 1 April 2019 to 31 December 2019

	Notes	April 2019 to December 2019 BDT '000	March 2018 to April 2019 BDT '000
Sales	12	16,620	20,265
Cost of goods sold	13	(14,014)	(21,462)
<b>Gross profit/(loss)</b>		<b>2,606</b>	<b>(1,197)</b>
Administrative expenses	14	(724)	(2,656)
<b>Operating profit/(loss)</b>		<b>1,882</b>	<b>(3,853)</b>
<b>Profit/(loss) before tax</b>		<b>1,882</b>	<b>(3,853)</b>
<b>Income tax expense</b>		1,882	45,108
Current tax:			
Current year		1,882	45,108
<b>Profit for the period/ year</b>		<b>-</b>	<b>41,256</b>
<b>Earnings per share (EPS)</b>		<b>0.00</b>	<b>1.53</b>
<b>Profit for the period/ year</b>		<b>0.00</b>	<b>41,256</b>
<b>Other comprehensive income</b>		-	-
Revaluation of property plant & equipment		-	10,815
Actuarial gain/(loss) on defined benefit plan		-	(187)
<b>Total comprehensive income</b>		<b>0.00</b>	<b>51,884</b>

These financial statements should be read in conjunction with the annexed notes.

For and on behalf of the Board of Directors of Emirates Power Company Limited



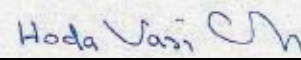
Managing Director



Director

See our annexed report of same date

Dhaka, Bangladesh  
18 March 2020



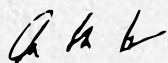
**Hoda Vasi Chowdhury & Co**  
Chartered Accountants

## Statement of Changes in Equity

For the period ended 1 April 2019 to 31 December 2019

Particulars	Share capital BDT '000	Revaluation reserve BDT '000	Accumulated losses BDT '000	Total BDT '000
<b>Year 2018</b>				
Balance as at 1st April 2018	269,962	-	(211,543)	58,418
Net profit for the year	-	-	41,256	41,256
Other comprehensive income/(loss) for the year	-	10,815	(187)	10,628
Transfer of depreciation an account of revaluation	-	(1,913)	1,913	-
<b>Balance as at 31 March 2019</b>	<b>269,962</b>	<b>8,902</b>	<b>(168,561)</b>	<b>110,302</b>
<b>Year 2019</b>				
Balance as at 1st April 2019	269,962	8,902	(168,561)	110,302
Net profit for period	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>269,962</b>	<b>8,902</b>	<b>(168,561)</b>	<b>110,302</b>

For and on behalf of the Board of Directors of Emirates Power Company Limited



Managing Director



Director

See our annexed report of same date

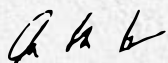
Dhaka, Bangladesh  
18 March 2020

## Statement of Cash Flows

For the period ended 1 April 2019 to 31 December 2019

	April 2019 to December 2019 BDT' 000	April 2018 to March 2019 BDT' 000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	16,620	20,265
Cash paid to suppliers	(15,448)	(17,102)
Cash paid for operating expenses	(586)	(3,965)
Cash generated in operations	<u>587</u>	<u>(803)</u>
Income taxes paid	(616)	-
<b>Net cash generated from operating activities (a)</b>	<u>(29)</u>	<u>(803)</u>
<b>Net cash used in investing activities (b)</b>	-	-
<b>Net cash used in financing activities (c)</b>	-	-
<b>Net increase/(decrease) in cash and cash equivalents (a+b+c)</b>	<u>(29)</u>	<u>(803)</u>
<b>Opening cash and cash equivalents</b>	36	839
<b>Closing cash and cash equivalents</b>	<u>7</u>	<u>36</u>

for on behalf of the Board of Directors of Emirates Power Company Limited



Managing Director



Director

See our annexed report of same date

Dhaka, Bangladesh  
18 March 2020



# Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

## 1. Company and its objectives

Emirates Power Company Limited (“the Company”) was incorporated as a private limited company on 2 August 2001 under the Companies Act 1994. It has an authorised capital of Tk 300,000,000 divided into 3,000,000 ordinary shares of Tk 100 each. The power plant is situated at East Mukterpur, Munshiganj, Bangladesh.

## 2. Nature of activities

The principal activity of the Company is producing and supplying electric power to Emirates Cement Bangladesh Limited. Operational details of the company are as under:

Name of plant	Plant capacity	Operation commencement
Emirates Power Company Limited	10 MW	June 2005

## 3. Significant accounting policies

### 3.1 Basis of preparation

#### (a) Accounting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh; Companies Act 1994 and other applicable laws and regulations.

#### (b) Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention, except for property, plant and equipment which is shown on revalued amount.

#### (c) Functional and presentational currency and level of precision

The financial statements are presented in Bangladeshi Taka (BDT), which is the Company’s functional currency. All financial information presented in BDT have been rounded off to the nearest integer.

#### (d) Comparative information

As guided in paragraph 36 and 38 of IAS 1: Presentation of Financial Statements, comparative information in respect of the previous period have been presented in all numerical information in the financial statements and the narrative and descriptive information where, it is relevant for understanding of the current period’s financial statements.

#### (e) Critical accounting estimates, assumptions and judgments

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting judgments, estimates and assumptions. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. Critical accounting estimates and judgments are applied in case of revaluation of property, plant and equipment and related deferred tax calculation.

#### (f) Reporting period

These financial statements are prepared for the year of 01 January 2019 to 31 December 2019, intended to be used by the management of the company for certain purpose as ascertained by them.

Therefore the amounts of previous period as presented in the financial statements are not entirely comparable with current period.

### 3.2 Foreign currency translation

Foreign currencies are translated into BDT at the rates prevailing on the last transaction date of the month. However, bank transfer of foreign currencies are translated into BDT at the rates prevailing on the date of transaction. Monetary assets and liabilities are reconverted at the balance sheet date, using the rates existing on that date. All material exchange differences, if any, are charged/credited to the profit and loss account, subject to the requirements of Schedule XI of Companies Act 1994.

### 3.3 Property, plant and equipment

#### (a) Recognition and measurement

Items of property, plant and equipment (PPE) are initially measured at cost. Cost includes the original purchase price of the asset and the costs incurred attributable to bringing the asset to its working condition for intended use. After initial recognition, an item

## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

of PPE is carried at cost less accumulated depreciation and impairment losses.

### (b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit on loss and other comprehensive income as incurred.

### (c) Depreciation

The estimated useful lives of property, plant and equipment are as follows:

Classes of assets	2019	2019
Buildings and other construction	3.33%	3.33%
Plant, machinery and equipment	3.33%- 10%	3.33%- 10%
Office equipment	25%	25%
Furniture and fixtures	14%	14%
Computer and accessories	33%	33%

### Impairment

The company tests for impairment of property, plant and equipment when there is an indication that property, plant and equipment might be impaired. However, no such indications that might be suggestive of a heightened risk of impairment of property, plant and equipment existed at the reporting date.

Upon taking over of the Company by HeidelbergCement Bangladesh Limited, effective from 1 January 2018, the subsequent measurement basis for power plant and machinery has been changed from cost model to revaluation model as allowed by IAS 16. Accordingly, value of power plant and machinery is stated at revalued amount which is the fair value of these items as at July 2019

### 3.4 Intangible assets

#### (a) Recognition and measurement

"Intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortisation and impairment losses, if any. Intangible assets are recognised when all the conditions for recognition as per IAS 38: Intangible assets are met. The cost of an intangible asset comprises its purchase price, non-refundable taxes and any directly attributable costs of preparing the asset for its intended use."

### 3.5 Inventories

Inventories are measured at lower of cost and estimated net realizable value. The cost of inventories is valued at first in first out method and includes expenditure for acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. When inventories are used, the carrying amount of those inventories are recognized in the period in which the related revenue is recognized.

### 3.6 Advances, deposits and prepayments

Advances are initially measured at cost. After initial recognition advances are carried at cost less deductions, adjustments or charges to other heads.

Deposits are measured at payment value.

Prepayment is initially measured at cost. After initial recognition prepayment are carried at cost less charge to statement of profit on loss and other comprehensive income.

### 3.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits and other short term liquid investments with maturity duration of the three months or less which were held and available for use by the company without any restriction, and there was insignificant risk of changes in value of these current assets.

### 3.8 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be repaid to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is

## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

recognised as a finance cost.

### 3.9 Contingencies

Contingencies arising from claim, litigation, fines, penalties etc. are disclosed when it is possible that a liability has been incurred and the amount can reasonably be measured.

### 3.10 Revenue recognition

Revenue consists of supply of electricity and quantum which is determined by survey of meter reading. Revenue is recognised in the statement of profit or loss and other comprehensive income (profit or loss statement) when the significant risks and rewards of goods and services have been passed to the buyer and it can be measured reliably.

### 3.11 Taxation

The company was entitled to tax exemption from income tax for a period of 15 years with effect from commencement of commercial production, vide SRO no. 114-Law/99 dated 26 May 1999 issued by Government of Bangladesh, under private sector power generation policy and expired the tax exemption period at June 2020. However in current provision is made at the ruling rate of tax applied on estimated total taxable income.

### 3.12 Statements of cash flows

Statement of cash flows is prepared in accordance with IAS 7: Statement of cash flows applying direct method.

### 3.13 Defined contribution plan (provident fund)

Defined contribution plan is a post-employment benefit plan. The employees' provident fund is considered as defined contribution plan (Group Insurance Provident Fund- GIPF) as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10% of their basic salary to the provident fund and the Company also makes equal contribution.

The Company recognises contribution to defined contribution plan as an expense when an employee has rendered services in exchange for such contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

### 3.14 Defined benefit plan (gratuity)

"The Company operates an unfunded defined benefit plan (gratuity), provision in respect of which is made covering all its permanent eligible employees. Benefit payable to all eligible employees at the end of each year is determined on the basis of existing rules and regulations. Each employee on completion of the six months of service will be eligible for the scheme. The benefit payable will be computed by considering the following conditions:

- a) Employee working for more than 6 months will be entitled to one month's basic salary for each year of service up to 10 years.
- b) Employee working continuously for 10 years or above will be entitled to one and half months basic salary for each year of service."

"Present value of defined benefit obligation and the fair value of the plan assets are determined by professional actuary. Projected Unit Credit method is used to measure the present value of defined benefit obligations and related current and past service cost and mutually compatible actuarial assumptions about demographic and financial variables are used.

The rate used to discount post employment benefit obligations is determined by reference to the rate stated in actuarial report. The expected return on plan assets is also based on the same discount rate and is one of the component of expenses recognized in profit or loss. Remeasurements of the net defined benefit liability and the effect of asset ceiling, if any, are recognised in profit or loss."

## Notes to the Financial Statements

As at 31 December 2019

### 4. Property, plant and equipment

Particulars	Land and Buildings BDT '000	Plant and Machinery BDT '000	Furniture and Equipment BDT '000	Total BDT '000
<b>Cost</b>				
At 1st April 2018	38,762	288,706	535	328,002
Additions	-	-	-	-
Adjustment for revaluation	(20,722)	(171,491)	(505)	(192,717)
<b>Balance at 31 March 2019</b>	<b>18,040</b>	<b>117,215</b>	<b>30</b>	<b>135,285</b>
At 1st April 2019	18,040	117,215	30	135,285
Additions	-	-	-	-
Disposal	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>18,040</b>	<b>117,215</b>	<b>30</b>	<b>135,285</b>
<b>Depreciation</b>				
At 1st April 2018	18,431	178,864	519	197,813
Depreciation expense	1,033	12,159	29	13,220
Adjustment for revaluation	(18,787)	(182,286)	(519)	(201,593)
<b>Balance at 31 March 2019</b>	<b>676</b>	<b>8,736</b>	<b>29</b>	<b>9,441</b>
At 1st April 2019	676	8,736	29	9,441
Depreciation expense	802	7,694	-	8,496
Disposal	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>1,478</b>	<b>16,430</b>	<b>29</b>	<b>17,937</b>
<b>Net book value at 31 December 2019</b>	<b>16,562</b>	<b>100,785</b>	<b>2</b>	<b>117,348</b>
<b>Net book value at 31 March 2019</b>	<b>17,364</b>	<b>108,479</b>	<b>2</b>	<b>125,844</b>

### 5. Inventories

	31 Dec 2019 BDT '000	31 Mar 2019 BDT '000
Diesel	578	912
Stores and spares	40,501	40,512
	<b>41,079</b>	<b>41,424</b>

## Notes to the Financial Statements

As at 31 December 2019

	31 Dec 2019 BDT '000	31 Mar 2019 BDT '000
<b>6. Advances, deposits and prepayments</b>		
Advance-VAT Current Account	58	60
Other advances	-	114
Prepayments-Insurance	223	74
	<b>281</b>	<b>249</b>
<b>7. Cash and cash equivalents</b>		
Cash in hand	-	-
Cash at bank in current accounts- <b>Bank Asia Limited</b>	7	36
	<b>7</b>	<b>36</b>
<b>8. Share capital</b>		
<b>Authorised:</b>		
The authorised capital consist of 3 million ordinary shares of BDT 100 each	300,000	300,000
<b>Issued, subscribed and paid up:</b>		
Number of shares '000	2,699.62	2,699.62
Subscribed Share Capital	<b>269,962</b>	<b>269,962</b>
<b>Position of Shareholding</b>	<b>Number of shares</b>	<b>Number of shares</b>
a) HeidelbergCement Bangladesh Limited	2,699,605	0
b) Jashim Uddin Chowdhury, FCA	10	0
c) UltraTech Cement Middle East Investment Ltd.	0	2,699,605
d) Vinod Kumar Damani	0	10
	<b>2,699,615</b>	<b>2,699,615</b>

The company acquired by HeidelbergCement Bangladesh Limited on 5th December 2019.

## Notes to the Financial Statements

As at 31 December 2019

	31 Dec 2019 BDT '000	31 Mar 2019 BDT '000
<b>9. Trade and other payables</b>		
Trade payables (Inter-company-ECBL)	44,286	54,561
Other payables (note : 9.1)	25	21
	<b>44,312</b>	<b>54,582</b>
<b>9.1 Other Payables</b>		
Tax deducted at source payable	19	12
VAT deducted at source payable	6	9
	<b>25</b>	<b>21</b>
<b>10. Provision for Other expenses</b>		
Provision for Bonus	131	198
Provision for audit fees	189	-
Repair and maintenance of plant and machineries	68	-
Provident fund Payable	-	30
Due to employees for unavailed leave	444	617
Accrued expenses	140	132
	<b>971</b>	<b>977</b>
<b>11. Provision for income tax / Advance income tax</b>		
Advance income tax	1,291	1,206
Income tax provision	(1,406)	(55)
	<b>(115)</b>	<b>1,151</b>

## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

	Apr 2019 to Dec 2019 BDT '000	March 2018 to April 2019 BDT '000
<b>12. Sales</b>		
Sale of power (inclusive of VAT)	16,623	20,269
VAT on sales as per VAT return	(2)	(5)
<b>Total Sales</b>	<b>16,620</b>	<b>20,265</b>
<b>13. Cost of goods sold</b>		
Raw materials consumed	794	1,579
Manufacturing labour and overhead	13,220	19,883
	<b>14,014</b>	<b>21,462</b>
<b>13.a. Manufacturing, labour and overhead</b>		
<b>Personnel Cost:</b>		
Salaries, wages and bonus	3,763	5,452
Depreciation expense (note 4)	8,496	13,220
Operation and maintenance cost	598	789
Stores and consumables	-	6
Insurance	363	416
	<b>13,220</b>	<b>19,883</b>
<b>14. Administrative expenses</b>		
Lease rent	45	60
Audit fee	193	413
Registration expense	485	240
Loss on revaluation	-	1,939
Bank charges	1	4
	<b>724</b>	<b>2,656</b>
<b>15. Reconciliation of operating cash flow to net profit:</b>		
<b>Profit before tax</b>	<b>1,882</b>	<b>(3,853)</b>
<b>Adjustment:</b>		
Depreciation/Amortization of PPE & intangible assets	8,496	13,220
Loss on revaluation	-	1,939
(Increase)/Decrease in working capital components:		
Inventories	345	15
Advance, deposits and prepayments	(32)	225
Trade payable and other provision	(10,276)	(13,426)
Net defined benefit liability	172	1,076
	(1,295)	3,050
Income Tax paid	(616)	-
<b>Net cash generated from operating activities</b>	<b>(29)</b>	<b>(803)</b>

## Notes to the Financial Statements

For the period ended 1 April 2019 to 31 December 2019

### 16. Others

- 16.1** These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- 16.2** Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

for and on behalf of the Board of Directors of Emirates Power Company Limited



Managing Director



Director

Dhaka, Bangladesh  
18 March 2020

See annexed report of the date



# HEIDELBERGCEMENT BANGLADESH LTD.



Registered Office: Tatki, Jatramora, Tarabow, Rupgonj, Narayangonj  
Corporate Office: "Symphony" (6th & 7th Floor), Plot # SE(F) 9, Road # 142, South Avenue, Gulshan -1, Dhaka -1212.

## Form of Proxy

I/We \_\_\_\_\_ (Name) of \_\_\_\_\_ (Address) being a shareholder of HeidelbergCement Bangladesh Limited (the "Company") hereby appoint, Mr. /Ms \_\_\_\_\_ (Name) of \_\_\_\_\_ (Address) as my/our proxy, to attend on my/our behalf at the 31<sup>st</sup> Annual General Meeting of the Company to be held on Tuesday, 30 June 2020 and at any adjournment thereof or any poll that may be taken in consequence thereof and to vote on my/our behalf as he/she thinks fit on all resolutions.

As witness my/our hand this .....day .....2020

Signed (shareholder)  
No. of Shares held:

Folio/BO ID No.

Signed (Proxy)  
No. of Shares held:

Folio/BO ID No.

Affix revenue stamp



Note: The proxy form, duly filled in and stamped, must be submitted at the Corporate Office of the Company not less than 48 hours before the time fixed for the meeting.

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## Attendance Slip of Proxy-holder

I hereby recorded my presence at the 31<sup>st</sup> Annual General Meeting of HeidelbergCement Bangladesh Limited on Tuesday, 30 June 2020.

Name \_\_\_\_\_

B.O. - ID No. /Folio No.																			
-----------------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Signature

Note: Please complete the attendance slip and deposit at the registration counter on the day of the meeting.



## **HEIDELBERGCEMENT BANGLADESH LTD.**

### **Corporate Office**

Symphony (6<sup>th</sup>&7<sup>th</sup> Floor), Plot No. SE(F)9, Road No.142, South Avenue,  
Gulshan -1, Dhaka -1212, Tel: 88-2-58811691, Fax: 88-2-58811691  
E-mail: [info@heidelbergcementbd.com](mailto:info@heidelbergcementbd.com)

### **Chittagong Factory**

South Haliashahar, G.P.O Box No.372, Chittagong-4204  
Tel: 88-031-2501152-53, Fax: 88-031-2501154

### **Registered Office & Kanchpur Factory**

Mouza:Tatki, Post Office: Jatramora, Union: Tarabow,  
Police Station: Rupgonj, Dist: Narayangonj  
Tel: 88-02-8815602, Fax: 88-02-8815598