

**CONFIDENCE CEMENT LIMITED AND ITS SUBSIDIARY  
AUDITORS' REPORT AND FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 30 June 2020**

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
CONFIDENCE CEMENT LIMITED AND ITS SUBSIDIARY  
Report on the Audit of the Consolidated and Separate Financial Statements**

**Opinion**

We have audited the accompanying consolidated financial statements of **Confidence Cement Limited and its subsidiary ("the Group")** as well as the separate financial statements of Confidence Cement Limited ("the Company") which comprise the Consolidated and Separate Statement of Financial Position as at 30 June 2020, and the Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income, Consolidated and Separate Statement of Changes in Equity and Consolidated and Separate Statement of Cash Flows for the period from 01 July 2019 to 30 June 2020, and notes to the consolidated and separate financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to explanations given to us, the accompanying consolidated and separate financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs), give a true and fair view of the financial position of the Group as at 30 June 2020 and of its financial performance and cash flows for the period from 01 July 2019 to 30 June 2020 and comply with the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws and regulations.

**Basis for Opinion**

We conducted our audit in accordance with International Standard on Auditing (ISAs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). Our responsibilities under those standards are further described in "Auditors responsibilities for the audit of the financial statements" section of our report.

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in Bangladesh and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Key Audit Matters**

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in our audit of the consolidated and separate financial statements for the year ended 30 June 2020. These matters, and any comments we make on the results of our procedures thereon, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

SL	Key Audit Matter	How our audit addressed the key audit matter
1.	<p><b>Accounting related to major acquisitions of an associate and a subsidiary</b></p> <p>Refer to notes 6.01 and 18 to the consolidated financial statements.</p> <p>During the year ended 30 June 2019, the Company invested BDT 51 million to acquire Zodiac Power Chittagong Limited (ZPCL) from Confidence Power Holdings Limited (CPHL) and holding 51% of total shares.</p>	<p>We performed the following procedures to assess the key assumptions used in assessing the fair value of the assets and liabilities, which are determined based on income approach, acquired in the acquisitions:</p> <ul style="list-style-type: none"> <li>Completed a walkthrough of the acquisition process and assessed the design and implementation of the key controls addressing the risk;</li> </ul>



SL	Key Audit Matter	How our audit addressed the key audit matter
1.	<p><b>Accounting related to major acquisitions of an associate and a subsidiary</b></p> <p>The Company further acquired 15.3 million shares for BDT 153 million on 02 October 2019 which stands 80.63% shares holding of the ZPCL.</p> <p>Refer to notes 6.02.05 to the consolidated financial statements, CPHL has issued 56.5 million shares to CCL for BDT 565 million which stands CCL's 43.66% share holding in CPHL.</p>	<ul style="list-style-type: none"> <li>• obtained and reviewed relevant contracts related to the acquisitions and evaluated management's process to identify intangible assets;</li> <li>• Obtained and reviewed audited financial statements of subsidiary and associates to confirm share of profit and net asset value;</li> <li>• Obtained schedule X and other documents to confirm legal rights; We found the key assumptions as stated above to be supported by the evidence obtained.</li> </ul>
2.	<p><b>Valuation of Inventories</b></p> <p>Inventory is carried in the financial statements at the lower of cost and net realisable value. The exercise for the assessment of the net realisable value involves the use of judgement and assumptions that may vary depending on technological and socio-economical conditions and is therefore considered a significant key audit matter. Please refer to note 3.07 and 8 to the financial statements.</p>	<p><b>How our audit addressed the key audit matter</b></p> <ul style="list-style-type: none"> <li>• Verified a sample of inventory items to ensure that costs have been appropriately recorded.</li> <li>• Tested on a sample basis the net realisable value by comparing costs to recent selling prices and assessing the reasonableness of any resulting write down of inventory items.</li> <li>• Assessed whether appropriate provisions have been recognised for aged, damaged, slow moving or obsolete inventories by reviewing the age of inventories held and evaluating management's basis for determining the usability of inventories.</li> <li>• Performed cut-off tests to determine that the purchases and sales of the inventories have been captured in the correct accounting period.</li> <li>• Reviewed the historical accuracy of inventory provisions and the level of write-downs.</li> </ul>
3.	<p><b>Revenue Recognition</b></p> <p><b>Appropriateness of revenue recognition and disclosures on the impact.</b></p> <p>Revenue recognition has significant and wide influence on financial statements. As described in the accounting policy note 3.16 to the financial statements, the Group recognises revenue upon transfer of control.</p> <p>The Group has reported total consolidated revenue of BDT 4,876 million and separate revenue of BDT 3,947. Refer to note 29.a and 29 to the financial statements.</p> <p>This material item is subject to considerable inherent risk due to the complexity and identifying revenue and the high number of transactions from multiple locations from which revenue is being recognised. Against this background, the proper application of the accounting standards is considered to be complex and assumptions made by management.</p>	<p><b>How our audit addressed the key audit matter</b></p> <ul style="list-style-type: none"> <li>• Undertaken audit procedures over the accuracy of recording of revenue including procedures related to the changes in revenue recognition.</li> <li>• Assessed the environment of the measurement as well as other relevant systems supporting the accounting of revenue.</li> <li>• Assessed manual as well as application controls supporting revenue recognition.</li> <li>• Assessed the invoicing and measurement systems up to entries in the general ledger.</li> <li>• Examined customer invoices and receipts of payment on a test basis.</li> <li>• Tested the revenue charging model against the regulatory guidelines, contractual provisions and accounting standards, on a sample basis.</li> <li>• Assessed the design of the processes set up to account for the transactions in accordance with the new standard.</li> <li>• Assessed whether the sufficiency of disclosures as required by the new standard have been met.</li> </ul>



**Reporting on other information**

Management is responsible for the other information. The other information comprises all of the information included in the Annual Report other than the financial statements and our auditors' report thereon. Our opinion on the financial statements of the Group does not cover the other information and, accordingly, we do not express any form of assurance thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements of the Group or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Based on the information read and reviewed, we have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements of the Group in accordance with International Financial Reporting Standards (IFRSs), the Companies Act, 1994, the Securities and Exchange Rules, 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and 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.

**Auditors' responsibilities for the audit of the consolidated and separate 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance 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 judgment and maintain professional skepticism throughout the audit. We also:

- (a) 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.
- (b) 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.
- (c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) 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 and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.



- (e) 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.
- (f) 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 communicate with 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.

We determine those matters, from the matters communicated with those charged with governance, that were of most significance in the audit of the consolidated and separate 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.

#### Other matter

The financial statements of the Company for the year ended 30 June 2019 were audited by Rahman Mostafa Alam & Co., Chartered Accountants and issued unqualified opinion on 26 October 2019.

#### Report on other legal and regulatory requirements

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

- i) 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;
- 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 and;
- iii) 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 and returns.
- iv) the expenditure incurred was for the purposes of the Group's and the Company's business.

Dated: Chattogram

10 JAN 2021

*Hussain Farhad*

**Hussain Farhad & Co.**

Chartered Accountants

Signed by:

**Sarwar Uddin FCA (779)**

Partner

DVC: 2101100779AS102045



**CONFIDENCE CEMENT LIMITED AND ITS SUBSIDIARY**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2020**

	Note(s)	30 June 2020	30 June 2019 (Restated)
		Taka	Taka
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4.a	8,239,624,332	4,405,981,169
Capital work-in-progress	5.a	152,640,946	3,763,829,890
Investments	6.a	2,839,707,568	1,388,192,868
<b>Total non-current assets</b>		<b>11,231,972,846</b>	<b>9,558,003,927</b>
<b>Current assets</b>			
Investments in quoted shares	7.a	1,172,933	2,007,726
Inventories	8.a	499,328,150	581,686,668
Trade receivables	9.a	882,501,199	950,872,727
Accrued Revenue	10.a	94,760,685	-
Advances, deposits and prepayments	11.a	1,152,313,141	1,479,216,309
Other receivables	12.a	138,128,410	100,141,507
Short term investments in Fixed Deposits	13.a	330,633,269	250,000,000
Due from related parties	14.a	2,833,669	-
Cash and cash equivalents	15.a	279,184,065	154,477,077
<b>Total current assets</b>		<b>3,380,855,521</b>	<b>3,518,402,014</b>
<b>Total Assets</b>		<b>14,612,828,367</b>	<b>13,076,405,941</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	745,092,682	647,906,680
Share premium		658,089,549	658,089,549
General reserve	17.01	371,862,754	371,862,754
Revaluation reserve	17.02	462,121,543	497,952,337
Retained earnings		2,734,755,494	2,262,676,995
<b>Equity attributable to owner's of the Company</b>		<b>4,971,922,022</b>	<b>4,438,488,315</b>
Non-Controlling Interest	18	885,346,788	55,885,373
<b>Total Equity</b>		<b>5,857,268,810</b>	<b>4,494,373,688</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term borrowings	19.a	3,386,612,281	1,671,109,886
Defined benefit obligations (gratuity)	20.a	76,470,478	65,891,283
Deferred tax liability	21.a	266,602,779	231,406,533
<b>Total non-current liabilities</b>		<b>3,729,685,538</b>	<b>1,968,407,702</b>
<b>Current liabilities</b>			
Due to related parties	22.a	839,563,943	406,501,541
Trade payables	23.a	526,969,962	544,563,005
Short term borrowings	24.a	2,533,159,231	5,200,147,550
Current portion of long term borrowings	25.a	754,598,925	262,615,385
Current tax liability	26.a	134,580,388	55,180,352
Other liabilities	27.a	237,001,570	144,616,718
<b>Total current liabilities</b>		<b>5,025,874,019</b>	<b>6,613,624,551</b>
<b>Total Liabilities</b>		<b>8,755,559,557</b>	<b>8,582,032,253</b>
<b>Total Equity and Liabilities</b>		<b>14,612,828,367</b>	<b>13,076,405,941</b>
<b>Net Asset Value Per Share</b>		<b>66.73</b>	<b>68.51</b>

The annexed notes 1 to 49 form an integral part of these consolidated financial statements

  
Chairman

  
Chief Financial Officer

  
Vice Chairman

  
Managing Director

  
Company Secretary

Signed in terms of our annexed report of same date

Dated: Chattogram

10 JAN 2021

  
Hussain Farhad & Co.  
Chartered Accountants




**CONFIDENCE CEMENT LIMITED AND ITS SUBSIDIARY**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2020**

		01 July 2019 to 30 June 2020	01 July 2018 to 30 June 2019 (Restated)
	Note(s)	Taka	Taka
<b>Revenue</b>	28.a	4,876,698,175	4,832,893,768
Cost of sales	29.a	(4,234,059,191)	(4,474,549,860)
<b>Gross Profit</b>		<b>642,638,984</b>	<b>358,343,908</b>
Administrative expenses	30.a	(124,896,703)	(105,755,963)
Selling and distribution expenses	31.a	(135,101,849)	(194,675,717)
Other operating income	32.a	145,094,610	25,403,759
<b>Profit from operating activities</b>		<b>527,735,042</b>	<b>83,315,987</b>
Finance costs	33.a	(469,923,865)	(238,096,429)
Finance income	34.a	19,201,570	35,212,955
Non-operating income/(loss)	35.a	(25,835,492)	2,332,107
<b>Profit before Workers profit participation fund</b>		<b>51,177,255</b>	<b>(117,235,380)</b>
Contribution to WPPF and welfare fund	38.a	-	-
<b>Profit after Workers profit participation fund</b>		<b>51,177,255</b>	<b>(117,235,380)</b>
Gain on bargain purchase during acquisition of subsidiary		-	3,568,785
Share of profit/(loss) of equity accounted investees (net of tax)	36.a	766,729,084	633,274,213
<b>Profit before income tax</b>		<b>817,906,339</b>	<b>519,607,618</b>
Income tax expenses			
Current tax			
Current year	26.01.a	(122,910,968)	(43,363,178)
Previous year	26.01.a	281,999	-
Deferred tax		(47,139,843)	(34,848,988)
<b>Net profit after tax</b>		<b>648,137,527</b>	<b>441,395,452</b>
<b>Other comprehensive income</b>			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
		-	-
<b>Total comprehensive income</b>		<b>648,137,527</b>	<b>441,395,452</b>
<b>Profit attributable to:</b>			
Owners of the Company		618,676,112	437,938,911
Non-controlling Interests		29,461,415	3,456,541
		<b>648,137,527</b>	<b>441,395,452</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company			
Non-controlling Interests			
<b>Earnings Per Share</b>	39.01	<b>8.30</b>	<b>6.76</b>

The annexed notes 1 to 49 form an integral part of these consolidated financial statements

  
Chairman

  
Chief Financial Officer

  
Vice Chairman

  
Managing Director

  
Company Secretary

As per our annexed report of same date

Dated: Chattogram

10 JAN 2021

  
Hussain Farhad & Co.  
Chartered Accountants



