

Directors' Report

to the Members for the year ended 30 June 2021

It is a pleasure and privilege on behalf of the Board of Directors to present the Directors' and Auditor's Report together with the audited financial statements of Confidence Cement Limited for the year ended 30 June 2021.

The Directors' Report is prepared in compliance with Section 184 of the Companies Act, 1994; Rule 12 of the Bangladesh Securities and Exchange Commission Rules 1987, and the Listing Regulations of the Dhaka Stock Exchange (DSE) Limited and the Chittagong Stock Exchange (CSE) Limited and Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018.

Cement Industry outlook in Bangladesh and possible future development

The World Bank Group in its Global Economic Prospect report has stated that the global economy is set to expand 5.6 percent in 2021-its strongest post-recession pace in 80 years. This recovery is uneven and largely reflects sharp rebounds in some major economies. In many emerging market and developing economies (EMDEs), obstacles to vaccination continue to weigh on activity. By 2022, last year's per capita income losses will not be fully unwound in about two-thirds of EMDEs. The global outlook remains subject to significant downside risks, including the possibility of additional COVID-19 waves and financial stress amid high EMDE debt levels. Policy makers will need to balance the need to support the recovery while safeguarding price stability and fiscal sustainability and to continue efforts toward promoting growth-enhancing reforms.

Before the COVID-19 pandemic, Bangladesh exhibited a steady and high GDP growth, averaging 7.4 percent per year during FY 2015-16 to FY 2018-19 and reached a record 8.15 percent growth rate in FY 2018-19. The global economy came to a standstill due to the COVID-19 pandemic, which has also had a huge negative impact on the economy of Bangladesh. According to the final estimations of BBS, the GDP growth in FY 2019-20 has slowed to 3.51 percent. However, Bangladesh's economy is turning around in 2020-21. According to the provisional estimates of BBS, the GDP growth in FY 2020-21 stood at 5.47 percent. Despite the stagnation in the economy caused by the coronavirus, food production and supply chains remained unaffected, leading to inflation at 5.56 percent in FY 2020-21. Both export and import in Bangladesh have showed a sign of recovery after a sharp decline in FY 2019-20. In FY 2020-21, Bangladeshi expatriates remittance stood at US\$ 24,777.72 million, which was significantly higher (36.10%) than the previous fiscal year. In FY 2020-21, current account balance deficit stood at US\$ 3,808 million on the back of robust remittance inflows compared to a US\$ 4,724 million deficit in the previous year. Financial account and capital account showed surplus during this time. Therefore, the overall balance recorded the surplus of US\$ 9,274 million in FY 2020-21 compared to US\$ 3,169 million surplus in the previous year. As a result, the foreign exchange reserves increased to a record US\$ 46.39 billion at 30 June 2021.

The economic consequences of the Covid-19 outbreak are tough to handle as the entire of the global supply chain has been interrupted due to worldwide transportation shutdown. The unprecedented Covid-19 pandemic has largely unsettled global trade, business and education and Bangladesh has been equally affected by this contagion. On the other hand a large number of people live from hand to mouth and have no savings. This large group of people is severely affected by this ongoing crisis.

The major challenges now facing the economy relates to recent pressure in foreign exchange reserves caused by sharp increase in imports and significant decline in remittances. This is leading to gradual depreciation of the taka against world currencies. Inflation is now creeping up with massive increase in world commodity prices across all front be it industrial or consumer product. This is partly due to rebounding of world economies post resulting in resurgence of demand and partly due to the steep escalation in international freight costs. Sharp increase in industrial raw material cost is expected to result in margin erosion for local industries especially where the higher costs cannot be passed on to the consumers. However, exports are buoyant with record orders coming for RMG. The country's financial sector is still stressed with banks exhibiting low levels of Advance to Deposit ratio. Once loan classification resumes, the results of many banks could deteriorate.

Bangladesh's cement industry has experienced some of the fastest growth in recent years: the industry experienced an approximately 10% growth rate over the last decade. Backed by the country's economic development, rapid urbanization, government infrastructure projects and real estate sector growth, manufacturers are optimistic about the future prospect of the industry. The quick rebound of the sector from the COVID-19 pandemic testifies to their positive outlook and the sector's resilience. Although the sector has suffered from overcapacity and government levies, companies are continuing to invest.

Despite the pandemic, the cement sector's market size reached 33.5 million tonnes in 2020, a marginal degrowth of 0.50% compared to the previous calendar year. However, with the onset of the New Year, there was an unprecedented surge in cement demand that caught all the cement players napping. This surge was caused by the pent up demand in the previous year when construction had slowed down due to the pandemic. As a result, in the first quarter of 2021, cement market grew by 20.5% and by 35.6% by June 2021. Growth in the second half will not be the same as the first half since the market had grown very strongly in the second half of the previous year. We still expect that the industry will close with a growth of around 25% compared to 2020, which will stand out as a record for the industry.

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The major challenge currently facing the industry is the skyrocketing price of raw materials such as clinker, slag, fly ash, limestone and gypsum. Margins are now severely eroded.

Moreover, the existing overcapacity coupled with capacity expansion in anticipation of demand hike has put the whole industry under intense competitive pressure leading to price war undermining the sustainability of the sector. Consequently, the industry had to absorb the increased cost of input (gas) and logistics (transportation) resulting in erosion of profits. Overall, even though the outlook for cement demand growth is robust, profitability remains a concern for cement manufacturers.

The market has been squeezed by existing producers' capacity expansion and entry of new producers make the market even more competitive day by day. To tackle the challenge of gaining more market share, cement industry players are initiating aggressive marketing plans.

However, Your Company has been taken various marketing and sales initiatives and deployed them to increase our brand visibility and customers' loyalty. These initiatives helped us to be at the top-of-mind of the consumers as well as to gain market share. We continue to invest in retailer loyalty programs and engaging with our key specifiers of cement so that there is a sustainable demand for our product.

Segment wise performance

This contained in the Note No. 39.00 of the Financial Statements referred to page no.- 112.

Risks and Concerns

A details report on Risk and Concerns are given in Annexure-V, referred to page no.- 38.

Financial Results

The operating financial results of the Company for the year ended 30 June 2021 as compared to previous year are summarized hereunder:

Figur in Taka

Particulars	2020-2021	2019-2020
Revenue	4,619,313,869	3,947,575,496
Cost of Goods Sold	4,151,067,651	3,733,608,647
Gross Profit	468,246,218	213,966,849
Net Profit (Before Tax)	1,487,040,063	642,946,709
Net Profit (After Tax)	1,240,739,054	474,521,198
Total Assets	11,554,369,068	9,908,365,916
Net Assets Value	5,809,366,479	4,820,600,698
Net Operating Cash Flow	166,987,468	1,023,443,086
Earnings Per Share (EPS)	15.86	6.37
Net Assets Value Per Share (NAVPS)	74.26	64.70
Net Operating Cash Flow Per Share	2.13	13.74
Gross Margin	10.14%	5.42%
Net Margin (Before Tax)	32.19%	16.29%
Net Margin (After Tax)	26.86%	12.02%

Discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin

In the year 2020-2021, the Sales Revenue has increased by 17.02% compared to 2019-2020 mainly due to increase in sales volume by 16.80%. Cost of Goods Sold (COGS) has increased by 11.18% in the year 2020-2021 over previous year due to increase in sales volume.

Percentage increasing of COGS is less compared to percentage increase of sales mainly due to lower cost of raw material in international market.

Factory overhead cost increased by 26.17 % due to increase of depreciation, provision of gratuity and increase of stores and spares consumed, electricity and gas consumption resulting from the increase of production volume.

The Earnings per Share (EPS) of the Company increased by Tk. 9.49 i.e. 148.98% and stood at Tk. 15.86 in 2020-2021 where as in 2019-2020 it was Tk. 6.37 due to increase in revenue resulting from volume growth, profit on gain on sale of shares of subsidiary company shares-Zodiac Power Chittagong Ltd, increase of the share of profit from the associate companies by 39.76 % than that of the previous year, and decrease of operating cost due to lower raw material cost and effective cost control initiative by management

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The Gross Profit increased by 118.84% from Tk. 213.97 million in 2019-2020 to Tk. 468.25 million in 2020-2021 and the Gross Profit Margin increased by 87.08% in line with the Gross Profit mainly due to increase in sales volume and the reason of lower cost of raw materials as explained above.

In 2020-2021, In spite of increase in sales volume, the Administrative Expenses was reduced by 4.30% due to decrease of directors' remuneration and benefits. But Selling and Distribution Expenses increased by 32.30% due to increase of sales commission.

Finance cost decreased by 13.98% i.e. Tk. 35.32 million due to decrease of interest rate as well as decrease of loan liabilities.

As a result, in 2020-2021, the Net Profit (after tax) increased by 161.47% from Tk. 474.52 million to Tk. 1,240.74 million as well as Net Profit Margin (after tax) also increased by 123.46% than that of the previous year.

Share of profit from Associate Companies

You must be aware that the Company invested in two associates companies such as Confidence Batteries Limited and Confidence Power Holdings Limited. The share of profit from the associate companies has been increased by Tk. 304.83 million i.e. 39.76% and stood at Tk. 1,071.56 million in 2020-2021 where as in 2019-2020 it was Tk. 766.73 million. The details description and calculation of the associates companies have presented in the note 1.03 and 34 of the financial statements.

Comparative statements of share of profit from associates are stated below:

Company (s)	Ownership	2020-2021 TK	2019-2020 Tk.
Confidence Batteries Limited	21%	13,739,503	21,954,722
Confidence Power Holdings Limited	36%	1,057,818,621	744,774,362
		<u>1,071,558,124</u>	<u>766,729,084</u>

Production

During the year under review the company was able to produce at cement plant 708,853 M.T as against 605,042 M.T in previous year and at Ready-mix plant 992,544 CFT as against 1,020,431 CFT in previous period which is summarized in the following table:

			2020-2021	2019-2020
Cement Plant	Production	M.T	708,853	605,042
	Capacity Utilization	(%)	59	50
Ready-mix Plant	Production	CFT	992,544	1,020,431
	Capacity Utilization	(%)	41	43

Sales

The overall sales performance for the year ended 30 June 2021 showed upward trend. During the year under review sales increased at Cement Plant by 16.80% in volume and 19.08% in value. The company has been taken various sales and marketing initiatives to ensure sustainable sales growth, consumer's satisfaction as well as to gain market share which reflected the upward trend of sales volume. On the other side, sales also decreased at Ready-mix Plant by 2.73% in volume and 7.54% in value.

Particulars	Unit	2020-2021		2019-2020		Growth %	
		Qty.	Tk.	Qty.	Tk.	Qty.	Tk.
Cement Plant	M.T	708,853	4,336,744,292	606,910	3,641,970,811	16.80	19.08
Ready mix Plant	CFT	992,544	282,569,577	1,020,431	305,604,685	(2.73)	(7.54)

Extra-Ordinary Gain/Loss

During the year under review, the Company has earned of Tk. 230,532,241 as profit on gain on sale of shares of its subsidiary company-Zodiac Power Chittagong Ltd. The Company had sold the entire shares i.e. 20,400,000 ordinary shares of Tk. 10 each of Zodiac Power Chittagong Ltd (ZPCL), a subsidiary of the Company, at an aggregate price of Tk. 434,532,240/- as decided by the Board in its meeting held on January 30, 2021 and approved by the members at the 29th Annual General Meeting held on February 28, 2021 where company was able to earned of Tk. 230,532,241 as profit on gain on sale of shares.

Related Party Transaction

During the year the company carried out a number of transactions with related parties in the normal course of business and arm's length basis. The name of the related parties, relationship, nature of business and their value has been shown in the Note No. 41.0 of the Notes to the Financial Statements referred to page no.- 113.

Significant Variance between Quarterly Financial performance and Annual Financial Statements

Particulars	First Quarter 2020-2021	Second Quarter 2020-2021	Third Quarter 2020-2021	July 2020- June 2021
Revenue	666,468,185	1,781,771,657	3,274,117,509	4,619,313,869
Gross Profit	61,820,254	179,092,295	363,728,464	468,246,218
Profit Before Tax	280,821,215	592,398,964	1,266,733,131	1,487,040,063
Net Profit After Tax	252,599,513	518,316,051	1,107,552,277	1,240,739,054
Shareholders' Equity	5,076,186,111	5,344,888,548	5,825,346,771	5,809,366,479
Total Assets	10,220,885,966	10,515,866,530	10,720,110,681	11,554,369,068
Total Current Assets	2,865,274,449	2,957,451,547	2,883,488,639	3,168,967,654
Total Current Liabilities	3,542,216,057	3,559,539,494	3,477,204,001	4,084,431,684
Total Liabilities	5,144,699,855	5,170,977,982	4,894,763,910	5,745,002,589
Current Ratio (Time)	0.81	0.83	0.83	0.78

Explanation on Significant Deviation from the Last Year's Operating Results

Revenue:

Revenue increased by Tk. 671.74 million i.e. 17.02% in 2020-2021 compared to last year due to increase of sales volume for overall demand in the market as well as various marketing and sales initiatives taken by the company.

Cost of Goods Sold:

Cost of Goods Sold (COGS) has increased by 11.18% in the year 2020-2021 over previous year due to increase in sales volume by 16.80%. Percentage increasing of COGS is less compared to percentage increase of sales mainly due to lower cost of raw material in international market.

Factory overhead cost increased by 26.17% due to increase of depreciation, provision of gratuity and increase of store and spare consumed electricity and gas consumption resulting from the increase of production volume.

Gross Profit:

Gross Profit Margin increased by 87.08% mainly for increasing in sales volume and the reason of lower cost of raw materials.

Operating Profit:

Operating profit increased by 199.69% i.e. Tk. 260.17 million due to increase of sales volume and lower cost of raw material in international market.

Earnings per Share (EPS):

During 2020-2021, the EPS increased by 148% i.e. Tk. 9.49 from the previous year due to increase in sales volume, profit on gain on sale of shares of subsidiary company shares-Zodiac Power Chittagong Ltd, increase of the share of profit from the associate companies by 39.76 % than that of the previous year, and decrease of operating cost due to lower raw material cost.

Remuneration to Directors

This information is incorporated in the Notes 27.01 of the notes to the financial statements referred to the page no.- 107 with reference to the “Directors ‘remuneration and benefits” figures concerning the Board of Directors including Managing Director.

Contribution to the National Exchequer

The company contributed total amount of Tk. 1,017,561,110 to the National Exchequer in the form of Customs duty, Vat and Advance Income Tax during the year under review. The break-up of these payments are shown in the table:

Govt. Revenue	2020-2021 Taka	2019-2020 Taka
Vat	647,329,692	542,195,336
Customs duty	257,988,225	236,621,220
Advance income tax	112,243,193	127,876,118
Total Taka	1,017,561,110	906,692,674

Dividend

The Board of Directors in its meeting held on 30 October 2021 has recommended 25% cash dividend i.e. Tk. 2.50 (Taka two and half) per share of Tk. 10.00 (Taka ten) aggregating to Taka 195,586,827.50 for the year ended 30 June 2021 subject to approval of the members at the 30th Annual General Meeting scheduled to be held on 21 December 2021.

Election of Directors

Mr. Rupam Kishore Barua and Mr. Salman Karim will retire from the office as per Article 132 of the Articles of Association at the 30th Annual General Meeting of the Company. Being eligible, they have offered themselves for re-election. The Board recommends their reappointment. Brief resumed and other information of the above mentioned Directors are shown in the page no.- 09 & 12 of this annual report.

Appointment of Statutory Auditors

The Current Auditors of the Company- M/s. Hossain Farhad & Co., Chartered Accountants retires at the ensuing 30th Annual General Meeting. Being eligible, they offered themselves for reappointment. Pursuant to Bangladesh Securities and Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006-158/208/ Admin/ 81 dated 20/06/2018, the retiring Auditors are eligible for reappointment as Statutory Auditors for the year 2021-2022. The Audit Committee has recommended reappointing M/s. Hussain Farhad & Co., Chartered Accountants as the Statutory Auditors of the Company for the year 2021-2022. The Board of Directors endorsed the recommendation of the Audit Committee for the reappointment of M/s. Hussain Farhad & Co., Chartered Accountants as the Statutory Auditors of the Company for the year 2021-2022 subject to the approval of the members at the 30th Annual General Meeting.

Appointment of Corporate Governance Compliance Auditors

The Current Corporate Governance Compliance Auditors of the Company of the Company- M/s. A. Qasem & Co., Chartered Accountants retires at the ensuing 30th Annual General Meeting. Being eligible, they offered themselves for reappointment. Pursuant to Bangladesh Securities and Exchange Commission (BSEC)'s Notification No. BSEC/CMRRCD/2006-158/208/ Admin/ 81 dated 20/06/2018, the retiring Corporate Governance Compliance Auditors, M/s. A. Qasem & Co., Chartered Accountants are eligible for reappointment as Corporate Governance Compliance Auditors for the year 2021-2022.

The Audit Committee recommended reappointing M/s. A. Qasem & Co., Chartered Accountants as Corporate Governance Compliance Auditors of the Company for the year 2021-2022. The Board of Directors endorsed the recommendation of the Audit Committee for the reappointment of M/s. A. Qasem & Co., Chartered Accountants as the Corporate Governance Compliance Auditors of the Company for the year 2021-2022 subject to approval of the members at the 30th Annual General Meeting.

Audit Committee of the Board

The Audit Committee reviews the quarterly, half-yearly and annual Financial Statements and statements of related party transactions. Also, it reviews adequacy and effectiveness of financial reporting process, accounting policies, internal control and risk management process. It is also responsible for overseeing the management letter along with performance recommendation on appointment and re-appointment of External Auditors. Currently, Audit Committee consists of the following:

SL.No	Name	Status	Position
1.	Major General Abul Kalam Mohammad Humayun Kabir, (Retd)	Chairman	Independent Director
2.	Mr. Shamsul Alam, BU	Member	Director
3.	Ms. Rabeya Jamali	Member	Independent Director
4.	Mr. Md. Delowar Hossain, ACS	Secretary	Company Secretary

Nomination and Remuneration Committee of the Board

In pursuance of the Bangladesh Securities and Exchange Commission's Notification No. BSEC/CMRRCD/2006 - 158/207/Admin/80 dated 3 June 2018, the Board of Directors of the Company has constituted the Nomination and Remuneration Committee to set the principles, parameters and governance framework for the nomination and remuneration of the Directors, Key Managerial Personnel, top-level Executives and other employee comprising the senior management. The Composition of the Nomination and Remuneration Committee is given below:

SL.No	Name	Status	Position
1.	Ms. Rabeya Jamali	Chairman	Independent Director
2.	Mr. Shamsul Alam , BU	Member	Director
3.	Maj Gen Abul Kalam Mohammad Humayun Kabir, (Retd)	Member	Independent Director
4.	Mr. Md. Delowar Hossain, ACS	Secretary	Company Secretary

Subsequent Events

Nothing happened affecting financial position of the company since end of the financial year under review save and except that the Board of Directors recommended 25% cash dividend for the year ended 30 June 2021 subject to approval of the members at the 30th Annual General Meeting.

Human Resources

Now a days, Human Resources are treated as a strategic partner of managing organization's most valuable asset. It is considered as the most important resource of an organization comparing among the other resources such as human, physical, financial and information resources. In May 2017, Human Resource Department started its journey at Confidence Cement with the aim to make a people centric organization where employees are motivated to unleash their best performance and lead the organization to the path of being Employer of Choice.

HR Department has developed a number of policies and procedures for the company. We also amended the existing policies aligning them with the labor law. We keep updated the pay scales after continuously scanning the market.

During the pandemic situation, we took different precautions for our employees to ensure that they are protected from infection. We have facilitated to our employees by providing special leave for Covid-19 affected and suspected cases. We ensured hygiene factors office environment. We also provided financial support toward the employees for their treatment. We encouraged office from home and we ensure transportation facility to all the levels of staffs. We have provided individual and group training by international & local trainer with the aim of employees' efficiency development. We have arranged soft skill, behavioral improvement, technical and job-related trainings within the company, within the country and even outside of the country as per Training Need Assessment (TNA). We have in-house trainer pool for development of soft skills, technical skill and job-related skills. We have also introduced online-based E-learning platform to boost up corporate ethics, manners and to develop soft skills among the employees for their balanced career. We are continuously uploading learning videos and case studies through ERP system. To properly evaluate employee performances, we have started Key Performance Indicator (KPI) based performance appraisal through online. Employee gets their regular work update. We are continuously monitoring individual KPI along with departmental and company KPI in line with budget & target of the company.

Safety, Health and Environment

Health, safety and wellbeing is a foremost priority in fostering a good working environment. Our comprehensive occupational health and safety policy expresses how we act our responsibilities to create a safe workplace for all our employees. This focus was heightened during the COVID-19 pandemic, during which the company's HRD adopted a number of initiatives to minimize the risk of infection, break the chain of transmission and enhance safety for all. Some of these initiatives included keeping a daily check of employee health, forming an emergency support team, disseminating COVID-19 preventive guidelines/protocols and measures with adequate enforcement, arranging telemedicine services and organizing discounted rates for COVID-19 tests. Further, in addition to these initiatives, the company also provided life and health insurance coverage for all employees. Moreover, special benefits were also provided to those who needed to come to office premises during the pandemic-induced lockdown period.

The System of Internal Control

Confidence Cement Ltd. being a listed company has a well-defined Internal Control System based on its high-tech large scale production capacity to ensure the business operations. The system ensures reasonable assurance of the internal checking system of monetary transactions and safeguarding of assets. The Internal Control Systems are reviewed by the Internal Audit & Compliance Department of the company and reported to the Audit Committee. Annual planning defines budget on the basis of macroeconomic analyses based on market conditions and cost targets. The Internal Control System ensures receiving of quality raw materials, stores & spares and non-current assets and producing quality cement for the customers. Quality of the goods is tested by recognized testing authorities.

In order to establish a strong Internal Control System in the company, Statutory Auditors' play a vital role through reporting of true and fair view of income, expense, assets and liabilities of the Financial Statements. They ensure the interest of the Investors and safeguarding of the company's assets and also ensure complete application of Corporate Governance vide Code No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018. The code of International Accounting Standards (IAS) and International Standards of Auditing (ISA) with stipulated disclosures of important items of Financial Statements. Corporate Governance involves decision making process for any going concern corporate body for the present and future benefit of all stakeholders. These aspects of governance are followed by the Board of Directors, Management, Operational participants and workers and others in achieving common goals like to increase in the profit of the company.

Dividend Distribution Policy

The Board of Directors has established a dividend policy, in compliance with the BSEC's Directive No. BSEC/CMRRCD/2021-386/03 dated 14 January 2021, which forms the basis for the proposals on dividend payments to the shareholders taking into consideration the business performance of the company and its strategic initiatives. The Board believes that it is in the best interest of the company to draw up a long-term and predictable dividend policy. The objective of the policy is to make informed the shareholders towards the investment decisions. The Board has approved Dividend Policy has been enclosed herewith as Annexure - VIII referred to Page No.- 45.

CSR Activities

Being a responsible corporate citizen, Confidence Cement Ltd. has been contributing to different social causes to bring positive changes in the society over many years. Confidence Cement Ltd. has been providing financial and other material aids to different organizations working for the development of underprivileged and transcended communities, autistic and differently challenged children in Bangladesh under umbrella of Confidence Group.

In this Covid-19 pandemic situation the Frontline Heroes i.e. Healthcare Professionals, Police Officials, Armed Forces, Journalists, Reporters etc. have all suffered a significant number of casualties during the ongoing pandemic. To support their overwhelming encouragement, Confidence Group family handed over 15,000 PPE to the Hon'ble State Minister of Power, Energy and Mineral Resources and Bangladesh Police aiming to distribute all hospitals and agencies to combat ongoing coronavirus and PPEs also handed over to Bangbandhu Sheikh Mujib Medical University, Bangladesh Institute of Tropical and Infectious Diseases, Bangladesh Fire Services and Civil Defense, Chattogram Medical College and Kuwait Bangladesh Matree Hospital. We also donated 5 High Flow Nasal Cannula and 5 Oxygen Concentrator and distributed 25,000 reusable and 70,000 surgical mask under Mask Distribution Campaign.

In continuation of providing support during the pandemic, four disinfected Chambers handed over at Sheikh Rassel Gastro Liver Institute & Hospitals, National Institute of Neuroscience & Hospital, National Institute of Diseases of the Chest and Chattogram Ma-O-Shishu Hospital.

Confidence Group in collaboration with the ministry of power, energy and mineral resources imported 25,000 RT-PCR test kits and handed over the same to IEDCR and moreover, donated BDT 20 Lacs to the Shakib Al Hasan Foundation to purchase corona virus testing kits to be supplied to recognized hospitals and medical intuitions.

In addition, Our Honorable Vice Chairman, Mr. Imran Karim handed over a cheque of BDT 3 Crore to the Honorable Prime Minister's HPM Relief Fund to help fight against Corona Virus. We also distributed 23,000 Food Packages to the underprivileged communities around our Plants and Factories.

These initiatives of Confidence Cement Ltd. under umbrella of Confidence Group have made a significant beneficial impact in the society. Our company recognizes the need for being a responsible corporate citizen. As a part of sustainable development, it takes seriously its corporate social responsibilities.

Information Technology (IT)

"Working from home" have been the new normal during the last fiscal year. Corporate throughout the world had to ensure optimize use of their resources for smooth business operation to cope with the challenges. Due to restrictions in shipping because of Covid-19 pandemic and shortage of supplies, the price of IT devices remained high. The members of Confidence Cement with association of the IT Department of Confidence Group also ensured availability of all resources to overcome the challenges. Confidence Group IT Team developed virtual platform <https://vc.mimebd.com> like as Zoom Platform to facilitate the meeting which reduces the extra cost. It also managed and

maintained the hardware and software operations without support of third-parties. This reduced significant amount of operational cost. During the last fiscal year, the IT Department provided support to all concerns of the group through remote communication platform. All units are now under surveillance and were able to reduce the response and support time by a significant margin. A great number of IT devices were upgraded through cost effective solution and those were delivered to all corner. Moreover, Confidence Cement Ltd plans to become paperless company by the year 2022 and developed ERP software.

Corporate Governance and Compliance

Good governance and ethical conduct provide the foundation for everything we do at Confidence Cement Limited. They help us earn trust, manage risks, foster sustainable growth and build a resilient business. We aim to tackle challenging issues head on, make our communications and processes simple, hold everyone accountable and empower all our employees to do what's right. Our Code of Business Conduct as well as our internal ethics upkeeps and tailored training, helps employees make ethical decisions.

We believe continuous supervision in every business practice is the key to sustain in a leadership role. Therefore, CCL Board of Directors is committed to meeting the highest standard of corporate governance and disclosure. The Directors are conscious of their responsibilities in supervision and direction of the affairs of the Company in conformity with the practices of sound corporate governance. In fulfillment of those responsibilities the directors have set up for themselves the principles that will be followed by their own involvement in the corporate function and in setting up clear guidelines for the executive management.

We confirm that the Company has complied with most of the relevant conditions of Bangladesh Securities and Exchange Commission's (BSEC) Notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018. The compliance report is appended herewith as **Annexure- C** referred to the page no.- 48.

Further, a Certificate of Compliance required under the said conditions, is provided by M/s. A. Qasem & Co., Chartered Accountants enclosed as **Annexure- B** referred to the page no.- 47.

Acknowledgement

The Company and its Board of Directors would like to extend its foremost regard and appreciation to the valued members and other stakeholders of the Company for their present support and guidance to the Company that led to the cumulative achievements. They also express their gratitude to the Government of Peoples Republic of Bangladesh, National Board of Revenue (NBR), Registrar of Joint Stock Companies and Firms (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Central Depository Bangladesh Limited (CDBL), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Ltd. (CSE), the Company's bankers and other business partners for their cooperation, positive support and guidance. We promise that we will continue our journey towards a bright future. We look forward to your continuing support in the coming years for the smooth growth of the Company.

Finally, Members of the Board of Directors also put on record their deep appreciation and thanks to all Executives, Staffs and Workers for their hard work, dedication, sincerity and commitment that they have shown for steady growth of the Company.

May Allah bless us all.

On behalf of the Board



Engr. Rezaul Karim
Chairman

October 30, 2021

Annexure I

Directors' Declaration

The Directors also report that:

The Company is determined to ensure good governance by complying with all the applicable rules and regulations of Corporate Governance and the Directors are pleased to confirm the following:

- a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994 and Bangladesh Securities & Exchange Rules 1987 and other applicable rules etc. These statements present fairly the company's state of affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate Accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) The International Accounting Standards (IAS), or International Financial Reporting Standard (IFRS) as applicable in Bangladesh, have been followed in the preparation of financial statements.
- e) The systems of internal control of the company are sound and have been effectively implemented and monitored.
- f) The 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.
- g) There are no significant doubts upon the company's ability to continue as a going concern.
- h) Key operating and financial data of at least preceding five years is enclosed herewith as Annexure - II referred to the page no.- 34.
- i) No bonus share or stock dividend has been declared as interim dividend during the period under review.
- j) The profitability of the company has increased.
- k) The number of board meetings and the attendance of directors during the period ended 30 June 2021 were shown as Annexure - III referred to the page no.- 36.
- l) Report on pattern on shareholding is enclosed herewith as Annexure - IV referred to the page no.- 37.
- m) Management Discussion and Analysis report signed by Managing Director is enclosed herewith as Annexure - VI referred to the page no.- 40.
- n) Certification by the CEO and the CFO is enclosed herewith as Annexure-A referred to the page no.- 46.

Annexure II

Five years financial position

Taka in '000

Particulars	01 July 20 to 30 June 21	01 July 19 to 30 June 20	01 July 18 to 30 June 19	01 July 17 to 30 June 18	01 July 16 to 30 June 17	01 Jan. 16 to 31 Dec.16
ASSETS :						
Property, plant and equipment	3,897,595	3,967,847	4,093,735	4,155,323	1,766,555	1,853,306
Right of use assets	262,273	-	-	-	-	-
Capital work in progress	238,783	152,641	88,686	90,949	2,269,838	1,194,499
Investment	3,986,751	3,043,708	1,439,192	702,925	602,794	522,760
Total non-current assets	8,385,402	7,164,196	5,621,613	4,949,197	4,639,187	3,570,565
Investment in quoted share	2,348	1,172	2,008	-	-	-
Inventories	559,146	467,662	581,687	756,294	524,280	381,682
Trade Receivables	803,342	692,541	950,873	1,022,014	859,585	762,689
Advances, deposits and prepayments	1,224,048	1,099,813	1,548,825	1,025,494	578,441	1,129,272
Other receivable	163,926	138,128	100,141	80,018	128,392	118,853
Short term investment in fixed deposits	204,000	254,000	250,000	250,000	130,613	144,599
Cash and cash equivalents	212,157	90,853	113,779	49,426	863,557	138,340
Total Current assets	3,168,967	2,744,169	3,547,313	3,183,246	3,084,868	2,675,435
Total Assets	11,554,369	9,908,365	9,168,926	8,132,443	7,724,055	6,246,000
EQUITY & LIABILITIES :						
Equity :						
Share Capital	782,347	745,092	647,906	539,922	449,935	449,935
Share Premium	658,089	658,090	658,090	658,090	658,090	658,090
General reserve	371,862	371,863	371,863	371,863	371,863	371,863
Revaluation reserve	425,097	462,121	497,952	537,636	577,705	675,261
Retained earnings	3,571,971	2,583,434	2,255,510	1,927,454	1,726,156	1,163,470
Total equity	5,809,366	4,820,600	4,431,321	4,034,965	3,783,749	3,318,619
LIABILITIES :						
Non-current liabilities						
Long term loans	925,429	1,234,671	1,451,423	89,642	-	3,150
Lease Liabilities-non-current portion	230,754	-	-	-	-	-
Defined benefit obligation (Gratuity)	111,085	76,471	65,892	64,086	56,765	49,696
Deffered tax liability	393,302	266,602	231,406	209,785	210,536	235,426
Total non-current liabilities	1,660,570	1,577,744	1,748,721	363,513	267,301	288,272
Current Liabilities						
Trade payable	466,421	333,055	293,657	478,082	275,487	187,692
Short term loans	2,910,012	2,523,155	2,233,087	3,069,653	3,186,092	1,962,553
Current portion of long term term loans	283,574	283,573	262,615	-	4,150	17,280
Lease Liabilities-current portion	40,146	-	-	-	-	-
Provision for WPPF and welfare fund	21,867	-	-	-	5,218	28,776
Current tax liability	118,045	133,237	54,909	60,238	78,429	182,413
Other liability	244,368	237,001	144,616	125,992	123,629	260,395
Total Current Liabilities	4,084,433	3,510,021	2,988,884	3,733,965	3,673,005	2,639,109
Total Liability	5,745,003	5,087,765	4,737,605	4,097,478	3,940,306	2,927,381
Total equity and liabilities	11,554,369	9,908,365	9,168,926	8,132,443	7,724,055	6,246,000

CONFIDENCE CEMENT LIMITED

Five Years Comprehensive Income Statement

Particulars	Taka in '000					
	01 July 20 to 30 June 21	01 July 19 to 30 June 20	01 July 18 to 30 June 19	01 July 17 to 30 June 18	01 July 16 to 30 June 17	01 Jan. 16 to 31 Dec. 16
Revenue	4,619,313	3,947,575	4,832,894	3,916,784	3,629,375	1,892,842
Cost of goods sold	(4,151,067)	(3,733,608)	(4,474,550)	(3,588,144)	(2,994,025)	(1,566,021)
Gross Profit	468,246	213,967	358,344	328,640	635,350	326,821
Selling & distribution expense	(178,733)	(93,674)	(100,053)	(107,520)	(98,094)	(35,262)
Administrative expense	(89,642)	(135,101)	(194,675)	(192,191)	(376,765)	(44,935)
Other operating income	190,583	145,094	25,403	8,195	5,944	2,032
Trading Profit	390,454	130,286	89,019	37,124	166,435	248,656
Finance cost	(217,317)	(252,633)	(238,096)	(118,053)	(67,324)	(33,672)
Finance Income	30,102	24,400	22,332	7,871	5,267	6,248
Non-operating income	234,110	(25,835)	2,333	45,322	213,713	15,214
Profit before workers profit participation fund	437,349	(123,782)	(124,412)	(27,736)	318,091	236,446
Contribution to WPPF	(21,868)	-	-	-	(5,219)	(11,061)
Operating profit before income tax	415,481	(123,782)	(124,412)	(27,736)	312,872	225,385
Share of profit / (loss) of associates (Net of tax)	1,071,559	766,728	633,273	369,974	237,760	176,044
Profit before income tax	1,487,040	642,946	508,861	342,238	550,632	401,429
Provision for income tax						
Current year	(108,852)	(121,285)	(43,240)	(23,895)	(54,098)	(51,624)
Deferred tax	(137,449)	(47,140)	(34,849)	(12,477)	1,590	(9,960)
Net profit after tax	1,240,739	474,521	430,772	305,866	498,124	339,845
Other comprehensive income :						
Items that will never be reclassified to profit or loss						
Items that are or may be reclassified to profit or loss:						
Loss on dilution of share value due to issuance of new share	(165,666)	-	-	-	-	-
Adjustment for lease on associate's retained earnings	(656)	-	-	-	-	-
Adjustment for bargain purchase on associates retained earnings	15,363	-	-	-	-	-
	(150,959)	-	-	-	-	-
Total comprehensive income	1,089,780	-	-	-	-	-
Earning per share	15.86	6.37	6.65	5.67	9.23	7.55

Annexure-III

Meetings Information

Attendance of the Board Meeting, Audit Committee Meeting and Nomination and Remuneration Committee Meeting

During the year ended on 30 June 2021, Board Meeting, Audit Committee Meeting and Nomination & Remuneration Committee (NRC) Meeting were held as per the compliance of the Corporate Governance Code and attendance of the Directors and Members of the Committees are shown below:

Board Members	Position	Board Meeting Attendance	Audit Committee Meeting Attendance	NRC Meeting Attendance
Engr. Rezaul Karim	Chairman	5/5	-	-
Mr. Rupam Kishore Barua	Vice Chairman	5/5	-	-
Mr. Imran Karim	Vice Chairman	5/5	-	-
Late Shah Muhammed Hasan (He died on February 26, 2021 and the directorship of him has ended on the date of his demise.)	Director	1/5	-	-
Ms. Runu Anwar	Director	4/5	-	-
Mr. Salman Karim	Director	5/5	-	-
Mr. Shamsul Alam Member- Audit Committee of the Board Member- Nomination and Remuneration Committee	Director	5/5	4/4	3/3
MG Abul Kalam Mohammad Humayun Kabir, (Retd.) Chairman- Audit Committee Member- Nomination and Remuneration Committee	Independent Director	5/5	4/4	3/3
Ms. Rabeya Jamali Chairman- Nomination and Remuneration Committee Member- Audit Committee	Independent Director	5/5	4/4	3/3
Mr. Zahir Uddin Ahmed	Managing Director	5/5	4/4	3/3
Mr. Md. Delowar Hossain, ACS	Company Secretary	5/5	4/4	3/3

Annexure-IV

Pattern of Shareholding as on 30 June 2021

The name-wise details of the aggregate number of shares of the company held by:-

a) Parent or Subsidiary or Associated companies and other related parties:

The company is not any subsidiary of any company or not it has any parent company or any associates which holds share of the company to report.

b) The Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children (name-wise details):

Sl. No.	Names	Position	Number of shares	Percentage
a)	Engr. Rezaul Karim Spouse and Minor Children	Chairman xxxxx	5,539,798 Nil	7.08 0
b)	Mr. Rupam Kishore Barua Spouse and Minor Children	Vice chairman xxxxx	3,665,061 Nil	4.68 0
c)	Mr. Imran Karim Spouse and Minor Children	Vice chairman xxxxx	2,692,069 Nil	3.44 0
d)	Ms. Runu Anwar Spouse and Minor Children	Director xxxxx	2,134,051 Nil	2.72 0
e)	Mr. Salman Karim Spouse and Minor Children	Director xxxxx	1,586,534 Nil	2.03 0
f)	M/s. Confidence Infrastructure Ltd. Rep. by Mr. Shamsul Alam, BU	Corporate Director	3,553,129 -	4.54 -
g)	Mr. Shamsul Alam, BU Spouse and Minor Children	Nominated Director xxxxx	1,411,361 Nil	1.80 0
h)	MG A K M Humayun Kabir, (Retd.) Spouse and Minor Children	Independent Director xxxxx	Nil Nil	0 0
i)	Ms. Rabeya Jamali Spouse and Minor Children	Independent Director xxxxx	Nil Nil	0 0
j)	Mr. Zahir Uddin Ahmed Spouse and Minor Children	Managing Director xxxxx	Nil Nil	0 0
k)	Mr. Newaz Mohammed Iqbal Yousuf Spouse and Minor Children	Chief Financial Officer xxxxx	Nil Nil	0 0
l)	Mr. Md. Delowar Hossain, ACS Spouse and Minor Children	Company Secretary xxxxx	Nil Nil	0 0
m)	Mr. Md. Alamgir Spouse and Minor Children	Head of Internal Audit & Compliance xxxxx	Nil Nil	0 0

c) Executives – (Top 5 (five) salaried employees of the company other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit & Compliance):

Sl. No.	Names	Position	Number of shares	Percentage
1.	Brig Gen Md Tanveer Iqbal, (Retd) Spouse and Minor Children	Deputy Managing Director xxxxx	0 0	0 0
2.	Mr. Faruk Ahmed Spouse and Minor Children	General Manager - Plant xxxxx	0 0	0 0
3.	Mr. Md. Shahidul Islam Spouse and Minor Children	General Manager- S & M xxxxx	0 0	0 0
4.	Maj. Sheikh Sultan Ahmed Talukdar (Retd) Spouse and Minor Children	Dy.GeneralManager- Transport xxxxx	0 0	0 0
5.	Mr. Adnanul Hadi Shikdar Spouse and Minor Children	Senior Manager – SCM xxxxx	0 0	0 0

d) Shareholders holding 10% or more voting interest in the company (name-wise details): Nil

Annexure-V

RISK AND CONCERN

Risk is defined as “the chance of exposure to the adverse consequences of uncertain future events”. This is an integral part of any business. Over our long experience in the industry we have managed to significantly enhance and achieve a very robust and matured stage for our risk management process. The CCL's risk management process is featured to estimate the probability of any uncertain events and provide adequate responses for eliminating the consequence of that event. The overall risks and management process thereof is discussed as below:

IDENTIFICATION OF RISK

Prepare a list of potential risks by referring to the relevant business critical information which is obtained from various reporting line and also by taking into consideration of various non-financial factors relating to current political and economic situations.

ANALYSIS OF THE OUTCOME

Priorities the potential risks by considering the possible likelihood and impact on the Company's current and future prospects.

DESIGN POSSIBLE SOLUTIONS

Prepare avoidance and contingency plans by establishing controls at different levels of business and also deciding of various strategies to mitigate the risks.

IMPLEMENTATION

The department heads then take all the necessary initiatives for the implementation of the designed system.

EVALUATION

The management always monitors the effectiveness of the designed systems through receiving various reports from different departments and if necessary then reanalyze.

RISK ATTITUDE OF DIRECTORS

Board of Directors continually evaluates their risk attitude based on varying circumstances. They essentially strike a right balance between being risk averse and risk takers demanded by the circumstances.

RISK FACTOR

There are various risk factors associated with the nature of the activities of the Company. Although, the risks of the industry are continuously evolving, the Company has taken reasonable steps to identify material risks that could have hampered the Business of the Company and had adopted preventive measures in this respect.

a. CREDIT RISK

Credit risk is the risk of a financial loss to the company if a customer or a counter party to a financial instrument fails to meet its contractual obligations, and arises principally from company's receivables from dealers. Management has a credit policy and the exposure to credit risk is monitored on an ongoing basis.

b. LIQUIDITY RISK

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity (cash and cash equivalents) 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 risk of damage to the company's reputation. Typically, the company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, based on time line of payment of financial obligations and accordingly arrange for sufficient liquidity/fund to make the expected payments within due dates. Moreover, the company seeks to maintain short term lines of credit with scheduled commercial banks to ensure payment of obligation in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flow projections and credit lines with banks are negotiated accordingly.

c. MARKET RISK

Market risk is the risk that any change in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments.

d. CURRENCY RISK

The company is exposed to currency risk on certain purchase such as import of raw material. Majority of the company's foreign currency transactions are denominated in USD and relate to procurement of raw materials from abroad.

e. INTEREST RATE RISK

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. Short term bank borrowings are, however, not significantly affected by fluctuations in interest rates. The company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

f. PRICE RISK

Price risk represents the risk that the fair value of future cash flows of a financial statement will fluctuate because of a change in market prices. Finance department estimates the product cost and the marketing department, on comparing other similar industries determines the market price of a product after adding reasonable profit to make it competitive.

g. OPERATIONAL RISK

Operational risk addresses the risks associated with fraud, forgery, unauthorized activities, error omission, system failure and external events among others. Field Supervisor's Checklist, Credit Inspection Report, Hire Financing Documentation Checklist etc. are in place covering all probable risks associated with company's business and operations. Surprise audits and frequent inspections are also made on a regular basis to make sure that all control tools are functioning properly.

h. INDUSTRY RISK

It results from change of market condition, competitor's behavior, and policy changes of the government are associated with those risks. CCL recognizes that good information is the key to forecast, assess and manage the risk.

The management has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. This note presents information about the company's exposure to each of the following risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.