

Lafarge Surma Cement Ltd.

A company of **LAFARGE** and **CEMENTOS MOLINS**

1st Quarter Consolidated Financial Statements-2013 (Un-audited)

Complying with Notification No.SEC/CMRRCD/2008-183/Admin/03-34 dated September 27, 2009 and Letter No. SEC/CFD/Misc./233/2004/615 dated February 02, 2010 of Bangladesh Securities and Exchange Commission. The details of the published quarterly financial statements are available in the web-site of the Company. The address of the web-site is: www.lafarge-bd.com

LAFARGE SURMA CEMENT LIMITED			
Consolidated Statement of Financial Position (Un-audited)			
at 31 March 2013			
	NOTES	31 Mar 2013	31 Dec 2012
		Taka'000	Taka'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	13,236,032	13,370,193
Intangible assets	6	1,158,049	1,185,810
		14,394,081	14,556,003
CURRENT ASSETS			
Inventories	7	1,546,910	1,659,520
Trade receivables	8	711,177	711,629
Other receivables	9	1,967,570	1,442,056
Derivative instruments		1,396	-
Cash and cash equivalents	10	76,154	154,160
		4,303,207	3,967,365
		18,697,288	18,523,368
TOTAL ASSETS			
EQUITY & LIABILITIES			
Share capital		11,613,735	11,613,735
Retained earnings		(2,789,905)	(3,490,257)
Other components of equity		(2,291)	(11,894)
Foreign currency translation		284,908	268,932
SHAREHOLDERS' EQUITY- PARENT COMPANY		9,106,447	8,380,516
Non-controlling interests		223	231
EQUITY		9,106,670	8,380,747
NON-CURRENT LIABILITIES			
Long-term debt	11.1	829,078	948,895
Deferred tax liabilities	12	964,387	612,200
Employee benefits		113,362	113,924
Provision	13	23,757	23,125
		1,930,584	1,698,144
CURRENT LIABILITIES			
Trade payables	14	1,966,071	1,945,520
Other payables	15	255,447	473,595
Derivative instruments		10,962	7,641
Current portion of long term debt	11.2	1,425,623	2,838,908
Short-term debt	16	3,871,521	3,063,221
Current tax liabilities	17	130,410	115,592
		7,660,034	8,444,477
		18,697,288	18,523,368
TOTAL EQUITY AND LIABILITIES			

The accompanying Notes 1 to 27 form an integral part of these interim financial statements.

Finance Director *T-K* Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED			
Consolidated Statement of Comprehensive Income (Un-audited)			
for the period ended 31 March 2013			
		Jan-Mar 2013	Jan-Mar 2012
		Taka'000	Taka'000
INCOME FOR THE PERIOD			
Items that may be reclassified subsequently to profit or loss		700,352	464,583
Cash flow hedge instruments		9,603	39,980
Exchange differences on translating foreign operation		15,976	(86,217)
Non controlling interests- currency translation adjustment		(8)	29
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		25,571	(46,208)
		725,923	418,375
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
Attributable to:			
Owners of the parent Company		725,931	418,346
Non-controlling interests		(8)	29
		725,923	418,375

Finance Director *T-K* Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED							
Consolidated Statement of Changes in Equity (Un-audited)							
for the period ended 31 March 2013							
	Share capital	Retained earnings	Other components of equity	Share money deposits	Foreign currency translation	Equity for parent company	Non controlling interests
Balance at 1 January 2012	11,575,806	(5,343,728)	(16,113)	37,929	197,787	6,451,681	302
Total comprehensive income/(loss) for the period	-	464,583	39,980	-	(86,217)	418,346	29
Issuance of right shares	37,929	-	(37,929)	-	-	-	-
Balance at 31 March 2012	11,613,735	(4,879,145)	23,867	-	111,570	6,870,027	331
Balance at 1 January 2013	11,613,735	(3,490,257)	(11,894)	-	268,932	8,380,516	231
Total comprehensive income/(loss) for the period	-	700,352	9,603	-	15,976	725,931	(8)
Balance at 31 March 2013	11,613,735	(2,789,905)	(2,291)	-	284,908	9,106,447	223

Finance Director *T-K* Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Notes to the Condensed Consolidated Financial Statements (Un-audited)
for the period ended 31 March 2013

1 Background and Introduction
Formation and legal status
Lafarge Surma Cement Limited (LSCL) - (hereinafter referred to as "Lafarge Surma or the Company") was incorporated on 11 November 1997 as a private limited company in Bangladesh under the Companies Act 1994 having its registered office in Dhaka. The Company has subsequently been converted into a public limited company on 20 January 2003 and went for Initial Public Offering of shares in November 2003 which was fully subscribed and issued. The shares have since been listed and are being traded in Dhaka and Chittagong Stock Exchanges. Presently the Company has two subsidiaries in India. The main objectives of the subsidiaries are to support the holding company. A brief description of each of the subsidiary is given below:
Lum Mawshun Minerals Private Limited (LMMPL) - incorporated under the Indian Companies Act 1956 on 17 November 1994 as a private limited company with its registered office at Shillong in the State of Meghalaya, India.
Lafarge Umiam Mining Private Limited (LUMPL) - incorporated under the Indian Companies Act 1956 on 22 March 1999 as a private limited company with its registered office at Shillong in the State of Meghalaya, India.

LAFARGE SURMA CEMENT LIMITED			
Consolidated Income Statement (Un-audited)			
for the period ended 31 March 2013			
	NOTES	Jan-Mar 2013	Jan-Mar 2012
		Taka'000	Taka'000
REVENUE			
	18	2,945,967	2,797,707
Cost of sales	19	(1,592,961)	(1,819,092)
GROSS PROFIT		1,353,006	978,615
General and administrative expenses	20	(190,912)	(151,725)
Sales and marketing expenses	21	(41,209)	(41,091)
Other operating income/(expenses)		8,788	3,939
OPERATING INCOME		1,129,673	789,738
Finance cost	22	(109,656)	(262,076)
Finance income	22	47,049	126,671
INCOME BEFORE TAX		1,067,066	654,333
Income tax	23	(366,714)	(189,750)
INCOME FOR THE PERIOD		700,352	464,583
Basic earnings per share (Taka)	24	0.60	0.40

The accompanying Notes 1 to 27 form an integral part of these interim financial statements.

Finance Director *T-K* Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED			
Consolidated Statement of Cash Flows (Un-audited)			
for the period ended 31 March 2013			
		Jan-Mar 2013	Jan-Mar 2012
		Taka'000	Taka'000
Cash Flows From Operating Activities			
Cash receipts from customers		2,946,419	2,882,753
Cash paid to suppliers and employees		(2,095,015)	(1,745,249)
Cash generated in operations		851,404	1,137,504
Income tax paid		(55,576)	(78,187)
Net cash generated by operating activities		795,828	1,059,317
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(111,186)	(21,392)
Payments for intangible assets		-	(492)
Proceeds from sale of property, plant and equipment		4,526	26
Net cash used in investing activities		(106,660)	(21,858)
Cash Flows From Financing Activities			
Repayment of long term debt		(1,479,922)	(979,779)
Increase (decrease) in short term debt		857,530	159,147
Payment of interest		(144,640)	(207,387)
Net cash used in financing activities		(767,032)	(1,028,019)
Net effect of foreign currency translation on cash and cash equivalents		(142)	2,467
Net (decrease)/increase in cash and cash equivalents		(78,006)	11,907
Cash and Cash Equivalents at Beginning of the Period		154,160	245,432
Cash and Cash Equivalents at End of the Period		76,154	257,339

Finance Director *T-K* Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED			
Consolidated Statement of Changes in Equity (Un-audited)			
for the period ended 31 March 2013			
	Share capital	Retained earnings	Other components of equity
Balance at 1 January 2012	11,575,806	(5,343,728)	(16,113)
Total comprehensive income/(loss) for the period	-	464,583	39,980
Issuance of right shares	37,929	-	(37,929)
Balance at 31 March 2012	11,613,735	(4,879,145)	23,867
Balance at 1 January 2013	11,613,735	(3,490,257)	(11,894)
Total comprehensive income/(loss) for the period	-	700,352	9,603
Balance at 31 March 2013	11,613,735	(2,789,905)	(2,291)

Finance Director *T-K* Chief Executive Officer

2 Nature of Business
The Company has established the country's only modern, integrated and state-of-the-art cement manufacturing plant at Chhatak under Sunamganj district. The company extracts and processes the basic raw materials limestone from its own quarry in Meghalaya. A 17-kilo metre cross-border belt conveyor links the quarry with the cement plant for transportation of raw materials.
The company is engaged in manufacturing and marketing of cement and clinker in the local market.
3 Basis of Preparation
The consolidated interim financial statements have been prepared in accordance with Bangladesh Accounting Standard 34 Interim Financial Reporting.
4 Significant Accounting Policies
The financial statements have been prepared under the historical cost convention, except for the following:
i) derivative financial instruments measured at fair value;
ii) financial instruments at fair value through profit and loss measured at fair value.
The same accounting policies, presentation and methods of computation have been followed in these interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2012.

	31 Mar 2013	31 Dec 2012
	Taka'000	Taka'000
5 Property, Plant and Equipment		
COST		
At January 1	16,809,057	16,720,342
Additions	30,012	245,413
Disposals	-	(46,499)
Translation adjustment	(25,121)	(110,199)
At March 31/December 31	16,813,948	16,809,057
DEPRECIATION		
At January 1	3,438,864	2,904,433
Disposals	-	(14,381)
Change for the period	144,276	570,599
Translation adjustment	(5,224)	(21,787)
At March 31/December 31	3,577,916	3,438,864
CARRYING AMOUNT	13,236,032	13,370,193
6 Intangible Assets		
COST		
At January 1	1,338,116	1,397,782
Additions	-	10,908
Translation adjustment	(16,085)	(70,574)
At March 31/December 31	1,322,031	1,338,116
AMORTIZATION		
At January 1	152,306	104,731
Change for the period	13,126	53,098
Translation adjustment	(1,450)	(5,523)
At March 31/December 31	163,982	152,306
CARRYING AMOUNT	1,158,049	1,185,810
7 Inventories		
Raw materials	556,924	581,410
Spare parts	782,490	688,300
Packing materials	8,365	14,857
Other materials	54,436	106,270
Finished goods and work in process	144,695	268,683
	1,546,910	1,659,520
8 Trade Receivables		
Trade receivables	718,131	718,391
Valuation allowance	(6,954)	(6,762)
	711,177	711,629
9 Other Receivables		
Contractors, consultants, suppliers and others	692,053	325,088
Employees	37,924	34,676
Prepaid expenses	293,776	176,432
VAT current account	114,546	127,473
Income tax-deducted at source	802,204	747,425
Other receivables	27,067	30,962
	1,967,570	1,442,056
10 Cash and Cash Equivalents		
Cash in hand	479	477
Cash at banks	75,675	153,683
	76,154	154,160
11 Long Term Debt		
11.1 Long portion		
AB Bank Limited	691	8,356
Citibank N.A. - Mumbai	375,417	430,799
Standard Chartered Bank - Mumbai	452,970	509,740
	829,078	948,895
11.2 Current portion		
International Finance Corporation	550,178	1,122,375
Asian Development Bank	-	455,857
European Investment Bank	410,501	837,430
AB Bank Limited	28,988	27,883
Citibank N.A. - Mumbai	234,636	191,467
Standard Chartered Bank - Mumbai	201,320	203,896
	1,425,623	2,838,908
12 Deferred Tax (Liabilities)/Assets		
The tax effects of temporary differences that resulted in deferred tax assets and liabilities.		
Deferred tax assets		
Provision for gratuity	36,514	36,517
Provision for doubtful debts	2,608	2,536
Business loss	2,318,461	2,676,458
Cash flow hedge	-	292
	2,357,583	2,715,803
Deferred tax liabilities		
Property, plant and equipment	(3,321,970)	(3,328,003)
	(964,387)	(612,200)
13 Provisions		
Site restoration provisions		
Balance at 1 January	23,125	-
Addition	632	23,125
	23,757	23,125
The Company is legally required to restore a quarry site, the estimated costs of site restoration are accrued and recognized to the cost of sales, on the basis of mines closure plan submitted to Indian Bureau of Mines (IBM).		
14 Trade Payables		
Payable for expenses	1,191,345	1,184,268
General assistance fee (Note- 14.1)	332,041	304,884
Trademark license fee (Note- 14.2)	332,041	304,884
Advances paid by customers	101,540	64,224
Others	9,104	87,260
	1,966,071	1,945,520
14.1 General assistance fee		
The amount is payable to Lafarge S.A. and Cementos Molins for general assistance fee (1 percent of annual net turnover of the company in accordance with the General Assistance Agreement).		
14.2 Trademark license fee		
The amount is equally payable to Lafarge S.A. and Cementos Molins for trademark license fee (1 percent of annual net turnover of the company in accordance with the Trademark License Agreement).		
15 Other Payables		
Payables to supplier of property, plant & equipment	27,254	108,428
Accrued interest and commitment fees	24,584	63,728
Payable to employees	88,879	211,033
Income tax & VAT deducted at source	114,730	90,406
	255,447	473,595
16 Short Term Debt		
Bank overdraft facilities	115,441	171,439
Short term credit facilities	3,756,080	2,891,782
	3,871,521	3,063,221
17 Current Tax Liabilities		
Balance at 1 January	115,592	62,147
Provision for the year	14,818	53,445
	130,410	115,592