



**ANNUAL REPORT 2010**  
Bringing Elements to Life

**Lafarge Surma Cement Ltd.**  
A company of **LAFARGE** and **CEMENTOS MOLINS**



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# NOTICE OF THE 13<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting (the "AGM") of the Shareholders of Lafarge Surma Cement Limited (the "Company") will be held on Wednesday, June 29, 2011 at 11:00 A.M. at the "Grand Ball Room", Ruposhi Bangla Hotel (former Dhaka Sheraton Hotel), 1, Minto Road, Dhaka 1000 to transact the following business:

## AGENDA

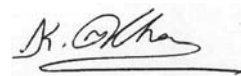
1. To receive and adopt the Balance Sheet as of December 31, 2010 and the Income Statement along with the Cash Flow Statement for the year ended on the same date and the reports of the Auditors and the Directors thereon.
2. To elect Directors.
3. To appoint Auditors and fix their remuneration.
4. To ratify extension of the term of the Managing Director.

Dated: May 26, 2011

**Registered Office:**

Suvastu Imam Square, 3rd floor, 65 Gulshan Avenue,  
Gulshan 1, Dhaka 1212

By order of the Board



Kazi Mizanur Rahman  
Company Secretary

## Notes:

- The Record Date of the Company was on April 27, 2011 (which was intimated earlier). Members, whose names appeared in the Company's register (certificated and depository) at the close of business on the Record Date, will be entitled to attend the AGM.
- A Member eligible to attend and vote in the AGM is entitled to appoint a proxy to attend and vote on his/her behalf. No person shall act as proxy unless he/she is entitled to be present and vote in the AGM in his/her own right. The proxy form, duly stamped, must be deposited at the Registered Office of the Company not less than 72 hours before the time fixed for the AGM.
- Admission into the AGM venue will be allowed on production of the Attendance Slip attached with the Proxy Form.



**LAFARGE**

**CEMENTOS  
MOLINS**

M.V. FATEPUR

# Company Profile

## We are Lafarge Surma Cement Ltd.

Lafarge Surma Cement Ltd. (LSC) was incorporated on 11 November 1997 as a private limited company in Bangladesh under the Companies Act 1994 having its registered office in Dhaka. On 20 January 2003, Lafarge Surma Cement Ltd. was made into a public limited company. The Company is listed in Dhaka and Chittagong Stock Exchange. Today, Lafarge Surma Cement Ltd. has more than 11,000 shareholders.

In November 2000, the two Governments of India and Bangladesh signed a historic agreement through exchange of letters in order to support this unique cross border business endeavor and till date it is the only cross-border industrial project between the two countries. Since Bangladesh does not have any commercial deposit of limestone, the agreement provides for uninterrupted supply of limestone to the cement plant at Chhatak in Bangladesh by a 17km long conveyor belt from the quarry located in the state of Meghalaya. The company in Bangladesh, Lafarge Surma Cement Limited, fully owns a subsidiary company Lafarge Umiam Mining Private Limited (LUMPL) which operates its quarry at Nongtra in Meghalaya.

The business endeavor with an investment of more than USD 280 million, which is one of the largest foreign investments in Bangladesh, has been financed by Lafarge of France, world leader in building materials, Cementos Molins of Spain, leading Bangladeshi business houses together with International Finance Corporation (IFC – The World Bank Group), the Asian Development Bank (ADB), German Development Bank (DEG), European Investment Bank (EIB), and the Netherlands Development Company (FMO).

Lafarge Group, with 176 years of experience, holds world's top-ranking position in Cement, Aggregates, Concrete and Gypsum. It operates in 78 countries with around 78,000 employees. Lafarge is named as one of the 100 Most Sustainable Companies in the World.

Cementos Molins of Spain, with 75 years of experience, also operates in Spain, Mexico, Argentina, Uruguay and Tunisia.

The Company is now producing world class clinker and cement which is a demonstration of the sophisticated and state-of-the-art machineries and processes of the Company's plant at Chhatak. By supplying clinker to other cement producers in the market, the Company contributes with some USD 50~60 million per annum worth of foreign currency savings for the country. The Company also contributes around BDT 1 (one) billion per annum as government revenue to the national exchequer of Bangladesh. About 5,000 people depend on our business directly or indirectly for their livelihood.



# Corporate Management

## Board of Directors

Mr. Martin Kriegner, Chairman  
Mr. Michael Andrew Cowell, Managing Director  
Mr. Jean Desazars de Montgailhard, Director  
Mr. Jose Maria Fontdecaba, Director  
Mr. Enrique de Bobes Pellicer, Director  
Mr. Manzurul Islam, Director  
Mr. Anisur Rahman Sinha, Director  
Mr. Syed Md. Moazzem Hussain, Director  
Mr. Shivesh Kumar Sinha, Director  
Mr. Salvador Fernandez Capo, Director  
Mr. Zakir Ahmed Khan, Independent Director  
Mr. Md. Iftikhar-uz-zaman, Director

## Company Secretary

Mr. Kazi Mizanur Rahman



### **Executive Committee**

Mr. Michael Andrew Cowell, Managing Director  
Mr. Masud Khan, Finance Director  
Mr. Shuvashish Priya Barua, Corporate Affairs Director  
Mr. Michael Wong Siew Kheong, Logistics and Business Development Director  
Ms. Sayeda Tahya Hossain, Human Resources Director  
Mr. Kazi Khalid Mahmood, Commercial Director  
Mr. Asim Chattopadhyay, Senior Vice President Operations  
Mr. Narayan Prasad Sharma, Vice President and Director, LUMPL

### **Audit Committee**

Chairman: Mr. Jose Maria Fontdecaba, Director  
Member: Mr. Manzurul Islam, Director  
Member: Mr. Michael Andrew Cowell, Managing Director  
Member: Mr. Zakir Ahmed Khan, Independent Director

### **Registered Office**

Suvastu Imam Square, 65 Gulshan Avenue, 3rd floor  
Gulshan 1, Dhaka 1212, Bangladesh  
Tel : +88 02 8812026, 8854847, Fax : +88 02 8825413, 8815167  
Email : info@bd.lafarge.com, Web : www.lafarge-bd.com

### **Lenders**

ADB - Asian Development Bank  
DEG - German Development Bank  
FMO - The Netherlands Development Finance Company  
EIB - European Investment Bank  
IFC - International Finance Corporation  
ABB - AB Bank Limited  
SCB - Standard Chartered Bank

### **Security Agent**

Citibank N.A.

### **Auditors**

Hoda Vasi Chowdhury & Co  
Chartered Accountants, BTMC Building (8th Level)  
7-9 Karwan Bazar C/A, Dhaka 1209





# Chairman's Message

It is my pleasure to welcome you all on behalf of the Board of Directors to the 13th Annual General Meeting of Lafarge Surma Cement Limited. I am very happy to have this opportunity to exchange views and thoughts on the Company's activities as well as report on the overall performance during the past year and its potentials for the future.

## **Dear Valued Shareholders,**

In 2010, your Company had been recognized by one of its Sponsors on multiple occasions for the excellent work done. Your Company's success in the Idea Factory Award and Cement Award competitions of Lafarge Group demonstrated that it is a Company where innovation and continuous improvement is a Way of Life. Your Company has shown that it continuously strives to improve and this will be a great asset in its future endeavors.

## **Dear Valued Shareholders,**

As you know, on February 2010, we experienced the stoppage on our mining in Meghalaya, India. The hearing on the Forest Clearance is still continuing before the Forest Bench of the Supreme Court of India. During the process of the hearing, the Hon'ble Supreme Court of India by an Order imposed various conditions and directed Lafarge Umiam Mining Private Ltd. (LUMPL), the Indian subsidiary of your Company, to comply with the same. Those conditions have already been fulfilled while some of them are in the process of fulfilling, as they have to be implemented over time.



During the hearing your Company is continuously receiving necessary support from the two Governments of Bangladesh and India, State Government of Meghalaya and from the local Durbars, on whose lands the project is located in India. The Company is confidently hopeful about a positive outcome in the near future.

As the Chairman of the Company, on behalf of the Management of the Company and of the Sponsors, I would like to thank all the valued Shareholders for their confidence and continuous support during these critical days of the Company.

**Dear Valued Shareholders,**

Due to this stoppage on mining, since April 13, 2010, the production of clinker in the Chhatak Plant of the Company stopped. Your Company, however, continued production of cement, to a limited scale, with clinker imported from overseas. Your Company remained committed to find ways to serve the market and its valued customers. In the market, your Company had successfully managed to increase its product price more than once. Through effective marketing initiatives your Company also managed to achieve desired sales targets. Due to the limitation in clinker import logistics, the volume of cement production came down. Yet your Company managed to sell almost similar volume as the previous year.

**Dear Valued Shareholders,**

During the year, the Plant team did a fantastic job of reducing fixed costs with careful but rigorously designed programs while ensuring the Plant is in tip-top shape for when we will restart the kiln. The Plant was maintained in an up-to-date condition by regular inspection and related checks as per the recommendations of the experts from the Sponsor's Technical Centers.

Even with the limited production capacity due to the stoppage on mining, the Company successfully managed to maintain its SUPERCRETE Brand presence in Bangladesh market, which is very important from a business strategic stand point.

**Dear Valued Shareholders,**

Logistics team of your Company did a very good job last year in reducing costs with careful optimization of routes while maintaining customer satisfaction. Your Company reduced freight of dedicated truck as well as increased shipments by barges to further reduce the logistics costs. We have also made noticeable progress in terms of undertaking various safety measures. A good recognition of that is the Cement Award your Company had won for Safety measures in Kutubpur terminal.

**Dear Valued Shareholders,**

It was quite unfortunate that your Company had an LTI in October 2010, after almost 2 years of zero LTI. Safety is the Number One Priority in your Company and we must all work together to ensure that we have no further accidents ever. Your Company encourages employees to pay attention to all the basics of safety. Your Company cares about all its employees and contractors, and works to ensure that all of them go home to their families at the end of the working day just as fit and healthy as when they arrived.

**Dear Valued Shareholders,**

2010 was also a year when we demonstrated a very good collective performance in terms of effective cost management across the Company. Applying our out-of-the-box thinking and creative approach to find solutions, we managed to run our business with rationalized costs. I believe this is a continuous journey towards excellence which we must not lose focus on. A good company is the one which can produce best results when times are good but an EXCELLENT one can do it even when times are hard. We have shown we have started that journey towards excellence!



However, the Company has continued its operations using imported clinker in order to retain its market shares and employees. The high cost of imported clinker along with the fixed cost of maintaining the existing plant has resulted in an after tax loss in 2010. In addition, you may be aware of the fact that your Company had significant amount of past accumulated loss up to the end of 2008. The Board of Directors of your Company therefore recommended not declaring any dividend for the year 2010.

**Dear Valued Shareholders,**

Your Company believes that the employees are our most important asset and the Company is committed to develop the local talents to take over the senior roles by replacing the expatriates where and when appropriate. A rigorous recruitment process is being followed to recruit the appropriate talent from the market and extensive development plan is ensured. A succession planning process has been rolled out to identify the successors for the key positions and a proper development plan is formed for them. Your Company continues to benchmark the compensation and other benefits with the market and offers competitive remuneration package to attract new talents and to keep the existing internal resources motivated.

**Dear Valued Shareholders,**

Your Company strongly believes that business is a priority but social welfare is a responsibility. Thus, it has wide ranging community development activities around its plant at Chhatak and in Meghalaya, India.

This year your Company has provided hand pumps in remote villages along the long belt conveyor and the plant to ensure safe drinking water. There is also a qualified physician and a nurse available everyday to provide free medical assistance to the local communities.

The LSC Community Welfare School at the Community Development Center provides education up to class five. You will be happy to know that the last year the LSC Community Welfare School at Chhatak achieved a great success and recorded 100% success rate at the primary certificate examination held countrywide.

LUMPL, the Indian subsidiary of your Company, has also undertaken wide ranging community development activities in the field of healthcare, education, infrastructure development, water supply scheme and development of livelihood in the villages surrounding the mining site in Meghalaya.

**Dear Valued Shareholders,**

The Bangladesh cement market has been experiencing double digits growth for the last few years and this trend is expected to continue. Our sponsors, both Lafarge and Cementos Molins, are very much committed to serve this market and we plan to undertake a number of strategic and operational projects which will help us to become even more efficient in what we do and also better prepare us for the future.

Our goal remains to become the undisputed leader in the cement market in Bangladesh. With your continued support, we are committed to make this a reality soon.

Date: Dhaka , May 2, 2011

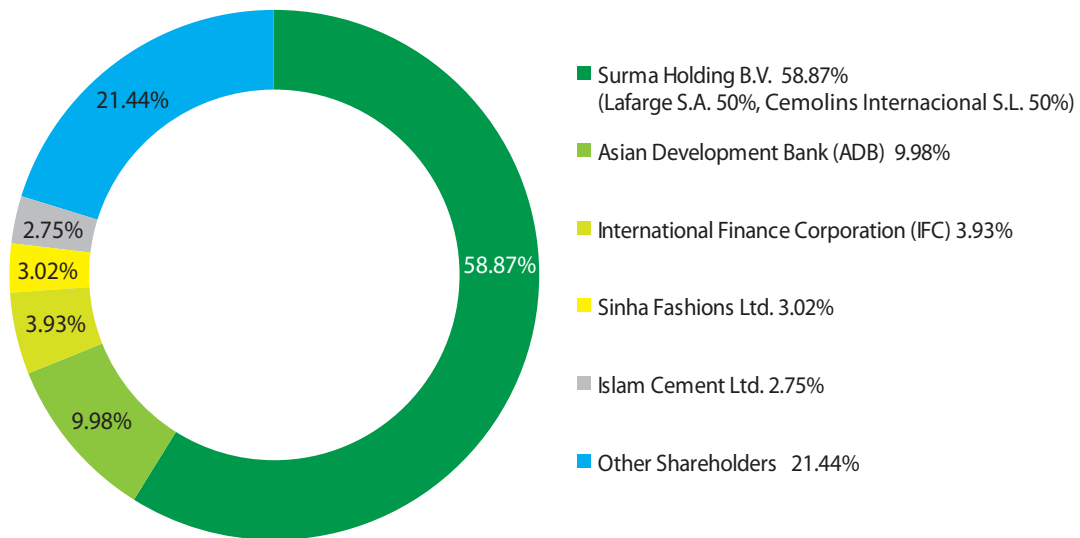


Martin Kriegner  
Chairman



# Composition of the Shareholders





The international shareholders of Lafarge Surma Cement Ltd. bring in technological and management expertise whereas the local partners provide deep insights of the economy of Bangladesh. The shareholders believe that growth and innovation must add value, not only for the Company, but also for customers, whom the Company serves through modern and well-located production facilities as well as innovative and reliable products.

#### **Surma Holdings B.V.**

Surma holding B.V. was incorporated in the Netherlands, which owns 58.87% of Lafarge Surma Cement Ltd. Lafarge S.A. of France and Cemolins Internacional S.L. of Spain each owns 50% share of Surma Holding B.V.

#### **Lafarge Group**

One of the major sponsors, Lafarge S.A. holds world's top-ranking position in Cement, Aggregates & Concrete and Gypsum. Lafarge was founded in France in 1833. Through the years since its inception, it has been growing steadily to take lead in the production of different kinds of construction materials and has established itself as the world leader in construction material business.

In 2010, for the sixth consecutive year, Lafarge has been listed as one of the 100 most sustainable companies in the world.

#### **Cementos Molins**

Another major sponsor, Cementos Molins, based in Barcelona, Spain, is a renowned cement company founded in 1928. With over 75 years of experience in manufacturing cement, Cementos Molins has industrial operations also in Mexico, Argentina, Uruguay, and Tunisia.

Besides Lafarge and Cemolins Internacional S.L. as major sponsors, the equity partners are Asian Development Bank (ADB), International Finance Corporation (IFC) and Islam Group and Sinha Group from Bangladesh. The financiers to the project include Asian Development Bank (ADB), International Finance Corporation (IFC), German Development Bank (DEG), European Investment Bank (EIB), the Netherlands Development Company (FMO) and local Standard Chartered Bank and AB Bank. In addition to that Citibank N.A., Eastern Bank Ltd., HSBC Bangladesh, Uttara Bank Ltd. have participated in working capital management of the Company.

# Corporate Governance

Lafarge Surma Cement Ltd.  
A company of  LAFARGE and  CEMENTOS MOLINS



The Company supports the principles of good corporate governance based on its principles which include transparency and a high degree of corporate governance standards. The Company values open communication with all shareholders on how the Company is being run, compliance with the laws of the land in which we operate in, and the foremost, that the Board of Directors is the trustee of the shareholders capital and not the owner.

The Company gives highest priority to its shareholders and is committed to the highest standard of disclosures, transparency and accountability to the shareholders.

The Company also ensures compliance with the accounting and reporting standards in consonance with the requirements of Securities and Exchange Commission and applicable laws of the countries in which the Company operates.

### **Code of Business Conduct**

The Company has adopted a clearly defined Codes of Business Conduct, approved by the Board of Directors, for business ethics, in all aspects of the Company's activities. It constitutes the basis upon which all our policies and procedures are formulated.

All employees of the Company are expected to read and understand this Code of Business Conduct, uphold these standards in day-to-day activities, comply with all applicable policies and procedures, and ensure that all our business partners are aware of, understand and adhere to these standards as well.

### **Composition of the Board**

The Board of Directors of the Company consists of twelve Directors. The Managing Director is the only Executive Director of the Board with responsibility for the overall management of the Company. Of the twelve Directors, seven are representatives from the major sponsor, namely Surma Holding B.V., which is a 50:50 joint venture of Financiere Lafarge S.A. of France and Cemolins Internacional S.L. of Spain. Two highly reputed local sponsors namely Islam Cement Ltd. and Sinha Fashions Ltd. have nominated their Chairmen in the Board. Further, as per the requirement of the Securities and Exchange Commission, the public shareholders elected two Directors, that is, the nominees of Delta Life Insurance Company Ltd. and Investment Corporation of Bangladesh (ICB), in the Annual General Meetings to represent the general investors. As per the directives of the Securities and Exchange Commission vide its notification dated 20 February 2006, the Board of Directors of the Company appointed one Independent Director.

The Board of Directors guide the Executive Committee of the Company to ensure and uphold the highest interest of the shareholders. The Board is responsible for ensuring that the Company has an efficient and accountable Executive Committee (i.e. management team) with clear internal demarcation of responsibility and work. The Board of Directors meets at least once a quarter. Six meetings of the Board were held during the year ended on December 31, 2010.

For the purpose of efficient and effective management of the Company, the Executive Committee, under certain specific directions from the Board, runs the day to day business of the Company. The Executive Committee is comprised of the functional directors and is headed by the Managing Director, who is also a member of the Board of Directors.





## **Accountability and Audit**

In compliance with the Notification of the Securities and Exchange Commission dated 20 February 2006, the Board has formed an Audit Committee. Four Directors of the Company are the members of the Audit Committee, including the Independent Director.

The Audit Committee ensures assessment of the relevance and consistency of accounting methods adopted for the preparation of the financial statements and also meticulously reviews the financial position once in every quarter as per the highest international standards and practices. The report of the Audit Committee is also published in the Annual Report of the Company. The Audit Committee held three meetings in 2010.

## **Internal audit**

Internal Audit supports the Company to achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management, control and governance processes. Internal Audit discharges its duties on a risk-based audit plan, covering the strategic imperatives and major risks surrounding the Company, while considering pervasive audit needs. The Internal Audit team also works closely with Group Internal Audit in sharing knowledge and resources to ensure achievement of internal audit deliverables.

## **Statutory audit**

Statutory audit of the company is governed by the Companies Act 1994 of Bangladesh. It explicitly provides guidelines for the appointment, scope of work, and retirement of auditors. Shareholders appoint auditors in the Annual General Meeting (AGM). In addition to the annual audit, they carry out the interim audit and review the quarterly financial reports.

## **Legal and Compliance**

As companies have gone global, the costs of compliance have risen rapidly. Failure to abide by local and global regulations can destroy business reputation and brands. Accordingly, adherence to the national law is core to our business. The Company is accountable to regulatory bodies like NBR, SEC and the Board of Investment (BOI) etc. In addition, for routine approval from regulatory bodies, we provide information to Bangladesh Bank, Customs Authority and other relevant organizations.

Throughout our years of operations, we have been fully compliant with national laws and have paid all applicable taxes and duties. We methodically check and review the legal papers and presence of necessary permission to perform business in Bangladesh. Our robust internal processes have ensured that all activity is reviewed and necessary changes are acknowledged to bring us in line with conformity, wherever required.

## **Supplier's Codes of Conduct**

To ensure external compliance, we have designed our internal procedures in such a way that guarantees compliance points are checked and rechecked within our regular business operations. A standardized Supplier's Code of Conduct ensures transparency and unhindered easy flow of information.

## **Procurement Policy & Procedures**

We have rolled out effective and workable procurement policies and procedures. A non-disclosure agreement signed by all the parties ensures the safety and confidentiality of commercially sensitive information. Regular maintenance of suppliers' master files and performance evaluation records ensures correct knowledge and assessment of the suppliers. An effective vendor registration system ensures all interested vendors are evaluated and given the opportunity to participate in future bids.

Competition ensures that equipments and services are purchased at the right price. It also enables us to maximize the benefits of our capital and operating expenditure. Fairness in competition is ensured through comprehensive market evaluation and analysis of vendors' technical capabilities, financial strengths as well as commercial competitiveness.

# **Report of the Board of Directors to the Shareholders**

**Under section 184 of the Companies Act, 1994 and notification  
dated February 20, 2006 from the Securities and  
Exchange Commission.**



## **Dear Valued Shareholders**

It is the pleasure of the Directors of Lafarge Surma Cement Ltd. (the “Company”) to welcome you to the 13th Annual General Meeting and present their report on the state of the Company’s affairs and the audited financial statements of the Company for the year ended on December 31, 2010.

### **State of the Company’s Affairs**

The supply of limestone from the mine located in Meghalaya, India, owned by Lafarge Umiam Mining Pvt. Ltd. (“LUMPL”), the Indian subsidiary of your Company, is the key for your Company. The Supreme Court of India by an order dated February 5, 2010, directed LUMPL to stop mining activities in its mine in Meghalaya. The Hon’ble Court, however, allowed LUMPL to export already mined materials. Accordingly, LUMPL exported the already mined materials to the cement plant of your Company in Chhatak, Sunamganj, until April 12, 2010. As a result, since April 13, 2010, the production of clinker in the Chhatak Plant of the Company stopped due to shortage of limestone. Your Company, however, continued production of cement to a limited scale with clinker imported from overseas.

The hearing on the Forest Clearance for the mining site in India is continuing before the Forest Bench of the Supreme Court of India. On July 16, 2010 the Hon’ble Court introduced a new directive and made a priority list of cases. The Hon’ble Court also decided that the cases shall be heard serially. The Forest Clearance Application of the Company was listed in serial number 3 of the priority list. Accordingly, the hearing on the Application of your Company started on October 29, 2010. Since then, the Forest Bench sat 19 times hearing the Application of the Company, usually once a week.

During the process of the hearing the Hon’ble Supreme Court of India by an Order imposed various conditions as recommended by the Committee and the Learned Attorney General of India and directed LUMPL to comply with the same. Most of those conditions have already been fulfilled and some of them are in the process of fulfilling.

During the hearing your Company is continuously receiving necessary support from the Government of India, Government of Meghalaya and from the local Durbars, on whose lands the project is located in India. Your Company is also receiving necessary support from the Government of Bangladesh.

The Company is confidently hopeful about a positive outcome in the near future.





## Health & Safety

Health and Safety is the Number One Priority in the Company as a core value. Safety is also considered to be the best tool to achieve operational excellence. Ensuring health and safety of the employees and the contractors is challenging in Bangladesh. With bold and steady steps, initiatives from the top levels and proactive approach across the organization, your Company is winning that challenge successfully. In 2010, your Company has achieved on the most prestigious Lafarge Global Award for Safety Innovation - the Cement Award for the “elimination of ergonomic hazard in warehouse”.

The emphasis on safety comes from the top management of your Company. We are all working together to ensure that we never have further accidents. Your Company encourages employees to pay attention to all the basics of safety, wearing PPE, holding hand rails, housekeeping and not taking shortcuts. Your Company is working to ensure that every employee including those who work for the Company through contractors, at the end of the work, goes back to their family life safely.

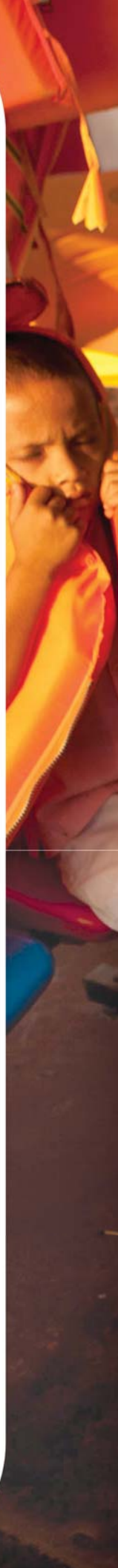
Unfortunately, the Company had an LTI – Lost Time Injury, in the Surma Plant in 2010, which the Company has taken with extreme importance and considers as a learning. Every employee of the Company has taken the learning to their heart. We are again revitalizing our efforts to further improve our employee’s safety behavior in the workplace.

In 2010, the Company took many programs to continue improvement in the field of “Safety Behavioral Change” among the Company and its contractors’ personnel. The month of June 2010 was observed as the “Safety Month” with a theme of “Improving Our Safety Behavior”. Elaborate programs were taken to improve the safety awareness of the employees and contractors, with special emphasis on the behavioral aspects of a safety culture. Safety month was followed by the successful completion of Near-Miss & Hazard Observation weeks in November and December respectively to improve reporting of near-miss incidents and hazard identification with an objective of eliminating major and/or minor accidents throughout the Company.

Your Company expects to be a leader in Health & Safety and in line with that an Annual Health & Safety Plan for 2011 is under implementation. This plan is constructed in line with world class Advisories & Priorities and developed in such a way, so that a visible change can be achieved to make the business unit as one of the safest business units of the Sponsor Groups in health and safety. We are committed to ensuring the best possible healthy and safe work environment for the employees and contractors.

## Production Performance

Since April 13, 2010, the Company continued to produce cement to a limited capacity with the then stock of clinker and imported clinker. The clinker has been imported from various countries. However, with this limited production capacity, the Company successfully maintained its Brand presence in Bangladesh market, which is very important from a business strategic stand point. During 2010 cement grinding was 925 KT, and cement sales was 922 KT, while in 2009, cement grinding was 967 KT, and cement sales was 974 KT.



During the year, the Plant was maintained in an up-to-date condition by regular inspection and related checks as per the recommendations of the experts from the Sponsor's Technical Centers.

Efforts were made to reduce cost by improving Cement Mill performance by optimizing separator performance, using grinding aid, optimizing control parameters and improving "cement – over - clinker" ratio. During the year, main thrust was given to improve the plant housekeeping, upgrade the skills of the employees and keeping their moral high.

Your Company has kept the Plant fully ready to operate along with required manpower for a rapid Kiln re-start after the import of limestone from our mine in Meghalaya, India and the production of clinker shall commence in full swing.

### **Logistics Performance**

In 2010, your Company has continued to improve the distribution system by taking proactive steps to optimize the number of depots and reduce distribution costs without affecting the performance. Your Company reduced freight of dedicated trucks as well as increased shipments by barges to further reduce the logistics costs. These actions have resulted in a 25% reduction in logistic costs from BDT 918 million in 2009 to BDT 688 million in 2010.

Your Company will continue to implement other efficiency and safety measures to further improve the logistics performance.

### **Commercial Performance**

You would be happy to know that your Company started the year 2010 with a lot of enthusiasm backed up by strong business results. In March 2010, we recorded sales of 118,000 tonnes of cement, highest in the history of your Company. Due to stoppage of mining operations in the mines in Meghalaya, India, the clinker production had to stop. However, your Company was flexible enough to change the business model and switch to clinker import strategy. Due to the limitation in clinker import logistics, the volume of cement production came down. Yet your Company managed to sell almost similar volume as the previous year. Hence, 2010 has been a year of great learning, making your Company more fit for future opportunities.

Meanwhile, your Company took a number of price initiatives to improve the product prices in the marketplace. Also, simultaneously we strengthened SUPERCRETE's position in the market. The consistency in quality has been maintained through fully automated quality monitoring by Asia Technical Centre (ATC) in Malaysia. This ensured that every bag of SUPERCRETE that has been dispatched from the Plant carried the same consistent premium quality all the way to the end consumer.

Beside the cement quality, the Company has rigorously worked with both the corporate and channel partners to face the challenges. Relationship marketing has especially been emphasized.

SUPERCRETE has been used in more and more prestigious projects in 2010. For instance, Multiplan-Red Crescent Centre in Mirpur, Dhaleswari Bridge and Suruj-Burulia Bridge in Tangail, Dapdapia bridge in Barisal, Dhaka Stock Exchange at Nikunja, new academic Building of BUET at Palashi are a few of the projects that are being built exclusively with SUPERCRETE. In 2010, the Company also focused more on high-pucca concentrated areas like Dhaka, Chittagong and Sylhet.

### Financial Performance

The Directors take the opportunity in reporting the Financial Results of the Company for the year ended 31st December 2010 as follows:

		Tk. 000s
	2010	2009
Profit before tax	(736,111)	1,049,829
Income tax	212,144	(466,904)
Net profit/(Loss) after tax	(523,967)	582,925
Transfer to un-appropriated profit	(523,967)	582,925
Earnings per share	(9.02)	10.04

The Consolidated Financial Results of the Company for the year ended 31st December 2010 are as follows:

		Tk. 000s
	2010	2009
Profit before tax	(1,850,589)	1,462,465
Income tax	212,144	(466,904)
Net profit/(loss) after tax	(1,638,445)	995,561
Transfer to un-appropriated profit	(1,638,445)	995,561
Earnings per share	(28.22)	17.15

In the Audit Report to the shareholders, the auditors have drawn attention to notes 2 and 3 to the financial statements disclosing the fact that there has been suspension of limestone mining operations in the subsidiary company (LUMPL) by an order of the Hon'ble Supreme Court of India dated 5 February 2010. The auditors have also observed that hearings are continuing in the Supreme Court of India but it cannot be said with any degree of certainty when such order will be received. As such there exists a material uncertainty which may cast significant doubt about the subsidiary's ability to continue as a going concern and since the Company is dependent on the continuing operations of the aforesaid subsidiary, any adverse impact on the going concern of the subsidiary will also affect the Company.

In this regard, the Board of Directors of the Company would like to draw your kind attention to the relevant statements made above in the State of the Company's Affairs. Your Company and the Sponsors have given their highest importance to resolve the Forest Clearance issue pending before the Supreme Court of India and are hopeful that the issue will be resolved in the near future.





## **Dividend**

As the Company has recorded a consolidated EPS loss of Tk. 28.22 in 2010, the Board of Directors of the Company did not recommend any dividend for the year 2010.

## **Human Resource**

The vision of the HR Department of the Company is recruiting the right talent, developing them with the right skills in a safe working environment and retaining the talents. Your Company believes that the employees are our most important asset and the Company is committed to develop the local talents to take over the senior roles by replacing the expatriates where and when appropriate. As such, priority is given to create expertise among the employees through appropriate trainings both at home and abroad.

A rigorous recruitment process is being followed to recruit the appropriate talent from the market and extensive development plan is ensured. A succession planning process has been rolled out to identify the successors for the key positions and a proper development plan is formed for them. Retention strategies are also in place for the employees of your Company so that they stay and grow with us.

The Company continues to benchmark the compensation and other benefits with the market and offers competitive remuneration package to attract new talents and to keep the existing internal resources motivated.

## **Community Development Program**

Your Company strongly believes that business is a priority but social welfare is a responsibility. Thus, it has wide ranging community development activities around its plant at Chhatak and its quarry in Meghalaya, India.

Staffed with a qualified physician and nurse, a regular medical clinic at the Community Development Centre has brought tremendous relief to the "project affected people". They have access to primary healthcare that includes consultation and medicinal support. Healthcare services availed by the community people is 4,256 nos. so far in the reporting year. Satellite clinics are held periodically in remote villages taking healthcare to the doorsteps of the villages. Implementation of extended program on immunization (EPI) in collaboration with GOB Health Department is also going on regularly.

In the reporting year the Company has provided 15 nos. hand pumps in remote villages along the long belt conveyor and the plant.

The LSC Community Welfare School at the Community Development Center provides education up to class five and 152 children are attending the school and total no of graduates till end 2010 is 123. It has brought new hope for the children as now they have the opportunity to enroll in local high schools where government curriculum is being followed. As of last year, the LSC Community Welfare School at Chhatak achieved a great success and recorded 100% success rate at the primary certificate examination held countrywide.





Once living as dependent housewives, women in the project affected community at Chhatak now have sufficient opportunities for empowerment through income generating activities on poultry rearing, sewing, kitchen gardening, candle making and even on shop-management, with necessary vocational training and start-up capital provided by the Company.

Apart from the above, the Company has always been on the forefront in responding to the needs of the disadvantaged people in and around our operations at the trying times. This Ramadan the Company undertook an initiative, as a socially responsible corporate citizen, to distribute eid gift boxes among the project affected and disadvantaged people at Chhatak.

LUMPL, the Indian subsidiary of your Company, has also undertaken wide ranging community development activities. In addition to a permanent healthcare centre, a Mobile Clinic and a registered medical doctor, free medical services including medicines are being provided to the surrounding villagers. In the education sector, your Company continues to provide annual scholarships to the local bright and needy students, assistance for enhancement of schoolteacher's salary, support for the school's infrastructure development and academic gadgets. Your Company is also supporting the local community to develop their livelihood skills, like setting up a weaving centre. The local community has also been supported by improvement of the basic infrastructures like construction of concrete walkways, washing ramps, public lavatories, bathing enclosures, drains etc. The water supply project in Shella has been completed in two sub-villages and potable water is now available.

### **Directors**

The Company has twelve (12) Directors in the Board including the Managing Director. Pursuant to the provisions of the Companies Act, 1994, one third of the Directors, except the Managing Director, shall retire by rotation in every ordinary general meeting. Accordingly, four (4) Directors of the Company will retire at the 13th Annual General Meeting. The retiring Directors are Mr. Jean Desazars de Montgailhard (nominee of Surma Holding B.V.), Mr. Martin Kriegner (nominee of Surma Holding B.V.), Mr. Jose Maria Fontdecaba (nominee of Surma Holding B.V.), and Mr. Md. Iftikhar-uz-zaman (nominee of Investment Corporation of Bangladesh). Being eligible they offer themselves for re-election.



## **Auditors**

Pursuant to Section 210 of the Companies Act, 1994, the Company's statutory auditors M/S, Hoda Vasi Chowdhury & Co., Chartered Accountants, retire at the 13th Annual General Meeting.

By Notification dated January 3, 2002 the Securities and Exchange Commission restricts appointment of any firm of chartered accountants as the statutory auditors for a consecutive period exceeding three years. Appointment of M/S, Hoda Vasi Chowdhury & Co. as the statutory auditors of the Company for the year ending on December 31, 2010 falls under the restriction of the Notification. On April 10, 2011 the Company applied before the Securities and Exchange Commission (SEC) to allow the Company to continue with the existing auditors, M/S, Hoda Vasi Chowdhury & Co., for another two years, i.e. up to December 31, 2012. The Company is awaiting response from SEC on the above application.

As per notification dated February 20, 2006 from the Securities and Exchange Commission, the Directors make additional statements and furnish compliance report in Annexure 1 attached herewith.

For and on behalf of the Board of Directors



Martin Kriegner

Chairman

Date: Dhaka, May 2, 2011

## Annexure 1

Additional Statements by the Board of Directors as notification dated February 20, 2006 from the Securities and Exchange Commission:

- (a) That, the financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (b) That, proper books of account of the Company have been maintained.
- (c) That, appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- (d) That, the International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- (e) That, the system of internal control is sound in design and has been effectively implemented and monitored.
- (f) That, there are no significant doubts upon the Company's ability to continue as a going concern.
- (g) That, there are no significant deviations from the last year in operating results.

### (h) Summary of key operating and financial data of preceding five years

Since the Company commenced sales activities on October 30, 2006, only two months operating data is available for 2006.

#### Income and expenses

	Tk. 000s				
	2010	2009	2008	2007	2006
<b>REVENUE</b>	5,655,374	7,543,725	6,211,938	2,399,876	153,190
Cost of sales	(4,995,256)	(5,105,542)	(3,836,583)	(2,284,166)	(111,872)
<b>GROSS PROFIT</b>	<b>660,118</b>	<b>2,438,183</b>	<b>2,375,355</b>	<b>115,710</b>	<b>41,318</b>
General and administrative expenses	(342,119)	(376,219)	(359,058)	(265,017)	(164,350)
Selling and distribution expenses	(93,909)	(124,949)	(132,022)	(107,248)	(35,185)
Other operating (expenses) / income	(264,663)	2,947	83,759	154,404	315
<b>OPERATING PROFIT/(LOSS)</b>	<b>(40,573)</b>	<b>1,939,962</b>	<b>1,968,034</b>	<b>(102,151)</b>	<b>(157,902)</b>
Finance expenses	(735,634)	(897,339)	(1,055,934)	(1,140,954)	(553,253)
Finance income	40,096	62,460	78,408	106,493	92,496
Contribution to Workers' Profit Participation and Welfare Funds	-	(55,254)	(49,526)	-	-
<b>NET PROFIT/(LOSS) BEFORE TAX</b>	<b>(736,111)</b>	<b>1,049,829</b>	<b>940,982</b>	<b>(1,136,612)</b>	<b>(618,659)</b>
Income tax	212,144	(466,904)	(305,787)	281,229	105,065
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>(523,967)</b>	<b>582,925</b>	<b>635,195</b>	<b>(855,383)</b>	<b>(513,594)</b>
Earnings per share (Taka)	(9.02)	10.04	10.94	(14.73)	(8.84)

## Assets and liabilities

	Tk. 000s				
	2010	2009	2008	2007	2006
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12,629,748	13,036,126	13,341,043	13,554,366	13,550,833
Intangible assets	6,939	8,383	11,020	14,153	17,862
Investment in subsidiaries	519,893	519,893	519,893	519,893	519,893
Loan to subsidiary company	1,154,028	1,129,641	1,240,560	1,233,900	1,243,541
Deferred income tax assets	-	-	81,767	393,811	106,315
<b>Current assets</b>	2,248,089	2,318,588	2,507,839	1,478,984	1,500,869
<b>TOTAL ASSETS</b>	<b>16,558,697</b>	<b>17,012,631</b>	<b>17,702,122</b>	<b>17,195,107</b>	<b>16,939,313</b>
<b>LIABILITIES</b>					
Share capital	5,806,868	5,806,868	5,806,868	5,806,868	5,806,868
Accumulated loss	(1,577,824)	(1,053,857)	(1,636,782)	(2,271,977)	(1,416,594)
<b>Shareholders' equity</b>	4,229,044	4,753,011	4,170,086	3,534,891	4,390,274
<b>NON-CURRENT LIABILITIES</b>					
Long-term debt	3,000,781	4,705,955	6,404,929	8,112,809	8,292,136
Deferred income tax liabilities	172,993	385,137	-	-	-
Contribution to employee benefit	52,982	43,897	31,866	-	-
<b>Current liabilities</b>	9,102,897	7,124,631	7,095,241	5,547,407	4,256,903
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,558,697</b>	<b>17,012,631</b>	<b>17,702,122</b>	<b>17,195,107</b>	<b>16,939,313</b>

(i) Reasons for non-declaration of dividend:

As the Company has recorded a consolidated EPS loss of Tk. 28.22 in 2010, the Board of Directors of the Company did not recommend any dividend for the year 2010.

(j) The number of Board meetings held during the year and attendance by each Director:

6 (six) Board meetings were held during the year 2010 and the dates are March 9, April 5, April 22, June 24, September 23 and December 14. The Directors attended the Board meetings as stated below:

1. Mr. Martin Kriegner was present in person in all six Board Meetings.
2. Mr. Jean Desazars de Montgailhard, by his Alternate Director Mr. Masud Khan, attended six Board Meetings.
3. Mr. Michael Andrew Cowell was present in person in six Board Meetings.
4. Mr. Jose Maria Fontdecaba attended all six Board Meetings.
5. Mr. Enrique de Bobes Pellicer attended four Board Meetings being present in person, except the two on March 9 and September 23 for which leave of absence was granted to him.
6. Mr. Salvador Fernandez Capo, attended three Board Meetings being present in Person, except the three on March 9, April 5 and June 24 for which leave of absence was granted to him.
7. Mr. Manzurul Islam attended one Board meeting being present in person, except the five on April 5, April 22, June 24, September 23 and December 14 for which leave of absence was granted to him.
8. Mr. Anisur Rahman Sinha attended four Board meetings being present in person except two on April 22 and December 14 for which leave of absence was granted to him.
9. Mr. Syed Moazzem Hussain attended five Board meetings being present in person except the one on September 23 for which leave of absence was granted to him.

10. Mr. Shivesh Kumar Sinha, attended five Board meetings being present in person, except the one on April 5 for which leave of absence was granted to him.
11. Mr. Zakir Ahmed Khan was appointed as the Independent Director on April 22, 2010. After April, three Board Meetings were held and Mr. Zakir Ahmed Khan attended two Board Meetings being present in person, except one on December 14 for which leave of absence was granted to him.
12. Mr. Md. Iftikhar-uz-zaman was appointed as a public director on 12th Annual General Meeting on June 24, 2010. After June, two Board Meetings were held and Mr. Md. Iftikhar-uz-zaman attended two Board Meetings being present in person.

(k) The pattern of shareholding:

(i) Parent/Subsidiary/Associated companies and other related parties (name wise details):

Name	Position	No. of shares
Surma Holding BV	Parent Company	34,184,935

(ii) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details):

Name	Position	No. of shares		
		Self	Spouse	Minor Children
Mr. Jean Desazars de Montgailhard	Director as nominee of Surma Holding BV	5	Nil	Nil
Mr. Martin Kriegner	Director/Chairman as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Michael Andrew Cowell	Director as nominee of Surma Holding BV and Managing Director	Nil	Nil	Nil
Mr. Jose Maria Fontdecaba	Director as nominee of Surma Holding BV	5	Nil	Nil
Mr. Enrique de Bobes Pellicer	Director as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Shivesh Kumar Sinha	Director as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Salvador Fernandez Capo	Director as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Manzurul Islam	Director as nominee of Islam Cement Ltd	10	Nil	Nil
Mr. Anisur Rahman Sinha	Director as nominee of Sinha Fashions Ltd	Nil	Nil	Nil
Mr. Syed Moazzem Hussain	Director as nominee of Delta Life Insurance Co. Ltd.	Nil	Nil	Nil
Mr. Zakir Ahmed Khan	Independent Director	Nil	Nil	Nil
Mr. Md. Iftikhar-uz-zaman	Director as nominee of Investment Corporation of Bangladesh	Nil	Nil	Nil
Mr. Masud Khan	Finance Director	Nil	Nil	Nil
Mr. Kazi Mizanur Rahman	Company Secretary	Nil	Nil	Nil
Mr. Moshorrof Hossain	Head of Internal Audit	Nil	Nil	Nil

Note: The Directors' shares shown above are as per the holdings in their personal names; but the shareholdings of the companies that they represent are as follows:

- Surma Holding BV: 34,184,935 shares
- Islam Cement Ltd: 1,595,710 shares
- Sinha Fashions Ltd: 1,755,000 shares
- Delta Life Insurance Co. Ltd: 1,350,559 shares
- Investment Corporation of Bangladesh : 542,150 shares



(iii) Executives (top five salaried employees other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit):

Name	No. of shares
Executives	Nil

(iv) Shareholders holding ten percent (10%) or more voting interest in the Company (name wise details):

Name	No. of shares
Surma Holding BV	34,184,935

As per notification dated February 20, 2006 from the Securities and Exchange Commission, the Directors state compliance with the conditions as follows:

Status of compliance with conditions imposed by the Commission's Notification No.SEC/CMRRCD/2006-158/Admin/02-08 dated 20th February 2006 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

**(Report under Condition No. 5.00)**

Condition No.	Title	Compliance status (Put √ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not complied	
1.1	Board Directors should not be less than 5 (five) and more than 20 (twenty)	√		
1.2 (i)	1/10th of total Directors, minimum of one, to be Independent Director	√		
1.2 (ii)	Elected Directors to appoint Independent Director	√		
1.3	Chairman and Chief Executive Officer to preferably be different individual etc	√		
1.4 (a)	Financial statements present fairly the state of affairs etc	√		
1.4 (b)	Proper book of accounts maintained	√		
1.4 (c)	Appropriate accounting policies consistently applied	√		
1.4 (d)	International Accounting Standards followed	√		
1.4 (e)	The system of internal control is sound in design	√		
1.4 (f)	No significant doubt to continue as a going concern	√		
1.4 (g)	Significant deviations from last year in operating results	√		
1.4 (h)	Key operating and financial data for preceding three years	√		
1.4 (i)	Reasons for non-declaration of dividend	√		
1.4 (j)	Number of Board meetings and attendance by Directors	√		
1.4 (k)	Pattern of shareholding	√		
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary	√		
2.2	CFO and Company Secretary to attend Board meetings	√		

Condition No.	Title	Compliance status (Put √ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not complied	
3.0	Audit Committee	√		
3.1 (i)	Audit Committee to have at least three member	√		
3.1 (ii)	Board to appoint Directors as members of Audit Committee with at least one Independent Director	√		
3.1 (iii)	Board to immediately fill up vacancy in Audit Committee	√		
3.2 (i)	Board to select one member of Audit Committee as Chairman	√		
3.2 (ii)	Chairman of Audit Committee should have a professional qualification or experience	√		
3.3.1 (i)	Audit Committee report on its activities to the Board	√		
3.3.1 (ii) (a)	Report on conflicts of interests	√		
3.3.1 (ii) (b)	Suspected or presumed fraud or irregularity	√		
3.3.1 (ii) (c)	Suspected infringement of laws	√		
3.3.1 (ii) (d)	Any other matter which should be disclosed	√		
3.3.2	Reporting to the Authorities	√		
3.4	Reporting to the Shareholders and General Investors	√		
4.0 (i)	No appraisal or valuation services or fairness opinion by external/statutory auditors	√		
4.0 (ii)	No financial information system design and implementation by external/ statutory auditors	√		
4.0 (iii)	No book keeping or other services related to the accounting records or financial statements by external/statutory auditors	√		
4.0 (iv)	No broker-dealer services by external/statutory auditors	√		
4.0 (v)	No actuarial services by external/statutory auditors	√		
4.0 (vi)	No internal audit services by external/statutory auditors	√		
4.0 (vii)	No other service, that the Audit Committee determines, to be performed by external/statutory auditors	√		

For and on behalf of the Board of Directors



Martin Kriegner

Chairman

Date: Dhaka, May 2, 2011



# Lafarge Surma Cement Ltd.

A company of  LAFARGE and  CEMENTOS MOLINS

## AUDIT COMMITTEE REPORT

### For the year 2010

07 April 2011

To: The Board of Directors  
Lafarge Surma Cement Ltd.

#### **The Audit Committee**

The Audit Committee consists of the following members:

Chairman : Mr. Jose Maria Fontdecaba, Director  
Member : Mr. Manzurul Islam, Director  
Member : Mr. Michael Andrew Cowell, Managing Director  
Member : Mr. Zakir Ahmed Khan, Independent Director

#### **The scope of Audit Committee is defined as under**

- a. Review the financial statements prepared for statutory purpose and recommend the Board to approve it;
- b. Report to the Board of Directors on internal audit findings from time to time considering the significance of the issues;
- c. Carry on a supervision role to safeguard the systems of governance and independence of statutory auditors; and
- d. Review and consider the internal audit report and statutory auditors' observations on internal control.

#### **Activities during the year**

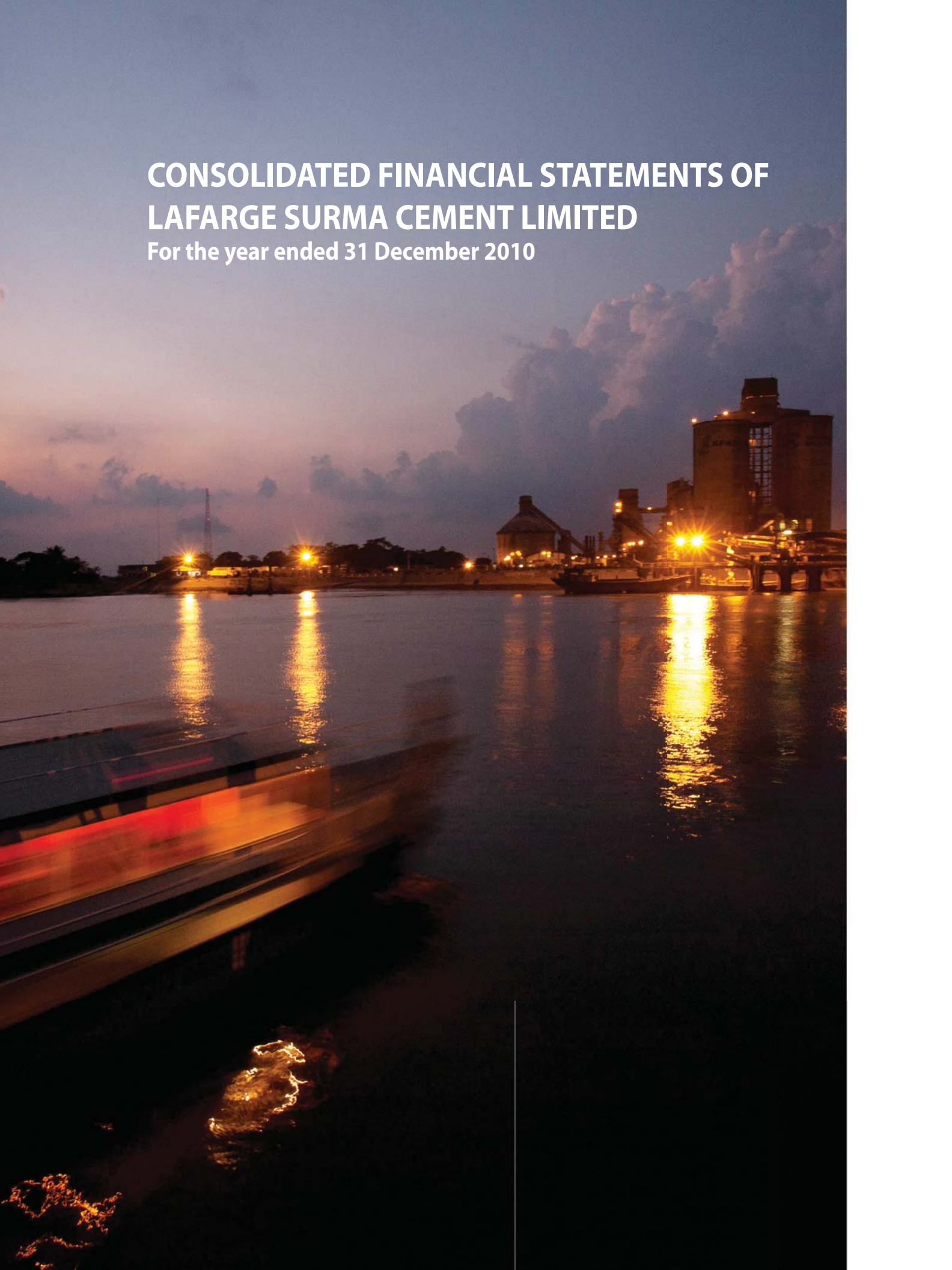
- a. Guided the process of financial year-end closing;
- b. Reviewed and recommended to the Board to approve the financial statements of Lafarge Surma Cement Limited and all its subsidiaries for the year 2010; and
- c. Examined the system of financial reporting as well as the reports and reported the findings on the following, where appropriate:
  - i. Conflict of interests;
  - ii. Suspected or presumed fraud or irregularity or material defect in the internal control system;
  - iii. Suspected infringement of laws, including securities related laws, rules and regulations; and
  - iv. Any other matters which should be disclosed to the Board of Directors immediately.
- d. Reviewed the implementation of Internal Control Project "Project FOCUS" under Sarbanes-Oxley Act (USA) guidelines;
- e. Approved audit plan and resource allocation for the Internal Audit Services.
- f. Reviewed the internal audit activities carried out during the year.
- g. Reviewed the internal audit reports and followed-up action plans agreed to improve internal control systems.



Jose Maria Fontdecaba  
Chairman, Audit Committee

# CONSOLIDATED FINANCIAL STATEMENTS OF LAFARGE SURMA CEMENT LIMITED

For the year ended 31 December 2010



## **Auditors' Report to the Shareholders on Consolidated Financial Statements Of LAFARGE SURMA CEMENT LIMITED**

We have audited the accompanying consolidated financial statements of Lafarge Surma Cement Limited and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2010, and the consolidated income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Bangladesh Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of the material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lafarge Surma Cement Limited as at 31 December 2010, and their financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

*Without qualifying our opinion, we draw attention to the notes 2 and 3 to the financial statements disclosing the fact that there has been suspension of limestone mining operations of Lafarge Umiam Mining Private Limited, a wholly owned subsidiary of the Company, by dint of an order of the Hon'ble Supreme Court of India dated 5 February 2010. In subsequent hearings, the Hon'ble Supreme Court has imposed further conditions on the subsidiary Company for obtaining forest clearance. The hearing of the Hon'ble Court is continuing but it cannot be said with any degree of certainty when such order will be received. Further, our going concern review reveals that during the year, the Company with its subsidiaries has incurred loss of BDT 1,638,445 in thousand, insufficient cash generation, debts servicing are made from further bank borrowings, working capital deficiency, apart from material uncertainty in mining*

*operations of the subsidiary (LUMPL). In view of the above, there exists a material uncertainty which may cast significant doubt about the subsidiary's ability to continue as a going concern. Since the Company is significantly dependent on the continuing operation of the aforesaid subsidiary, any adverse impact on the going concern of the subsidiary will also affect the Company.*

We also report that:

- 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 account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the Company's consolidated balance sheet and consolidated income statement along with the annexed notes 1 to 37 dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred and payments made were for the purposes of the company's business.



Chartered Accountants

Dhaka, 10 April 2011

**LAFARGE SURMA CEMENT LIMITED**  
**Consolidated Balance Sheet**  
As at 31 December 2010

	Notes	2010 Taka'000	2009 Taka'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	14,377,748	14,672,246
Intangible assets	6	1,219,460	225,977
		<b>15,597,208</b>	<b>14,898,223</b>
<b>CURRENT ASSETS</b>			
Inventories	8	1,146,423	1,251,579
Trade receivables	9	133,171	388,088
Advances, deposits & prepayments	10	861,882	665,455
Derivative instruments-assets	11	1,429	869
Cash and cash equivalents	12	174,691	87,401
		<b>2,317,596</b>	<b>2,393,392</b>
<b>TOTAL ASSETS</b>		<b>17,914,804</b>	<b>17,291,615</b>
<b>LIABILITIES</b>			
Share capital	13	5,806,868	5,806,868
Accumulated loss	14	(3,174,778)	(1,536,346)
Foreign currency translation	4.3	135,946	159,943
<b>SHAREHOLDERS' EQUITY- PARENT COMPANY</b>		<b>2,768,036</b>	<b>4,430,465</b>
Share money deposits	15	443	417
<b>EQUITY</b>		<b>2,768,479</b>	<b>4,430,882</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	17.1	4,713,556	4,705,955
Deferred income tax liabilities	7	172,993	385,137
Contribution to employee benefits	16	56,174	45,073
		<b>4,942,723</b>	<b>5,136,165</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	18	1,462,654	1,180,470
Other payables	19	390,035	606,199
Derivative instruments-Liabilities	20	18,029	1,117
Current portion of long term debt	17.2	2,017,604	1,741,992
Bank overdrafts	21	633,261	675,961
Short-term debt	22	5,680,768	3,517,578
Income tax payable	23	1,251	1,251
		<b>10,203,602</b>	<b>7,724,568</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,914,804</b>	<b>17,291,615</b>

The accompanying Notes are an integral part of these financial statements



Company Secretary



Director



Managing Director



Chartered Accountants

Dhaka, 10 April 2011

Auditors report to the shareholders  
See annexed report of date



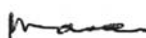
**LAFARGE SURMA CEMENT LIMITED**  
**Consolidated Income Statement**  
For the year ended 31 December 2010

	Notes	2010 Taka '000	2009 Taka '000
<b>REVENUE</b>	26	5,655,374	7,543,725
Cost of sales	27	(5,078,216)	(4,658,211)
<b>GROSS PROFIT</b>		<b>577,158</b>	<b>2,885,514</b>
General and administrative expenses	28	(342,119)	(376,878)
Selling and distribution expenses	30	(93,909)	(124,949)
Other Operating (expenses)/income	31	(1,257,001)	4,611
<b>OPERATING (LOSS)/PROFIT</b>		<b>(1,115,871)</b>	<b>2,388,298</b>
Exchange loss on foreign currency transactions	4.7	38,764	(78,200)
Finance costs	32	(776,207)	(870,906)
Finance income	32	2,725	78,527
Contribution to Workers' Profit Participation and Welfare Funds	4.8 (iii)	-	(55,254)
<b>NET (LOSS)/PROFIT BEFORE TAX</b>		<b>(1,850,589)</b>	<b>1,462,465</b>
Income tax income/(expenses)	33	212,144	(466,904)
<b>NET (LOSS)/PROFIT AFTER TAX</b>		<b>(1,638,445)</b>	<b>995,561</b>
Distribution:			
<b>GROUP SHARE</b>		<b>(1,638,419)</b>	<b>995,604</b>
Minority interests		(26)	(43)
		<b>(1,638,445)</b>	<b>995,561</b>
<b>EARNINGS PER SHARE (TAKA)</b>	34	<b>(28.22)</b>	<b>17.15</b>

The accompanying Notes are an integral part of these financial statements



Company Secretary



Director



Managing Director

Dhaka, 10 April 2011


Auditors report to the shareholders  
See annexed report of date




Chartered Accountants

**LAFARGE SURMA CEMENT LIMITED**  
**Consolidated Cash Flow Statement**  
For the year ended 31 December 2010

	<b>2010</b> <b>Taka '000</b>	<b>2009</b> <b>Taka '000</b>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	5,882,172	7,942,749
Payment for cost and expenses	(6,075,635)	(4,406,991)
Advance income tax by deduction	(118,993)	(110,136)
Interest paid	(708,044)	(916,141)
Interest on bank deposits	982	847
Other receipts	10,508	3,708
	<b>(1,009,010)</b>	<b>2,514,036</b>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property, plant and equipment	(242,946)	(231,281)
Intangible assets	(987,632)	(13,245)
Disposal of property, plant and equipment	36	1,917
	<b>(1,230,542)</b>	<b>(242,609)</b>
<b>Cash Flows From Financing Activities</b>		
Long term debt	218,355	(1,720,500)
Bank overdrafts	(44,316)	(952,043)
Short term debt	2,152,168	416,716
	<b>2,326,207</b>	<b>(2,255,827)</b>
Net effect of foreign currency translation on cash and cash equivalents	635	2,254
<b>Net Cash Flow for the Year</b>	<b>87,290</b>	<b>17,854</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b>	87,401	69,547
<b>Cash and Cash Equivalents at End of the Year</b>	174,691	87,401
	<b>87,290</b>	<b>17,854</b>



Company Secretary



Director




Managing Director

**LAFARGE SURMA CEMENT LIMITED**  
**Consolidated Statement of Changes in Shareholders' Equity**  
For the year ended 31 December 2010

	2010 in Taka'000					2009 in Taka'000				
	Share Capital	Accumulated Loss	Minority Interest	Foreign Currency Translation	Shareholders' Equity Parent Company	Share Capital	Accumulated Loss	Minority Interest	Foreign Currency Translation	Shareholders' Equity Parent Company
Balance as on 1 January	5,806,868	(1,536,278)	(68)	159,943	4,430,465	5,806,868	(2,531,882)	(34)	150,926	3,425,878
Net profit/(loss) after tax for the year	-	(1,638,419)	(13)	(23,997)	(1,662,429)	-	995,604	(34)	9,017	1,004,587
Balance as at 31 December	<b>5,806,868</b>	<b>(3,174,697)</b>	<b>(81)</b>	<b>135,946</b>	<b>2,768,036</b>	<b>5,806,868</b>	<b>(1,536,278)</b>	<b>(68)</b>	<b>159,943</b>	<b>4,430,465</b>

Balance as on 1 January  
Net profit/(loss) after tax for the year  
Balance as at 31 December

  
Company Secretary

  
Director

  
Managing Director

# **LAFARGE SURMA CEMENT LIMITED**

## **Notes to the Consolidated Financial Statements**

For the year ended 31 December 2010

### **1 Background and Introduction**

#### **Formation and legal status**

**Lafarge Surma Cement Limited** - (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.

### **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 like limestone and shale from its own quarry in Meghalaya. A 17km metre cross-border belt conveyor links the quarry with the cement plant for transportation of raw materials.

Pursuant to a decision of the Supreme Court of India suspending the mining operations of subsidiary company namely Lafarge Umiam Mining Private Limited effective from 5 February 2010, the procurement of basic raw materials from the wholly owned subsidiary has completely stopped. However, the company is engaged in manufacturing and marketing of cement through imported clinker.

### **3 Going Concern Issue**

As indicated above, the mining operations of Lafarge Umium Mining Private Limited, India, a wholly owned subsidiary of the company, are suspended by dint of an order of the Supreme Court of India since 5 February 2010. The subsidiary has been experiencing unfavorable operating results, insufficient cash generation for debt servicing and uncertainty in mining operations in the absence of any favorable court order. However, the subsidiary is expected to overcome this situation as soon as a favorable court order will be received and the subsidiary continues to enjoy financial support from its sponsors to overcome the situation. In such a scenario, the Company does not anticipate any adverse situation that may affect the going concern status of the subsidiary. Since the Company's operations and its profitability are dependent on the continuing operation of the aforesaid subsidiary, adverse situation of the subsidiary will also influence the going concern of the Company.

If such a situation continues, the Company will look for alternative business strategy to continue its operational activity. At the same time, in order to arrange for adequate funding to continue its operations, the Company is in the final process of restructuring the principal payment to the international lenders for a period of one year and is also exploring options for long term financial restructuring.

## 4 Summary of Significant Accounting Policies

### 4.1 Basis of accounting

These financial statements have been prepared in line with Lafarge Group accounting policies following Generally Accepted Accounting Principles (GAAP) under historical cost convention and after due compliance with the International Financial Reporting Standards (IFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. More specifically, the consolidated financial statements of the Company have been prepared in accordance with the provisions of International Accounting Standard 27: "Consolidated and Separate Financial Statements".

### 4.2 Principles of consolidation

The accounts of all the subsidiaries of the Company have been fully consolidated as the Company directly controls more than 50% of the voting shares of these entities.

The Company has made following investments in its subsidiaries which have been eliminated during consolidation:

<u>Name of subsidiary</u>	2010 Taka'000	2009 Taka'000
Lafarge Umiam Mining Private Limited, India	519,356	519,356
Lum Mawshun Minerals Private Limited, India	537	537
	<b>519,893</b>	<b>519,893</b>

All inter-company balances between the Company and its subsidiaries are eliminated on consolidation.

### 4.3 Translation of financial statements denominated in foreign currencies

The accounts of the Indian subsidiaries have been translated into Bangladesh Taka using the year end closing rate of exchange for all balance sheet items and the average rate of exchange is applied to revenues, expenses and amounts presented on the statement of cash flows. The resulting translation adjustments are included as a separate component of shareholders' equity. The exchange rates used for consolidating the Indian entities are as follows:

<u>Taka equivalent of Rs. 1</u>	31 December 2010	31 December 2009
Average rate	1.5232	1.4269
Closing rate	1.5756	1.4835

### 4.4 Scope of consolidation

The name of subsidiaries, country of incorporation and proportion of ownership interest are as follows:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>% of ownership interest</u>
Lafarge Umiam Mining Private Limited	India	100
Lum Mawshun Minerals Private Limited	India	74

### 4.5 Property, plant and equipment

#### i) Recognition of property, plant and equipment

These are capitalized at cost of acquisition and subsequently stated at cost less accumulated depreciation in compliance with the benchmark treatment of IAS 16 "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its operating condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

## ii) Capitalization of strategic spare parts

Pursuant to the Group policy strategic spare parts over Eur 30 k for individual item having more than one year life time are required to be capitalized. Accordingly during the year, an amount of BDT 115,040 K has been capitalized.

## iii) Capital work in progress

These expenditure will be capitalized and recognized as operating assets upon completion of the acquisition process or construction, where applicable and physical possession thereof.

## iv) Depreciation of property, plant and equipment

Straight line depreciation method has been followed and depreciation has been charged on all assets acquired that are put on use except land, at rates varying from 2% to 33.33%. Full month's depreciation is charged for the month of acquisition and no depreciation is charged for the month of disposal.

### 4.6 Recognition of intangible assets

#### i) Software

Software costs are capitalized where it is expected to provide future enduring economic benefits. Capitalization costs include license fees & cost of implementation/system integration services which are capitalized in the year in which the relevant software is installed for use. Costs of maintenance, upgradation and enhancements are charged off as revenue expenditure unless they bring similar significant additional long term benefits.

#### ii) Others

Capitalization costs of leased land and quarry land include statutory fees, lump sum payment to lessor and subsequent development cost. These are shown as "intangible assets" in line with Group policy.

#### iii) Amortization of intangible assets

##### a) Software

Software are amortized using the straight-line method over their useful lives (three years).

##### b) Others

The leased land and quarry land are amortized using the straight-line method over their amortization period calculated on the basis of different leased period. However, the quarry land are amortized over a period of maximum 30 years.

### 4.7 Foreign currency translation/ transaction

Transactions in foreign currency have been translated in Taka currency at the exchange rates prevailing on the dates of such transactions. Inter-company balances in foreign currency held at 31 December 2010 as well as other balances on foreign currency debts and cash holdings have been translated at rate provided by the Bangladesh Bank (Central Bank) and the resultant gain/loss has been reflected in the financial statements. These rates are as follows:

	Average Rate	Closing Rate
BDT/USD	69.6431	70.7450
BDT/EUR	92.4762	93.5497
BDT/GBP	107.7116	109.6583
BDT/INR	1.5232	1.5756

#### **4.8 Employee benefit schemes**

- i. The Company operates an unfunded gratuity scheme, provision for which has been made in respect to all eligible employees and reflected in these accompanying financial statements.
- ii. The Company also operates a recognized provident fund scheme with equal contribution by the employees and the Company.
- iii. The Company recognizes a provision for Workers' Profit Participation and Welfare funds @ 5% of net profit before tax as per Labour Act, 2006.

#### **4.9 Inventories**

Inventories are stated at the lower of cost or net realizable value while packing materials and spare parts are valued at cost.

#### **4.10 Taxation**

Income tax expenses represent the sum of the tax currently payable and deferred tax.

Deferred income tax is provided for all temporary timing differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements in accordance with the provisions of IAS 12. Tax rate prevailing at the balance sheet date is used to determine deferred income tax.

No deferred income tax has been provided in the financial statements with respect to Lafarge Umiam Mining Private Limited due to the fact that Lafarge Umiam Mining Private Limited enjoys tax holiday benefits for 10 years and it is uncertain whether deferred tax asset of the Company can be adjusted in the future periods.

#### **4.11 Revenue recognition**

Sale of the products, net of value added tax and discounts, is recognized upon raising invoices to customers.

#### **4.12 Derivatives instruments**

Financial assets and liabilities in the form of derivatives instruments are recognized based on Group's advice received from time to time. Contracting for derivatives and its valuations for provisioning purpose are done as per Group treasury policy under the supervision of Group treasury department.

#### **4.13 General**

- i. Figures appearing in these financial statements have been rounded off to the nearest Bangladesh Taka.
- ii. Comparative figures and account titles in the financial statements have been rearranged/reclassified where necessary to conform with changes in presentation in the current year.

## 5 Property, Plant and Equipment

Figures in Taka'000

Category of property, plant and equipment	Cost				Depreciation				Written Down Value as at 31 December 2010				
	Balance on 1 January 2010	Additions during the year	Disposal during the year	Adjustment for translation	Reclassification during the year	Balance at 31 December 2010	Rate	Balance on 1 January 2010		Provision for the year	Accum. prov. for disposed assets	Adjustment for translation	Balance at 31 December 2010
Land - freehold	559,089	1,704	-	1,887	696	563,376	-	-	-	-	-	-	563,376
Leasehold improvements	367	-	-	-	-	367	20.0%	367	-	-	-	367	-
Building	119,232	2,909	-	4,181	1,752	128,074	2.0%	10,734	2,778	-	388	13,900	114,174
Plant building	492,826	110	-	-	3,239	496,175	2.5%	37,591	12,372	-	-	49,963	446,212
Technical facilities	49,657	-	-	73	-	49,730	3.3%	5,413	1,616	-	20	7,049	42,681
Plant and machinery	14,654,317	94,462	-	104,266	63,271	14,916,316	3.3%	1,560,356	492,242	-	12,696	2,065,294	12,851,022
Other factory equipment	47,556	109	-	-	3,471	51,136	10.0%	7,571	4,959	-	-	12,530	38,606
Vehicles	105,043	5,079	-	1,485	21,179	132,786	20.0%	54,617	18,373	-	968	73,958	58,828
Computer equipment	72,645	1,695	159	420	11,368	85,969	33.3%	52,370	11,611	124	342	64,199	21,770
Office equipment	59,101	1,834	-	666	4,261	65,862	20.0%	37,504	7,928	-	417	45,849	20,013
Furniture and fixtures	53,975	829	-	262	636	55,702	10.0%	17,609	5,207	-	86	22,902	32,800
Capital work in progress (Note- 5.1)	243,537	52,917	946	2,631	(109,873)	188,266	-	-	-	-	-	-	188,266
<b>Total at end of year 2010</b>	<b>16,457,345</b>	<b>161,648</b>	<b>1,105</b>	<b>115,871</b>	<b>-</b>	<b>16,733,759</b>		<b>1,784,132</b>	<b>557,086</b>	<b>124</b>	<b>14,917</b>	<b>2,356,011</b>	<b>14,377,748</b>
<b>Total at end of year 2009</b>	<b>16,196,058</b>	<b>191,100</b>	<b>8,296</b>	<b>77,516</b>	<b>-</b>	<b>16,456,378</b>		<b>1,234,282</b>	<b>545,637</b>	<b>4,150</b>	<b>8,363</b>	<b>1,784,132</b>	<b>14,672,246</b>

### 5.1 Capital work in progress

	2010 Taka'000	2009 Taka'000
Plant building	4,064	13,217
General survey and studies	90,866	70,804
Plant and machinery	23,797	23,797
Other equipment	36,518	64,905
Other improvement works	33,021	69,847
	<b>188,266</b>	<b>242,570</b>
Production and maintenance overhead (Note- 27.2)	530,203	516,657
General and administrative expenses (Note- 28)	26,883	28,980
	<b>557,086</b>	<b>545,637</b>

### 5.2 Depreciation charge has been allocated to

Production and maintenance overhead (Note- 27.2)  
General and administrative expenses (Note- 28)

### 5.3 Disposal of property, plant and equipment (Figures in Taka '000)

Category of property, plant and equipment	Cost	Accumulated Depreciation	Written down Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
Computers equipment	159	124	35	36	Company policy	Employees of the company
Capital work in progress	946	-	946	-	Written off	-
<b>Total at end of year 2010</b>	<b>1,105</b>	<b>124</b>	<b>981</b>	<b>36</b>		
<b>Total at end of year 2009</b>	<b>8,296</b>	<b>4,150</b>	<b>4,146</b>	<b>1,917</b>		



	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>6 Intangible Assets</b>		
Cost on January 1		
Software	53,862	50,830
Leasehold land	20,598	35,132
Quarry land	141,248	119,895
Capital work in progress	75,972	62,446
	<u>291,680</u>	<u>268,303</u>
Addition during the year		
Software	-	2,840
Quarry land	13,160	-
Capital work in progress	946,798	10,405
	<u>959,958</u>	<u>13,245</u>
Reclassification during the year		
Software	967	-
Capital work in progress	(967)	-
	<u>-</u>	<u>-</u>
Translation adjustment		
Software	283	192
Leasehold land	1,279	868
Quarry land	9,222	5,951
Capital work in progress	37,108	3,121
	<u>47,892</u>	<u>10,132</u>
Cost at end of the year	<u>1,299,530</u>	<u>291,680</u>
Accumulated amortization on January 1		
Software	45,474	37,912
Leasehold land	3,125	2,071
Quarry land	17,104	10,977
	<u>65,703</u>	<u>50,960</u>
Provision made during the year		
Software	5,795	7,415
Leasehold land	988	926
Quarry land	5,840	5,429
	<u>12,623</u>	<u>13,770</u>
Translation adjustment		
Software	253	147
Leasehold land	228	128
Quarry land	1,263	698
	<u>1,744</u>	<u>973</u>
Amortization at end of the year	<u>80,070</u>	<u>65,703</u>
Carrying amount at end of the year	<u><b>1,219,460</b></u>	<u><b>225,977</b></u>
<b>7 Deferred Income Tax Assets/(Liabilities)</b>		
The tax effects of temporary differences that resulted in deferred tax assets and liabilities.		
<i>Deferred tax assets</i>		
Provision for gratuity	18,136	16,461
Provision for doubtful debts	2,445	3,027
Business loss	3,036,719	2,680,841
	<u>3,057,300</u>	<u>2,700,329</u>
<i>Deferred tax liabilities</i>		
Property, plant and equipment	(3,230,293)	(3,085,466)
	<u>(3,230,293)</u>	<u>(3,085,466)</u>
	<u><b>(172,993)</b></u>	<u><b>(385,137)</b></u>

	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>8 Inventories</b>		
Raw materials **	215,192	268,510
Spare parts	698,262	745,877
Packing materials	4,252	4,793
Other materials	61,819	54,797
Finished goods and work in process	166,898	177,602
	<b>1,146,423</b>	<b>1,251,579</b>

\*\* Raw materials inventory includes BDT 37,694 k in transit from cementia trading AG which has subsequently been received.

<b>9 Trade Receivables</b>		
Trade receivables	133,171	388,088
	<b>133,171</b>	<b>388,088</b>

Trade receivables are secured and considered good.

<b>10 Advances, Deposits and Prepayments</b>		
Office and house rent	26,267	27,782
Contractors, consultants, suppliers and others (Note-10.1)	291,626	249,572
VAT current account	80,580	48,624
Income tax-deducted at source	370,829	253,773
Employees for expenses	10,875	6,942
Advance to employees for SAR plan (Note- 16)	11,874	26,509
Security and other deposits (Note- 10.2)	5,121	4,788
Prepaid expenses	43,746	37,228
Accrued interest on bank deposits	597	589
Other receivables	20,367	9,648
	<b>861,882</b>	<b>665,455</b>

Advances mentioned above are unsecured but all are considered good and as such no provision is required to be made. Advances made to employees include advance related to employee matters and for running the day to day operations cost of different departments.

<b>10.1 Advance to contractors, consultants, suppliers and others</b>		
Letter of Credit-spare parts	12,365	41,082
Letter of Credit-raw materials	68,472	17,955
Explosives	117,173	117,173
Custom duties	32,138	28,043
Others	61,479	45,319
	<b>291,627</b>	<b>249,572</b>

<b>10.2 Security and other deposits</b>		
House rental	520	520
Telecommunications	527	527
Central Depository System	500	500
Other services	3,574	3,241
	<b>5,121</b>	<b>4,788</b>

<b>11 Derivative Instruments-Assets</b>		
Derivative instruments	<b>1,429</b>	<b>869</b>

The Company entered into forward contracts with the commercial banks in order to manage its foreign exchange exposure due to change in exchange rates. The amount is the difference between market prices and prices the Company would pay to settle the foreign exchange liabilities at close of the year.

	<b>2010</b> <b>Taka'000</b>	<b>2009</b> <b>Taka'000</b>	
<b>12 Cash and Cash Equivalents</b>			
Cash in hand			
Lafarge Surma Cement Limited	572	310	
Lafarge Umiam Mining Private Limited	216	125	
	<u>788</u>	<u>435</u>	
Cash in transit			
Lafarge Surma Cement Limited	77,792	-	
	<u>77,792</u>	<u>-</u>	
Cash at banks			
Lafarge Surma Cement Limited			
In current accounts	66,015	47,864	
In Short Term Deposit accounts	18,859	21,856	
In Short Notice Deposit account	10	9	
	<u>84,884</u>	<u>69,729</u>	
Cash at banks			
Lafarge Umiam Mining Private Limited			
In current accounts	747	8,098	
In Term Deposit accounts	10,419	9,027	
Bank-in-transit	-	-	
	<u>11,166</u>	<u>17,125</u>	
Cash at banks			
Lum Mawshun Minerals Private Limited			
In current account	30	82	
In Security Deposit	31	30	
	<u>61</u>	<u>112</u>	
	<b><u>174,691</u></b>	<b><u>87,401</u></b>	
<b>13 Share Capital</b>			
<b>a. Authorized capital</b>			
70,000,000 ordinary shares of Tk. 100 each	<b>7,000,000</b>	<b>7,000,000</b>	
<b>b. Issued, subscribed and fully paid up capital</b>			
Balance on 01 January			
Fully paid up in cash	5,759,888	5,759,888	
Fully paid up in other than cash	46,980	46,980	
	<b><u>5,806,868</u></b>	<b><u>5,806,868</u></b>	
<b>c. Composition of shareholders at 31 December 2010</b>			
<i>Name of the shareholders</i>	<i>Nationality or incorporated in</i>	<i>Number of shares</i>	<i>Holding %</i>
Surma Holdings BV	The Netherlands	34,184,935	58.87%
International Finance Corporation	U S A	2,283,800	3.93%
Asian Development Bank	Philippines	5,797,000	9.98%
Sinha Fashions Ltd.	Bangladesh	1,755,000	3.02%
Islam Cement Limited	Bangladesh	1,595,710	2.75%
Other shareholders-	Bangladeshi & NRB	12,452,230	21.45%
		<b><u>58,068,675</u></b>	<b><u>100.00%</u></b>
<b>d. Classification of shares by holding</b>			
<i>Slabs by number of shares</i>	<i>Number of shareholders</i>	<i>Number of shares</i>	<i>Holding %</i>
Less than 500	9,806	1,444,054	2.48%
From 500 to 5,000	1685	2,546,672	4.39%
From 5,001 to 10,000	125	910,592	1.57%
From 10,001 to 20,000	86	1,210,189	2.08%
From 20,001 to 30,000	18	439,614	0.76%
From 30,001 to 40,000	15	498,906	0.86%
From 40,001 to 50,000	11	499,844	0.86%
From 50,001 to 100,000	16	1,158,050	1.99%
From 100,001 to 1,000,000	10	2,743,900	4.73%
Above 1,000,000	6	46,616,854	80.28%
	<b><u>11,778</u></b>	<b><u>58,068,675</u></b>	<b><u>100.00%</u></b>

	<b>2010</b> <b>Taka'000</b>	<b>2009</b> <b>Taka'000</b>
<b>14 Accumulated Loss</b>		
Accumulated loss as on 1 January	(1,536,278)	(2,531,882)
Net profit after tax during the year	(1,638,419)	995,604
	<u>(3,174,697)</u>	<u>(1,536,278)</u>
Minority loss*	(81)	(68)
Accumulated loss as at 31 December	<b>(3,174,778)</b>	<b>(1,536,346)</b>
<b>*Minority interests</b>		
Share capital	224	211
Accumulated loss as at 31 December	(305)	(279)
	<u>(81)</u>	<u>(68)</u>
<b>15 Share Money Deposits</b>		
Share money deposits in Lum Mawshun Minerals Private Limited	<b>443</b>	<b>417</b>
<b>16 Contribution To Employee Benefits</b>		
Contribution to gratuity scheme (Note- 4.8-i)	51,556	44,692
Provision for Stock Appreciation Rights (SAR)*	4,618	381
	<b>56,174</b>	<b>45,073</b>

**\*Stock Appreciation Rights (SAR)**

This is a global program of Lafarge Group under which the employees of Lafarge Surma and its subsidiary (LUMPL) have subscribed for shares of Lafarge at the price ruling on the date of subscription after deduction of a discount on the shares. The employees have been given an interest free loan repayable over a 24 month period to finance the share subscription. At the end of a five year vesting period, the gain, if any, on sale of shares will be given to the employees. Provision made on the account relates to the amount of discount on subscription.

			<b>2010</b> <b>Taka'000</b>	<b>2009</b> <b>Taka'000</b>
<b>17 Long Term Debt</b>				
<b>17.1 Long portion</b>		Amount '000		
Loan drawn down from:	<u>Currency</u>	<u>Foreign Currency</u>	<u>Amount in BDT'000</u>	<u>Amount in BDT'000</u>
International Finance Corporation	USD	16,883	1,194,396	1,753,734
Asian Development Bank	USD	10,285	727,663	1,187,143
European Investment Bank	USD	12,712	899,319	1,296,695
Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	967	90,443	288,123
Standard Chartered Bank			30,000	100,000
AB Bank Limited			58,960	80,260
Citibank N.A.- Mumbai	USD	10,200	720,147	-
Standard Chartered Bank - Mumbai	INR	630,000	992,628	-
<b>Total</b>			<b>4,713,556</b>	<b>4,705,955</b>
<b>17.2 Current portion</b>		Amount '000		
Loan drawn down from:	<u>Currency</u>	<u>Foreign Currency</u>	<u>Amount in BDT'000</u>	<u>Amount in BDT'000</u>
International Finance Corporation	USD	8,442	597,198	584,578
Asian Development Bank	USD	6,857	485,109	474,857
European Investment Bank	USD	6,013	425,370	401,408
Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	1,934	180,886	192,082
Standard Chartered Bank			70,000	70,000
AB Bank Limited.			21,664	19,067
Citibank N.A.- Mumbai	USD	1,800	127,085	-
Standard Chartered Bank - Mumbai	INR	70,000	110,292	-
<b>Total</b>			<b>2,017,604</b>	<b>1,741,992</b>

## Details of loan agreements

Name of Lenders	Type	Amount	Tenor	Interest Rates
<b>International Finance Corporation (IFC)</b>				
Loan A	Term Loan	USD 35 million	7 years	(i) LIBOR+2.875% till FSC* date (ii) after period (i) above LIBOR+3.25% till 60% repaid (iii) after period(ii) above LIBOR+3.00% on outstanding

\*FSC: Financial Support Completion

Loan B	Term Loan	USD 15 million	7 years	(i) LIBOR+2.75% till FSC date (ii) after period(i) above LIBOR+3.25% till 60% repaid (iii) after period(ii) above LIBOR+3.00% on outstanding
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The repayment of the loan has started from 15th January 2007 and will end on 15th July 2013

### Asian Development Bank (ADB)

Term Loan	USD 40 million	7 years	(i) LIBOR+2.75% till FSC date (ii) after period(i) above LIBOR+3.25% till 60% repaid (iii) after period(ii) above LIBOR+3.00% on outstanding
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The repayment of the loan has started from 15th September 2006 and will end on 15th March 2013

### German Development Bank (DEG)

Term Loan	EURO 9.28 million	6 years	EURIBOR+3.25%
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The repayment of the loan has started from 15th September 2006 and will end on 15th March 2012

### European Investment Bank (EIB)

Term Loan	USD 35 million	7years	4.29%
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The repayment of the loan has started from 15th January 2007 and will end on 15th July 2013

### Standard Chartered Bank

Term Loan	BDT 350 million	5 years	
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The repayment of the loan has started from 30th June 2007 and will end on 12 April 2012

### AB Bank Limited

Term Loan	BDT 120 million	6 years	
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The repayment of the loan has started from 31st December 2008 and will end on 31st March 2014

### Citibank NA - Mumbai

Term Loan	USD 12 million	5 years	
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The repayment of the loan has started from 30th June 2011 and will end on 31 March 2016

### Standard Chartered Bank - Mumbai

Term Loan	INR 700 million	5 years	
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The repayment of the loan has started from 5th September 2011 and will end on 30th May 2016

## Security

**Memorandum of Deposit of Title Deeds:** Creating equitable mortgage over 191.67 acres of land situated at Sunamganj District and 1.75 acres of land situated at Narayanganj District owned by Lafarge Surma Cement Limited;

**Deed of Hypothecation (on fixed and floating assets):** Creating hypothecation over all tangible moveable assets of both Lafarge Surma Cement Limited and Lafarge Umiam Mining Private Limited;

**Security agreement:** Creating charge over the contracts;

**Memorandum of deposit of shares:** Creating equitable mortgage over the shares owned by the Lafarge Surma Cement Limited and its subsidiary company Lafarge Umiam Mining Private Limited;

**Letter of Lien and Set off:** Bank account under lien of Lafarge Surma Cement Limited and Lafarge Umiam Mining Private Limited; and

**Composite Security Agreement:** Creating security interests over the offshore bank accounts and offshore investments.

Autonomous guarantee from Lafarge SA.

## Debt covenant for dividend policy

IFC and ADB have laid down a condition for payment of dividend. The company should obtain their approval for declaration of dividend after the accumulated loss of the Company have been fully recovered.

	<b>2010</b> <b>Taka'000</b>	<b>2009</b> <b>Taka'000</b>
<b>18 Trade Payables</b>		
Raw materials	286,089	85,377
Packing bags	18,410	20,219
Marketing expenses	27,518	26,986
Distribution cost	84,773	149,840
Computer expenses	17,644	25,247
Audit fee	14,869	1,966
Maintenance	17,856	33,385
Administrative office expenses	50,807	51,226
Royalty	1,053	133,599
Consultancy	17,572	18,022
Security	13,474	5,987
General assistance fee (Note- 18.1)	187,919	148,332
Trademark license fee (Note- 18.2)	187,919	148,331
Gas bill	289,696	65,895
Operation and maintenance bill-Power Plant	6,499	8,458
Discount on sales	-	98,136
Advances paid by customers	79,312	107,430
Others	161,244	52,034
	<b>1,462,654</b>	<b>1,180,470</b>
<b>18.1 General assistance fee</b>		
The amount 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).		
<b>18.2 Trademark license fee</b>		
The amount 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).		
<b>19 Other Payables</b>		
Payables to supplier of property, plant & equipment	102,560	212,560
Accrued interest and commitment fees	130,177	117,112
Accrued bonus	100,739	14,214
Workers profit participation funds	-	104,780
Income tax & VAT deducted at source	56,559	60,059
Others	-	97,474
	<b>390,035</b>	<b>606,199</b>
<b>20 Derivative Instruments-Liabilities</b>		
Derivative instruments	<b>18,029</b>	<b>1,117</b>
The Company entered into Interest Rate Swap (IRS) contract with Standard Chartered Bank in order to manage the interest rate risk associated with the Loan from Asian Development Bank (ADB) due to change in variable interest rate (the base rate : 6 Months' LIBOR). The amount is the difference between market prices and prices the Company would pay to settle the IRS contract at close of the year.		
<b>21 Bank Overdrafts</b>		
Lafarge Surma Cement Limited		
Standard Chartered Bank	41,370	97,419
Commercial Bank of Ceylon, PLC.	-	185,209
Trust Bank Limited	26,121	-
Citibank N.A.	203,635	100,037
Eastern Bank Limited, SOD Account	-	6,565
Uttara Bank Ltd, Cash credit Account	291,430	53,806
The Hongkong and Shanghai Banking Corporation Limited	21,127	232,060
	<b>583,683</b>	<b>675,096</b>
Lafarge Umiam Mining Private Limited		
Standard Chartered Bank, Mumbai	45,770	-
Citibank N.A.,Mumbai	3,808	865
	49,578	865
	<b>633,261</b>	<b>675,961</b>

22 Short Term Debt	2010 Taka'000	2009 Taka'000
Lafarge Surma Cement Limited		
Standard Chartered Bank	1,850,000	1,300,000
Citibank N.A.	1,999,982	1,527,489
Eastern Bank Limited	-	150,000
Commercial Bank of Ceylon Plc	200,000	170,000
The Hongkong and Shanghai Banking Corporation Limited	1,010,000	117,893
	<b>5,059,982</b>	<b>3,265,382</b>
Lafarge Umiam Mining Private Limited		
Standard Chartered Bank, Mumbai	315,120	140,933
Citibank N.A., Mumbai	305,666	111,263
	620,786	252,196
	<b>5,680,768</b>	<b>3,517,578</b>

**The terms and conditions of the Bank Overdrafts (Note-21) and Short Term Debts (Note-22) are as follows:**

**Standard Chartered Bank**

Facility limit: Taka 2,700,000,000

Security: i. Hypothecation of Company's inventory  
ii. Hypothecation of Company's receivables  
iii. Demand Promissory Note and Letter of Continuation  
iv. Guarantee from Financiere Lafarge

Validity: Up to 31 December 2011

**Citibank N.A.**

Facility limit: Taka 1,780,000,000

Security: i. Letter of Awareness (LOA) from Financiere Lafarge  
ii. Hypothecation of Company's inventory  
iii. Hypothecation of Company's receivables  
iv. Demand Promissory Note and Letter of Continuation

Validity: Up to 31 October 2011

**Commercial Bank of Ceylon Plc, Dhaka**

Facility limit: Taka 200,000,000

Security: i. Demand Promissory Note and Letter of Continuation

Validity: Up to March 29, 2011

**The Trust Bank Limited, Dhaka**

Facility limit: Taka 600,000,000

Security: Demand Promissory Note and Letter of Continuation

Validity: Up to 30 September 2011

**Uttara Bank Ltd., Dhaka**

Facility limit: Taka 300,000,000

Security: i. Hypothecation of Company's inventory  
ii. Hypothecation of Company's receivables  
iii. Demand Promissory Note and Letter of Continuation

Validity: Up to 31 March 2011

**The Hongkong and Shanghai Banking Corporation Limited, Dhaka**

Facility limit: Taka 1100,000,000

Security: i. Financiere Lafarge Corporate Guarantee  
ii. Demand Promissory Note and Letter of Continuation

Validity: Up to 30 November 2011

**Standard Chartered Bank, Mumbai**

Facility limit: INR 477,500,000

Security: i. Letter of awareness from Financiere Lafarge  
 ii. Hypothecation of Company's inventory  
 iii. Hypothecation of Company's receivables  
 iv. Demand Promissory Note and Letter of Continuation

Validity: Open ended

**Citibank N.A., Mumbai**

Facility limit: INR 200,000,000

Security: i. Letter of awareness from Financiere Lafarge  
 ii. Hypothecation of Company's inventory  
 iii. Hypothecation of Company's receivables  
 iv. Demand Promissory Note and Letter of Continuation

Validity: Open ended

	<b>2010</b> <b>Taka'000</b>	<b>2009</b> <b>Taka'000</b>
<b>23 Current Income Tax Liabilities</b>		
Balance as on 1 January	1,251	1,251
Provision during the year	-	-
Balance as at 31 December	<b>1,251</b>	<b>1,251</b>
<b>24 Commitments</b>		
<b><i>Lafarge Surma Cement Limited</i></b>		
<b><i>Contracted but not provided for in these accounts:</i></b>		
Security agency services contract	7,782	11,426
Capital expenditure	5,565	37,089
<b><i>Others</i></b>		
Contractors, consultants, suppliers and others	774,470	549,428
Calyon Corporation and Investment Bank (Calyon is the guarantor of EIB loan)	30,396	37,540
	<b>818,213</b>	<b>635,483</b>
<b><i>Lafarge Umiam Mining Private Limited</i></b>		
<b><i>Contracted but not provided for in these accounts:</i></b>		
Capital expenditure	51,248	26,561
Contractors, consultants, suppliers and others	51,308	66,078
	<b>102,556</b>	<b>92,639</b>
	<b>920,769</b>	<b>728,122</b>
<b>25 Contingent Liability</b>		
<b>25.1 Lafarge Surma Cement Limited</b>		
Bank guarantees have been issued in favour of Customs Authority against import of equipment and spare parts.	7,301	7,301
Bank guarantees have been issued in favour of Wartsila Bangladesh as a payment guarantee against operation & maintenance contract.	10,800	10,800
Bank guarantees have been issued in favour of Jalalabad Gas Transmission and Distribution System Limited for continued gas supply to the plant.	297,476	265,487



	<b>2010</b> <b>Taka'000</b>	<b>2009</b> <b>Taka'000</b>
<b>25.2 Lafarge Umiam Mining Private Limited</b>		
Bank guarantee issued by State Bank of India, Main Branch Shillong on behalf of the Company aggregating to INR 200 (in thousand) favoring Indian Bureau of Mines as financial assurance for the progressive mines closure plan.	315	2,494
Bank guarantee issued by Standard Chartered Bank of India, on behalf of the Company an amount of INR 1,077 (in thousand) favoring Indian Bureau of Mines as financial assurance for the progressive mines closure plan.	1,697	1,598
<b>25.3 Claims</b>		
a. Claims against the Company not acknowledged as debt	Nil	Nil
b. Claims by the Company not acknowledged as receivable	Nil	Nil
<b>26 Revenue</b>		
Sale of gray cement*	5,283,056	5,391,277
Sale of cement clinker	372,318	2,152,448
	<b>5,655,374</b>	<b>7,543,725</b>
*Sale of gray cement		
Local sales	5,278,321	5,371,006
Export	4,735	20,271
	<b>5,283,056</b>	<b>5,391,277</b>
<b>27 Cost of Sales</b>		
Opening finished goods and work in process (Note- 8)	177,602	296,526
Raw materials consumed (Note- 27.1)	2,760,322	1,427,024
Power and fuel consumed	347,086	853,535
Production and maintenance overhead (Note- 27.2)	889,036	994,882
General and social expenses (Note- 27.3)	382,909	346,205
Distribution cost	688,159	917,641
Closing finished goods and work in process (Note- 8)	(166,898)	(177,602)
	<b>5,078,216</b>	<b>4,658,211</b>
<b>27.1 Raw materials consumed</b>		
Limestone	572,459	697,188
Shale	6,522	6,329
Clay	20,999	77,208
Gypsum	128,889	142,778
Iron Ore	3,431	40,980
Sand	4,105	9,326
Packing Bag	308,973	339,945
Purchase Clinker	1,638,400	-
Others	76,544	113,270
	<b>2,760,322</b>	<b>1,427,024</b>
<b>27.2 Production and maintenance overhead</b>		
Salary, allowances and benefits	173,184	144,823
Contributions to employees' benefit schemes	8,422	6,742
Staff welfare expenses	1,033	1,217
Maintenance	97,362	200,727
Other supplies and spares	12,231	42,633
Material handling	40,212	35,821
Other expenses	68	23,006
Technical studies	18,623	15,930
Depreciation (Note- 5.2)	530,203	516,657
Amortization of intangible assets	7,698	7,326
	<b>889,036</b>	<b>994,882</b>

	<b>2010</b> <b>Taka'000</b>	<b>2009</b> <b>Taka'000</b>
<b>27.3 General and social expenses</b>		
Salary, allowances and benefits	71,419	55,529
Contributions to employees' benefit schemes	4,303	2,933
Staff welfare expenses	3,148	9,826
Training, seminars and meeting	561	5,081
Traveling	36,181	32,855
Rent	5,034	2,424
Gas, electricity and water	4,619	5,979
Telephone, fax and postage	3,140	4,180
Entertainment	455	793
Office maintenance	34,187	15,248
Security services	59,644	52,650
Printing and stationery	2,602	1,473
Computer expenses	20,840	17,934
Other supplies and spares	6,637	4,815
Other office expenses	15,384	7,826
Registration and other fees	67	6,037
Legal expenses	10,837	4,473
Audit and tax advisory fees (Note- 29)	1,415	1,333
Consultancy	9,478	13,987
Vehicles running expenses	11,018	12,780
Corporate social activities	15,639	17,934
Insurance	66,301	70,115
	<b>382,909</b>	<b>346,205</b>
<b>28 General and Administrative Expenses</b>		
Salary, allowances and benefits	104,725	89,009
Contributions to retirement benefit scheme	6,737	9,105
Staff welfare expenses	204	2,182
Training, seminars and meeting	17,489	12,792
Traveling	9,985	6,448
Rent	24,161	22,110
Gas, electricity and water	1,471	1,416
Telephone, fax and postage	3,739	3,227
Entertainment	1,639	1,351
Office maintenance	4,623	3,649
Office security services	867	1,233
Printing and stationery	1,024	1,484
Computer expenses	21,555	19,088
Other office expenses	4,577	5,109
Registration and other fees	2,465	1,686
Audit and tax advisory fees (Note- 29)	1,542	1,699
Legal expenses	5,188	815
Vehicles running expenses	-	8,825
Publicity and public relation	9,447	4,674
General assistance fee	10,048	71,056
Trademark license fee	75,635	71,056
Insurance	2,170	2,111
General survey and studies	1,020	1,329
Administrative depreciation (Note- 5.2)	26,883	28,980
Amortization of intangible assets	4,925	6,444
	<b>342,119</b>	<b>376,878</b>

	<b>2010</b> <b>Taka'000</b>	<b>2009</b> <b>Taka'000</b>
<b>29 Audit and Tax Advisory Fees</b>		
Statutory audit fee	200	200
Group audit fee	510	510
Certification fees	54	49
Annual consolidation audit	200	200
Pocket expenses	30	30
Tax and VAT advisory services	548	710
Total for Lafarge Surma Cement Limited (Note- 28)	<u>1,542</u>	<u>1,699</u>
Statutory audit fee	841	788
Tax advisory services	469	446
Total for Lafarge Umiam Mining Private Limited (Note- 27.3)	<u>1,310</u>	<u>1,234</u>
Statutory audit fee	50	49
Tax advisory services	55	50
Total for Lum Mawshun Minerals Private Limited (Note- 27.3)	<u>105</u>	<u>99</u>
	<b><u>2,957</u></b>	<b><u>3,032</u></b>
<b>30 Selling and Distribution Expenses</b>		
Salary, allowances and benefits	32,259	29,276
Contributions to retirement benefit scheme	2,703	2,143
Training, seminars and meeting	731	302
Traveling	3,138	2,775
Gas, electricity and water	111	70
Telephone, fax and postage	1,015	1,064
Entertainment	237	331
Office maintenance	418	419
Printing and stationery	1,318	1,192
Other office expenses	81	3,282
Registration and other fees	1,973	1,517
Advertisement and promotion	5,238	73,563
Insurance	42,949	156
Provision for trade receivables	228	8,071
General survey and studies	1,510	788
	<b><u>93,909</u></b>	<b><u>124,949</u></b>
<b>31 Other Operating (Expenses)/Income</b>		
Sale of property, plant and equipment	1	903
Sale of paper bags & others	4,897	3,708
Agency commission	15,404	-
Compensation to mining contractor & others	(31,358)	-
Provision for trade accounts receivables	1,129	-
Penalty for litigation	(960,980)	-
Loss on non-operating receivable (Note- 31.1)	(286,094)	-
	<b><u>(1,257,001)</u></b>	<b><u>4,611</u></b>
31.1 Loss on adjustable minimum payment against gas contract with the Jalalabad Gas Transmission and Distribution System Limited.		
<b>32 Finance Costs and Income</b>		
Interest on long term loan	289,557	342,106
Interest on bank overdrafts and short term debts	388,873	459,903
Fees for long term loan	64,843	27,191
Derivative expenses	18,029	-
Interest on discounted bill	649	9,121
Bank charges and commission	14,256	32,585
<b>Finance costs</b>	<b><u>776,207</u></b>	<b><u>870,906</u></b>
Derivative income	1,735	77,762
Interest Income on Bank Deposits:		
Lafarge Surma Cement Limited	164	184
Lafarge Umiam Mining Private Limited	826	581
	<u>990</u>	<u>765</u>
<b>Finance income</b>	<b><u>2,725</u></b>	<b><u>78,527</u></b>
<b>Net finance costs</b>	<b><u>773,482</u></b>	<b><u>792,379</u></b>

	<b>2010</b> <b>Taka'000</b>	<b>2009</b> <b>Taka'000</b>
<b>33 Income Tax Expenses/(Income)</b>		
Current income tax income	-	-
Deferred income tax expenses	(212,144)	466,904
	<u>(212,144)</u>	<u>466,904</u>

### 34 Earnings Per Share

#### 34.1 Basic earnings per share

Basic earning per share has been calculated taking a capital base of 58,068,675 number of ordinary shares of Taka 100 each as issued up to 31 December 2010.

#### 34.2 Diluted earnings per share

No diluted earnings per share is required to be calculated during the year as there was no scope for dilution under review.

### 35 Related Party Transactions (Amount in Taka '000)

During the year, the Company carried out a number of transactions with related parties in the normal course of business and on arms' length basis. The name of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of IAS 24.

Name of the Party and relationship	Nature of transaction	Transaction value	Outstanding amount
		During the Year	at 31 Dec 2010
Lafarge Asia SDN BHD-Group Company	Intercompany services/Technical assistance	42,995	76,308
Lafarge Halla Cement Limited-Group Company	Intercompany services/Technical assistance	13,506	8,349
Lafarge Cement UK-Group Company	Intercompany services	15,375	17,631
Lafarge S.A.-Group Company	Technical assistance/Trademark license	42,687	335,994
Cementia Asia SDN BHD-Group Company	Travel expenses	5,639	13,029
Cementos Molins-Group Company	Trademark license/Travel expenses	33,646	168,900
Eastern Housing Ltd.-Shareholder	Cement sales	30,675	573
Bengal Development Corp.-Shareholder	Cement sales	293	(16)
Sinha Textile Ltd.-Shareholder	Cement sales	9,279	-
Aftab Global Textiles Ltd.-Shareholder	Cement sales	1,714	(1)

There is no transactions during the year with Surma Holdings BV (the major shareholder of the Company).

	<b>2010</b> <b>Taka'000</b>	<b>2009</b> <b>Taka'000</b>
<b>36 Directors' Managers' and Officers' Remuneration</b>		
Salary, allowances and benefits	147,954	142,362
Contributions to employees' benefit scheme	7,845	8,963
Reimbursable expenses	5,971	2,216
	<u>161,770</u>	<u>153,541</u>

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

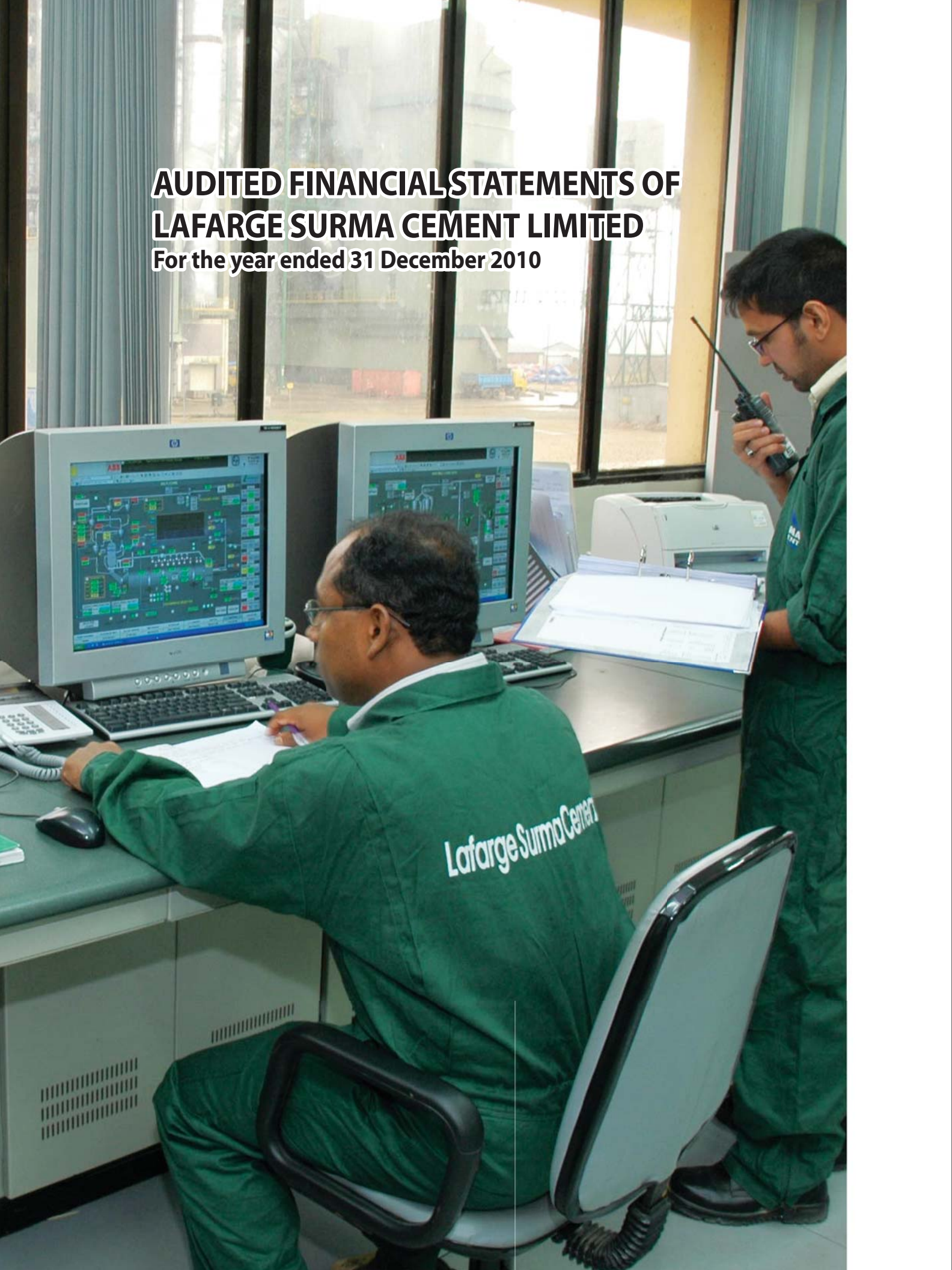
	<b>2010</b>	<b>2009</b>
<b>37 Number of Employees</b>		
<b>Lafarge Surma Cement Limited</b>		
Number of employees		
Nationality:		
Bangladeshi	346	373
Non-Bangladeshi	8	12
<b>Lafarge Umiam Mining Private limited</b>		
Nationality:		
Indian	106	33
Non-Indian	1	1
	<u>461</u>	<u>419</u>
<b>Salary range:</b>		
Monthly Taka 3,000 or above	461	419
Monthly below Taka 3,000	Nil	Nil

  
Company Secretary

  
Director

  
Managing Director

**AUDITED FINANCIAL STATEMENTS OF  
LAFARGE SURMA CEMENT LIMITED**  
For the year ended 31 December 2010



## **AUDITORS' REPORT**

### **To The Shareholders of**

### **LAFARGE SURMA CEMENT LIMITED**

We have audited the accompanying financial statements of Lafarge Surma Cement Limited, which comprise the balance sheet as at 31 December 2010, and the income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards, 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.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lafarge Surma Cement Limited as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

*Without qualifying our opinion, we draw attention to the notes 2 and 3 to the financial statements disclosing the fact that there has been suspension of limestone mining operations of Lafarge Umiam Mining Private Limited, a wholly owned subsidiary of the Company, by dint of an order of the Hon'ble Supreme Court of India dated 5 February 2010. In subsequent hearings, the Hon'ble Supreme Court has imposed further conditions on the subsidiary Company for obtaining forest clearance. The hearing of the Hon'ble Court is continuing but it cannot be said with any degree of certainty when such order will be received. Further, our going concern review reveals that during the year, both the Company and its aforesaid subsidiary have incurred losses of BDT 523,967 and INR 784,656 (BDT 1,195,188) in thousand respectively, insufficient cash generation, debts servicing are made from further bank borrowings,*

*working capital deficiency, apart from material uncertainty in mining operations of the subsidiary (LUMPL). In view of the above, there exists a material uncertainty which may cast significant doubt about the subsidiary's ability to continue as a going concern. Since the Company is significantly dependent on the continuing operation of the aforesaid subsidiary, any adverse impact on the going concern of the subsidiary will also affect the Company.*

We also report that:

- a) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification there of;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's balance sheet and income statement along with the annexed notes 1 to 44 dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred and payments made were for the purposes of the company's business.

Dhaka, 10 April 2011



Chartered Accountants

## LAFARGE SURMA CEMENT LIMITED

### Balance Sheet

As at 31 December 2010

ASSETS	NOTES	2010	2009
		Taka'000	Taka'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	12,629,748	13,036,126
Intangible assets	7	6,939	8,383
Investment in subsidiaries	8	519,893	519,893
Loan to subsidiary company	9	1,154,028	1,129,641
		<b>14,310,608</b>	<b>14,694,043</b>
<b>CURRENT ASSETS</b>			
Inventories	11	1,085,140	1,198,739
Trade receivables	12	133,171	388,088
Accrued interest	9	264,089	224,260
Advances, deposits and prepayments	13	601,012	437,412
Derivative instruments-assets	14	1,429	50
Cash and cash equivalents	15	163,248	70,039
		<b>2,248,089</b>	<b>2,318,588</b>
<b>TOTAL ASSETS</b>		<b>16,558,697</b>	<b>17,012,631</b>
<b>LIABILITIES</b>			
Share capital	16	5,806,868	5,806,868
Accumulated loss	17	(1,577,824)	(1,053,857)
<b>SHAREHOLDERS' EQUITY</b>		<b>4,229,044</b>	<b>4,753,011</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	18.1	3,000,781	4,705,955
Deferred income tax liabilities	10	172,993	385,137
Contribution to employee benefits	19	52,982	43,897
		<b>3,226,756</b>	<b>5,134,989</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	20	1,318,338	951,271
Other payables	21	341,387	489,639
Derivative instruments -liabilities	22	18,029	-
Current portion of long term debt	18.2	1,780,227	1,741,992
Bank overdrafts	23	583,683	675,096
Short-term debt	24	5,059,982	3,265,382
Current income tax liabilities	25	1,251	1,251
		<b>9,102,897</b>	<b>7,124,631</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,558,697</b>	<b>17,012,631</b>

The accompanying Notes are an integral part of these financial statements

  
Company Secretary

  
Director

  
Managing Director

Auditors report to the shareholders  
See annexed report of date

  
Chartered Accountants

Dhaka 10 April 2011



**LAFARGE SURMA CEMENT LIMITED**  
**Income Statement**  
For the year ended 31 December 2010

	NOTES	2010 Taka'000	2009 Taka'000
<b>REVENUE</b>	28	5,655,374	7,543,725
Cost of sales	29	(4,995,256)	(5,105,542)
<b>GROSS PROFIT</b>		<b>660,118</b>	<b>2,438,183</b>
General and administrative expenses	30	(342,119)	(376,219)
Selling and distribution expenses	32	(93,909)	(124,949)
Other (expenses) / income	33	(264,663)	2,947
<b>OPERATING (LOSS) / PROFIT</b>		<b>(40,573)</b>	<b>1,939,962</b>
Exchange loss on foreign currency transactions	4.4	(51,940)	(68,365)
Finance costs	34	(683,694)	(828,974)
Finance income	34	40,096	62,460
Contribution to Workers' Profit Participation and Welfare Funds	4.5-iii	-	(55,254)
<b>NET (LOSS) / PROFIT BEFORE TAX</b>		<b>(736,111)</b>	<b>1,049,829</b>
Income tax	35	212,144	(466,904)
<b>NET (LOSS) / PROFIT AFTER TAX</b>		<b>(523,967)</b>	<b>582,925</b>
<b>EARNINGS PER SHARE (TAKA)</b>	36	<b>(9.02)</b>	<b>10.04</b>

The accompanying Notes are an integral part of these financial statements

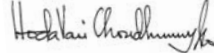
  
Company Secretary

  
Director

  
Managing Director

Dhaka 10 April 2011

Auditors report to the shareholders  
See annexed report of date

  
Chartered Accountants

**LAFARGE SURMA CEMENT LIMITED**  
**Cash Flow Statement**  
For the year ended 31 December 2010

	2010 Taka'000	2009 Taka'000
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	5,882,172	7,942,749
Payment for cost and expenses	(4,901,187)	(4,923,981)
Advance income tax by deduction	(93,437)	(69,549)
Interest paid	(670,629)	(906,794)
Interest on bank deposits	165	184
Other receipts	10,509	2,044
	<b>227,593</b>	<b>2,044,653</b>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property, plant and equipment	(168,256)	(205,253)
Intangible assets	(3,481)	(1,207)
Disposal of property, plant and equipment	1,105	1,917
Received against loan to subsidiary company	-	116,463
Interest received from subsidiary company	-	99,433
	<b>(170,632)</b>	<b>11,353</b>
<b>Cash Flows From Financing Activities</b>		
Long term debt	(1,666,939)	(1,720,500)
Bank overdrafts	(91,413)	(745,277)
Short term debt	1,794,600	461,509
	<b>36,248</b>	<b>(2,004,268)</b>
<b>Net Cash Flow for the Year</b>	<b>93,209</b>	<b>51,738</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b> 70,039	<b>18,301</b>	
<b>Cash and Cash Equivalents at End of the Year</b>	<b>163,248</b>	<b>70,039</b>
	<b>93,209</b>	<b>51,738</b>



Company Secretary



Director



Managing Director

**LAFARGE SURMA CEMENT LIMITED**  
**Statement of Changes in Shareholders' Equity**  
For the year ended 31 December 2010

	2010 in Taka'000		2009 in Taka'000	
	Share Capital	Accumulated loss	Share Capital	Accumulated loss
Balance as on 1 January	5,806,868	(1,053,857)	5,806,868	(1,636,782)
Net profit after tax for the year	-	(523,967)	-	582,925
<b>Balance as at 31 December</b>	<b>5,806,868</b>	<b>(1,577,824)</b>	<b>5,806,868</b>	<b>(1,053,857)</b>
		<b>4,229,044</b>		<b>4,753,011</b>
		<b>4,753,011</b>		<b>4,170,086</b>
		<b>(523,967)</b>		<b>582,925</b>



Company Secretary



Director



Managing Director

## **LAFARGE SURMA CEMENT LIMITED**

### **Notes to the Financial Statements**

For the year ended 31 December 2010

#### **1 Background and Introduction**

##### **Formation and legal status**

Lafarge Surma Cement Limited - (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.

#### **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 like limestone and shale from its own quarry in Meghalaya. A 17-km cross-border belt conveyor links the quarry with the cement plant for transportation of raw material.

Pursuant to a decision of the Supreme Court of India suspending the mining operations of subsidiary company namely Lafarge Umiam Mining Private Limited effective from 5 February 2010, the procurement of basic raw materials from the wholly owned subsidiary is completely stopped. However, the company is engaged in manufacturing and marketing of cement through importing cement clinker.

#### **3 Going Concern Issue**

As indicated above, the mining operations of Lafarge Umium Mining Private Limited, India, a wholly owned subsidiary of the company, are suspended by dint of an order of the Supreme Court of India since 5 February 2010. The subsidiary has been experiencing unfavorable operating results, insufficient cash generation for debt servicing and uncertainty in mining operations in the absence of favorable court order. However, the subsidiary is expected to overcome this situation as soon as a favorable court order will be received and the subsidiary continues to enjoy financial support from the group to overcome the situation. In such a scenario, the Company does not anticipate any adverse situation that may affect the going concern status of the subsidiary. Since the Company's operations and its profitability are dependent on the continuing operation of the aforesaid subsidiary, adverse situation of the subsidiary will also influence the going concern of the Company.

If such a situation continues, the Company will look for alternative business strategy to continue its operational activity. At the same time, in order to arrange for adequate funding to continue its operations, the Company is in the final process of restructuring the principal payment to the international lenders for a period of one year and is also exploring options for long term financial restructuring.

## **4 Summary of Significant Accounting Policies**

### **4.1 Basis of accounting**

These financial statements have been prepared in line with Lafarge group accounting policies following Generally Accepted Accounting Principles (GAAP) under historical cost convention and after due compliance with the International Financial Reporting Standards (IFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### **4.2 Property, plant and equipment**

#### **i) Recognition of property, plant and equipment**

These are capitalized at cost of acquisition and subsequently stated at cost less accumulated depreciation in compliance with the benchmark treatment of IAS 16 "Property, Plant and Equipment". The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its operating condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

#### **ii) Capitalization of strategic spare parts**

Pursuant to the group policy strategic spare parts over Eur 30 k for individual item having more than one year life time are required to be capitalized. Accordingly during the year, an amount of BDT 18,169 K has been capitalized.

#### **iii) Capital work in progress**

These expenditure will be capitalized and recognized as operating assets upon completion of the acquisition process or construction, where applicable and physical possession thereof.

#### **iv) Depreciation of property, plant and equipment**

Straight line depreciation method has been followed and depreciation has been charged on all assets acquired that are put on use except land, at rates varying from 2% to 33.33%. Full month's depreciation is charged for the month of acquisition and no depreciation is charged for the month of disposal.

### **4.3 Recognition of intangible assets**

#### **i) Software**

Software costs are capitalized where it is expected to provide future enduring economic benefits. Capitalization costs include license fees & cost of implementation/system integration services which are capitalized in the year in which the relevant software is installed for use. Costs of maintenance, upgradation and enhancements are charged off as revenue expenditure unless they bring similar significant additional long term benefits.

#### **ii) Amortization of intangible assets**

Software are amortized using the straight-line method over their useful lives (Three years).

### **4.4 Foreign currency translation/ transaction**

Transactions in foreign currency have been translated in Taka currency at the exchange rates prevailing on the dates of such transactions. Inter-company balances in foreign currency held at 31 December 2010 as well as other balances on foreign currency debts and cash holdings have been translated at rate provided by the Bangladesh Bank (Central Bank) and the resultant gain/loss has been reflected in the financial statements. These rates are as follows:

	<u>Average Rate</u>	<u>Closing Rate</u>
BDT/USD	69.6431	70.7450
BDT/EUR	92.4762	93.5497
BDT/GBP	107.7116	109.6583
BDT/INR	1.5232	1.5756

#### **4.5 Employees' benefit schemes**

- i. The Company operates an unfunded gratuity scheme, provision for which has been made in respect of all eligible employees and reflected in these accompanying financial statements.
- ii. The Company also operates a recognized provident fund scheme with equal contribution by the employees and the Company.
- iii. The Company recognizes a provision for Workers' Profit Participation and Welfare funds @ 5% of net profit before tax as per Labour Act, 2006.

#### **4.6 Inventories**

Inventories are stated at the lower of cost or net realizable value while packing materials and spare parts are valued at cost.

#### **4.7 Taxation**

Income tax expenses represent the sum of the tax currently payable and deferred tax.

Deferred income tax is provided for all temporary timing differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements in accordance with the provisions of IAS 12. Tax rate prevailing at the balance sheet date is used to determine deferred income tax.

#### **4.8 Revenue recognition**

Sale of the products, net of value added tax and discounts, is recognized upon raising invoices to customers.

#### **4.9 Derivatives instruments**

Financial assets and liabilities in the form of derivatives instruments are recognized based on group's advice received from time to time. Contracting for derivatives and its valuations for provisioning purpose are done as per group treasury policy under the supervision of group treasury department.

#### **4.10 General**

- i. Figures appearing in these financial statements have been rounded off to the nearest Bangladesh Taka.
- ii. Comparative figures and account titles in the financial statements have been rearranged/reclassified where necessary to conform with changes in presentation in the current year.

### **5 Preparation and Presentation of Financial Statements of the Company and its Subsidiaries**

The Board of Directors of respective companies are responsible for the preparation and presentation of financial statements of Lafarge Surma Cement Limited and its subsidiaries. Lafarge Surma Cement Limited has two subsidiary companies incorporated in India as detailed in Note-7.

## 6. Property, Plant and Equipment

Figures in Taka'000

Category of property, plant and equipment	Cost				Depreciation					Written Down Value as at 31 December 2010	
	Balance on 1 January 2010	Additions during the year	Disposal during the year	Reclassification	Balance at 31 December 2010	Rate	Balance on 1 January 2010	Provision for the year	Accum. prov. for disposal		Balance at 31 December 2010
Land - freehold	528,693	1,704	-	696	531,093	-	-	-	-	-	531,093
Leasehold improvements	367	-	-	-	367	20.00%	367	-	-	367	-
Building	53,500	-	-	1,752	55,252	2.00%	5,412	1,085	-	6,497	48,755
Plant building	492,826	110	-	3,239	496,175	2.50%	37,591	12,372	-	49,963	446,212
Technical facilities	48,473	-	-	-	48,473	3.33%	5,082	1,616	-	6,698	41,775
Plant & machinery	13,013,664	24,413	-	54,955	13,093,032	3.33%	1,387,432	435,275	-	1,822,707	11,270,325
Other plant equipment	47,556	109	-	3,471	51,136	10.00%	7,571	4,959	-	12,530	38,606
Vehicles	81,128	5,079	-	16,143	102,350	20.00%	41,280	14,323	-	55,603	46,747
Computers equipment	66,555	524	159	10,002	76,922	33.33%	47,209	11,012	124	58,097	18,825
Office equipment	48,691	1,297	-	4,261	54,249	20.00%	33,016	6,839	-	39,855	14,394
Furniture and fixtures	49,766	806	-	636	51,208	10.00%	14,745	4,874	-	19,619	31,589
Capital work in progress (6.1)	184,612	52,916	946	(95,155)	141,427	-	-	-	-	-	141,427
Total at end of year 2010	14,615,831	86,958	1,105	-	14,701,684	-	1,579,705	492,355	124	2,071,936	12,629,748
Total at end of year 2009	14,439,856	184,271	8,296	-	14,615,831	-	1,098,813	485,042	4,150	1,579,705	13,036,126

	2010 Taka'000	2009 Taka'000
<b>6.1 Capital work in progress</b>		
General survey and studies	90,866	70,804
Equipment	28,896	67,575
Other improvement works	21,665	46,233
	<b>141,427</b>	<b>184,612</b>
<b>6.2 Depreciation charge has been allocated to</b>		
Production and maintenance overhead (Note- 29.2)	465,472	456,063
General and administrative expenses (Note- 30)	26,883	28,979
	<b>492,355</b>	<b>485,042</b>

### 6.1 Capital work in progress

General survey and studies  
Equipment  
Other improvement works

### 6.2 Depreciation charge has been allocated to

Production and maintenance overhead (Note- 29.2)  
General and administrative expenses (Note- 30)

### 6.3 Disposal of property, plant and equipment (Figures in Taka '000)

Category of property, plant and equipment	Cost	Accumulated Depreciation	Written down Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
Computers equipment	159	124	35	36	Company policy/Tender	Employees of the company
Capital work in progress	946	-	946	-	Written off	-
Total at end of year 2010	1,105	124	981	36		
Total at end of year 2009	8,296	4,150	4,146	1,917		



	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>7 Intangible Assets</b>		
Cost on January 1	50,267	46,460
Additions during the year		
Software	-	2,840
Capital work in progress	3,481	967
	<u>53,748</u>	<u>50,267</u>
Accumulated amortization at January 1	41,884	35,440
Provision during the year	4,925	6,444
	<u>46,809</u>	<u>41,884</u>
Carrying amount at December 31	<u>6,939</u>	<u>8,383</u>
Intangible assets represent cost of IT Software.		
<b>8 Investment in Subsidiaries</b>		
Lafarge Umiam Mining Private Limited		
- a fully owned subsidiary incorporated in India	519,356	519,356
Lum Mawshun Minerals Private Limited		
- a 74% owned subsidiary incorporated in India	537	537
	<u>519,893</u>	<u>519,893</u>

These represent investments made in the above entities against the shares issued by those Companies in the name of Lafarge Surma Cement Limited.

Investments in all subsidiaries are disclosed at cost. Shares held in different entities are as follows:

Names of entities	Face value per share	Number of Ordinary Shares held by the Company	
		2010	2009
Lum Mawshun Minerals Private Limited	Indian Rupees 100	4,046	4,046
Lafarge Umiam Mining Private Limited	Indian Rupees 10	41,133,099	41,133,099
<b>9 Loan to Subsidiary Company</b>			
Lafarge Umiam Mining Private Limited (a fully owned subsidiary)		1,154,028	1,129,641
		<u>1,154,028</u>	<u>1,129,641</u>

An amount of USD 18 million loan has been allowed and disbursed to Lafarge Umiam Mining Private Limited (a fully owned subsidiary) which is a private limited company incorporated on 22 March 1999 under the Indian Companies Act 1956 with its registered office in Shillong in the State of Meghalaya, India. Loan outstanding at 31 December 2010 is USD 16,313 (in thousand). Exchange loss of Taka 24,387 (in thousand) has been provided during the year due to depreciation of Taka against US Dollar.

**Terms and conditions of the loan are as follows**

Date of loan agreement:	April 20, 2004 and subsequent amendments thereto.
Loan amount:	US Dollar 18 million.
Rate of interest:	LIBOR + 3% per annum on outstanding principal amount.
Repayment of principal:	Starting from 15 June 2009, repayment was to be made in USD by 32 equal installments on 15 March, 15 June, 15 September and 15 December each year. However, after the payment of 3rd installment in December 2009, no repayment was made in the year 2010 due to the stringent cash condition in the subsidiary(LUMPL) for the forest clearance issue.
Payment of interest:	Arrear interest of first four years up to 16 March 2008 was to be paid in 32 equal installments starting from 15 June 2009 on every repayment date along with the principal repayment. Current interest is to be paid on every repayment date (15 March, 15 June, 15 September and 15 December). However, no interest payment, arrear or current, was made in the year 2010 due to the stringent cash condition in the subsidiary.
Security:	Mortgage or creation of security interest in favour of offshore lenders (see note 18) over the tangible movable assets excluding raw materials, inventories, and trade receivables.

	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>10 Deferred Income Tax Assets/(Liabilities)</b>		
The tax effects of temporary differences that resulted in deferred tax assets and liabilities.		
<b>Deferred tax assets</b>		
Provision for gratuity	18,136	16,461
Provision for doubtful debts	2,445	3,027
Business loss	3,036,719	2,680,841
<b>Deferred tax liabilities</b>	3,057,300	2,700,329
Property, plant and equipment	(3,230,293)	(3,085,466)
	(3,230,293)	(3,085,466)
	<b>(172,993)</b>	<b>(385,237)</b>
<b>11 Inventories</b>		
Raw materials**	212,974	276,833
Spare parts	644,210	660,330
Packing materials	4,252	4,793
Other materials	59,523	53,273
Finished goods and work in process	164,181	203,510
	<b>1,085,140</b>	<b>1,198,739</b>
** Raw materials inventory includes BDT 37,694 k in transit from cementia trading AG which has subsequently been received.		
<b>12 Trade Receivables</b>	<b>133,171</b>	<b>388,088</b>
Trade receivables		
Trade receivables are secured and considered good.		
<b>13 Advances, Deposits and Prepayments</b>		
Office and house rent	26,267	27,782
Contractors, consultants, suppliers and others (Note- 13.1)	104,069	72,325
VAT current account	80,580	48,624
Income tax-deducted at source	302,875	209,437
Employees for expenses	9,039	6,499
Advance to employees for SAR plan (Note- 19)	11,874	24,098
Security and other deposits (Note-13.2)	2,261	2,261
Prepaid expenses	43,680	36,738
Other receivables	20,367	9,648
	<b>601,012</b>	<b>437,412</b>
Advances mentioned above are unsecured but all are considered good and as such no provision is required to be made.		
<b>13.1 Advance to contractors, consultants, suppliers and others</b>		
Letter of Credit-spare parts	11,539	27,189
Letter of Credit-raw materials	68,472	17,958
Custom duties	13,138	9,472
Others	10,920	17,706
	<b>104,069</b>	<b>72,325</b>
<b>13.2 Security and other deposits</b>		
House rental	520	520
Telecommunications	527	527
Central Depository System	500	500
Other services	714	714
	<b>2,261</b>	<b>2,261</b>
<b>14 Derivative Instruments-Assets</b>		
Derivative instruments	1,429	50

The Company entered into forward contracts with the commercial banks in order to manage its foreign exchange exposure due to change in exchange rates. The amount is the difference between market prices and prices the company would pay to settle the foreign exchange liabilities at close of the year.

	<b>2010</b>	<b>2009</b>	
	<b>Taka'000</b>	<b>Taka'000</b>	
<b>15 Cash and Cash Equivalents</b>			
Cash in hand	572	310	
Cash in transit	77,792	-	
	<u>78,364</u>	<u>310</u>	
<b>Cash at banks</b>			
In current accounts	66,015	47,864	
In short term deposit accounts	18,859	21,856	
In short notice deposit account	10	9	
	<u>84,884</u>	<u>69,729</u>	
	<b><u>163,248</u></b>	<b><u>70,039</u></b>	
<b>16 Share Capital</b>			
a. Authorized capital			
70,000,000 ordinary shares of Tk. 100 each	7,000,000	7,000,000	
b. Issued, subscribed and fully paid up capital			
Balance on 01 January			
Fully paid up in cash	5,759,888	5,759,888	
Fully paid up in other than cash	46,980	46,980	
	<b><u>5,806,868</u></b>	<b><u>5,806,868</u></b>	
c. Composition of shareholders at 31 December 2010			
<u>Name of the shareholders</u>	<u>Nationality or incorporated in</u>	<u>Number of shares</u>	<u>Holding %</u>
Surma Holdings BV	The Netherlands	34,184,935	58.87%
International Finance Corporation	U S A	2,283,800	3.93%
Asian Development Bank	Philippines	5,797,000	9.98%
Sinha Fashions Ltd.	Bangladesh	1,755,000	3.02%
Islam Cement Limited	Bangladesh	1,595,710	2.75%
Other shareholders-	Bangladeshi & NRB	12,452,230	21.45%
		<u>58,068,675</u>	<u>100.00%</u>
d. Classification of shares by holding			
<u>Slabs by number of shares</u>	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Holding %</u>
Less than 500	9,806	1,444,054	2.48%
From 500 to 5,000	1685	2,546,672	4.39%
From 5,001 to 10,000	125	910,592	1.57%
From 10,001 to 20,000	86	1,210,189	2.08%
From 20,001 to 30,000	18	439,614	0.76%
From 30,001 to 40,000	15	498,906	0.86%
From 40,001 to 50,000	11	499,844	0.86%
From 50,001 to 100,000	16	1,158,050	1.99%
From 100,001 to 1,000,000	10	2,743,900	4.73%
Above 1,000,000	6	46,616,854	80.28%
	<u>11,778</u>	<u>58,068,675</u>	<u>100.00%</u>
<b>17 Accumulated Loss</b>			
Balance as on 1 January		1,053,857	1,636,782
Net loss /(profit) after tax for the year		523,967	(582,925)
Balance as at 31 December		<b><u>1,577,824</u></b>	<b><u>1,053,857</u></b>

## 18 Long Term Debet

### 18.1 Long Portion

			2010 Taka'000	2009 Taka'000
Loan drawn down from:	Currency	Amount '000 Foreign Currency	Amount in BDT'000	Amount in BDT'000
International Finance Corporation	USD	16,883	1,194,396	1,753,734
Asian Development Bank	USD	10,285	727,663	1,187,143
European Investment Bank	USD	12,712	899,319	1,296,695
Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	967	90,443	288,123
Standard Chartered Bank			30,000	100,000
AB Bank Limited			58,960	80,260
			<b>3,000,781</b>	<b>4,705,955</b>

### 18.2 Current Portion

			2010 Taka'000	2009 Taka'000
Loan drawn down from:	Currency	Amount '000 Foreign Currency	Amount in BDT'000	Amount in BDT'000
International Finance Corporation	USD	8,442	597,198	584,578
Asian Development Bank	USD	6,857	485,109	474,857
European Investment Bank	USD	6,013	425,370	401,408
Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	1,934	180,886	192,082
Standard Chartered Bank			70,000	70,000
AB Bank Limited			21,664	19,067
			<b>1,780,227</b>	<b>1,741,992</b>

#### Details of loan agreements

Name of Lenders	Type	Amount	Tenor	Interest Rates
<b>International Finance Corporation (IFC)</b>				
Loan A	Term Loan	USD 35 million	7 years	(i) LIBOR+2.875% till FSC* date (ii) after period(i) above LIBOR+3.25% till 60% repaid (iii) after period(ii) above LIBOR+3.00% on outstanding

#### \*FSC: Financial Support Completion

Loan B	Term Loan	USD 15 million	7 years	(i) LIBOR+2.75% till FSC date (ii) after period(i) above LIBOR+3.25% till 60% repaid (iii) after period(ii) above LIBOR+3.00% on outstanding
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The repayment of the loan has started from 15th January 2007 and will end on 15th July 2013

#### Asian Development Bank (ADB)

Term Loan	USD 40 million	7 years	(i) LIBOR+2.75% till FSC date (ii) after period(i) above LIBOR+3.25% till 60% repaid (iii) after period(ii) above LIBOR+3.00% on outstanding
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The repayment of the loan has started from 15th September 2006 and will end on 15th March 2013

#### German Development Bank (DEG)

Term Loan	EURO 9.28 million	6 years	EURIBOR+3.25%
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The repayment of the loan has started from 15th September 2006 and will end on 15th March 2012

#### European Investment Bank (EIB)

Term Loan	USD 35 million	7 years	4.29%
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The repayment of the loan has started from 15th January 2007 and will end on 15th July 2013

#### Standard Chartered Bank

Term Loan	BDT 350 million	5 years	
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The repayment of the loan has started from 30th June 2007 and will end on 12th April 2012

#### AB Bank Limited

Term Loan	BDT 120 million	6 years	
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The repayment of the loan has started from 31st December 2008 and will end on 31st March 2014

## Security

Memorandum of Deposit of Title Deeds: Creating equitable mortgage over 191.67 acres of land situated at Sunamganj District and 1.75 acres of land situated at Narayanganj District owned by Lafarge Surma Cement Limited;

Deed of Hypothecation (on fixed and floating assets): Creating hypothecation over all tangible moveable assets of both Lafarge Surma Cement Limited and Lafarge Umiam Mining Private Limited;

Security agreement: Creating charge over the contracts;

Memorandum of deposit of shares: Creating equitable mortgage over the shares owned by the Lafarge Surma Cement Limited and its subsidiary company Lafarge Umiam Mining Private Limited;

Letter of Lien and Set off: Bank account under lien of Lafarge Surma Cement Limited and Lafarge Umiam Mining Private Limited; and

Composite Security Agreement: Creating security interests over the offshore bank accounts and offshore investments.

## Debt covenant for dividend policy

IFC and ADB have laid down a condition for payment of dividend. The company should obtain their approval for declaration of dividend after the accumulated loss of the Company have been fully recovered.

	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>19 Contribution To Employee Benefits</b>		
Contribution to gratuity scheme (Note- 4.5-i)	48,364	43,542
Provision for Stock Appreciation Rights (SAR)*	4,618	355
	<b>52,982</b>	<b>43,897</b>

\*Stock Appreciation Rights (SAR)

This is a global programme of Lafarge Group under which the employees of Lafarge Surma have subscribed for shares of Lafarge at the price ruling on the date of subscription after deduction of a discount on the shares. The employees have been given an interest free loan repayable over a 24 month period to finance the share subscription. At the end of a five year vesting period, the gain, if any, on sale of shares will be given to the employees. Provision made on the account relates to the amount of discount on subscription.

## 20 Trade Payables

Raw materials	246,699	61,424
Packing bags	18,410	20,219
Marketing expenses	27,518	26,987
Distribution cost	84,773	149,840
Computer expenses	15,895	24,140
Audit fee	14,000	1,100
Maintenance	14,556	19,825
Administrative office expenses	27,718	39,586
General assistance fee (Note- 20.1)	187,919	148,332
Trademark license fee (Note- 20.2)	187,919	148,331
Gas bill	289,696	65,895
Operation and maintenance bill-Power Plant	3,593	8,458
Discount on sales	3,540	98,136
Advances paid by customers	79,312	107,430
Others	116,790	31,568
	<b>1,318,338</b>	<b>951,271</b>

### 20.1 General Assistance fee

The amount 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).

### 20.2 Trademark license fee

The amount 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).

	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>21 Other Payables</b>		
Payables to supplier of property, plant and equipment	62,874	144,172
Interest and commitment fees on debts	130,177	117,112
Accrued bonus	97,741	14,214
Workers profit participation funds (Note- 4.5-iii)	-	104,780
Income tax & VAT deducted at source	50,595	14,434
Others	-	94,927
	<b>341,387</b>	<b>489,639</b>
<b>22 Derivative Instruments-Liabilities</b>		
Derivative instruments	<b>18,029</b>	-
<p>The Company entered into Interest Rate Swap (IRS) contract with Standard Chartered Bank in order to manage the interest rate risk associated with the Loan from Asian Development Bank (ADB) due to change in variable interest rate (the base rate : 6 Months' LIBOR). The amount is the difference between market prices and prices the company would pay to settle the IRS contract at close of the year.</p>		
<b>23 Bank Overdrafts</b>		
Standard Chartered Bank	41,370	97,419
Commercial Bank of Ceylon plc	-	185,209
Trust Bank Limited	26,121	-
Citibank N.A.	203,635	100,037
Eastern Bank Limited, SOD Account	-	6,565
Uttara Bank Limited, Cash credit Account	291,430	53,806
The Hongkong and Shanghai Banking Corporation Limited	21,127	232,060
	<b>583,683</b>	<b>675,096</b>
<b>24 Short Term Debt</b>		
Standard Chartered Bank	1,850,000	1,300,000
Citibank N.A.	1,999,982	1,527,489
Eastern Bank Limited	-	150,000
Commercial Bank of Ceylon Plc	200,000	170,000
The Hongkong and Shanghai Banking Corporation Limited	1,010,000	117,893
	<b>5,059,982</b>	<b>3,265,382</b>

The terms and conditions of the Bank Overdrafts (Note-23) and Short Term Debts (Note-24) are as follows:

Standard Chartered Bank, Dhaka

Facility limit:	Taka 2,700,000,000
Security:	i. Hypothecation of Company's inventory ii. Hypothecation of Company's receivables iii. Demand Promissory Note and Letter of Continuation iv. Guarantee from Financiere Lafarge
Validity:	Up to 31 December 2011

**Citibank N.A., Dhaka**

Facility limit:	Taka 1,780,000,000
Security:	i. Letter of Awareness (LOA) from Financiere Lafarge ii. Hypothecation of Company's inventory iii. Hypothecation of Company's receivables iv. Demand Promissory Note and Letter of Continuation
Validity:	Up to 31 October 2011

**Commercial Bank of Ceylon Plc, Dhaka**

Facility limit:	Taka 200,000,000
Security:	i. Demand Promissory Note and Letter of Continuation
Validity:	Up to March 29, 2011

**The Trust Bank Limited, Dhaka**

Facility limit: Taka 600,000,000  
 Security: Demand Promissory Note and Letter of Continuation  
 Validity: Up to 30 September 2011

**Uttara Bank Ltd., Dhaka**

Facility limit: Taka 300,000,000  
 Security: i. Hypothecation of Company's inventory  
 ii. Hypothecation of Company's receivables  
 iii. Demand Promissory Note and Letter of Continuation  
 Validity: Up to 31 March 2011

**The Hongkong and Shanghai Banking Corporation Limited, Dhaka**

Facility limit: Taka 1100,000,000  
 Security: i. Financiere Lafarge Corporate Guarantee  
 ii. Demand Promissory Note and Letter of Continuation  
 Validity: Up to 30 November 2011

	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>25 Current Income Tax Liabilities</b>		
Balance as on 1 January	1,251	1,251
Provision during the year	-	-
Balance as at 31 December	<b>1,251</b>	<b>1,251</b>
<b>26 Commitments</b>		
<b>Contracted but not provided for in these accounts</b>		
Security agency services contract	7,782	11,426
Capital expenditure	5,565	37,089
<b>Others</b>		
Contractors, consultants and suppliers	774,470	549,428
Calyon Corporation and Investment Bank (Calyon is the guarantor of EIB loan)	30,396	37,540
	<b>818,213</b>	<b>635,483</b>
<b>27 Contingent Liabilities</b>		
27.1 Bank guarantees have been issued in favour of Customs Authority against import of equipment and spare parts.	7,301	7,301
Bank guarantees totaling Tk. 10.8 million have been issued in favour of Wartsila Bangladesh as a payment guarantee against operation & maintenance contract.	10,800	10,800
Bank guarantees have been issued in favour of Jalalabad Gas Transmission and Distribution System Limited for continued gas supply to the plant.	297,476	265,487
<b>27.2 Claims</b>		
a. Claims against the Company not acknowledged as debt	Nil	Nil
b. Claims by the Company not acknowledged as receivable	Nil	Nil

	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>28 Revenue</b>		
Sale of gray cement*	5,283,056	5,391,277
Sale of cement clinker	372,318	2,152,448
	<b>5,655,374</b>	<b>7,543,725</b>
*Sale of gray cement		
Local sales	5,278,321	5,371,006
Export	4,735	20,271
	<b>5,283,056</b>	<b>5,391,277</b>
<b>29 Cost of Sales</b>		
Opening finished goods and work in process (Note- 42)	203,510	296,525
Raw materials consumed (Note- 29.1)	2,972,823	2,259,610
Power and fuel consumed	326,016	790,079
Production and maintenance overhead (Note- 29.2)	764,452	843,669
General and social expenses (Note- 29.3)	204,478	201,528
Internal distribution cost	688,158	917,641
Closing finished goods and work in process (Note- 42)	(164,181)	(203,510)
	<b>4,995,256</b>	<b>5,105,542</b>
<b>29.1 Raw materials consumed</b>		
Limestone	784,759	1,529,774
Shale	6,522	6,329
Clay	21,000	77,208
Gypsum	128,889	142,778
Iron Ore	3,431	40,980
Sand	4,105	9,326
Packing bag	308,973	339,945
Purchase clinker	1,638,400	-
Others	76,744	113,270
	<b>2,972,823</b>	<b>2,259,610</b>
<b>29.2 Production and maintenance overhead</b>		
Salary, allowances and benefits	144,469	124,798
Contributions to employees' benefit schemes	6,344	5,953
Staff welfare expenses	1,033	1,217
Maintenance	75,694	147,477
Other supplies and spares	8,825	38,025
Material handling	40,212	35,821
Other expenses	3,780	18,385
Technical studies	18,623	15,930
Depreciation (Note- 6.2)	465,472	456,063
	<b>764,452</b>	<b>843,669</b>



	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>29.3 General and social expenses</b>		
Salary, allowances and benefits	56,759	37,543
Contributions to employees' benefit schemes	1,912	1,778
Staff welfare expenses	14,217	6,966
Training, seminars and meeting	315	4,537
Traveling	2,572	15,558
Rent	2,727	321
Gas, electricity and water	536	595
Telephone, fax and postage	1,958	2,844
Office maintenance	6,317	6,901
Security services	15,619	16,752
Printing and stationery	835	1,052
Computer expenses	14,453	11,779
Other supplies and spares	4,936	4,815
Other office expenses	7,706	5,708
Registration and other fees	32	6,018
Consultancy	894	-
Vehicles running expenses	6,647	9,416
Corporate social activities	5,070	3,436
Insurance	60,973	65,509
	<b>204,478</b>	<b>201,528</b>
<b>30 General and Administrative Expenses</b>		
Salary, allowances and benefits	104,725	89,009
Contributions to employees' benefit scheme	6,737	9,105
Staff welfare expenses	204	2,182
Training, seminars and meeting	17,489	12,792
Traveling	9,985	6,448
Rent	24,161	22,110
Gas, electricity and water	1,471	1,416
Telephone, fax and postage	3,738	3,227
Entertainment	1,639	1,351
Office maintenance	4,624	3,649
Office security services	867	1,233
Printing and stationery	1,024	1,484
Computer expenses	21,555	19,088
Other office expenses	4,577	4,451
Registration and other fees	2,465	1,686
Audit and tax advisory fees (Note- 31)	1,542	1,699
Legal expenses	5,188	815
Vehicles running expenses	-	8,825
Public relation	9,447	4,674
General assistance fee (Note- 20.1)	10,048	71,056
Trademark license fee (Note- 20.2)	75,635	71,056
Insurance	2,170	2,111
General survey and studies	1,020	1,329
Depreciation (Note- 6.2)	26,883	28,979
Amortization of intangible assets (Note- 7)	4,925	6,444
	<b>342,119</b>	<b>376,219</b>

	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>31 Audit and Tax Advisory Fees</b>		
Statutory audit fee	200	200
Group audit fee	510	510
Certification fees	54	49
Annual consolidation audit	200	200
Pocket expenses	30	30
Tax and VAT advisory services	548	710
	<b>1,542</b>	<b>1,699</b>
<b>32 Selling and Distribution Expenses</b>		
Salary, allowances and benefits	32,259	29,276
Contributions to retirement benefit scheme	2,703	2,143
Training, seminars and meeting	731	302
Traveling	3,138	2,775
Gas, electricity and water	111	70
Telephone, fax and postage	1,015	1,064
Entertainment	237	331
Office maintenance	418	419
Printing and stationery	1,318	1,192
Other office expenses	81	3,282
Registration and other fees	1,973	1,517
Advertisement and promotion	5,238	73,563
Insurance	42,949	156
Provision for trade receivables	228	8,071
General survey and studies	1,510	788
	<b>93,909</b>	<b>124,949</b>
<b>33 Other (expenses)/ Income</b>		
Sale of property, plant and equipment and others	1	903
Sale of paper bags	4,897	2,044
Agency commission	15,404	-
Provision for trade accounts receivables	1,129	-
Loss on non-operating receivable (Note- 33.1)	(286,094)	-
	<b>(264,663)</b>	<b>2,947</b>
33.1 Loss on adjustable minimum payment against gas contract with the Jalalabad Gas Transmission and Distribution System Limited.		
<b>34 Finance Costs and Income</b>		
Interest on long term loan	247,926	342,106
Interest on bank overdrafts and short term debts	346,896	419,856
Fees for long term loan	56,445	27,191
Derivative expenses	18,029	-
Interest on discounted bill	649	9,121
Bank charges and commission	13,749	30,700
<b>Finance costs</b>	<b>683,694</b>	<b>828,974</b>
Interest on loan to subsidiary company (Note-9)	38,502	48,928
Interest Income on Bank Deposits	165	184
Derivative income	1,429	13,348
<b>Finance income</b>	<b>40,096</b>	<b>62,460</b>
<b>Net finance costs</b>	<b>643,598</b>	<b>766,514</b>

	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>35 Income Tax</b>		
Current income tax expenses	-	-
Deferred income tax (income) / expenses	(212,144)	466,904
	<b>(212,144)</b>	<b>466,904</b>

### 36 Earnings Per Share

#### 36.1 Basic earnings per share

Basic earning per share has been calculated taking a capital base of 58,068,675 number of ordinary shares of Taka 100 each as issued up to 31 December 2010.

#### 36.2 Diluted earnings per share

No diluted earnings per share is required to be calculated during the year as there was no scope for dilution under review.

### 37 Related Party Transactions (Amount in Taka '000)

During the year, the company carried out a number of transactions with related parties in the normal course of business and on arms' length basis. The name of these related parties, nature of these transactions and their total value have been set out in accordance with the provisions of IAS 24.

<u>Name of the Party and relationship</u>	<u>Nature of transaction</u>	<u>Transaction value</u> <u>During the Year</u>	<u>Outstanding amount</u> <u>at 31 Dec 2010</u>
Lafarge Asia SDN BHD-Group Company	Intercompany services/Technical assistance	42,995	76,308
Lafarge Halla Cement Limited-Group Company	Intercompany services/Technical assistance	13,506	8,349
Lafarge Cement UK-Group Company	Intercompany services	15,375	17,631
Lafarge S.A.-Group Company	Technical assistance/Trademark license	42,687	335,994
Cementia Asia SDN BHD-Group Company	Travel expenses	5,639	13,029
Lafarge Dujiangyan Cement Co Ltd-Group Company	Intercompany services	-	-
Cementos Molins-Group Company	Trademark license/Travel expenses	33,646	168,900
Eastern Housing Ltd.-Shareholder	Cement sales	30,675	573
Bengal Development Corp.-Shareholder	Cement sales	293	(16)
Sinha Textile Ltd.-Shareholder	Cement sales	9,279	-
Aftab Global Textiles Ltd.-Shareholder	Cement sales	1,714	(1)
Lafarge Umiam Mining Private Limited-Subsidiary Company	Import of raw materials	1,482,307	54,221
	Interest income	38,502	264,089
	Loan amount received	-	1,154,028

There is no transactions during the year with Surma Holdings BV (the major shareholder of the Company).

	<b>2010</b>	<b>2009</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>38 Directors' Managers' and Officers' Remuneration</b>		
Salary, allowances and benefits	135,346	133,590
Contributions to employees' benefit scheme	7,277	8,681
Reimbursable expenses	5,971	2,008
	<b>148,594</b>	<b>144,279</b>

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

### 39 Expenditure in Foreign Currencies

Technical assistance	41,125	30,614
Interest and fees on long term debts	256,336	323,004
Travel expenses	9,444	3,981
	<b>306,905</b>	<b>357,599</b>

### 40 Earnings in Foreign Currencies

Interest on loan to subsidiary company	38,502	48,928
----------------------------------------	--------	--------

41 <b>Materials Consumption (Note- 29.1)</b>	<b>2010</b>		<b>2009</b>	
	<b>Taka'000</b>		<b>Taka'000</b>	
<b>In terms of value</b>				
Imported	2,638,745		1,833,131	
Indigenous	334,078		426,479	
	<b>2,972,823</b>		<b>2,259,610</b>	
<b>In terms of Percentage</b>				
Imported	89		81	
Indigenous	11		19	
	<b>100</b>		<b>100</b>	

**42 Opening and Closing Finished Goods and Work in Process (Note- 29)**

Items	Unit	<b>2010</b>		<b>2009</b>	
		Quantity'000	Taka'000	Quantity'000	Taka'000
Grey cement	MT	30	99,219	37	109,578
Cement clinker	MT	41	99,471	81	182,928
Work in process	MT	5	4,820	5	4,019
<b>Balance as on 1 January</b>		<b>76</b>	<b>203,510</b>	<b>123</b>	<b>296,525</b>
Grey cement	MT	33	158,894	30	99,219
Cement clinker	MT	-	-	41	99,471
Work in process	MT	5	5,287	5	4,820
<b>Balance as at 31 December</b>		<b>38</b>	<b>164,181</b>	<b>76</b>	<b>203,510</b>

**43 Number of Employees**

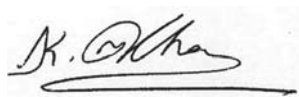
**Nationality:**

Bangladeshi  
Non-Bangladeshi

	<b>2010</b>	<b>2009</b>
	<i>Number of employees</i>	
Bangladeshi	346	373
Non-Bangladeshi	8	12
	<b>354</b>	<b>385</b>
<b>Salary range:</b>		
Monthly Taka 3,000 or above	354	385
Monthly below Taka 3,000	Nil	Nil

**44 Installed Capacity and Actual Production (Figures in Thousand MT)**

Products	Annual Installed Capacity	Actual Production	
		2010	2009
Grey cement	1,200	925	967
Cement clinker	1,150	385	1184



Company Secretary

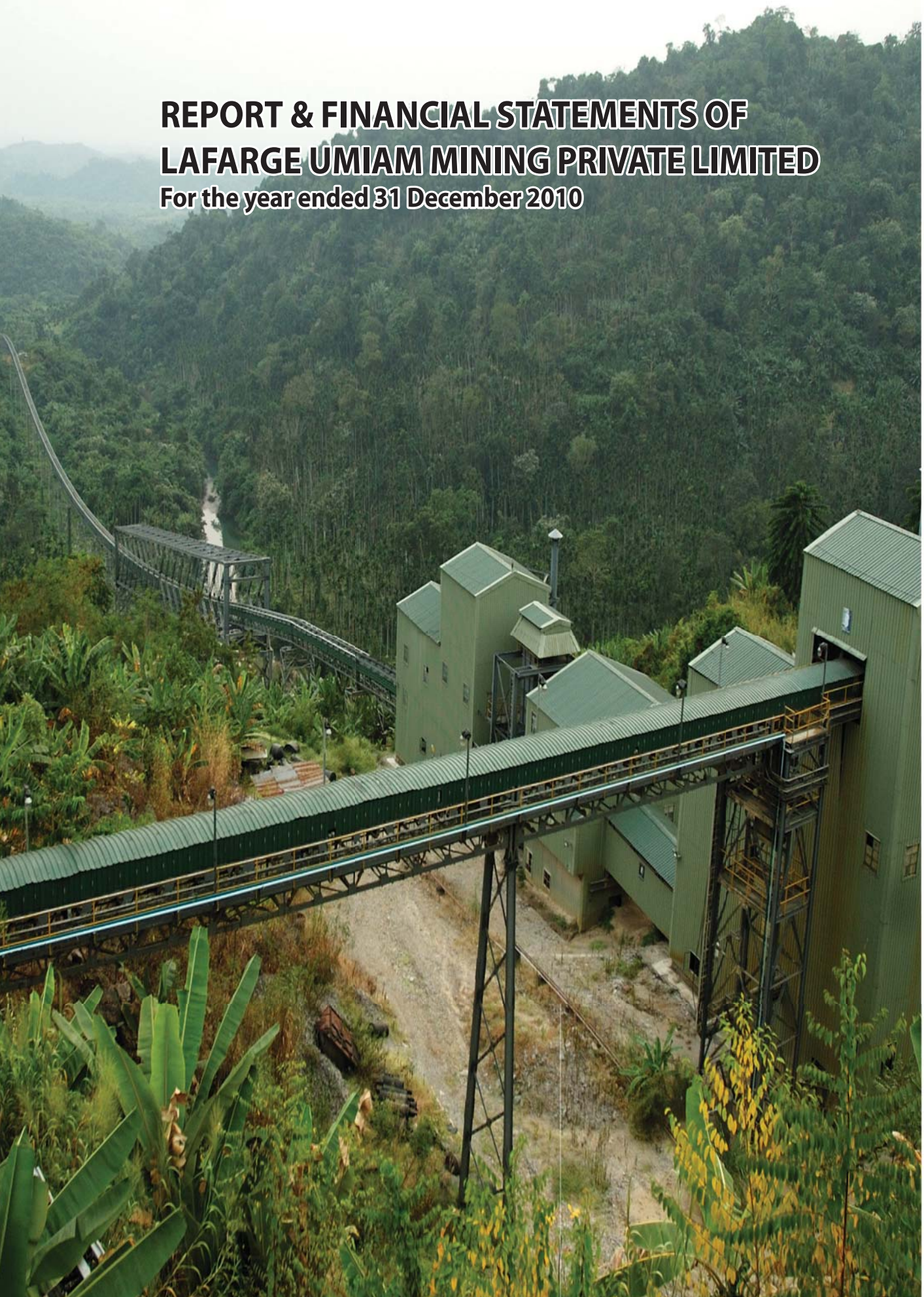


Director



Managing Director

**REPORT & FINANCIAL STATEMENTS OF  
LAFARGE UMIAM MINING PRIVATE LIMITED**  
For the year ended 31 December 2010



## **LAFARGE UMIAM MINING PRIVATE LIMITED DIRECTORS' REPORT**

### **Dear Valued Shareholders**

Your Directors have the pleasure in presenting the eleventh Annual Report of Lafarge Umiyam Mining Private Limited (the "Company"), together with the audited balance sheet and the profit and loss account for the year ended December 31, 2010.

### **State of the Company's Affairs**

The Hon'ble Supreme Court of India on February 5, 2010 directed your Company, to stop the mining activities. However, the Hon'ble Court allowed exports of the already mined materials. Accordingly, until April 11, 2010, LUMPL exported the already mined materials to the Cement Plant at Chhatak, Sunamganj, Bangladesh which is owned by Lafarge Surma Cement Ltd. (LSC), the parent company of your Company.

The Ministry of Environment and Forest (MoEF), Government of India, in terms of the Order of the Hon'ble Supreme Court dated April 12, 2010 granted Stage I Forest Clearance to your Company. In partial modification of the earlier Environmental Clearance granted to your Company, MoEF stipulated additional conditions and confirmed the Environment Clearance. MoEF also constituted a "Committee" which visited the Company's Mining site and confirmed that high environmental standards have been maintained.

Most of those above mentioned conditions have already been fulfilled and some of them are in the process of fulfilling. As per the direction of the Hon'ble Court, LUMPL paid Indian Rupees (INR.) 1,162,630 ('000) as Net Present Value (NPV), Compensatory Afforestation/Penal Compensatory Afforestation and the Special Purpose Vehicle (SPV). LUMPL shall continue to pay INR. 90 per ton export of limestone in the SPV as and when mining operations resume. The SPV shall be administered by the Government of Meghalaya and the proceeds shall be spent for the benefit of the local people around the mining area. In terms of the directions of the Hon'ble Supreme Court, LUMPL undertook studies for comprehensive engineering and biological measures Indian around the mining site. The reports were submitted to the Expert Appraisal Committee of the MoEF of India, who has confirmed the same for implementation for maintaining high environmental standards.

The hearing on the Forest Clearance application is presently continuing before the Forest Bench of the Hon'ble Supreme Court of India who needs to give final ruling on the recommendations of the Government of India so that the necessary permit is granted. Your Company is receiving support from the Government of India, Government of Meghalaya, local Durbars on whose lands the mining project is located as well as from the Government of Bangladesh. The Hon'ble Supreme Court of India wanted to know whether the local villages support the project of your Company. In response, the Village Durbar of Nongtri (where the mine site is located) filed an Affidavit before the Hon'ble Court expressing their support towards the project of your Company.

The Company is confident about a positive outcome in the near future.

### **Production Performance**

In the year 2010, your Company had achieved only 15.32% of targeted capacity utilization of limestone production with a production of 299,394 tones. The decrease in limestone production is due to the suspension order on our mining operations.





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The production of limestone continued until 5th February 2010 and the dispatch of limestone continued until April 11, 2010.

The performance of installed MMD crusher was satisfactory during the above production periods.

Your Company is ready to produce and dispatch the limestone to its targeted level, upon grant of the clearance from the Hon'ble Supreme Court of India.

### **Health & Safety**

Health and Safety is the Priority Number One in your Company as the core value. Safety is considered to be the best tool to achieve operational excellence. Ensuring health and safety of the employees and the contractors is challenging in the mining sties, specially considering its remote location. Year 2010 was a landmark year for LUMPL, as for the consecutive second year, your Company achieved a lost time injury (LTI) free year.

In 2010 your Company undertook many programs to continue improvement in the field of "Safety Behavioral Change" among the Company and its contractors' personnel. The month of June 2010 was observed as the "Safety Month" with a theme of "Improving Our Safety Behavior". Elaborate and effective programs and trainings were conducted to improve the safety awareness of the employees and contractors. Safety month was followed by the successful completion of Near-Miss and Hazard Observation weeks on November and December respectively to improve reporting of near-miss incidents and hazard with an objective of eliminating major or minor accidents proactively in the Company.

Your Company strive to be a leader in the field of Health and Safety and with that end in mind an Annual Health and Safety Plan for 2011 has been prepared. This plan provides Advisories and Priorities in such a way, so that a unique visible change can be achieved to make your Company as one of the best in the globe. Your Company is committed to ensure the best possible healthy and safe working environment for the employees and the contractors of the Company.

The Company is committed to follow the recommendations made by the Directorate General of Mines Safety as applicable to our mines.

Safety is always the Company's prime concern in every stage of the operations and our employees and contractors work together to ensure that we have no further accidents ever.

### **Financial Performance**

During the year, your Company could achieve only 15.32% capacity utilization of limestone production which was due to closure of limestone mines operation from 6th Feb, 2010 pursuant to the Hon'ble Indian Supreme Court order dated 5th Feb, 2010. The Company achieved the limestone production of 299,394 tonnes and limestone export sales of 477,374 tonnes during the year. The Company generated a sales figure of INR 240,855 ('000).

Pursuant to grant of the forest clearance by Ministry of Environment and Forest, the total cost incurred by the Company towards the process of obtaining forest clearance was Rs 1,287,550 ('000) which was financed by loan facilities amounting to INR 557,640 ('000) from Citibank N.A and INR 700,000 ('000) from Standard Chartered Bank and both the loan facilities were based on autonomous guarantee from Financiere Lafarge S.A.S, France - Group Company.

Out of the total cost of INR 1,287,550 ('000) incurred towards obtaining forest clearance as on 31st December, 2010, INR 630,896 ('000) which relates to Penal Compensatory Afforestation, Interest on NPV, SPV and financing cost has been charged to Profit and Loss Account and has been disclosed as an exceptional item, since the event is clearly distinct from the ordinary activities of the Company





and the balance amount of INR 656,654 ('000) will be capitalized and amortized over balance period of mining lease right tenure as and when the final forest clearance is granted by the Hon'ble Supreme Court of India.

With low production and turnover during the year as indicated above and with the partial charging off the forest clearance cost to profit and loss account, the net loss incurred during the year was INR 809,926 ('000) and with this net loss the accumulated loss as on 31st December, 2010 stood at INR 1,048,807 ('000) which has resulted in complete erosion of net worth.

**The financial results of the Company are as follows:**

Particulars	Rupees in ' 000	
	Dec' 31, 2010	Dec' 31, 2009
Gross Revenue	295,836	1,087,696
Expenditure	322,919	650,336
<b>EBITDA</b>	<b>(27,083)</b>	<b>437,360</b>
Interest and finance charges	84,791	58,136
Depreciation	67,293	65,086
<b>Profit/ (Loss) before Exceptional item and Tax</b>	<b>(179,167)</b>	<b>314,138</b>
Exceptional item - Expense relating to expense to obtaining forest clearance	630,896	-
<b>Profit / ( Loss ) before Taxation</b>	<b>(810,063)</b>	<b>314,138</b>
Provision for tax	(136)	414
<b>Profit / ( Loss ) After Taxation</b>	<b>(809,926)</b>	<b>313,724</b>
Surplus / deficit brought forward from previous year	(238,881)	(552,605)
Surplus / deficit carried forward to balance sheet	(1,048,807)	(238,881)
<b>Earning/(loss) per Share :</b>		
Including exceptional item	(19.69)	7.63
Excluding exception item	(4.35)	7.63

**Auditors' Report**

The notes to accounts forming part of the financial statements are self-explanatory and need no further explanation.

There are no qualifications in the Auditors' Report which require any clarification/explanation.

In the Audit Report to the Shareholders, the Auditors without qualifying their report have drawn attention to note 1 and 2 of part B of Schedule 13 of the financial statements disclosing the fact that, there has been suspension of limestone mining operations of the Company as per the order of the Hon'ble Supreme Court of India dated February 5, 2010 and the financial statements have been prepared on a going concern basis, in spite of full erosion of net worth of the Company as the year end, taking into account the continued financial support from its parent company.

In this regard, the Board of Directors of the Company would like to draw your attention to the relevant statements made above in the State of the Company's Affairs. Your Company and the Sponsors have given their highest importance to resolve the Forest Clearance issue pending before the Hon'ble Supreme Court of India and hopeful that the issue will be resolved in near future.

**Corporate Social Responsibility**

Your Company believes that "Development is a journey, not a destination". While we maintain our business focus, assisting in taking the communities forward also remains a priority for us.



In spite of the closure of the mining activities, your Company has continued with its endeavors of wide ranging community development activities in the villages surrounding the mining site especially the villages of Nongtraï and Shella. Your Company has undertaken wide range of community development programs particularly those with respect to healthcare, support to education, development of local infrastructure, water supply schemes, vocational trainings, sports promotion, social meets and events.

Improving the healthcare facilities remains a priority for the Company's CSR initiatives. In addition to a permanent healthcare centre, a Mobile Clinic and a registered medical doctor, free medical services including medicines are being provided to the surrounding villagers. In the year 2010, your Company organized several health camps where free medical treatments and tests were done.

In the education sector, your Company continues to provide annual scholarships to the local bright and needy students assistance for enhancement of schoolteacher's salary, support for the school's infrastructure development and academic gadgets. The Nongtraï Proceeding (Secondary) School is wholly supported by your Company.

Your Company is also supporting the local community to develop their livelihood skills, like setting up a weaving centre. Your Company has also engaged the youth from the villages of Nongtraï and Shella in a entrepreneur development program and formation of self help groups.

The local community has also been supported in improving the basic infrastructures like construction of concrete walkways, washing ramps, public lavatories, bathing enclosures, drains etc. The water supply project in Shella has been completed in two sub-villages and potable water is now available.

Your Company has taken part in the relief operations after the cyclone in Shella with organized volunteer work as well as financial support to the affected households.

All these activities have already begun to show positive results in the local communities who now have good medical facilities at their doorsteps, and support for good education for their children. The royalty paid by the Company for extraction of limestone and the employment opportunities generated in the area have supplemented the income of the households.

### **Human Resources**

The vision of the HR department is recruiting the right talent, developing them with the right skills in a safe working environment and retaining the talents. Our belief is that employees are our most important asset and we have our commitment to developing the local talents to take over the senior positions in future. As such, priority is given to creating expertise among the employees through appropriate training sessions both at home and abroad. Local Tribal talents are being identified for training and taking over positions in the quarry.

A rigorous recruitment process is being followed to recruit the appropriate talent from the market and extensive development plan is ensured. The recruitment process confirms the proper match of personal and technical competencies to fit into the role as per the need of the business. A succession planning process has been rolled out to identify the successors for the key positions and a proper development plan is formed for them. Retention strategies are also in place for the employees of your Company so that they stay and grow with us.

We continue to benchmark the compensation and other benefits with the market and offer competitive remuneration package to attract new talents and to keep the existing internal resources motivated.

**Directors**

The Company has nine (9) Directors on the Board. The Directors are not liable to retire by rotation.

**Directors' Responsibility Statement**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' responsibility statement, it is hereby confirmed:

1. That in the preparation of the annual accounts for the year ended December 31, 2010, the applicable Accounting Standards have been followed along with proper explanations were provided for material departures, if any.
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year.
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
4. That the Directors had prepared the accounts for the financial year ended on December 31, 2010 on a going concern basis.

**Auditors**

Pursuant to the Indian Companies Act, 1956, the Company's statutory auditors of M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting. They have offered themselves for reappointment as statutory auditors and have confirmed that their appointment, if made, will be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

**Particulars of Employees**

The Particulars as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, are set out in the Annexure "A" included in this report.

**Conservation of Energy, Technology Absorption and Foreign Exchange**

The particulars as required under section 217(1) (e) of the Indian Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, are set out in Annexure "B" to this report

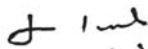
**Fixed Deposits**

During the year under review, the Company has not accepted any deposit from the public.

**Acknowledgements**

Your Directors wish to express their grateful appreciation for the invaluable support and cooperation received from Government of India, Government of Bangladesh, Government of Meghalaya, LSC, lenders, banks, project consultants and the Durbars of Nongtraï and Shella villages. Your Directors also place on record their appreciation for the contribution and hard work of employees of the Company, their commitment, dedication and hard work.

For and on Behalf of the Board



Chairman

Place : Dhaka

Date : April 27, 2011

## Annexure “A” to the Directors’ Report

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended and forming part of the Directors’ Report for the year ended December 31, 2010.

Employed throughout the year and was in receipt of remuneration aggregating not less than Rs. 24 lacs per annum.

Name & age	Designation & nature	Remuneration received INR . '000	Qualification & Experience	Date of Joining	Particulars of last employment
Narayan Prasad Sharma	VP & Director	5,615	B.E. (Mech.) & M.B.A 19 years	1.10.1999	Engineer, Lafarge Asia Pacific, PTE. Ltd.

Note: 1. Mr. Sharma is not related to any of the Directors of the Company and does not hold any shares in the Company.

2. The appointment is contractual and the conditions of employment are governed by individual terms and conditions of service.

## Annexure “B” to the Directors’ Report

Information pursuant to Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, as amended and forming part of the Directors’ Report for the year ended December 31, 2010.

### I. Conservation of Energy

#### (a) Energy conservation measures taken

1. From the inception of quarry it was made a principle that equipment selection, operation and maintenance of the crushing plant, DG set should be carried out based on best engineering practices which are energy efficient and environment friendly, with no compromise in the quality of final product. Today your Company is proud that since inception there is no compromise on basic philosophy along with the commitment for future to adhere to the basics.
2. With the help of the philosophy of equipment selection being the guiding factor, your Company, has not only improved its performance in energy consumption but also increased production. This has been done by continuously monitoring the equipment parameters both from crushing and engineering point of view for increasing the output and bringing down the energy consumption.
3. To keep pace with the developments taking place, internationally HRD activities are a regular process at Mining Unit. This has not only drastically improved the knowledge, skills and analytical ability of your Company team but also helped in bringing in new ideas which leads the way for modifications, adoption of latest developments in engineering and technology for overall improvement in efficiency of the quarry team and improvement in work culture.

#### (b) Additional Investment and proposals for energy conservation

Automation of DG operation, control of parameters, installation of on line fuel filtration plant etc.

#### (c) Impact of the measure of (a) and (b) above for reduction of Energy consumption and consequent impact on the cost of production of goods

As these are implemented very recently hence all the positive effects will reflect in coming days.

#### (d) Total energy consumption and energy consumption per unit of production as per Form A of the Annexure to the Rules in respect of industries specified in the schedule thereto

**FORM A****A. Power and Fuel Consumption**

	Current year (Jan1, 2010 Dec 31, 2010)	Previous Year (Jan1, 2009 Dec 31, 2009)
1. Electricity		
(a) Purchased		
unit ( KWH)	236,041	157,032
Total amount (Rs)	1,207,618	896,520
rate/unit (Rs)	5.12	5.71
(b) Own Generation :		
(i) Through diesel generator		
units (KWH)	1,275,800	3,962,980
(ii) Units/litre of diesel oil		
cost /unit ( INR/Unit)	2.61	3.07
(iii) Through steam turbine/generator		
units	10.72	8.55
Units per litre of fuel oil/gas	N.A	N.A
cost/units	N.A	N.A
2. Coal (specify quality and where used)		
Quantity (tonnes)	N.A	N.A
Total cost	N.A	N.A
Average rate	N.A	N.A
3. Furnace oil		
Quantity (k. ltrs.)	N.A	N.A
Total amount	N.A	N.A
Average rate	N.A	N.A
4. Others/internal generation (please give details)		
Quantity	N.A	N.A
Total cost	N.A	N.A
Rate/unit	N.A	N.A

**B. Consumption Per Unit of Production**

2008 - 1.99 KWH/MT  
2009 - 1.92 KWH/MT  
2010 - 2.76 KWH/MT

**II. Technology Absorption:**

The efforts made in technology absorption as per Form B hereunder:

**FORM B****A. Research and Development (R & D)**

1. Specific areas in which R & D was carried out by Company: As it is new unit, hence no such action taken.
2. Future plan of action: NA
3. Expenditure on R & D (INR) NIL
  - (a) Capital
  - (b) Recurring
  - (c) Total
  - (d) Total R & D Exp. as a % of total
  - (e) turnover

**B. Technology absorption, adaptation and innovation**

As it is a new unit, hence no such action taken.

**III. Foreign Exchange earnings and outgo during the period**

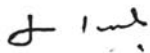
The particulars relating to Foreign Exchange Earnings:

	Year Ended	
	31st December 2010	31st December 2009
	INR:'000	INR:'000
FOB value of exports	275,272	1,090,191
<b>Total</b>	<b>275,272</b>	<b>1,090,191</b>

The particulars relating to foreign exchange outgo during the year are:

	Year Ended	
	31st December 2010	31st December 2009
	INR:'000	INR:'000
i) Professional and consulting fees	2,287	36,852
ii) Spare parts	11,493	71,973
iii) Repayment of interest	Nil	45,868
<b>Total</b>	<b>13,780</b>	<b>154,693</b>

For and on Behalf of the Board



Chairman

Place: Dhaka

Date: April 27, 2011



## **AUDITORS' REPORT TO THE MEMBERS OF LAFARGE UMIAM MINING PRIVATE LIMITED**

1. We have audited the attached Balance Sheet of LAFARGE UMIAM MINING PRIVATE LIMITED ("the Company") as at 31st December, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our report, we invite attention to:
  - (a) Note 1 of part B of Schedule 13 to the financial statements, disclosing the fact that there has been suspension of Limestone operation by an order of the Hon'ble Supreme Court of India dated 5th February 2010. In the same order, the Hon'ble Supreme Court has allowed export of already mined material. However, pending final order of the Hon'ble Supreme Court, the accompanying financial statements have been prepared by the Company on a going concern basis.
  - (b) Note 2 of Part B of Schedule 13 to the financial statements, regarding financial statements being prepared on a going concern basis, in spite of full erosion of net worth of the Company as at the year end, taking into account the continued financial support from its parent company.
4. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to in paragraph 4 above, we report as follows:
  - (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;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

- (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
- (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2010;
  - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
  - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the Directors as on 31st December, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st December, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 302009E)



**A Bhattacharya**  
Partner

(Membership No. 054110)

**KOLKATA, 31st March 2011**

**ANNEXURE TO THE AUDITORS' REPORT**  
**(Referred to in paragraph 4 of our report of even date)**

- (i) Having regard to the nature of the Company's business/activities/result, clauses (vi), (viii), (xii), (xiii), (xiv), (xv), (xviii), (xix), (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) None of the fixed assets have been disposed off during the year.
- (iii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control. The Company does not have any sale of services.
- (vi) To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements to be entered in the register maintained in pursuance in Section 301 of the Companies Act, 1956.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management needs to be strengthened to make it commensurate with the size of the Company and the nature of its business.

- (viii) According to the information and explanations given to us in respect to statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities *except for Provident fund*.
  - (b) There were no undisputed amounts payable in respect to Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st December 2010 for a period of more than six months from the date they became payable *except for Provident fund of Rs.92 thousands* which has been subsequently deposited in the month of January 2011.
  - (c) According to the information and explanations give to us, there are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st December 2010 on account of disputes.
- (ix) The accumulated losses of the Company at the end of the financial year are not less than fifty percent of its net worth. The Company has incurred cash losses in the financial year but it had not incurred cash losses in the immediately preceding financial year.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (xi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis aggregating to Rs.463,774 thousands have, *prima facie*, been used during the year for long- term investment.
- (xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 302009E)



**A Bhattacharya**  
Partner  
(Membership No. 054110)

**KOLKATA, 31st March 2011**

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**BALANCE SHEET**

AS AT 31ST DECEMBER 2010

Amount in Rs. '000

	Schedule	As at 31st December 2010 Rs.	As at 31st December 2009 Rs.
<b>I. SOURCES OF FUNDS :</b>			
<b>1. SHAREHOLDER'S FUND</b>			
Share Capital	1	411,331	411,331
<b>2. LOAN FUNDS</b>			
a) Secured Loans	2	777,301	761,468
b) Unsecured Loans	3	1,663,186	170,583
<b>TOTAL</b>		<b>2,851,818</b>	<b>1,343,382</b>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. FIXED ASSETS</b>			
a) Gross Block	4	1,411,827	1,344,810
b) Less: Depreciation		270,094	202,801
c) Net Block		1,141,733	1,142,009
d) Capital Work-in-progress	5	699,585	89,626
<b>2. CURRENT ASSETS, LOANS, AND ADVANCES</b>			
a) Inventories		35,959	88,263
b) Sundry Debtors		-	36,550
c) Cash and Bank Balances		7,224	11,628
d) Other Current Assets		359	383
e) Loans and Advances		162,207	151,950
		<b>205,749</b>	<b>288,774</b>

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**BALANCE SHEET**

AS AT 31ST DECEMBER 2010

Amount in Rs. '000

	Schedule	As at 31st December 2010 Rs.	As at 31st December 2009 Rs.
<b>Less :</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>	7		
a) Liabilities		241,729	388,157
b) Provisions		2,328	27,751
		244,057	415,908
<b>Net Current Assets</b>		(38,308)	(127,134)
<b>3. PROFIT AND LOSS ACCOUNT</b>		1,048,807	238,881
<b>TOTAL</b>		<b>2,851,818</b>	<b>1,343,382</b>

NOTES FORMING PART OF ACCOUNTS

13

The Schedules referred to above form an integral part of the Balance Sheet. In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants



**A. Bhattacharya**

Partner

Place : Kolkata

Dated : 31/03/2011

For and on behalf of the Board



**Michael Andrew Cowell**

Director

Place : Dhaka

Dated : 28th March, 2011



**Narayan Prasad Sharma**

Director



**Manjuree Rai**

Company Secretary

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED 31ST DECEMBER, 2010

Amount in Rs. '000

	Schedule	Year ended 31st December 2010 Rs.	Year ended 31st December 2009 Rs.
<b>INCOME</b>			
<b>Export Sales :</b>			
Limestone		240,855	1,064,848
Other Income	8	54,981	22,848
<b>TOTAL</b>		<b>295,836</b>	<b>1,087,696</b>
<b>EXPENDITURE</b>			
Extracted Materials, Royalty & Cess and Stores & Spares	9	167,308	507,136
Employees' Remuneration and Benefits	10	35,499	29,267
Operating and Administration Expenses	11	120,112	113,933
<b>TOTAL</b>		<b>322,919</b>	<b>650,336</b>
<b>Profit/(Loss) before Financial Charges, Depreciation, Exceptional item and Tax</b>			
		<b>(27,083)</b>	<b>437,360</b>
Financial charges	12	84,791	58,136
Depreciation / Amortization		67,293	65,086
<b>Profit /(Loss) before Exceptional Item and Tax</b>		<b>(179,167)</b>	<b>314,138</b>
Exceptional item			
Expense relating to obtaining forest clearance [Refer Note No.B,1 of Schedule 13 ]		630,896	-
<b>Profit / ( Loss ) before Taxation</b>		<b>(810,063)</b>	<b>314,138</b>
Provision for taxation			
Current tax [net of MAT credit Rs 9,364 thousand (Previous year Rs 26,792 thousand)]		-	-
Fringe benefit tax		-	414
Excess provision of current tax for earlier years		(136)	-

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
 FOR THE YEAR ENDED 31ST DECEMBER, 2010

Amount in Rs. '000

Schedule	Year ended 31st December 2010 Rs.	Year ended 31st December 2009 Rs.
Profit / ( Loss ) After Taxation	(809,926)	313,724
Balance brought forward from previous year	(238,881)	(552,605)
<b>Balance carried to Balance Sheet</b>	<b>(1,048,807)</b>	<b>(238,881)</b>
Basic and diluted Earnings/(Loss) per share - Rs.		
Including exceptional item	(19.69)	7.63
Excluding exceptional item	(4.35)	7.63

**NOTES FORMING PART OF ACCOUNTS**

13

The Schedules referred to above form an integral part of the Profit and Loss Account. In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants



**A. Bhattacharya**

Partner

Place : Kolkata

Dated : 31/03/2011



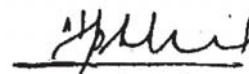
**Michael Andrew Cowell**

Director

Place : Dhaka

Dated : 28th March, 2011

For and on behalf of the Board



**Narayan Prasad Sharma**

Director



**Manjuree Rai**

Company Secretary



**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31ST DECEMBER 2010

Amount in Rs. '000

	Year ended 31st December 2010 Rs.	Year ended 31st December 2009 Rs.
<b>A. Cash Flow from Operating Activities</b>		
Net profit / (loss) before taxation & exceptional item	(179,167)	314,138
<b>Adjustments for:</b>		
Liability no longer required written back	-	1,166
Unrealised foreign exchange (gain)/ loss	(36,947)	(37,408)
Provision for obsolescence of extracted materials	1,212	-
Depreciation	67,293	65,086
Interest income	(504)	(404)
Financial charges	84,791	58,136
Operating profit before Working Capital changes	(63,322)	400,714
(Increase)/Decrease in inventory	51,092	(27,885)
(Increase)/Decrease in sundry debtors	36,550	1,197
(Increase)/Decrease in loans & advances	29,895	(11,525)
Increase/(Decrease) in current liabilities	(114,581)	(38,999)
Increase/(Decrease) in provisions	(25,287)	27,018
Cash generated from operations	(85,653)	350,520
Advance income tax paid	(40,152)	-
Fringe benefit tax paid	-	(414)
Cash flow before exceptional item	(125,805)	350,106
Exceptional item - Expense relating to obtaining forest clearance [Refer Note No.B,1 of Schedule 13]	(630,896)	-
<b>Net Cash from Operating activities</b>	<b>(756,701)</b>	<b>350,106</b>
<b>B. Cash flow from Investing Activities</b>		
Purchase of fixed asset	(676,976)	(11,399)
Interest received	528	479
<b>Net cash form Investing Activities</b>	<b>(676,448)</b>	<b>(10,920)</b>
<b>C. Cash flow from Financing Activities</b>		
Proceeds from short term borrowings	254,883	-
Repayment of short term borrowings	-	(184,535)
Proceeds from long term borrowings	1,237,720	-
Repayment of long term borrowings	-	(104,867)
Financial charges	(63,858)	(73,952)
<b>Net cash used in Financing Activities</b>	<b>1,428,745</b>	<b>(363,354)</b>
<b>Net Increase (Decrease) in Cash &amp; Cash equivalent Cash &amp; Cash equivalents at the beginning of the year [Refer Schedule 6 A(c) ]</b>	<b>(4,404)</b>	<b>(24,168)</b>
<b>Cash &amp; Cash equivalents* at the end of the year [Refer Schedule 6 A(c) ]</b>	<b>11,628</b>	<b>35,796</b>
	<b>7,224</b>	<b>11,628</b>

Note:

1) Figures in bracket represents outflows.

2)\* Includes restricted balance of Rs. 3,848 thousands (Previous year - Rs.3,788 thousands )

For Deloitte Haskins & Sells  
Chartered Accountants



**A. Bhattacharya**  
Sharma  
Partner  
Place : Kolkata  
Dated : 31/03/2011

For and on behalf of the Board



**Michael Andrew Cowell**  
Director

Place : Dhaka  
Dated : 28th March, 2011



**Narayan Prasad**  
Director

  
**Manjuree Rai**  
Company Secretary

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**Schedules forming part of the Balance Sheet**  
**FOR THE YEAR ENDED 31ST DECEMBER 2010**

Amount in Rs. '000

Schedule	As at 31st December 2010 Rs.	As at 31st December 2009 Rs.
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised :</b>		
42,000,000 Equity shares of Rs 10/- each	420,000	420,000
Issued, Subscribed and Paid-up : 41,133,099 (Previous year : 41,133,099) Equity shares of Rs. 10/- each fully paid - up	411,331	411,331
(Of the above 41,133,098 shares ( Previous year 41,133,098 ) are held by Lafarge Surma Cement Limited, Bangladesh, the holding company.)	411,331	411,331
<b>SCHEDULE 2</b>		
<b>SECURED LOANS</b>		
<b>Others</b>		
From Lafarge Surma Cement Limited, Bangladesh, the holding company		
External Commercial Borrowing (Refer Note No.B,3 of Schedule 13)	777,301	761,468
	777,301	761,468
<b>SCHEDULE 3</b>		
<b>UNSECURED LOANS</b>		
<b>From Banks</b>		
From Citibank NA, Mumbai :		
Working capital demand loan	194,000	75,000
Overdraft	2,417	583
Term loan*	537,720	-
From Standard Chartered Bank,Mumbai :		
Working capital demand loan	200,000	95,000
Overdraft	29,049	-
Term loan*	700,000	-
* based on autonomous guarantee from Financiere Lafarge S.A.S, France - Group Company	1,663,186	170,583

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
Schedules forming part of the Balance Sheet

**SCHEDULE 4**  
**FIXED ASSETS**

Amount in Rs. '000

Particulars	Gross Block - At Cost			Depreciation			Net Block	
	As at 1st January 2010	Additions during the year	As at 31st December 2010	As at 1st January 2010	Additions during the year	As at 31st December 2010	As at 31st December 2009	As at 31st December 2009
<b>Tangible Assets</b>								
Freehold land	20,490	-	20,490	-	-	-	20,490	20,490
Leasehold land	13,885	-	13,885	1,948	649	2,597	11,288	11,937
Building	44,309	1,910	46,219	3,686	1,191	4,877	41,342	40,623
Plant and machinery	1,136,853	51,267	1,188,120	167,027	55,331	222,358	965,762	969,826
Development of property	98,722	8,640	107,362	12,506	4,094	16,600	90,762	86,216
Furniture and fixtures	2,837	15	2,852	1,017	281	1,298	1,554	1,820
Office & household equipments	4,412	353	4,765	2,742	767	3,509	1,256	1,670
Electronic data processing equipment	4,106	1,636	5,742	3,449	736	4,185	1,557	657
Vehicles	16,121	3,196	19,317	8,054	3,634	11,688	7,629	8,067
<b>Intangible Assets</b>								
Software (acquired)	3,075	-	3,075	2,372	610	2,982	93	703
<b>TOTAL</b>	<b>1,344,810</b>	<b>67,017</b>	<b>1,411,827</b>	<b>202,801</b>	<b>67,293</b>	<b>270,094</b>	<b>1,141,733</b>	<b>1,142,009</b>
Previous year	<b>1,332,774</b>	<b>12,036</b>	<b>1,344,810</b>	<b>137,715</b>	<b>65,086</b>	<b>202,801</b>	<b>1,142,009</b>	

**SCHEDULE 5**  
**CAPITAL WORK-IN-PROGRESS**

Particulars	As at 31st December 2010	As at 31st December 2009
Development of property *		
Building	13,689	18,730
Plant & machinery	14,255	12,099
Others	13,867	20,887
Intangible Asset - Development of property**	1,120	6,081
<b>TOTAL</b>	<b>656,654</b>	<b>31,829</b>
Previous year	<b>699,585</b>	<b>89,626</b>
Previous year	<b>89,626</b>	<b>90,263</b>

\* Development of property includes expenditure incurred on account of development of quarry

\*\* Cost incurred towards obtaining the statutory right to divert forest land for non forest activity under Forest Conservation Act, 1980 [Refer Note No.B,1 of Schedule 13]

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
Schedules forming part of the Balance Sheet

Amount in Rs. '000

	Schedule	As at 31st December 2010 Rs.	As at 31st December 2009 Rs.
<b>SCHEDULE 6</b>			
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
<b>A. CURRENT ASSETS</b>			
<b>a) Inventories</b>			
Extracted limestone		196	28,358
Extracted shalestone	1,212		
Less : Provision for obsolescence	(1,212)	-	1,212
Oil and fuel		1,457	1,027
Stores and spare parts		34,306	57,666
		<b>35,959</b>	<b>88,263</b>
<b>b) Sundry Debtors ( Unsecured, considered good )</b>			
Other Debts ( not exceeding six months)		-	36,550
		-	<b>36,550</b>
<b>c) Cash and Bank Balances</b>			
Cash balance on hand		137	84
With scheduled banks			
In current accounts		474	5,459
In Short Term deposits accounts *		6,613	6,085
* Rs 650 thousand ( Previous year Rs 650 thousand) pledged with The Office of Commissioner of Central Excise, Meghalaya ; Rs. 1,681 thousand ( Previous year Rs 1,427 thousand) pledged in respect of Bank Guarantee issued by State Bank of India, Shillong in favour of Indian Bureau of Mines and Rs 1,517 thousand ( Previous year : 1,711 thousand ) towards stock appreciation right.		<b>7,224</b>	<b>11,628</b>
<b>d) Other Current Assets ( Unsecured, considered good)</b>			
Interest accrued but not due on bank deposits		359	383
		<b>359</b>	<b>383</b>
<b>B. LOANS AND ADVANCES ( Unsecured and Considered Good)</b>			
Advances recoverable in cash or kind or value to be received		120,240	123,454
Deposits		1,815	1,704
Advance income tax [Incl MAT credit Rs.36,156 thousand(Previous Year Rs.26,792 thousand) Net of Provision for Income Tax Rs. 36,156 thousand (previous year Rs. 27,004 thousand)]		40,152	26,792
		<b>162,207</b>	<b>151,950</b>
		<b>205,749</b>	<b>288,774</b>
<b>SCHEDULE 7</b>			
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
<b>A. CURRENT LIABILITIES</b>			
<b>a) Sundry creditors</b>			
i) Total outstanding dues to micro enterprises and small enterprises		-	-
ii) Total outstanding dues to creditors other than micro enterprises and small enterprises		116,676	235,923
b) Interest accrued but not due on loan		124,232	151,466
c) Other liabilities		821	768
		<b>241,729</b>	<b>388,157</b>
<b>B. PROVISIONS</b>			
a) Provision for income tax (Net of Advance Taxes Rs. 40,152 thousand , previous year Rs. 76 thousand)		-	26,928
b) Provision for wealth tax (Net of Advance Taxes Rs. 151 thousand, previous year Rs. 125 thousand)		37	30
c) Provision for gratuity		2,026	775
d) Provision for stock appreciation right		265	18
		<b>2,328</b>	<b>27,751</b>
		<b>244,057</b>	<b>415,908</b>

## LAFARGE UMIAM MINING PRIVATE LIMITED

Schedules forming part of the Profit and Loss account

	Amount in Rs. '000	
Schedule	Year ended 31st December 2010 Rs.	Year ended 31st December 2009 Rs.
<b>SCHEDULE 8</b>		
<b>OTHER INCOME</b>		
Interest on bank deposits ( Tax Deducted at Source Rs. Nil , PY Rs. Nil)	504	404
Exchange fluctuation gain	54,477	21,278
Liability no longer required written back	-	1,166
	<b>54,981</b>	<b>22,848</b>
<b>SCHEDULE 9</b>		
<b>EXTRACTED MATERIALS, ROYALTIES &amp; CESS AND STORES &amp; SPARES PARTS</b>		
<b>a) Extracted Limestone</b>		
Opening stock	28,358	41,957
Add:- Cost of extraction	64,711	255,822
	93,069	297,779
Less : Closing stock	196	28,358
Extracted limestone consumed	<b>92,873</b>	<b>269,421</b>
<b>b) Extracted Shalestone</b>		
Opening stock	1,212	1,212
Less : Provision for obsolescence	(1,212)	-
Less : Closing stock	-	1,212
Extracted shalestone consumed	-	-

## LAFARGE UMIAM MINING PRIVATE LIMITED

Schedules forming part of the Profit and Loss account

		Amount in Rs. '000	
Schedule	Year ended 31st December 2010 Rs.	Year ended 31st December 2009 Rs.	
<b>c) Royalty and Cess :</b>			
State Government	39,710	143,556	
Local bodies and others	14,234	29,805	
Welfare cess	477	2,000	
	<b>54,421</b>	<b>175,361</b>	
<b>d) Consumption of Fuel, Stores and Spares</b>			
Fuel	13,677	33,885	
Stores and spares	6,337	28,469	
	20,014	62,354	
	<b>167,308</b>	<b>507,136</b>	
<b>SCHEDULE 10</b>			
<b>EMPLOYEES' REMUNERATION AND BENEFITS</b>			
Salaries, wages and bonus	32,516	27,905	
Contribution to provident and other funds	1,515	1,117	
Gratuity	1,468	245	
	<b>35,499</b>	<b>29,267</b>	

## LAFARGE UMIAM MINING PRIVATE LIMITED

Schedules forming part of the Profit and Loss account

Schedule	Amount in Rs. '000	
	Year ended 31st December 2010 Rs.	Year ended 31st December 2009 Rs.
<b>SCHEDULE 11</b>		
<b>OPERATING AND ADMINISTRATION EXPENSES</b>		
Rent	1,514	1,474
Repairs to buildings	476	634
Repairs to machinery	3,774	6,413
Repairs to others	8,882	9,014
Insurance	3,498	3,227
Rates & taxes (Wealth tax - Rs 34 thousand , Previous year Rs 48 thousand )	34	115
Business promotion & public relations	3,839	4,729
Auditors remuneration	870	865
Consultancy fees	3,856	8,820
IT cost	4,060	4,314
Security cost	28,903	25,158
Communication charges	776	937
Community development	8,601	7,014
Gas, water & electricity	2,681	3,773
Provision for obsolescence of extracted materials	1,212	-
Bank charges	333	1,320
Books and periodicals	106	87
General study and survey	-	983
Legal fees	7,115	3,135
General office expense	2,647	2,269
Printing and stationery	624	289
Traveling and conveyance	23,853	13,197
Cost of operation and mainteance of DG Sets	8,421	10,586
Registration and membership	23	13
Safety expense	1,805	1,941
Seminar and training	161	381
Site restoration cost	167	167
Deputation of custom official at site	1,881	3,078
	<b>120,112</b>	<b>113,933</b>

## LAFARGE UMIAM MINING PRIVATE LIMITED

Schedules forming part of the Profit and Loss account

Schedule	Amount in Rs. '000	
	Year ended 31st December 2010 Rs.	Year ended 31st December 2009 Rs.
<b>SCHEDULE 12</b>		
<b>FINANCIAL CHARGES</b>		
<b>Interest on Fixed Loans:</b>		
Interest on external commercial borrowings	25,262	34,846
Interest on working capital demand loan and overdraft	27,559	28,066
Interest on term loan from banks	27,331	-
Guarantee fee on term loan	5,512	-
<b>Interest on Other Loans :</b>		
Amortization of discount on forward contracts	(873)	(4,776)
	<b>84,791</b>	<b>58,136</b>



# **LAFARGE UMIAM MINING PRIVATE LIMITED**

## **Schedule 13**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF FINANCIAL STATEMENTS**

#### **A. SIGNIFICANT ACCOUNTING POLICIES**

##### **1. BASIS OF PREPARATION**

- a) The financial statements are prepared and presented in accordance with Historical Cost Convention and Accrual Basis of accounting.
- b) These are presented in accordance with Generally Accepted Accounting Principles (GAAP) in India, and comply with the Accounting Standard notified under Section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.
- c) The preparation of financial statement requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities including Contingent Liabilities as of the date of the financial statement and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

##### **2. REVENUE RECOGNITION**

Revenue from sales of products is recognized on the basis of dispatch to customers.

Interest on deposits is recognized on a time proportion taking into account the amount outstanding at the rate.

##### **3. FIXED ASSETS**

Fixed Assets are stated at original cost of acquisition less accumulated depreciation. Cost includes inward freight, duties, taxes and incidental expenses related to acquisition and installation of asset.

Software expected to provide future enduring economic benefits is stated at cost less amortization. All up gradation/enhancements are charged off as revenue expenditure unless they bring significant additional benefits

##### **4. DEVELOPMENT OF QUARRY**

Cost as listed below incurred in relation to quarry where the future economic benefits associated with those cost flows are capitalized and amortized over the mining lease rights period obtained from regulatory mining authorities

- a) Cost for development of quarry for commercial exploration.
- b) Cost for obtaining definite extraction permit which includes amongst others environmental clearance as per statutory rules and regulations in force from time to time and as imposed by regulatory authorities
- c) Cost to define further mineralization in the existing quarry and to expand the capacity of the quarry

##### **5. INVENTORY**

Extracted Limestone and Shalestone are valued at the lower of cost or net realizable value.

Spare parts, oil & fuel and other supplies are valued at/ under cost.

Cost of inventories is ascertained on the weighted average basis

##### **6. DEPRECIATION / AMORTISATION**

Depreciation is provided on straight line basis applying the rates specified in Schedule XIV to the Companies Act, 1956 or based on useful live whichever is higher. The cases where the rates derived from useful lives of various categories of fixed assets as estimated by the management are higher than the rates prescribed by Schedule XIV to the Companies Act, 1956 are as follows

## LAFARGE UMIAM MINING PRIVATE LIMITED

### Schedule 13

Building	
Non Factory Building	2.50%
Plant and Machinery	
Technical Facilities	10.00%
Furniture and Fixtures	10.00%
Office & Household Equipments	20.00%
Electronic Data Processing Equipment	33.33%
Vehicles	20.00%

Leasehold Lands are amortised over the remaining tenure of the lease. Development of property pertaining to Limestone and Shalestone quarry is amortised over the remaining tenure of legal rights. Intangible assets are amortised over the best estimated of its useful life ranging a periods of 3 to 5 years.

#### 7. FOREIGN EXCHANGE TRANSACTIONS

- Foreign currency transactions during the year are recorded at the rate of exchange prevailing on the date of transactions.
- Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of the item which are covered by forward exchange contracts, the difference between the year end rate and rate as on the date of the contract is recognized as exchange difference and the premium paid on forward contracts is recognized over the life of the contract.
- Non monetary foreign currency items are carried at cost.
- Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account.

#### 8. EMPLOYEE BENEFITS

Defined Contribution Schemes: Company's contribution towards Provident Fund paid / payable during the year to the Provident Fund Authority are charged to Profit and Loss Account.

Defined Benefit Schemes: Company's liabilities towards Gratuity are defined benefit scheme. All liability of Defined Benefit Schemes is ascertained by independent actuarial valuations as per the requirements of Accounting Standard- 15 on "Employee Benefits"

#### 9. BORROWING COST

Borrowing costs to the extent / attributed to the acquisition / construction of qualifying assets are capitalized up to the date when such assets are ready for its intended use and all other borrowing costs are recognized as an expense in the period in which they are incurred

#### 10. TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act 1961.

Deferred tax is recognized subject to the consideration of prudence in respect of deferred tax assets, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and is measured using tax rates and laws that have been enacted or subsequently enacted by the Balance Sheet date. Deferred tax assets are reviewed at each Balance Sheet date to re-assess realization.

#### 11. IMPAIRMENT OF FIXED ASSETS

An impairment loss is recognized wherever the carrying amount of fixed assets of cash generating unit exceeds the recoverable amount i.e. net selling price or value in use, whichever is higher.

#### 12. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**Schedule 13**

**B. NOTES ON ACCOUNTS**

1. Ministry of Environment and Forests (MoEF), North Eastern Regional Office, Shillong, by letter dated 30th April 2007, directed the Company to stop the limestone mining operations until it had obtained forestry clearance under the Forest Conservation Act, 1980. Accordingly Limestone Mining Operations of the Company at its limestone mining site at Phlangkaruh, Nongtra, East Kasi Hills Dis, trict, Meghalaya, was suspended from 4th May 2007 to 28th November 2007. The Company applied for clearance with the relevant authorities on 3rd May 2007 and filed an application before the Supreme Court of India on 8th June 2007 under Section 2 of the Forest Conservation Act, 1980 to allow resumption of mining operations and for expeditious clearance of the application filed with relevant government authorities. After a few hearings the Hon'ble Supreme Court passed an interim order on 23rd November 2007 permitting the Company to resume its mining activities. Since then until 5th February 2010 the Company continued its uninterrupted limestone mining operation on the basis of the interim order of the Supreme Court dated 23rd November 2007. During the course of hearing on 5th February 2010 the Hon'ble Supreme Court had asked for certain clarifications with regard to export operations of limestone in the region to Bangladesh towards which Hon'ble Supreme Court had directed the Company to stop the Limestone mining operation for the time being till such further orders are passed. However, the Hon'ble Supreme Court had not imposed any restrictions to move any mined material lying at the Company's mines and stockpile thereby granting liberty to the Company to export the limestone. After few hearings Hon'ble Supreme Court vide its order dated 12th April 2010 had asked MoEF to take a final decision regarding the granting of forest clearance to the Company after taking into consideration all the conditions stipulated in the order. The MoEF vide its letter dated 22nd April 2010 accorded in principle approval for forest clearance subject to the fulfillment of certain conditions laid down in the letter which included certain environmental related compliance and payment of afforestation compensation including Net Present Value and creation of Special Purpose Vehicle (SPV) for the welfare of the region adjoining the mining area of the Company along with deposit for the operation of the SPV. During the course of hearing on 26th April 2010, the Hon'ble Supreme Court had issued orders to MoEF that certain environmental related reports are made available in the course of next hearing. Meanwhile the MoEF had submitted to the Hon'ble Supreme Court vide its affidavit dated 22nd July 2010, the details of compliance of conditions imposed upon the Company for consideration of Hon'ble Supreme Court for according final forest clearance and resumption of the Company's mining operation and the matter is pending for final disposal.

The Company has incurred total cost amounting to Rs 1,287,550 thousand (Previous year Rs 31,829 thousand) till 31st December, 2010 towards obtaining forest clearance, details of which are as follows:

SI no	Particulars	Rs.'000
1	Compensatory Afforestation as per MoEF Letter dated 22nd April 2010	13,162
2	Penal Compensatory Afforestation as per MoEF Letter dated 22nd April 2010	10,749
3	Net Present Value (NPV) for diversion of forest land for non-forest activity/purpose as per MoEF Letter dated 22nd April 2010	550,000
4	Interest on NPV as per MoEF Letter dated 22nd April 2010	176,649
5	Special Purpose Vehicle (SPV) for the welfare of region adjoining the mining area of the Company as per MoEF Letter dated 22nd April 2010	412,070
6	Biodiversity management plan as per MoEF Letter dated 22nd April 2010	1,250
7	Safety zone as per MoEF Letter dated 22nd April 2010	3,706

## LAFARGE UMIAMING PRIVATE LIMITED

### Schedule 13

Sl no	Particulars	Rs.'000
8	Reclamation plan as per MoEF Letter dated 22nd April 2010	249
9	Construction of Sewage Treatment Plant and Effluent Treatment Plant as per MoEF Letter dated 22nd April 2010	9,38
10	Catchment Area Treatment Plan as per MoEF Letter dated 22nd April 2010	2,882
11	Financing cost in relation to forest clearance cost	31,428
12	Other costs	84,467
	<b>Total</b>	<b>1,287,550</b>

Out of the total cost of Rs 1,287,550 thousand incurred towards obtaining forest clearance as on 31st December, 2010, Rs 630,896 thousand (which relates to Penal Compensatory Afforestation, Interest on NPV, SPV and Financing cost as per serial no 2,4, 5 and 11 of the above mentioned table) has been charged to Profit and Loss Account during the year and has been disclosed as an exceptional item, since the event is clearly distinct from the ordinary activities of the company and the balance amount of Rs 656,654 thousand (as per serial no 1,3,6,7,8,9,10 and 12 of the above mentioned table) which is lying under capital work in progress under Intangible Assets - Development of Property, will be capitalized and amortized over balance period of mining lease right tenure as and when final forest clearance is granted by the Hon'ble Supreme Court of India.

2. The net worth of the Company as on 31st December, 2010 has been fully eroded due to the losses incurred by the Company which were mainly due to unavoidable interruptions of production due to regulatory issues relating to quarry operations as mentioned in Note no 1 above. The Company is getting continued financial support from its parent Company and also from the Group Company and was successful in raising loans from banks to finance the forest clearance cost as mentioned in Note no 1 above. The Company has received an undertaking from the parent Company that it shall continue to receive financial support for its operation. Accordingly the management considers that the going concern assumption is not vitiated. In view of this the financial statements have been prepared on the assumption that the Company is going concern despite its net worth being fully eroded.
3. The Company has availed an "offshore loan" from Lafarge Surma Cement Limited (LSC), Bangladesh, holding 41,133,098 shares of the Company (Previous year 41,133,098 shares) to fund its limestone and shale mining project development and operation the outstanding balance of which as on 31st December 2010 was Rs. 777,301 thousand/- (Previous year Rs. 761,468 thousand) The said loan has been granted by LSC out of an aggregate loan availed by LSC from certain "offshore lenders".

As per the terms of the offshore loan, Lafarge Surma Cement Ltd & all its associates are required to create security of their respective assets in favour of the offshore lenders. The same is classified as secured loan, having charge against the following assets.

  - i) Mortgage (by deposit of title deeds) of all of the Companies immovable properties in favour of the offshore lenders upto 19th September 2010 and pursuant to immovable properties (land) being classified as forest land by Ministry of Environment and Forests (MoEF), the equitable mortgage was released by the offshore lenders on 20th September, 2010 and accordingly modification of mortgage was registered with Registrar of Companies.
  - ii) Mortgage and charge over all present and future movable and intangible assets, contracts, investments and insurance policies of the Company except for stock in trade and receivable under a composite security agreement in favour of secured offshore lenders.
4. Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs 32,526 thousand (Previous Year Rs 17,904 thousand/-).

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**Schedule 13**

**5. Auditors' Remuneration (including service tax)**

	Year Ended	
	31st December, 2010	31st December, 2009
	Rs.'000	Rs.'000
i) Statutory Audit fees	552	552
ii) Tax Audit related matter	309	309
iii) Reimbursement of Expense	9	4
<b>Total</b>	<b>870</b>	<b>865</b>

**6. Directors' Remuneration**

	Year Ended	
	31st December, 2010	31st December, 2009
	Rs.'000	Rs.'000
Salaries and Bonus	5,523	4,942
Contribution to provident fund	205	205
Others	67	4
<b>Total</b>	<b>5,795</b>	<b>5,151</b>

The above excludes contribution to the group gratuity funds, which are actuarially determined on an overall basis.

**7. Deferred tax**

The break up of deferred tax is as under	Year Ended	
	31st December, 2010	31st December, 2009
	Rs.'000	Rs.'000
<b><u>Deferred Tax Liabilities</u></b>		
Timing difference on account of:-		
-Depreciation	165,211	137,749
<b>Gross Deferred Tax Liabilities (A)</b>	<b>165,211</b>	<b>137,749</b>
<b><u>Deferred Tax Assets</u></b>		
-Unabsorbed depreciation (restricted to the extent of deferred tax liability on depreciation)	(165,211)	(137,749)
<b>Gross Deferred Tax Assets (B)</b>	<b>(165,211)</b>	<b>(137,749)</b>
<b>Deferred Tax Assets (Net) (A-B)</b>	<b>NIL</b>	<b>NIL</b>

**8. Micro, Small and Medium Enterprises Development Act, 2006.**

The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, and hence disclosures if any, relating to amounts unpaid as at the period end together with interest paid/ payable are required under the said act have not been given.

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**Schedule 13**

**9. Expenditure / Earnings in foreign currency**

a) Expenditure in foreign currency (Cash basis – net of TDS)

	Year Ended	
	31st December, 2010	31st December, 2009
	Rs.'000	Rs.'000
i) Professional and Consulting fees	2,287	36,852
ii) Spare parts	11,493	71,973
iii) Repayment of interest	Nil	45,868
<b>Total</b>	<b>13,780</b>	<b>154,693</b>

b) Earnings in foreign currency (Cash basis)

	Year Ended	
	31st December, 2010	31st December, 2009
	Rs.'000	Rs.'000
i) FOB Value of Exports	275,272	1,090,191
<b>Total</b>	<b>275,272</b>	<b>1,090,191</b>

**10. Contingent Liability not provided for**

- a) Bank Guarantee amounting to Rs 200/- thousand (Previous Year Rs. 1,681/- thousand) issued by State Bank of India, Main Branch Shillong and Rs 1,077/- thousand (Previous Year Rs. 1,077/- thousand) issued by Standard Chartered Bank, Mumbai Branch on behalf of the Company favoring Indian Bureau of Mines as financial assurance for the progressive mines closure plan.
- b) The contingent liability on account of forest clearance approval under Forest Conservation Act (FCA), 1980 for its limestone mining area is Rs. Nil/- [Refer Note B(1) of Schedule 13] ( Previous year Rs. 627,534/- thousand)

- 11.** Being 100% Export Oriented Unit (EOU), the Company is entitled to claim refund of taxes and duties incurred in relation to procurement of some goods and raw materials. The Company filed refund claim for taxes and duties paid in relation to construction of Long Belt Conveyor and Crusher. On January 6, 2009 the Board of Approval (BOA), Department of Commerce, Government of India decided that the long belt conveyor of the Company is installed outside the EOU premises for transportation of goods and is not eligible for duty free import/procurement under EOU scheme. The Company had filed an appeal against the order of the BOA before the Shillong Bench, Guwahati High Court on July 30, 2009 and the Hon'ble High Court vide its order dated 13th August 2010 had passed its judgment whereby the order of BOA not to grant approval to the Company's long belt conveyor as a part of EOU premise was quashed. The judgment order passed by Hon'ble High Court which was subject to further appeal by the respondent party has been filed by the respondent party and if the appeal filed by the respondent party is successful at a later stage, the Company shall not be entitled to obtain the refund of Rs. 29,322 thousand (Previous Year Rs. 29,322 thousand) from the authorities. However the amount of taxes and duties paid in relation to the long belt conveyor have been included in the cost of assets and has been presented in the financial statements accordingly.

## LAFARGE UMIAM MINING PRIVATE LIMITED

### Schedule 13

#### 12. LEA (Lafarge 2009 international employee) share ownership plan

The Company pursuant to Lafarge S.A.'s global human resource policy has established the Lafarge's Group stock bonus rights plan ("LEA 2009" or "the Plan") whereby the employees have been granted Stock Appreciation Rights on December 9, 2009 and on account of the Plan the Company has a total provision of Rs. 265/- thousand (previous year Rs. 18 thousand) towards Stock Appreciation Rights.

13. The Company is under a legal obligation to restore the mines in terms of progressive mines closure plan submitted to Indian Bureau of Mines at the end of mining operations. Based on the estimated useful live of the mines, estimated cost of site restoration has been provided during the year.

The details of provisions for site restoration cost are summarized below:

	Year Ended	
	31st December, 2010	31st December, 2009
	Rs.'000	Rs.'000
Opening balance	542	375
Additions	167	167
Reversals	Nil	Nil
<b>Closing balance</b>	<b>709</b>	<b>542</b>

14. The Company is recognizing the provision for the employee retirement benefits as per Accounting Standard 15 "Employee Benefits".

Independent Actuarial Valuation of all employee benefit scheme was made on 31st December 2010 which is in the nature of unfunded gratuity benefit.

Disclosure in table below in respect of Defined Benefit Scheme has been given to the extent availability of information.

The following tables set out the details of amount recognised in the financial statements in respect of defined benefit scheme for unfunded gratuity as per the actuarial valuation under the Projected Unit Credit Method.

#### I. Component of Expenses recognized in the Profit and Loss Account

Sl. No.		Current Year	Previous Year
		Rs.'000	Rs.'000
1	Current Service cost	463	207
2	Interest cost	64	37
3	Expected return on plan assets	-	-
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Amortization of Past Service Cost	572	-
7	Actuarial Losses/(Gains)	369	1
<b>8</b>	<b>Total expense recognized in the Statement of Profit &amp; Loss</b>	<b>1468</b>	<b>245</b>

The Gratuity expenses have been recognized in "Gratuity" under Schedule 10.

## LAFARGE UMIAM MINING PRIVATE LIMITED

### Schedule 13

#### II. Net Asset/(Liability) recognized in the Balance Sheet as at

Sl. No.		Current Year	Previous Year
		Rs.'000	Rs.'000
1	Present value of Defined Benefit Obligation	2,026	775
2	Fair value of plan assets	-	-
3	Funded status [Surplus/(Deficit)]	(2,026)	(775)
4	Effect of balance sheet asset limit	-	-
5	Unrecognized Past Service Costs	-	-
6	Net asset/(liability) recognized in balance sheet	(2,026)	(775)

#### III. Reconciliation of opening and closing balance of the Present Value of the Defined Benefit Obligation (BDO)

Sl. No.		Current Year	Previous Year
		Rs.'000	Rs.'000
1	Present Value of DBO at beginning of period	775	530
2	Current Service cost	463	207
3	Interest cost	64	37
4	Curtailed cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Employee contribution	-	-
7	Plan amendments	572	-
8	Acquisitions	-	-
9	Actuarial (gains)/ losses	369	1
10	Benefits paid	(217)	-
11	Present Value of DBO at the end of period	2026	775

#### IV. Actuarial Assumptions

Sl. No.		Current Year	Previous Year
1	Discount Rate per annum Compound	8.25%	8.00%
2	Rate of increase in salaries	8.00%	8.00%
3	Rate of return on Plan Assets	Not Applicable	Not Applicable
4	Expected Average remaining working lives of employees (years)	25.18	22.44

Note:

(i) The estimate of future salary increase taken into account based on seniority, promotion and other relevant factors

(ii) Net asset (liabilities) includes experience adjustment of Rs Nil (Previous Rs Nil).

Contribution to Defined Contribution Plan recognised as expense for the year and disclosed in Schedule 10 are as under:

Sl. No.		Current Year	Previous Year
		Rs.'000	Rs.'000
1	Employer's Contribution to recognized Provident Fund	1,515	1,117



## LAFARGE UMIAM MINING PRIVATE LIMITED

### Schedule 13

#### 15. Related party disclosure as per Accounting Standard -18

##### a) Key Managerial Personnel (KMP)

Name	Nature of relationship	Transactions year ended		Nature of relationship
		31st December, 2010 Rs.'000	31st December, 2009 Rs.'000	
Mr. Shivesh Kumar Sinha	Chairman	Nil	Nil	---
Mr. Michael Andrew Cowell	Director	Nil	Nil	---
Mr. Masud Khan	Director	Nil	Nil	---
Mr. Asim Chattopadhyay	Director	Nil	Nil	---
Mr. Jose Maria Fontdecaba	Director	Nil	Nil	---
Mr. Narayan Prasad Sharma	Director	5,615	5,046	Remuneration
Mr. Kazi Khalid Mahmood	Director	Nil	Nil	---
Mr. Ashim Kr. Chattopadhyay	Director	180	105	Remuneration
Ms. Tahya Hossain	Director	Nil	Nil	---

##### b) Holding Company

Name of the related party: **Lafarge Surma Cement Ltd, Bangladesh**

Transactions:

##### i) Secured External Commercial Borrowings (ECB)

	31st December, 2010	31st December, 2009
	Rs.'000	Rs.'000
Closing balance	777,301	761,468
Interest accrued and due but not paid during the year	46,338	Nil
Total amount of ECB loan received during the year ended	Nil	Nil
Total of ECB loan foreign exchange fluctuation (gain)/ loss during the year	(30,505)	(29,885)
Total of ECB loan repaid during the year ended	Nil	104,867

##### ii) Interest on External Commercial Borrowing (ECB)

	31st December, 2010	31st December, 2009
	Rs.'000	Rs.'000
Total interest accrued but not due on ECB loan	122,611	151,013
Total interest charge on ECB loan for the year	25,262	34,846

## LAFARGE UMIAM MINING PRIVATE LIMITED

### Schedule 13

#### iii) Export sales transaction

	31st December, 2010	31st December, 2009
	Rs.'000	Rs.'000
Closing balance of export sales receivables as at	Nil	36,550
Total value of export sales transaction during the year ended	240,855	1,064,848

#### 16. Earnings per Share (EPS) – The numerators and denominators used to calculate Basic and Diluted EPS

	31st December, 2010	31st December, 2009
a) Net Profit / (Loss) after Tax available for Equity Shareholders (Rs.'000)	(809,926)	313,724
b) Net Profit / (Loss) before exceptional item and after Tax available for Equity Shareholders (Rs.'000)	(179,031)	313,724
c) Weighted average number of equity shares of nominal value of Rs. 10 /- each (Nos.)	41,133,099	41,133,099
d) Basic and diluted Earnings/(Loss) per Share including exceptional item ( a ÷ c)	(19.69)	7.63
e) Basic and diluted Earnings/(Loss) per Share excluding exceptional item ( b ÷ c)	(4.35)	7.63

#### 17. None of the Company's fixed assets are considered impaired as on the Balance Sheet Date.

#### 18. During the year the company had entered into certain forward exchange contracts which are not intended for speculation purpose and only for hedging currency related risks. Such forward contracts are accounted for at the contract rate and the difference between the spot rate and the contracted rate is apportioned over the period of contract.

##### a) There are forward contracts outstanding as on 31st December, 2010 which are as follows

As at	No. of Contracts	Amount (USD '000)	Amount (Rs. '000)
31st December 2010	Nil	Nil	Nil
31st December 2009	12	3,300	155,130

##### b) The year end foreign currency exposure that has not been hedged by a derivative Instrument or otherwise are given below

Particulars	Currency	Convertitbe amount as at			
		31st December, 2010		31st December, 2009	
		Foreign Currency '000	Rs. '000	Foreign Currency '000	Rs. '000
External commercials borrowings	USD	17,347	777,301	16,312	761,467
Unsecured loan	USD	12,000	537,720	Nil	Nil
Sundry creditors	USD	284	12,746	37	1,745
	Euro	92	5,512	Nil	Nil
Advances forstores and spares	GBP	18	1,227	109	8,216

## LAFARGE UMIAM MINING PRIVATE LIMITED

### Schedule 13

19. The Company has no reportable segment as the Company is primarily engaged in the mining activities and the entire sales are export sales.

#### 20. Quantitative Information

a) Particulars regarding capacity and production- Extracted Material

Particulars	Units of measurement	Current year			Previous year		
		Licensed Capacity	Installed Capacity	Actual Production	Licensed Capacity	Installed Capacity	Actual Production
Limestone	MT	2,000,000	1,954,000	299,394	2,000,000	1,954,000	1,954,000
Shalestone	MT	342,000	300,000	Nil	342,000	300,000	Nil

b) Particulars regarding finished goods

Particulars	Units of measurement	Current year			Previous year		
		Opening stock	Production /Sales	Closing stock	Opening stock	Production /Sales	Closing stock
Crushed	Rs.'000	Nil	240,855	Nil	Nil	1,064,847	Nil
Limestone	MT	Nil	477,373	Nil	Nil	2,000,000	Nil
Crushed	Rs.'000	Nil	Nil	Nil	Nil	Nil	Nil
Shalestone	MT	Nil	Nil	Nil	Nil	Nil	Nil

c) Particulars regarding extracted raw materials and stores and spares consumed

Particulars	Units of measurement	Current year		Previous year	
		Quantity	Value ( Rs.'000)	Quantity	Value ( Rs.'000)
Extracted Limestone	MT	477,373	92,873	2,000,000	269,421
Extracted Shalestone	MT	Nil	Nil	Nil	Nil
Oil and fuel	Litres	489,359	13,677	1,292,783	33,885
Stores and Spares	-	-	6,337	-	28,469

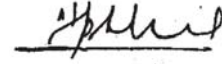
- 21.** Considering the future profitability and taxable position in the subsequent years, the Company has recognized the 'MAT Credit entitlement' as an asset of Rs. 9,364 thousands ( Previous year Rs.26,792 thousand ) by crediting the Profit and Loss Account for an equivalent amount and disclosed under 'Current Assets, Loans and Advances' (Schedule 6) in the accordance with the Guidance Note on "Accounting for credit available in respect of Minimum Alternative Tax under Income Tax Act, 1961" issued by The Institute of Chartered Accountants of India.
- 22.** Figures for the previous year have been rearranged /regrouped wherever necessary to conform to figures of current year.

Signatories to Schedules 1 to 13

**For and on behalf of the Board**



Director



Director



**REPORT & FINANCIAL STATEMENTS OF  
LUM MAWSHUN MINERALS PRIVATE LIMITED**  
For the year ended 31 December 2010

## **LUM MAWSHUN MINERALS PRIVATE LIMITED**

### **DIRECTORS' REPORT**

#### **Dear Valued Shareholders**

Your Directors have the pleasure in presenting the Annual Report of Lum Mawshun Minerals Private Limited (the "Company"), together with the audited balance sheet and the profit and loss account for the year ended December 31, 2010.

#### **Review of the Activities**

Your Company, a subsidiary of Lafarge Surma Cement Ltd (LSC), obtained the land rights and mining leases in Meghalaya, India. The Company with due approval of the Government of Meghalaya, transferred all lands acquired for the project to Lafarge Uiam Mining Private Limited ("LUMPL"), the operating company for the Mining project. Your Company is now exploring new opportunities for development of future business.

#### **Financial Highlights**

The net loss for the year 2010 was INR 67,451/-

#### **Directors' Responsibility Statement**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' responsibility statement, it is hereby confirmed:

1. That in the preparation of the annual accounts for the year ended December 31, 2010, the applicable Accounting Standards have been followed along with proper explanations were provided for material departures, if any.
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year.
3. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
4. That the Directors had prepared the accounts for the financial year ended on December 31, 2010 on a going concern basis.

#### **Auditors and Auditors' Report**

Pursuant to the Indian Companies Act, 1956, the Company's statutory auditors of M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting. They have offered themselves for reappointment as statutory auditors and have confirmed that their appointment, if made, will be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956. The notes to accounts forming part of the financial statements are self-explanatory and need no further explanation.

There is no qualification in the Auditors' Report which requires any clarification/explanation.

#### **Particulars of Employees**

As there was no employee drawing the remuneration more than the limit prescribed under Section 217(2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules 1975 as amended from time to time, statement under section 217(2A) is not annexed.

### **Conservation of Energy, Technology Absorption and Foreign Exchange**

The particulars as required under section 217(1) (e) of the Indian Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, are set out in Annexure "A" to this report

### **Fixed deposits**

During the year under review, the Company has not accepted any deposit from the public.

### **Acknowledgements**

Your Directors wish to express their grateful appreciation for the valuable support and cooperation received from LSC, LUMPL, lenders, project consultants and the Durbars of Nongtra and Shella for their continued support.

**For and on Behalf of the Board**



Directors

Place: Shillong

Date: April 26, 2011

### **Annexure "A" to the Directors' Report**

Particulars furnished pursuant to the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988,

- A. Conservation of Energy : The Company is not a manufacturing Company and hence the details with respect to Conservation of Energy are not applicable.
- B. Technology absorption : NIL
- C. Foreign Exchange earnings & outgo during the period : NIL

**For and on Behalf of the Board**



Directors

AUDITORS' REPORT TO THE MEMBERS OF  
**LUM MAWSHUN MINERALS PRIVATE LIMITED**

1. We have audited the attached balance sheet of **Lum Mawshun Minerals Private Limited** ("the Company") as at 31st December 2010 and the profit and loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our report, we invite attention to note 3 of Part B of Schedule 5 to the financial statements regarding financial statements being prepared on a going concern basis, in spite of full erosion of net worth of the Company as at the year end, taking into account the continued support from its parent company.
4. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of sub-section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to in paragraph 4 above, we report as follows:
  - 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;
  - b) In our opinion, proper books of account, as required by law, have been kept by the Company so far as it appears from our examination of those books;
  - c) The balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the balance sheet and the profit and loss account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
  - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of balance sheet, of the state of affairs of the Company as at 31st December 2010 and
    - ii) in the case of the profit and loss account, of the loss of the Company for the year ended on that.
6. On the basis of the written representations received from the directors as on 31st December 2010 taken on record by the Board of Directors, none of the directors is disqualified as on 31st December 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.302009E)



**A. Bhattacharya**  
Partner

Membership No. 054110

Kolkata, 31st March, 2011



## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 4 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, clauses (i), (ii), (iv), (vi), (vii), (viii), (xii), (xiii), (xiv), (xv), (xvi), (xviii), (xix), (xx) of CARO are not applicable.
- (ii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (iii) To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements to be entered in the register maintained in pursuance in Section 301 of the Companies Act, 1956.
- (iv) According to the information and explanations given to us in respect of statutory dues:
  - a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st December, 2010 for a period of more than six months from the date they became payable.
  - c) According to the information and explanations give to us, there are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st December 2010 on account of disputes.
- (v) The accumulated losses of the Company have exceeded fifty percent of its net worth as at the end of the year. The Company has incurred cash losses during year as well as in the preceding previous year.
- (vi) In our opinion and according to the information and explanations given to us, the Company does not have any dues to banks, financial institutions and debenture holders.
- (vii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis aggregating to Rs.293,145 have, *prima facie*, been used during the year for long-term investment.
- (viii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.302009E)



**A. Bhattacharya**  
Partner  
Membership No. 054110

Kolkata, 31st March, 2011

## LUM MAWSHUN MINERALS PRIVATE LIMITED

BALANCE SHEET AS AT 31st DECEMBER, 2010

	Schedule	As at 31st December 2010 Rs.	As at 31st December 2009 Rs.
<b>SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Funds :</b>			
Share capital	1	546,600	546,600
<b>Total</b>		<b>546,600</b>	<b>546,600</b>
<b>APPLICATION OF FUNDS :</b>			
<b>1. Current Assets, Loans and Advances</b>			
a) Cash and bank balances	2	38,856	75,720
b) Other current assets	3	18,781	16,669
		<b>57,637</b>	<b>92,389</b>
<b>Less : Current Liabilities &amp; Provisions</b>			
Current liabilities	4	350,782	318,083
<b>Net Current Assets</b>		<b>(293,145)</b>	<b>(225,694)</b>
<b>2. Profit and Loss Account</b>			
<b>Total</b>		<b>546,600</b>	<b>546,600</b>

### SIGNIFICANT ACCOUNTING POLICIES

AND NOTES ON ACCOUNTS

5

The Schedules referred to above form an integral part of the Balance Sheet in terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants



**A. Bhattacharya**  
Partner

Place : Kolkata

Dated : March 31, 2011

For and on behalf of the Board



**Michael Andrew Cowell**  
Director

Place : Dhaka

Dated : March 28, 2011



**Masud Khan**  
Director

## LUM MAWSHUN MINERALS PRIVATE LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2010

Schedule	Year ended 31st December 2010 Rs.	Year ended 31st December 2009 Rs.
<b>A . INCOME</b>		
Interest on bank deposits	2,112	2,995
[ Tax deducted at source - Rs Nil ( previous year - Rs Nil)]		
<b>Total</b>	<b>2,112</b>	<b>2,995</b>
<b>B. EXPENDITURE</b>		
Bank charges	74	606
Auditors remuneration	69,489	70,062
Professional fees	-	45,169
Filing fees	-	4,000
	<b>69,563</b>	<b>119,837</b>
<b>Net profit / (loss) for the year (A-B)</b>	<b>(67,451)</b>	<b>(116,842)</b>
Balance brought forward from previous year	(772,294)	(655,452)
<b>Balance carried forward to Balance Sheet</b>	<b>(839,745)</b>	<b>(772,294)</b>
Earnings per share (Basic and diluted)	(12.34)	(21.38)

#### SIGNIFICANT ACCOUNTING POLICIES

#### AND NOTES ON ACCOUNTS

5

The Schedules referred to above form an integral part of the Profit and Loss Account  
In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

For and on behalf of the Board



**A. Bhattacharya**  
Partner

Place : Kolkata

Dated : March 31, 2011



**Michael Andrew Cowell**  
Director

Place : Dhaka

Dated : March 28, 2011



**Masud Khan**  
Director

## LUM MAWSHUN MINERALS PRIVATE LIMITED

### Schedules forming part of the Balance Sheet

	As at 31st December 2010 Rs.	As at 31st December 2009 Rs.
<b>Schedule 1 : Share Capital</b>		
<b>Authorised :</b>		
1,68,000 Equity shares of Rs. 100/- each	16,800,000	16,800,000
<b>Issued, Subscribed and Paid-up :</b>		
5466 Equity shares (Previous year: 5466 equity shares) of Rs. 100/- each fully paid - up [Of the above, 4046 shares (Previous year: 4046 shares) are held by Lafarge Surma Cement Limited, Bangladesh, the holding company]	546,600	546,600
	<b>546,600</b>	<b>546,600</b>
<b>Schedule 2 : Cash and Bank Balances</b>		
Cash balance on hand	274	274
Balances with scheduled bank:		
In current account	18,582	55,446
In fixed deposit account *	20,000	20,000
<b>Total</b>	<b>38,856</b>	<b>75,720</b>
* Pledged with The Director of Mineral Resources, Meghalaya		
<b>Schedule 3 : Other Current Assets</b>		
Interest Accrued but not due on Fixed Deposits	18,781	16,669
<b>Total</b>	<b>18,781</b>	<b>16,669</b>
<b>Schedule 4 : Current Liabilities</b>		
Sundry creditors		
-total outstanding dues of Micro Enterprises and Small Enterprises	-	-
- total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	350,782	314,383
Other liabilities	-	3,700
<b>Total</b>	<b>350,782</b>	<b>318,083</b>

(There is no amount outstanding as at Balance Sheet date to be credited to Investor's Education & Protection Fund)

**Lum Mawshun Minerals Private Limited**  
**Schedules forming part of the Balance Sheet as at 31st December, 2010**  
**Schedule 5.**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**(A) SIGNIFICANT ACCOUNTING POLICIES**

**1. BASIS OF PREPARATION**

- 1.1 The financial statements are prepared and presented in accordance with Historical Cost Convention and Accrual Basis of accounting.
- 1.2 These are presented in accordance with Generally Accepted Accounting Principles (GAAP) in India, and comply with the Accounting Standard notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.
- 1.3 The preparation of financial statement requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities including Contingent Liabilities as of the date of the financial statement and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

**2. TAXES ON INCOME**

Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act 1961.

Deferred tax is recognized subject to the consideration of prudence in respect of deferred tax assets, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and is measured using tax rates and laws that have been enacted or subsequently enacted by the Balance Sheet date. Deferred tax assets are reviewed at each Balance Sheet date to re-assess realization.

**3. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**(B) NOTES ON ACCOUNTS**

**1. Micro, Small and Medium Enterprises Development Act, 2006.**

The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, and hence disclosures if any, relating to amounts unpaid as at the period end together with interest paid/ payable are required under the said act have not been given.

2. The Company is a subsidiary of Lafarge Surma Cement Ltd, Bangladesh (Parent Company). During the earlier years the Company has transferred the Mining and Land rights as well as freehold and leasehold lands as was acquired to LUMPL along with the preoperative expenses and related account balances pertaining to such lands transferred, after obtaining necessary approval from the Government. Consequently there has been no business during the year as well as in the previous years. However, the Company is exploring new opportunities.

## Lum Mawshun Minerals Private Limited

### Schedules forming part of the Balance Sheet as at 31st December, 2010

#### Schedule 5.

- The net worth of the Company as on 31.12.2010 has been fully eroded and the Company has been incurring losses over the years including the current year. However, the Company enjoys continued supports from its parent company. In view of this, going concern assumption has not been vitiated.
- Earnings per Share (EPS) – The numerators and denominators used to calculate Basic and Diluted EPS:

Sl. No.	Particulars	Year ended December, 31	
		2010	2009
1	Net Profit after tax attributable to Equity Shareholders (Rs) {A}	(67,451)	(116,842)
2	Weighted average number of Equity Shares outstanding during the year (Nos.) {B}	5,466	5,466
3	Nominal Value of Equity per share (Rs.)	100	100
4	Basic / Diluted Earnings per share (Rs.) {A÷B}	(12.34)	(21.38)

- Deferred tax Asset/Liability has not been created during the year, there being no timing difference between the accounting income and taxable income, which is capable of reversing in subsequent periods.

#### 6. Auditors' Remuneration (including service tax)

	Year ended 31-Dec-2010 (Rs)	Year ended 31-Dec-2009 (Rs)
Audit fees	33,090	33,090
Tax audit fees	36,399	36,399
Reimbursement of expenses	-	573
<b>Total</b>	<b>69,489</b>	<b>70,062</b>

- The previous year's figures have been regrouped and rearranged wherever necessary to conform to the figures of the current year.

For and on behalf of the Board

Signatories to Schedules 1 to 5



Director



Director

# **Form of Proxy and Attendance Slip**

# Lafarge Surma Cement Ltd.

A company of  LAFARGE and  CEMENTOS MOLINS

## Form of Proxy

I/We \_\_\_\_\_ (name)

of \_\_\_\_\_ (address)

being a shareholder of Lafarge Surma Cement Limited (the "Company") hereby appoint,

Mr./Ms \_\_\_\_\_ (name)

of \_\_\_\_\_ (address)

as my/our proxy, to attend on my/our behalf at the 13th Annual General Meeting of the Company to be held on June 29, 2011 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 of \_\_\_\_\_ 2011.

\_\_\_\_\_  
Signed (Shareholder)

\_\_\_\_\_  
Folio/BO ID No.

\_\_\_\_\_  
Signed (Proxy)

\_\_\_\_\_  
Folio/BO ID No.

Affix revenue stamp

Tk. 8.00

Note: The proxy form, duly filled in and stamped, must be submitted to the Registered Office of the Company not less than 72 hours before the time fixed for the meeting.

# Lafarge Surma Cement Ltd.

A company of  LAFARGE and  CEMENTOS MOLINS

## Attendance Slip

I hereby record my presence at the 13th Annual General Meeting of Lafarge Surma Cement Limited on June 29, 2011.

Name

Folio/BO ID No.

Note: Please complete this Attendance Slip and deposit at the registration counter on the day of the meeting.

\_\_\_\_\_  
Signature



**LAFARGE SURMA CEMENT LTD.**

Suvastu Imam Square, 65 Gulshan Avenue, 3rd Floor, Gulshan - 1, Dhaka - 1212, Bangladesh

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