

(xv) That, the system of internal control is sound in design and has been effectively implemented and monitored.

(xvi) That, there are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.

(xvii) Significant deviations from last year's operating

(xviii) Summary of key operating and financial data of preceding five years:

results of the issuer company shall be highlighted and the reasons thereof should be explained:

Gross profit has slightly increased in 2013 compared to last year mainly due to lower raw material costs. Operating profit has also increased as a result of increase in gross profit margin as well as recovery of insurance claim in 2013 of BDT 171 million for business interruption in 2012.

#### Income And Expenses:

	Tk. 000s				
	2013	2012	2011	2010	2009
<b>REVENUE</b>	<b>11,330,374</b>	<b>10,640,061</b>	<b>6,098,478</b>	<b>5,655,374</b>	<b>7,543,725</b>
Cost of sales	(6,627,036)	(6,450,942)	(5,538,142)	(5,077,635)	(4,658,211)
<b>GROSS PROFIT</b>	<b>4,703,338</b>	<b>4,189,119</b>	<b>560,336</b>	<b>577,739</b>	<b>2,885,514</b>
General and administrative expenses	(738,674)	(678,765)	(374,702)	(342,119)	(432,132)
Selling and distribution expenses	(152,429)	(153,284)	(68,340)	(93,909)	(124,949)
Other operating (expenses) / income	173,472	(20,982)	89,590	(1,257,001)	4,611
<b>OPERATING INCOME/(LOSS)</b>	<b>3,985,707</b>	<b>3,336,088</b>	<b>206,884</b>	<b>(1,115,290)</b>	<b>2,333,044</b>
Finance expenses	(772,054)	(829,278)	(2,495,364)	(719,414)	(949,106)
Finance income	2,154	764	496	2,725	78,527
<b>NET INCOME/(LOSS) BEFORE TAX</b>	<b>3,215,807</b>	<b>2,507,574</b>	<b>(2,287,984)</b>	<b>(1,831,979)</b>	<b>1,462,465</b>
Income tax	(669,708)	(654,140)	100,300	212,144	(466,904)
<b>NET INCOME/(LOSS) AFTER TAX</b>	<b>2,546,099</b>	<b>1,853,434</b>	<b>(2,187,684)</b>	<b>(1,619,835)</b>	<b>995,561</b>
Earnings per share (Taka)	2.19	1.60	(1.88)	(1.39)	0.86

#### Assets And Liabilities:

	Tk. 000s				
	2013	2012	2011	2010	2009
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12,763,354	13,369,232	13,815,909	14,377,748	14,673,213
Intangible assets	987,293	1,186,771	1,293,051	1,219,460	225,010
Other Receivables	86,457	55,359	-	-	-
<b>Current assets</b>	<b>5,190,219</b>	<b>3,912,006</b>	<b>3,450,421</b>	<b>2,317,596</b>	<b>2,393,392</b>
<b>TOTAL ASSETS</b>	<b>19,027,323</b>	<b>18,523,368</b>	<b>18,559,381</b>	<b>17,914,804</b>	<b>17,291,615</b>



	Tk. 000s				
	2013	2012	2011	2010	2009
<b>LIABILITIES</b>					
Share capital	11,613,735	11,613,735	11,575,806	5,806,868	5,806,868
Retained earnings	(944,130)	(3,490,257)	(5,343,728)	(3,156,087)	(1,536,346)
Other component of equity	(52,603)	(11,894)	(16,113)	(18,610)	-
Share money deposits	-	-	37,929	-	-
Foreign currency translation	427,423	268,932	197,787	135,946	159,943
<b>Shareholders' equity-</b>					
<b>Parent company</b>	<b>11,044,425</b>	<b>8,380,516</b>	<b>6,451,681</b>	<b>2,768,117</b>	<b>4,430,465</b>
Non-controlling interests	118	231	302	362	417
<b>EQUITY</b>	<b>11,044,543</b>	<b>8,380,747</b>	<b>6,451,983</b>	<b>2,768,479</b>	<b>4,430,882</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term debt	497,027	948,895	3,904,616	4,713,556	4,705,955
Deferred income tax liabilities	1,224,510	612,200	9,267	172,993	385,137
Contribution to employee benefit	137,817	114,421	78,457	56,174	45,047
Derivative instruments	-	-	6,746	18,029	-
Provisions	23,146	23,125	-	-	-
Current liabilities	6,100,280	8,443,980	8,108,312	10,185,573	7,724,594
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19,027,323</b>	<b>18,523,368</b>	<b>18,559,381</b>	<b>17,914,804</b>	<b>17,291,615</b>

**(xix)** Reasons for non-declaration of dividend:

Despite the fact that the Company earned a consolidated EPS of 2.19 in 2013, the Company has accumulated loss at the end of the year. The Company's policy and practice is not to declare dividend when there

are accumulated losses. This policy is also based on financial prudence and addresses the long term interests of the shareholders. Accordingly, the Board of Directors of the Company did not recommend any dividend for the year 2013.

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

4 (four) Board meetings were held during the year 2013 and the dates are March 14, June 08, September 18 and December 17. The Directors attended the Board meetings as stated below:

S/L	Name of Directors	Number of meetings held whilst a board member	Meetings attended	Remarks
1	Mr. Thomas Gerard Farrell	2	2	
2	Mr. Fabrizio Angelo Olivares	2	2	
3	Mr. Tarek Samir Ahmed Elba	4	4	
4	Mr. Jose Maria Fontdecaba Antico	4	4	
5	Mr. Enrique de Bobes Pellicer	4	2	Leaves granted
6	Mr. Shivesh Kumar Sinha	4	4	
7	Mr. Salvador Fernandez Capo	4	2	Leaves granted
8	Mr. Manzurul Islam	4	0	Leaves granted



Name	Position	Number of meetings held whilst a board member	Meetings attended	Remarks
9	Mr. Anisur Rahman Sinha	4	2	Leaves granted
10	Mr. Monzurur Rahman	4	4	
11	Mr. Zakir Ahmed Khan	4	4	
12	Mr. Md. Wahiduzzaman Khandaker	4	2	Leaves granted
13	Mr. Syed Shujauddin Ahmed	4	3	Leaves granted
14	Mr. Tufail K Haider	1	1	

(xxi) The pattern of shareholding:

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

Name	Position	No. of shares
Surma Holding B.V.	Parent Company	683,698,700

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

Name	Position	Self	Spouse	Minor Children
Mr. Thomas Gerard Farrell	Director/Chairman as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Fabrizio Angelo Olivares	Director as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Tarek Samir Ahmed Elba	Director as nominee of Surma Holding BV and CEO	Nil	Nil	Nil
Mr. Jose Maria Fontdecaba Antico	Director as nominee of Surma Holding BV	50	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	200	Nil	Nil
Mr. Anisur Rahman Sinha	Director as nominee of Sinha Fashions Ltd	Nil	Nil	Nil
Mr. Monzurur Rahman	Director as nominee of Delta Life Insurance Co. Ltd.	2000	Nil	Nil
Mr. Zakir Ahmed Khan	Independent Director	Nil	Nil	Nil
Mr. Md. Wahiduzzaman Khandaker	Director as nominee of Investment Corporation of Bangladesh	Nil	Nil	Nil
Mr. Syed Shujauddin Ahmed	Independent Director	Nil	Nil	Nil
Mr. Tufail K Haider	Independent Director	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 B.V. : 683,698,700 shares  
 - Islam Cement Ltd : 31,914,200 shares  
 - Sinha Fashions Ltd : 35,100,000 shares

- Delta Life Insurance Co. Ltd: 27,011,180 shares  
 - Investment Corporation of Bangladesh: 19,932,000 shares



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

Name	Position	No. of shares
Mr. Asim Chattopadhyay	Senior Vice President Operations	Nil
Mr. Sang Soo Bae	Production Coach	Nil
Mr. Mohammed Arif Bhuiyan	Supply Chain Director	Nil
Mr. JungOk Kim	Kiln Coach	Nil
Mr. Harpal Singh	Head of Maintenance	Nil

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

Name	No. of shares
Surma Holding B.V.	683,698,700

(xxii) Appointment/re-appointment of a director of the company:

With regard to the appointment, retirement and re-appointment of Directors, the Company is governed by its Articles of Association, the Company Act, 1994 and other related legislations. Accordingly the following Directors of the Board will retire at the 16th Annual General Meeting and will be eligible for re-appointment, and Independent Director will be appointed.

The name of the Directors and Independent Directors are as follows:

1. Mr. Thomas Gerard Farrell, Director & Chairman
2. Mr. Fabrizio Angelo Olivares, Director
3. Mr. Salvador Fernandez Capo, Director
4. Mr. Zakir Ahmed Khan, Independent Director
5. Mr. Tufail K Haider, Independent Director

Brief resume of the Directors, nature of their expertise in specific functional areas and names of companies in which they also hold the directorship and membership of committees of the board are given at page 13 of the Annual Report, which fulfill the condition 1.5 (xxii) of the corporate governance guidelines of BSEC.

### Status of compliance with conditions imposed by the Bangladesh Securities and Exchange Commission:

Status of compliance with conditions imposed by the Commission's Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 issued under section 2CC of the Bangladesh Securities and Exchange Ordinance, 1969 is presented below:

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
<b>1</b>	<b>Board of Directors</b>			
<b>1.1</b>	<b>Board's Size</b> The number of Board Directors should not be less than 5 (five) and more than 20 (twenty).	✓		
<b>1.2</b>	<b>Independent Directors</b>			
(i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.	✓		
(ii) a)	Who either does not hold any share or holds less than 1% shares to the total paid-up shares of the company;	✓		
(ii) b)	Who is not a sponsor of the company and is not connected with the companies any sponsor or director or shareholder who holds one percent (1%) or more share of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company.	✓		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
(ii) c)	Who does not have any other relationship whether pecuniary or otherwise, with the company or its subsidiary/ associated companies or its subsidiary /associated companies.	✓		
(ii) d)	Who is not a member, director or officer of any stock exchange.	✓		
(ii) e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market.	✓		
(ii) f)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm.	✓		
(ii) g)	Who shall not be an independent director in more than 3 (three) listed companies.	✓		
(ii) h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI).	✓		
(ii) i)	Who has not been convicted for a criminal offence involving moral turpitude.	✓		
(iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	✓		
(iv)	The post of independent director(s) can not remain vacant for more than 90 (ninety) days.	✓		
(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	✓		
(vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	✓		
<b>1.3</b>	<b>Qualification of Independent Director (ID)</b>			
(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	✓		
(ii)	The person should be a Business Leader / Corporate Leader / Bureaucrat / University Teacher with Economics or Business Studies or Law background / Professionals like Chartered Accountants, Cost & Management Accountants, and Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management / professional experience.	✓		
(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	✓		
<b>1.4</b>	<b>Chairman of the Board and Chief Executive Officer</b>			
	The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals with defined different roles and responsibilities.	✓		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
	The Chairman of the company shall be elected from among the directors of the company.			
<b>1.5</b>	<b>The Directors' Report to Shareholders</b>			
(i)	Industry outlook and possible future development in the industry.	✓		
(ii)	Segment-wise or product-wise performance.	✓		
(iii)	Risks and concerns.	✓		
(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	✓		
(v)	Discussion on continuity of any Extra-Ordinary gain or loss.	N/A		
(vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report.	✓		
(vii)	Utilization of proceeds from public issues, rights issues and / or through any others instruments.	✓		
(viii)	An explanation if the financial result deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	N/A		
(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	N/A		
(x)	Remuneration to directors including independent directors.	N/A		No remuneration are to be paid to any director
(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	✓		
(xii)	Proper books of account of the issuer company have been maintained.	✓		
(xiii)	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.	✓		
(xiv)	International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		
(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
(xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		
(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	✓		
(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
(xxi)	The pattern of shareholdings and name wise details disclosing the aggregate number of shares:			
(xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details),	✓		
(xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details).	✓		
(xxi) c)	Executives (top five salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit).	✓		
(xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
(xxii)	Appointment/Reappointment of Directors:			
(xxii) a)	A brief resume of the director.	✓		
(xxii) b)	Nature of his/her expertise in specific functional areas.	✓		
(xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
<b>2</b>	<b>Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS)</b>			
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	✓		
2.2	The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors. Provided that the CFO and/or the Company Secretary shall not attend such part of a meetin of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	✓		
<b>3</b>	<b>Audit Committee</b>			
(i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	✓		
(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		
(iii)	The Audit Committee shall be responsible to the Board of			



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
	Directors. The duties of the Audit Committee shall be clearly set forth in writing.			
<b>3.1</b>	<b>Constitution of the Audit Committee</b>			
(i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.	✓		
(iii)	All members of the audit committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience.	✓		
(iv)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.	N/A		No vacancy occurred
(v)	The company secretary shall act as the secretary of the Committee.	✓		
(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		
<b>3.2</b>	<b>Chairman of the Audit Committee</b>			
(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	✓		
(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		
<b>3.3</b>	<b>Role of Audit Committee</b>			
(i)	Oversee the financial reporting process.	✓		
(ii)	Monitor choice of accounting policies and principles.	✓		
(iii)	Monitor Internal Control Risk management process.	✓		
(iv)	Oversee hiring and performance of external auditors.	✓		
(v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		
(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	✓		
(vii)	Review the adequacy of internal audit function.	✓		

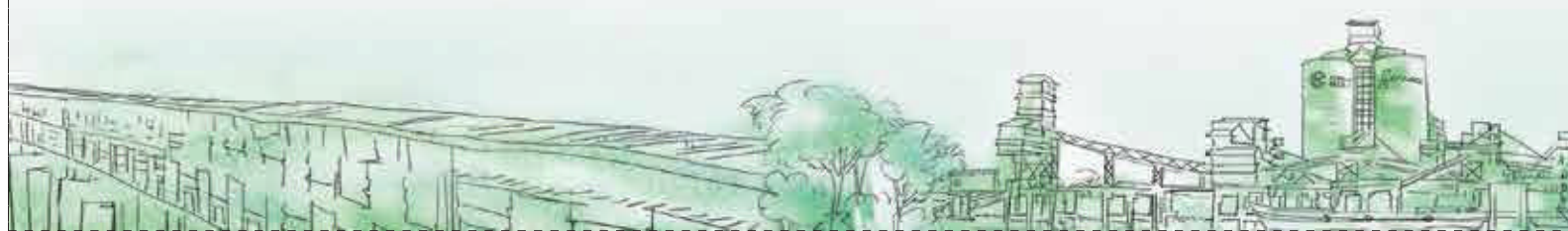




Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
(viii)	Review statement of significant related party transactions submitted by the management.	✓		
(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		
(x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.	✓		
<b>3.4</b>	<b>Reporting of the Audit Committee</b>			
<b>3.4.1</b>	<b>Reporting to the Board of Directors</b>			
(i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
(ii) a)	Report on conflicts of interests.	N/A		None
(ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system.	N/A		None
(ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations.	N/A		None
(ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	N/A		None
<b>3.4.2</b>	Reporting to the Authorities: If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.	N/A		None
<b>3.5</b>	Reporting to the Shareholders and General Investors: Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under	✓		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
	condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.			
<b>4</b>	<b>External /Statutory Auditors</b>			
(i)	Appraisal or valuation services or fairness opinions.	✓		
(ii)	Financial information systems design and implementation.	✓		
(iii)	Book-keeping or other services related to the accounting records or financial statements.	✓		
(iv)	Broker-dealer services.	✓		
(v)	Actuarial services.	✓		
(vi)	Internal audit services.	✓		
(vii)	Any other service that the Audit Committee determines.	✓		
(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	✓		
(ix)	Audit certification/ certification service on Compliance of Corporate Governance as required under clause (i) of condition number 7	✓		
<b>5</b>	<b>Subsidiary Company</b>			
(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	N/A		The Subsidiaries are governed by guidelines applicable in India.
(ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	N/A		
(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	✓		
(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	✓		
(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	✓		
<b>6</b>	<b>Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
	The CEO and CFO shall certify to the Board that:-			
(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	✓		
(i a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		



Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
(i) b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		
(ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
<b>7</b>	<b>Reporting and Compliance of Corporate Governance</b>			
(i)	The company shall obtain a certificate from a practicing Professional Accountant/ Secretary (Chartered Accountant/ Cost and Management Accountant/ Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	✓		
(ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	✓		

For and on behalf of the Board of Directors



Thomas Gerard Farrell  
Chairman

Dated: Dhaka  
March 31, 2014





**AHMED MASHUQUE & CO.**

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Web : www.ahmedmashuque.com

## **CERTIFICATE TO THE SHAREHOLDERS OF LAFARGE SURMA CEMENT LTD.**

### **ON COMPLIANCE STATUS OF THE CONDITIONS OF CORPORATE GOVERNANCE GUIDELINES OF BANGLADESH SECURITIES AND EXCHANGE COMMISSION (BSEC)**

We have examined the compliance status of the conditions of corporate governance guidelines of Bangladesh securities and exchange commission (BSEC) of Lafarge Surma Cement Ltd. for the year ended 31st December 2013 as stipulated in clause 7 (i) of BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of the Bangladesh Securities and Exchange Commission (BSEC) on Corporate Governance.

It is the responsibility of the management to ensure compliance with the conditions of Corporate Governance guidelines and proper reporting thereof as stated in the aforesaid notification. Our examination for the purpose of issuing this certification was limited to the verification of procedures and implementations thereof, adopted by the company for ensuring the compliance of conditions of Corporate Governance guidelines and proper reporting thereof in the annexure attached herewith on the basis of evidence obtained and representation received from the management of the company.

To the best of our knowledge, information and according to the explanations given to us, we certify that the company has fully complied with the conditions of Corporate Governance guidelines as stipulated in the above mentioned BSEC Notification. It is also certified that the compliance status has been properly reported in the annexure attached herewith.

Ahmed Mashuque & Co.  
Chartered Accountants

Dated: Dhaka  
April 10, 2014

# AUDIT COMMITTEE REPORT

## For the year 2013

February 27, 2014

To: The Board of Directors  
Lafarge Surma Cement Ltd.

### The Audit Committee

The Audit Committee consists of the following members:

Chairman: Mr. Zakir Ahmed Khan, Independent Director  
Member : Mr. Syed Shujauddin Ahmed, Independent Director  
Member : Mr. Jose Maria Fontdecaba Antico, Director  
Member : Mr. Tarek Samir Ahmed Elba, Chief Executive Officer

### The scope of Audit Committee

As provided in clause 3.3 of the Bangladesh Securities and Exchange Commission Notification dated August 07, 2012.

### Activities during the year 2013

- a. Oversee the financial reporting process.
- b. Reviewed the annual, half-yearly and quarterly Financial Statements of the Company and its subsidiaries before submission to the Board for approval.
- c. Monitored Internal Control Risk Management process. A separate Internal Control Team is in place to ensure effective performance of Internal Control activities.
- d. Oversee the hiring and performance of external auditors.
- e. Reviewed the Management Letters issued by the statutory auditors for the year 2012 together with management response to the findings.
- f. Where appropriate, reported the findings on the following:
  - 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.
- g. Approved audit plan and resource allocation for the Internal Audit Services.
- h. Reviewed the adequacy of Internal Audit activities carried out during the year.
- i. Reviewed the Internal Audit Reports and monitored implementation of Audit Action Plans to improve Internal Control Systems.

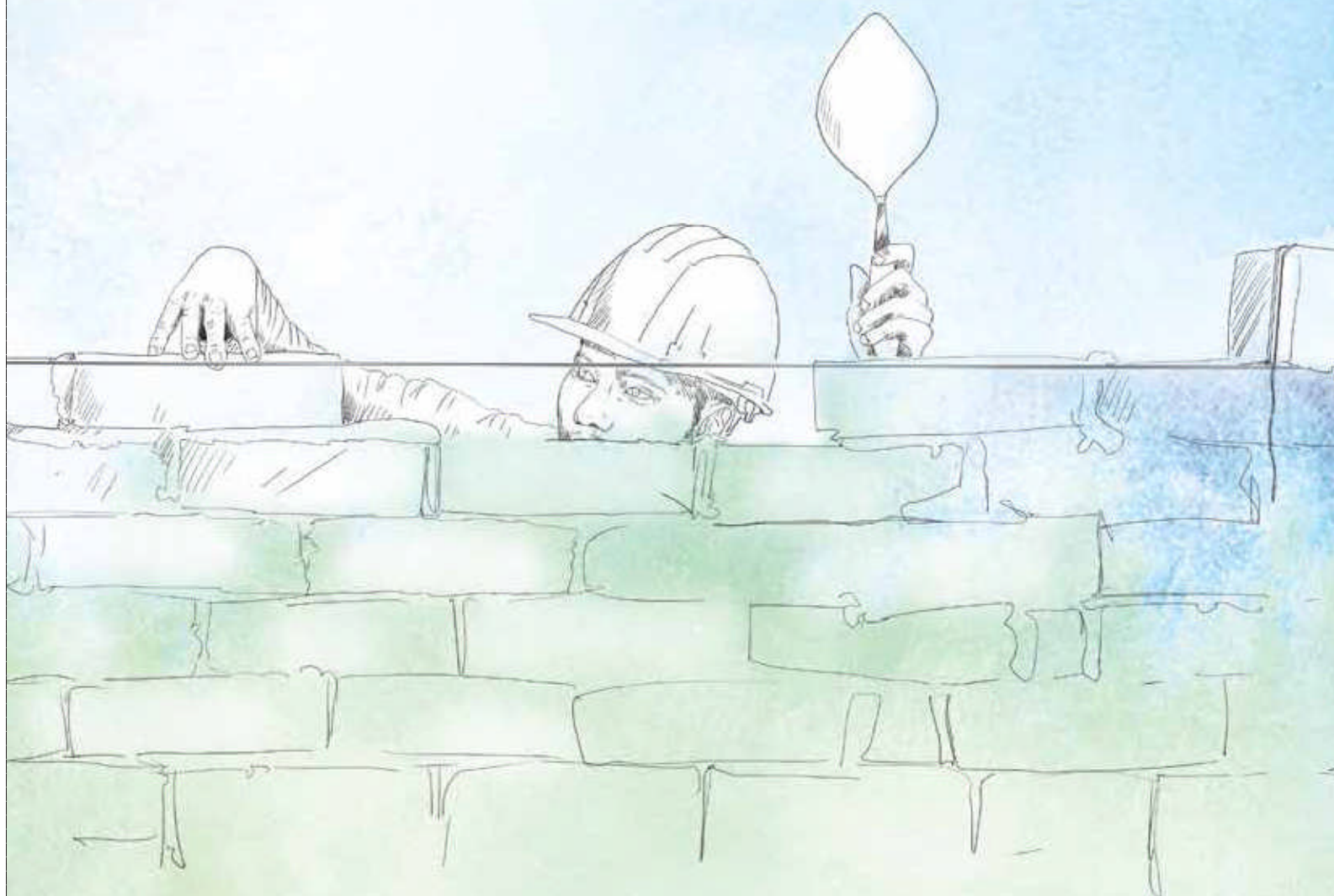


Zakir Ahmed Khan  
Chairman, Audit Committee



# CONSOLIDATED FINANCIAL STATEMENTS OF LAFARGE SURMA CEMENT LIMITED

For the year ended December 31, 2013





# INDEPENDENT AUDITORS' REPORT to the shareholders of LAFARGE SURMA CEMENT LIMITED

**Nurul Faruk Hasan & Co.**  
Chartered Accountants

JHK Windcel, Level 4, KA-90 Pragoti Saroni, Dhaka-1229, Bangladesh  
Phone: +880 - 2 - 841 2989, 841 0956 Fax: +880 - 2 - 841 7979  
E-mail: nufhas@bcs-bd.com Website: www.nufhas-bd.com

Correspondent Firm of **RSM International** network

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lafarge Surma Cement Limited, which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated 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 misstatements, 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 misstatements. 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation 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 give a true and fair view of the financial position of Lafarge Surma Cement Limited as at 31 December 2013, and of its financial performance and its cash





flows for the year then ended in accordance with Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards.

### Other Matters

The Financial Statements of two subsidiaries named **Lafarge Umiam Mining Private Limited** and **Lum Mawshun Minerals Private Limited** for the year ended 31 December 2013 were audited by Indian auditor (**RKP ASSOCIATES**) who expressed an unmodified opinion with an **Emphasis of Matter paragraph** on those statements on 18 February 2014 (regarding going concern status of those subsidiaries) have been consolidated.

### Report on Other Legal and Regulatory Requirements

The consolidated financial statements comply with the applicable sections of the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

### 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 group's consolidated statement of financial position and consolidated statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d. the expenditure incurred and payments made were for the purposes of the group's business.

Dated: Dhaka  
March 16, 2014

  
(Nurul Faruk Hasan & Co.)  
Chartered Accountants





# LAFARGE SURMA CEMENT LIMITED

## Consolidated Statement of Financial Position

as at 31 December 2013

	NOTES	2013	2012
		Taka'000	Taka'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	12,763,354	13,369,232
Intangible assets	6	987,293	1,186,771
Other receivables	9	86,457	55,359
		<b>13,837,104</b>	<b>14,611,362</b>
<b>CURRENT ASSETS</b>			
Inventories	7	1,593,449	1,659,520
Trade receivables	8	799,536	711,629
Other receivables	9	1,592,835	1,386,697
Cash and cash equivalents	10	1,204,399	154,160
		<b>5,190,219</b>	<b>3,912,006</b>
		<b>19,027,323</b>	<b>18,523,368</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY &amp; LIABILITIES</b>			
Share capital	11	11,613,735	11,613,735
Retained earnings	11.6	(944,130)	(3,490,257)
Other components of equity	11.7	(52,603)	(11,894)
Foreign currency translation	3.6	427,423	268,932
		<b>11,044,425</b>	<b>8,380,516</b>
<b>SHAREHOLDERS' EQUITY- PARENT COMPANY</b>			
Non-controlling interests	12	118	231
		<b>11,044,543</b>	<b>8,380,747</b>
<b>EQUITY</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	13	497,027	948,895
Deferred tax liabilities	14	1,224,510	612,200
Employee benefits	15	137,817	114,421
Provisions	17	23,146	23,125
		<b>1,882,500</b>	<b>1,698,641</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	18	2,267,632	1,945,520
Other payables	19	440,064	473,098
Derivative instruments	16	48,355	7,641
Current portion of long term debt	13.2	409,100	2,838,908
Short-term debt	20	2,761,847	3,063,221
Current tax liabilities	21	173,282	115,592
		<b>6,100,280</b>	<b>8,443,980</b>
		<b>19,027,323</b>	<b>18,523,368</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			

The accompanying Notes 1 to 35 form an integral part of these financial statements.



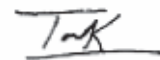
Finance Director



Company Secretary



Director



Chief Executive Officer

As per our annexed report of same date.

Dated: Dhaka  
March 16, 2014



(Nurul Faruk Hasan & Co.)  
Chartered Accountants



# LAFARGE SURMA CEMENT LIMITED

## Consolidated Income Statement

for the year ended 31 December 2013

	NOTES	2013	2012
		Taka'000	Taka'000
<b>REVENUE</b>	23	11,330,374	10,640,061
Cost of sales	24	(6,627,036)	(6,450,942)
<b>GROSS PROFIT</b>		<b>4,703,338</b>	<b>4,189,119</b>
General and administrative expenses	25	(738,674)	(678,765)
Sales and marketing expenses	27	(152,429)	(153,284)
Other operating income/(expenses)	28	173,472	(20,982)
<b>OPERATING INCOME</b>		<b>3,985,707</b>	<b>3,336,088</b>
Finance cost	29	(772,054)	(829,278)
Finance income	29	2,154	764
<b>INCOME BEFORE TAX</b>		<b>3,215,807</b>	<b>2,507,574</b>
Income tax	30	(669,708)	(654,140)
<b>INCOME FOR THE YEAR</b>		<b>2,546,099</b>	<b>1,853,434</b>
Attributable to:			
Owners of the parent Company		2,546,127	1,853,471
Non-controlling interests		(28)	(37)
		<b>2,546,099</b>	<b>1,853,434</b>
Basic earnings per share (Taka)	31	2.19	1.60
Diluted earnings per share (Taka)	31	2.19	1.60

The accompanying Notes 1 to 35 form an integral part of these financial statements.



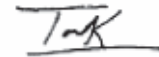
Finance Director



Company Secretary



Director



Chief Executive Officer

As per our annexed report of same date.



(Nurul Faruk Hasan & Co.)  
Chartered Accountants

Dated: Dhaka  
March 16, 2014



# LAFARGE SURMA CEMENT LIMITED

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	2013	2012
	Taka'000	Taka'000
<b>INCOME/(LOSS) FOR THE YEAR</b>	<b>2,546,099</b>	<b>1,853,434</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Cash flow hedge instruments	(40,709)	3,243
Actuarial loss	-	976
Exchange differences on translating foreign operation	158,491	71,145
Non controlling interests- currency translation adjustment	(85)	(34)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>117,697</b>	<b>75,330</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>2,663,796</b>	<b>1,928,764</b>
<i>Attributable to:</i>		
<b>Owners of the parent Company</b>	<b>2,663,909</b>	<b>1,928,835</b>
Non-controlling interests	(113)	(71)
	<b>2,663,796</b>	<b>1,928,764</b>

The accompanying Notes 1 to 35 form an integral part of these financial statements.



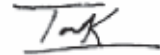
Finance Director



Company Secretary



Director



Chief Executive Officer

As per our annexed report of same date.



(Nurul Faruk Hasan & Co.)  
Chartered Accountants

Dated: Dhaka  
March 16, 2014



# LAFARGE SURMA CEMENT LIMITED

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

(All figures are in Tk. '000)

	Share capital	Retained earnings	Other components of equity	Share money deposits	Foreign currency translation	Equity for parent company	Non controlling interests	Total equity
Balance at 1 January 2012	11,575,806	(5,343,728)	(16,113)	37,929	197,787	6,451,681	302	6,451,983
Total comprehensive income/ (loss) for the year	-	1,853,471	4,219	-	71,145	1,928,835	(71)	1,928,764
Issuance of right shares	37,929	-	-	(37,929)	-	-	-	-
<b>Balance at 31 December 2012</b>	<b>11,613,735</b>	<b>(3,490,257)</b>	<b>(11,894)</b>	<b>-</b>	<b>268,932</b>	<b>8,380,516</b>	<b>231</b>	<b>8,380,747</b>
Balance at 1 January 2013	11,613,735	(3,490,257)	(11,894)	-	268,932	8,380,516	231	8,380,747
Total comprehensive income/ (loss) for the year	-	2,546,127	(40,709)	-	158,491	2,663,909	(113)	2,663,796
<b>Balance at 31 December 2013</b>	<b>11,613,735</b>	<b>(944,130)</b>	<b>(52,603)</b>	<b>-</b>	<b>427,423</b>	<b>11,044,425</b>	<b>118</b>	<b>11,044,543</b>



Finance Director



Company Secretary



Director



Chief Executive Officer

# LAFARGE SURMA CEMENT LIMITED

## Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	2013	2012
	Taka'000	Taka'000
<b>Cash Flows From Operating Activities</b>		
Cash receipts from customers	11,499,302	10,388,157
Cash paid to suppliers and employees	(6,724,423)	(6,558,607)
Cash generated by operations	4,774,879	3,829,550
Income taxes paid	(262,989)	(225,600)
Other receipts	4,176	3,044
<b>Net cash generated by operating activities</b>	<b>4,516,066</b>	<b>3,606,994</b>
<b>Cash Flows From Investing Activities</b>		
Payments for property, plant and equipment	(206,538)	(235,938)
Payments for intangible assets	(6,332)	(18,502)
Proceeds from sale of property, plant and equipment	7,815	667
<b>Net cash used in investing activities</b>	<b>(205,055)</b>	<b>(253,773)</b>
<b>Cash Flows From Financing Activities</b>		
Repayment of long term debt	(2,743,635)	(2,888,748)
(Decrease)/increase in short term debt	(111,420)	133,798
Payment for right issue costs	-	(26,204)
Payment of interest	(398,984)	(662,742)
<b>Net cash used in financing activities</b>	<b>(3,254,039)</b>	<b>(3,443,896)</b>
Net effect of foreign currency translation on cash and cash equivalents	(6,733)	(597)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,050,239</b>	<b>(91,272)</b>
<b>Cash and Cash Equivalents at Beginning of the year</b>	<b>154,160</b>	<b>245,432</b>
<b>Cash and Cash Equivalents at End of the year</b>	<b>1,204,399</b>	<b>154,160</b>



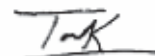
Finance Director



Company Secretary



Director



Chief Executive Officer



# LAFARGE SURMA CEMENT LIMITED

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2013

### 1 Background and Introduction

#### Formation and legal status

**Lafarge Surma Cement Limited (LSCL)** - (hereinafter referred to as "Lafarge Surma or the Company") was incorporated on 11 November 1997 as a private limited company in Bangladesh under the Companies Act 1994 having its registered office in Dhaka. The Company has subsequently been converted into a public limited company on 20 January 2003 and went for Initial Public Offering of shares in November 2003 which was fully subscribed and issued. The shares have since been listed and are being traded in Dhaka and Chittagong Stock Exchanges. Presently the Company has two subsidiaries in India. The main objectives of the subsidiaries are to support the holding company. A brief description of each of the subsidiary is given below:

#### Lum Mawshun Minerals Private Limited (LMMPL) -

incorporated under the Indian Companies Act 1956 on 17 November 1994 as a private limited company with its registered office at Shillong in the State of Meghalaya, India.

#### Lafarge Umiam Mining Private Limited (LUMPL) -

incorporated under the Indian Companies Act 1956 on 22 March 1999 as a private limited company with its registered office at Shillong in the State of Meghalaya, India.

### 2 Nature of Business

The Company has established the country's only modern, integrated and state-of-the art cement manufacturing plant at Chhatak under Sunamganj district. The company extracts and processes the basic raw materials limestone from its own quarry in

Meghalaya. A 17-kilometre cross-border belt conveyor links the quarry with the cement plant for transportation of raw materials.

The company is engaged in manufacturing and marketing of cement and clinker in the local market.

### 3 Summary of Significant Accounting Policies

#### 3.1 Basis of preparation

These financial statements have been prepared in line with Lafarge group accounting policies following Generally Accepted Accounting Principles (GAAP) after due compliance with the Bangladesh Financial Reporting Standards (BFRS), 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 Bangladesh Financial Reporting Standard 10: "Consolidated Financial Statements".

The financial statements have been prepared under the historical cost convention, except for the following:

- i) derivative financial instruments measured at fair value;
- ii) financial instruments at fair value through profit and loss measured at fair value.

#### 3.2 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:

Name of subsidiary	2013	2012
	Taka'000	Taka'000
Lafarge Umiam Mining Private Limited, India	516,673	599,062
Lum Mawshun Minerals Private Limited, India	508	589
	<b>517,181</b>	<b>599,651</b>

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



### 3.3 Scope of consolidation

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

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

### 3.4 Use of Estimates and Judgments

#### i) Estimates

The preparation of financial statements in conformity of BFRS recognition and measurement of principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues and expenses. Such estimates are prepared on the assumption of going concern, are established based on currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from the estimates.

Significant estimates made by management in the preparation of these financial statements include assumptions used for depreciation, deferred taxes and provisions for employees benefits.

#### ii) Judgments

The accounting for certain provisions and the disclosure of contingent liabilities and claims at the date of the financial statements is judgmental

### 3.5 Functional and presentation currency

These financial statements are presented in Bangladesh Taka which is functional and presentation currency of the company. Figures have been rounded off to the nearest thousand Taka, unless stated otherwise.

### 3.6 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 financial position 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:

Taka equivalent of Rs. 1	2013	2012
Average rate	1.3306	1.5345
Closing rate	1.2561	1.4564

### 3.7 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 and accumulated impairment losses. 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) Subsequent costs

Subsequent maintenance and normal repairs are expensed as incurred while major renewals and improvements are capitalised.

#### iii) Capitalisation of strategic spare parts

Pursuant to the Lafarge group policy strategic spare parts over EURO 30,000 for individual item having more than 1 year life time are required to be capitalised.

#### iv) Construction in progress

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

#### v) Depreciation of property, plant and equipment

Straight line depreciation method is followed and depreciation has been charged on all assets acquired that are put on use except land. Full month's depreciation is charged for the month of acquisition and no depreciation is charged for the month of disposal. The rates of depreciation and



category of property, plant and equipment (PP&E) are as follows:

Category of PP&E	Rate %
Leasehold improvement	20
Building	2
Plant building	2.5
Technical facilities	3.33
Plant & machinery	3.33
Other plant equipment	10
Vehicles	20
Computer equipment	33.33
Office equipment	20 & 50
Furniture & fixtures	10

### 3.8 Intangible assets

#### i) Software

Software costs are capitalized where it is expected to provide future enduring economic benefits. Capitalization costs include license fees and 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) Construction in progress

These expenditures will be capitalized and recognized as operating assets upon completion of the development process.

#### iv) 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 year calculated on the basis of different leased year. However, the quarry land are amortized over a year of maximum 30 years.

### 3.9 Inventories

Inventories are stated at the lower of cost and net realizable value while packing materials and spare parts are valued at cost. The cost of inventories is based on the weighted average method.

### 3.10 Financial instruments

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

#### i) Non-derivative financial assets

Non-derivative financial assets consist of trade receivable, other receivable (except prepayments), cash and cash equivalents that are available for use by the Company without any restriction. All non-derivative financial assets are accounted for at trade date. The carrying amount of all non-derivative financial assets are reviewed for impairment on an annual basis to assess if there is any indication that the asset may be impaired. The Company derecognises a non-derivative financial asset when no further cash flow is expected to flow to the Company from the asset and if substantially all risks and rewards attached to the asset has been transferred.

##### a) Trade receivables

Trade receivables represent the amounts due from customers for delivering goods. Trade and other receivables are initially measured at cost which is the fair value of the consideration given in return. After initial measurement these are carried at cost less impairment losses due to uncollectibility of any amount so measured. Impairment loss is recognized in the consolidated income statement.

##### b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank.

#### ii) Non-derivative financial liabilities

Non-derivative financial liabilities consist of trade payables, other payables, short term debt and long term debts. The Company initially accounted for all non-derivative financial liabilities on the transaction date. The Company derecognises a non-derivative financial liabilities when its contractual obligations are discharged or cancelled or expired.

#### iii) Derivative instruments

The Company enters into financial derivative contracts only in order to reduces its exposure to





changes in interest rates and foreign currency exchange rates.

Forward exchange contracts are used to hedge foreign currency exchange rate exposures.

Pursuant to the guidance in BAS 39 and BAS 32, the Company records in the consolidated statement of financial position derivative instruments at their fair value. The accounting of changes in fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Company designates its derivatives based on the criteria established under BAS 39.

In case of fair value hedge relationship, changes in fair value on the hedging items are recognized in the consolidated income statement of the period of change.

In case of cash flow hedge relationship, changes in fair value on the hedging items are recognized directly in other comprehensive income for the effective portion and in the consolidated income statement under the "Finance cost/income" caption for the ineffective portion. The gain and loss recognized in equity is subsequently reclassified to the consolidated income statement when hedge exposure affects earnings.

### 3.11 Foreign currency translation/ transaction

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate between the functional currency and foreign currency at the date of the transaction.

At each financial position date, monetary assets and liabilities denominated in foreign currencies recorded at historical cost are retranslated at the functional currency closing rate provided by the Bangladesh Bank (Central bank). The resultant gain and loss has been reflected in the financial statements. These rates are as follows:

Currencies	2013		2012	
	Closing rate	Average rate	Closing rate	Average rate
BDT/USD	77.7500	78.1015	79.7750	81.8250
BDT/EUR	106.8246	103.7895	105.2312	105.2599
BDT/GBP	128.0854	122.2228	129.5028	129.7182
BDT/INR	1.2561	1.3306	1.4564	1.5345

## 3.12 Employees' benefit schemes

### i) Gratuity scheme

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. In the time of separation, the liability to each employee is settled in cash. Actuary valuation of the gratuity fund is carried out by a professional actuary.

### ii) Provident fund

The Company also operates a recognized provident fund scheme with equal contribution by the employees and the Company. The fund is administered by the Board of Trustees.

### iii) Workers' profit participation and welfare fund

The Company recognizes a provision for Workers' Profit Participation and Welfare funds @ 5% of income before tax before charging such expenses as per Labour Act, 2006.

## 3.13 Taxation

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

### Current tax

Current tax is computed @ 0.50% of the amount representing company's gross receipts of income from all sources as per Income Tax Ordinance 1984.

### Deferred tax

Deferred income tax is provided in full, using liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements



in accordance with the provisions of BAS 12. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax liabilities are recognised for all temporary taxable differences.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 years.

### 3.14 Revenue recognition

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

### 3.15 Provision

The Company recognizes provisions when it has a legal or constructive obligation resulting from past events, the resolution of which would result in outflow of resources embodying economic benefits to the Company.

### 3.16 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

### 3.17 Materiality and aggregation

Each material class of similar items are presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

### 3.18 Comparatives

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.

## 4 Financial Risk Management Policies

The management of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework. Financial risk management policies require establishing standard procedures to identify and analyse the main risks to which the Company is exposed and continually deploying and managing risk management systems designed to eliminate or reduce the probability that risks will arise and to limit their impact.

The Company is exposed to credit risk, liquidity risk and market risk.





### 5.3 Disposal of property, plant and equipment

Figures in Taka'000	Plant & machinery	Vehicles	Computer equipment	Office equipment	Furniture & fixtures	Total
Cost	14,361	22,297	52	1,167	789	38,666
Accumulated depreciation	(3,431)	(20,577)	(16)	(1,162)	(704)	(25,890)
<b>Carrying amount at December 31, 2013</b>	<b>10,930</b>	<b>1,720</b>	<b>36</b>	<b>5</b>	<b>85</b>	<b>12,776</b>
Sale proceeds	-	7,433	36	103	245	7,817
Mode of disposal	Company policy	Tender	Tender	Tender	Tender	
Particulars of purchaser	Written off	Third party & Employees	Third party & Employees	Third party & Employees	Third party & Employees	

### 6 Intangible Assets

Figures in Taka'000	Leasehold land	Quarry land	Software	Construction in progress	Total
<b>COST</b>					
At January 1, 2013	20,222	1,227,822	65,384	25,649	1,339,077
Additions	-	-	1,487	6,841	8,328
Disposals	-	-	-	(32)	(32)
Transfers	-	-	4,226	(4,226)	-
Translation adjustments	(2,781)	(168,864)	(722)	(2,998)	(175,365)
<b>At December 31, 2013</b>	<b>17,441</b>	<b>1,058,958</b>	<b>70,375</b>	<b>25,234</b>	<b>1,172,008</b>
<b>AMORTIZATION</b>					
At January 1, 2013	5,904	90,054	56,348	-	152,306
Charge for the year	864	43,483	4,401	-	48,748
Translation adjustments	(860)	(14,820)	(659)	-	(16,339)
At December 31, 2013	5,908	118,717	60,090	-	184,715
<b>CARRYING AMOUNT</b>					
<b>At December 31, 2013</b>	<b>11,533</b>	<b>940,241</b>	<b>10,285</b>	<b>25,234</b>	<b>987,293</b>
<b>At December 31, 2012</b>	<b>14,318</b>	<b>1,137,768</b>	<b>9,036</b>	<b>25,649</b>	<b>1,186,771</b>

### 7 Inventories

	2013	2012
	Taka'000	Taka'000
Raw materials	467,912	581,410
Spare parts	860,095	688,300
Packing materials	10,782	14,857
Other materials	118,255	106,270
Finished goods and work in process	136,405	268,683
	<b>1,593,449</b>	<b>1,659,520</b>



## 8 Trade Receivables

	2013	2012
	Taka'000	Taka'000
Trade receivables	808,346	718,391
Valuation allowance (Note- 8.1)	(8,810)	(6,762)
	<b>799,536</b>	<b>711,629</b>
<b>8.1 The change in the valuation allowance for doubtful receivables is as follows:</b>		
Balance at 1 January	(6,762)	(7,803)
Current year addition	(2,048)	(100)
Cancellation	-	1,141
Balance at 31 December	<b>(8,810)</b>	<b>(6,762)</b>
<b>8.2 Ageing of trade receivables</b>		
<b>The ageing of gross trade receivables at reporting date are as follows:</b>		
Within the credit period	633,710	644,179
0-30 days	91,593	62,835
31-60 days	38,999	2,499
61-180 days	35,234	2,116
Over 180 days	8,810	6,762
	<b>808,346</b>	<b>718,391</b>

## 9 Other Receivables

	2013	2012
	Taka'000	Taka'000
Contractors, consultants, suppliers and others (Note 9.1)	240,426	325,088
Office and house rent	56,108	68,138
VAT current account	117,171	127,473
Advance to employees	19,164	10,794
Advance to employees for SAR plan (Note 15.3)	23,108	23,882
Security and other deposits (Note 9.2)	6,588	4,809
Prepaid expenses	94,203	108,294
Other receivables	52,795	25,193
Advance income tax-deducted at source	1,067,068	747,425
Accrued interest on bank deposits	2,661	960
	<b>1,679,292</b>	<b>1,442,056</b>
<i>Current portion</i>	1,592,835	1,386,697
<i>Non-current portion</i>	86,457	55,359

Receivables mentioned above are unsecured and considered good other than an amount of Taka 8,892 (in thousand) considered doubtful. The Company filed an arbitration case before the District Court, Dhaka dated on 26 February 2013 against the lessor Mrs. Begum Roushan Ara to recover the

amount paid as advance to secure office premises which was subsequently not taken in the absence of required licenses. Advances made to employees include advance related to employee matters and for running the day to day operation cost of different departments.



9.1 Advance to contractors, consultants, suppliers and others	2013	2012
	Taka'000	Taka'000
Letter of Credit-spare parts	32,350	51,123
Letter of Credit-raw materials	4,097	15,331
Custom duties	13,121	19,658
Others	190,858	238,976
	<b>240,426</b>	<b>325,088</b>

9.2 Security and other deposits	2013	2012
	Taka'000	Taka'000
House rental	520	520
Telecommunications	527	527
Central Depository System	500	500
Other services	5,041	3,262
	<b>6,588</b>	<b>4,809</b>

## 10 Cash and Cash Equivalents

	2013	2012
	Taka'000	Taka'000
Cash in hand		
Lafarge Surma Cement Limited	610	404
Lafarge Umiam Mining Private Limited	103	73
	713	477
<i>Cash at banks</i>		
Lafarge Surma Cement Limited		
In current accounts	1,043,967	81,745
In Short Term Deposit accounts	117,595	61,354
In Short Notice Deposit account	3	-
	1,161,565	143,099
<i>Cash at banks</i>		
Lafarge Umiam Mining Private Limited		
In current accounts	1,779	6,662
In Term Deposit accounts	40,313	3,846
	42,092	10,508
<i>Cash at banks</i>		
Lum Mawshun Minerals Private Limited		
In current account	29	47
In Security Deposit	-	29
	29	76
	<b>1,204,399</b>	<b>154,160</b>

## 11 Share Capital

11.1 Authorized capital	2013	2012
	Taka'000	Taka'000
<b>1,400,000,000 ordinary shares of Tk. 10 each</b>	<b>14,000,000</b>	<b>14,000,000</b>

In the year 2011, authorized capital has been increased from BDT 7,000,000,000 to BDT 14,000,000,000. Further, steps have been taken to issue right shares of 58,068,675 ordinary shares of BDT 100 per share at par value amounting to BDT

5,806,867,500 offered on the basis of 1:1, for which approval of Securities and Exchange Commission (SEC) has been received on 08 September, 2011. Moreover, face value of each ordinary share has been denominated from BDT 100 to BDT 10 at 4 December 2011.



11.2 Issued and subscribed capital	2013	2012
	Taka'000	Taka'000
1,161,373,500 ordinary shares of Tk. 10 each	11,613,735	11,613,735

11.3 Paid up capital	2013	2012
	Taka'000	Taka'000
Fully paid up in cash	5,759,888	5,759,888
Fully paid up in other than cash	46,980	46,980
Fully paid up in cash as right issue	5,806,867	5,806,867
	<b>11,613,735</b>	<b>11,613,735</b>

#### 11.4 Composition of shareholders at 31 December

Name of the shareholders	Nationality	Number of shares		Holding %	
		2013	2012	2013	2012
Surma Holding B.V	"The Netherlands"	683,698,700	683,698,700	58.87	58.87
International Finance Corporation	U. S. A.	14,141,500	14,141,500	1.22	1.22
Sinha Fashions Limited	Bangladesh	35,100,000	35,100,000	3.02	3.02
Islam Cement Limited	Bangladesh	31,914,200	31,914,200	2.75	2.75
Delta Life Insurance Company Ltd.	Bangladesh	27,011,180	27,011,180	2.33	2.33
Investment Corporation of Bangladesh	Bangladesh	19,932,000	8,300,500	1.71	0.71
Other Shareholders	Bangladesh & NRB	349,575,920	361,207,420	30.10	31.10
		<b>1,161,373,500</b>	<b>1,161,373,500</b>	<b>100.00</b>	<b>100.00</b>

#### 11.5 Classification of shares by holding at 31 December

Slabs by number of shares	Number of shareholders		Holding %	
	2013	2012	2013	2012
Less than 500 Shares	374	377	0.00	0.00
501 to 5,000 Shares	14,186	16,926	2.23	2.69
5,001 to 10,000 Shares	2,241	2,763	1.53	1.87
10,001 to 20,000 Shares	1,437	1,775	1.89	2.31
20,001 to 30,000 Shares	611	643	1.34	1.41
30,001 to 40,000 Shares	302	338	0.94	1.04
40,001 to 50,000 Shares	187	221	0.75	0.89
50,001 to 100,000 Shares	453	480	2.89	3.05
100,001 to 1,000,000 Shares	358	376	8.28	8.91
Over 1,000,000 Shares	49	52	80.15	77.83
	<b>20,198</b>	<b>23,951</b>	<b>100.00</b>	<b>100.00</b>



## 11.6 Retained Earnings

	2013	2012
	Taka'000	Taka'000
Balance at 1 January	(3,490,257)	(5,343,728)
Income for the year	2,546,127	1,853,471
<b>Balance at 31 December</b>	<b>(944,130)</b>	<b>(3,490,257)</b>

## 11.7 Other Components of Equity

	2013	2012
	Taka'000	Taka'000
<b>Cash flow hedge</b>	<b>(52,603)</b>	<b>(11,894)</b>

The effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the

head. The loss relating to the ineffective portion is recognised immediately in income statement, and is included in the finance costs line item.

## 12 Non-Controlling Interests

	2013	2012
	Taka'000	Taka'000
Retained earnings	(413)	(385)
Share capital	178	207
Share money deposits	353	409
	<b>118</b>	<b>231</b>

## 13 Long Term Debt

13.1 Long portion	Currency	Amount '000 Foreign Currency	2013	2012
			Taka'000	Taka'000
<b>Name of lenders</b>				
AB Bank Limited	BDT	-	-	8,356
Citibank N.A.- Mumbai	USD	3,000	233,246	430,799
Standard Chartered Bank - Mumbai	INR	210,000	263,781	509,740
		<b>Total</b>	<b>497,027</b>	<b>948,895</b>
<b>13.2 Current portion</b>				
<b>Name of lenders</b>				
International Finance Corporation	USD	-	-	1,122,375
Asian Development Bank	USD	-	-	455,857
European Investment Bank	USD	-	-	837,430
AB Bank Limited.	BDT	-	-	27,883
Citibank N.A.- Mumbai	USD	3,000	233,246	191,467
Standard Chartered Bank - Mumbai	INR	140,000	175,854	203,896
		<b>Total</b>	<b>409,100</b>	<b>2,838,908</b>





**Details of loan agreements**

Name of Lenders	Type	Amount	Tenure
Citibank N. A. - Mumbai	Term Loan	USD 12 million	5 periods
The repayment of the loan has started from 30 June 2011 and will end on 31 March 2016			
<b>Standard Chartered Bank - Mumbai</b>	Term Loan	INR 700 million	5 periods
The repayment of the loan has started from 5 September 2011 and will end on 30 May 2016.			

**14 Deferred Tax (Liabilities)/Assets**

	2013	2012
	Taka'000	Taka'000
The tax effects of temporary differences that resulted in deferred tax liabilities and assets.		
<b>Deferred tax liabilities</b>		
Property, plant and equipment	2,432,162	3,328,003
	2,432,162	3,328,003
<b>Deferred tax assets</b>		
Provision for gratuity	32,722	36,517
Provision for doubtful debts	2,423	2,536
Business loss	1,172,507	2,676,458
Cash flow hedge	-	292
	1,207,652	2,715,803
	<b>1,224,510</b>	<b>612,200</b>
Deferred tax rate has been taken 27.5% compared to 37.5% in the previous year as the Company expects future assets or liabilities to be settled on the basis of this rate.		

**15 Employee Benefits**

	2013	2012
	Taka'000	Taka'000
Gratuity scheme (Note- 15.1)	125,521	104,015
Stock Appreciation Rights (Note- 15.2)	12,296	10,406
	<b>137,817</b>	<b>114,421</b>
<b>15.1 Contribution to gratuity scheme</b>		
Balance at 1 January	104,015	68,094
Current service cost	23,143	37,770
Benefits paid during the year	(1,637)	(1,849)
<b>Balance at 31 December</b>	<b>125,521</b>	<b>104,015</b>
<b>15.2 Provision for Stock Appreciation Rights (SAR)</b>		
<b>LEA 2009</b>		
Balance at 1 January	5,886	9,291
Current year addition	253	497
Cancellation	-	(3,902)
<b>Balance at 31 December</b>	<b>6,139</b>	<b>5,886</b>
<b>LEA 2011</b>		
Balance at 1 January	4,520	1,072
Current year addition	1,637	3,448
<b>Balance at 31 December</b>	<b>6,157</b>	<b>4,520</b>
	<b>12,296</b>	<b>10,406</b>



### 15.3 Stock Appreciation Rights (SAR)

These are the global programmes 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 period 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.

### 16 Derivative Instruments-Liabilities

	2013	2012
	Taka'000	Taka'000
	48,355	7,641

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 period.

### 17 Provisions

	2013	2012
	Taka'000	Taka'000
<b>Site restoration provisions</b>		
Balance at 1 January	23,125	-
Current year addition	4,995	24,376
Translation adjustment	(4,974)	(1,251)
	<b>23,146</b>	<b>23,125</b>

The Company is legally required to restore a quarry site, the estimated costs of site restoration are accrued and recognized to the cost of sales, on the basis of mines closure plan submitted to Indian Bureau of Mines (IBM).

### 18 Trade Payables

	2013	2012
	Taka'000	Taka'000
Raw materials	121,607	112,315
Packing bags	146,009	70,603
Marketing expenses	6,591	35,848
Distribution cost	161,694	114,654
Computer expenses	116,456	114,783
Audit fee	2,803	2,676
Maintenance	99,841	104,941
Administrative office expenses	64,827	60,277
Royalty	181,854	160,322
Consultancy	6,841	2,119
Security	16,010	16,151
General assistance fee (Note- 18.1)	288,286	304,884
Trademark license fee (Note- 18.2)	288,285	304,884
Gas bill	147,588	134,001
Operation and maintenance bill-Power Plant	28,776	18,292
Discount on sales	91,318	78,156
Advances paid by customers	321,059	64,224
Self insurance (Note- 18.3)	735	9,104
Others	177,052	237,286
	<b>2,267,632</b>	<b>1,945,520</b>



### 18.1 General assistance fee

The amount is payable to Lafarge S.A. and Cementos Molins for general assistance fee (1 percent of annual net turnover of the company in accordance with the General Assistance Agreement).

### 18.2 Trademark license fee

The amount is equally payable to Lafarge S.A. and Cementos Molins for trademark license fee (1 percent

of annual net turnover of the company in accordance with the Trademark License Agreement).

### 18.3 Self insurance

The Company provided the amount for covering future loss of product during transportation in lieu of the transport insurance. The objectives of this provision are i) recognition of the risks; ii) mitigate the higher insurance cost; iii) non availability of insurance cover for certain type of barges.

## 19 Other Payables

	2013	2012
	Taka'000	Taka'000
Payables to supplier of property, plant & equipment	95,848	108,428
Accrued interest and commitment fees	8,325	63,728
Payable to employees	240,348	210,536
Income tax & VAT deducted at source	95,543	90,406
	<b>440,064</b>	<b>473,098</b>

## 20 Short Term Debt

	2013	2012
	Taka'000	Taka'000
Bank overdraft facilities (Note 20.1)	73,993	171,439
Short term credit facilities (Note 20.2)	2,687,854	2,891,782
	<b>2,761,847</b>	<b>3,063,221</b>
<b>20.1 Used bank overdrafts facilities</b>		
<i>Lafarge Surma Cement Limited</i>		
Standard Chartered Bank	-	52,850
Trust Bank Limited	-	4,634
Citibank N.A.	-	23,159
	-	80,643
<i>Lafarge Umiam Mining Private Limited</i>		
Standard Chartered Bank, Mumbai	29,678	90,796
Citibank N.A., Mumbai	13,822	-
State Bank of India	30,493	-
	73,993	90,796
	<b>73,993</b>	<b>171,439</b>
<b>20.2 Used short term credit facilities</b>		
<i>Lafarge Surma Cement Limited</i>		
Citibank N.A.	382,554	808,353
The Hongkong and Shanghai Banking Corporation Limited	396,525	574,380
Standard Chartered Bank	644,750	-
	1,423,829	1,382,733
<i>Lafarge Umiam Mining Private Limited</i>		
Standard Chartered Bank, Mumbai	451,549	414,426
Citibank N.A., Mumbai	812,476	1,094,623
	1,264,025	1,509,049
	<b>2,687,854</b>	<b>2,891,782</b>



## 21 Current Tax Liabilities

	2013	2012
	Taka'000	Taka'000
Balance at 1 January	115,592	62,147
Provision for the year	57,690	53,445
	<b>173,282</b>	<b>115,592</b>

## 22 Commitments and Contingencies

### 22.1 Commitments

	Less than 1 year	1 to 5 years	More than 5 years	At Dec 31, 2013	At Dec 31, 2012
<b>Commitments given</b>					
<b>Commitments related to operating activities</b>					
Purchase commitments	1,127,857	-	-	1,127,857	637,700
Capital expenditure commitments	104,564	-	-	104,564	125,747
Operating leases	35,911	119,029	-	154,940	158,186
Guarantees given	3,168	299,502	7,301	309,971	319,297
<b>Commitments related to financing operations</b>					
Assets pledged	-	-	-	-	14,438,274
Other commitments	-	-	-	-	293,634
<b>Commitments received</b>					
Guarantees received	629,173	-	-	629,173	502,410

### 22.2 Contingent Liability and Claims

	2013	2012
	Taka'000	Taka'000
Clinker production of the Company at the plant stopped from April 2010 due to the suspension of supply of limestone from the quarry and resumed in August 2012. During this period, the gas consumption from Jalalabad Gas Transmission and Distribution System Limited drastically reduced since there was no clinker production. Under the agreement with Jalalabad Gas, the Company needs to take a minimum quantity failing which it needs to pay as advance the shortfall between the minimum quantity and the actual quantity consumed. The Company raised a dispute with Jalalabad Gas that this is a force majeure event and hence, the Company is not liable to pay this advance but this was not accepted by them. Thereafter the matter has been referred to arbitration. The lawyers of the Company have given an opinion that there are merits in the case for the company to get a favourable decision from the arbitration. An amount of BDT 568 million was accumulated provision in this respect.	568,515	568,515



	2013	2012
	Taka'000	Taka'000
Claim of VAT Authority for cancellation of VAT rebate relating to 2008-2009, 2009-2010 & 2010-2011 for which Writ Petitions 6074/2011, 6493/2012 and 11839/2013 respectively have been filed by the company before the Hon'ble High Court of Dhaka, the outcome of which are yet to be received. However, the Company is in the opinion that the claim by the VAT authority is unjustified and has no merit as well.	35,066	21,747
Claim of VAT Authority for cancellation of VAT rebate relating to 2006-2008 for which a Writ Petition No. 6492/2012 has been filed and the Company has already received a favourable decision from VAT Appellate Tribunal but the VAT authority has preferred a writ petition before the Hon'ble High Court of Dhaka, and the matter is awaiting disposal. However, the Company expects a favourable decision since there is no strong ground in support of the claim raised by the VAT authority.	74,157	74,157
During the assessment year 2008-2009 the rate of Gross Profit (GP) of the Company was 11.51% as per audited financial statements. At that time of tax assessment, the Deputy Commissioner of Taxes (DCT) unilaterally raised the GP rate to 29.68% with reference to past records. The Company filed an appeal against the Order of DCT and at the first appeal the rate was reduced to 25%. Thereafter, the Company went for the second appeal with the Taxes Appellate Tribunal, Division Bench-1, Dhaka. The Tribunal after hearing reduced the GP to 24%. This resulted an additional amount of Gross Profit Taka 299,745 (in thousand) as per the tax assessment. However, the Company's management feels that the claim by the Tax authority is unjustified and has no merit. The Company has decided to go for filing an Appeal before the Hon'ble High Court against the Order of Tribunal which is in progress.	112,404	-
During the assessment year 2009-2010 following the Taxes Appellate Tribunal's order a tax demand has been created. This was due mainly to the fact that company's contribution to Workers' Profit Participation Fund was disallowed unlawfully and the receipts of insurance claim were considered twice. Moreover, treatment of exchange loss and cost of goods was also unjust and not maintainable in the eye of Law. However, the Company's management feels that the claim by the Tax authority is unjustified and has no merit. The Company has decided to go for filing an Appeal before the Hon'ble High Court against the Order of Tribunal which is in progress.	135,111	-
<b>22.3 Claims</b>		
a. Claims against the Company not acknowledged as debt	Nil	Nil
b. Claims by the Company not acknowledged as receivable	Nil	Nil



## 23 Revenue

	2013	2012
	Taka'000	Taka'000
Sale of gray cement*	8,531,358	8,576,544
Sale of cement clinker	2,799,016	2,063,517
	<b>11,330,374</b>	<b>10,640,061</b>
*Sale of gray cement		
Local sales	8,529,981	8,564,060
Export in Export Processing Zone	1,377	12,484
	<b>8,531,358</b>	<b>8,576,544</b>

## 24 Cost of Sales

	2013	2012
	Taka'000	Taka'000
Opening finished goods and work in process (Note 7)	268,683	505,093
Raw materials consumed (Note 24.1)	2,440,234	2,638,477
Toll manufacturing	185,146	-
Power and fuel consumed	1,041,861	909,559
Production and maintenance overhead (Note 24.2)	1,308,663	1,240,498
General and social expenses (Note 24.3)	507,658	488,739
Distribution cost to customers	371,868	275,296
Internal distribution cost	634,333	638,930
Site restoration costs	4,995	23,033
Closing finished goods and work in process (Note 7)	(136,405)	(268,683)
	<b>6,627,036</b>	<b>6,450,942</b>
<b>24.1 Raw materials consumed</b>		
Limestone	1,220,970	1,346,185
Clay	91,521	85,508
Gypsum	209,182	221,834
Iron Ore	90,993	116,259
Sand	23,050	14,184
Slag	220,496	220,470
Packing Bag	430,146	464,324
Others	153,876	169,713
	<b>2,440,234</b>	<b>2,638,477</b>
<b>24.2 Production and maintenance overhead</b>		
Salary, allowances and benefits	257,131	224,857
Contributions to employees' benefit schemes	12,900	20,044
Maintenance	167,688	107,404
Other supplies and spares	169,634	187,475
Material handling	101,690	95,636
Other expenses	2,354	2,679
Technical studies	6,871	4,881
Depreciation	545,813	546,207
Amortization of intangible assets	44,582	51,315
	<b>1,308,663</b>	<b>1,240,498</b>



24.3 General and social expenses	2013	2012
	Taka'000	Taka'000
Salary, allowances and benefits	99,172	91,252
Contributions to employees' benefit schemes	5,115	4,891
Staff welfare expenses	23,065	16,044
Training, seminars and meeting	3,420	2,511
Travelling	19,088	24,628
Rent	4,264	3,885
Gas, electricity and water	10,243	7,729
Telephone, fax and postage	3,322	3,308
Entertainment	1,440	1,090
Office maintenance	42,508	43,426
Security services	83,257	84,414
Printing and stationery	1,702	1,227
Computer expenses	33,157	19,416
Other supplies and spares	32,871	11,360
Other office expenses	9,347	36,453
Registration and other fees	238	465
Legal expenses	5,238	6,325
Audit and tax advisory fees (Note 26)	1,635	1,886
Consultancy	14,197	15,275
Vehicles running expenses	19,189	17,560
Corporate social activities	20,849	23,325
Insurance	74,341	72,269
	<b>507,658</b>	<b>488,739</b>

## 25 General and Administrative Expenses

	2013	2012
	Taka'000	Taka'000
Salary, allowances and benefits	165,545	158,198
Contributions to retirement benefit scheme	10,878	16,092
Staff welfare expenses	567	2,436
Training, seminars and meeting	16,179	19,411
Travelling	9,207	10,173
Rent	36,907	27,147
Gas, electricity and water	2,672	2,125
Telephone, fax and postage	4,609	3,808
Entertainment	5,551	2,837
Office maintenance	6,296	6,343
Office security services	1,680	3,035
Printing and stationery	1,683	1,547
Computer expenses	34,424	29,986
Other office expenses	6,942	11,031
Registration and other fees	2,494	1,088
Audit and tax advisory fees (Note 26)	1,609	1,551
Legal expenses	1,981	1,600
Vehicles running expenses	19,223	16,435
Publicity and public relation	12,609	13,342
General assistance fee	107,734	103,648
Trademark license fee	107,734	103,647
Insurance	5,467	2,410
General survey and studies	2,556	2,089



	2013	2012
	Taka'000	Taka'000
Depreciation	25,561	24,414
Amortization of intangible assets	4,166	1,783
Contribution to Workers' Profit Participation and welfare Fund	144,400	112,589
	<b>738,674</b>	<b>678,765</b>

## 26 Audit and Tax Advisory Fees

	2013	2012
	Taka'000	Taka'000
Statutory audit fee	200	200
Group audit fee	510	510
Certification fees	50	50
Annual consolidation audit	200	200
Pocket expenses	35	32
Tax and VAT advisory services	614	559
<b>Total for Lafarge Surma Cement Limited (Note 25)</b>	<b>1,609</b>	<b>1,551</b>
Statutory audit fee	1,122	1,294
Tax advisory services	419	483
<b>Total for Lafarge Umiam Mining Private Limited (Note 24.3)</b>	<b>1,541</b>	<b>1,777</b>
Statutory audit fee	45	57
Tax advisory services	49	52
<b>Total for Lum Mawshun Minerals Private Limited (Note 24.3)</b>	<b>94</b>	<b>109</b>
	<b>3,244</b>	<b>3,437</b>

## 27 Sales and Marketing Expenses

	2013	2012
	Taka'000	Taka'000
Salary, allowances and benefits	58,167	58,022
Contributions to retirement benefit scheme	4,778	5,274
Training, seminars and meeting	1,472	2,997
Travelling	8,675	6,790
Gas, electricity and water	192	131
Telephone, fax and postage	1,218	1,146
Entertainment	293	79
Office maintenance	1,023	503
Printing and stationery	410	1,066
Other office expenses	207	162
Registration and other fees	1,635	1,630
Vehicles running expenses	6,563	5,469
Advertisement and promotion	64,524	68,884
Insurance	155	211
Bad debts	158	107
Provision for trade receivables	2,048	100
General survey and studies	911	713
	<b>152,429</b>	<b>153,284</b>

