

28 Other Operating Income/(expenses)

	2013	2012
	Taka'000	Taka'000
Loss on sale of property, plant and equipment	(4,961)	(31,210)
Sale of miscellaneous scrap items	4,176	3,044
Cancellation of provisions	3,421	7,138
Insurance claim received (Note 28.1)	170,533	-
Others	303	46
	173,472	(20,982)

28.1 Last year, the Company filed an insurance claim against business interruption arising from machinery breakdown in Lafarge Surma Cement Limited (LSCL). During the period, an amount of Taka 170,533 (in thousand) has been received from the insurance company as final settlement of the claim.

29 Finance Costs and Income

	2013	2012
	Taka'000	Taka'000
Interest on long term debt	118,069	301,180
Interest on short term debt	199,104	234,583
Exchange loss	410,615	203,354
Other finance costs	21,882	74,736
Bank charges and commission	22,384	15,425
Finance costs	772,054	829,278
Interest Income on Bank Deposits:		
Lafarge Surma Cement Limited	157	391
Lafarge Umiam Mining Private Limited	1,997	373
	2,154	764
Finance income	2,154	764
Net finance costs	769,900	828,514

30 Income Tax

	2013	2012
	Taka'000	Taka'000
Current income tax	57,690	53,445
Deferred income tax	612,018	600,695
	669,708	654,140

31 Earnings Per Share

	2013	2012
	Taka'000	Taka'000
The computation of basic earnings per share for the years ended 2013 and 2012 are as follows:		
NUMERATOR (Thousand Taka)		
INCOME FOR THE YEAR- ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	2,546,127	1,853,471
DENOMINATOR (Thousands of Shares)		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	1,161,374	1,161,374
BASIC EARNINGS PER SHARE	2.19	1.60
DILUTED EARNINGS PER SHARE	2.19	1.60



32 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 BAS 24.

Name of the Party and relationship	Nature of transaction	Transaction value during the Year	Receivable/ (Payable) amount '000 at 31 Dec 2013
Lafarge Asia SDN BHD-Group Company	Intercompany services/Technical assistance	26,422	(111,554)
Lafarge Halla Cement Limited-Group Company	Intercompany services	3,238	(1,449)
Lafarge Cement UK-Group Company	Intercompany services	-	(33,423)
Lafarge S.A.-Group Company	Technical assistance/Trademark license	143,709	(482,945)
Cementia Asia SDN BHD-Group Company	Travel expenses	-	(25,636)
Cementos Molins-Group Company	Trademark license/Travel expenses	90,497	(261,046)
Eastern Housing Ltd.-Shareholder	Cement sales	10,840	1,847
Sinha Textile Ltd.-Shareholder	Cement sales	1,178	87
Aftab Bahumukhi Farms Ltd-Shareholder	Cement sales	8,558	868
Bengal Development Corporation-Shareholder	Cement sales	-	(16)
Opex Group-Shareholder	Cement sales	674	5
Shikharaa Developments Ltd-Shareholder	Cement sales	5,247	330
Sinha Peoples Energy Ltd-Shareholder	Cement sales	15,882	817

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

33 Directors' Managers' and Officers' Remuneration

	2013	2012
	Taka'000	Taka'000
Salary, allowances and benefits	271,742	213,188
Contributions to employees' benefit scheme	17,422	20,301
Reimbursable expenses	13,016	9,730
	302,180	43,219

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

34 Financial Instruments

34.1 Credit risk

Credit risk represents the financial loss to the Company if a customer or counterparty to a financial instrument fail to meet its contractual obligations. It mainly comprises of trade receivables, advances to suppliers, trade deposits and bank balances. The Company's maximum exposure to credit risk at the reporting date is trade receivable. To mitigate the credit risk against trade receivable, the Company

has a system of specific credit line period to the customers. This outstanding period and amount are regularly monitored. The Company has obtained Bank Guarantees from all trade customers. A large part of non trade customers are also covered by Bank Guarantees.

Maximum exposure to credit risk of the Company at reporting date are as follows:



	2013	2012
	Taka'000	Taka'000
Trade receivables (Note- 8)	799,536	711,629
Other receivables excluding prepaid expenses (Note- 9)	1,585,089	1,333,762
	2,384,625	2,045,391

34.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient resources and

arrangement of credit lines with the various banks for managing its liquidity risk.

Contractual maturity analysis for financial liabilities of the Company at reporting date are as follows:

	Carrying amount Taka'000	6 months or less Taka'000	From 6 to 12 months Taka'000	From 1 to 5 years Taka'000
Long-term debt	497,027	-	-	497,027
Trade payables	2,267,632	1,647,312	620,320	-
Other payables	440,064	362,638	77,426	-
Current portion of long term debt	409,100	227,869	181,231	-
Short-term debt	2,761,847	2,761,847	-	-
Derivative instruments	48,355	48,355	-	-
Balance at 31 December 2013	6,424,025	5,048,021	878,977	497,027
Long-term debt	948,895	-	-	948,895
Trade payables	1,945,520	1,323,972	621,548	-
Other payables	473,098	364,670	108,428	-
Current portion of long term debt	2,838,908	1,646,848	1,192,060	-
Short-term debt	3,063,221	3,063,221	-	-
Derivative instruments	7,641	780	6,861	-
Balance at 31 December 2012	9,277,283	6,399,491	1,928,897	948,895

34.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and other price risks. The objective of market risk management is to manage and control market risk exposures within an acceptable range. The Company uses derivative instruments to hedge exposure to exchange rate and interest rate risks.

a) Foreign currency risk

The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes

in foreign exchange rates. The Company is exposed to currency risk on its certain short & long term debts and purchases that are denominated in foreign currencies. Majority of the Company's foreign currency transactions are denominated in INR, USD, EURO, and GBP. The Company also has exposure in foreign currencies relating to some services.

The Company, as part of its currency risk management enters into forward contracts with the commercial banks to ensure its net exposure is kept to an acceptable low level.



Exposure to currency risk of the Company at reporting date are as follows:

Balance at 31 December 2013	BDT'000	INR'000	USD'000	EUR'000	GBP'000
Foreign currency denominated assets					
Cash and cash equivalents	42,383	33,533	2	1	-
Other receivables	239,955	191,032	-	-	-
Total	282,338	224,565	2	1	-
Foreign currency denominated liabilities					
Long-term debt	497,027	210,000	3,000	-	-
Trade payables	480,044	284,690	1,061	374	-
Other payables	153,349	50,151	24	519	258
Current portion of long term debt	409,100	140,000	3,000	-	-
Short-term debt	2,761,847	1,065,216	18,313	-	-
Total	4,301,367	1,750,057	25,398	893	258
Balance at 31 December 2012	BDT'000	INR'000	USD'000	EUR'000	GBP'000
Foreign currency denominated assets					
Cash and cash equivalents	11,001	7,317	3	1	-
Other receivables	233,041	160,012	-	-	-
Total	244,042	167,329	3	1	-
Foreign currency denominated liabilities					
Long-term debt	940,525	350,000	5,400	-	-
Trade payables	496,544	250,169	1,330	248	-
Other payables	253,052	44,721	404	1,162	258
Current portion of long term debt	2,810,943	140,000	32,680	-	-
Short-term debt	2,832,573	397,343	28,253	-	-
Total	7,333,637	1,182,233	68,067	1,410	258

Exchange rate sensitivity

If the BDT increases in value against a currency, the value in BDT of assets, liabilities, income and expenses originally recorded in the other currency will decrease. Conversely, if the BDT decreases in value against a currency, the value in BDT of assets, liabilities, income and expenses originally recorded in the other currency will increase. Consequently, increases and decreases in the

value of the BDT may affect the value in BDT of our non-BDT assets, liabilities, income and expenses, even though the value of these items have not changed in their original currency.

A change of 50 basis points (bp) in foreign currencies would have increased/(decreased equity and income or loss of the Company by the amounts shown below.

Particulars	2013 Estimated impact on profit/loss and equity (+/-) Taka'000	2012 Estimated impact on profit/loss and equity (+/-) Taka'000
Assets denominated in INR	1,410	1,218
Debt denominated in USD	9,452	26,459
Debt denominated in INR	8,888	6,462
Other liabilities denominated in USD	422	692
Other liabilities denominated in EUR	477	742
Other liabilities denominated in GBP	165	167
Other liabilities denominated in INR	2,103	2,147



b) Interest rate risk

The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its long term debts.

Interest rate sensitivity

A +/- 1% change in short-term interest rates calculated on the net floating rate debt, would have a maximum impact on the Company's 2013 income before tax of +/- Taka 9,061 (Taka 35,500 for 2012) in thousand.

Interest bearing financial instruments of the Company at reporting date are as follows:

	2013	2012
	Taka'000	Taka'000
Financial liabilities		
Debt*		
Floating-rate portion	906,127	2,640,620
Fixed-rate portion	-	1,147,183
Short-term bank borrowings	2,761,847	3,063,221
	3,667,974	6,851,024
* Including the current-portion of long-term debt.		
Interest rate hedging activity		
Debt	906,127	3,787,803
Net position before hedging	906,127	3,787,803
Hedging instruments	-	273,514
Net position after hedging	906,127	3,514,289

c) Other price risk

The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk and currency risk. The Company is not exposed to any equity risk, as the Company does not have any investment in equity shares. The Company also does not have any significant exposure to commodity price risk

34.4 Fair values

The following details the cost and fair values of financial instruments:

FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION

At 31 December Thousand Taka	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Loans and Receivables at amortized costs				
Trade receivables	799,536	799,536	711,629	711,629
Other receivables	1,679,292	1,679,292	1,386,697	1,442,056
Cash and cash equivalents	1,204,399	1,204,399	154,160	154,160



LIABILITIES

Financial liabilities at amortized cost

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Long term debt (including current portion)	937,091	937,091	3,787,803	3,787,803
Trade payables	2,267,632	2,267,632	1,945,520	1,945,520
Other payables	440,064	440,064	473,098	473,098
Short-term debt	2,761,847	2,761,847	3,063,221	3,063,221
Derivative instruments	48,355	48,355	7641	7,641

35 Number of Employees

	2013	2012
	Taka'000	Taka'000
<i>Lafarge Surma Cement Limited</i>		
<i>Nationality:</i>		
Bangladeshi	384	356
Non-Bangladeshi	5	4
<i>Lafarge Umiam Mining Private limited</i>		
<i>Nationality:</i>		
Indian	120	113
Non-Indian	1	1
	510	474
<i>Salary range:</i>		
Monthly Taka 3,000 or above	510	474
Monthly below Taka 3,000	Nil	Nil



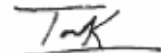
Finance Director



Company Secretary



Director



Chief Executive Officer



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
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Correspondent Firm of **RSM International** network

Report on the Financial Statements

We have audited the accompanying Financial Statements of Lafarge Surma Cement Limited, which comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and 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 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 misstatements, 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 Matter

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).

Report on Other Legal and Regulatory Requirements

The 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 company's statement of financial position and 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 company's business.

Dated: Dhaka
March 16, 2014


(Nurul Faruk Hasan & Co.)
Chartered Accountants



LAFARGE SURMA CEMENT LIMITED

Statement of Financial Position

as at 31 December 2013

	NOTES	2013	2012
		Taka'000	Taka'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	11,387,280	11,790,067
Intangible assets	7	13,738	14,200
Investment in subsidiaries	8	517,181	599,651
Loan to subsidiary company	9	824,393	1,105,620
		12,742,592	13,509,538
CURRENT ASSETS			
Inventories	10	1,556,950	1,670,233
Trade receivables	11	799,536	711,629
Other receivables	12	1,352,880	1,143,791
Accrued interest	9	219,315	294,902
Cash and cash equivalents	13	1,162,174	143,503
		5,090,855	3,964,058
TOTAL ASSETS		17,833,447	17,473,596
EQUITY & LIABILITIES			
Share capital	14	11,613,735	11,613,735
Retained earnings	14.6	849,109	(1,224,788)
Other component of equity	14.7	(2,712)	79,271
EQUITY		12,460,132	10,468,218
NON-CURRENT LIABILITIES			
Long-term debt	15	-	8,356
Deferred tax liabilities	16	1,224,510	612,200
Employee benefits	17	128,358	105,707
		1,352,868	726,263
CURRENT LIABILITIES			
Trade payables	19	2,020,193	1,822,643
Other payables	20	403,143	433,179
Derivative instruments	18	-	780
Current portion of long term debt	15	-	2,443,545
Short-term debt	21	1,423,829	1,463,376
Current tax liabilities	22	173,282	115,592
		4,020,447	6,279,115
TOTAL EQUITY AND LIABILITIES		17,833,447	17,473,596

The accompanying Notes 1 to 40 form an integral part of these financial statements.



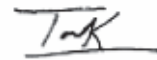
Finance Director



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

Income Statement

for the year ended 31 December 2013

	NOTES	2013	2012
		Taka'000	Taka'000
REVENUE	24	11,330,374	10,640,061
Cost of sales	25	(7,752,049)	(7,192,929)
GROSS PROFIT		3,578,325	3,447,132
General and administrative expenses	26	(738,674)	(678,765)
Sales and marketing expenses	27	(152,429)	(153,284)
Other operating income/(expenses)	28	173,472	(20,879)
OPERATING INCOME		2,860,694	2,594,204
Finance cost	29	(191,615)	(500,867)
Finance income	29	74,526	45,858
INCOME BEFORE TAX		2,743,605	2,139,195
Income tax	30	(669,708)	(654,140)
INCOME FOR THE YEAR		2,073,897	1,485,055
Basic earnings per share (Taka)	31	1.79	1.28
Diluted earnings per share (Taka)	31	1.79	1.28

The accompanying Notes 1 to 40 form an integral part of these financial statements.



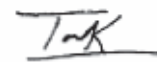
Finance Director



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

Statement of Comprehensive Income

for the year ended 31 December 2013

	2013	2012
	Taka'000	Taka'000
INCOME FOR THE YEAR	2,073,897	1,485,055
Items that may be reclassified subsequently to profit or loss		
Cash flow hedge instruments	487	3,729
Exchange differences on translating foreign operation	(82,470)	(33,598)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	(81,983)	(29,869)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,991,914	1,455,186

The accompanying Notes 1 to 40 form an integral part of these financial statements.



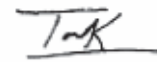
Finance Director



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

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	Total equity
Balance at 1 January 2012	11,575,806	(2,709,843)	109,140	37,929	9,013,032
Total comprehensive income/(loss) for the year	-	1,485,055	(29,869)	-	1,455,186
Issuance of right shares	37,929	-	-	(37,929)	-
Balance at 31 December 2012	11,613,735	(1,224,788)	79,271	-	10,468,218
Balance at 1 January 2013	11,613,735	(1,224,788)	79,271	-	10,468,218
Total comprehensive income/(loss) for the year	-	2,073,897	(81,983)	-	1,991,914
Balance at 31 December 2013	11,613,735	849,109	(2,712)	-	12,460,132



Finance Director



Company Secretary



Director



Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED

Statement of Cash Flows

for the year ended 31 December 2013

	2013	2012
	Taka'000	Taka'000
Cash Flows From Operating Activities		
Cash receipts from customers	11,499,302	10,388,157
Cash paid to suppliers and employees	(7,795,406)	(7,257,543)
Cash generated by operations	3,703,896	3,130,614
Income taxes paid	(262,989)	(225,600)
Other receipts	4,176	3,044
Net cash generated by operating activities	3,445,083	2,908,058
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(122,019)	(133,688)
Payments for intangible assets	(3,736)	(10,509)
Proceeds from sale of property, plant and equipment	7,815	667
Received against loan to subsidiary company	253,415	197,177
Interest received from subsidiary company	97,050	84,962
Net cash generated by investing activities	232,525	138,609
Cash Flows From Financing Activities		
Repayment of long term debt	(2,415,400)	(2,433,427)
Decrease in short term debt	(9,038)	(245,641)
Payment for right issue costs	-	(26,204)
Payment of interest	(234,499)	(433,956)
Net cash used in financing activities	(2,658,937)	(3,139,228)
Net increase/(decrease) in cash and cash equivalents	1,018,671	(92,561)
Cash and Cash Equivalents at Beginning of the Year	143,503	236,064
Cash and Cash Equivalents at End of the Year	1,162,174	143,503



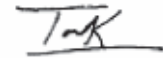
Finance Director



Company Secretary



Director



Chief Executive Officer



LAFARGE SURMA CEMENT LIMITED

Notes to the 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.

2 Nature of Business

The Company has established the country's only modern, integrated and state-of-the art cement manufacturing plant at Chhatak under Sunamganj district. The company extracts and processes the basic raw materials limestone from its own quarry in Meghalaya. A 17-kilo metre cross-border belt conveyor links the quarry with the cement plant for transportation of raw materials.

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

3 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 Accounting Standard 27: "Separate 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 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.

3.3 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.

3.4 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 K 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

3.5 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) Construction in progress

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

iii) Amortization of intangible assets

Software

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

3.6 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.

3.7 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 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 reduce its exposure to changes in interest rates and foreign currency exchange rates.

Pursuant to the guidance in BAS 39 and BAS 32, the Company records in the 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 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 income statement when hedge exposure affects earnings.

3.8 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

3.9 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.

3.10 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.

3.11 Revenue recognition

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

3.12 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.

3.13 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.

3.14 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 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-8.



6 Property, Plant and Equipment

Figures in Taka'000	Land freehold	Leasehold improvement	Building	Plant building	Technical facilities	Plant & machinery	Other plant equipment	Vehicles	Computer equipment	Office equipment	Furniture & fixtures	Construction in progress	Total
COST													
At January 1, 2013	532,077	367	56,777	513,969	51,368	13,094,304	61,499	156,505	85,276	59,746	55,088	170,109	14,837,085
Additions	-	-	506	1,954	88	1,275	13,398	218	4,584	4,992	1,724	83,035	111,774
Disposals	-	-	-	-	-	(14,361)	-	(22,297)	(52)	(1,167)	(789)	-	(38,666)
Transfers	-	-	3,768	13,442	3,434	27,886	10,448	-	3,523	573	402	(63,476)	-
At December 31, 2013	532,077	367	61,051	529,365	54,890	13,109,104	85,345	134,426	93,331	64,144	56,425	189,668	14,910,193
DEPRECIATION													
At January 1, 2013	-	367	8,727	75,001	10,034	2,695,174	23,539	85,854	72,517	47,066	28,739	-	3,047,018
Disposals	-	-	-	-	-	(3,431)	-	(20,577)	(16)	(1,162)	(704)	-	(25,890)
Charge for the year	-	-	1,174	13,039	1,771	437,766	6,754	22,377	7,943	5,636	5,325	-	501,785
At December 31, 2013	-	367	9,901	88,040	11,805	3,129,509	30,293	87,654	80,444	51,540	33,360	-	3,522,913
CARRYING AMOUNT													
At December 31, 2013	532,077	-	51,150	441,325	43,085	9,979,595	55,052	46,772	12,887	12,604	23,065	189,668	11,387,280
At December 31, 2012	532,077	-	48,050	438,968	41,334	10,399,130	37,960	70,651	12,759	12,680	26,349	170,109	11,790,067

6.1 Construction in progress

	2013 Taka'000	2012 Taka'000
General survey and studies	111,226	91,771
Other equipment	74,730	45,264
Other improvement works	3,712	34,035
	189,668	171,070

6.2 Depreciation charge for the year allocated to

	2013 Taka'000	2012 Taka'000
Production and maintenance overhead (Note 25.2)	476,223	472,407
General and administrative expenses (Note 26)	25,561	24,414
	501,784	496,821

6.3 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)
Carrying amount at December 31, 2013	10,930	1,720	36	5	85	12,776
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	

7 Intangible Assets

Figures in Taka'000	Software	Construction in Progress	Total
COST			
At January 1, 2013	60,134	5,715	65,849
Additions	1,487	2,249	3,736
Disposals	-	(32)	(32)
Transfers	4,226	(4,226)	-
At December 31, 2013	65,847	3,706	69,553
AMORTIZATION			
At January 1, 2013	51,649	-	51,649
Charge for the year	4,166	-	4,166
At December 31, 2013	55,815	-	55,815
CARRYING AMOUNT			
At December 31, 2013	10,032	3,706	13,738
At December 31, 2012	8,485	5,715	14,200



8 Investment in Subsidiaries

	2013	2012
	Taka'000	Taka'000
Lafarge Umiam Mining Private Limited (LUMPL) - a fully owned subsidiary incorporated in India	516,673	599,062
Lum Mawshun Minerals Private Limited (LMMPL) - a 74% owned subsidiary incorporated in India	508	589
Balance at 31 December	517,181	599,651

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

Shares held in different entities are as follows:

Name of entities	Face value per share	Number of ordinary shares held by the Company	
		2013	2012
Lafarge Umiam Mining Private Limited	Indian Rupees 10	41,133,099	41,133,099
Lum Mawshun Minerals Private Limited	Indian Rupees 100	4,046	4,046

9 Loan to Subsidiary Company (LUMPL)

	2013	2012
	Taka'000	Taka'000
Balance at 1 January	1,105,620	1,335,097
Received during the year	(260,266)	(200,265)
Exchange loss	(20,961)	(29,212)
Balance at 31 December	824,393	1,105,620

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 2013 is USD 10,603 (in thousand).

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. After the payment of 3rd installment in December 2009, no repayment was made in the years 2011 and upto may 2012 due to the stringent cash condition in the subsidiary(LUMPL) for the forest clearance issue. However, repayment of the loan has started from June 2012 and will be ended 15 March 2017 by 20 equal installments.
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). No interest payment, arrear or current, was made in the years 2011 and upto May 2012 due to the stringent cash condition in the subsidiary. However, payment of interest has started from June 2012 and will be ended 15 March 2017.



10 Inventories

	2013	2012
	Taka'000	Taka'000
Raw materials	490,994	625,492
Spare parts	781,158	623,187
Packing materials	10,782	14,857
Other materials	114,431	103,295
Finished goods and work in process (Note 39)	159,585	303,402
	1,556,950	1,670,233

11 Trade Receivables

	2013	2012
	Taka'000	Taka'000
Gross trade receivables	808,346	718,391
Valuation allowance (Note 11.1)	(8,810)	(6,762)
	799,536	711,629
11.1 The change in the valuation allowance for doubtful receivables is as follows:		
Balance at 1 January	(6,762)	(7,803)
Current year addition	(2,048)	(100)
Cancellation	-	1,141
Balance at 31 December	(8,810)	(6,762)
11.2 Ageing of trade receivables		
The ageing of gross trade receivables at reporting date are as follows:		
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
	808,346	718,391

12 Other Receivables

	2013	2012
	Taka'000	Taka'000
Contractors, consultants, suppliers and others (Note 12.1)	114,555	160,306
VAT current account	117,171	127,473
Advance to employees	18,635	9,071
Advance to employees for SAR plan (Note 17.2)	23,108	23,882
Security and other deposits (Note 12.2)	4,298	2,302
Other receivables	26,754	25,193
Income tax-deducted at source	947,780	684,354
Prepaid expenses	100,579	111,210
	1,352,880	1,143,791

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.



12.1 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	64,987	74,194
	114,555	160,306
12.2 Security and other deposits		
House rental	520	520
Telecommunications	527	527
Central Depository System	500	500
Other services	2,751	755
	4,298	2,302

13 Cash and Cash Equivalents

	2013	2012
	Taka'000	Taka'000
Cash in hand	610	404
	610	404
Cash at banks		
In current accounts	1,043,966	81,745
In Short Term Deposit accounts	117,595	61,354
In Short Notice Deposit account	3	-
	1,161,564	143,099
	1,162,174	143,503

14 Share Capital

14.1 Authorized capital	2013	2012
	Taka'000	Taka'000
1,400,000,000 ordinary shares of Tk. 10 each	14,000,000	14,000,000

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 8 September, 2011. Moreover, face value of each ordinary share has been denominated from BDT 100 to BDT 10 at 4 December 2011.

14.2 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
14.3 Paid up capital		
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
	11,613,735	11,613,735



14.4 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
		1,161,373,500	1,161,373,500	100.00	100.00

14.5 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
	20,198	23,951	100.00	100.00

14.6 Retained Earnings

	2013	2012
	Taka'000	Taka'000
Balance at 1 January	(1,224,788)	(2,709,843)
Income for the year	2,073,897	1,485,055
Balance at 31 December	849,109	(1,224,788)

14.7 Other Components of Equity

	2013	2012
	Taka'000	Taka'000
Cash flow hedge (Note 14.8)	-	(487)
Exchange differences on translating foreign operation	(2,712)	79,758
	(2,712)	79,271



14.8 Cash flow hedge instruments

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.

15 Long Term Debt

15.1 Long portion	2013	2012
	Taka'000	Taka'000
Name of lenders		
AB Bank Limited	-	8,356
	-	8,356
15.2 Current portion		
Name of lenders		
International Finance Corporation	-	1,122,375
Asian Development Bank	-	455,857
European Investment Bank	-	837,430
AB Bank Limited	-	27,883
	-	2,443,545

16 Deferred Tax Liabilities

	2013	2012
	Taka'000	Taka'000
The tax effects of temporary differences that resulted in deferred tax liabilities and assets.		
Deferred tax liabilities		
Property, plant and equipment	2,432,162	3,328,003
	2,432,162	3,328,003
Deferred tax assets		
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
	1,224,510	612,200
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.		

17 Employee Benefits

	2013	2012
	Taka'000	Taka'000
Gratuity scheme (Note- 17.1)	118,989	97,380
Stock Appreciation Rights (Note- 17.2)	9,369	8,327
	128,358	105,707
17.1 Contribution to gratuity scheme		
Balance at 1 January	97,380	63,322
Current service cost	23,020	35,907
Benefits paid during the year	(1,411)	(1,849)
Balance at 31 December	118,989	97,380



17.2 Provision for stock appreciation rights (SAR)

	2013	2012
	Taka'000	Taka'000
LEA 2009		
Balance at 1 January	4,979	8,881
Cancellation	-	(3,902)
Balance at 31 December	4,979	4,979
LEA 2011		
Balance at 1 January	3,348	695
Current year addition	1,042	2,653
Balance at 31 December	4,390	3,348
	9,369	8,327
Stock Appreciation Rights (SAR)		
These are the global programmes 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.		
	-	780

18 Derivative Instruments-Liabilities

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.

19 Trade Payables

	2013	2012
	Taka'000	Taka'000
Raw materials	245,417	251,070
Packing bags	146,009	70,603
Marketing expenses	6,591	35,848
Distribution cost	161,694	114,654
Computer expenses	114,359	114,597
Audit fee	1,350	1,448
Maintenance	92,910	45,199
Administrative office expenses	28,086	50,456
General assistance fee (Note- 19.1)	288,286	304,884
Trademark license fee (Note- 19.2)	288,285	304,884
Gas bill	147,588	134,001
Operation and maintenance bill-Power Plant	24,685	12,069
Discount on sales	91,318	78,156
Advances paid by customers	321,059	64,224
Self insurance (Note- 19.3)	735	9,104
Others	61,821	231,446
	2,020,193	1,822,643



19.1 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).

19.2 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).

19.3 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.

20 Other Payables

	2013	2012
	Taka'000	Taka'000
Payables to supplier of property, plant & equipment	67,225	77,426
Accrued interest and commitment fees	8,325	63,728
Payable to employees	93,701	95,246
Workers' Profit Participation and welfare Fund	144,400	112,589
Income tax & VAT deducted at source	89,492	84,190
	403,143	433,179

21 Short Term Debt

	2013	2012
	Taka'000	Taka'000
Bank overdraft facilities (Note- 21.1)	-	80,643
Short term credit facilities (Note- 21.2)	1,423,829	1,382,733
	1,423,829	1,463,376
21.1 Used bank overdrafts facilities		
Standard Chartered Bank	-	52,850
Trust Bank Limited	-	4,634
Citibank N.A.	-	23,159
	-	80,643
21.2 Used short term credit facilities		
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

22 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
Balance at 31 December	173,282	115,592



23 Commitments and Contingencies

23.1 Commitments	Less than 1 year	1 to 5 years	More than 5 years	At Dec 31, 2013	At Dec 31, 2012
Commitments given					
Commitments related to operating activities					
Purchase commitments	837,548	-	-	837,548	536,857
Capital expenditure commitments	54,150	-	-	54,150	79,667
Operating leases	35,911	119,029	-	154,940	158,186
Guarantees given	3,168	297,476	7,301	307,945	315,577
Commitments related to financing operations					
Assets pledged	-	-	-	-	13,477,050
Other commitments	-	-	-	-	84,492
Commitments received					
Guarantees received	597,243	-	-	597,243	502,410

23.2 Contingent Liability and Claims

	2013	2012
	Taka'000	Taka'000
Contingent liability		
<p>Clinker production of the Company at the plant got stopped from April 2011 due to the stoppage of supply 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 current agreement with Jalalabad Gas, the Company needs to take a minimum quantity failing which the Company 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 the Company has good chance of getting a favourable judgement. An amount of BDT 568 million was accumulated provision in this respect.</p>	568,515	568,515
<p>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.</p>	35,066	21,747
<p>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.</p>	74,157	74,157



	2013	2012
	Taka'000	Taka'000
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	-
Claims		
a. Claims against the Company not acknowledged as debt	Nil	Nil
b. Claims by the Company not acknowledged as receivable	Nil	Nil

24 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
	11,330,374	10,640,061
*Sale of gray cement		
Local sales	8,529,981	8,560,810
Export in Export Processing Zone	1,377	15,734
	8,531,358	8,576,544

25 Cost of Sales

	2013	2012
	Taka'000	Taka'000
Opening finished goods and work in process (Note 39)	303,402	503,658
Raw materials consumed (Note 25.1)	4,110,265	4,012,691
Toll manufacturing	185,146	-
Power and fuel consumed	941,121	827,030
Production and maintenance overhead (Note 25.2)	1,060,032	971,679
General and social expenses (Note 25.3)	305,467	267,047
Distribution cost to customers	371,868	275,296
Internal distribution cost	634,333	638,930
Closing finished goods and work in process (Note 39)	(159,585)	(303,402)
	7,752,049	7,192,929



25.1 Raw materials consumed	2013	2012
	Taka'000	Taka'000
Limestone	2,891,001	2,720,399
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
	4,110,265	4,012,691
25.2 Production and maintenance overhead		
Salary, allowances and benefits	195,241	172,864
Contributions to employees' benefit schemes	12,900	15,959
Maintenance	122,607	57,090
Other supplies and spares	142,534	150,545
Material handling	101,690	95,636
Other expenses	1,966	2,297
Technical studies	6,871	4,881
Depreciation (Note- 6.2)	476,223	472,407
	1,060,032	971,679
25.3 General and social expenses		
Salary, allowances and benefits	72,359	56,193
Contributions to employees' benefit schemes	3,599	2,783
Staff welfare expenses	16,853	14,410
Training, seminars and meeting	2,778	1,848
Travelling	2,794	5,059
Rent	696	606
Gas, electricity and water	53	32
Telephone, fax and postage	2,035	1,928
Office maintenance	42,508	39,134
Security services	23,830	23,616
Printing and stationery	931	737
Computer expenses	26,529	18,250
Other supplies and spares	17,650	10,820
Other office expenses	2,670	3,144
Consultancy	1,898	1,616
Vehicles running expenses	13,907	11,646
Corporate social activities	6,447	9,653
Insurance	67,930	65,572
	305,467	267,047

26 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



	2013	2012
	Taka'000	Taka'000
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)	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
Administrative 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
	738,674	678,765
26.1 Audit and Tax Advisory Fees		
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
	1,609	1,551

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
	152,429	153,284



28 Other Operating (expenses)/Income

	2013	2012
	Taka'000	Taka'000
Loss on sale of property, plant and equipment	(4,961)	(31,210)
Sale of miscellaneous scrap items	4,176	3,044
Cancellation of provisions	3,421	7,241
Insurance claim received(28.1)	170,533	-
Others	303	46
	173,472	(20,879)

28.1 Last year, the Company filed an insurance claim against business interruption arising from machinery breakdown in Lafarge Surma Cement

Limited (LSC). During the period, an amount of Taka 170,533 (in thousand) has been received from the insurance company as final settlement of the claim.

29 Finance Costs and Income

	2013	2012
	Taka'000	Taka'000
Interest on long term debt	27,866	158,182
Interest on short term debt	132,052	148,629
Exchange loss	-	105,630
Other finance costs	11,383	74,736
Bank charges and commission	20,314	13,690
Finance costs	191,615	500,867
Interest on loan to subsidiary company (note- 9)	32,397	45,467
Interest Income on Bank Deposits	157	391
Exchange gain	41,972	-
Finance income	74,526	45,858
Net finance costs	117,089	455,009

30 Income Tax

	2013	2012
	Taka'000	Taka'000
Current income tax	57,690	53,445
Deferred income tax	612,018	600,695
	669,708	654,140

31 Earnings Per Share

	2013	2012
	Taka'000	Taka'000
The computation of basic earnings per share for the years ended 2013 and 2012 are as follows:		
NUMERATOR (Thousand Taka)		
INCOME FOR THE YEAR- ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	2,073,897	1,485,055
DENOMINATOR (Thousands of Shares)		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	1,161,374	1,161,374
TOTAL POTENTIAL DILUTIVE SHARES	-	-
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING- DILUTED	1,161,374	1,161,374
BASIC EARNINGS PER SHARE	1.79	1.28
DILUTED EARNINGS PER SHARE	1.79	1.28



32 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 BAS 24.

Name of the Party and relationship	Nature of transaction	Transaction value during the Year	Receivable/ (Payable) amount '000 at 31 Dec 2013
Lafarge Asia SDN BHD-Group Company	Intercompany services/Technical assistance	26,422	(111,554)
Lafarge Halla Cement Limited-Group Company	Intercompany services	3,238	(1,449)
Lafarge Cement UK-Group Company	Intercompany services	-	(33,423)
Lafarge S.A.-Group Company	Technical assistance/Trademark license	143,709	(482,945)
Cementia Asia SDN BHD-Group Company	Travel expenses	-	(25,636)
Cementos Molins-Group Company	Trademark license/Travel expenses	90,497	(261,046)
Eastern Housing Ltd.-Shareholder	Cement sales	10,840	1,847
Sinha Textile Ltd.-Shareholder	Cement sales	1,178	87
Aftab Bahumukhi Farms Ltd.-Shareholder	Cement sales	8,558	868
Bengal Development Corporation-Shareholder	Cement sales	-	(16)
Opex Group-Shareholder	Cement sales	674	5
Shikharaa Developments Ltd-Shareholder	Cement sales	5,247	330
Sinha Peoples Energy Ltd-Shareholder	Cement sales	15,882	817

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

33 Directors', Managers' and Officers' Remuneration

	2013	2012
	Taka'000	Taka'000
Salary, allowances and benefits	251,583	194,800
Contributions to employees' benefit scheme	16,269	14,296
Reimbursable expenses	12,441	9,213
	280,293	218,309

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

34 Financial Instruments

34.1 Credit risk

Credit risk represents the financial loss to the Company if a customer or counterparty to a financial instrument fail to meet its contractual obligations. It mainly comprises of trade receivables, advances to suppliers, trade deposits and bank balances. The Company's maximum exposure to credit risk at the reporting date is trade receivable. To mitigate the credit risk against trade receivable, the Company has a system of specific credit line period to the customer. This outstanding period and amount are regularly monitored. The Company has obtained Bank Guarantees from all trade customers. A large part of non trade customers are also covered by Bank Guarantees.

Maximum exposure to credit risk of the Company at reporting date are as follows:

	2013	2012
	Taka'000	Taka'000
Trade receivables (Note- 11)	799,536	711,629
Other receivables excluding prepaid expenses- (Note- 12)	1,252,301	1,032,581
	2,051,837	1,744,210



34.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient resources and

arrangement of credit lines with the various banks for managing its liquidity risk.

Contractual maturity analysis for financial liabilities of the Company at reporting date are as follows:

	Carrying amount Taka'000	6 months or less Taka'000	From 6 to 12 months Taka'000	From 1 to 5 years Taka'000
Trade payables	2,020,193	1,491,908	528,285	-
Other payables	403,143	335,918	67,225	-
Short-term debt	1,423,829	1,423,829	-	-
Balance at 31 December 2013	3,847,165	3,251,655	595,510	-
Long-term debt	8,356	-	-	8,356
Trade payables	1,822,643	1,202,323	620,320	-
Other payables	433,179	355,753	77,426	-
Current portion of long term debt	2,443,545	1,449,167	994,378	-
Short-term debt	1,463,376	1,463,376	-	-
Derivative instruments	780	780	-	-
Balance at 31 December 2012	6,171,879	4,471,399	1,692,124	8,356

34.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and other price risks. The objective of market risk management is to manage and control market risk exposures within an acceptable range. The Company uses derivative instruments to hedge exposure to exchange rate and interest rate risks.

a) Foreign currency risk

The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on its certain short & long term debts and purchases that are denominated in foreign currencies. Majority of the Company's foreign currency transactions are denominated in INR, USD, EURO, and GBP. The Company also has exposure in foreign currencies relating to some services.

Exposure to currency risk of the Company at reporting date are as follows:

Balance at 31 December 2013	BDT'000	INR'000	USD'000	EUR'000	GBP'000
Foreign currency denominated assets					
Investment in subsidiaries	517,181	411,736	-	-	-
Loan to subsidiary company	824,393	-	10,603	-	-
Accrued interest	219,315	-	2,821	-	-
Cash and cash equivalents	262	-	2	1	-
Total	1,561,151	411,736	13,426	1	-
Foreign currency denominated liabilities					
Trade payables	232,605	87,700	1,061	374	-
Other payables	90,354	-	24	519	258
Short-term debt	1,423,829	-	18,313	-	-
Total	1,746,788	87,700	19,398	893	258



Balance at 31 December 2012	BDT'000	INR'000	USD'000	EUR'000	GBP'000
Foreign currency denominated assets					
Investment in subsidiaries	599,651	411,736	-	-	-
Loan to subsidiary company	1,105,620	-	13,859	-	-
Accrued interest	294,902	-	3,697	-	-
Cash and cash equivalents	344	-	3	1	-
Total	2,000,517	411,736	17,559	1	-
Foreign currency denominated liabilities					
Trade payables	615,145	165,798	4,357	248	-
Other payables	187,920	-	404	1,162	258
Current portion of long term debt	2,415,662	-	30,280	-	-
Short-term debt	1,232,763	-	15,453	-	-
Total	4,451,490	165,798	50,494	1,410	258

Exchange rate sensitivity

If the BDT increases in value against a currency, the value in BDT of assets, liabilities, income and expenses originally recorded in the other currency will decrease. Conversely, if the BDT decreases in value against a currency, the value in BDT of assets, liabilities, income and expenses originally recorded in the other currency will increase. Consequently, increases and decreases in the value of the BDT may affect the value in BDT of our non-BDT assets, liabilities, income and expenses, even though the value of these items has not changed in their original currency.

A change of 50 basis points (bp) in foreign currencies would have increased/(decreased) equity and profit or loss of the Company by the amounts shown below.

Particulars	2013 Estimated impact on profit/loss and equity (+/-) Taka'000	2012 Estimated impact on profit/loss and equity (+/-) Taka'000
Assets denominated in USD	5,219	7,004
Assets denominated in INR	2,586	2,998
Debt denominated in USD	7,119	18,242
Other liabilities denominated in USD	422	1,899
Other liabilities denominated in EUR	477	742
Other liabilities denominated in GBP	165	167
Other liabilities denominated in INR	881	1,207

b) Interest rate risk

The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its loan to subsidiary company (LUMPL).

Interest rate sensitivity

A +/- 1% change in short-term interest rates calculated on the net floating rate assets (loan to subsidiary), would have a maximum impact on the Company's 2013 income before tax of +/- Taka 8,244 (Taka 19,502 for 2012) in thousand.



Interest bearing financial instruments of the Company at reporting date are as follows:

	2013	2012
	Taka'000	Taka'000
Financial assets		
Loan to subsidiary company		
Floating-rate portion	824,393	1,105,620
Fixed-rate portion	-	-
	824,393	1,105,620
Financial liabilities		
Debt*		
Floating-rate portion	-	1,304,718
Fixed-rate portion	-	1,147,183
Short-term bank borrowings	1,423,829	1,463,376
	1,423,829	3,915,277
<i>* Including the current-portion of long-term debt.</i>		
Interest rate hedging activity		
Debt	-	2,451,901
Net position before hedging	-	2,451,901
Hedging instruments	-	273,514
Net position after hedging	-	2,178,387

c) Other price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk and currency risk. The Company is not exposed to any equity risk, as the Company does not have any investment in equity shares. The Company also does not have any significant exposure to commodity price risk.

34.4 Fair values

The following details the cost and fair values of financial instruments:

FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION

At 31 December Thousand Taka	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Financial assets at fair value through profit and loss				
Accrued interest	219,315	219,315	294,902	294,902
Loans and Receivables at amortized costs				
Investment in subsidiaries	517,181	517,181	599,651	599,651
Loan to subsidiary company	824,393	824,393	1,105,620	1,105,620
Trade receivables	799,536	799,536	711,629	711,629
Other receivables	1,352,880	1,352,880	1,143,791	1,143,791
Cash and cash equivalents	1,162,174	1,162,174	143,503	143,503



At 31 December Thousand Taka	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
LIABILITIES				
Financial liabilities at amortized cost				
Long term debt (including current portion)	-	-	2,451,901	2,451,901
Trade payables	2,020,193	2,020,193	1,822,643	1,822,643
Other payables	403,143	403,143	433,179	433,179
Short-term debt	1,423,829	1,423,829	1,463,376	1,463,376
<i>Derivative instruments</i>	-	-	780	780

35 Number of Employees

	2013	2012
	Taka'000	Taka'000
Lafarge Surma Cement Limited		
Nationality:		
Bangladeshi	384	356
Non-Bangladeshi	5	4
	389	360
Salary range:		
Monthly Taka 3,000 or above	389	360
Monthly below Taka 3,000	Nil	Nil

36 Expenditure in Foreign Currencies

	2013	2012
	Taka'000	Taka'000
Technical assistance	45,159	42,294
Interest and fees on long term debts	58,535	98,718
Travel expenses	654	3,053
	104,348	144,065

37 Earnings in Foreign Currencies

	2013	2012
	Taka'000	Taka'000
Interest on loan to subsidiary company	32,397	45,467

38 Materials Consumption (Note- 25.1)

	2013	2012
	Taka'000	Taka'000
In terms of value		
Imported	3,565,548	3,448,675
Indigenous	544,717	564,016
	4,110,265	4,012,691
In terms of Percentage		
Imported	87	86
Indigenous	13	14
	100	100



39 Opening and Closing Finished Goods and Work in Process (Note- 25)

Items	2013			2012	
	Unit	Quantity'000	Taka'000	Quantity'000	Taka'000
Grey cement	MT	56	245,643	48	247,733
Cement clinker	MT	16	54,532	67	248,548
Work in process	MT	2	3,227	5	7,377
Balance at 1 January		74	303,402	120	503,658
Grey cement	MT	29	130,541	56	245,643
Cement clinker	MT	6	22,035	16	54,532
Work in process	MT	5	7,009	2	3,227
Balance at 31 December		40	159,585	74	303,402

40 Installed Capacity and Actual Production (Figures in Thousand MT)

Products	Annual Installed Capacity	Actual Production	
		2013	2012
Grey cement	1,200	1,212	1,288
Cement clinker	1,150	1,292	1,155



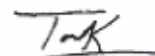
Finance Director



Company Secretary



Director



Chief Executive Officer



REPORT AND FINANCIAL STATEMENTS OF LAFARGE UMIAM MINING PRIVATE LIMITED

For the year ended December 31, 2013



LAFARGE UMIAM MINING PRIVATE LIMITED

Directors' Report

Dear Shareholders

The Board of Directors of Lafarge Umiam Mining Pvt. Ltd. (the "Company") has the pleasure in presenting to the members their report together with audited financial statements of the Company for the year ended on December 31, 2013.

State of the Company's Affairs

The year 2013 was a land mark year for your Company. During the year, the Nongtra Limestone Mine (the "Mine") achieved 100% export target by supplying two (2) million tones of limestone to the Surma Plant in Bangladesh (the "Plant"). The export target was achieved maintaining high quality of the limestone. The requirement of the availability of limestone at the Plant was paramount. Your Company ensured that despite several challenges the requirements were constantly met with the untiring efforts of the entire team. Your Company did their utmost and embattled to maximize the mines and crusher efficiency by regular maintenance of the mining equipment, the MMD Crusher and Long Belt Conveyor. As a result of such relentless efforts, the crusher reliability improved to 78% compared to 2012, which was 71% reliability. The introduction of a new fleet of mining equipments, like dumpers and excavators, ensured uninterrupted supply of two million tons of limestone from the Mine to the Plant.

The mining operations were done in full compliance with the Company's safety and environment policy and standards. The Company's safety performance has been appreciated and recognized with several awards during the North East Metalliferous Mines Safety Week, 2013 - 2014.

Your Company continues to comply with all environmental laws and regulations. Mining operations are consistent with sustainable development principles. This was achieved through a process of continuous improvements. Safe work practices and day-to-day works are integrated in environmental performance through the use of effective environmental management systems. In 2013, the quarry adopted certain effective measures aimed at protection of the environment, such as water sprinklers along the haul road and a fogger at the Crusher Hopper. These steps have contributed to the reduction of significant amount of dust emission.

Your Company is encouraged and motivated with the achievements of 2013 and continues to strive towards better results in the coming years.

Health and Safety

Health and safety is your Company's Number 1 Priority. Embracing this fundamental belief, your Company sets the goal of zero accidents. We are committed to provide a safe and healthy work environment for our stakeholders and to conduct operations in a safe manner.

With great pleasure we would like to inform that your Company was awarded first prize in overall performance for the third consecutive year during the North East Metalliferous Mines Safety Week, 2013 - 2014 (the "Mines Safety Week"). The Mines Safety Week was organized by the Directorate General of Mines Safety (DGMS), Ministry of Mines, and Government of India. 14 open cast Mines from the North-East region of India participated in the Mines Safety Week. To summarize its achievements in the Mines Safety Week, your Company secured first place in 6 categories. Those are: (i) Overall Performance; (ii) Explosive Handling; (iii) Survey Section; (iv) Open Cast Working Conditions; (v) Use of Protective Equipment; and (vi) Appointment of Officials. In addition to these awards, your Company also secured second place in the category of Publicity and Propaganda, and secured third place in the category of Condition of Machineries.

Your Company believes that safety is the core value that must be incorporated into all aspects of our lives. Safety ambitions can only be met by continuously driving safety awareness, and improving people's behavior towards safety, through demonstrating safety leadership and making it a priority in the business.

In 2013, a number of internal and external training programs were organized to make sure that there was no laxity in the safety rules. Ensuring health and safety of employees and contractor employees is challenging in Meghalaya. With bold and steady

