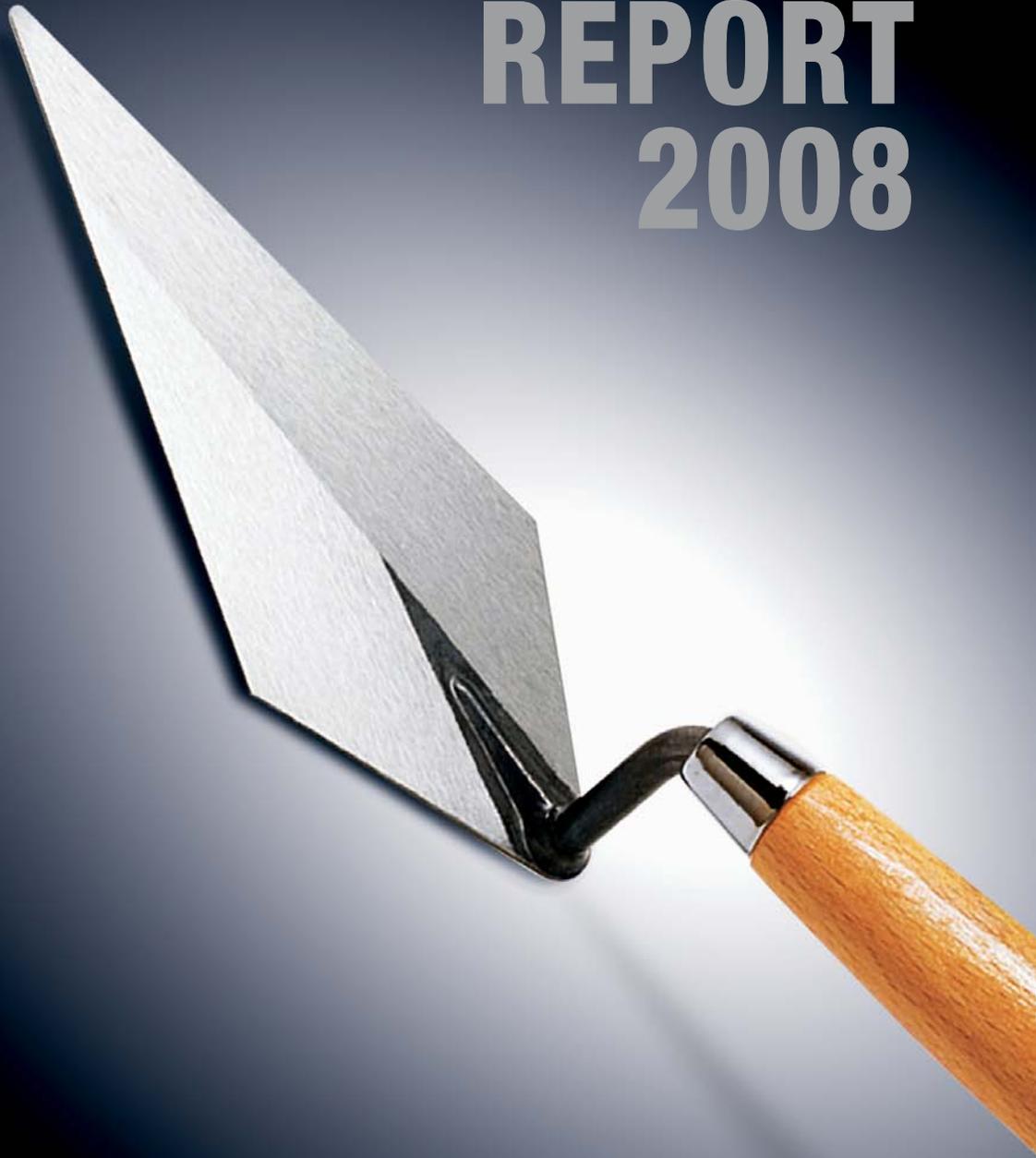


ANNUAL REPORT 2008



Lafarge Surma Cement Ltd.

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

ANNUAL REPORT

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Lafarge Surma Cement Ltd.

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



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Form of Proxy and Attendance Slip





Notice of the 11th Annual General Meeting of the Shareholders of Lafarge Surma Cement Limited

Notice is hereby given that the 11th Annual General Meeting (the "AGM") of the Shareholders of Lafarge Surma Cement Limited (the "Company") will be held on June 25, 2009 at 11:00 A.M. at the Committee Room "Harmony" of Bangladesh-China Friendship Conference Centre, Agargaon, Sher-e-Bangla Nagar Dhaka 1207 to transact the following business:

1. To receive and adopt the Balance Sheet as of December 31, 2008 and the Income Statement along with the Cash Flow Statement for the year ended on the same date and the reports of the Auditors and the Directors thereon.
2. To elect Directors.*
3. To appoint Auditors and fix their remuneration.

By order of the Board

Kazi Mizanur Rahman
Company Secretary

Dated: May 10, 2009

Registered Office:
65 Gulshan Avenue, 3rd floor, Gulshan 1, Dhaka 1212

Notes:

- (i) The Record Date of the Company is May 31, 2009. Trading of the Company's shares in the stock exchanges will remain suspended on the Record Date. Members, whose names will appear in the Company's register (certificated and depository) at the close of business on the Record Date, will be entitled to attend the AGM.
 - (ii) A Member eligible to attend and vote in the AGM is entitled to appoint a proxy to attend and vote on his/her behalf. No person shall act as proxy unless he/she is entitled to be present and vote in the AGM in his/her own right. The proxy form, duly stamped, must be deposited at the Registered Office of the Company not less than 72 hours before the time fixed for the AGM.
 - (iii) Admission into the AGM venue will be allowed on production of the Attendance Slip attached with the Proxy Form.
- * One of the two Directors appointed by the Public Shareholders in the 6th AGM has resigned. The Public Shareholders will elect their nominee in the 11th AGM to fill up this vacancy. Following is the election schedule for this purpose:
- (a) Filing of nomination at the Company's Registered Office by June 7, 2009 up to 5 p.m.;
 - (b) Withdrawal of nomination by June 10, 2009 up to 5 p.m.;
 - (c) Scrutiny of nomination will be completed by 11 a.m. on June 14, 2009;
 - (d) Notice on the final candidates will be displayed on the notice board at the Registered Office at 3 p.m. on June 14, 2009;
- Election Procedure, Nomination Forms will be supplied on request from the Company's Registered Office.

Corporate Management

Board of Directors



Martin Kriegner
Chairman



Michael Andrew Cowell
Managing Director



Jean Desazars de Montgailhard
Director



Jose Maria Fontdecaba
Director



Enrique de Bobes Pellicer
Director

Executive Committee

Mr. Michael Andrew Cowell, Managing Director
Mr. Masud Khan, Finance Director
Mr. Shaheed Siddique, Human Resources Director
Mr. Kuppuswamy Swaminathan, Commercial Director
Mr. Chang Jae Song, Plant Manager

Audit Committee

Chairman : Mr. Jose Maria Fontdecaba, Director
Member : Mr. Manzurul Islam, Director
Member : Mr. Michael Andrew Cowell, Managing Director
Member : Dr. Humayun Murshed, Independent Director

Company Secretary

Kazi Mizanur Rahman

Auditors

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



Manzurul Islam
Director



Anisur Rahman Sinha
Director



Syed Md. Moazzem Hussain
Director



Dr. Humayun Murshed
Independent Director



Shivesh Kumar Sinha
Director



Salvador Fernandez Capo
Director

Lenders

- IFC - International Finance Corporation
- ADB - Asian Development Bank
- EIB - European Investment Bank
- DEG - Deutsche Investitions und Entwicklungsgesellschaft mbH
- FMO - The Netherlands Development Finance Company
- ABB - AB Bank Limited
- SCB - Standard Chartered Bank

Security Agent

Citibank N.A.

Registered Office

65 Gulshan Avenue, 3rd floor
Gulshan 1, Dhaka 1212, Bangladesh
Telephone : (880 2) 8812026, 8854847
Fax : (880 2) 8825413, 8815167
Web : www.lafarge-bd.com
Email : info@bd.lafarge.com



Chairman's Message

I am delighted and honoured to welcome you all to the 11th Annual General Meeting of Lafarge Surma Cement Ltd. Once again, it is a unique opportunity for us to exchange views and ideas on the Company's activities and performance during the past year and its growth and potentials for the future.

Dear Valued Shareholders

The year 2008 was very significant for the Company. It was the first year of full operations of the Company. Our plant had smooth and uninterrupted operations throughout the year and has produced almost up to its full capacity. I take pleasure in informing you that the Company has been awarded the First Prize in 2008 for Plant Mastery and Industrial Cost, Best Improvement Cement-over-Clinker Ratio, from Lafarge Group. It is indeed an honor to receive such recognition and I congratulate the management for obtaining such an accolade.

I am indeed very happy to mention that, despite the lack of market growth of the overall Bangladesh cement market in 2008, your Company's brand "Supercrete" has acquired a respectable national market share and has established itself as a consistent high quality cement in the market. In core markets "Supercrete" has established itself as the "Customers Preferred Choice Brand". The Company is working to cater to other segments of the market and in acquiring additional market share growth across the country.

Dear Shareholders

Despite ongoing challenges, your Company earned a respectable profit in the very first year of its full operations. However, you are aware of the fact that your Company had significant amount of past accumulated loss up to the end of 2007. The Board of Directors of your Company therefore recommended not to declare any dividend for the year 2008. This has been done in order to strengthen the financial position of the Company and safeguard the long term interests of the shareholders and the long term future of the Company.



Dear Shareholders

Your Company is committed to the overall development of the Country's economy. As the only integrated dry process cement plant in Bangladesh producing local clinker and cement, the Company is saving about USD 70 million in foreign currency for the country per year.

Dear Shareholders

Safety is our number one priority. Your Company has adopted world class standards to ensure health and safety at all sites. Our employees are at the heart of the Company and we care for the wellbeing of the employees and their families. We expect every worker to go home as safe and well as when they arrived for work.

With this goal in mind your Company has initiated a safety initiative called Visual Felt Leadership or VFL. In this initiative every member of the Senior Management of the Company pays safety visits to various sites of the Company every month and interacts with workers on a one to one basis explaining and demonstrating their personal commitment to safety. This initiative is designed to influence the behavior of all workers to work in a safe manner ensuring implementation of our safety policies and guidelines. The VFL initiative is designed on proven methods that have been successful throughout the world to make companies a safer place. We understand that this ambitious goal of ensuring our workers are always safe will take dedication, effort and commitment but be rest assured that your Company's management is fully committed to ensure its success.

Dear Shareholders

Having a firm belief that Business is our priority but social welfare is our responsibility, the Company has been undertaking a variety of community uplift activities around its operations at Chhatak and in Meghalaya.

The long term programs in health, education and women entrepreneurship development for the project rehabilitated people near the cement plant Chhatak and in the villages along the long belt conveyor have already begun to show visible marks of positive changes in their lives. Once denied of the opportunities of education, children of the rehabilitated people now enjoy learning through academic pursuits organized by the company. While the health-care centre is dedicated to treat the local people, satellite clinics are organized in remote villages so as to deliver basic health-care facilities to the doorsteps of the villagers.

On the women entrepreneurship development front, there have been spontaneous response to the vocational training opportunities extended by the company. After receiving the training, most of the trained women have begun to engage themselves in small enterprises thus giving them self income generation opportunity.

Apart from these, Lafarge Surma Cement Limited has always been responsive to the need of disaster mitigation in Bangladesh. It may be recalled that the company had donated Tk. 1 crore to the welfare fund of the government aftermath the devastating cyclone SIDR. It also contributed significantly to the ICDDRB in its efforts to help victims of diarrhea and cholera in the wake of the recurring floods in the country.

Dear Shareholders

We note with gratitude your unflinching support during our challenging times. Without your active support and contribution, your Company would not have reached the excellent stage it is today. However, you are fully aware of the current challenges faced by the Company. Despite the global recession, the GDP growth of Bangladesh is expected to remain within 5% to 6% with a steady growth in cement market. Your Company is fully poised to tap this growing opportunity. Our goal remains to become the undisputed leader in the cement market in Bangladesh. With your active support, we are committed to make this happen.

Date: Dhaka, May 17, 2009

Martin Kriegner

Chairman





Corporate Governance

Lafarge Surma Cement Limited believes that the best practices in corporate governance are very crucial to enhance and retain shareholders confidence. The Board of Directors of the Company possess clear understanding of their responsibilities and seek to adopt sound corporate governance by disclosures which enhance long-term shareholders value and also helps the Company to be a good corporate citizen.

Corporate Governance Guidelines

The Company supports the principles of good corporate governance based on its principles which include transparency and high degree of corporate governance standards. We value open communication to all shareholders as on how the Company is run internally, compliance with the laws of all the countries in which we operate in, and the foremost, that the management is the trustee of the shareholders capital and not the owner.

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

Code of Business Conduct

Over the years, the Board has developed Code of Conduct that guides all the functions of the Company underlining ethical practices. The Code helps ensure compliance with legal requirements and our standards of business conduct. All Company employees are expected to read and understand this Code of Business Conduct, uphold these standards in day-to-day activities, comply with all applicable policies and procedures, and ensure that all contractors are aware of, understand and adhere to these standards.

Composition of the Board

The Board of Directors of the Company comprises of twelve Directors. The Managing Director is the only Executive Director of the Board with responsibility for the overall management of the Company. Of the twelve Directors, seven are representatives from the major sponsor namely Surma Holding B.V., which is a 50:50 joint venture of Financiere Lafarge S.A.S. of France and Cemolins Internacional S.L. of Spain. Two highly reputed local sponsors namely Islam Cement Ltd. and Sinha Fashions Ltd. have nominated their Chairmen in the Board. Further, as per the requirement of the Securities and Exchange Commission there were two Directors



from public shareholders, that is, the nominees of AB Bank Ltd. and Delta Life Insurance Company Ltd., who were elected in the 6th Annual General Meeting to represent the general investors. As the nominee of AB Bank has resigned from the Board in July 2007 the public shareholders shall elect one Director in the 10th Annual General Meeting. As per the directive of the Securities and Exchange Commission vide its notification dated 20 February 2006, the Company in its Board Meeting dated May 4, 2006 elected one Independent Director.

The Company's Board is represented by international and local Directors. This composition placed the Board in an advantageous position to blend international business practices and standard with the local traditions and good practices. The Company is benefited with the advanced technical know-how and practices of the technologically developed work as well as local values.

Role and Responsibility of the Board

The Board of Directors is the ultimate authority for the overall management of the business and performance of the Company within the framework of prevailing legislations. It guides the Management of the Company to ensure and uphold the highest interest of the shareholders.

The Board of Directors meets at least once a quarter. Four meetings of the Board were held during the year ended on December 31, 2008.

For the purpose of efficient and effective Management of the Company, the Executive Committee, under certain specific direction of the Board, runs the day to day business of the Company. The Executive Committee is comprised by the functional directors and headed by the Managing Director, who is also a member of the Board. The Executive Committee meets every week to evaluate the day to day operations of the Company. The senior management of the Company meets with the Executive Committee once in a month to evaluate performance of the Company and to ensure best performance. Apart from these formal meetings the functional directors and senior management are in constant touch on a daily basis for smooth and effective running of the business of the Company.

Communications with our Shareholders

The Company is committed to maintain transparent and trustworthy relationship with the shareholders. The Company communicated the Annual Report and Half Yearly Reports, containing among others, the audited financial statements of the Company in compliance with the requirement of the Securities and Exchange Commission and the Stock Exchanges. The Company also published two numbers of Price Sensitive Information in the widely circulated daily newspapers. To protect interests of the shareholders, the Company promptly responded to any query raised by Securities and Exchange Commission and Stock Exchanges.

Shareholders have been participating in the open discussions with the Board of Directors in the Annual General Meetings and on many occasions their valuable suggestions are duly noted. Above all, the Secretariat of the Company is open to all the shareholders on all office days and the shareholders communicate with the Company openly. The Secretariat also maintains a Complain Box. If any of our shareholders face any problem in communication with the Company, they can drop complain, which will be directly addressed by senior management of the Company.

Accountability and Audit

The Board of Directors reviews the annual consolidated financial statements before these are submitted to the auditors for their report for adoption by the shareholders in the general meeting.

In compliance with the Order of the Securities and Exchange Commission dated 20 February 2006 the Board has formed an Audit Committee. Four Directors of the Company are the members of the Audit Committee including the Independent Director. The Audit Committee meticulously reviews the financial position once in every quarter and ensures that the financial statements are being run by the Company management as per the highest international standard and practice. The report of the Audit Committee is also published in the Annual Report of the Company. The Audit Committee held three meetings in 2008.

Compliance with Legal Requirements

The Company takes pride to be a law abiding corporate citizen in the countries where it has operations. Our corporate governance is aimed at full compliance with the applicable laws without any compromise. The Board of Directors therefore, gives highest priority and zero tolerance upon compliance with statutory requirements governing the industry and adherence to the International Accounting Standards/International Financial Reporting Standards and requirements of the Securities and Exchange Rules and other applicable laws to maintain reputation of the Company.



Report of the Board of Directors to the Shareholders

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

Dear Shareholders:

The Directors of Lafarge Surma Cement Ltd. (the "Company") have the pleasure in welcoming you to the 11th Annual General Meeting and presenting their report on the state of the Company's affairs and the audited financial statements of the Company for the year ended on December 31, 2008.

State of the Company's Affairs:

The year 2008 was very significant for your Company. For the first time since its inception, your Company had full production through the year. Continuous production of high and consistent quality clinker and cement throughout the year has demonstrated the quality and reliability of the sophisticated and modern machineries of the Company's cement plant. The year 2008 was also the first full year of commercial activities of your Company.

Safety and Security:

Safety continues to be the number one priority for your Company. Accordingly, an endeavor has been devoted for improvement of safety performance in all the activities of the Company through implementation of safety behavioral change among Company and its contractors' employees. During the year under review, there was no fatal injury. There were, however, two lost time injuries related to contractors' employees. The month of June 2008 was observed as the "Safety Month", which contributed towards improving the safety awareness, and changing safety behavior and culture through discussions, sharing and visible engagement and video presentations, which were enthusiastically participated by the Company and the contractors' employees. The safety month was a success step towards making commitment to safety. The month of August was observed as the "Near-miss Incident Reporting Awareness Month" to improve reporting of near-miss incidents with an objective of eliminating major or minor accidents in the Company taking proactive measures.



In view of further improving the Company's safety performance, a safety improvement plan is currently under implementation at all operational sites. The main objective of this plan is to increase safety awareness and strengthen the safety behavior among all working personnel to sustain elimination of fatal injury and further minimization of lost time injuries. The safety improvement plan includes implementation of safety standards and advisories on incident reporting and investigation, working at height, personal protective equipment, mobile equipment advisory, conveyer safety etc. A regular monitoring is in practice with emphasis on safety supervision to establish safe work practices at all sites for all safety critical activities.

The Company has implemented a full-fledged security plan to safeguard all assets, which include people, property, reputation, etc. of the Company at all operational sites. Security agencies have been engaged at different sites, who are working under supervision of the Company's security consultants and officers.



Production Performance:

The Surma Plant at Chhatak, Sunamganj, the only integrated dry process State of the Art cement plant in Bangladesh, had a full year of operations for the first time in 2008. Stable operations of the cement plant led to the achievement of a significant milestone when production crossed one million tonne of clinker.

During 2008, main thrust was given to identifying and eliminating the bottlenecks for continuous production.

In the year 2008, your Surma Plant has won award from the Lafarge Group for Plant Mastery and Best Improvement in Cement-over-Clinker ratio.

People development and performance enhancement are the two key initiatives being practiced in the Surma Plant. This has enabled major maintenance of the Kiln with minimum external support.

At Surma Plant, State of the Art IT tools like QIMS (Quality Information Management System), IP21 (a software to monitor Plant Operating System), ADAP (Advanced Down time Analysis Program), MAXIMO (a system for Maintenance Inspection, Planning, Scheduling of all equipment) etc. have been in practice which has contributed significantly towards achieving better performance.

Development of local vendors for spare parts manufacturing indigenously and exploring skills in local market to reduce dependency on external experts are the key areas being initiated for long term sustainability of the plant. At the same time, many initiatives have been taken for continuous development of the local community.

Commercial Performance:

Your Company had full year of production, for the first time, in 2008. During this year your Company had an excellent commercial performance. During this year your Company acquired a respectable national market share. During this very first year of full production, your Company has become one of the leading players in real estate segment in Dhaka and the Company's brand SUPERCRETE is used in many prestigious projects in Bangladesh. Your Company made these achievements despite the fact that in 2008 there was no cement market growth in Bangladesh compared to 2007.



Your Company is working on continuous improvement of distribution system in order to reach the entire Bangladesh market in the most cost effective and efficient manner. Your Company made improvement by deploying a fleet of dedicated trucks and opened terminals at Sylhet and Dhaka. Terminals are operational for 24 hours to give better service to the customers. The terminals are well equipped with IT infrastructures with online ordering and dispatch system.

The quality of your Company's product is monitored continuously and the customers perceive SUPERCREETE as a high quality and consistent cement.

Your Company has done extensive advertisement and brand promotional activities through active participation in Trade Fairs, Wall painting, Radio, Billboard and Event sponsorships.



Customers continue to remain the central focus of the Company. The Company emphasizes on ensuring quality products and looks for new product development to cater the needs of the customers. The Company's vision is to be the reference supplier with preferred choice cement.

Your Company believes in continuous improvement. The management of the Company is conducting customer satisfaction surveys to understand its brand value and identify areas of improvement. With this positive attitude in mind, your Company thrives for continuous improvement in brand equity.

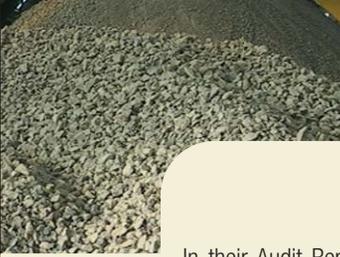
Financial Performance:

The Directors take pleasure in reporting the Financial Results of the Company for the year ended 31 December 2008:

	Tk 000s	
	2008	2007
Profit before tax	940,982	(1,136,612)
Income tax	(305,787)	281,229
Net profit/(loss) after tax	635,195	(855,383)
Transfer to unappropriated profit	635,195	(855,383)
Earnings per share	10.94	(14.73)

The Consolidated Financial Results of the Company for the year ended 31 December 2008 are as follows:

Profit before tax	483,860	(1,377,760)
Income tax	(307,327)	281,229
Net profit/(loss) after tax	176,533	(1,096,531)
Transfer to unappropriated profit	176,533	(1,096,531)
Earnings per share	3.04	(18.88)



In their Audit Report to the shareholders, the auditors have invited the attention to the financial statements of LUMPL being prepared on a going concern basis as the net worth of the subsidiary company has been fully eroded by accumulated losses. The losses were due to the high foreign exchange loss in 2008 as a result of severe devaluation of the Indian Rupee against the US dollar and the unavoidable circumstances on account of regulatory issues which led to interruption in production in 2007. Your Company is confident that the future production in the quarry will generate sufficient cash and profits to enable LUMPL to recover its past accumulated losses within the shortest possible time.

Dividend:

In view of the large consolidated accumulated loss and the low consolidated EPS for 2008, in order to strengthen the financial position of the Company and safeguard the long term interests of the shareholders and the long term future of the Company, the Board of Directors of the Company did not recommend any dividend for the year 2008.

Human Resources:

The Company continues to invest in human capital. A rigorous selection and recruitment process is undertaken to ensure that the best talents are recruited. Suitable training programs, both on the job and external are organized to ensure that the employees develop and retain the right skills for the job. In addition, development plans are drawn up for key managers and these are followed up. At the plant, there is emphasis to harness and develop local talent.

The Company also continues to offer compensation and benefits comparable to the industry to ensure that the employees remain motivated, provide them a long term career and make this Company as an employer of choice.

Corporate Social Responsibility:

Lafarge Surma Cement Limited is committed to contribute to sustainable development by ensuring economic competitiveness together with actions to strengthen the society and preserve the environment. As clearly stated in its vision, the Company integrates the responsibility towards the stakeholders in its management and operations.



Your Company makes continuous endeavours to earn the support and trust of all stakeholders, the most important one being the people living near its operation areas. It works in partnership with the local communities to address their concerns and also to help them in their socio-economic development pursuits. The Company wants to be regarded as a good neighbour by the local community and hence, it has in place an effective Community Development Programme which envisages appropriate efforts to bring about a "positive change" in the life style of the local people. The programme provides opportunities for non formal education of the children, health-care of all Project Affected People, vocational training for women and sports and cultural activities. All these activities have already begun to show signs of improvement among the people in the vicinity of the cement plant at Chhatak and the quarry in Meghalaya.

The health-care programme has given a big relief to the local community. They can now depend on a qualified physician within their periphery to receive treatment for their illnesses. Besides, the physician along with medicines organizes satellite clinics in remote villages along the long belt conveyor to take medicare to the doorsteps of the villagers. Medicines are given free of cost, while regular advisory sessions are held for women on topics related to nutrition, family planning etc. The Company also organizes eye camps and campaigns on immunization.



A substantial change is now observed in the lifestyle of the villagers who have been affected by the project but duly rehabilitated. Women, in particular, have contributed much to this positive change. After being trained in different vocations like sewing, embroidery, cattle rearing and candle making, most of them have engaged themselves in small enterprises that bring them home good income.

Another two hundred homesteads in the remote villages near the international border were given "heal safe" sanitary wares. All these measures have borne an appreciable impact in reducing health risks amongst the villagers.

Alongside its regular community welfare activities, the Company has been extending befitting assistance to the local communities during natural calamities. The Company distributed food relief amongst the villagers during Ramadan and also during periods of floods.

With the motto of *Business is a priority but social welfare is our responsibility* and the various community development activities being carried out in the vicinity of the cement plant and long belt conveyor at Chhatak, Lafarge Surma Cement Limited is fulfilling its commitment to add value to the lives of the people in the vicinity of its operations.



Directors:

The Company has eleven (11) Directors in the Board including the Managing Director. Pursuant to the provisions of the Companies Act, 1994, one third of the Directors, except the Managing Director, shall retire by rotation in every ordinary general meeting. Accordingly, four (4) Directors of the Company will retire at the 11th Annual General Meeting. The retiring Directors are Mr. Enrique de Bobes Pellicer (nominee of Surma Holding B.V.), Mr. Shivesh Kumar Sinha (nominee of Surma Holding B.V.), Mr. Manzurul Islam (nominee of Islam Cement Ltd.), and Dr. Humayun Murshed, Independent Director. Being eligible they offer themselves for re-election.

Mr. Faisal M. Khan (nominee of AB Bank Limited) resigned from the Board by a letter dated June 25, 2007, which was confirmed by a Board resolution of AB Bank Limited communicated to the Company on July 8, 2007. Mr. Khan was one of the two Directors appointed by the public shareholder in the 6th Annual General Meeting. To elect a Director from the public shareholders in the vacant position, before the previous (10th) Annual General Meeting, the Company asked for nominations from the public shareholders. Two nominations were submitted. However, both the candidates withdrew their nominations within the timeframe



for withdrawal of nominations. Accordingly, the public shareholders could not elect their representative in the Board in the 10th Annual General Meeting. The public shareholders shall elect their representative in the vacant position in the 11th Annual General Meeting.

Auditors:

Pursuant to Section 210 of the Companies Act, 1994, the Company's statutory auditors M/s, Hoda Vasi Chowdhury & Co., Chartered Accountants, retire at the 11th Annual General Meeting.

By Notification dated January 3, 2002 the Securities and Exchange Commission restricts appointment of any firm of chartered accountants as the statutory auditors for a consecutive period exceeding three years. Appointment of M/s, Hoda Vasi Chowdhury & Co. as the statutory auditors of the Company for the year ending on December 31, 2009 falls under the restriction of the Notification. However, on request from the Company, the Securities and Exchange Commission by letter dated May 14, 2009 has accorded clearance for re-appointment of the existing statutory auditors M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants, for the year ending on December 31, 2009.

Conclusion:

As you are aware, the world is now in the grips of recession. Bangladesh may also feel the effects of the slowdown with reduced remittances and a drop in exports. This may cause a slowdown in the real estate sector and the individual home building sector that are fuelled by incoming remittances.

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

For and on behalf of the Board of Directors



Martin Kriegner
Chairman

Date: Dhaka, May 17, 2009

Annexure 1

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

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

In 2007, supply of limestone from Meghalaya, India was interrupted for about seven months due to a regulatory issue in India. As a result, the clinker production of the Company at the cement plant in Bangladesh was stopped for a few months. The Company had the first year of full production in 2008.

- (h) Summary of key operating and financial data of preceding three years:

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

Income and expenses

	2008 Taka'000	2007 Taka'000	2006 Taka'000
REVENUE	6,211,938	2,399,876	153,190
Cost of sales	(3,836,583)	(2,284,166)	(111,872)
GROSS PROFIT	2,375,355	115,710	41,318
General and administrative expenses	(359,058)	(265,017)	(164,350)
Selling and distribution expenses	(131,575)	(107,248)	(35,185)
Other operating income	177,785	160,584	-
OPERATING PROFIT/(LOSS)	2,062,507	(95,971)	(158,217)
Finance expenses	(1,055,934)	(1,140,954)	(553,253)
Other (expenses)/income	(16,065)	100,313	92,811
Contribution to Workers' Profit Participation and Welfare Funds	(49,526)	-	-
NET PROFIT/(LOSS) BEFORE TAX	940,982	(1,136,612)	(618,659)
Income tax	(305,787)	281,229	105,065
NET PROFIT/(LOSS) AFTER TAX	635,195	(855,383)	(513,594)
Earnings per share (Taka)	10.94	(14.73)	(8.84)

Assets and liabilities

	2008 Taka'000	2007 Taka'000	2006 Taka'000	2005 Taka'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	13,341,043	13,554,366	13,550,833	10,278,889
Intangible assets	11,020	14,153	17,862	16,961
Investment in subsidiaries	519,893	519,893	519,893	1,800,581
Share money deposits	-	-	-	82,600
Loan to subsidiary company	1,240,560	1,233,900	1,243,541	993,150
Deferred income tax assets	81,767	393,811	106,315	-
Current assets	2,444,556	1,478,984	1,500,869	1,598,228
TOTAL ASSETS	17,638,839	17,195,107	16,939,313	14,770,409
LIABILITIES				
Share capital	5,806,868	5,806,868	5,806,868	5,806,868
Accumulated loss	(1,636,782)	(2,271,977)	(1,416,594)	(881,483)
Shareholders' equity	4,170,086	3,534,891	4,390,274	4,925,385
NON-CURRENT LIABILITIES				
Long-term debt	6,404,929	8,112,809	8,292,136	9,051,184
Current liabilities	7,063,824	5,547,407	4,256,903	793,840
TOTAL EQUITY AND LIABILITIES	17,638,839	17,195,107	16,939,313	14,770,409

(i) Reasons for non-declaration of dividend:

In view of the large consolidated accumulated loss and the low consolidated EPS for 2008, in order to strengthen the financial position of the Company and safeguard the long term interests of the shareholders and the long term future of the Company, the Board of Directors of the Company did not recommend any dividend for the year 2008.

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

4 (four) Board meetings were held during the year 2008 and the dates are March 14, June 3, September 9 and November 4. The Directors attended the Board meetings as stated below:

1. Mr. Martin Kriegner was present in person in all four Board meetings.
2. Mr. Jean Desazars de Montgailhard, by his Alternate Director Mr. Masud Khan, attended four Board meetings.
3. Mr. Michael Andrew Cowell was present in person in four Board meetings.
4. Mr. Jose Maria Fontdecaba attended all four Board meetings.
5. Mr. Enrique de Bobes Pellicer attended all four Board meetings.
6. Mr. Carlos Martinez Ferrer, leave of absence was granted to him for the Board meeting on March 14. Mr. Carlos Martinez Ferrer resigned from the Board on June 3, where Mr. Salvador Fernandez Capo was elected as Director in place of Mr. Carlos Martinez Ferrer.
7. Mr. Manzurul Islam attended three Board meetings being present in person except the one on March 14 for which leave of absence was granted to him.
8. Mr. Anisur Rahman Sinha attended three Board meetings being present in person except the one on June 3 for which leave of absence was granted to him.
9. Mr. Syed Moazzem Hussain attended one Board meeting being present in person except the three on March 14, September 9, and November 4 for which leave of absence was granted to him.
10. Dr. Humayun Murshed, Independent Director, did not attend any of the four Board Meetings for which leave of absence was granted to him.

11. Mr. Shivesh Kumar Sinha, was present in person in all four Board meetings.

(k) The pattern of shareholding:

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

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

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

Name	Position	No. of shares		
		Self	Spouse	Minor Children
Mr. Jean Desazars de Montgailhard	Director as nominee of Surma Holding BV	5	Nil	Nil
Mr. Martin Kriegner	Director/Chairman as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Michael Andrew Cowell	Director as nominee of Surma Holding BV and Managing Director	Nil	Nil	Nil
Mr. Jose Maria Fontdecaba	Director as nominee of Surma Holding BV	5	Nil	Nil
Mr. Enrique de Bobes Pellicer	Director as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Shivesh Kumar Sinha	Director as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Salvador Fernandez Capo	Director as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Manzurul Islam	Director as nominee of Islam Cement Ltd.	10	Nil	Nil
Mr. Anisur Rahman Sinha	Director as nominee of Sinha Fashions Ltd.	Nil	Nil	Nil
Mr. Syed Moazzem Hussain	Director as nominee of Delta Life Insurance Company Limited	Nil	Nil	Nil
Dr. Humayun Murshed	Independent Director	Nil	Nil	Nil
Mr. Masud Khan	Finance Director	Nil	Nil	Nil
Mr. Kazi Mizanur Rahman	Company Secretary	Nil	Nil	Nil
Mr. Masud Bin Majid	Head of Internal Audit	Nil	Nil	Nil

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

- Surma Holding BV: 34,184,935 shares
- Islam Cement Limited: 1,595,710 shares
- Sinha Fashions Limited: 1,755,000 shares
- Delta Life Insurance Company Limited: 1,450,509 shares

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

Name	No. of shares
Executives	700



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

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

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

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

(Report under Condition No. 5.00)

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

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

For and on behalf of the Board of Directors



Martin Kriegner
Chairman

Date: Dhaka, May 17, 2009



Lafarge Surma Cement Ltd.

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

To: **The Board of Directors**
Lafarge Surma Cement Ltd.

18 March 2009

AUDIT COMMITTEE REPORT

For the year 2008

The Audit Committee

The Audit Committee consists of the following members:

- Chairman : Mr. Jose Maria Fontdecaba, Director
Member : Mr. Manzurul Islam, Director
Member : Mr. Michael Andrew Cowell, Managing Director
Member : Dr. Humayun Murshed, Independent Director

The scope of Audit Committee is defined as under:

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

Activities during the year

- a. Guided the process of financial year-end closing.
- b. Reviewed and recommended the Board to approve the financial statements of Lafarge Surma Cement Limited and all its subsidiaries for the year 2008.
- c. Examined the system of financial reporting as well as the reports and reported the findings on the following, where appropriate:
 - i. Conflict of interests;
 - ii. Suspected or presumed fraud or irregularity or material defect in the internal control system;
 - iii. Suspected infringement of laws, including securities related laws, rules and regulations; and
 - iv. Any other matters which should be disclosed to the Board of Directors immediately.
- d. Reviewed the progress of Internal Control Implementation Project "Project FOCUS" which is currently being implemented by the Company under Sarbanes-Oxley Act (USA) guidelines.
- e. Approved audit plan and resource allocation for the Internal Audit Services.
- f. Reviewed the internal audit activities carried out during the year.
- g. Reviewed the internal audit reports and followed-up action plans agreed to improve internal control system.



Jose Maria Fontdecaba
Chairman, Audit Committee



Consolidated Audited Financial Statements of
Lafarge Surma Cement Limited
For the year ended 31 December 2008



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

We have audited the accompanying consolidated balance sheet of Lafarge Surma Cement Limited as of 31 December 2008 and the related consolidated income statement and cash flow statement for the year then ended. The preparation of these financial statements expressed in Bangladesh Taka is the responsibility of the company's management. Our responsibility is to express an independent opinion on these consolidated financial statements based on our audit of the Company. The financial statements of Indian subsidiaries have been audited by independent auditors in India. In addition, we have also performed audit procedures for group consolidation purpose based on which financial statements of Indian subsidiaries have been consolidated.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS) so far adopted in Bangladesh, give a true and fair view of the state of the company's affairs as of 31 December 2008 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Without qualifying our opinion, we draw attention to the note no. 3.1 (Para ii) regarding the preparation of financial statements of the subsidiaries (Lafarge Umiam Mining Private Limited & Lum Mawshun Minerals Private Limited) on a going concern basis, in spite of full erosion of net worth of the subsidiaries as at the year end, taking into account the continued financial support from their parent Company.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's consolidated balance sheet and consolidated income statement along with the annexed notes 1 to 38 dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred and payments made were for the purposes of the company's business.

Dhaka, 21 April 2009


Chartered Accountants



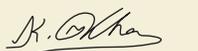
Lafarge Surma Cement Limited

Consolidated Balance Sheet

As at 31 December 2008

ASSETS	Notes	2008 Taka'000	2007 Taka'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	14,961,776	15,446,251
Intangible assets	5	217,343	225,558
Deferred income tax assets	6	81,767	393,811
		15,260,886	16,065,620
CURRENT ASSETS			
Inventories	7	1,092,184	851,007
Trade receivables	8	640,649	56,455
Advances, deposits & prepayments	9	701,645	727,585
Derivative instruments-assets	10	1,960	-
Cash and cash equivalents	11	69,547	29,608
		2,505,985	1,664,655
TOTAL ASSETS		17,766,871	17,730,275
LIABILITIES			
Share capital	12	5,806,868	5,806,868
Accumulated loss	13	(2,531,916)	(2,708,404)
Foreign currency translation	3.3	150,926	154,946
SHAREHOLDERS' EQUITY- PARENT COMPANY		3,425,878	3,253,410
Share money deposits	14	399	489
EQUITY		3,426,277	3,253,899
NON-CURRENT LIABILITIES			
Long-term debt	15.1	6,404,929	8,112,809
CURRENT LIABILITIES			
Trade payables	16	843,429	341,847
Other payables	17	626,719	408,567
Derivative instruments-liabilities	18	79,691	4,340
Current portion of long term debt	15.2	1,717,614	880,912
Bank overdrafts	19	1,628,004	1,836,691
Short-term debt	20	3,037,579	2,883,693
Income tax payable	21	2,629	7,517
		7,935,665	6,363,567
TOTAL EQUITY AND LIABILITIES		17,766,871	17,730,275

The accompanying Notes are an integral part of these financial statements


Company Secretary


Director


Managing Director

Auditors' report to the shareholders
See annexed report of date


Chartered Accountants

Dhaka, 21 April 2009

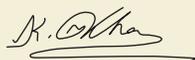
Lafarge Surma Cement Limited

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 Taka'000	2007 Taka'000
REVENUE	24	6,211,938	2,399,876
Cost of sales	25	(3,712,600)	(2,532,434)
GROSS PROFIT/(LOSS)		2,499,338	(132,558)
General and administrative expenses	26	(362,005)	(263,853)
Selling and distribution expenses	27	(131,575)	(108,524)
Other operating income	28	177,785	160,584
OPERATING PROFIT/(LOSS)		2,183,543	(344,351)
Exchange gain/(loss) on foreign currency translation	3.7	(331,782)	110,120
Finance expenses	29	(1,224,454)	(1,138,305)
Interest income	30	552	945
Other expenses	31	(94,473)	(6,169)
Contribution to Workers' Profit Participation and Welfare Funds	3.8 (iii)	(49,526)	-
NET PROFIT/(LOSS) BEFORE TAX		483,860	(1,377,760)
Income tax expenses	32	(307,327)	281,229
NET PROFIT/(LOSS) AFTER TAX		176,533	(1,096,531)
Distribution:			
GROUP SHARE		176,557	(1,096,502)
Minority interests		(24)	(29)
		176,533	(1,096,531)
Earnings per share (Taka)	33	3.04	(18.88)

The accompanying Notes are an integral part of these financial statements


Company Secretary


Director


Managing Director

Auditors' report to the shareholders
 See annexed report of date


Chartered Accountants

Dhaka, 21 April 2009



Lafarge Surma Cement Limited

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 Taka'000	2007 Taka'000
Cash Flows From Operating Activities		
Cash received from customers	5,610,786	2,420,976
Payment for cost and expenses	(3,196,983)	(2,423,589)
Interest paid	(1,185,938)	(1,149,623)
Interest on bank deposits	552	556
Other receipts/(payments)	1,112	(6,176)
	1,229,529	(1,157,856)
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(266,451)	(605,141)
Intangible assets	(10,868)	(24,688)
Disposal of property, plant and equipment	4,838	203
	(272,481)	(629,626)
Cash Flows From Financing Activities		
Long term debt	(859,882)	(574,214)
Bank overdrafts	(209,686)	928,885
Short term debt	154,886	1,443,757
	(914,682)	1,798,428
Net effect of foreign currency translation on cash and cash equivalents	(2,427)	807
Net cash flow for the Year	39,939	11,753
Cash and Cash Equivalents at Beginning of the Year	29,608	17,855
Cash and Cash Equivalents at End of the Year	69,547	29,608
	39,939	11,753


Company Secretary


Director


Managing Director

Lafarge Surma Cement Limited

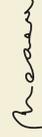
Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2008

	2008 in Taka'000		2007 in Taka'000	
	Share Capital	Accumulated loss	Share Capital	Accumulated loss
Balance as on 1 January	5,806,868	(2,708,473)	5,806,868	(1,611,902)
Net income/(loss) after tax for the Year	-	176,557	-	(1,096,502)
Balance as at 31 December	5,806,868	(2,531,916)	5,806,868	(2,708,404)
		3,274,952		3,098,464
		3,098,395		4,194,966
		176,557		(1,096,502)



Company Secretary



Director



Managing Director



Lafarge Surma Cement Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1 Background and Introduction

Formation and legal status

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

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

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

2 Nature of Business

The Company has established the country's only modern, integrated and state-of-the art cement manufacturing plant at Chhatak under Sunamganj district. The company extracts and processes the basic raw materials like limestone and shale from its own quarry in Meghalaya. A 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 May 2007, Lafarge Umiyam Mining Private Limited (LUMPL) the subsidiary company in India owning the quarry, received an order from the Regional office of the Ministry of Environment and Forest, Shillong directing the LUMPL to stop mining activities unless forest clearance is obtained. After several hearings, the Supreme Court of India issued an interim order permitting the mining operation to resume from end of November 2007. LUMPL is continuing to pursue the forest clearance application with the Supreme Court of India for final disposal of same in favour of the subsidiary.

3 Summary of Significant Accounting Policies

3.1 Basis of accounting

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

The net worth of the subsidiaries (Lafarge Umiyam Mining Private Limited & Lum Mawshun Minerals Private Limited) as on 31 December 2008 has been fully eroded due to the losses incurred by them over the years which were mainly due to unavoidable interruptions of productions due to some regulatory issues relating to quarry operations. However, the subsidiaries are getting continued financial support from the parent company. Accordingly the management considers that the going concern assumption is not vitiated. In view of this, the financial statements of the subsidiaries have been prepared on the assumption that the subsidiaries are going concern despite their net worth being fully eroded.



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:

<u>Name of subsidiary</u>	2008 Taka'000	2007 Taka'000
Lafarge Umiam Mining Private Limited, India	519,356	519,356
Lum Mawshun Minerals Private Limited, India	537	537
	<u>519,893</u>	<u>519,893</u>

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

3.3 Translation of financial statements denominated in foreign currencies

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

<i>Taka equivalent of Rs. 1</i>	31 December 2008	31 December 2007
Average rate	1.5877	1.6672
Closing rate	1.4210	1.7381

3.4 Scope of consolidation

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

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

3.5 Property, plant and equipment

i) Recognition of property, plant and equipment

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

ii) Capital work in progress

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

iii) Depreciation of property, plant and equipment

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

3.6 Recognition of intangible assets

i) Software

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



ii) Others

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

iii) Amortization of intangible assets

a) Software

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

b) Others

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

3.7 Foreign currency translation/ transaction

Transactions in foreign currency have been translated in Taka currency at the exchange rates prevailing on the dates of such transactions. Inter-company balances in foreign currency held at 31 December 2008 as well as other balances on foreign currency debts and cash holdings have been translated at rate provided by the Bangladesh Bank (Central Bank) and the resultant gain/loss has been reflected in the financial statements. These rates are as follows:

BDT 68.9200 = US \$ 1 and BDT 96.2950 = 1 EURO

3.8 Employees' benefit schemes

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

3.9 Inventories

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

3.10 Taxation

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

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

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

3.11 Revenue recognition

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

3.12 Derivatives instruments

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

3.13 General

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

4. Property, Plant and Equipment

Figures in Taka '000

Category of property, plant and equipment	Cost				Reclassification during the year	Balance at 31 December 2008	Rate	Depreciation			Written Down Value as at 31 December 2008
	Balance on 1 January 2008	Additions during the year	Disposal during the year	Adjustment for translation				Provision for the year	Accum. prov. for disposed assets	Adjustment for translation	
Land - freehold	563,199	641	-	(6,497)	-	557,343	-	-	-	-	557,343
Leasehold improvements	5,785	-	5,418	-	-	367	20.00%	74	5,418	-	294
Building	126,669	28	-	(13,996)	-	112,701	2.00%	2,751	(621)	7,900	104,801
Plant building	461,961	(216)	-	-	1,977	463,722	2.50%	11,572	-	25,852	437,870
Technical facilities	47,413	2,448	-	(253)	-	49,608	3.30%	1,586	(67)	3,783	45,825
Plant and machinery	14,678,511	121,008	-	(342,254)	-	14,457,265	3.30%	485,500	(19,753)	1,069,959	13,387,306
Other factory equipment	18,665	8,670	-	-	-	27,335	10.00%	2,223	-	4,107	23,228
Vehicles	58,744	18,666	5,618	(3,174)	-	68,618	20.00%	11,512	4,653	38,542	30,076
Computer equipment	47,558	7,003	1,433	(1,151)	5,433	57,410	33.30%	10,260	1,374	41,937	15,473
Office equipment	53,670	5,595	5,002	(1,925)	912	53,250	20.00%	8,062	4,338	29,161	24,089
Furniture and fixtures	34,051	4,831	1,712	(852)	12,658	48,976	10.00%	4,155	1,247	12,747	36,229
Capital work in progress (Note- 4.1)	87,814	240,537	-	(7,908)	(20,980)	299,463	-	-	-	-	299,463
Total at end of year 2008	16,184,040	409,211	19,183	(378,010)	-	16,196,058	-	537,695	17,030	(24,171)	1,234,282
Total at end of year 2007	15,422,448	566,605	641	195,627	-	16,184,039	-	531,374	444	5,620	737,788

4.1 Capital work in progress

	2008 Taka '000	2007 Taka '000
Plant building	12,077	4,316
New corporate office renovation	9,682	21,867
General survey and studies	70,804	40,791
Plant and machinery	37,469	-
Other equipment	85,323	-
Other improvement works	84,108	20,840
	299,463	87,814
	509,752	506,997
	27,943	24,377
	537,695	531,374

4.2 Depreciation charge has been allocated to

Production and maintenance overhead (Note- 25.2)
General and administrative expenses (Note- 26)

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

Category of property, plant and equipment	Cost	Accumulated Depreciation	Written down Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
Leasehold improvements	5,418	5,418	-	-	Written off	Third party
Vehicles	5,618	4,653	965	3,065	Tender	Employees of the company
Computers equipment	1,433	1,374	59	92	Company policy	Employees of the company/Third party
Office equipment	5,002	4,338	664	1,365	Company policy/tender	Employees of the company/Third party
Furniture & fixtures	1,712	1,247	465	316	Company policy/tender	Employees of the company/Third party
Total at end of year 2008	19,183	17,030	2,153	4,838		
Total at end of year 2007	641	444	197	203		



5 Intangible Assets

	2008 Taka'000	2007 Taka'000
Cost on January 1		
Software	45,216	35,103
Leasehold land	24,133	21,688
Quarry land	148,628	133,569
Capital work in progress	44,400	-
	<u>262,377</u>	<u>190,360</u>
Addition during the year		
Software	6,547	9,785
Quarry land	15,402	-
Capital work in progress	29,214	42,589
	<u>51,163</u>	<u>52,374</u>
Translation adjustment		
Software	(933)	328
Leasehold land	(4,403)	2,445
Quarry land	(28,733)	15,059
Capital work in progress	(11,168)	1,811
	<u>(45,237)</u>	<u>19,643</u>
Cost at end of the year	<u>268,303</u>	<u>262,377</u>
Accumulated amortization on January 1		
Software	27,983	16,433
Leasehold land	1,406	251
Quarry land	7,430	1,340
	<u>36,819</u>	<u>18,024</u>
Provision made during the year		
Software	10,372	11,401
Leasehold land	1,030	1,081
Quarry land	5,478	5,697
	<u>16,880</u>	<u>18,179</u>
Translation adjustment		
Software	(443)	149
Leasehold land	(365)	74
Quarry land	(1,931)	393
	<u>(2,739)</u>	<u>616</u>
Amortization at end of the year	<u>50,960</u>	<u>36,819</u>
Carrying amount at end of the year	<u>217,343</u>	<u>225,558</u>

6 Deferred Income Tax Assets

The tax effects of temporary differences that resulted in deferred tax assets and liabilities.

Deferred tax assets

Provision for gratuity	11,950	6,262
Provision for doubtful debts	168	-
Business loss	2,935,882	2,452,818
	<u>2,948,000</u>	<u>2,459,080</u>

Deferred tax liabilities

Property, plant and equipment	(2,866,233)	(2,065,269)
	<u>(2,866,233)</u>	<u>(2,065,269)</u>
	<u>81,767</u>	<u>393,811</u>



7 Inventories

Raw materials	
Spare parts	
Packing materials	
Other materials	
Finished goods and work in process	

8 Trade Receivables

Trade receivables	
Trade receivables are secured and considered good.	

9 Advances, Deposits and Prepayments

Office and House rent	
Contractors, consultants, suppliers and others (Note- 9.1)	
VAT current account	
Income tax-deducted at source	
Employees	
Security and other deposits (Note- 9.2)	
Prepaid expenses	
Accrued interest on bank deposits	
Other receivables	
Insurance claim receivable	

2008 Taka'000	2007 Taka'000
218,871	304,166
538,004	403,126
23,604	4,668
15,179	16,492
296,526	122,555
1,092,184	851,007
640,649	56,455
37,893	26,546
426,575	452,767
41,184	33,733
143,480	78,096
3,363	11,293
4,634	6,418
37,311	41,340
671	389
6,534	6,431
-	70,572
701,645	727,585

Advances mentioned above are unsecured but all are considered good and as such no provision was required to be made. Advances made to employees include advance related to employees sent abroad for training and for running the day-to-day operation costs of different departments.

9.1 Advance to contractors, consultants, suppliers and others

Letter of Credit-spare parts	
Letter of Credit-raw materials	
Jalalabad Gas Transmission and Distribution System Limited	
Explosives	
Custom duties	
Others	

161,173	79,780
27,595	1,443
-	204,797
139,716	77,240
31,295	27,984
66,796	61,523
426,575	452,767

9.2 Security and other deposits

House rental	
Telecommunications	
Central Depository System	
Other services	

520	520
527	527
500	500
3,087	4,871
4,634	6,418

10 Derivative Instruments-Assets

Derivative instruments	
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1,960	-
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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 the close of the year.



11 Cash and Cash Equivalents

Cash in hand

Lafarge Surma Cement Limited	570	349
Lafarge Umiam Mining Private Limited	156	125
	726	474

Cash at banks

Lafarge Surma Cement Limited

In current accounts	15	10
In Short Term Deposit accounts	17,707	15,939
In Short Notice Deposit account	9	9
	17,731	15,958

Cash at banks

Lafarge Umiam Mining Private Limited

In current accounts	44,871	7,438
In Term Deposit accounts	5,801	5,223
Bank-in-transit	40	-
	50,712	12,661

Cash at banks

Lum Mawshun Minerals Private Limited

In current account	350	480
In Security Deposit	28	35
	378	515
	69,547	29,608

12 Share Capital

- a. Authorised capital
70,000,000 ordinary shares of Tk. 100 each

7,000,000	7,000,000
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- b. Issued, subscribed and fully paid up capital
Balance on 01 January
Fully paid up in cash
Fully paid up in other than cash

5,759,888	5,759,888
46,980	46,980
5,806,868	5,806,868

- c. Composition of shareholders at 31 December 2008

<u>Name of the shareholders</u>	<u>Nationality or incorporated in</u>	<u>Number of shares</u>	<u>Holding %</u>
Surma Holdings BV	The Netherlands	34,184,935	58.87%
International Finance Corporation	U S A	5,387,400	9.28%
Asian Development Bank	Philippines	5,797,000	9.98%
Sinha Fashions Limited	Bangladesh	1,755,000	3.02%
Islam Cement Limited	Bangladesh	1,595,710	2.75%
Other shareholders	Bangladeshi & NRB	9,348,630	16.10%
		58,068,675	100.00%



d. Classification of shares by holding

<u>Slabs by number of shares</u>	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Holding %</u>
Less than 500	4,850	568,776	0.98%
From 500 to 5,000	870	1,129,660	1.94%
From 5,001 to 10,000	48	360,277	0.62%
From 10,001 to 20,000	48	651,404	1.12%
From 20,001 to 30,000	17	411,145	0.71%
From 30,001 to 40,000	5	168,356	0.29%
From 40,001 to 50,000	5	235,388	0.41%
From 50,001 to 100,000	11	749,030	1.29%
From 100,001 to 1,000,000	10	2,596,293	4.47%
Above 1,000,000	7	51,198,346	88.17%
	5,871	58,068,675	100.00%

13 Accumulated Loss

Accumulated loss as on 1 January
Net profit/(loss) during the year

Minority profit/(loss) - (Note - 13.1)
Accumulated loss as at 31 December

	2008 Taka'000	2007 Taka'000
	(2,708,439)	(1,611,937)
	176,557	(1,096,502)
	(2,531,882)	(2,708,439)
	(34)	35
	(2,531,916)	(2,708,404)
	202	247
	(236)	(212)
	(34)	35
	399	489

13.1 Minority interests

Share capital
Accumulated loss as at 31 December

14 Share Money Deposits

Share money deposits in Lum Mawshun Minerals Private Limited

15 Long Term Debt

15.1 Long portion

Loan drawn down from:	<u>Currency</u>	<u>Amount</u>	<u>Amount in BDT'000</u>	<u>Amount in BDT'000</u>
International Finance Corporation	USD	33,766	2,327,169	2,893,344
Asian Development Bank	USD	24,000	1,654,080	2,115,257
Europeon Investment Bank	USD	24,521	1,690,011	2,066,954
Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	4,834	465,487	682,709
Standard Chartered Bank	BDT		170,000	240,000
AB Bank Limited	BDT		98,182	114,545
Total			6,404,929	8,112,809



15.2 Current portion

			2008 Taka'000	2007 Taka'000
Loan drawn down from:	Currency	Amount	Amount in BDT'000	Amount in BDT'000
International Finance Corporation	USD	8,442	581,793	289,333
Asian Development Bank	USD	6,857	472,594	235,029
European Investment Bank	USD	5,589	385,215	183,565
Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	1,934	186,194	97,530
Standard Chartered Bank	BDT		70,000	70,000
AB Bank Limited	BDT		21,818	5,455
Total			1,717,614	880,912

Details of loan agreements

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

*FSC: Financial Support Completion

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

Asian Development Bank (ADB)

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

German Development Bank (DEG)

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

European Investment Bank (EIB)

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

Standard Chartered Bank

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

AB Bank Limited

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

Security:

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

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

Security agreement: Creating charge over the contracts;

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

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

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



16 Trade Payables

	2008 Taka'000	2007 Taka'000
Raw materials	142,179	52,410
Packing bags	58,081	16,841
Marketing expenses	23,868	-
Distribution cost	80,540	9,068
Computer expenses	23,353	13,782
Audit fee	1,938	900
Maintenance	35,283	13,841
Administrative office expenses	47,419	27,139
Royalty	108,809	14,729
Consultancy	8,057	7,677
Security	4,137	3,539
General assistance fee (Note- 16.1)	77,276	23,999
Trademark license fee (Note- 16.2)	77,276	23,999
Gas bill	49,502	30,303
Operation and maintenance bill-Power Plant	18,243	6,625
Discount on sales	34,328	5,243
Others	53,140	91,752
	843,429	341,847

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

16.2 The amount equally payable to Lafarge S.A. and Cementos Molins for trademark license fee (1 percent of annual net turnover of the company in accordance with the Trademark License Agreement).

17 Other Payables

Payables to supplier of property, plant & equipment	255,447	73,281
Accrued interest and commitment fees	194,932	252,256
Income tax & VAT deducted at source	5,115	5,268
Contribution to gratuity	32,619	21,373
Payables to employees	87,830	28,964
Workers profit participation and welfare funds	49,526	-
Others	1,250	27,425
	626,719	408,567

18 Derivative Instruments-liabilities

Derivative instruments	79,691	4,340
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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 the close of the year.



19 Bank Overdrafts

Lafarge Surma Cement Limited

Standard Chartered Bank, Dhaka	283,661	76,263
AB Bank Limited, Dhaka	11,287	163,804
Commercial Bank of Ceylon Plc, Dhaka	197,690	197,913
Trust Bank Limited, Dhaka	298,100	122,168
Citibank N.A., Dhaka	2,783	8,536
The City Bank Limited, Dhaka	270,544	297,239
Prime Bank Limited, Dhaka	54,837	199,915
Eastern Bank Limited, Dhaka	2,695	40,009
Uttara Bank Limited, Dhaka	244,314	292,191
The Hongkong and Shanghai Banking Corporation Limited, Dhaka	54,462	414,252
	1,420,373	1,812,290

Lafarge Umiam Mining Private Limited

Standard Chartered Bank, Mumbai	207,011	24,401
Citibank N.A., Mumbai	620	-
	207,631	24,401
	1,628,004	1,836,691

20 Short Term Debt

Lafarge Surma Cement Limited

Standard Chartered Bank, Dhaka	1,140,000	1,270,000
Citibank N.A., Dhaka	1,180,590	702,000
Eastern Bank Limited, Dhaka	70,000	149,500
Commercial Bank of Ceylon Plc, Dhaka	-	60,000
The Hongkong and Shanghai Banking Corporation Limited, Dhaka	350,000	-
	2,740,590	2,181,500

Lafarge Umiam Mining Private Limited

Standard Chartered Bank, Mumbai	126,469	460,597
Citibank N.A., Mumbai	170,520	241,596
	296,989	702,193
	3,037,579	2,883,693

The terms and conditions of the Bank Overdrafts (Note-19) and Short Term Debts (Note-20) are as follows:

Standard Chartered Bank, Dhaka

Facility limit: Taka 1,320,000,000

- Security:
- Hypothecation of Company's inventory
 - Hypothecation of Company's receivables
 - Demand Promissory Note and Letter of Continuation
 - Guarantee from Financiere Lafarge

Validity: Up to 30 August 2009

During the year, the company arranged additional Taka 140 million as temporary facility.

AB Bank Limited, Dhaka

Facility limit: Taka 250,000,000

- Security:
- Hypothecation of Company's inventory
 - Hypothecation of Company's receivables
 - Demand Promissory Note and Letter of Continuation

Validity: Up to 31 December 2009



The Trust Bank Limited, Dhaka

Facility limit: Taka 300,000,000

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

Validity: Up to 30 September 2009

Citibank N.A., Dhaka

Facility limit: Taka 1,960,000,000

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

Validity: Up to 30 August 2009

The City Bank Limited, Dhaka

Facility limit: Taka 300,000,000

Security: i. Guarantee from Citibank N.A., Dhaka and counter guarantee from Financiere Lafarge
ii. Demand Promissory Note and Letter of Continuation

Validity: Up to 16 July 2009

Prime Bank Limited, Dhaka

Facility limit: Taka 200,000,000

Security: i. Guarantee from Citibank N.A., Dhaka and counter guarantee from Financiere Lafarge
ii. Demand Promissory Note and Letter of Continuation

Validity: Up to 15 July 2009

Commercial Bank of Ceylon Limited, Dhaka

Facility limit: Taka 270,000,000

Security: i. Guarantee from Standard Chartered Bank, Dhaka and counter guarantee from Financiere Lafarge.
ii. Hypothecation of Company's inventory
iii. Hypothecation of Company's receivables
iv. Demand Promissory Note and Letter of Continuation

Validity: Up to 30 June 2009

Eastern Bank Limited, Dhaka

Facility limit: Taka 200,000,000

Security: i. Guarantee from Standard Chartered Bank, Dhaka and counter guarantee from Financiere Lafarge.
ii. Demand Promissory Note and Letter of Continuation

Validity: Up to 31 January 2009

Uttara Bank Limited, Dhaka

Facility limit: Taka 300,000,000

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

Validity: Up to 31 March 2009



The Hongkong and Shanghai Banking Corporation Limited, Dhaka

Facility limit: Taka 420,000,000

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

Validity: Up to 31 December 2009

Standard Chartered Bank, Mumbai

Facility limit: INR 477,500,000

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

Validity: Open ended

Citibank N.A., Mumbai

Facility limit: INR 200,000,000

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

Validity: Open ended

21 Current Income Tax Liabilities

Balance as on 1 January

Provision during the year

Balance as at 31 December

	2008 Taka'000	2007 Taka'000
	7,517	1,251
	(4,888)	6,266
	2,629	7,517

22 Commitments

Lafarge Surma Cement Limited

Contracted but not provided for in these accounts:

Security agency services contract

Capital expenditure

Others

Contractors, consultants, suppliers and others

Calyon Corporation and Investment Bank

(Calyon is the guarantor of EIB loan)

Lafarge Umiam Mining Private Limited

Contracted but not provided for in these accounts:

Capital expenditure

Contractors, consultants, suppliers and others

	15,162	22,622
	43,740	-
	117,372	111,765
	56,438	78,184
	232,712	212,571
	133,652	-
	42,714	48,294
	176,366	48,294
	409,078	260,865

23 Contingent Liability

23.1 Lafarge Surma Cement Limited

Bank guarantees have been issued in favour of Customs Authority against import of equipment and spare parts.

Bank guarantees have been issued in favour of Wartsila Bangladesh as a payment guarantee against operation & maintenance contract.

Bank guarantees have been issued in favour of Jalalabad Gas Transmission and Distribution System Limited for continued gas supply to the plant.

	7,817	7,817
	10,800	10,800
	265,487	265,487



23.2 Lafarge Umiam Mining Private Limited

Bank guarantee issued by State Bank of India, Main Branch Shillong on behalf of the Company aggregating to INR 2,155 (in thousand) favoring Indian Bureau of Mines as financial assurance for the progressive mines closure plan.

Bank guarantee issued by Standard Chartered Bank of India, on behalf of the Company an amount of INR 1,077 (in thousand) favoring Indian Bureau of Mines as financial assurance for the progressive mines closure plan.

The Company received an order from the Regional office of the Ministry of Environment and Forest, Shillong directing the Company to stop mining activities unless forest clearance is obtained. After several hearings, the Supreme Court of India issued an interim order permitting the mining operation to resume from end of November 2007. LUMPL is continuing to pursue the forest clearance application with the Supreme Court of India. The cost of reforestation is expected as indicated by the relevant authority of India, which is estimated in the region of Indian Rupees 538,919 (in thousand) equivalent to US \$ 11 million.

23.3 Claims

- Claims against the Company not acknowledged as debt
- Claims by the Company not acknowledged as receivable

24 Revenue

- Sale of grey cement (Note- 24.1)
- Sale of cement clinker

24.1 Sale of grey cement

- Local sales
- Export

25 Cost of Sales

- Opening finished goods and work in process (Note- 7)
- Raw materials consumed (Note- 25.1)
- Power and fuel consumed
- Production and maintenance overhead (Note- 25.2)
- General and social expenses (Note- 25.3)
- Internal distribution cost
- Closing finished goods and work in process (Note- 7)

25.1 Raw materials consumed

- Limestone
- Shale
- Clay
- Gypsum
- Iron Ore
- Sand
- Packing Bag
- Imported clinker
- Others

	2008 Taka'000	2007 Taka'000
	3,062	1,604
	1,530	-
	765,803	959,700
	Nil	Nil
	Nil	Nil
	4,115,390	1,796,581
	2,096,548	603,295
	6,211,938	2,399,876
	4,105,010	1,796,581
	10,380	-
	4,115,390	1,796,581
	122,555	369,644
	1,304,610	797,797
	730,347	278,548
	915,720	773,107
	355,716	328,059
	580,178	107,834
	(296,526)	(122,555)
	3,712,600	2,532,434
	683,939	157,207
	3,685	7,451
	76,181	-
	104,754	34,032
	66,828	7,672
	10,054	3,421
	304,660	118,283
	-	460,833
	54,509	8,898
	1,304,610	797,797



25.2 Production and maintenance overhead

	2008 Taka'000	2007 Taka'000
Salary, allowances and benefits	126,551	120,175
Contributions to employees' benefit schemes	5,778	5,433
Staff welfare expenses	1,688	2,660
Maintenance	177,334	81,742
Other supplies and spares	10,073	13,122
Material handling	58,573	24,959
Other expenses	8,133	9,272
Technical studies	10,190	1,969
Depreciation (Note- 4.2)	509,752	506,997
Amortization of intangible assets	7,648	6,778
	915,720	773,107

25.3 General and social expenses

Salary, allowances and benefits	58,779	56,454
Contributions to employees' benefit schemes	2,517	3,561
Staff welfare expenses	1,843	2,563
Training, seminars and meeting	8,708	6,793
Traveling	34,167	47,045
Rent	3,404	3,709
Gas, electricity and water	5,143	4,263
Telephone, fax and postage	4,796	4,750
Entertainment	863	557
Office maintenance	20,415	13,131
Security services	41,589	37,354
Printing and stationery	1,996	1,822
Computer expenses	23,381	24,997
Other supplies and spares	6,423	3,198
Other office expenses	22,963	4,747
Registration and other fees	1,100	2,809
Legal expenses	11,968	7,670
Statutory audit fees	916	937
Consultancy	24,127	19,460
Vehicles running expenses	4,276	3,392
Corporate social activities	15,577	15,669
Insurance	60,765	63,178
	355,716	328,059



26 General and Administrative Expenses

Salary, allowances and benefits
Contributions to retirement benefit scheme
Staff welfare expenses
Training, seminars and meeting
Traveling
Rent
Gas, electricity and water
Telephone, fax and postage
Entertainment
Office maintenance
Office security services
Printing and stationery
Computer expenses
Other office expenses
Registration and other fees
Statutory and other audits fees (Note- 26.1)
Legal expenses
Vehicles running expenses
Publicity and public relation
General assistance fee
Trademark license fee
Insurance
General survey and studies
Administrative depreciation (Note- 4.2)
Amortization of intangible assets

	2008 Taka'000	2007 Taka'000
100,097	95,568	
8,302	6,580	
1,085	779	
22,960	10,852	
10,402	13,244	
16,534	8,951	
1,100	595	
3,175	3,506	
1,274	750	
2,441	549	
359	442	
1,940	1,595	
19,374	15,273	
3,811	3,018	
1,664	1,460	
1,340	1,044	
941	1,231	
9,271	5,241	
6,753	4,693	
53,277	23,999	
53,277	23,999	
3,404	2,793	
2,049	2,421	
27,943	24,377	
9,232	10,893	
362,005	263,853	

26.1 Statutory and other audit fees

Statutory audit fee
Group audit fee
Certifications and special audit
Annual consolidation audit
Tax advisory services

254	256
660	460
47	88
279	140
100	100
1,340	1,044

27 Selling and Distribution Expenses

Salary, allowances and benefits
Contributions to retirement benefit scheme
Training, seminars and meeting
Traveling
Gas, electricity and water
Telephone, fax and postage
Entertainment
Office maintenance
Office security services
Printing and stationery
Other office expenses
Registration and other fees
Advertisement and promotion
Insurance
General survey and studies

48,598	32,950
2,879	2,526
1,468	2,254
3,335	4,515
93	796
1,435	1,884
243	189
535	2,961
63	1,794
611	534
265	283
2,303	1,648
69,443	48,926
-	1,276
304	5,988
131,575	108,524



	2008 Taka'000	2007 Taka'000
28 Other Operating Income		
Insurance claim received	177,785	160,584

Last year, the Company filed an insurance claim against business interruption arising from machinery breakdown in Lafarge Umiam Mining Private Limited (LUMPL). During the year, an amount of Taka 177,785 (in thousand) has been received from the insurance company as final settlement of the claim.

29 Finance Expenses		
Interest on long term loan	551,740	681,724
Interest on bank overdrafts and short term debts	538,022	415,863
Fees for long term loan	25,555	29,710
Derivative expenses	85,290	4,340
Interest on discounted bill	12,538	-
Bank charges and commission	11,309	6,668
	1,224,454	1,138,305

30 Interest Income on Bank Deposits		
Lafarge Surma Cement Limited	125	678
Lafarge Umiam Mining Private Limited	405	267
Lum Mawshun Minerals Private Limited	22	-
	552	945

31 Other Expenses/(Income)		
Sale of property, plant and equipment and others	(2,689)	(18)
Sale of paper bags	(1,112)	6,187
Provision for trade receivable	447	-
Loss on non-operating receivable (Note- 31.1)	97,827	-
	94,473	6,169

31.1 Loss on adjustable minimum "take or pay" payment against gas contract with the Jalalabad Gas Transmission and Distribution System Limited.

32 Income Tax Expenses		
Current income tax expenses	(4,716)	6,266
Deferred income tax expenses/(income)	312,043	(287,495)
	307,327	(281,229)

33 Earnings Per Share

33.1 Basic earnings per share

Basic earning per share has been calculated taking a capital base of 58,068,675 number of ordinary shares of Taka 100 each as issued up to 31 December 2008.

33.2 Diluted earnings per share

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



34 Directors' Managers' and Officers' Remuneration

	2008 Taka'000	2007 Taka'000
Salary, allowances and benefits	114,694	85,599
Contributions to employees' benefit scheme	10,063	7,209
Reimbursable expenses	504	350
	125,261	93,158

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

35 Expenditure in Foreign Currencies

General assistance fees	53,277	23,999
Trademark license fees	53,277	23,999
Technical assistance	22,708	10,823
Interest and fees on long term debts	526,952	641,435
Derivative expenses	85,290	4,340
	741,504	704,596

36 Related Party Transactions (Amount in Taka '000)

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

Name of the Party and relationship	Nature of transaction	Transaction value During the Year	Outstanding amount at 31 Dec 2008
Surma Holdings BV-Parent Company	-	-	-
Lafarge Asia SDN BHD-Group Company	Technical assistance & expatriates salary	33,532	35,511
Lafarge Cement UK-Group Company	Expatriates salary	26,561	27,815
Lafarge S.A.-Group Company	Technical assistance & trademark license	99,046	172,002
Cementia Asia SDN BHD-Group Company	Travel expenses	271	271
Cementos Molins-Group Company	Trademark license & travel expenses	38,587	50,587
Eastern Housing Ltd.-Shareholder	Cement sales	5,678	527
Bengal Development Corp.-Shareholder	Cement sales	10,715	1,980
Sinha Textile Ltd.-Shareholder	Cement sales	29,403	6,538

37 Number of Employees

	2008	2007
<i>Lafarge Surma Cement Limited</i>	Number of employees	
<i>Nationality:</i>		
Bangladeshi	357	315
Non-Bangladeshi	11	11
<i>Lafarge Umiam Mining Private limited</i>		
<i>Nationality:</i>		
Indian	32	23
Non-Indian	-	-
	400	349



Salary range:

Monthly Taka 3,000 or above

Monthly below Taka 3,000

	2008	2007
<u>Number of employees</u>		
	400	349
	Nil	Nil

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

Products

Grey cement

Cement clinker

Annual Installed Capacity

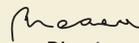
1,200

1,150

Actual Production

	2008	2007
	748	335
	1,022	262


Company Secretary


Director


Managing Director





Audited Financial Statements of
Lafarge Surma Cement Limited
For the year ended 31 December 2008



Auditors' Report to the Shareholders of LAFARGE SURMA CEMENT LIMITED

We have audited the accompanying balance sheet of the **Lafarge Surma Cement Limited** as of 31 December 2008 and the related income statement and cash flow statement for the year then ended. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) so far adopted in Bangladesh, give a true and fair view of the state of the company's affairs as of 31 December 2008 and of the results of its operations and its cash flows for the year then ended and comply with 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 balance sheet and income statement along with the annexed notes 1 to 42 dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred and payments made were for the purposes of the company's business.

Dhaka, 21 April 2009

Hoda Vaisi Choudhury
Chartered Accountants



Lafarge Surma Cement Limited

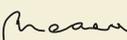
Balance Sheet

As at 31 December 2008

ASSETS	NOTES	2008 Taka'000	2007 Taka'000
NON-CURRENT ASSETS			
Property, plant and equipment	5	13,341,043	13,554,366
Intangible assets	6	11,020	14,153
Investment in subsidiaries	7	519,893	519,893
Loan to subsidiary company	8	1,240,560	1,233,900
Deferred income tax assets	9	81,767	393,811
		15,194,283	15,716,123
CURRENT ASSETS			
Inventories	10	1,006,384	593,909
Trade receivables	11	640,649	56,455
Accrued interest	8	279,420	224,519
Advances, deposits and prepayments	12	497,842	587,794
Derivative instruments-assets	13	1,960	-
Cash and cash equivalents	14	18,301	16,307
		2,444,556	1,478,984
TOTAL ASSETS		17,638,839	17,195,107
LIABILITIES			
Share capital	15	5,806,868	5,806,868
Accumulated loss	16	(1,636,782)	(2,271,977)
SHAREHOLDERS' EQUITY		4,170,086	3,534,891
NON-CURRENT LIABILITIES			
Long-term debt	17.1	6,404,929	8,112,809
CURRENT LIABILITIES			
Trade payables	18	637,766	243,652
Other payables	19	530,973	417,196
Derivative instruments-liabilities	20	15,257	4,340
Current portion of long term debt	17.2	1,717,614	880,912
Bank overdrafts	21	1,420,373	1,812,290
Short-term debt	22	2,740,590	2,181,500
Current income tax liabilities	23	1,251	7,517
		7,063,824	5,547,407
TOTAL EQUITY AND LIABILITIES		17,638,839	17,195,107

The accompanying Notes are an integral part of these financial statements


Company Secretary


Director


Managing Director

Auditors' report to the shareholders
See annexed report of date


Chartered Accountants

Dhaka, 21 April 2009



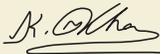
Lafarge Surma Cement Limited

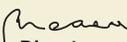
Income Statement

For the year ended 31 December 2008

	NOTES	2008 Taka'000	2007 Taka'000
REVENUE	26	6,211,938	2,399,876
Cost of sales	27	(3,836,583)	(2,284,166)
GROSS PROFIT		2,375,355	115,710
General and administrative expenses	28	(359,058)	(265,017)
Selling and distribution expenses	29	(131,575)	(107,248)
Other operating income	30	177,785	160,584
OPERATING PROFIT/(LOSS)		2,062,507	(95,971)
Finance expenses	31	(1,068,823)	(1,091,275)
Exchange gain/(loss) on foreign currency translation	3.4	12,889	(49,679)
Interest income	32	78,408	106,493
Other expenses	33	(94,473)	(6,180)
Contribution to Workers' Profit Participation and Welfare Funds	3.5-iii	(49,526)	-
NET PROFIT/(LOSS) BEFORE TAX		940,982	(1,136,612)
Income tax	34	(305,787)	281,229
NET PROFIT/(LOSS) AFTER TAX		635,195	(855,383)
Earnings per share (Taka)	35	10.94	(14.73)

The accompanying Notes are an integral part of these financial statements


Company Secretary


Director


Managing Director

Auditors' report to the shareholders
See annexed report of date


Chartered Accountants

Dhaka, 21 April 2009



Lafarge Surma Cement Limited

Cash Flow Statement

For the year ended 31 December 2008

	2008 Taka'000	2007 Taka'000
Cash Flows From Operating Activities		
Cash received from customers	5,610,786	2,420,976
Payment for cost and expenses	(3,651,464)	(2,222,387)
Interest paid	(1,104,468)	(1,103,467)
Interest on bank deposits	125	678
Other receipts/(payments)	1,112	(6,187)
	856,091	(910,387)
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(169,792)	(290,594)
Intangible assets	(6,099)	(7,184)
Disposal of property, plant and equipment	4,838	203
Interest received from subsidiary company	16,064	-
	(154,989)	(297,575)
Cash Flows From Financing Activities		
Long term debt	(866,282)	(691,860)
Bank overdrafts	(391,916)	963,874
Short term debt	559,090	941,500
	(699,108)	1,213,514
Net Increase/(Decrease) in cash and Cash Equivalents	1,994	5,552
Cash and Cash Equivalents at Beginning of the Year	16,307	10,755
Cash and Cash Equivalents at End of the Year	18,301	16,307
	1,994	5,552


Company Secretary


Director


Managing Director

Lafarge Surma Cement Limited

Statement of Changes in Shareholders' Equity

For the year ended 31 December 2008

	2008 in Taka'000		2007 in Taka'000	
	Share Capital	Accumulated loss	Share Capital	Total
Balance as on 1 January	5,806,868	(2,271,977)	5,806,868	4,390,274
Net profit/(loss) after tax for the year	-	635,195	-	(855,383)
Balance as at 31 December	5,806,868	(1,636,782)	5,806,868	3,534,891


Company Secretary


Director


Managing Director





Lafarge Surma Cement Limited

Notes to the Financial Statements

For the year ended 31 December 2008

1 Background and Introduction

Formation and legal status

Lafarge Surma Cement Limited - (hereinafter referred to as "the Company") was incorporated on 11 November 1997 as a private limited company in Bangladesh under the Companies Act 1994 having its registered office in Dhaka. The Company has subsequently been converted into a public limited company on 20 January 2003 and went for Initial Public Offering of shares in November 2003 which was fully subscribed and issued. The shares have since been listed and are being traded in Dhaka and Chittagong Stock Exchanges.

2 Nature of Business

The Company has established the country's only modern, integrated and state-of-the art cement manufacturing plant at Chhatak under Sunamganj district. The company extracts and processes the basic raw materials like limestone and shale from its own quarry in Meghalaya. A 17 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 May 2007, Lafarge Umiam Mining Private Limited (LUMPL) the subsidiary company in India owning the quarry, received an order from the Regional office of the Ministry of Environment and Forest, Shillong directing the LUMPL to stop mining activities unless forest clearance is obtained. After several hearings, the Supreme Court of India issued an interim order permitting the mining operation to resume from end of November 2007. LUMPL is continuing to pursue the forest clearance application with the Supreme Court of India for final disposal of same in favour of the subsidiary.

3 Summary of Significant Accounting Policies

3.1 Basis of accounting

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

3.2 Property, plant and equipment

i) Recognition of property, plant and equipment

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

ii) Capital work in progress

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

iii) Depreciation of property, plant and equipment

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

3.3 Recognition of intangible assets

i) Software

Software costs are capitalized where it is expected to provide future enduring economic benefits. Capitalization costs include



license fees & cost of implementation/system integration services. The costs are capitalized in the year in which the relevant software is installed for use. All upgradation and enhancements are generally charged off as revenue expenditure unless they bring similar significant additional long term benefits.

ii) Amortization of intangible assets

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

3.4 Foreign currency translation/ transaction

Transactions in foreign currency have been translated in Taka currency at the exchange rates prevailing on the dates of such transactions. Inter-company balances in foreign currency held at 31 December 2008 as well as other balances on foreign currency debts and cash holdings have been translated at rate provided by the Bangladesh Bank (Central Bank) and the resultant gain/loss has been reflected in the financial statements. These rates are as follows:

BDT 68.9200 = US \$ 1 and BDT 96.2950 = 1 EURO

3.5 Employees' benefit schemes

i. The Company operates an unfunded gratuity scheme, provision for which has been made in respect of all eligible employees and reflected in these accompanying financial statements.

ii. The Company also operates a recognized provident fund scheme with equal contribution by the employees and the Company.

iii. The Company recognizes a provision for Workers' Profit Participation and Welfare funds @ 5% of net profit before tax as per Labour Act, 2006.

3.6 Inventories

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

3.7 Taxation

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

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

3.8 Revenue recognition

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

3.9 Derivatives instruments

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

3.10 General

i. Figures appearing in these financial statements have been rounded off to the nearest Bangladesh Taka.

ii. Comparative figures and account titles in the financial statements have been rearranged/reclassified where necessary to conform with changes in presentation in the current year.

4 Preparation and Presentation of Financial Statements of the Company and its Subsidiaries

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

5. Property, Plant and Equipment

Figures in Taka '000

Category of property, plant and equipment	Cost				Reclassification	Balance at 31 December 2008	Rate	Depreciation			
	Balance on 1 January 2008	Additions during the year	Disposal during the year	Balance at 31 December 2008				Provision for the year	Accum. prov. for disposal	Balance at 31 December 2008	Written Down Value as at 31 December 2008
Land - freehold	527,585	641	-	528,226	-	-	-	-	-	528,226	
Leasehold improvements	5,785	-	5,418	367	-	20.00%	74	5,418	294	73	
Building	49,955	28	-	49,983	-	2.00%	999	4,372	4,372	45,611	
Plant building	461,961	(216)	-	463,722	1,977	2.50%	11,572	25,852	25,852	437,870	
Technical facilities	46,025	2,448	-	48,473	-	3.33%	1,548	3,466	3,466	45,007	
Plant & machinery	12,842,697	51,229	-	12,893,926	-	3.33%	428,624	957,302	957,302	11,936,624	
Other plant equipment	18,665	8,670	-	27,335	-	10.00%	1,884	4,107	4,107	23,228	
Vehicles	43,035	15,735	5,618	53,152	-	20.00%	8,465	4,653	29,449	23,703	
Computers equipment	42,046	5,622	1,433	51,668	5,433	33.33%	9,440	1,374	37,676	13,992	
Office equipment	43,412	5,090	5,002	44,412	912	20.00%	6,952	4,338	26,043	18,369	
Furniture and fixtures	29,668	4,333	1,712	44,947	12,658	10.00%	3,826	1,247	10,252	34,695	
Capital work in progress (5.1)	85,652	168,973	-	233,645	(20,980)	-	-	-	-	233,645	
Total at end of year 2008	14,196,486	262,553	19,183	14,439,856	-		473,723	17,030	1,098,813	13,341,043	
Total at end of year 2007	13,729,389	467,738	641	14,196,486	-		464,008	444	642,120	13,554,366	

5.1 Capital work in progress

	2008 Taka '000	2007 Taka '000
Plant building	-	2,241
New corporate office renovation	9,682	21,867
General survey and studies	70,804	40,791
Equipment	83,930	-
Other improvement works	69,229	20,753
	<u>233,645</u>	<u>85,652</u>

5.2 Depreciation charge has been allocated to

	2008 Taka '000	2007 Taka '000
Production and maintenance overhead (Note- 27.2)	445,780	439,631
General and administrative expenses (Note- 28)	27,943	24,377
	<u>473,723</u>	<u>464,008</u>

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

Category of property, plant and equipment	Cost	Accumulated Depreciation	Written down Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
Leasehold improvements	5,418	5,418	-	-	Written off	Third party
Vehicles	5,618	4,653	965	3,065	Tender	Employees of the company
Computers equipment	1,433	1,374	59	92	Company policy	Employees of the company/Third party
Office equipment	5,002	4,338	664	1,365	Company policy/Tender	Employees of the company/Third party
Furniture & fixtures	1,712	1,247	465	316	Company policy/Tender	Employees of the company/Third party
Total at end of year 2008	19,183	17,030	2,153	4,838		
Total at end of year 2007	641	444	197	203		





6 Intangible Assets

Cost on January 1
Additions during the year

Accumulated amortization at January 1
Provision during the year

Carrying amount at December 31

Intangible assets represent cost of IT Software.

7 Investment in Subsidiaries

Lafarge Umiam Mining Private Limited
- a fully owned subsidiary incorporated in India
Lum Mawshun Minerals Private Limited
- a 74% owned subsidiary incorporated in India

	2008 Taka'000	2007 Taka'000
	40,361	33,177
	6,099	7,184
	<u>46,460</u>	<u>40,361</u>
	26,208	15,315
	9,232	10,893
	<u>35,440</u>	<u>26,208</u>
	<u>11,020</u>	<u>14,153</u>
	519,356	519,356
	537	537
	<u>519,893</u>	<u>519,893</u>

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

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

<u>Names of entities</u>	<u>Face value per share</u>	<u>Number of Ordinary Shares held by the Company</u>	
		2008	2007
Lum Mawshun Minerals Private Limited	Indian Rupees 100	4,046	4,046
Lafarge Umiam Mining Private Limited	Indian Rupees 10	41,133,099	41,133,099
		1,240,560	1,233,900
		<u>1,240,560</u>	<u>1,233,900</u>

8 Loan to Subsidiary Company

Lafarge Umiam Mining Private Limited
(a fully owned subsidiary)

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 2008 is USD18,000 (in thousand). Exchange gain of Taka 6,660 (in thousand) has been provided during the year due to depreciation of Taka against US Dollar.

Terms and conditions of the loan are as follows:

Date of loan agreement: 20 April 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 will be made in USD by 32 equal installments on 15 March, 15 June, 15 September and 15 December each year.

Payment of interest: Arrear interest of first four years up to 16 March 2008 will be received in 32 equal installments starting from 15 June 2009 on every repayment date along with the principal repayment.

Security: Mortgage or creation of security interest in favour of offshore lenders (see note 17) over the mining lease, land lease and other movable & immovable assets excluding raw materials, inventories, and trade receivables.



9 Deferred Income Tax Assets

The tax effects of temporary differences that resulted in deferred tax assets and liabilities.

Deferred tax assets

Provision for gratuity

Provision for doubtful debts

Business loss

Deferred tax liabilities

Property, plant and equipment

10 Inventories

Raw materials

Spare parts

Packing materials

Other materials

Finished goods and work in process

11 Trade Receivables

Trade receivables

Trade receivables are secured and considered good.

12 Advances, Deposits and Prepayments

Office and house rent

Contractors, consultants, suppliers and others (Note- 12.1)

VAT current account

Income tax-deducted at source

Employees

Security and other deposits (Note-12.2)

Prepaid expenses

Other receivables

Insurance claim receivable

12.1 Advance to contractors, consultants, suppliers and others

Letter of Credit-spare parts

Letter of Credit-raw materials

Jalalabad Gas Transmission and Distribution System Limited

Custom duties

Others

	2008 Taka'000	2007 Taka'000
	11,950	6,262
	168	-
	2,935,882	2,452,818
	<u>2,948,000</u>	<u>2,459,080</u>
	(2,866,233)	(2,065,269)
	<u>(2,866,233)</u>	<u>(2,065,269)</u>
	81,767	393,811
	157,526	77,706
	514,053	374,151
	23,604	4,668
	14,676	14,829
	296,525	122,555
	<u>1,006,384</u>	<u>593,909</u>
	640,649	56,455
	37,893	26,546
	230,494	324,033
	41,184	33,733
	139,887	75,461
	2,599	9,092
	2,261	2,651
	36,990	39,275
	6,534	6,431
	-	70,572
	<u>497,842</u>	<u>587,794</u>
	161,173	79,780
	27,595	1,443
	-	204,797
	18,186	15,111
	23,540	22,902
	<u>230,494</u>	<u>324,033</u>

Advances mentioned above are unsecured but all are considered good and as such no provision was required to be made. Advances made to employees include advance related to employees sent abroad for training and for running the day-to-day operation costs of different departments.



12.2 Security and other deposits

	2008 Taka'000	2007 Taka'000
House rental	520	520
Telecommunications	527	527
Central Depository System	500	500
Other services	714	1,104
	2,261	2,651

13 Derivative Instruments-assets

Derivative instruments	1,960	-
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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 the close of the year.

14 Cash and Cash Equivalents

Cash in hand	570	349
	570	349
<i>Cash at banks</i>		
In current accounts	15	10
In short term deposit accounts	17,707	15,939
In short notice deposit account	9	9
	17,731	15,958
	18,301	16,307

15 Share Capital

a. Authorised capital		
70,000,000 ordinary shares of Tk. 100 each	7,000,000	7,000,000
b. Issued, subscribed and fully paid up capital		
Balance on 01 January		
Fully paid up in cash	5,759,888	5,759,888
Fully paid up in other than cash	46,980	46,980
	5,806,868	5,806,868

c. Composition of shareholders at 31 December 2008

Name of the shareholders	Nationality or incorporated in	Number of shares	Holding %
Surma Holdings BV	The Netherlands	34,184,935	58.87%
International Finance Corporation	U S A	5,387,400	9.28%
Asian Development Bank	Philippines	5,797,000	9.98%
Sinha Fashions Limited	Bangladesh	1,755,000	3.02%
Islam Cement Limited	Bangladesh	1,595,710	2.75%
Other shareholders	Bangladeshi & NRB	9,348,630	16.10%
		58,068,675	100.00%



d. Classification of shares by holding

Slabs by number of shares	Number of shareholders	Number of shares	Holding %
Less than 500	4,850	568,776	0.98%
From 500 to 5,000	870	1,129,660	1.94%
From 5,001 to 10,000	48	360,277	0.62%
From 10,001 to 20,000	48	651,404	1.12%
From 20,001 to 30,000	17	411,145	0.71%
From 30,001 to 40,000	5	168,356	0.29%
From 40,001 to 50,000	5	235,388	0.41%
From 50,001 to 100,000	11	749,030	1.29%
From 100,001 to 1,000,000	10	2,596,293	4.47%
Above 1,000,000	7	51,198,346	88.17%
	5,871	58,068,675	100.00%

16 Accumulated Loss

	2008 Taka'000	2007 Taka'000
Balance as on 1 January	2,271,977	1,416,594
Net (profit)/loss after tax for the year	(635,195)	855,383
Balance as at 31 December	1,636,782	2,271,977

17 Long Term Debt

17.1 Long Portion

<i>Loan drawn down from:</i>	Currency	Amount'000	Amount in BDT'000	Amount in BDT'000
International Finance Corporation	USD	33,766	2,327,169	2,893,344
Asian Development Bank	USD	24,000	1,654,080	2,115,257
European Investment Bank	USD	24,521	1,690,011	2,066,954
Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	4,834	465,487	682,709
Standard Chartered Bank	BDT		170,000	240,000
AB Bank Limited	BDT		98,182	114,545
			6,404,929	8,112,809

17.2 Current Portion

<i>Loan drawn down from:</i>	Currency	Amount'000	Amount in BDT'000	Amount in BDT'000
International Finance Corporation	USD	8,442	581,793	289,333
Asian Development Bank	USD	6,857	472,594	235,029
European Investment Bank	USD	5,589	385,215	183,565
Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	1,934	186,194	97,530
Standard Chartered Bank	BDT		70,000	70,000
AB Bank Limited	BDT		21,818	5,455
			1,717,614	880,912



Details of loan agreements

Name of Lenders	Type	Amount	Tenor	Interest Rates
International Finance Corporation (IFC)				
Loan A	Term Loan	USD 35 million	7 years	(i) LIBOR+2.875% till FSC* date (ii) after period(i) above LIBOR+3.25% till 60% repaid (iii) after period(ii) above LIBOR+3.00% on outstanding
*FSC: Financial Support Completion				
Loan B	Term Loan	USD 15 million	7 years	(i) LIBOR+2.75% till FSC date (ii) after period(i) above LIBOR+3.25% till 60% repaid (iii) after period(ii) above LIBOR+3.00% on outstanding

The repayment of the loan has started from 15th January 2007 and will end on 15th July 2013

Asian Development Bank (ADB)

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

German Development Bank (DEG)

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

European Investment Bank (EIB)

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

Standard Chartered Bank

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

AB Bank Limited

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

Security:

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

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

Security agreement: Creating charge over the contracts;

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

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

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



18 Trade Payables

	2008 Taka'000	2007 Taka'000
Raw materials	124,675	52,410
Packing bags	58,081	16,841
Marketing expenses	23,868	-
Distribution cost	80,540	9,068
Computer expenses	12,271	13,782
Audit fee	1,139	900
Maintenance	25,612	13,841
Administrative office expenses	30,191	27,139
General assistance fee (Note- 18.1)	77,276	23,999
Trademark license fee (Note- 18.2)	77,276	23,999
Gas bill	49,502	30,303
Operation and maintenance bill-Power Plant	18,243	6,625
Discount on sales	34,328	5,243
Others	24,764	19,502
	637,766	243,652

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

18.2 The amount equally payable to Lafarge S.A. and Cementos Molins for trademark license fee (1 percent of annual net turnover of the company in accordance with the Trademark License Agreement).

19 Other Payables

Payables to supplier of property, plant and equipment	165,154	73,281
Interest and commitment fees on debts	194,932	252,256
Contribution to gratuity	31,866	20,874
Accrued bonus	42,158	28,359
Workers profit participation and welfare funds (Note- 3.5-iii)	49,526	-
Income tax & VAT deducted at source	563	935
Others	46,774	41,491
	530,973	417,196

20 Derivative Instruments-liabilities

Derivative instruments	15,257	4,340
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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 the close of the year.

21 Bank Overdrafts

Standard Chartered Bank, Dhaka	283,661	76,263
AB Bank Limited, Dhaka	11,287	163,804
The Trust Bank Limited, Dhaka	298,100	122,168
Citibank N.A., Dhaka	2,783	8,536
The City Bank Limited, Dhaka	270,544	297,239
Prime Bank Limited, Dhaka	54,837	199,915
Commercial Bank of Ceylon Plc, Dhaka	197,690	197,913
Eastern Bank Limited, Dhaka	2,695	40,009
Uttara Bank Limited, Dhaka	244,314	292,191
The Hongkong and Shanghai Banking Corporation Limited, Dhaka	54,462	414,252
	1,420,373	1,812,290



22 Short Term Debt

Standard Chartered Bank, Dhaka	1,140,000	1,270,000
Citibank N.A., Dhaka	1,180,590	702,000
Eastern Bank Limited, Dhaka	70,000	149,500
The Hongkong and Shanghai Banking Corporation Limited, Dhaka	350,000	-
Commercial Bank of Ceylon Plc, Dhaka	-	60,000

2008 Taka'000	2007 Taka'000
1,140,000	1,270,000
1,180,590	702,000
70,000	149,500
350,000	-
-	60,000
2,740,590	2,181,500

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

Standard Chartered Bank, Dhaka

Facility limit: Taka 1,320,000,000

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

Validity: Up to 30 August 2009

During the year, the company arranged additional Taka 140 million as temporary facility.

AB Bank Limited, Dhaka

Facility limit: Taka 250,000,000

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

Validity: Up to 31 December 2009

The Trust Bank Limited, Dhaka

Facility limit: Taka 300,000,000

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

Validity: Up to 30 September 2009

Citibank N.A., Dhaka

Facility limit: Taka 1,960,000,000

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

Validity: Up to 30 August 2009

The City Bank Limited, Dhaka

Facility limit: Taka 300,000,000

Security: i. Guarantee from Citibank N.A., Dhaka and counter guarantee from Financiere Lafarge
ii. Demand Promissory Note and Letter of Continuation

Validity: Up to 16 July 2009



Prime Bank Limited, Dhaka

Facility limit: Taka 200,000,000

Security: i. Guarantee from Citibank N.A., Dhaka and counter guarantee from Financiere Lafarge
ii. Demand Promissory Note and Letter of Continuation

Validity: Up to 15 July 2009

Commercial Bank of Ceylon Limited, Dhaka

Facility limit: Taka 270,000,000

Security: i. Guarantee from Standard Chartered Bank, Dhaka and counter guarantee from Financiere Lafarge.
ii. Hypothecation of Company's inventory
iii. Hypothecation of Company's receivables
iv. Demand Promissory Note and Letter of Continuation

Validity: Up to 30 June 2009

Eastern Bank Limited, Dhaka

Facility limit: Taka 200,000,000

Security: i. Guarantee from Standard Chartered Bank, Dhaka and counter guarantee from Financiere Lafarge.
ii. Demand Promissory Note and Letter of Continuation

Validity: Up to 31 January 2009

Uttara Bank Ltd., Dhaka

Facility limit: Taka 300,000,000

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

Validity: Up to 31 March 2009

The Hongkong and Shanghai Banking Corporation Limited, Dhaka

Facility limit: Taka 420,000,000

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

Validity: Up to 31 December 2009

23 Current Income Tax Liabilities

Balance as on 1 January
Provision during the year
Balance as at 31 December

24 Commitments

Contracted but not provided for in these accounts:

Security agency services contract
Capital expenditure

Others

Contractors, consultants and suppliers
Calyon Corporation and Investment Bank
(Calyon is the guarantor of EIB loan)

	2008 Taka'000	2007 Taka'000
	7,517	1,251
	(6,266)	6,266
	1,251	7,517
	15,162	22,622
	43,740	-
	117,372	111,765
	56,438	78,184
	232,712	212,571



25 Contingent Liabilities

25.1 Bank guarantees have been issued in favour of Customs Authority against import of equipment and spare parts.

Bank guarantees totaling Tk. 10.8 million have been issued in favour of Wartsila Bangladesh as a payment guarantee against operation & maintenance contract.

Bank guarantees have been issued in favour of Jalalabad Gas Transmission and Distribution System Limited for continued gas supply to the plant.

25.2 Claims

- a. Claims against the Company not acknowledged as debt
- b. Claims by the Company not acknowledged as receivable

26 Revenue

Sale of grey cement (Note- 26.1)

Sale of cement clinker

26.1 Sale of grey cement

Local sales

Export

27 Cost of Sales

Opening finished goods and work in process (Note- 10)

Raw materials consumed (Note- 27.1)

Power and fuel consumed

Production and maintenance overhead (Note- 27.2)

General and social expenses (Note- 27.3)

Internal distribution cost

Closing finished goods and work in process (Note- 10)

27.1 Raw materials consumed

Limestone

Shale

Clay

Gypsum

Iron Ore

Sand

Packing bag

Imported clinker

Others

	2008 Taka'000	2007 Taka'000
	7,817	7,817
	10,800	10,800
	265,487	265,487
	Nil	Nil
	Nil	Nil
	4,115,390	1,796,581
	2,096,548	603,295
	6,211,938	2,399,876
	4,105,010	1,796,581
	10,380	-
	4,115,390	1,796,581
	122,555	369,644
	1,791,646	840,807
	672,291	253,855
	774,631	644,196
	191,807	190,385
	580,178	107,834
	(296,525)	(122,555)
	3,836,583	2,284,166
	1,170,975	186,775
	3,685	20,893
	76,181	-
	104,754	34,032
	66,828	7,672
	10,054	3,421
	304,660	118,283
	-	460,833
	54,509	8,898
	1,791,646	840,807



27.2 Production and maintenance overhead

Salary, allowances and benefits
Contributions to employees' benefit schemes
Staff welfare expenses
Maintenance
Other supplies and spares
Material handling
Other expenses
Technical studies
Depreciation (Note- 5.2)

2008
Taka'000

2007
Taka'000

115,870	100,039
5,778	3,914
1,688	2,660
118,546	58,111
10,073	3,641
58,573	24,959
8,133	9,272
10,190	1,969
445,780	439,631
774,631	644,196

27.3 General and social expenses

Salary, allowances and benefits
Contributions to employees' benefit schemes
Staff welfare expenses
Training, seminars and meeting
Traveling
Rent
Gas, electricity and water
Telephone, fax and postage
Office maintenance
Security services
Printing and stationery
Computer expenses
Other supplies and spares
Other office expenses
Registration and other fees
Consultancy
Vehicles running expenses
Corporate social activities
Insurance

41,113	55,454
1,391	1,278
829	2,463
4,024	3,805
12,607	8,376
2,535	3,509
1,182	1,783
2,993	2,980
6,423	3,008
9,383	23,997
973	1,021
17,958	14,553
6,423	4,300
17,955	2,509
1,100	527
3,000	2,000
4,276	3,392
2,217	2,077
55,425	53,353
191,807	190,385

28 General and Administrative Expenses

Salary, allowances and benefits
Contributions to employees' benefit scheme
Staff welfare expenses
Training, seminars and meeting
Traveling
Rent
Gas, electricity and water
Telephone, fax and postage
Entertainment
Office maintenance
Office security services
Printing and stationery
Computer expenses
Other office expenses
Registration and other fees
Statutory and other audit fees (Note- 28.1)
Legal expenses
Vehicles running expenses
Public relation
General assistance fee (Note- 18.1)
Trademark license fee (Note- 18.2)
Insurance
General survey and studies
Depreciation (Note- 5.2)
Amortization of intangible assets (Note- 6)

100,097	95,568
8,302	6,580
1,085	779
20,146	10,852
10,402	13,244
16,534	8,951
1,100	595
3,175	3,506
1,274	750
2,441	549
359	442
1,940	1,595
19,374	15,273
3,752	2,962
1,664	1,460
1,286	988
921	1,231
9,271	5,241
6,753	4,693
53,277	23,999
53,277	23,999
3,404	4,069
2,049	2,421
27,943	24,377
9,232	10,893
359,058	265,017



28.1 Statutory and other audit fees

Statutory audit fee	200	200
Group audit fee	660	460
Certifications and special audit	47	88
Annual consolidation audit	279	140
Tax advisory services	100	100
	1,286	988

29 Selling and Distribution Expenses

Salary, allowances and benefits	48,598	32,950
Contributions to employees' benefit scheme	2,879	2,526
Training, seminars and meeting	1,468	2,254
Traveling	3,335	4,515
Gas, electricity and water	93	796
Telephone, fax and postage	1,435	1,884
Entertainment	243	189
Office maintenance	535	2,961
Office security services	63	1,794
Printing and stationery	611	534
Other office expenses	265	283
Registration and other fees	2,303	1,648
Advertisement and promotion	69,443	48,926
General survey and studies	304	5,988
	131,575	107,248

30 Other Operating Income

Insurance claim received	177,785	160,584
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Last year, the Company filed an insurance claim against business interruption arising from machinery breakdown in Lafarge Umiam Mining Private Limited (LUMPL). During the year, an amount of Taka 177,785 (in thousand) has been received from the insurance company as final settlement of the claim.

31 Finance Expenses

Interest on long term debts	551,740	681,724
Interest on bank overdrafts and short term debts	456,552	369,704
Fees for long term loan	25,555	29,709
Derivative expenses	13,297	4,340
Interest on discounted bill	12,538	-
Bank charges and commission	9,141	5,798
	1,068,823	1,091,275

32 Interest Income

Interest on loan to subsidiary company (Note- 8)	78,283	105,815
Interest on bank deposits	125	678
	78,408	106,493

33 Other Expenses/(Income)

Sale of property, plant and equipment	(2,689)	(7)
Sale of paper bags	(1,112)	6,187
Provision for trade receivables	447	-
Loss on non-operating receivables (Note- 33.1)	97,827	-
	94,473	6,180



- 33.1** Loss on adjustable minimum "take or pay" payment against gas contract with the Jalalabad Gas Transmission and Distribution System Limited.

	2008 Taka'000	2007 Taka'000
34 Income Tax		
Current income tax (income)/expenses	(6,256)	6,266
Deferred income tax expenses/(income)	312,043	(287,495)
	305,787	(281,229)

35 Earnings Per Share

35.1 Basic earnings per share

Basic earning per share has been calculated taking a capital base of 58,068,675 number of ordinary shares of Taka 100 each as issued up to 31 December 2008.

35.2 Diluted earnings per share

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

36 Directors' Managers' and Officers' Remuneration

Salary, allowances and benefits	108,304	85,599
Contributions to employees' benefit scheme	10,063	7,209
Reimbursable expenses	504	350
	118,871	93,158

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

37 Expenditure in Foreign Currencies

General assistance fees	53,277	23,999
Trademark license fees	53,277	23,999
Technical assistance	22,708	10,823
Interest and fees on long term debts	526,952	641,435
Derivative expenses	13,297	4,340
	669,511	704,596

38 Earnings in Foreign Currencies

Interest on loan to subsidiary company	78,283	105,815
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39 Materials Consumption (Note- 27.1)

In terms of value

Imported	1,400,751	719,103
Indigenous	390,895	121,704
	1,791,646	840,807

In terms of Percentage

Imported	78	86
Indigenous	22	14
	100	100



40 Related Party Transactions (Amount in Taka '000)

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

<u>Name of the Party and relationship</u>	<u>Nature of transaction</u>	<u>Transaction value During the Year</u>	<u>Outstanding amount at 31 Dec 2008</u>
Surma Holdings BV-Parent Company	-	-	-
Lafarge Asia SDN BHD-Group Company	Technical assistance & expatriates salary	33,532	35,511
Lafarge Cement UK-Group Company	Expatriates salary	26,561	27,815
Lafarge S.A.-Group Company	Technical assistance & trademark license	99,046	172,002
Cementia Asia SDN BHD-Group Company	Travel expenses	271	271
Cementos Molins-Group Company	Trademark license & travel expenses	38,587	50,587
Eastern Housing Ltd.-Shareholder	Cement sales	5,678	527
Bengal Development Corp.-Shareholder	Cement sales	10,715	1,980
Sinha Textile Ltd.-Shareholder	Cement sales	29,403	6,538
LUMPL Subsidiary Company	Import of raw materials	1,054,220	53,963
	Interest income	78,283	279,420

41 Number of Employees

Nationality:

Bangladeshi
Non-Bangladeshi

Salary range:

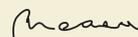
Monthly Taka 3,000 or above
Monthly below Taka 3,000

	2008	2007
<i>Number of employees</i>		
Bangladeshi	357	315
Non-Bangladeshi	11	11
	368	326
Monthly Taka 3,000 or above	368	326
Monthly below Taka 3,000	Nil	Nil

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

<u>Products</u>	<u>Annual Installed Capacity</u>	<u>Actual Production</u>	
		2008	2007
Grey cement	1,200	748	335
Cement clinker	1,150	1,022	262


Company Secretary


Director


Managing Director



Report and Financial Statements of
Lafarge Umiam Mining Private Limited
For the year ended 31 December 2008



Directors' Report

Dear Shareholders:

Your Directors have the pleasure in presenting the ninth Annual Report of Lafarge Umiyam Mining Private Limited (the "Company"), together with the audited balance sheet and the profit and loss account for the year ended December 31, 2008.

Review of the Activities:

The year 2008 was a very challenging and important year for your Company as it was the first year of continuous uninterrupted production. Your Company exported 1.49 million tonnes of limestone generating a sales figure of INR 663 million. Your Company is expeditiously working to get the approval for forest clearance under the provisions of Forest Conservation Act.

During the year the Company faced a challenge in the performance level of the installed MMD crusher. There were several breakdowns, which have been identified to design problems and hardness of available limestone. The crusher performance is consistent after the necessary technical modifications. A mobile crusher has been added in February 2009 to supplement the crushing capacity. It is expected that in 2009 with the MMD and mobile crusher in place, your Company shall be able to achieve the planned production capacity of 2 million tonnes of limestone.

Safety and Security:

Safety continues to be the number one priority of the Company. During the year under review, the Company scored a fair rating at the Health and Safety Audit conducted by the Lafarge Group, Asia Region, which is indicative of the positive compliance of the Company towards Health and Safety commitments. There were improvements in Health and Safety conditions and there was no fatal injury. There was however one occurrence of lost time injury of a contractor's employee.

In order to consistently improve the safety performance of the Company the month of June 2008 was observed as the "Safety Month", which was enthusiastically participated by the Company's and Contractor's employees through discussions, sharing and visible engagement. The overall impression about the safety month was a successful step towards making commitment to safety.



Again, the month of August 2008 was observed as the "Near-miss Incident Reporting Awareness Month" to improve reporting of near-miss incidents with an objective of eliminating major or minor accidents in the Company.

In view of having further improvement of the Company's safety performance, a safety improvement plan is under implementation, which includes implementation of safety standards and advisories on incident reporting and investigation, working at height, personal protective equipment, mobile equipment advisory, conveyer safety, etc. A regular monitoring is in practice with emphasis on safety supervision to establish safe working practices for all activities that are critical from safety point of view.

The Company continues to follow the recommendations of the IX Conference of Safety in Mines and the Company stands committed to follow the recommendations made by the X Conference of Safety in Mines.

Your Company has been implementing a full-fledged security plan to safeguard crusher installation and the belt conveyor. Security agencies are in place and are working under supervision of the Company's security consultants and officers.

Environment:

Your Company is committed to implement the most stringent environmental standards from amongst the local legislation and standards applied by Molins and Lafarge Groups and as well as the standards prescribed by the World Bank. The Environmental studies for the implementation of the project were carried out by third party experts in the relevant fields to identify and measure the environmental impacts. Your Company continues to be committed for implementation of the environment management plans as suggested by the experts and approved by the regulatory authorities as well as the lenders. In addition, the Company is adherent to comply with its social commitments.

Your Company continues to adopt the scientific mining methods to ensure full respect to the protection of the environment, ecology, local biodiversity and preservation of caves in the surrounding areas. To ensure full compliance of all environmental standards for mining, Your Company is continuously working towards upgradation of mining techniques so that the impact to the surrounding areas is fully mitigated. Your Company is working closely with the Village Durbar of Nongtraï for protection of caves in the surrounding areas.

Financial Performance:

Your Company re-started the export of limestone in November 2007 and since then it has been able to continuously export to the cement plant of its parent company, Lafarge Surma Cement Limited ("LSC"), Bangladesh. With 61% capacity utilization of targeted limestone production for the year 2008, your Company has achieved the export sales of 1.49 million tonnes.

The accumulated loss as on December 31, 2008 has exceeded the paid up capital of the Company. This was attributed by the high foreign exchange loss suffered in 2008 and the unavoidable circumstances on account of regulatory issues which lead to interruption in production in 2007. Your Company is confident to achieve the production level of 2 million tonnes in 2009 and recover the losses sustained. The requirement of the limestone by the cement plant is consistent, it is expected that your Company will be able to export its entire production in the future also.

The financial results of the Company are as follows:

Particulars	Rupees in '000	
	Dec' 31, 2008	Dec' 31, 2007
Gross revenue	664,246	212,834
Expenditure	795,346	217,790
EBIDTA	(131,100)	(4,956)
Interest & finance charges	97,024	91,163
Depreciation	57,611	58,465
Prior period items	(28,882)	3,853
Profit/(Loss) before tax	(256,854)	(158,439)
Provision for tax (including deferred tax)	(85,597)	87,345
Profit/(Loss) after tax	(171,258)	(245,784)
Surplus/deficit brought forward from previous year	(381,347)	(135,564)
Surplus/deficit carried forward to balance sheet	(552,605)	(381,347)
Earning per share	(4.16)	(5.98)



Corporate Social Responsibility:

Demonstrating a strong commitment to corporate social responsibility, your Company has been engaged in implementing various community development programs in the villages surrounding the mining site specially the villages of Nongtraï and Shella. This is being done in close coordination with the respective village Durbars with the formation of the Joint Committee on Community Development ("JCCD") in both the villages consisting of the members appointed by the village Durbars and representatives of the Company. Wide range of community development programmes have been undertaken by the Company in consultation with the JCCD particularly those in respect of healthcare, support to education, development of local infrastructure, water supply schemes, vocational trainings, sports promotion, social meets and events.

Your Company continued with its endeavors to improve the healthcare facilities for the local community around the mining site operations. In addition to a permanent health centre, a Mobile Clinic and a registered medical doctor, free medical services including medicines are being provided to the surrounding villagers.

In 2008 your Company organized several health camps where free pathological tests, dental and vision screening tests, distribution of spectacles free of costs and free cataract operations were conducted. Large numbers of school children have been benefited by the dental and vision screening camps which are organized in the villages regularly.

In the education sector, your Company continues to provide annual scholarships to the local bright and needy students, assistance for enhancement of schoolteacher's salary, support to the school's infrastructure and academic gadgets to the students.

Your Company is supporting the local community for improvement of the basic infrastructure like construction of concrete walkways, washing ramps, public lavatories, bathing enclosures, drains etc. Village water supply schemes are drawn and the process of implementation has been initiated. The Company is providing regular support to create awareness and skill development in the field of agriculture and horticulture. It is also working for setting up of sericulture and weaving centre at Nongtraï village which will be implemented through a village level Self Help Group (SHG).

Inter village sports are very popular during autumn and winter seasons and the Company plays a major role to sponsor such events at Shella and Nongtraï. The Company has developed a football ground at Nongtraï village which will also be used for community gatherings and school sports meets.

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

Directors:

The Company has eight (8) Directors on the Board. The Directors are not liable to retire by rotation.

Resignations:

Mr. Md. Abdur Rahim (nominee of LSC) resigned from the Board by a letter dated August 21, 2008, as he is assuming new responsibilities within Lafarge group elsewhere. Mr. Rahim was appointed as Director of the Company on March 22, 1999 and he contributed to the Company's evolution by his able decision making process and his wise counsel in the past nine years.

Appointments:

LSC, by resolution dated August 21, 2008, nominated Mr. Jose Maria Fontdecaba, Mr. Shivesh Kumar Sinha and Mr. Narayan Prasad Sharma as Directors on the Board of the Company.

Mr. Jose Maria Fontdecaba, has been appointed as an Additional Director on the Board of the Company on August 27, 2008. Mr. Fontdecaba, is a Director of LSC. His presence on the Board would be beneficial for the Company.

Mr. Shivesh Kumar Sinha, has been appointed as an Additional Director on the Board of the Company on August 27, 2008. Mr. Sinha, is a Director of LSC, his presence on the Board would be beneficial for the Company.

Mr. Narayan Prasad Sharma, has been appointed as an Additional Director on the Board of the Company on August 27, 2008. Mr. Sharma was the General Manager with your Company and has been with the Company since inception. His presence on the Board would be beneficial for the Company.



Directors' Responsibility Statement:

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

1. That in the preparation of the annual accounts for the year ended December 31, 2008, the applicable Accounting Standards have been followed along with proper explanations were provided for material departures, if any.
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year.
3. That the Directors the had taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
4. That the Directors had prepared the accounts for the financial year ended on December 31, 2008 on a going concern basis.

Auditors and Auditors' Report:

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

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

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

Particulars of employees:

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

Conservation of Energy, Technology Absorption and Foreign Exchange:

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

Fixed deposits:

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

Acknowledgements:

Your Directors wish to express their grateful appreciation for the valuable support and cooperation received from LSC, lenders, banks, project consultants and the Durbars of Nongtraï and Shella for their continued support. Your Directors also place on record, their appreciation for the contribution and hard work of employees of the Company, their commitment, dedication and hard work is fueling your Company's growth.

For and on behalf of the Board of Directors

Place: Dhaka
Date: March 22, 2009


Michael Andrew Cowell
Chairman



Annexure "A" to the Directors' Report:

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended and forming part of the Directors' Report for the year ended December 31, 2008.

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

Name & age	Designation & nature	Remuneration received (INR)	Qualification & Experience	Date of Joining	Particulars of last employment
Narayan Prasad Sharma	VP & Director	4,497,000	B.E. (Mech.) & M.B.A 17 years	1.10.1999	Engineer, Lafarge Asia Pacific, PTE. Ltd.

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

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

Annexure "B" to the Directors' Report:

Information pursuant to Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, as amended and forming part of the Directors' Report for the year ended December 31, 2008.

A. Conservation of Energy:

(a) Energy conservation measures taken:

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

(b) Additional Investment and proposals for energy conservation:

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

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

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

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



FORM A

A. Power and Fuel Consumption

	Current Year (Jan 1, 2008 - Dec 31, 2008)	Previous Year (Jan 1, 2007 - Dec 31, 2007)
1. Electricity:		
(a) Purchased:		
Unit (KWH)	112367	N.A.
Total Amount (Rs.)	594426	N.A.
Rate/unit (Rs.)	5.29	N.A.
(b) Own Generation:		
(i) Through diesel generator		
Units (KWH)	2994190	700641
Units/litre of diesel oil	2.76	1.85
Cost/unit (INR/Unit)	9.57	13.24
(ii) Through steam turbine/generator		
Units	N.A.	N.A.
Units per litre of fuel oil/gas	N.A.	N.A.
Cost/Units	N.A.	N.A.
2. Coal (specify quality and where used):		
Quantity (tonnes)	N.A.	N.A.
Total cost	N.A.	N.A.
Average cost (Rs.)	N.A.	N.A.
3. Furnace oil:		
Quantity (Kl)	N.A.	N.A.
Total amount (Rs.)	N.A.	N.A.
Average rate (Rs./Kl)	N.A.	N.A.
4. Others/internal generation (please give details):		
Quantity	N.A.	N.A.
Total cost	N.A.	N.A.
Rate/unit	N.A.	N.A.

B. Consumption per unit of production

2007 - 1.55KWH/MT

2008 - 1.99KWH/MT



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

FORM B

I. Research and Development (R & D): As it is new unit, hence no such action taken.

II. Technology absorption, adaptation and innovation: As it is new unit, hence no such action taken.

C. Foreign Exchange earnings and outgo during the period:

The particulars relating to foreign exchange earnings:

Particulars	Rupees in '000	
	Dec' 31, 2008	Dec' 31, 2007
FOB Value of Exports	646,391	117,946

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

Particulars	Rupees in '000	
	Dec' 31, 2008	Dec' 31, 2007
Professional and Consulting fees	2,469	7,845
Spare parts	51,476	8,906
Travel expenditure	623	185
Repayment of interest	11,346	Nil

For and on behalf of the Board of Directors

Michael Andrew Cowell
Chairman



Auditors' Report to the Members of Lafarge Umiam Mining Private Limited

We have audited the attached balance sheet of Lafarge Umiam Mining Private Limited as at 31st December 2008 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Without qualifying our report, we invite attention to note 2 of part B of Schedule 13 regarding financial statements being prepared on a going concern basis, in spite of full erosion of net worth of the Company as at the year end, taking into account the continued financial support from its parent company and the operating cash profit earned by the Company during the current year.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

1. 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;
2. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of such books;
3. The balance sheet, the profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the balance sheet, the profit and loss account and the cash flow statement have been drawn up in accordance with the Accounting Standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts gives the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of balance sheet, of the state of affairs of the Company as at 31st December 2008;
 - b) in the case of the profit and loss account, of the loss of the Company for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants

A. Bhattacharya
Partner
M/No. 054110

Place: Kolkata
Date: March 5, 2009



ANNEXURE TO THE AUDITORS' REPORT

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

The nature of the Company's business/activities during the year is such that clause (viii), (xiii), (xiv) and (xx) of Paragraph 4 of the Order is not applicable to the Company.

- (i) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - (b) Some of the fixed assets were physically verified by the management during the year in accordance with a programme of verification, which in our opinion provides for physical verification of all fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noted on such verification.
 - (c) None of the fixed assets have been disposed off during the year.
- (ii) In respect of its inventories:
 - (a) Inventories were physically verified during the year by the management which in our opinion is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to or companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and we have not observed any continuing failure to correct major weaknesses in such internal controls.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements to be entered in the register maintained in pursuance in Section 301 of the Companies Act, 1956.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public within the purview of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 during the year under review.
- (vii) During the year the internal audit of the Company was carried out internally by the management as well by a firm of Chartered Accountants appointed by the management. In our opinion scope of work of internal audit should be strengthened to be commensurate with the size of the Company and the nature of its business.
- (viii) In respect of statutory dues:
 - (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees State Insurance, Income tax, Service tax, Custom Duty, Excise Duty, Cess and any other material statutory dues with the appropriate authorities during the year.



- (b) According to the information and explanations given to us, there are no outstanding amounts of Income tax, Customs duty, Service tax and Cess on account of disputes.
- (ix) The accumulated losses of the Company at the end of the year have exceeded fifty per cent of its net worth. The Company has incurred cash losses during the year as well as in the previous financial year.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions and banks.
- (xi) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, the term loan availed by the Company were, prima facie, applied by the Company during the year for the purpose for which the term loan was obtained.
- (xiv) According to the information and explanations given to us, and on an overall examination of balance sheet of company, funds raised on short term basis have, prima facie, been used during the year for long term investment.
- (xv) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xvi) According to the information and explanations given to us and the records examined by us, the Company has not issued any debentures during the year.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

A. Bhattacharya
Partner
M/No. 054110

Place: Kolkata
Date: March 5, 2009

Lafarge Umiam Mining Private Limited

Balance Sheet as at 31st December 2008

Rupees in thousand

	Schedule	As at 31-12-2008		As at 31-12-2007	
		Rupees	Rupees	Rupees	Rupees
I. SOURCES OF FUNDS :					
1. SHAREHOLDERS' FUND					
Share Capital	1		411,331		411,331
2. LOAN FUNDS					
Secured Loan	2		896,220		709,920
Unsecured Loan	3		355,116		418,039
3. DEFERRED TAX LIABILITY			-		86,512
TOTAL			1,662,667		1,625,802
II. APPLICATION OF FUNDS :					
1. FIXED ASSETS					
a) Gross Block	4	1,332,774			1,245,502
b) Less: Depreciation		137,715			78,994
c) Net Block			1,195,059		1,166,508
d) Capital Work in progress	5		90,263		26,789
2. CURRENT ASSETS, LOANS & ADVANCES	6				
A. Current Assets					
a) Inventories		60,378			147,918
b) Sundry Debtors		37,935			29,610
c) Cash & Bank Balances		35,796			7,355
d) Other current assets		458			224
B. Loans & Advances		140,424			48,691
		274,991			233,798
Less : Current Liabilities and Provisions	7				
a) Liabilities		449,617			182,108
b) Provisions		634			532
		450,251			182,640
Net Current Assets			(175,260)		51,158



Lafarge Umiam Mining Private Limited

Balance Sheet as at 31st December 2008

Rupees in thousand

	Schedule		As at 31-12-2008	As at 31-12-2007
		Rupees	Rupees	Rupees
3. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)				
Profit and Loss account			552,605	381,347
TOTAL			1,662,667	1,625,802
NOTES FORMING PART OF ACCOUNTS	13			

As per our attached report of even date

For Deloitte Haskins & Sells

Chartered Accountants

A. Bhattacharya
Partner

Place: Kolkata
Dated: March 5, 2009

Michael Andrew Cowell
Director

Place: Dhaka
Dated: March 2, 2009

For and on behalf of the Board of Directors

Masud Khan
Director

Manjuree Rai
Company Secretary

Lafarge Umiam Mining Private Limited

Profit and Loss Account for the year ended 31st December 2008

Rupees in thousand

	Schedule	For the Year ended 31-12-2008		For the Year ended 31-12-2007	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Export Sales :					
Limestone		663,992		95,303	
Shalestone		-		19,056	
Other Income :					
Interest on bank deposits		255		160	
Exchange rate fluctuation gain		-		98,315	
			664,247		212,834
TOTAL			664,247		212,834
EXPENDITURE					
Extracted materials, Royalty & Cess and Stores & Spares	8	403,947		103,931	
Employees' Remuneration and Benefits	9	23,257		22,926	
Operating and Administration Expenses	10	368,143		90,933	
Depreciation / Amortization	4	57,612		58,465	
Financial Charges	11	97,024	949,983	91,164	367,419
TOTAL			949,983		367,419
Profit/(Loss) before prior period items			(285,736)		(154,585)
Prior period items	12		(28,882)		3,854
Profit/(Loss) Before Taxation			(256,854)		(158,439)
Deferred Tax (Refer Note No.B, 7 of Schedule 13)		(86,512)		86,512	
Provision for Fringe Benefit Tax		916	(85,596)	833	87,345
Profit/(Loss) After Taxation			(171,258)		(245,784)
Balance brought forward from previous year		(381,347)		(135,904)	
Add : Transition effect of opening liability for Employee Benefit as per AS - 15		-	(381,347)	341	(135,563)



Lafarge Umiam Mining Private Limited
Profit and Loss Account for the year ended 31st December 2008

Rupees in thousand

	Schedule	For the Year ended 31-12-2008		For the Year ended 31-12-2007	
		Rupees	Rupees	Rupees	Rupees
Balance carried to Balance Sheet			(552,605)		(381,347)
Basic and diluted Earnings per share - Rs.			(4.16)		(5.98)
NOTES FORMING PART OF ACCOUNTS	13				

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

A. Bhattacharya
Partner

Michael Andrew Cowell
Director

Masud Khan
Director

Place: Kolkata
Dated: March 5, 2009

Place: Dhaka
Dated: March 2, 2009

Manjuree Rai
Company Secretary

Lafarge Umiam Mining Private Limited

Cash Flow Statement for the year ended 31st December 2008

Rupees in thousand

	For the year ended 31-12-2008	For the year ended 31-12-2007
Cash flow from operating activities		
Cash receipts from customers	647,631	120,058
Payment for cost and expenses	(434,521)	(282,212)
Interest income from bank deposits	21	85
Wealth tax and Fringe benefit tax	(1,110)	(965)
Income tax refund	99	-
	212,120	(163,034)
Cash flow from investing activities		
Acquisition of tangible fixed assets	(56,999)	(56,497)
Acquisition of intangible fixed assets	(282)	(2,596)
Capital work in progress	(63,474)	(26,789)
	(120,755)	(85,882)
Cash flow from financing activities		
Long term loan	-	-
Short term loan	(195,000)	276,000
Bank overdraft	132,076	(23,982)
	(62,924)	252,018
Net Increase in Cash and Cash Equivalents	28,441	3,102
Cash and equivalent at the beginning of the year	7,355	4,253
Cash and equivalent at the end of the year	35,796	7,355
	28,441	3,102

As per our attached report of even date

For Deloitte Haskins & Sells

Chartered Accountants



A. Bhattacharya
Partner



Michael Andrew Cowell
Director



Masud Khan
Director



Manjuree Rai
Company Secretary

Place: Kolkata
Dated: March 5, 2009

Place: Dhaka
Dated: March 2, 2009



Lafarge Umiam Mining Private Limited

Schedules forming part of the Balance Sheet as at 31st December 2008

Rupees in thousand

	As at 31-12-2008		As at 31-12-2007	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE 1				
SHARE CAPITAL				
Authorised: 42,000,000 Equity shares of Rs 10/- each				
		420,000		420,000
Issued, Subscribed and Paid-up:				
41,133,099 (Previous year: 41,133,099) Equity shares of Rs. 10/- each fully Paid-up				
		411,331		411,331
(Of the above 41,133,098 shares (Previous year 41,133,098) are held by Lafarge Surma Cement Limited, Bangladesh, the holding company.)				
Total		411,331		411,331
SCHEDULE 2				
SECURED LOAN				
From Lafarge Surma Cement Limited, Bangladesh, the holding company				
External Commercial Borrowing				
(Refer Note No.B,3 of Schedule 13)				
		896,220		709,920
Total		896,220		709,920
SCHEDULE 3				
UNSECURED LOAN				
From Citibank N.A. Mumbai :				
Working capital demand loan				
	120,000		139,000	
Overdraft				
	436		-	
From Standard Chartered Bank, Mumbai :				
Working capital demand loan				
	89,000		265,000	
Overdraft				
	145,680		14,039	
Total		355,116		418,039

Lafarge Umiam Mining Private Limited

Schedules forming part of the Balance Sheet as at 31st December 2008

SCHEDULE 4

FIXED ASSETS

Rupees in thousand

Particulars	Gross Block			Depreciation			Net Block		
	As at 31-12-07	Addition during the period	Adjustment during the period	As at 31-12-08	As at 31-12-07	For the period	Adjustment during the period	As at 31-12-08	As at 31-12-07
Tangible Assets									
Freehold Land	20,490	-	-	20,490	-	-	-	20,490	20,490
Leasehold Land	13,885	-	-	13,885	809	490	-	12,586	13,076
Quarry	86,547	9,701	2,474*	98,722	4,275	4,191	95	90,161	82,272
Furniture and Fixtures	2,522	315	-	2,837	591	158	-	2,088	1,931
Office & Household Equipments	3,297	318	-	3,615	1,502	553	-	1,560	1,795
Electronic Data Processing Equipment	3,171	870	-	4,041	2,488	476	-	1,077	683
Vehicles	9,038	1,846	-	10,884	4,480	507	-	5,897	4,558
Plant and Machinery	1,059,622	46,691	24,775#	1,131,088	62,054	49,826	1,014	1,018,194	997,568
Building	44,137	-	-	44,137	1,774	749	-	41,614	42,363
Intangible Assets									
Software	2,793	282	-	3,075	1,021	662	-	1,392	1,772
TOTAL	1,245,502	60,023	27,249	1,332,774	78,994	57,612	1,109	1,195,059	1,166,508
Previous year	1,186,409	79,369	(20,276)	1,245,502	16,676	62,318	-	1,166,508	

* Includes Rs 2,474 thousand (Accumulated depreciation Rs 95 thousand) adjustment on account of capitalisation of preoperative borrowing cost charged off in earlier years.

Includes Rs 27,517 thousand (Accumulated depreciation Rs 1,014 thousand) adjustment on account of capitalisation of preoperative borrowing cost charged off in earlier years which has been netted off on account of insurance claim of Rs 2,742 thousand received due to breakdown of machinery.



Lafarge Umiam Mining Private Limited

Schedules forming part of the Balance Sheet as at 31st December 2008

SCHEDULE 5

CAPITAL WORK IN PROGRESS

Rupees in thousand

	As at 31-12-07	Addition during the period	As at 31-12-08
Quarry *	25,545	18,400	43,945
Building	1,244	7,255	8,499
Plant & Machinery	-	26,368	26,368
Others	-	11,451	11,451
TOTAL	26,789	63,474	90,263
Previous year	-	26,789	26,789

* includes

- a) Quarry expansion in addition to existing quarry
- b) Expenditure relating to obtain the Forest clearance (Refer Note No.B,1 of Schedule 13)

Rupees in thousand

	As at 31-12-2008		As at 31-12-2007	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE 6				
CURRENT ASSETS, LOANS & ADVANCES			-	
A. CURRENT ASSETS				
a) Inventories (As taken, valued and certified by the Management)				
Extracted Limestone	41,957		129,079	
Extracted Shalestone	1,212		1,212	
Oil and Fuel	354		957	
Stores and Spare parts	16,855		16,670	
		60,378		147,918
b) Sundry Debtors (Unsecured, considered good)				
Debts exceeding six months	-		22	
Other Debts	37,935		29,588	
		37,935		29,610
c) Cash and Bank Balances				
Cash balance on hand	110		71	
Remittance in transit	28		-	
With Scheduled Banks				
In Current Accounts	31,576		4,279	
In Short Term Deposits Accounts *	4,082		3,005	
		35,796		7,355

Lafarge Umiam Mining Private Limited

Schedules forming part of the Balance Sheet as at 31st December 2008

Rupees in thousand

	As at 31-12-2008		As at 31-12-2007	
	Rupees	Rupees	Rupees	Rupees
<p>* Rs 650 thousand (Previous year Rs 650 thousand) pledged with The Office of Commissioner of Central Excise, Meghalaya ; Rs. 1,627 thousand (Previous year Rs 2,155 thousand) pledged in respect of Bank Guarantee issued by State Bank of India, Shillong in favour of Indian Bureau of Mines.</p> <p>d) Other Current Assets - Interest accrued but not due on bank deposits</p> <p>B. LOANS AND ADVANCES (Unsecured and Considered Good) Advances recoverable in cash or kind or value to be received Deposits</p>	458	458	224	224
	138,754		46,524	
	1,670		2,167	
		140,424		48,691
		274,991		233,798
SCHEDULE 7				
CURRENT LIABILITIES & PROVISIONS				
A. CURRENT LIABILITIES				
a) Sundry Creditors				
- total outstanding dues of micro and small enterprises	-		-	
- total outstanding dues of other creditors	243,839		47,087	
b) Interest accrued but not due on loan	173,664		134,289	
c) Other liabilities	32,114		732	
		449,617		182,108
B. PROVISIONS				
a) Provision for Income Tax (Net of Advance Taxes)				
	37		57	
b) Provision for Fringe Benefit Tax (Net of Advance Taxes)				
	34		174	
c) Provision for Wealth Tax (Net of Advance Taxes)				
	33		14	
d) Provision for Gratuity				
	530		287	
		634		532
		450,251		182,640



Lafarge Umiam Mining Private Limited

Schedules forming part of the Profit and Loss account for year ended 31st December 2008

Rupees in thousand

	For the Year ended 31-12-08		For the Year ended 31-12-07	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE 8				
EXTRACTED MATERIALS, ROYALTIES & CESS AND STORES & SPARES PARTS				
a) Extracted Limestone				
Opening stock	129,079		98,443	
Add:- Cost of extraction	162,731		82,364	
	291,810		180,807	
Less : Closing stock	41,957		129,079	
Extracted Limestone Consumed		249,853		51,728
b) Extracted Shalestone				
Opening stock	1,212		5,060	
Add:- Cost of extraction#	2,561		8,349	
	3,773		13,409	
Less : Closing stock	1,212		1,212	
Extracted Limestone Consumed		2,561		12,197
# Represents expenses booked due to short provisioning for previous year				
c) Royalty & Cess :				
State Government	74,883		16,809	
Local bodies and others	24,170		7,507	
Cess	1,304	100,357	321	24,637
d) Consumption of Fuel, Stores and Spares				
Fuel	28,662		9,282	
Stores and Spares	22,514	51,176	6,087	15,369
		403,947		103,931
SCHEDULE 9				
EMPLOYEES' REMUNERATION AND BENEFITS				
Salaries, Wages and Bonus	22,039		20,736	
Contribution to Provident fund and other funds	975		2,109	
Gratuity	243	23,257	81	22,926
		23,257		22,926

Lafarge Umiam Mining Private Limited

Schedules forming part of the Profit and Loss account for year ended 31st December 2008

Rupees in thousand

	As at 31-12-2008		As at 31-12-2007	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE 10				
OPERATING AND ADMINISTRATION EXPENSES				
Rent	547		299	
Repairs to buildings	121		321	
Repairs to machinery	14,894		6,977	
Repairs to others	3,675		5,233	
Insurance	3,364		5,893	
Rates & taxes (Wealth tax - Rs 54 thousand, Previous year Rs 53 thousand)	54		53	
Consultancy fees	10,341		5,664	
Security cost	21,748		13,970	
Exchange rate fluctuation loss	251,348		-	
Legal fees	7,538		4,600	
Traveling and conveyance	13,746		14,830	
Cost of power for DG sets	7,904		5,532	
Other Miscellaneous Expenses	32,863		27,561	
		368,143		90,933
		368,143		90,933
SCHEDULE 11				
FINANCIAL CHARGES				
Interest on External Commercial Borrowings from Lafarge Surma Cement Limited	50,527		63,477	
Interest on working capital demand loan and overdraft	51,313		27,687	
Amortization of discount on forward contracts	(4,816)		-	
		97,024		91,164
		97,024		91,164
SCHEDULE 12				
PRIOR PERIOD ITEMS				
Interest on External Commercial Borrowings	(29,991)		-	
Depreciation	1,109		3,854	
		(28,882)		3,854
		(28,882)		3,854



Lafarge Umiam Mining Private Limited

SCHEDULE 13

Significant Accounting Policies and Notes Forming Part of Financial Statements

A. Significant Accounting Policies:

1. General

The accounts are prepared on the historical cost basis and on the accounting principles of a going concern.

Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

2. Revenue Recognition

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

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

3. Fixed Assets

Fixed assets are stated at cost including taxes, duties, freight and other incidental expenses incurred in relation to their acquisition.

Construction period expenses including administration, supervision expenses and financing cost exclusively attributable to the project are being carried forward under pre-operative expenses pending allocation.

4. Inventory

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

Spares parts, oil & fuel and other supplies are valued at cost based on weighted average basis.

5. Depreciation/ Amortizations

Depreciation is provided on Straight Line Method in accordance with the rates prescribed in Schedule XIV of the Companies Act.

Leasehold Lands are amortized over the remaining tenure of the lease. Limestone and Shalestone quarry mining rights is amortized over remaining tenure of legal rights.

Intangible assets are amortized over the best estimated of its useful life ranging between a periods of 3 to 5 years.

6. Intangible Assets

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



Lafarge Umiam Mining Private Limited

SCHEDULE 13

7. Foreign Exchange Transactions

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

8. Deferred Taxation

Deferred tax assets and liabilities are recognised for future tax consequence attributable to timing differences between taxable income and accounting income that are measured at relevant enacted tax rates. At each balance sheet date the Company reassesses unrecognized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

9. Impairment of Assets

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised wherever the carrying amount of assets exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on appropriate discounting factor.

10. Contingent Liabilities

Contingent Liabilities are disclosed by way of note in the Balance Sheet. Provision is made in accounts for those liabilities, which are likely to materialize after the year end and having effect on the position stated in the Balance Sheet as at the year end.

11. Borrowing Cost

Interest and other costs in connection with the borrowing of the funds during the construction period are considered as pre-operative expenses and allocated to fixed assets, till the commencement of commercial operations. Interest and other costs in connection with the borrowing of the funds after commencement of operation to the extent related / attributed to the acquisition / construction of qualifying fixed assets would be capitalised up to the date when such assets are ready for its intended use and all other borrowing costs would be recognized as an expense in the period in which they are incurred.

12. Employee Benefits

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

Defined Benefit Schemes: Company's liabilities towards Gratuity are defined benefit scheme. All liability of Defined



Lafarge Umiam Mining Private Limited

SCHEDULE 13

Benefit Schemes is ascertained by independent actuarial valuations as per the requirements of Accounting Standard- 15 on "Employee Benefits".

B. Notes Forming part of Accounts:

1. Limestone mining operation of the Company at its limestone mining site at Phlangkaruh, Nongtraï, East Khasi Hills District, Meghalaya was suspended from 04th May 2007 to 28th November 2007 pursuant to a closure notice dated 30th April 2007 issued by the office of Ministry of Environment and Forests, North Eastern Regional Office, Shillong. The closure notice had directed the Company to stop the limestone mining operation until it had obtained forestry clearance under the Forest Conversation Act 1980. The Company accordingly applied for clearance with the relevant authorities on 03rd May 2007 and filed an application before the Supreme Court of India on 08th June 2007 to allow resumption of mining operations and expeditious clearance of the application filed with relevant authority. After few hearings the Hon'ble Supreme Court passed an interim order on 23rd November 2007 permitting LUMPL to resume its mining activities and since then the Company's Limestone mining operation is continuing. The application before the Hon'ble Supreme Court is pending for further hearing and the forest clearance approval is pending with the relevant authorities.
2. The net worth of the Company as on 31.12.2008 has been fully eroded due to the losses incurred by the Company over the years which were mainly due to unavoidable interruptions of productions due to some regulatory issues relating to quarry operations as mentioned at Note no 1 above. During the year ended 31st December 2008 the Company has operating cash profit in spite of production with 61% capacity utilization of limestone production and there was no shalstone production. Moreover the Company is getting continued financial support from the parent company. Accordingly the management considers that the going concern assumption is not vitiated. In view of this, the financial statements have been prepared on the assumption that the Company is a going concern despite its net worth being fully eroded.
3. The Company has availed an "offshore loan" from Lafarge Surma Cement Limited (LSC), Bangladesh, holding 41,133,098 shares of the Company (Previous year 41,133,098 shares) to fund its limestone and shale mining project development and operation the outstanding balance of which as on 31st December 2008 was Rs. 896,220/- thousands (Previous year Rs. 709,920/- thousands). The said loan has been granted by LSC out of an aggregate loan availed by LSC from certain "offshore lenders".

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

- i) Mortgage (by deposit of title deeds) of all of the Companies immovable properties in favour of the offshore lenders.
- ii) Mortgage and charge over all present and future movable and intangible assets, contracts, investments and insurance policies of the Company except for stock in trade and receivable under a composite security agreement in favour of secured offshore lenders.

As per second amendment dated 20th December 2007 to the loan agreement dated 20th April 2004, the maturity period for repayment of loan installment has been extended from 3 years to 5 years and the provision of penal interest due to any late payment has been waived.

As per third amendment dated 01st June 2008, total overdue amount of interest as on 16th March 2008 will be paid in 32 equal installments along with the repayment of principal amount of loan on each interest payment date beginning from 15th June 2009.

Lafarge Umiam Mining Private Limited

SCHEDULE 13

4. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 100,422/- thousands (Previous Year Rs. 17,242/- thousands).

5. Payments to auditors during the year include the following :

	Current year Rs' 000	Previous year Rs' 000
i) Audit fees (including service tax)	562	562
ii) Other matters (including service tax)	180	-
iii) Reimbursement of Expense	15	31
Total	757	593

6. Directors' Remuneration

	Current year Rs' 000	Previous year Rs' 000
i) Salary & Provident Fund	4,347	-
ii) Other allowances	150	-
Total	4,497	-

7. Deferred tax Liability (Net) : (Rs'000)

	As at 31.12.2007	Charge / (Credit) for the year	As at 31.12.2008
A. Deferred Tax Liabilities:			
(i) Difference between book and tax WDV	86,512	60,985	147,497
B. Deferred Tax Assets:			
(i) Unabsorbed depreciation		(147,497)*	(147,497)
Deferred Tax Liability (Net) A+B	86,512	(86,512)	Nil

* includes Rs.86,512/- thousands on account of unabsorbed depreciation of previous year.

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

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



Lafarge Umiam Mining Private Limited

SCHEDULE 13

9. Expenditure / Earnings in foreign currency :

a) Expenditure in foreign currency (Cash basis - net off TDS)

	Current year Rs' 000	Previous year Rs' 000
i) Professional and Consulting fees*	2,469	7,845
ii) Spare parts	51,476	8,906
iii) Travel expenditure	623	185
iv) Repayment of interest	11,346	Nil
Total	65,914	16,936

* The amount includes Rs Nil (Previous year Rs 1,781/- thousands) towards payment to Parent Company/Group Company (Lafarge SA) on account of consulting fees.

b) Earnings in foreign currency (Cash basis):

	Current year Rs' 000	Previous year Rs' 000
i) FOB Value of exports	646,391	117,946

10. Contingent Liability not provided for :

a) Bank Guarantee amounting to Rs 1,427/- thousands (Previous Year Rs. 2,155/- thousands) issued by State Bank of India, Main Branch Shillong and Rs 1,077/- thousands (Previous Year Rs. Nil) issued by Standard Chartered Bank, Mumbai Branch on behalf of the Company favoring Indian Bureau of Mines as financial assurance for the progressive mines closure plan.

b) The contingent liability on account of forest clearance approval under Forest Conservation Act (FCA), 1980 for its limestone mining area is Rs. 538,919 /- thousands (Previous year Rs. 162,696/- thousands). However, the final amount shall be determined by the Honourable Supreme Court of India.

11. Being 100 % Export Oriented Unit (EOU), the Company is entitled to claim refund of taxes and duties incurred in relation to procurement of some goods and raw materials. The Company filed refund claim for taxes and duties paid in relation to construction of Long Belt Conveyor and Crusher. On January 6, 2009, the Board of Approval (BOA), Department of Commerce, Government of India decided that the long belt conveyor of the Company is installed outside the EOU premises for transportation of goods and is not eligible for duty free import/procurement under EOU scheme. The company is in the process of challenging the decision of the BOA before the appropriate judicial forum. If the challenge made by the company is not successful and BOA letter prevails, the Company shall not be entitled to the refund of Rs. 25,885 thousands (Previous year Rs 25,885 thousands) from the authorities. However, the amount of taxes and duties paid in relation to the long belt conveyor have been included in the cost of assets and has been presented in the financial statements accordingly. There will be no impact in the figures of financial statements even if the Company fails to get the refunds and as such no additional provisions were required to be made thereon.

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

Lafarge Umiam Mining Private Limited

SCHEDULE 13

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

Independent Actuarial Valuation of all employee benefit schemes were made on 31st December 2008.

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

The following tables set out the details of amount recognized in the financial statements in respect of employee benefit schemes.

Employee Benefits - Gratuity		Rs' 000	Rs' 000
	Defined Benefit Plans as per Actuarial Valuation	31.12.08	31.12.07
I.	Component of Employer Expense :		
1	Current Service cost	138	128
2	Interest cost	23	16
3	Expected return on plan assets	-	-
4	Curtailement cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Amortization of Past Service Cost	-	-
7	Actuarial Losses/(Gains)	82	(63)
8	Total expense recognized in the Statement of Profit & Loss	243	81
II.	Actual Contribution and Benefits Payments for period ended 31.12.08		
1	Actual benefit payments	-	-
2	Actual Contributions	-	-
III.	Net Asset/(Liability) recognized in the Balance Sheet as at 31.12.08		
1	Present value of Defined Benefit Obligation	530	287
2	Fair value of plan assets	-	-
3	Funded status [Surplus/(Deficit)]	(530)	(287)
4	Effect of balance sheet asset limit	-	-
5	Unrecognized Past Service Costs	-	-
6	Net asset/(liability) recognized in Balance Sheet	(530)	(287)
IV.	Change in Defined Benefit Obligations during the year ended 31.12.08		
1	Present Value of DBO at beginning of period	287	206
2	Current Service cost	138	128
3	Interest cost	23	16
4	Curtailement cost/(credit)	-	-
5	Settlement cost/(credit)	-	-

Lafarge Umiam Mining Private Limited

SCHEDULE 13

Employee Benefits - Gratuity		Rs' 000	Rs' 000
		31.12.08	31.12.07
6	Employee contribution	-	-
7	Plan amendments	-	-
8	Acquisitions	-	-
9	Actuarial (gains)/ losses	82	(63)
10	Benefits paid	-	-
11	Present Value of DBO at the end of period	530	287
V.	Actual Change in Fair Value of Assets during the year ended 31.12.08		
1	Plan assets at beginning of period	-	-
2	Actual return on plan assets	-	-
3	Actual Company contributions	-	-
4	Employee contributions	-	-
5	Benefits paid	-	-
6	Plan assets at the end of period	-	-
VI.	Actuarial Assumptions	01.01.08	31.12.08
1	Discount Rate per annum Compound	8.00%	7.00%
2	Rate of increase in salaries	5.00%	8.00%
3	Rate of return on Plan Assets	Not Applicable	Not Applicable
4	Expected Average remaining working lives of employees (years)	20.26	21.72

14. Related party disclosure as per Accounting Standard - 18 :

a) Key Managerial Personnel:

Name	Nature of relationship	Current year (Rs ' 000)	Transaction	
			Previous year (Rs ' 000)	Nature of transaction
Mr Michael Andrew Cowell	Director	Nil	Nil	Remuneration
Mr Masud Khan	Director	Nil	Nil	
Mr Shivesh Kumar Sinha	Director	Nil	Nil	
Mr Chang Jae Song	Director	Nil	Nil	
Mr Jose Maria Fontdecaba	Director	Nil	Nil	
Mr Narayan Prasad Sharma	Director	4,497	Nil	
Mr Mohammad Shaheed Siddique	Director	Nil	Nil	
Mr Kuppuswamy Swaminathan	Director	Nil	Nil	

Lafarge Umiam Mining Private Limited

SCHEDULE 13

b) Holding Company :

Name of the related party: Lafarge Surma Cement Limited, Bangladesh

Transactions:

i) Secured External Commercial Borrowings (ECB) :

	As on 31.12.08 Rs' 000	As on 31.12.07 Rs' 000
Closing Balance	896,220	709,920
[Including exchange fluctuation loss of Rs 162,930 thousands (Previous year exchange fluctuation gain Rs 86,220 thousands)]		
Total amount of ECB loan received during the year	Nil	Nil
Total of ECB loan repaid during the year	Nil	Nil

ii) Interest on External Commercial Borrowing:

	As on 31.12.08 Rs' 000	As on 31.12.07 Rs' 000
Total interest accrued but not due on ECB loan	173,664	134,289
Total interest repaid during the year	12,797	Nil

iii) Export sales transaction:

	As on 31.12.08 Rs' 000	As on 31.12.07 Rs' 000
Closing balance of export sales receivables	37,935	29,610
Total value of export sales transaction during the year	663,992	114,359

15. Earnings per share :

	As on 31.12.08 Rs' 000	As on 31.12.07 Rs' 000
a) Profit/ (Loss)	(171,258)	(245,784)
b) Weighted average No of equity shares (No's)	41,133	41,133
c) Basic & diluted Equity per Share (A/B)	(4.16)	(5.98)
d) Nominal Value of each equity share	10	10

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

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

Lafarge Umiam Mining Private Limited

SCHEDULE 13

a) There are forward contracts outstanding as on 31.12.08 which are as follows:

As at	No. of contracts	Amount (USD '000)	Amount (Rs '000)
31.12.08	41	10,750	487,382
31.12.07	Nil	Nil	Nil

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

Particulars	Convertible amount as on 31.12.08		Convertible amount as on 31.12.07	
	Foreign Currency'000	Rs. '000	Foreign Currency' 000	Rs'000
External Commercial Borrowings	USD 18,498	Rs. 896,220	USD 18,000	Rs. 709,920
Sundry Creditors	USD 692	Rs. 33,512	USD 532	Rs. 20,953
	Euro 10	Rs. 682	Euro 10	Rs 581
Advances for capital expenditure	GBP 11	Rs. 755	GBP 6	Rs. 463

The disclosure (a) and (b) have been made consequent to an announcement by the Institute of Chartered Accountants of India on 2nd December 2005.

c) Consequent to an announcement by the Institute of Chartered Accountants of India on 29th March, 2008 the company has provided foreign exchange loss of Rs 35,480/- thousands (Previous year Nil) due to fluctuations in foreign exchange rates in respect of all outstanding derivative contracts at the Balance Sheet date not backed by any underlying assets by marking them to the market.

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

19. Quantitative information

a) Particulars regarding capacity and production

Particulars	Units of measurement	Current year			Previous year		
		Licensed Capacity	Installed Capacity	Actual Production	Licensed Capacity	Installed Capacity	Actual Production
Limestone	MT	2,000,000	1,954,000	1,198,547	2,000,000	1,954,000	197,805
Shalestone	MT	342,000	300,000	Nil	342,000	300,000	95,694

Lafarge Umiam Mining Private Limited

SCHEDULE 13

b) Particulars regarding finished goods

Particulars	Units of measurement	Current year			Previous year		
		Opening stock	Production/ Sales	Closing stock	Opening stock	Production/ Sales	Closing stock
Crushed Limestone	Rs ' 000 MT	Nil	663,992	Nil	Nil	95,303	Nil
Crushed Shalestone	Rs ' 000 MT	Nil	1,497,653	Nil	Nil	320,700	Nil
		Nil	Nil	Nil	Nil	19,056	Nil
		Nil	Nil	Nil	Nil	129,683	Nil

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

Particulars	Units of measurement	Current year		Previous year	
		Quantity	Value (Rs '000)	Quantity	Value (Rs '000)
Extracted Limestone	MT	1,497,653	249,853	320,700	51,728
Extracted Shalestone	MT	Nil	2,561**	129,683	12,197
Oil and fuel	Litres	1,082,702	28,662	378,510	9,282
Stores and Spares	-	-	22,514	-	6,087

**Represents expenses booked due to short provisioning for previous year.

20. Figures for the previous period have been regrouped wherever necessary to conform to figures of current year.



Report and Financial Statements of

Lum Mawshun Minerals Private Limited

For the year ended 31 December 2008



Directors' Report

Dear Shareholders:

Your Directors have the pleasure in presenting the Annual Report of Lum Mawshun Minerals Private Limited (the "Company"), together with the audited balance sheet and the profit and loss account for the year ended December 31, 2008.

Review of the Activities:

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

Financial Highlights:

The net loss for the year 2008 was INR 57,218/-.

Directors:

Resignation:

Mr. Md. Abdur Rahim (nominee of LSC) resigned from the Board by a letter dated August 21, 2008, as he is assuming new responsibilities within Lafarge Group elsewhere. Mr. Rahim was appointed as Director of the Company in May, 1999 and he contributed to the Company's evolution by his able decision making process and his wise counsel in the past nine years.



Appointment:

LSC, nominated Mr. Shaheed Siddique as Directors on the Board of the Company.

Mr. Shaheed Siddique has been appointed as an Additional Director on the Board of the Company on August 27, 2008. Mr. Shaheed is a Director of LSC. His presence on the Board would be beneficial for the Company.

Directors' Responsibility Statement:

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

1. That in the preparation of the annual accounts for the year ended December 31, 2008, the applicable Accounting Standards have been followed along with proper explanations were provided for material departures, if any.
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year.
3. That the Directors they had taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
4. That the Directors had prepared the accounts for the financial year ended on December 31, 2008 on a going concern basis.

Auditors and Auditors' Report:

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

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

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

Particulars of employees:

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

Conservation of Energy, Technology Absorption and Foreign Exchange:

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

Fixed deposits:

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

Acknowledgements:

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

For and on behalf of the Board of Directors

Place : Shillong
Date : 23/03/09


Directors

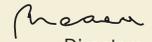


Annexure "A" to the Directors' Report:

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

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

For and on behalf of the Board of Directors



Directors



Auditors' Report to the Members of Lum Mawshun Minerals Private Limited

We have audited the attached balance sheet of Lum Mawshun Minerals Private Limited as at 31st December 2008 and the profit and loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Without qualifying our report, we invite attention to note 6 of Schedule 4 regarding financial statements being prepared on a going concern basis, in spite of full erosion of net worth of the Company as the year end, taking into account the continued support from its parent company.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) 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;
- (ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of such books;
- (iii) The balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the balance sheet and the profit and loss account have been drawn up in accordance with the Accounting Standards referred to in sub-section 3 (c) of section 211 of the Companies Act, 1956;
- (v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of balance sheet, of the state of affairs of the Company as at 31st December 2008;



- b) in the case of the profit and loss account, of the loss of the Company for the year ended on that date;
- (vi) On the basis of written representations received from the directors as on 31st December 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st December 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants

A. Bhattacharya
Partner
M/No. 054110

Place: Kolkata
Dated: March 5, 2009



ANNEXURE TO THE AUDITORS' REPORT

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

The nature of the Company's business/activities during the year is such that clauses (i), (ii), (iv), (viii), (xiii), (xiv) and (xx) of Paragraph 4 of the Order is not applicable to the Company.

- (i) According to information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956 during the year. As such, sub clause (b), (c), (d), (e), (f) and (g) of clause (iii) of paragraph 4 of the order are not applicable to the Company.
- (ii) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not entered into any transactions that needed to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
- (iii) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit from the public within the purview of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 during the year under review.
- (iv) The paid up capital & reserves of the Company being less than Rs 50 lacs as at the commencement of the financial year and there being no turnover since incorporation, question of having an Internal Audit System does not arise.
- (v) In respect of statutory dues:
 - a. According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees State Insurance, Income tax, Service tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities during the year.
 - b. According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Customs duty, Service tax and Cess were in arrears, as at 31st December 2008 for a period of six months from the date they became payable.
- (vi) The accumulated losses of the Company have exceeded fifty percent of its net worth as at the end of the year. The Company has incurred cash losses during the year as well as in the preceding previous year.
- (vii) The Company has not borrowed any monies from financial institutions, banks or through issue of debenture.
- (viii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.



- (ix) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- (x) The Company has not borrowed any monies through term loans.
- (xi) According to the balance sheet, and other records examined by us and the information and explanations given to us, on an overall basis, we find that there are no short term borrowings during the year.
- (xii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xiii) According to the information and explanations given to us and the records examined by us, the Company has not issued any debentures during the year.
- (xiv) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

A. Bhattacharya
Partner

M/No. 054110

Place: Kolkata
Dated: March 5, 2009

Lum Mawshun Minerals Private Limited

Balance Sheet as at 31st December 2008

	Schedule	Rupees	As at	As at
			31-12-2008	31-12-2007
			Rupees	Rupees
SOURCES OF FUNDS :				
Shareholders' Funds :				
Share Capital	1	546,600	546,600	546,600
Total			546,600	546,600
APPLICATION OF FUNDS :				
1. Current Assets, Loans and Advances				
a) Cash and Bank Balances	2	262,889		296,702
b) Other Current Assets - Interest accrued but not due on bank deposits		13,674		-
Less : Current Liabilities	3	385,415		348,336
Net Current Assets			(108,852)	(51,634)
2. Miscellaneous Expenditure (to the extent not written off or adjusted) :				
Profit & Loss Account (Debit Balance)			655,452	598,234
Total			546,600	546,600
SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS	4			

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants



A. Bhattacharya
Partner

Place: Kolkata
Dated: March 5, 2009

For and on behalf of the Board of Directors



Michael Andrew Cowell
Director

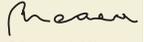
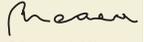
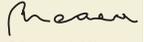


Masud Khan
Director

Place: Dhaka
Dated: March 2, 2009

Lum Mawshun Minerals Private Limited

Profit and Loss Account for the year ended 31st December 2008

		Current Year Rupees	Previous Year Rupees			
Interest on bank deposits		13,674	-			
	Total	13,674	-			
Bank charges		105	112			
Audit fees		33,708	33,708			
Tax consultancy fees		37,079	33,335			
	Total	70,892	67,155			
Net loss during the year		(57,218)	(67,155)			
Loss brought forward from previous year		(598,234)	(531,079)			
Balance carried forward		(655,452)	(598,234)			
Earnings per share (Basic & diluted)		(10.47)	(12.29)			
<p>As per our attached report of even date</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top;"> <p>For Deloitte Haskins & Sells Chartered Accountants</p> <div style="text-align: center;">  A. Bhattacharya Partner Place: Kolkata Dated: March 5, 2009 </div> </td> <td style="width: 33%; vertical-align: top;"> <p style="text-align: center;">For and on behalf of the Board of Directors</p> <div style="text-align: center;">  Michael Andrew Cowell Director Place: Dhaka Dated: March 2, 2009 </div> </td> <td style="width: 33%; vertical-align: top;"> <div style="text-align: center;">  Masud Khan Director </div> </td> </tr> </table>				<p>For Deloitte Haskins & Sells Chartered Accountants</p> <div style="text-align: center;">  A. Bhattacharya Partner Place: Kolkata Dated: March 5, 2009 </div>	<p style="text-align: center;">For and on behalf of the Board of Directors</p> <div style="text-align: center;">  Michael Andrew Cowell Director Place: Dhaka Dated: March 2, 2009 </div>	<div style="text-align: center;">  Masud Khan Director </div>
<p>For Deloitte Haskins & Sells Chartered Accountants</p> <div style="text-align: center;">  A. Bhattacharya Partner Place: Kolkata Dated: March 5, 2009 </div>	<p style="text-align: center;">For and on behalf of the Board of Directors</p> <div style="text-align: center;">  Michael Andrew Cowell Director Place: Dhaka Dated: March 2, 2009 </div>	<div style="text-align: center;">  Masud Khan Director </div>				

Lum Mawshun Minerals Private Limited
Schedules forming part of the Balance Sheet as at 31st December 2008

	As at 31-12-2008 Rupees	As at 31-12-2007 Rupees
Schedule 1 : Share Capital		
Authorised :		
1,68,000 Equity shares of Rs 100/- each	16,800,000	16,800,000
Issued, Subscribed and Paid-up :		
5,466 Equity shares (Previous year 5,466 equity shares) of Rs. 100/- each fully paid - up	546,600	546,600
(Of the above, 4,046 shares (Previous year 4,046 shares) are held by Lafarge Surma Cement Limited, Bangladesh, the holding company)		
Total	546,600	546,600

Lum Mawshun Minerals Private Limited
Schedules forming part of the Balance Sheet as at 31st December 2008

		As at 31-12-2008 Rupees	As at 31-12-2007 Rupees
Schedule 2 : Cash and Bank Balances			
Cash on hand		274	274
Balances with Scheduled Bank:			
In Current Account	242,615		276,428
In Deposit Account *	20,000		20,000
		262,615	296,428
Total		262,889	296,702
* Pledged with The Director of Mineral Resources, Meghalaya			
Schedule 3 : Current Liabilities			
Sundry Creditors			
- total outstanding dues of micro and small enterprises		-	-
- total outstanding dues of other creditors		385,415	348,336
Total		385,415	348,336



Lum Mawshun Minerals Private Limited

Schedules forming part of the Balance Sheet as at 31st December 2008

Schedule 4.

Significant Accounting Policies and Notes Forming Part of Accounts:

I. Significant Accounting Policies:

1. General

- 1.1 The accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- 1.2 Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

2. Deferred Taxation

Deferred tax assets and liabilities are recognised for future tax consequence attributable to timing differences between taxable income and accounting income that are measured at relevant enacted tax rates. At each balance sheet date the Company reassesses unrecognized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

3. Contingent Liabilities

Contingent Liabilities are disclosed by way of note in the Balance Sheet. Provision is made in accounts for those liabilities, which are likely to materialize after the year end and having effect on the position stated in the Balance Sheet as at the year end.

II. Notes Forming Part of Accounts:

1. Estimated amount of Contracts remaining to be executed on capital account and not provided for Rs. Nil (Previous year Rs Nil).
2. Payments to Auditor during the year includes the following:

	Current Year Rupees	Previous Year Rupees
a) As Auditor	30,000	30,000
b) Service tax on above	3,708	3,708
Total	33,708	33,708



Lum Mawshun Minerals Private Limited

Schedules forming part of the Balance Sheet as at 31st December 2008

Schedule 4.

3. Micro, Small and Medium Enterprises Development Act, 2006.

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

4. Deferred tax Asset/Liability has not been created during the year, there being no timing difference between the accounting income and taxable income, which is capable of reversing in subsequent periods.
5. The Company is a subsidiary of Lafarge Surma Cement Ltd., Bangladesh (Parent Company). The Company was formed for acquisition of mining and land rights to facilitate the mining operation of limestone & shale by Lafarge Umiam Mining Pvt. Ltd. (LUMPL), another subsidiary of the parent Company and supply of the same to the cement plant being set up by the parent Company at Bangladesh. During the earlier years the Company has transferred the Mining & Land rights as well as freehold & leasehold lands as was acquired to LUMPL along with the preoperative expenses and related account balances pertaining to such lands transferred, after obtaining necessary approval from the Government. Consequently there has been no business during the year as well as in the previous years. However, the Company is exploring new opportunities.
6. The net worth of the Company as on 31.12.2008 has been fully eroded and the Company has been incurring losses over the years including the current year. However, the Company enjoys continued supports from its parent company. In view of this, going concern assumption has not been vitiated.
7. The previous year's figures have been regrouped & rearranged wherever necessary to conform to the figures of the current year.

Lafarge Surma Cement Ltd.

A company of  and 

Form of Proxy

I/We (Name)

of (Address)

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

Mr/Ms (Name)

of (Address)

as my/our proxy, to attend on my/our behalf at the 11th Annual General Meeting of the Company to be held on June 25, 2009 and at any adjournment thereof or any poll that may be taken in consequence thereof and to vote on my/our behalf as he/she thinks fit on all Resolutions.

As witness my/our hand this day of 2009.

Signed (Shareholder)

Folio/ BO ID No.

Signed (Proxy)

Folio/ BO ID No.

Affix revenue stamp

Tk. 8.00

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

Lafarge Surma Cement Ltd.

A company of  and 

Attendance Slip

I hereby record my presence at the 11th Annual General Meeting of Lafarge Surma Cement Limited on June 25, 2009.

Name

Folio/BO ID

Signature

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



Lafarge Surma Cement Ltd.

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

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

Telephone: +880 2 8812026, 8854847, Fax: +880 2 8825413, 8815167

E-mail: info@bd.lafarge.com, Web: www.lafarge-bd.com