

# Annual Report 2011



**Lafarge Surma Cement Ltd.**

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

# annual report 2011

The cover page of this year's annual report portrays the dream of a young nation; the vision of a child gazing into the horizon, where he dreams of a future that holds promises of growth and prosperity, a developing cityscape where one can still enjoy the green fields and the bright sky above. This also reflects the vision of Lafarge Surma Cement Ltd. and our promise to take a lead in fulfilling the dreams of a young nation. At Lafarge Surma Cement Ltd., we say if you're going to dream, dream big. We say that because we have realized millions of peoples' dreams around the world and in the process have pushed the very boundaries of what is possible to construct. Why dream of a house when you can dream of a city, where Lafarge Surma Cement Ltd. is present at every stage of the process from the sourcing of raw materials to the finished product being delivered. We don't build castles in the air; we turn dreams into structures for lives and living.



**Lafarge Surma Cement Ltd.**

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



Lafarge Surma Cement Ltd.

A company of  LAFARGE and  CEMENTOS MOLINS

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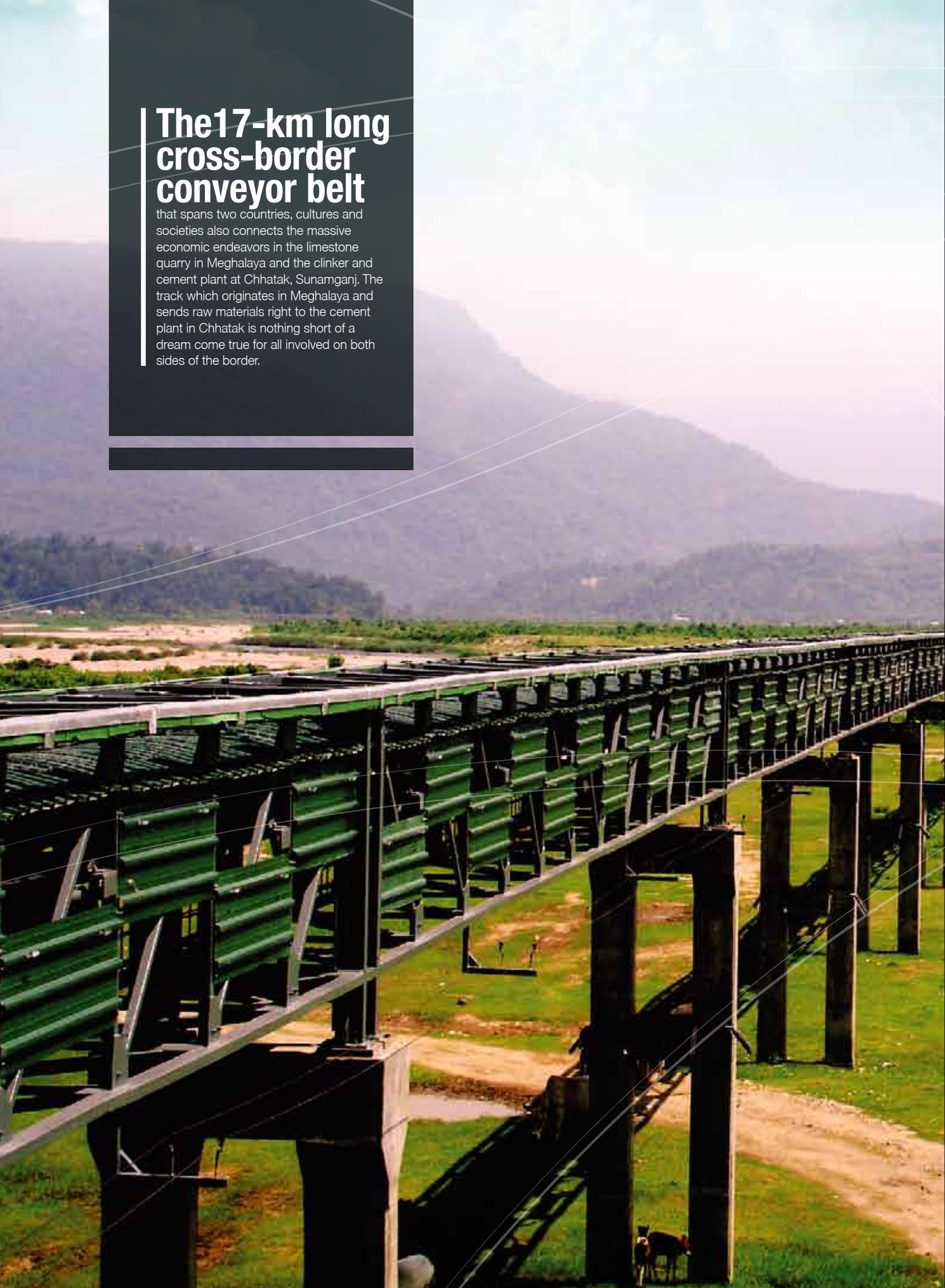
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## **Form of Proxy and Attendance Slip**

# The 17-km long cross-border conveyor belt

that spans two countries, cultures and societies also connects the massive economic endeavors in the limestone quarry in Meghalaya and the clinker and cement plant at Chhatak, Sunamganj. The track which originates in Meghalaya and sends raw materials right to the cement plant in Chhatak is nothing short of a dream come true for all involved on both sides of the border.



# Notice of the 14<sup>th</sup> Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting (the "AGM") of the Shareholders of Lafarge Surma Cement Limited (the "Company") will be held on Thursday, June 14, 2012 at 11:00 A.M. at the "Grand Ball Room" Ruposhi Bangla Hotel (former Dhaka Sheraton Hotel), 1, Minto Road, Dhaka 1000 to transact the following business:

## AGENDA

1. To receive and adopt the Company's Statement of Financial Position as of December 31, 2011 and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Notes to the Financial Statements along with the Statement of Cash Flows for the year ended on the same date to submit to the auditors for their report thereon.
2. To elect Directors.
3. To appoint Auditors and fix their remuneration.
4. To ratify the appointment of the Chief Executive Officer.
5. To approve payment of Royalty as per the direction of the Board of Investment.

Dated: May 15, 2012

## Notes:

- The Record Date of the Company was on April 17, 2012 (which was intimated earlier). Members, whose names appeared in the Company's register (certificated and depository) at the close of business on the Record Date, will be entitled to attend the AGM.
- A Member eligible to attend and vote in the AGM is entitled to appoint a proxy to attend and vote on his/her behalf. No person shall act as proxy unless he/she is entitled to be present and vote in the AGM in his/her own right. The proxy form, duly stamped, must be deposited at the Registered Office of the Company not less than 72 hours before the time fixed for the AGM.
- Admission into the AGM venue will be allowed on production of the Attendance Slip attached with the Proxy Form.

By order of the Board



Kazi Mizanur Rahman  
Company Secretary

**17**  
Kilometer Long  
Belt Conveyor



**\$280**  
million investment



**20,000+**  
shareholders



# Company Profile

## We are Lafarge Surma Cement Ltd.

*In November 2000, the two Governments of India and Bangladesh signed a historic agreement through exchange of letters in order to support this unique cross border commercial venture and till date it is the only cross border industrial venture between the two countries.*

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

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

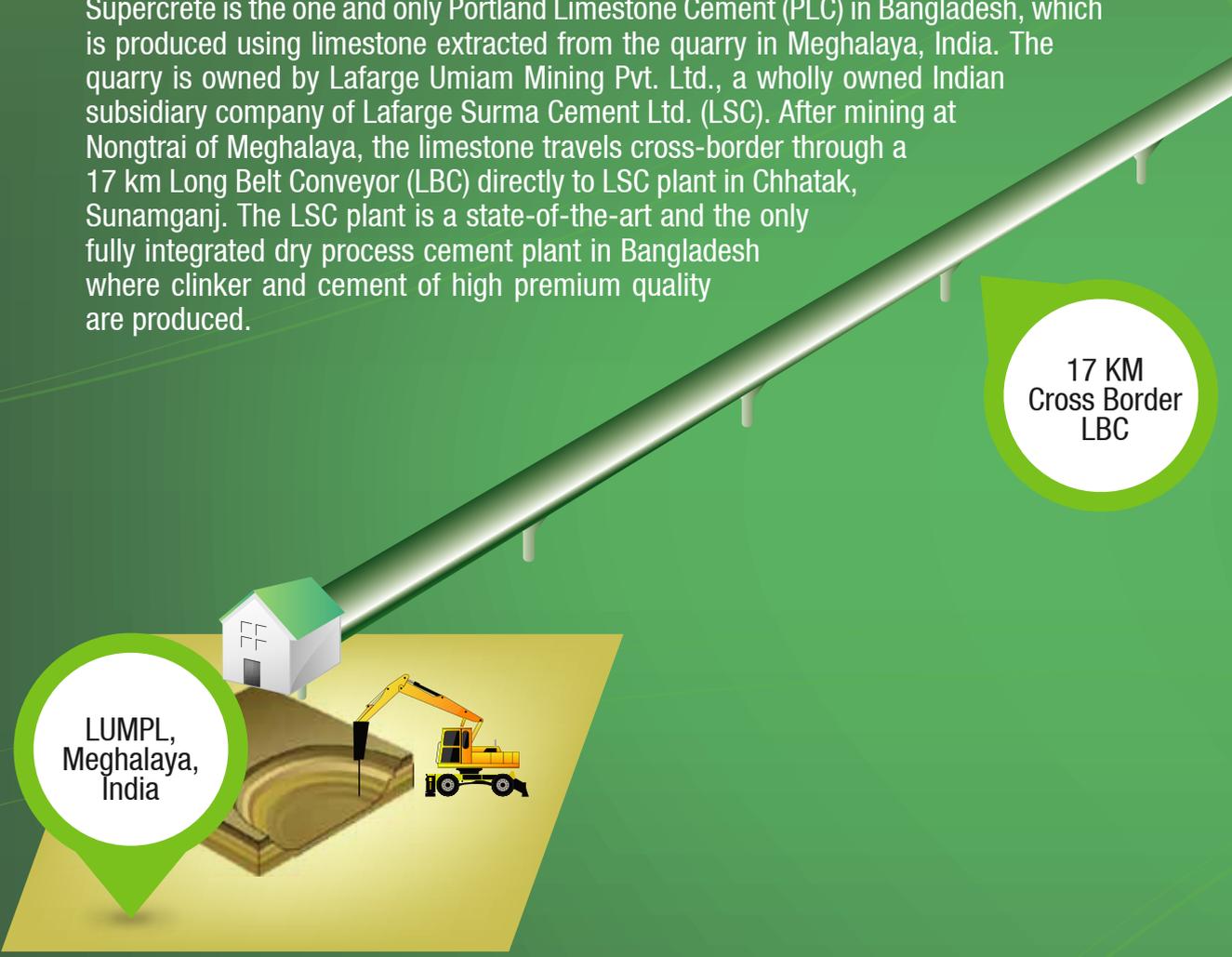
Nongtraï in Meghalaya. The plant of Lafarge Surma Cement Ltd., with its sophisticated and state-of-the-art machineries and processes started producing world class clinker and cement in 2006.

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

Lafarge Group, with 176 years of experience, holds world's top-ranking position in Cement, Aggregates, Concrete and Gypsum. It operates in 78 countries with around 78,000 employees. Lafarge is named as one of the 100 Most Sustainable Companies in the World. Cementos Molins of Spain, with 75 years of experience, also operates in Mexico, Argentina, Uruguay, and Tunisia.

# Integrated Business Process

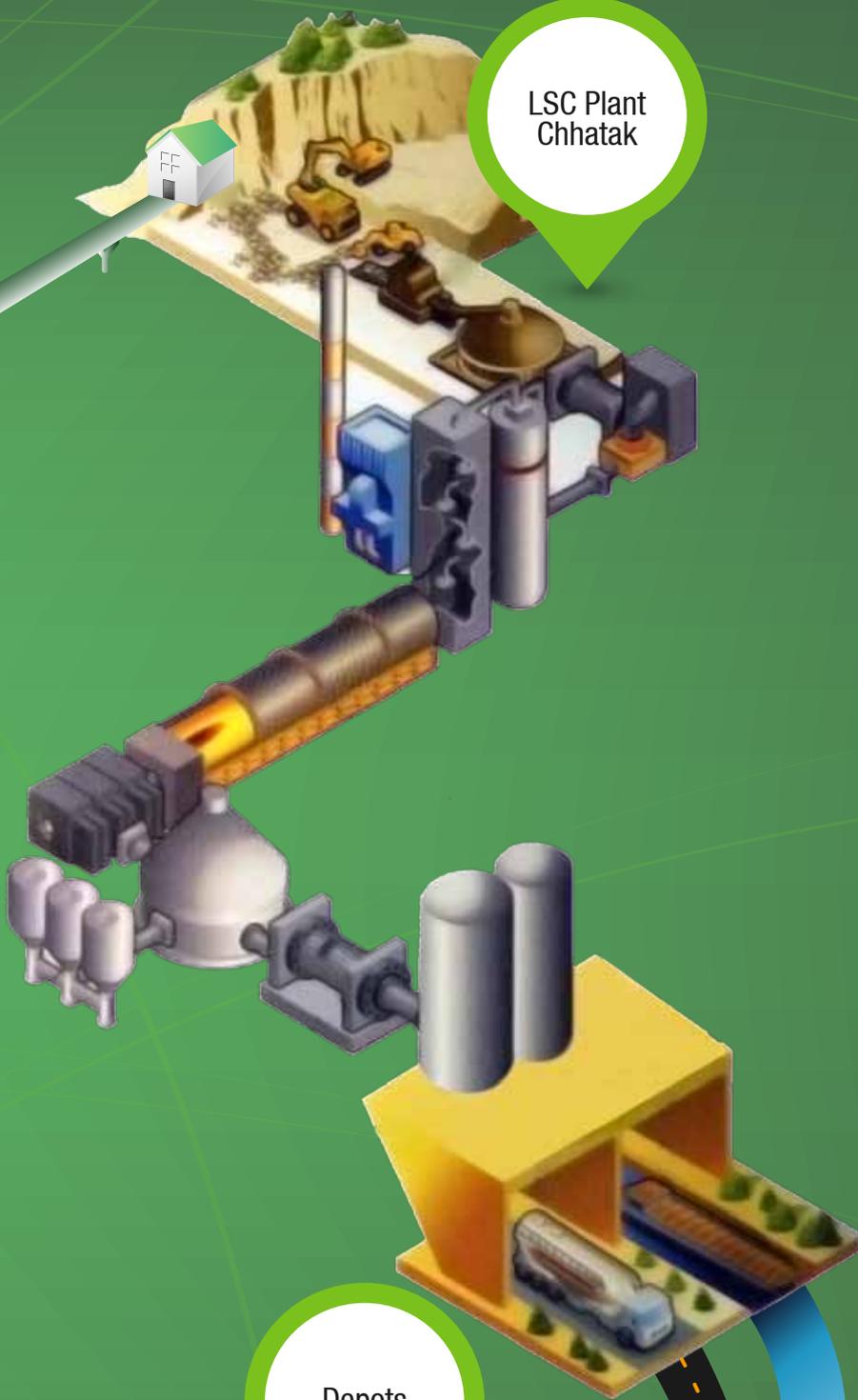
Supercrete is the one and only Portland Limestone Cement (PLC) in Bangladesh, which is produced using limestone extracted from the quarry in Meghalaya, India. The quarry is owned by Lafarge Umiam Mining Pvt. Ltd., a wholly owned Indian subsidiary company of Lafarge Surma Cement Ltd. (LSC). After mining at Nongtraï of Meghalaya, the limestone travels cross-border through a 17 km Long Belt Conveyor (LBC) directly to LSC plant in Chhatak, Sunamganj. The LSC plant is a state-of-the-art and the only fully integrated dry process cement plant in Bangladesh where clinker and cement of high premium quality are produced.



17 KM  
Cross Border  
LBC

LUMPL,  
Meghalaya,  
India

LSC Plant  
Chhatak



Depots

Kutubpur  
Terminal



“We believe that cement is an essential material that addresses vital needs of the construction sector. We are optimistic to meet the growing needs for housing and infrastructure in the construction sector of Bangladesh.”

-Bruno Lafont  
Bangladesh BU Tour 2012

Chairman and  
Chief Executive  
Officer of Lafarge  
Group of France,  
Bruno Lafont  
visited  
Bangladesh in  
March 2012



# Lafarge Group Chairman and CEO visits Bangladesh

Chairman and Chief Executive Officer of Lafarge Group of France, Bruno Lafont visited Bangladesh in March 2012. During his visit, Mr. Lafont reviewed Lafarge Surma Cement Ltd's (LSC) business and strategies in Bangladesh. He also visited the LSC Plant at Chhatak, Sunamganj and interacted with the staffs of LSC.

Mr. Lafont is a graduate from the Hautes Etudes Commerciales business school (HEC 1977, Paris) and the Ecole Nationale d'Administration (ENA 1982, Paris).

He began his career at Lafarge in 1983 and held various positions in finance and international operations. In 1995, Mr. Lafont was appointed Group Executive Vice-President, Finance, then Executive Vice-President of the Gypsum Division in 1998.

Mr. Lafont joined the Group's General Management as Chief Operating Officer between May 2003 and December 2005.

Chief Executive Officer since January 2006, Mr. Lafont was appointed Chairman and Chief Executive Officer in May 2007.

Mr. Lafont is presently chairing the Energy & Climate Change Working Group of the ERT (European Roundtable of Industrialists).

Mr. Lafont is also Special adviser to the Mayor of Chongqing (China), President of the EPE French Association ("Enterprises for Environment"), Board Member of EDF and Board Member of ArcelorMittal.

# Corporate Management

## Board of Directors

Mr. Martin Kriegner, Chairman  
Mr. Tarek Samir Ahmed Elba, Chief Executive Officer  
Mr. Isidoro Miranda Fernandez, Director  
Mr. Jose Maria Fontdecaba, Director  
Mr. Enrique de Bobes Pellicer, Director  
Mr. Manzurul Islam, Director  
Mr. Anisur Rahman Sinha, Director  
Mr. Syed Md. Moazzem Hussain, Director  
Mr. Shivesh Kumar Sinha, Director  
Mr. Salvador Fernandez Capo, Director  
Mr. Zakir Ahmed Khan, Independent Director  
Mr. Md. Iftikhar-uz-zaman, Director

## Executive Committee

Mr. Tarek Samir Ahmed Elba, Chief Executive Officer  
Mr. Masud Khan, Finance Director  
Ms. Sayeda Tahya Hossain, HR & Corporate Affairs Director  
Mr. Kazi Khalid Mahmood, Commercial Director  
Mr. Asim Chattopadhyay, Senior Vice President Operations  
Mr. Mohammed Arif Bhuiyan, Supply Chain Director  
Mr. Narayan Prasad Sharma, Vice President and Director, LUMPL

## Audit Committee

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

## Company Secretary

Mr. Kazi Mizanur Rahman

## Auditors

Nurul Faruk Hasan & Co.  
Chartered Accountants  
CHK Windcel, Eastern Block, Level 4  
KA-90, Pragati Sharani (Bishwa Road)  
Dhaka-1229  
Fax: 8417979

## Lenders

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

## Security Agent of Lenders

Citibank N.A.

## Registered Office

Suvastu Imam Square  
65 Gulshan Avenue, 3<sup>rd</sup> floor  
Gulshan 1, Dhaka 1212, Bangladesh  
Telephone : (880 2) 8812026, 8854847  
Fax : (880 2) 9887650, 8825413  
Web : [www.lafarge-bd.com](http://www.lafarge-bd.com)  
Email : [info@bd.lafarge.com](mailto:info@bd.lafarge.com)

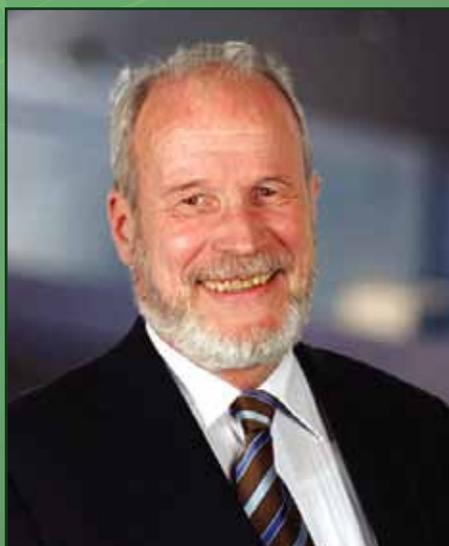
## Board of Directors



***Mr. Martin Kriegner***  
Chairman



***Mr. Tarek Samir Ahmed Elba***  
Director & Chief Executive Officer



***Mr. Jose Maria Fontdecaba Antico***  
Director

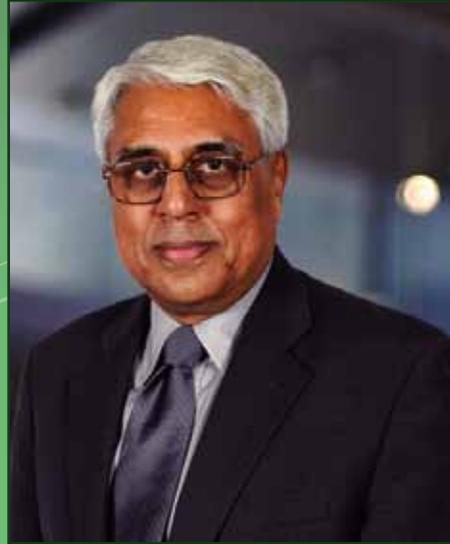


***Mr. Manzurul Islam***  
Director

## Board of Directors



***Mr. Isidoro Miranda Fernandez***  
Director



***Mr. Anisur Rahman Sinha***  
Director



***Mr. Enrique de Bobes Pellicer***  
Director



***Mr. Md. Iftikhar-uz-zaman***  
Director

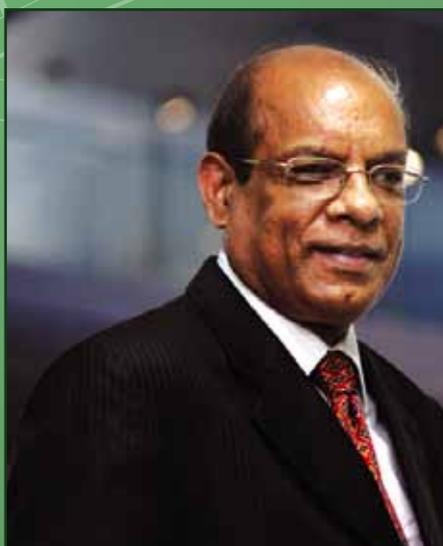
## Board of Directors



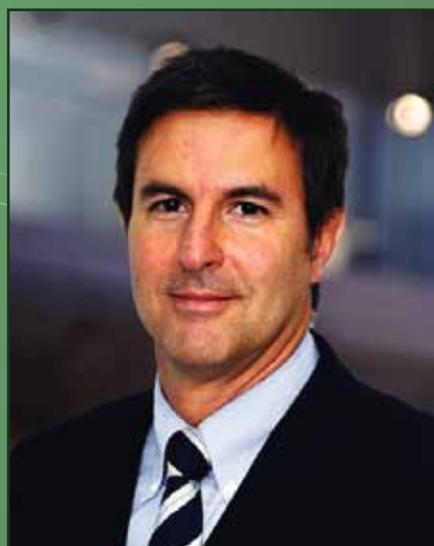
***Mr. Syed Moazzem Hussain***  
Director



***Mr. Shivesh Kumar Sinha***  
Director



***Mr. Zakir Ahmed Khan***  
Independent Director



***Mr. Salvador Fernandez Capo***  
Director

“Your Company is now well poised to seize the opportunities offered by the growing economy and cement market thereby meeting or even exceeding your expectations in the years ahead.”

message

# Chairman's Message

On behalf of the Board of Directors, it is my pleasure to welcome you all to the 14<sup>th</sup> Annual General Meeting of Lafarge Surma Cement Limited. As in the previous years, the meeting provides me a unique opportunity to share and exchange our views and thoughts on the performance of your Company in the past year and the potentials and possibilities for going forward.

## **Dear Valued Shareholders,**

Despite the recent global economic upheavals, the Bangladesh economy continues its steady march with growth in excess of 6% over the past few years. In this fiscal year, the latest projection from ADB indicates a growth of 6.2% that is below the government's target of 7%. The Manila based lender in their report says that weaker exports, moderate growth in agriculture and slower than expected industrial production along with slowdown in the service sectors have affected the growth prospects of Bangladesh. The slowdown in exports has mainly been caused by the continuing slowdown in Europe triggered by the debt crisis. Imports have increased steeply and are projected to increase by about 17% in the year mainly because of higher fuel requirements to run power plants. Inflation continue to be at double digit level and is expected to edge up to 11% fuelled mainly by sharp increase in non food prices that has jumped to nearly 14%. Banks continue to suffer from liquidity crunch mainly due to government borrowing from the private sector.

## **Dear Valued Shareholders,**

As a result of slowdown in exports and sharp increase in fuel imports for rental power, the country's balance of payment has come under pressure in the past one year. This has had a consequential impact on the taka exchange rate versus the dollar and other currencies. At the beginning of 2012, the taka suffered a sharp devaluation. However, thanks to Central Bank monetary measures, the taka has again strengthened but the current level of BDT 82 to the dollar is still at a higher level compared to the average of BDT 74 in 2011. The Central Bank continues to closely monitor the imports in order to ensure that the taka is not facing further pressure. Your Company has closely followed the developments in the foreign exchange market and has hedged as far as practicable its future foreign currency financials flows both in Bangladesh and India.



The devaluation of the taka has adversely affected the Company in terms of exchange loss in its foreign currency loans. The loans are however expected to be repaid by mid 2013 after which there will not be any foreign currency exposure of your Company in its foreign loans. The devaluation of the taka has also had an impact in the profitability of the grinders who are importing the clinker as well as other cementitious materials.

Your Company is however augmenting the foreign currency reserves by production of clinker which is substituting imported clinker. Based on existing clinker prices, your Company is making a foreign currency savings of about 36 million USD in a year.

Due to the increased cost pressure of the grinders, cement prices marked a sharp increase in the month of January 2012. Cement demand continues to be steady and has marked a growth in the first quarter compared to the same period last year. Since the resumption of clinker operations, your Company has put renewed efforts in regaining its lost market share following the stoppage of normal operations and has made impressive strides towards this objective. Your Company continues to invest in the brand. In March 2012, the brand has witnessed a re-launch focusing on the internationality of the brand and a new modern bag. Your Company expects that this will provide a further fillip to the brand equity and enable your Company to grow and consolidate its market position.

### **Dear Valued Shareholders,**

As you are aware, your Company went for a rights issue of 1:1 at par value in the year 2011. Thanks to the enthusiastic participation of all the shareholders, the rights issue had a subscription in excess of 99%. The proceeds of the rights issue totaling BDT 580 crores were utilized to repay its short term loans in Bangladesh which you are aware carry a high rate of interest. The rights issue has placed your Company in a sound financial footing and the Company will be in a better position to capitalize on opportunities to grow in a rapidly growing cement market.

### **Dear Valued Shareholders,**

As you know, on February 2010, the mining operations were stopped in Meghalaya following an order of the Supreme Court of India. However, in July 2011, the subsidiary company in India, Lafarge Umiam Mining Private Limited (LUMPL), received a favorable verdict from the Honorable Court paving the way for the quarry to resume mining of limestone from August 2011. Clinker production at the cement plant at Chhatak resumed thereafter. In February 2012, LUMPL obtained the final forest clearance from the Ministry of Environment and Forest, Government of India, New Delhi.

In the last few months, both the quarry and the plant have been showing a very impressive performance. The quarry has been awarded the "first prize" in overall performance as per the result of the safety inspection of the IX North East Metalliferous Mines Safety Week 2011-2012, under the Aegis of Directorate General of Mines Safety, Guwahati Region – India, conducted recently. It is also setting new records in limestone production. The plant also continues to show excellent production and dispatch performance with clinker production continuously exceeding the maximum rated capacity of 3,600 tons per day. Dispatch performance is also setting new records at the plant.

The strong performance of your Company is already reflecting in its encouraging financial performance. Based on unaudited financial for the quarter ending 31st March 2012, your Company has recorded a profit after tax of BDT 22 crores with EPS of BDT 0.19 per share. This compares favorably with the loss of BDT 50 crore with negative EPS of BDT 0.43 per share for the same period in 2011.

**Dear Valued Shareholders,**

In line with Lafarge and Molins' global policies, your Company has always been attaching the highest priority on environment. Your Company has always been conscious of the fact that the concept of sustainable development has to balance the needs of environment and development. We are pleased to inform you that the Green Bench of the Supreme Court of India has examined the case of LUMPL in great detail and its final judgment is hailed as a landmark judgment on environmental protection. We give below some extracts from the judgment that vindicates your Company's position that the operations have been fully in line with the concept of sustainable development and that the MOEF, India has done its job diligently.

"... environmental conflicts are ineradicable and environmental protection is always a matter of degree, inescapably requiring choices as to the appropriate level of environmental protection and the risks which are to be regulated. This aspect is recognized by the concept of "sustainable development". On the facts of the case the judgment states "... we are satisfied that the parameters of intergenerational equity are satisfied and no reasonable person can say that the impugned decision to grant Stage-I forest clearance and the revised environmental clearance stood vitiated on account of non-application of mind by MoEF. On the contrary, the facts indicate that the MoEF has been diligent. That, MoEF has taken requisite care and caution to protect the environment and in the circumstances, we uphold the stage-I forest clearance and the revised environmental clearance granted by MoEF."

**Dear Valued Shareholders,**

Your Company is now poised to grow rapidly following the final settlement of the forest issue in India. Although the Bangladesh economy is currently facing some stress, I am confident that the fundamentals for growth remain strong given the resilience of the economy as demonstrated in the past. The cement market also remains strong with good prospects for growth in the years to come as Bangladesh steadily progresses to becoming a middle income country in the next ten years. The strong performance of the BU as demonstrated till date fills me with optimism for the future.

Your Company is now well poised to seize the opportunities offered by the growing economy and cement market thereby meeting or even exceeding your expectations in the years ahead.

In conclusion, I would like to reiterate my personal thanks and that of the Board of the Directors to you for your unstinted support and cooperation during our difficult times. You have always placed the utmost confidence in the Company's management to steer itself from the troubled waters. I would also take this opportunity to thank the Government of Bangladesh, the Government of India, the Government of Meghalaya and the two village Durbars of Nongtraï and Shella for their great support to your Company in relation to the forest issue without which we may not have seen the light at the end of the tunnel. I remain hopeful that such outpouring of support will stand in good stead in your Company's quest for greater prosperity.

Date: Dhaka, April 30, 2012



Martin Kriegner  
Chairman

## There is no “I”

in Lafarge Surma Cement Ltd., where we all work as a cohesive unit to provide world class services and the highest quality products. We strive to fulfill the dreams of millions who use our products everyday and we are committed to do so with zero compromise on quality, reliability and integrity. As such, the ethos of the Company is represented in every decision we make.



# Corporate Governance

The Company believes and follows a high standard of corporate governance with clearly defined powers and responsibilities of the Board, Executive Committee and of the shareholders. Our corporate governance is based on the principles of 100% compliance with the laws of the lands in which we operate and open and transparent communications with all shareholders.

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

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

## **Code of Business Conduct**

All the activities of the Company are guided by a clearly defined Codes of Business Conduct, approved by the Board of Directors. Our business ethics and all policies and procedures are formulated on the basis of the Code of Business Conduct.

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

## **Roles and responsibilities of the Board**

The Board of Directors of the Company is the ultimate body for the overall management and business of the Company. The Chief Executive Officer is the head of the management of the Company, who is also a member of the Board of Directors, and thus acting as the bridge between the Board and the management of the Company. The Board guides the Executive Committee to run the operations of the Company in full compliance of applicable laws of the countries in which the Company operates, with high value and ethics as per the Code of Business Conduct and for the best interest of the shareholders.

The Board of Directors of the Company is represented by both international and local Directors. This composition has placed the Company in an advantageous position to blend international business practices and standards with the local traditions and good practices.

The Board of Directors meets at least once a quarter. Six meetings of the Board were held during the year ended on December 31, 2011.

## **Accountability and Audit**

The Independent Director and three other Directors of the Company are the members of the Audit Committee, which has been formed in compliance with the Order of the Securities and Exchange Commission dated 20 February 2006.

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

### **Internal audit**

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

### **Statutory audit**

Statutory audit of the Company is governed by the Companies Act 1994 of Bangladesh, which explicitly provides guidelines for the appointment, scope of work, and retirement of auditors. Shareholders appoint auditors in the Annual General Meeting (AGM).

### **Legal and Compliance**

Adherence to the applicable laws is core to our business. Throughout our years of operations, we have been fully compliant with applicable laws and have paid all applicable taxes and duties. We methodically check and review the legal requirements and ensure that necessary permissions to perform business are obtained. Our robust internal processes have ensured that all the activities are reviewed and necessary changes are acknowledged to bring us in line with conformity, wherever required.

## The shareholders

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



# Lafarge Surma is more than just a company,

it is in the business of changing lives. Through the state-of-the-art industrial presence in Chhatak, the company has been providing the impetus to the community bringing a beacon of light into the lives of many in more ways than one, through employment and other development opportunities.



# Report of the Board of Directors to the Shareholders

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

## **Dear Valued Shareholder**

The Board of Directors of Lafarge Surma Cement Ltd. (the “Company”) would like to welcome you with pleasure to the 14th Annual General Meeting of the Company and to present their report on the state of the Company’s affairs and the audited financial statements of the Company for the year ended on December 31, 2011.

## **State of the Company’s Affairs**

In June 2007, the Company and Lafarge Umiam Mining Pvt. Ltd. (LUMPL), the Indian subsidiary of the Company, filed an application before the Hon’ble Supreme Court of India for grant of forest clearance under Section 2 of the Forest Conservation Act, 1980. At the outset of this Report, the Board of Directors takes pleasure to inform the Valued Shareholders, that on July 7, 2011, the Hon’ble Supreme Court of India passed its judgment on the above application allowing the prayers of your Company and LUMPL. While delivering its landmark judgment, the Hon’ble Supreme Court of India validated the actions taken by your Company and asserted that there was no wrong doing or error on the part of LUMPL. The Hon’ble Court has been pleased to uphold the Environmental Clearance granted to LUMPL by Ministry of Environment and Forest of India (MoEF) on August 09, 2001 read with modified Environmental Clearance dated April 19, 2010 and the Stage-I Forest Clearance dated April 22, 2010. On February 29, 2012 MoEF also granted Stage-II Forest Clearance, which is the final clearance required by LUMPL for the forest clearance under Section 2 of the Forest Conservation Act, 1980.

The Board of Directors of the Company, with deep appreciation and gratitude, thank all the shareholders of the Company for their continued support and unequivocal confidence on the Company during the period when it was needed the most. The journey through the process of getting clearance from the Supreme Court of India and the restart of mining activities in Meghalaya, India was long and arduous. The unconditional support and confidence of the shareholders was the main inspiration for the Company, and with this inspiration, through hard work and a professional approach, the Company has successfully cleared all the impediments and restarted the mining activities in its mine in Meghalaya, India on August 5, 2011. Since August 7, 2011, your Company’s Plant in Chhatak, Sunamganj started receiving regular supply of limestone from the mine in Meghalaya, India. With this supply of limestone, full production in the Plant restarted on August 13, 2011.

The Board of Directors of the Company would also take this opportunity to express its appreciation and thankfulness to the Government of Bangladesh, the Government of India, the Management of the Company and the employees of the Company for their valuable support during this difficult journey of the Company.

# We treat safety as more than just an individual responsibility

but as the bedrock of our team development, where everyone looks out for each other as well as themselves in Lafarge Surma. Safety is of the utmost importance to us and with each of us looking out for one another, we all are in good hands.



At this opportune moment, the Board of Directors would also like to recall the support and confidence shown by the shareholders during the Extraordinary General Meeting held on June 29, 2011 whereby the shareholders approved issuance of 1R:1 rights share (i.e. one right share against one existing share) at par value. The process of the rights issue has been completed injecting Taka 5,806,867,500.00 into the capital of the Company. The entire amount has been utilized by your Company to offset portion of its Short Term Borrowings from local Bangladeshi banks. This will contribute in reducing Company's obligation to pay interest to the banks and shall contribute positively in improving the financial position of the Company.

As per the direction of the Securities and Exchange Commission, and with approval of the Shareholders, the face value of shares of the Company has been denominated from Tk. 100 each to Tk. 10 each. Since December 4, 2011, the shares of the Company are being traded in the Stock Exchanges with this denominated face value.

### **Health & Safety**

Health and safety has always been the number one priority of your Company and it is our core value. It was never an easy task to ensure safety for all the employees and contractors' employees of the Company. However, with determination, hard work and the engagement of everyone, from top management to the grass root level, your Company has made it possible. Your Company's success in ensuring a safe work environment in the Plant, and Mine as well as in office areas is a demonstration of good safety behavior. It is really a matter of joy to announce that, your Company has achieved Lost Time Injury (LTI) free year in 2011.

The importance of safety is ensured right from the top management of your Company. Everyone in your Company is giving their utmost importance to ensure that there is no accident. We try our best to avoid even a minor injury. All the basics of safety policy are mandatory for each and every person working or being associated with your Company. Personal Protective Equipments (PPE), holding hand rails, good and tidy housekeeping, not going for the shortcuts etc. have been declared as compulsory for every person working with your Company.

Serious accidents happening in Sponsor Groups facilities are simulated in your Company so that employees and contractor personnel take lessons from them and apply the learning in their work areas.

In 2011, your Company took many initiatives to take the safety to everyone's door. Creating awareness among the employees and contractors was the prime focus area for them. Management of your Company communicated frequently with the employees to make them understand the value of safety. A number of training were organized last year to ensure no one lags behind on safety rules. Sessions with the contractors were arranged to engage them in safety policy of the Company. The month of June 2011 has been observed as the Safety Month. Initiatives have been taken to do more personal safety contacts and hazard identification. We call such personal safety contacts as Visibly Felt Leadership (VFL). As a result, more than 3,000 one-to-one consultations have been conducted in 2011 and around 3,000 hazards were identified, which eventually helped your Company to achieve the goal to eliminate major or minor accidents throughout the Company. Finally, we are delighted to share that your Company has achieved 5 million safe man hours and 500 safe days without an LTI.

The ultimate goal of your Company is to be the champion in the field of safety. Action plans have been defined for all the sites of the Company to continue the improvement in the field of safety. These plans are constructed in line with world class standards, advisories and priorities in such a way so that a unique visible change can be achieved to make the business unit as the best one. We are committed to give our best to make the best possible healthy and safe work environment in your Company for the employees and contractors.

# I take pride

in my work and constantly strive for perfection and that is exactly why Lafarge Surma Cement's SUPERCRETE cement is my best friend on the job. It is easy to use, always reliable and never lets me down. Working in construction is tough but not when you use Lafarge Surma Cement's SUPERCRETE cement.



### **Production Performance**

From February 5, 2010 up to first week of August 2011, there was no supply of limestone from the Company's mine in Meghalaya, India due to forest issue. As a result, during the first seven months of 2011, there was no production of clinker by the Company and your Company continued limited production of cement with imported clinkers. During that part of the year your Company successfully maintained its Brand presence in Bangladesh market, which is very important from a business strategic stand point.

Pursuant to the Indian Supreme Court order, the Plant started receiving limestone from its mine in Meghalaya, India from August 7, 2011. After building up of some limestone stock, full clinker production in your Plant resumed from August 13, 2011 and was stabilized very quickly. Cement production with your Company's own clinker started immediately thereafter. Restart of the clinker production without any major hiccup after such a long gap was possible because of proactive and visionary strategy by your Company.

During 2011, clinker production was 485 KT (for part of the year), cement production was 885 KT and cement sales was 869 KT. While in 2010, clinker production was 385 KT (for part of the year), cement production was 925 KT and cement sales was 922 KT.

Efforts were continued to reduce cost by improving plant performance and "cement –over –clinker" ratio progressively from 1.47 to 1.58.

### **Commercial Performance**

Your Company could not operate fully in 2011 due to disruption in supply of limestone for the forest issue. During this time, the Company continued production of cement in a limited scale through imported clinker. As a result, the sales volume was affected during January to August 2011. The Company resumed its supply of limestone in August 2011 and started producing cement from its own clinker. Having re-started production and sales in full swing, your Company has, grown month on month at an average growth rate of 30% since August 2011 to February 2012.

Your Company started the year 2012 with a lot of enthusiasm backed up by strong business results. In January 2012 we recorded sales of 141,183 tonnes of cement, breaking all previous sales records, in the history of your Company.

Meanwhile, your Company took a number of price initiatives to improve the product prices in the marketplace. This has strengthened your Company's P&L and also SUPERCRETE's premium position in the market.

Your Company is working on continuous improvement of sales and distribution system in order to reach the most profitable markets in Bangladesh in the most cost effective and efficient manner. Recently, your Company has re-engineered the Sales Force to be more productive into the retail channel and have introduced a coaching template for continuous performance improvement.

The consistency in quality as usual, remains one of our major endeavours and the customers' testimony of SUPERCRETE's perception as a high quality cement, is nurtured.

In March 2012, your Company re-launched its brand communication of SUPERCRETE with deeper link into Company's Global expertise and testimony. Your brand, SUPERCRETE, also went through a make-over into a new attractive globally-aligned pack design followed by a mass awareness campaign through print and outdoor media.

We are also revamping and restructuring the strategy for the “Influencer” campaign through “Opinion Leaders” workshops and endorsement activities. We believe, this is a journey to a new beginning for SUPERCRETE for much higher brand values and equity.

SUPERCRETE has been used in more and more prestigious projects in 2011. For instance, Korean Export Processing Zone, 350 MW Power Station at Katakali, Rajshahi, Abdul Monem Building District in Dhaka, New Bangla Academy Building and East West University Dhaka Campus are few prestigious, large and SUPERCRETE-EXCLUSIVE projects that your Company is proud of.

Given the structural advantages over others and its ability to serve the customers better being part of global leaders in cement, the Company is expected to secure the desired market share quickly and run its business profitably.

## Financial Performance

The Directors take pleasure in reporting the Financial Results of the Company for the year ended on 31st December 2011 as follows:

	Tk. 000s	
	2011	2010
Loss before tax	(1,250,348)	(718,082)
Income tax	100,300	212,144
Loss for the year	(1,150,048)	(505,938)
Transfer to un-appropriated profit	-	-
Earnings per share	(1.29)	(0.58)

The Consolidated Financial Results of the Company for the year ended on 31st December 2011 are as follows:

	Tk. 000s	
	2011	2010
Loss before tax	(2,287,984)	(1,831,979)
Income tax	100,300	212,144
Loss for the year	(2,187,684)	(1,619,835)
Transfer to un-appropriated profit	-	-
Earnings per share	(2.46)	(1.87)

During the year, following the stoppage of operations in the quarry, the Company continued operations in Bangladesh using imported clinker at a high cost that resulted in operating loss during this period. Following the favourable verdict of the Supreme Court of India, the Company re-commenced production of clinker from August 2011 at the Plant in Chhatak using limestone supplied from the quarry in Meghalaya, India. This resulted in operating profits for the remaining part of year but the overall results for 2011 remained negative since there was a sharp increase in the financing cost and exchange loss due to devaluation of taka.

## **Dividend**

As the Company has recorded a consolidated EPS loss of Tk.2.46 in 2011, the Board of Directors of the Company did not recommend any dividend for the year 2011.

## **Human Resource**

The vision of the HR Department of your Company is recruiting the right talent for the right job, developing them with the right skills in a safe working environment and retaining the talents. Your Company believes that the employees are our most important asset and after the initiation of the full operation in 2011, the Company ensured its commitment by developing and placing the local talents to take over the senior roles by replacing the expatriates which has resulted in significant cost reduction. In addition, priority is being given to create more expertise among the employees through appropriate training both at home and abroad by coaching and skill development.

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

Your Company continues to benchmark the compensation and other benefits with the market and offers competitive remuneration package to attract new talents and to keep the existing internal resources motivated and focused in achieving your Company's goals.

## **Supply Chain Performance**

In 2011, your Company has continued to add value to organizational performance by bringing efficiency in dispatch, achieving cost effective distribution system and realizing operational process optimization. As a result your Company has increased river transportation by 6% compared to 2010. This has enabled the Company to reduce its overall distribution cost. After re-commencement of operations in the Quarry in Meghalaya, India in August, 2011, your Company also improved process optimization, which made three shifts operation possible in depots without additional manpower. This has increased depot performances. As a result of all these efforts it has been possible to keep total logistics cost increase within 2%, amidst more than 8% inflation and 8.5% increase in fuel cost.

Your Company will continue to bring in efficiency in supply chain operation to safely and cost effectively deliver products to customers.

## **Community Development Program**

Your Company strongly believes that sustainable economic growth cannot occur without social progress and respect for local communities. Thus, in every location your Company has established its presence, whether it is around your plant in Chhatak or your quarry in Meghalaya, your Company works with local communities to implement action programs for economic and social developments. The aim is to exchange viewpoints with the local communities and implement practical solutions that respond to local needs. To your Company, social welfare is not a mere philanthropy, rather it is a responsibility.

The concentration of the Community Development Program of your Company is mainly in the improvement of health care, education and livelihood of the members of our local community. Your Company also contributes in the infrastructural development of the community area.

As you are aware, your Company runs a Medical Clinic in Chhatak, which continues to provide free quality healthcare to the community. This has resulted in better access to basic health care for the local people. For those who live in remote areas and cannot come to the Medical Clinic, your Company periodically arranges Satellite Clinic sessions in the doorsteps of the villagers. Implementation of extended program on immunization (EPI) in collaboration with GOB Health Department is also going on regularly.

The LSC Community Welfare School at the Community Development Center of your Company provides free education up to class five. After successful completion, these students are getting opportunity to enroll in local high schools where government curriculum is being followed. The standard of education in LSC Community Welfare School is highly appreciated by the community and has set a benchmark. A student motivational program coordinated by the teachers was undertaken in 2011 to improve student's cleanliness, behavior, educational progress and over all development.

Our income generating training activities for the women of the community has contributed in improving the livelihood of the local community. The women in the local community now get the opportunity to become self dependent, to financially contribute in their family and gain self esteem. Your Company not only provide vocational training to these women, but also provided start-up capital for them to start their own business.

Apart from the above regular Community Development Programs, the local community always gets your Company by their side, whether it is during celebration or during crisis. During Ramadan, your Company undertook an initiative to distribute Eid gift boxes among project affected and disadvantaged people at Chhatak to share the joy of Eid. Iftar was also arranged for the community people at the local mosques.

Your Company also contributed to the economic development of the community by providing business opportunities to the cooperatives of the project affected people.

Your Company has also set a great example of community development in the areas surrounding Lafarge Umiam Mining Pvt. Ltd. (LUMPL), the Indian subsidiary of your Company, especially in the villages of Nongtrai and Shella.

Your Company's mandate in providing community health services has brought tremendous relief to the community people. Health Care services are provided through the Mobile Health Clinic manned by a registered medical practitioner and health assistants, equipped with all necessary diagnostic devices. This also includes free transportation to the community for any medical emergencies.

In the area of education, your Company made a significant contribution. Providing annual scholarship along with medals and certificates to students who excelled in their studies, assistance for enhancement of teacher's salaries, financial assistance to upgrade schools, improvement of the wholly sponsored school at Nongtrai village with computers and laboratory, conducting different awareness programs in order to develop and encourage curricular activities among students are some of the major activities undertaken by your Company.

Your Company is also contributing to the livelihood of the local community by developing their skills. These include setting up and upgrading skills of women weavers, providing stipends to them as well as exposure trips and Citrus Management training for the community. Financial Assistance was also provided to vulnerable project affected families by your Company.

In 2011, many infrastructural works were also done by your Company in the local communities such as construction of drains, railings, footpath, bathing enclosure, water pumps, toilets and development of a tourist spot.

### **Auditors**

Pursuant to Section 210 of the Companies Act, 1994, the Company's statutory auditors M/S, Nurul Faruk Hasan & Co, Chartered Accountants, retire at the 14th Annual General Meeting. Being eligible, they express their willingness to be re-appointed.

### **Appointment of Chief Executive Officer**

Mr. Michael Andrew Cowell, was appointed as Director and Managing Director of the Company on November 30, 2006. Mr. Cowell rendered his efficient services to the Company for more than five years. The Company successfully resolved the issue pending before the Supreme Court of India, continued limited quantity production with imported clinker and successfully maintained the Brand presence in the market, and efficiently re-started the full production without any major hiccups with due approvals from the Supreme Court of India under the leadership of Mr. Cowell. Mr. Cowell has tendered his resignation as he is assuming new responsibilities elsewhere within Lafarge Group.

The Board appointed Mr. Tarek Samir Ahmed Elba as Director and Chief Executive Officer of the Company for five years with effect from May 1, 2012, the appointment of Chief Executive Officer being subject to consent of the shareholders in general meeting.

As per requirement of Companies Act, 1994, consent of the shareholders in the 14th Annual General Meeting is requested to ratify appointment of Mr. Elba as the Chief Executive Officer of the Company for a term of 5 years from May 1, 2012.

### **Directors**

The Company has twelve (12) Directors in the Board including the Chief Executive Officer. Pursuant to the provisions of the Companies Act, 1994, one third of the Directors, except the Chief Executive Officer, shall retire by rotation in every ordinary general meeting. Accordingly, four (4) Directors of the Company will retire at the 14th 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 Limited), and Mr. Isidoro Miranda Fernandez (nominee of Surma Holding B.V.). Being eligible they offer themselves for re-election.

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 9, 2012

**Annexure 1**

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

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

**Income and expenses:**

	Tk. 000s				
	2011	2010	2009	2008	2007
<b>REVENUE</b>	6,098,478	5,655,374	7,543,725	6,211,938	2,399,876
Cost of sales	(5,578,134)	(4,995,256)	(5,105,542)	(3,836,583)	(2,284,166)
<b>GROSS PROFIT</b>	<b>520,344</b>	<b>660,118</b>	<b>2,438,183</b>	<b>2,375,355</b>	<b>115,710</b>
General and administrative expenses	(374,702)	(342,119)	(376,219)	(359,058)	(265,017)
Selling and distribution expenses	(68,340)	(93,909)	(124,949)	(132,022)	(107,248)
Other operating (expenses) / income	322,634	(264,663)	2,947	83,759	154,404
<b>OPERATING PROFIT/(LOSS)</b>	<b>399,936</b>	<b>(40,573)</b>	<b>1,939,962</b>	<b>1,968,034</b>	<b>(102,151)</b>
Finance expenses	(1,691,307)	(717,605)	(897,339)	(1,055,934)	(1,140,954)
Finance income	41,023	40,096	62,460	78,408	106,493
Contribution to Workers' Profit Participation and Welfare Funds	-	-	(55,254)	(49,526)	-
<b>NET PROFIT/(LOSS) BEFORE TAX</b>	<b>(1,250,348)</b>	<b>(718,082)</b>	<b>1,049,829</b>	<b>940,982</b>	<b>(1,136,612)</b>
Income tax	100,300	212,144	(466,904)	(305,787)	281,229
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>(1,150,048)</b>	<b>(505,938)</b>	<b>582,925</b>	<b>635,195</b>	<b>(855,383)</b>
Earnings per share (Taka)	(1.29)	(0.58)	0.67	0.73	(0.99)

## Assets and liabilities:

Tk. 000s

	2011	2010	2009	2008	2007
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12,176,273	12,629,748	13,036,126	13,341,043	13,554,366
Intangible assets	4,513	6,939	8,383	11,020	14,153
Investment in subsidiaries	519,893	519,893	519,893	519,893	519,893
Loan to subsidiary company	1,335,097	1,154,028	1,129,641	1,240,560	1,233,900
Deferred income tax assets	-	-	-	81,767	393,811
<b>Current assets</b>	<b>3,385,855</b>	<b>2,248,089</b>	<b>2,318,588</b>	<b>2,507,839</b>	<b>1,478,984</b>
<b>TOTAL ASSETS</b>	<b>17,421,631</b>	<b>16,558,697</b>	<b>17,012,631</b>	<b>17,702,122</b>	<b>17,195,107</b>
<b>LIABILITIES</b>					
Share capital	11,575,806	5,806,868	5,806,868	5,806,868	5,806,868
Retained earnings	(2,709,843)	(1,559,795)	(1,053,857)	(1,636,782)	(2,271,977)
Other component of equity	33,713	(18,029)	-	-	-
<b>Shareholders' equity</b>	<b>8,899,676</b>	<b>4,229,044</b>	<b>4,753,011</b>	<b>4,170,086</b>	<b>3,534,891</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term debt	2,511,995	3,000,781	4,705,955	6,404,929	8,112,809
Deferred income tax liabilities	9,267	172,993	385,137	-	-
Contribution to employee benefit	72,898	52,982	43,897	31,866	-
Derivative instruments	6,746	18,029	-	-	-
<b>Current liabilities</b>	<b>5,921,049</b>	<b>9,084,868</b>	<b>7,124,631</b>	<b>7,095,241</b>	<b>5,547,407</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,421,631</b>	<b>16,558,697</b>	<b>17,012,631</b>	<b>17,702,122</b>	<b>17,195,107</b>

(h) Reasons for non-declaration of dividend:

As the Company has recorded a consolidated EPS loss of Tk.2.46 in 2011, the Board of Directors of the Company did not recommend any dividend for the year 2011.

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

6 (six) Board meetings were held during the year 2011 and the dates are March 7, April 7, May 9, June 29, September 20 and December 15. The Directors attended the Board meetings as stated below:

1. Mr. Martin Kriegner was present in person in six Board Meetings.
2. Mr. Jean Desazars de Montgailhard, by his Alternate Director Mr. Masud Khan, attended six Board Meetings.
3. Mr. Michael Andrew Cowell was present in person in six Board Meetings.
4. Mr. Jose Maria Fontdecaba attended all six Board Meetings.
5. Mr. Enrique de Bobes Pellicer attended two Board Meetings being present in person, except the four on April 7, May 9, June 29 and September 20 for which leave of absence was granted to him.



6. Mr. Salvador Fernandez Capo, attended four Board Meetings being present in person, except the two on March 7 and September 20 for which leave of absence was granted to him.
  7. Mr. Manzurul Islam attended three Board meeting being present in person, except the three on April 7, May 9 and September 20 for which leave of absence was granted to him.
  8. Mr. Anisur Rahman Sinha attended five Board meetings being present in person except one on April 7 for which leave of absence was granted to him.
  9. Mr. Syed Moazzem Hussain attended five Board meetings being present in person except the one on April 7 for which leave of absence was granted to him.
  10. Mr. Shivesh Kumar Sinha, attended four Board meetings being present in person, except the two on March 7 and May 9 for which leave of absence was granted to him.
  11. Mr. Zakir Ahmed Khan was present in person in six Board Meetings.
  12. Mr. Md. Iftikhar-uz-zaman attended four Board meetings being present in person, except the two on April 7 and September 20 for which leave of absence was granted to him.
- (k) The pattern of shareholding:

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

<i>Name</i>	<i>Position</i>	<i>No. of shares</i>
Surma Holding BV	Parent Company	683,698,700

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

<i>Name</i>	<i>Position</i>	<i>No. of shares</i>		
		<i>Self</i>	<i>Spouse</i>	<i>Minor Children</i>
Mr. Isidoro Miranda Fernandez	Director as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Martin Kriegner	Director/Chairman as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Tarek Samir Ahmed Elba	Director as nominee of Surma Holding BV and CEO	Nil	Nil	Nil
Mr. Jose Maria Fontdecaba	Director as nominee of Surma Holding BV	50	Nil	Nil
Mr. Enrique de Bobes Pellicer	Director as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Shivesh Kumar Sinha	Director as nominee of Surma Holding BV	Nil	Nil	Nil
Mr. Salvador Fernandez Capo	Director as nominee of Surma Holding BV	Nil	Nil	Nil

<i>Name</i>	<i>Position</i>	<i>No. of shares</i>		
		<i>Self</i>	<i>Spouse</i>	<i>Minor Children</i>
Mr. Manzurul Islam	Director as nominee of Islam Cement Ltd	200	Nil	Nil
Mr. Anisur Rahman Sinha	Director as nominee of Sinha Fashions Ltd	Nil	Nil	Nil
Mr. Syed Moazzem Hussain	Director as nominee of Delta Life Insurance Co. Ltd.	Nil	Nil	Nil
Mr. Zakir Ahmed Khan	Independent Director	Nil	Nil	Nil
Mr. Md. Iftikhar-uz-zaman	Director as nominee of Investment Corporation of Bangladesh	Nil	Nil	Nil
Mr. Masud Khan	Finance Director	Nil	Nil	Nil
Mr. Kazi Mizanur Rahman	Company Secretary	Nil	Nil	Nil
Mr. Moshorrof Hossain	Head of Internal Audit	Nil	Nil	Nil

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

- Surma Holding BV: 683,698,700 shares
- Islam Cement Ltd: 31,914,200 shares
- Sinha Fashions Ltd: 35,100,000 shares
- Delta Life Insurance Co. Ltd: 27,011,180 shares
- Investment Corporation of Bangladesh: 10,887,000 shares

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

<i>Name</i>	<i>No. of shares</i>
Executives	Nil

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

<i>Name</i>	<i>No. of shares</i>
Surma Holding BV	683,698,700

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 20<sup>th</sup> 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 ...	✓		

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not complied	
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary ...	✓		
2.2	CFO to attend Board meetings...	✓		
	Company Secretary to attend Board meetings...		✓	The Company Secretary attended five Board Meetings in 2011. He could not attend the Board meeting dated December 15, 2011 due to health related problem.
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	✓		
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	✓		

Condition No.	Title	Compliance status (Put √ in the appropriate column)		Explanation for non-compliance with the condition
		Complied	Not complied	
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 9, 2012



# Audit Committee Report

## For the year 2011

14 March 2012

To: The Board of Directors  
Lafarge Surma Cement Ltd.

### The Audit Committee

The Audit Committee consists of the following members:

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

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

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

### Activities during the year

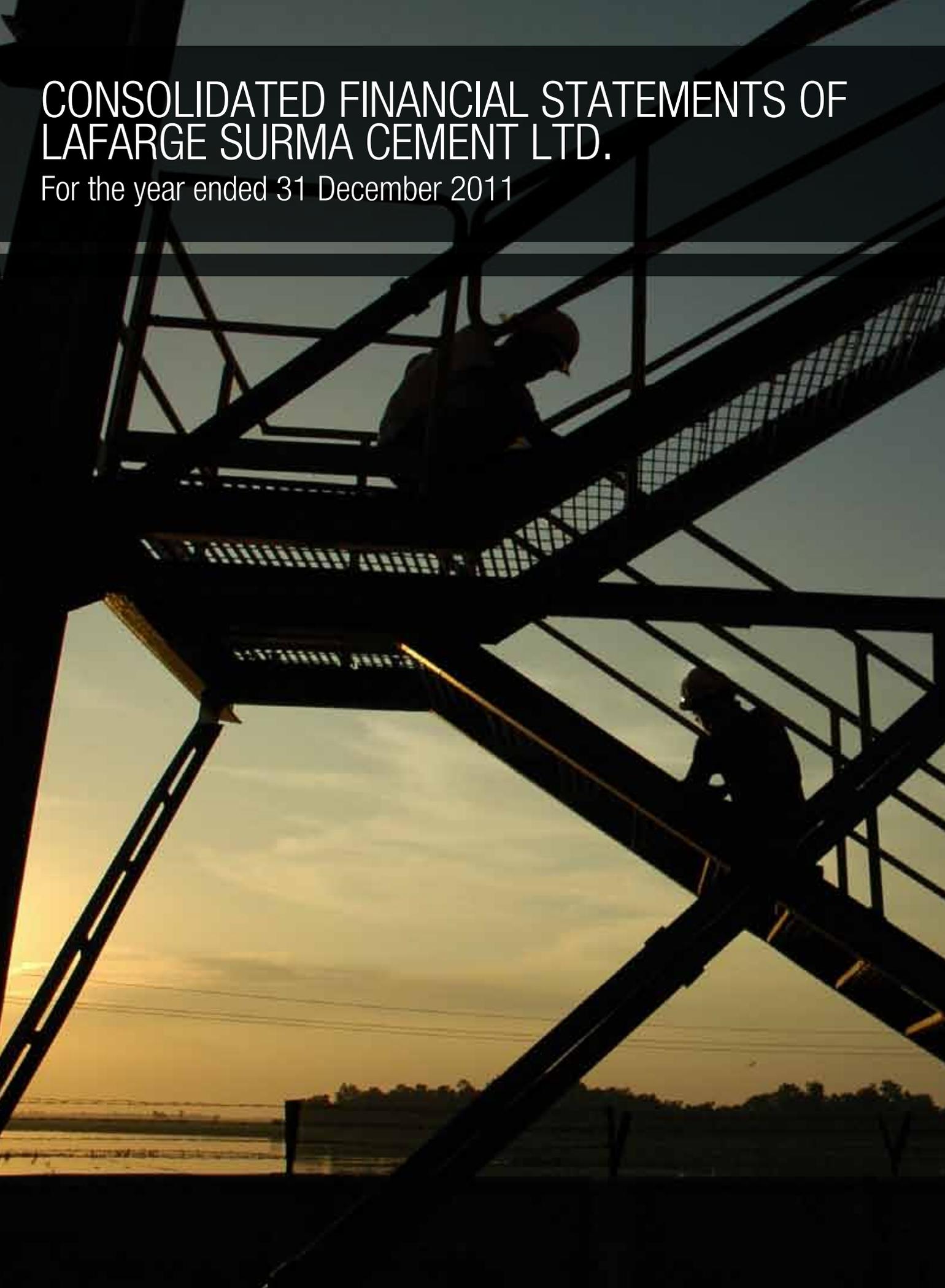
- a. Guided the process of financial year-end closing;
- b. Reviewed and recommended to the Board to approve the financial statements of Lafarge Surma Cement Limited and all its subsidiaries for the year 2011; and
- c. Examined the system of financial reporting as well as the reports and reported the findings on the following, where appropriate:
  - i. Conflict of interests;
  - ii. Suspected or presumed fraud or irregularity or material defect in the internal control system;
  - iii. Suspected infringement of laws, including securities related laws, rules and regulations; and
  - iv. Any other matters which should be disclosed to the Board of Directors immediately.
- d. Approved audit plan and resource allocation for the Internal Audit Services;
- e. Reviewed the internal audit activities carried out during the year;
- f. Reviewed the internal audit reports and followed-up action plans agreed to improve internal control systems;
- g. A separate Internal Control team is in place to ensure effective performance of internal control activities;
- h. A shadow audit committee has been formed with Managing Director and Finance Director as permanent member to monitor the progress and implementation of open audit actions;
- i. Consolidation of all open actions, monitor the progress and support for effective implementation.



Jose Maria Fontdecaba  
Chairman, Audit Committee

# CONSOLIDATED FINANCIAL STATEMENTS OF LAFARGE SURMA CEMENT LTD.

For the year ended 31 December 2011



**INDEPENDENT AUDITORS' REPORT  
to the Shareholders of  
LAFARGE SURMA CEMENT LIMITED**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Lafarge Surma Cement Limited, which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Lafarge Surma Cement Limited as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

## *Other Matters*

The Consolidated Financial Statements of Lafarge Surma Cement Limited for the year ended 31 December 2010 were audited by another auditors (Hoda Vasi Chowdhury & Co.) who expressed an unmodified opinion with an *Emphasis of Matter Paragraph* (regarding going concern status of the company) on those statements on 10 April 2011.

The Financial Statements of Indian subsidiaries have been audited by independent auditors in India based on which Financial Statements of Indian subsidiaries have been consolidated.

## **Report on Other Legal and Regulatory Requirements**

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

### *We also report that:*

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

Dhaka  
02 April 2012

  
(Nurul Faruk Hasan & Co.)  
Chartered Accountants

**LAFARGE SURMA CEMENT LIMITED**  
**Consolidated Statement of Financial Position**  
**at 31 December 2011**

	NOTES	2011 Taka'000	2010 Taka'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	13,815,909	14,377,748
Intangible assets	5	1,293,051	1,219,460
		<b>15,108,960</b>	<b>15,597,208</b>
<b>CURRENT ASSETS</b>			
Inventories	6	1,572,777	1,146,423
Trade receivables	7	533,487	133,171
Other receivables	8	1,078,870	861,882
Derivative instruments	9	19,855	1,429
Cash and cash equivalents	10	245,432	174,691
		<b>3,450,421</b>	<b>2,317,596</b>
<b>TOTAL ASSETS</b>		<b>18,559,381</b>	<b>17,914,804</b>
<b>EQUITY &amp; LIABILITIES</b>			
Share capital	11	11,575,806	5,806,868
Retained earnings	11.6	(5,343,728)	(3,156,087)
Other components of equity	12	(16,113)	(18,610)
Share money deposits	11.7	37,929	-
Foreign currency translation	3.3	197,787	135,946
<b>SHAREHOLDERS' EQUITY- PARENT COMPANY</b>		<b>6,451,681</b>	<b>2,768,117</b>
Non-controlling interests	11.8	302	362
<b>EQUITY</b>		<b>6,451,983</b>	<b>2,768,479</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	13.1	3,904,616	4,713,556
Deferred tax liabilities	14	9,267	172,993
Employee benefits	15	78,457	56,174
Derivative instruments	16.1	6,746	18,029
		<b>3,999,086</b>	<b>4,960,752</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	17	1,788,339	1,462,654
Other payables	18	348,021	390,035
Derivative instruments	16.2	43,317	-
Current portion of long term debt	13.2	2,763,900	2,017,604
Bank overdrafts	19	220,401	633,261
Short-term debt	20	2,882,187	5,680,768
Current tax liabilities	21	62,147	1,251
		<b>8,108,312</b>	<b>10,185,573</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,559,381</b>	<b>17,914,804</b>

The accompanying Notes 1 to 36 form an integral part of these financial statements

  
 Company Secretary

  
 Director

  
 Managing Director

As per our annexed report of same date.

  
 (Nurul Faruk Hasan & Co.)  
 Chartered Accountants

Dhaka, 02 April 2012

**LAFARGE SURMA CEMENT LIMITED**  
**Consolidated Income Statement**  
**for the year ended 31 December 2011**

	NOTES	2011 Taka'000	2010 Taka'000
<b>REVENUE</b>	24	6,098,478	5,655,374
Cost of sales	25	(5,538,142)	(5,077,635)
<b>GROSS PROFIT</b>		<b>560,336</b>	<b>577,739</b>
General and administrative expenses	26	(374,702)	(342,119)
Sales and marketing expenses	28	(68,340)	(93,909)
Other operating (expenses)/income	29	89,590	(1,257,001)
<b>OPERATING INCOME/(LOSS)</b>		<b>206,884</b>	<b>(1,115,290)</b>
Exchange (loss)/gain on foreign currency transactions	3.9	(1,160,404)	38,764
Finance cost	30	(1,334,960)	(758,178)
Finance income	30	496	2,725
<b>LOSS BEFORE TAX</b>		<b>(2,287,984)</b>	<b>(1,831,979)</b>
Income tax	31	100,300	212,144
<b>LOSS FOR THE YEAR</b>		<b>(2,187,684)</b>	<b>(1,619,835)</b>
<i>Attributable to:</i>			
<b>Owners of the parent Company</b>		<b>(2,187,641)</b>	<b>(1,619,809)</b>
Non-controlling interests		(43)	(26)
		<b>(2,187,684)</b>	<b>(1,619,835)</b>
Basic earnings per share (Taka)	32	(2.46)	(1.87)
Diluted earnings per share (Taka)	32	(2.46)	(1.87)

*The accompanying Notes 1 to 36 form an integral part of these financial statements.*



Company Secretary



Director



Managing Director

As per our annexed report of same date.

Dhaka, 02 April 2012



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

**LAFARGE SURMA CEMENT LIMITED**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2011**

	2011 Taka'000	2010 Taka'000
<b>LOSS FOR THE YEAR</b>	<b>(2,187,684)</b>	<b>(1,619,835)</b>
Cash flow hedge instruments	2,892	(18,029)
Actuarial loss	(395)	(581)
Exchange differences on translating foreign operation	61,841	(23,997)
Non controlling interests- currency translation adjustment	(17)	39
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>64,321</b>	<b>(42,568)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>(2,123,363)</b>	<b>(1,662,403)</b>
Attributable to:		
<b>Owners of the parent Company</b>	<b>(2,123,303)</b>	<b>(1,662,416)</b>
Non-controlling interests	(60)	13
	<b>(2,123,363)</b>	<b>(1,662,403)</b>

*The accompanying Notes 1 to 36 form an integral part of these financial statements.*

  
 Company Secretary

  
 Director

  
 Managing Director

As per our annexed report of same date.

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

Dhaka, 02 April 2012

**LAFARGE SURMA CEMENT LIMITED**  
**Consolidated Statement of Changes in Equity**  
**for the year ended 31 December 2011**

(All figures are in Tk. '000)

	Share capital	Retained earnings	Other components of equity	Share money deposits	Foreign currency translation	Equity for parent company	Non controlling interests	Total equity
<b>Balance at 1 January 2010</b>	5,806,868	(1,536,278)	-	-	159,943	4,430,533	349	4,430,882
Total comprehensive (loss)/income for the year	-	(1,638,419)	-	-	(23,997)	(1,662,416)	13	(1,662,403)
<b>Balance at 31 December 2010</b>	<b>5,806,868</b>	<b>(3,174,697)</b>	<b>-</b>	<b>-</b>	<b>135,946</b>	<b>2,768,117</b>	<b>362</b>	<b>2,768,479</b>
Restatement of prior year transaction	-	18,610	(18,610)	-	-	-	-	-
<b>Restated balance at 31 December 2010</b>	<b>5,806,868</b>	<b>(3,156,087)</b>	<b>(18,610)</b>	<b>-</b>	<b>135,946</b>	<b>2,768,117</b>	<b>362</b>	<b>2,768,479</b>
Total comprehensive (loss)/income for the year	-	(2,187,641)	2,497	-	61,841	(2,123,303)	(60)	(2,123,363)
Issuance of right shares	5,768,938	-	-	-	-	5,768,938	-	5,768,938
Deposited by underwriters	-	-	-	37,929	-	37,929	-	37,929
<b>Balance at 31 December 2011</b>	<b>11,575,806</b>	<b>(5,343,728)</b>	<b>(16,113)</b>	<b>37,929</b>	<b>197,787</b>	<b>6,451,681</b>	<b>302</b>	<b>6,451,983</b>

  
 Company Secretary

  
 Director

  
 Managing Director

**LAFARGE SURMA CEMENT LIMITED**  
**Consolidated Statement of Cash Flows**  
**for the year ended 31 December 2011**

	2011 <u>Taka'000</u>	2010 <u>Taka'000</u>
<b><i>Cash Flows From Operating Activities</i></b>		
Cash received from customers	5,756,821	5,882,172
Payment for cost and expenses	(5,805,129)	(6,075,635)
Payment of advance income tax by deduction	(155,879)	(118,993)
Interest paid	(1,283,999)	(708,044)
Other receipts	1,245	11,490
<b><i>Net cash used in operating activities</i></b>	<b><u>(1,486,941)</u></b>	<b><u>(1,009,010)</u></b>
<b><i>Cash Flows From Investing Activities</i></b>		
Payments for property, plant and equipment	(115,412)	(242,946)
Payments for intangible assets	(132,455)	(987,632)
Proceeds from sale of property, plant and equipment	252	36
<b><i>Net cash used in investing activities</i></b>	<b><u>(247,615)</u></b>	<b><u>(1,230,542)</u></b>
<b><i>Cash Flows From Financing Activities</i></b>		
Proceeds from issue of right shares	5,768,938	-
Payment for right issue costs	(9,412)	-
Repayment of long term debt	(813,288)	218,355
Repayment of bank overdrafts	(409,299)	(44,316)
Repayment short term debts	(2,731,970)	2,152,168
<b><i>Net cash generated by financing activities</i></b>	<b><u>1,804,969</u></b>	<b><u>2,326,207</u></b>
Net effect of foreign currency translation on cash and cash equivalents	328	635
<b><i>Net increase in cash and cash equivalents</i></b>	<b><u>70,741</u></b>	<b><u>87,290</u></b>
<b><i>Cash and Cash Equivalents at Beginning of the Year</i></b>	<b>174,691</b>	<b>87,401</b>
<b><i>Cash and Cash Equivalents at End of the Year</i></b>	<b><u>245,432</u></b>	<b><u>174,691</u></b>

  
 Company Secretary

  
 Director

  
 Managing Director

## LAFARGE SURMA CEMENT LIMITED

### Notes to the Consolidated Financial Statements for the year ended 31 December 2011

#### 1 Background and Introduction

##### Formation and legal status

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

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

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

#### 2 Nature of Business

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

Pursuant to a decision of the Hon'ble Supreme Court of India, the mining operations of subsidiary company namely Lafarge Umiam Mining Private Limited was suspended effective from 5 February 2010 and since then, the Company continued in manufacturing and marketing of cement through imported cement clinker. Subsequently, in its final judgement dated 06 July 2011, the Supreme Court of India was pleased to allow the application filed by LUMPL and the Company has resumed its limestone mining operations from 5 August 2011. Accordingly, LSCL has started its clinker production from 14 August 2011.

##### 2.1 Going concern issue

The Company and its major subsidiary namely LUMPL have been experiencing unfavorable operating results and insufficient cash generation for debt servicing. Since the judgement dated 06 July 2011 of the Supreme Court of India has paved the way for resumption of mining operations, the Company's operational and cash flow positions are expected to improve significantly. Further, the Company has collected the proceeds from right issue of shares to meet its financial obligations and improve its cash flow position. In such a scenario, the Company does not anticipate any adverse situation that may affect the going concern status of the Company and 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) after due compliance with the Bangladesh Financial Reporting Standards (BFRS), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations. More specifically, the consolidated financial statements of the Company have been prepared in accordance with the provisions of Bangladesh Accounting Standard 27: "Consolidated and Separate Financial Statements".

The financial statements have been prepared on the historical cost convention other than the derivative financial instruments that have been measured at fair value.

As explained in above note- 2 with respect to suspension of its mining operations in LUMPL and final judgement of the Hon'ble Supreme Court of India, the accompanying financial statements have been prepared by the Company on a going concern basis.

#### 3.2 Use of Estimates and Judgments

##### i) Estimates

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

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

##### ii) Judgments

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

#### 3.3 Functional and presentation currency

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

#### 3.4 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:

	31 Dec 2011	31 Dec 2010
Name of subsidiary	<u>Taka'000</u>	<u>Taka'000</u>
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.

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

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

<i>Taka equivalent of Rs. 1</i>	<u>31 Dec 2011</u>	<u>31 Dec 2010</u>
Average rate	1.5918	1.5232
Closing rate	1.5380	1.5756

### 3.6 Scope of consolidation

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

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

### 3.7 Property, plant and equipment

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

These are capitalized at cost of acquisition and subsequently stated at cost less accumulated depreciation in compliance with the benchmark treatment of BAS 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) Capitalisation of strategic spare parts

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

#### iii) Construction in progress

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

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

Straight line depreciation method is followed and depreciation has been charged on all assets acquired that are put on use except land, 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.

### 3.8 Intangible assets

#### i) Software

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

**ii) Others**

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

**iii) Amortization of intangible assets****a) Software**

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

**b) Others**

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

**3.9 Foreign currency translation/ transaction**

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

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

	<u>Closing Rate</u>
BDT/USD	81.845
BDT/EUR	105.9034
BDT/GBP	126.4629
BDT/INR	1.5380

**3.10 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. In the time of separation, the liability to each employee is settled in cash.

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

**3.11 Inventories**

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

## 3.12 Taxation

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

### Current tax

"Current tax is computed @ 0.50% of the amount representing company's gross receipts of income from all sources as per changes in Finance Act 2011."

### Deferred tax

Deferred 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 BAS 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.

## 3.13 Revenue recognition

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

## 3.14 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.

## 3.15 General

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

	Land freehold	Leasehold improvement	Building	Plant building	Technical facilities	Plant & machinery	Other plant equipment	Vehicles	Computer equipment	Office equipment	Furniture & fixtures	Construction in progress	Total
<i>Figures in Taka '000</i>													
COST													
At January 1, 2011	563,376	367	128,074	496,175	49,730	14,916,316	51,136	132,786	85,969	65,862	55,702	188,266	16,733,759
Additions	698	-	14,646	-	-	55,145	769	-	1,407	1,413	2,070	31,322	107,470
Disposals	-	-	-	-	-	(69,232)	-	-	(112)	(730)	(376)	(2,086)	(72,536)
Transfers	286	-	18,254	217	2,895	38,028	2,843	-	312	2,841	2,844	(68,519)	-
Translation adjustments	(770)	-	(2,233)	-	(30)	(42,864)	-	(726)	(222)	(281)	(107)	(1,118)	(48,351)
At December 31, 2011	563,590	367	158,741	496,392	52,595	14,897,393	54,748	132,060	87,354	69,105	60,133	147,865	16,720,342
DEPRECIATION													
At January 1, 2011	-	367	13,900	49,963	7,049	2,065,294	12,530	73,958	64,199	45,849	22,902	-	2,356,011
Disposals	-	-	-	-	-	(7,002)	-	-	(88)	(569)	(119)	-	(7,778)
Charge for the year	-	-	3,015	12,408	1,624	500,565	5,306	18,508	11,814	6,605	5,322	-	565,167
Translation adjustments	-	-	(241)	-	(8)	(7,699)	-	(566)	(189)	(213)	(51)	-	(8,967)
At December 31, 2011	-	367	16,674	62,371	8,665	2,551,158	17,836	91,900	75,736	51,672	28,054	-	2,904,433
CARRYING AMOUNT													
At December 31, 2011	563,590	-	142,067	434,021	43,930	12,346,235	36,912	40,160	11,618	17,433	32,079	147,865	13,815,909
At December 31, 2010	563,376	-	114,174	446,212	42,681	12,851,022	38,606	58,828	21,770	20,013	32,800	188,266	14,377,748

	2011 Taka'000	2010 Taka'000
<b>4.1 Construction in progress</b>		
Plant building	9,890	4,064
General survey and studies	75,773	90,866
Plant and machinery	23,797	23,797
Other equipment	38,405	36,518
Other improvement works	-	33,021
	<b>147,865</b>	<b>188,266</b>
<b>4.2 Depreciation charge for the year allocated to</b>		
Production and maintenance overhead (Note- 25.2)	539,944	530,203
General and administrative expenses (Note- 26)	25,223	26,883
	<b>565,167</b>	<b>557,086</b>

**4.3 Disposal of property, plant and equipment**

<i>Figures in Taka'000</i>	Plant & machinery	Computer equipment	Office equipment	Furniture & fixtures	Construction in progress
Cost	69,232	112	730	376	2,086
Accumulated depreciation	(7,002)	(88)	(569)	(119)	-
<b>Carrying amount at December 31, 2011</b>	<b>62,230</b>	<b>24</b>	<b>161</b>	<b>257</b>	<b>2,086</b>
Sale proceeds	-	27	79	145	-
Mode of disposal	Company policy	Company policy	Tender	Tender	Company policy
Particulars of purchaser	Written off	Employees	Employees	Employees	Written off

**5. Intangible Assets**

<i>Figures in Taka'000</i>	Leasehold land	Quarry land	Software	Construction in progress	Total
<b>COST</b>					
At January 1, 2011	21,877	163,630	55,112	1,058,911	1,299,530
Additions	-	109,608	918	21,929	132,455
Transfers	-	1,067,050	1,325	(1,068,375)	-
Translation adjustments	(522)	(43,674)	(130)	10,123	(34,203)
At December 31, 2011	21,355	1,296,614	57,225	22,588	1,397,782
<b>AMORTIZATION</b>					
At January 1, 2011	4,341	24,207	51,522	-	80,070
Charge for the year	1,033	21,951	3,255	-	26,239
Translation adjustments	(139)	(1,320)	(119)	-	(1,578)
At December 31, 2011	5,235	44,838	54,658	-	104,731
<b>CARRYING AMOUNT</b>					
<b>At December 31, 2011</b>	<b>16,120</b>	<b>1,251,776</b>	<b>2,567</b>	<b>22,588</b>	<b>1,293,051</b>
<b>At December 31, 2010</b>	<b>17,536</b>	<b>139,423</b>	<b>3,590</b>	<b>1,058,911</b>	<b>1,219,460</b>

	2011 Taka'000	2010 Taka'000
<b>5.1 Amortisation charge for the year allocated to</b>		
Production and maintenance overhead (Note- 25.2)	23,182	7,698
General and administrative expenses (Note- 26)	3,057	4,925
	<b>26,239</b>	<b>12,623</b>

**5.2 Amortisation of forest clearance cost**

The company incurred Taka 1,176,658 in thousand against the forest clearance. After getting the permission to resume the operations, this amount has been capitalised as quarry land and is being amortised over 30 years as per Company's policy. However, the Ministry of Environment and Forest (MoEF), India has allowed the mining operation for 20 years. The Company is amortising the amount over 30 years with the expectation that the allowable period will be extended.

**6 Inventories**

Raw materials	341,055	215,192
Spare parts	666,253	698,262
Packing materials	1,223	4,252
Other materials	59,153	61,819
Finished goods and work in process	505,093	166,898
	<b>1,572,777</b>	<b>1,146,423</b>

**7 Trade Receivables**

Trade receivables	533,487	133,171
	<b>533,487</b>	<b>133,171</b>

Trade receivables are secured and considered good.

**8 Other Receivables**

Contractors, consultants, suppliers and others (Note-8.1)	334,355	291,626
Office and house rent	18,802	26,267
VAT current account	86,389	80,580
Advance to employees	24,124	10,875
Advance to employees for SAR plan (Note- 15.2)	21,502	11,874
Security and other deposits (Note- 8.2)	4,908	5,121
Prepaid expenses	42,772	43,746
Other receivables	19,969	20,367
Income tax-deducted at source	525,332	370,829
Accrued interest on bank deposits	717	597
	<b>1,078,870</b>	<b>861,882</b>

Advances mentioned above are unsecured and considered good. Advances made to employees include advance related to employee matters and for running the day to day operation cost of different departments.

**8.1 Advance to contractors, consultants, suppliers and others**

Letter of Credit-spare parts	55,811	12,365
Letter of Credit-raw materials	30,351	68,472
Explosives	-	117,173
Custom duties	21,511	32,138
Others	226,682	61,478
	<b>334,355</b>	<b>291,626</b>

	2011 <u>Taka'000</u>	2010 <u>Taka'000</u>
<b>8.2 Security and other deposits</b>		
House rental	520	520
Telecommunications	527	527
Central Depository System	500	500
Other services	3,361	3,574
	<b><u>4,908</u></b>	<b><u>5,121</u></b>
<b>9 Derivative Instruments-Assets</b>		
Derivative instruments	<b><u>19,855</u></b>	<b><u>1,429</u></b>

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

## 10 Cash and Cash Equivalents

### *Cash in hand*

Lafarge Surma Cement Limited	323	572
Lafarge Umiam Mining Private Limited	186	216
	<u>509</u>	<u>788</u>

### *Cash in transit*

Lafarge Surma Cement Limited	-	77,792
	<u>-</u>	<u>77,792</u>

### *Cash at banks*

#### *Lafarge Surma Cement Limited*

In current accounts	114,236	66,015
In Short Term Deposit accounts	54,286	18,859
In Short Notice Deposit account	67,219	10
	<u>235,741</u>	<u>84,884</u>

### *Cash at banks*

#### *Lafarge Umiam Mining Private Limited*

In current accounts	5,115	747
In Term Deposit accounts	4,025	10,419
	<u>9,140</u>	<u>11,166</u>

### *Cash at banks*

#### *Lum Mawshun Minerals Private Limited*

In current account	11	30
In Security Deposit	31	31
	<u>42</u>	<u>61</u>
	<b><u>245,432</u></b>	<b><u>174,691</u></b>

	2011 Taka'000	2010 Taka'000
<b>11 Share Capital</b>		
<b>11.1 Authorized capital</b>		
Balance at 1 January		
70,000,000 ordinary shares of Tk. 100 each	7,000,000	7,000,000
Increased during the year	7,000,000	-
<b>Balance at 31 December</b>		
<b>1,400,000,000 ordinary shares of Tk. 10 each</b>	<b>14,000,000</b>	<b>7,000,000</b>

During the year, authorized capital has been increased from BDT 7,000,000,000 to BDT 14,000,000,000. Further, steps have been taken to issue right shares of 58,068,675 ordinary shares of BDT 100 per share at par value amounting to BDT 5,806,867,500 offered on the basis of 1:1, for which approval of Securities and Exchange Commission (SEC) has been received on 08 September, 2011. Moreover, face value of each ordinary share has been denominated from BDT 100 to BDT 10 at 4 December 2011.

<b>11.2 Issued and subscribed capital</b>		
Balance at 1 January	5,853,848	5,806,868
Issued and subscribed as right issue	5,806,867	-
<b>Balance at 31 December</b>	<b>11,660,715</b>	<b>5,806,868</b>
<b>11.3 Paid up capital</b>		
Fully paid up in cash	5,759,888	5,759,888
Fully paid up in other than cash	46,980	46,980
<b>Balance at 1 January</b>	<b>5,806,868</b>	<b>5,806,868</b>
Fully paid up in cash as right issue on 28 November 2011	5,768,938	-
<b>Balance at 31 December</b>	<b>11,575,806</b>	<b>5,806,868</b>

#### 11.4 Composition of shareholders at 31 December

Name of the shareholders	Nationality	Number of shares		Holding %	
		2011	2010	2011	2010
Surma Holding B.V	The Netherlands	683,698,700	34,184,935	59.06	58.87
International Finance Corporation	U. S. A.	22,486,000	2,283,800	1.94	3.93
Asian Development Bank	Philippines	-	5,797,000	-	9.98
Sinha Fashions Limited	Bangladesh	35,100,000	1,755,000	3.03	3.02
Islam Cement Limited	Bangladesh	31,914,200	1,595,710	2.76	2.75
Delta Life Insurance Company Ltd.	Bangladesh	27,011,180	1,350,559	2.33	2.33
Investment Corporation of Bangladesh	Bangladesh	10,887,000	542,150	0.94	0.93
Others Shareholders	Bangladesh & NRB	346,483,490	10,559,521	29.94	18.19
		<b>1,157,580,570</b>	<b>58,068,675</b>	<b>100.00</b>	<b>100.00</b>

## 11.5 Classification of shares by holding at 31 December

Slabs by number of shares	Number of shareholders		Holding %	
	2011	2010	2011	2010
Less than 500	14,869	9,806	2.45	2.48
From 500 to 5,000	5,550	1,685	7.17	4.39
From 5,001 to 10,000	488	125	3.09	1.57
From 10,001 to 20,000	206	86	2.61	2.08
From 20,001 to 30,000	63	18	1.37	0.76
From 30,001 to 40,000	32	15	0.98	0.86
From 40,001 to 50,000	15	11	0.59	0.86
From 50,001 to 100,000	48	16	3.02	1.99
From 100,001 to 1,000,000	41	10	7.62	4.73
Above 1,000,000	7	6	71.10	80.28
	<b>21,319</b>	<b>11,778</b>	<b>100.00</b>	<b>100.00</b>

## 11.6 Retained Earnings

	2011 Taka'000	2010 Taka'000
Balance at 1 January	(3,156,087)	(1,536,278)
Loss for the year	(2,187,641)	(1,638,419)
Restatement of prior year transaction*	-	18,610
<b>Balance at 31 December</b>	<b>(5,343,728)</b>	<b>(3,156,087)</b>

\* During the year, the company noted that Cash flow hedging Taka 18,029 and Actuarial loss Taka 581 in thousand respectively for 2010 had been reported to income statement instead of other comprehensive income. The financial statements for the year 2011 have been restated accordingly.

## 11.7 Share Money Deposits

Deposited by underwriters	<b>37,929</b>	-
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The above amount was deposited by underwriters as per agreement with the Company. This amount is the unsubscribed portion of the Right share issue offer. After certain legal formalities the amount will be converted into the share capital.

## 11.8 Non-Controlling Interests

Retained earnings	(348)	(305)
Share capital	218	224
Share money deposits	432	443
	<b>(302)</b>	<b>(362)</b>

## 12 Other Components of Equity

Cash flow hedge (Note- 12.1)	(15,137)	(18,029)
Actuarial loss	(976)	(581)
	<b>(16,113)</b>	<b>(18,610)</b>

## 12.1 Cash flow hedge instruments

The effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the head. The loss relating to the ineffective portion is recognised immediately in income statement, and is included in the finance costs line item.

13	Long Term Debt	Currency	Amount '000	2011	2010
			Foreign Currency	Taka'000	Taka'000
13.1	Long portion				
	<i>Loan drawn down from:</i>				
	International Finance Corporation	USD	14,069	1,151,498	1,194,396
	Asian Development Bank	USD	5,714	467,686	727,663
	Europeon Investment Bank	USD	10,497	859,159	899,319
	Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	-	-	90,443
	Standard Chartered Bank		-	-	30,000
	AB Bank Limited		-	33,652	58,960
	Citibank N.A.- Mumbai	USD	8,400	867,621	720,147
	Standard Chartered Bank - Mumbai	INR	525,000	525,000	992,628
			<b>Total</b>	<b>3,904,616</b>	<b>4,713,556</b>
13.2	Current portion				
	<i>Loan drawn down from:</i>				
	International Finance Corporation	USD	7,035	575,749	597,198
	Asian Development Bank	USD	11,429	935,371	485,109
	Europeon Investment Bank	USD	5,249	429,580	425,370
	Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	-	307,159	180,886
	Standard Chartered Bank		-	30,000	70,000
	AB Bank Limited.		-	24,952	21,664
	Citibank N.A.- Mumbai	USD	2,400	321,089	127,085
	Standard Chartered Bank - Mumbai	INR	140,000	140,000	110,292
			<b>Total</b>	<b>2,763,900</b>	<b>2,017,604</b>

**Details of loan agreements**

Name of Lenders	Type	Amount	Tenure	Interest Rates
<b>International Finance Corporation (IFC)</b>				
Loan A	Term Loan	USD 35 million	years	(i) LIBOR+3.075% till FSC* date (ii) after period(i) above LIBOR+3.45% till 60% repaid (iii) after period(ii) above LIBOR+3.20% on outstanding
*FSC: Financial Support Completion				
Loan B	Term Loan	USD 15 million	7 years	(i) LIBOR+2.95% till FSC date (ii) after period(i) above LIBOR+3.45% till 60% repaid (iii) after period(ii) above LIBOR+3.20% on outstanding

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

**Asian Development Bank (ADB)**

Term Loan	USD 40 million	7 years	(i) LIBOR+3.03% till FSC date (ii) after period(i) above LIBOR+3.53% till 60% repaid (iii) after period(ii) above LIBOR+3.28% on outstanding
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*The repayment of the loan has started from 15 September 2006 and will end on 15 March 2013*

## **German Development Bank (DEG)**

Term Loan    EURO 9.28 million    6 years    EURIBOR+3.75%

*The repayment of the loan has started from 15 September 2006 and will end on 15 March 2012*

## **European Investment Bank (EIB)**

Term Loan    USD 35 million    7 years    4.354%

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

The Company has rescheduled the principal payment to the international lenders for a period of one year.

## **Standard Chartered Bank**

Term Loan    BDT 350 million    5 years

*The repayment of the loan has started from 30 June 2007 and will end on 12 April 2012*

## **AB Bank Limited**

Term Loan    BDT 120 million    6 years

The repayment of the loan has started from 31 December 2008 and will end on 31 March 2014

## **Citibank NA - Mumbai**

Term Loan    USD 12 million    5 years

*The repayment of the loan has started from 30 June 2011 and will end on 31 March 2016*

## **Standard Chartered Bank - Mumbai**

Term Loan    INR 700 million    5 years

*The repayment of the loan has started from 5 September 2011 and will end on 30 May 2016.*

## **Security:**

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

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

Security agreement: Creating charge over the contracts;

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

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

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

Debt covenant for dividend policy

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

	2011 Taka'000	2010 Taka'000
<b>14 Deferred Tax (Liabilities)/Assets</b>		
The tax effects of temporary differences that resulted in deferred tax assets and liabilities.		
Deferred tax assets		
Provision for gratuity	23,746	18,136
Provision for doubtful debts	2,926	2,445
Business loss	3,262,454	3,036,719
Cash flow hedge	2,530	-
	<u>3,291,656</u>	<u>3,057,300</u>
<b>Deferred tax liabilities</b>		
Property, plant and equipment	(3,300,923)	(3,230,293)
	<u>(3,300,923)</u>	<u>(3,230,293)</u>
	<u><b>(9,267)</b></u>	<u><b>(172,993)</b></u>
<b>15 Employee Benefits</b>		
Gratuity scheme (Note- 15.1)	68,094	51,556
Stock Appreciation Rights (Note- 15.2)	10,363	4,618
	<u><b>78,457</b></u>	<u><b>56,174</b></u>
<b>15.1 Contribution to gratuity scheme</b>		
<b>15.1.1 Lafarge Surma Cement Limited</b>		
Balance at 1 January	48,364	43,542
Current service cost	20,529	10,901
Benefits paid during the year	(5,571)	(6,079)
<b>Balance at 31 December</b>	<u><b>63,322</b></u>	<u><b>48,364</b></u>

**Actuarial valuation**

The recent actuarial valuations of the scheme and the present value of the defined benefit obligation were carried out at 31 December 2011 by a professional actuary using Projected Unit Credit Method.

	2011 %	2010 %
<b>Assumptions employed for the valuations are as follows:</b>		
Expected rate of salary increase	8.00	8.00
Expected return on plan assets	9.00	9.00

	2011 Taka'000	2010 Taka'000
<b>Results of the valuation are as follows:</b>		
Value of liability in respect of Active members	82,552	-
Value of liability as per books	(63,322)	-
<b>Actuarial loss</b>	<u><b>19,230</b></u>	<u><b>-</b></u>

As the corridor method is being adopted, and it is the first year of the valuation of the scheme, the actuarial loss is not considered for recognition until 2013.

	<b>2011</b> <b>Taka'000</b>	<b>2010</b> <b>Taka'000</b>
<b>15.1.2 Lafarge Umiam Mining Private Limited</b>		
Balance at 1 January	3,116	1,221
Current service cost	1,067	730
Interest cost	272	101
Amendments	-	901
Benefits paid during the year	(78)	(342)
Actuarial losses	395	581
<b>Balance at 31 December</b>	<b>4,772</b>	<b>3,192</b>

**Actuarial valuation**

The recent actuarial valuations of the scheme and the present value of the defined benefit obligation were carried out at 31 December 2011 by a professional actuary using Projected Unit Credit Method.

	<b>2011</b> <b>%</b>	<b>2010</b> <b>%</b>
Assumptions employed for the valuations are as follows:		
Discount rate	8.75	8.25
Expected rate of salary increase	8.00	8.00

	<b>2011</b> <b>Taka'000</b>	<b>2010</b> <b>Taka'000</b>
<b>Results of the valuation are as follows:</b>		
Value of liability in respect of Active members	4,772	3,192
Value of fund	-	-
<b>Liability recognised in financial position</b>	<b>4,772</b>	<b>3,192</b>

**15.2 Provision for stock appreciation rights (SAR)****LEA 2009**

Balance at 1 January	4,618	381
Provision for the year	4,673	4,237
<b>Balance at 31 December</b>	<b>9,291</b>	<b>4,618</b>

**LEA 2011**

Provision for the year	1,072	-
Balance at 31 December	1,072	-
	<b>10,363</b>	<b>4,618</b>

**Stock Appreciation Rights (SAR)**

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

	2011 Taka'000	2010 Taka'000
<b>16 Derivative Instruments-Liabilities</b>		
<b>16.1 Derivative instruments-long term</b>	<b>6,746</b>	<b>18,029</b>

The Company entered into Interest Rate Swap (IRS) contract with Standard Chartered Bank in order to manage the interest rate risk associated with the Loan from Asian Development Bank (ADB) due to change in variable interest rate (the base rate : 6 Months' LIBOR). The amount is the difference between market prices and prices the company would pay to settle the IRS contract at close of the year.

<b>16.2 Derivative instruments- Short term</b>	<b>43,317</b>	<b>-</b>
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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 close of the year.

<b>17 Trade Payables</b>		
Raw materials	203,439	286,089
Packing bags	38,543	18,410
Marketing expenses	24,707	27,518
Distribution cost	129,501	84,773
Computer expenses	76,655	17,644
Audit fee	2,734	14,869
Maintenance	20,419	17,856
Administrative office expenses	71,356	50,807
Royalty	147,503	1,053
Consultancy	4,878	17,572
Security	19,246	13,474
General assistance fee (Note- 17.1)	225,236	187,919
Trademark license fee (Note- 17.2)	225,235	187,919
Gas bill	135,534	289,696
Operation and maintenance bill-Power Plant	17,734	6,499
Discount on sales	73,293	3,540
Advances paid by customers	137,971	79,312
Self insurance (Note- 17.3)	2,861	-
Others	231,494	157,704
	<b>1,788,339</b>	<b>1,462,654</b>

#### 17.1 General assistance fee

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

#### 17.2 Trademark license fee

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

#### 17.3 Self insurance

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

	2011 Taka'000	2010 Taka'000
<b>18 Other Payables</b>		
Payables to supplier of property, plant & equipment	107,771	102,560
Accrued interest and commitment fees	103,882	130,177
Payable to employees	52,137	100,739
Income tax & VAT deducted at source	84,231	56,559
	<b>348,021</b>	<b>390,035</b>
<b>19 Bank Overdrafts</b>		
<i>Lafarge Surma Cement Limited</i>		
Standard Chartered Bank	156,849	41,370
Commercial Bank of Ceylon, PLC.	-	-
Trust Bank Limited	165	26,121
Citibank N.A.	8,723	203,635
Uttara Bank Ltd, Cash credit Account	-	291,430
The Hongkong and Shanghai Banking Corporation Limited	-	21,127
	<b>165,737</b>	<b>583,683</b>
<i>Lafarge Umiam Mining Private Limited</i>		
Standard Chartered Bank, Mumbai	54,664	45,770
Citibank N.A., Mumbai	-	3,808
	<b>54,664</b>	<b>49,578</b>
	<b>220,401</b>	<b>633,261</b>
<b>20 Short Term Debt</b>		
<i>Lafarge Surma Cement Limited</i>		
Standard Chartered Bank	438,532	1,850,000
Citibank N.A.	999,639	1,999,982
Commercial Bank of Ceylon Plc	-	200,000
The Hongkong and Shanghai Banking Corporation Limited	130,000	1,010,000
	<b>1,568,171</b>	<b>5,059,982</b>
<i>Lafarge Umiam Mining Private Limited</i>		
Standard Chartered Bank, Mumbai	445,554	315,120
Citibank N.A., Mumbai	868,462	305,666
	<b>1,314,016</b>	<b>620,786</b>
	<b>2,882,187</b>	<b>5,680,768</b>
<b>21 Current Tax Liabilities</b>		
Balance at 1 January	1,251	1,251
Provision for the year	60,896	-
<b>Balance at 31 December</b>	<b>62,147</b>	<b>1,251</b>

	2011 Taka'000	2010 Taka'000
<b>22 Commitments</b>		
<i>Lafarge Surma Cement Limited</i>		
<b>Commitments relating to operating obligations</b>		
Purchase commitments given	465,774	774,470
Capital expenditure commitments given	4,388	5,565
<b>Commitments relating to financing obligations</b>		
Credit Agricole Corporate and Investment Bank	21,422	30,396
Security agency services contract	4,501	7,782
	496,085	818,213
<i>Lafarge Umiam Mining Private Limited</i>		
<b>Commitments relating to operating obligations</b>		
Purchase commitments given	25,232	51,308
Capital expenditure commitments given	49,536	51,248
	74,768	102,556
	<b>570,853</b>	<b>920,769</b>
<b>23 Contingent Liability</b>		
<b>23.1 Lafarge Surma Cement Limited</b>		
Clinker production of the Company at the plant stopped from April 2010 due to the suspension of supply of limestone from the quarry and resumed in August 2011. During this period, the gas consumption from Jalalabad Gas Transmission and Distribution System Limited drastically reduced since there was no clinker production. Under the agreement with Jalalabad Gas, the Company needs to take a minimum quantity failing which it needs to pay as advance the shortfall between the minimum quantity and the actual quantity consumed. The Company raised a dispute with Jalalabad Gas that this is a force majeure event and hence, the Company is not liable to pay this advance but this was not accepted by them. Thereafter the matter has been referred to arbitration. The lawyers of the Company have given an opinion that there are merits in the case for the company to get a favorable decision from the arbitration. An amount of BDT 568 million was accumulated provision in this respect.	568,515	-
Bank guarantees have been issued in favor of Customs Authority against import of equipment and spare parts.	7,301	7,301
Bank guarantees have been issued in favor of Wartsila Bangladesh as a payment guarantee against operation & maintenance contract.	10,800	10,800
Bank guarantees have been issued in favor of Jalalabad Gas Transmission and Distribution System Limited for continued gas supply to the plant.	297,476	297,476
<b>23.2 Lafarge Umiam Mining Private Limited</b>		
Bank guarantee issued by State Bank of India, Main Branch Shillong on behalf of the Company aggregating to INR 200 (in thousand) favoring Indian Bureau of Mines as financial assurance for the progressive mines closure plan.	308	315
Bank guarantee issued by Standard Chartered Bank of India, on behalf of the Company an amount of INR 1,077 (in thousand) favoring Indian Bureau of Mines as financial assurance for the progressive mines closure plan.	1,656	1,697

	2011 Taka'000	2010 Taka'000
<b>23.3 Claims</b>		
a. Claims against the Company not acknowledged as debt	Nil	Nil
b. Claims by the Company not acknowledged as receivable	Nil	Nil
<b>24 Revenue</b>		
Sale of gray cement*	5,157,300	5,283,056
Sale of cement clinker	941,178	372,318
	<b>6,098,478</b>	<b>5,655,374</b>
<b>*Sale of gray cement</b>		
Local sales	5,144,816	5,278,321
Export	12,484	4,735
	<b>5,157,300</b>	<b>5,283,056</b>
<b>25 Cost of Sales</b>		
Opening finished goods and work in process (Note- 6)	166,898	177,602
Raw materials consumed (Note- 25.1)	3,341,441	2,760,322
Power and fuel consumed	467,142	347,086
Production and maintenance overhead (Note- 25.2)	944,919	889,036
General and social expenses (Note- 25.3)	421,382	382,328
Distribution cost	701,453	688,159
Closing finished goods and work in process (Note- 6)	(505,093)	(166,898)
	<b>5,538,142</b>	<b>5,077,635</b>
<b>25.1 Raw materials consumed</b>		
Limestone	820,677	572,459
Shale	7,887	6,522
Clay	26,864	20,999
Gypsum	123,250	128,889
Iron Ore	42,426	3,431
Sand	3,903	4,105
Slag	46,527	-
Packing Bag	279,745	308,973
Purchase Clinker	1,925,346	1,638,400
Others	64,816	76,544
	<b>3,341,441</b>	<b>2,760,322</b>
<b>25.2 Production and maintenance overhead</b>		
Salary, allowances and benefits	158,305	173,184
Contributions to employees' benefit schemes	13,917	8,422
Maintenance	49,612	97,362
Other supplies and spares	98,625	12,231
Material handling	51,922	40,212
Other expenses	1,766	1,101
Technical studies	7,646	18,623
Depreciation (Note- 4.2)	539,944	530,203
Amortization of intangible assets (Note- 5.1)	23,182	7,698
	<b>944,919</b>	<b>889,036</b>

	2011 Taka'000	2010 Taka'000
<b>25.3 General and social expenses</b>		
Salary, allowances and benefits	67,454	71,419
Contributions to employees' benefit schemes	3,688	3,722
Staff welfare expenses	16,497	3,148
Training, seminars and meeting	2,695	561
Travelling	38,168	36,181
Rent	3,152	5,034
Gas, electricity and water	5,144	4,619
Telephone, fax and postage	3,225	3,140
Entertainment	581	455
Office maintenance	30,615	34,187
Security services	80,312	59,644
Printing and stationery	1,522	2,602
Computer expenses	23,031	20,840
Other supplies and spares	5,452	6,637
Other office expenses	16,422	15,384
Registration and other fees	3,821	67
Legal expenses	7,508	10,837
Audit and tax advisory fees (Note- 27)	1,803	1,415
Consultancy	6,220	9,478
Vehicles running expenses	15,743	11,018
Corporate social activities	20,596	15,639
Site restoration costs	265	-
Insurance	67,468	66,301
	<b>421,382</b>	<b>382,328</b>
<b>26 General and Administrative Expenses</b>		
Salary, allowances and benefits	114,672	104,725
Contributions to retirement benefit scheme	11,334	6,737
Staff welfare expenses	1,485	204
Training, seminars and meeting	25,503	17,489
Travelling	12,712	9,985
Rent	22,948	24,161
Gas, electricity and water	1,483	1,471
Telephone, fax and postage	3,971	3,738
Entertainment	2,537	1,639
Office maintenance	5,082	4,624
Office security services	1,227	867
Printing and stationery	1,109	1,024
Computer expenses	27,109	21,555
Other office expenses	1,293	4,577
Registration and other fees	1,023	2,465
Audit and tax advisory fees (Note- 27)	1,288	1,542
Legal expenses	2,542	5,188
Vehicles running expenses	13,484	9,447
Publicity and public relation	13,594	10,048
General assistance fee	39,087	37,818
Trademark license fee	39,086	37,817
Insurance	2,049	2,170
General survey and studies	1,804	1,020
Administrative depreciation (Note- 4.2)	25,223	26,883
Amortization of intangible assets (Note- 5.1)	3,057	4,925
	<b>374,702</b>	<b>342,119</b>

	2011 Taka'000	2010 Taka'000
<b>27 Audit and Tax Advisory Fees</b>		
Statutory audit fee	200	200
Group audit fee	510	510
Certification fees	50	54
Annual consolidation audit	200	200
Pocket expenses	30	30
Tax and VAT advisory services	298	548
Total for Lafarge Surma Cement Limited (Note- 26)	<b>1,288</b>	<b>1,542</b>
Statutory audit fee	878	841
Tax advisory services	762	469
Total for Lafarge Umiam Mining Private Limited (Note- 25.3)	<b>1,640</b>	<b>1,310</b>
Statutory audit fee	105	50
Tax advisory services	58	55
Total for Lum Mawshun Minerals Private Limited (Note- 25.3)	<b>163</b>	<b>105</b>
	<b>3,091</b>	<b>2,957</b>
<b>28 Sales and Marketing Expenses</b>		
Salary, allowances and benefits	37,468	32,259
Contributions to retirement benefit scheme	3,456	2,703
Training, seminars and meeting	1,139	731
Travelling	4,204	3,138
Gas, electricity and water	85	111
Telephone, fax and postage	970	1,015
Entertainment	77	237
Office maintenance	403	418
Printing and stationery	814	1,318
Other office expenses	592	81
Registration and other fees	1,931	1,973
Vehicles running expenses	5,300	5,238
Advertisement and promotion	10,123	42,949
Insurance	205	228
Provision for trade receivables	1,141	-
General survey and studies	432	1,510
	<b>68,340</b>	<b>93,909</b>
<b>29 Other Operating Income/(expenses)</b>		
Loss on sale of property, plant and equipment	(62,421)	1
Sale of miscellaneous scrap items	1,025	4,897
Cancellation of provisions	43,442	1,129
Agency commission	-	15,404
Compensation to mining contractor & others	(178,770)	(31,358)
Penalty for litigation	-	(960,980)
Insurance claim received	220	-
Reversal of non-operating receivable (Note- 29.1)	286,094	(286,094)
	<b>89,590</b>	<b>(1,257,001)</b>

29.1 Reversal made during the year for loss on adjustable minimum payment against gas contract with the Jalalabad Gas Transmission and Distribution System Limited. The amount has been shown as contingent liability since the likelihood of payment is low.

	2011 Taka'000	2010 Taka'000
<b>30 Finance Costs and Income</b>		
Interest on long term loan	371,380	289,557
Interest on bank overdrafts and short term debts	862,611	388,873
Fees for long term loan	42,669	64,843
Derivative expenses	12,668	-
Other finance costs	2,418	649
Right share issue expenses	29,25	-
Bank charges and commission	13,960	14,256
<b>Finance costs</b>	<b>1,334,960</b>	<b>758,178</b>
Derivative income	-	1,735
Interest Income on Bank Deposits:		
Lafarge Surma Cement Limited	149	164
Lafarge Umiam Mining Private Limited	347	826
	496	990
<b>Finance income</b>	<b>496</b>	<b>2,725</b>
<b>Net finance costs</b>	<b>1,334,464</b>	<b>755,453</b>
<b>31 Income Tax</b>		
Current income tax expenses	60,896	-
Deferred income tax income	(161,196)	(212,144)
	<b>(100,300)</b>	<b>(212,144)</b>
<b>32 Earnings Per Share</b>		
The computation of basic earnings per share for the years ended 2011 and 2010 are as follows:		
<b>NUMERATOR</b>	<i>(Thousand Taka)</i>	
<b>LOSS FOR THE YEAR- ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>	<b>(2,187,641)</b>	<b>(1,619,809)</b>
<b>DENOMINATOR</b>	<i>(Thousands of Shares)</i>	
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>889,586</b>	<b>865,223</b>
Effect of dilutive shares- share money deposits	316	-
<b>TOTAL POTENTIAL DILUTIVE SHARES</b>	<b>316</b>	<b>-</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING- DILUTED</b>	<b>889,902</b>	<b>865,223</b>
<b>BASIC EARNINGS PER SHARE</b>	<i>Taka</i> <b>(2.46)</b>	<i>Taka</i> <b>(1.87)</b>
<b>DILUTED EARNINGS PER SHARE</b>	<i>Taka</i> <b>(2.46)</b>	<i>Taka</i> <b>(1.87)</b>

During the year the Company has increased its share capital through right issue of shares. Since this capital increase was performed by right shares at a price lower than the market price, the number of shares outstanding for the years 2011 and 2010, used to compute basic and diluted earnings per share and presented above, has been adjusted by the ratio between the last market price of the Company's shares before the right shares subscription and theoretical ex-right price (TERP).

**33 Related Party Transactions (Amount in Taka '000)**

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

Name of the Party and relationship	Nature of transaction	Transaction value during the Year	Outstanding amount '000 at 31 Dec 2011
Lafarge Asia SDN BHD-Group Company	Intercompany services/Technical assistance	28,050	114,432
Lafarge Halla Cement Limited-Group Company	Intercompany services	5,597	15,839
Lafarge Cement UK-Group Company	Intercompany services	34,184	36,331
Lafarge S.A.-Group Company	Technical assistance/Trademark license	43,797	381,308
Cementia Asia SDN BHD-Group Company	Travel expenses	6,520	25,733
Cementos Molins-Group Company	Trademark license/Travel expenses	33,718	203,611
Eastern Housing Ltd.-Shareholder	Cement sales	14,903	1,358
Bengal Development Corp.-Shareholder	Cement sales	-	-
Sinha Textile Ltd.-Shareholder	Cement sales	3,292	7
Aftab Bahumukhi Farms Ltd	Cement sales	2,456	1,278

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

**34 Directors' Managers' and Officers' Remuneration**

	2011 Taka'000	2010 Taka'000
Salary, allowances and benefits	155,943	147,954
Contributions to employees' benefit scheme	10,004	7,845
Reimbursable expenses	7,935	5,971
	<u>173,882</u>	<u>161,770</u>

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

**35 Number of Employees**

***Lafarge Surma Cement Limited***

Nationality:	2011	2010
Bangladeshi	347	346
Non-Bangladeshi	6	8

***Lafarge Umiam Mining Private limited***

Nationality:	2011	2010
Indian	107	106
Non-Indian	1	1
	<u>461</u>	<u>461</u>

***Salary range:***

Monthly Taka 3,000 or above	461	461
Monthly below Taka 3,000	Nil	Nil

**36 Subsequent Events**

There are no subsequent events to report.

  
Company Secretary

  
Director

  
Managing Director



# AUDITED FINANCIAL STATEMENTS OF LAFARGE SURMA CEMENT LTD.

For the year ended 31 December 2011



**INDEPENDENT AUDITORS' REPORT**  
to the Shareholders of  
**LAFARGE SURMA CEMENT LIMITED**

**Report on the Financial Statements**

We have audited the accompanying Financial Statements of Lafarge Surma Cement Limited, which comprise the statement of financial position as at 31 December 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

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

*Opinion*

In our opinion, the Financial Statements give a true and fair view of the financial position of Lafarge Surma Cement Limited as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

*Other Matter*

The Financial Statements of Lafarge Surma Cement Limited for the year ended 31 December 2010 were audited by another auditors (Hoda Vasi Chowdhury & Co.) who expressed an unmodified opinion with an *Emphasis of Matter Paragraph* (regarding going concern status of the company) on those statements on 10 April 2011.

## Report on Other Legal and Regulatory Requirements

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

*We also report that:*

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

Dhaka  
02 April 2012

  
(Nurul Faruk Hasan & Co.)  
Chartered Accountants

**LAFARGE SURMA CEMENT LIMITED****Statement of Financial Position**

At 31 December 2011

	NOTES	2011 Taka'000	2010 Taka'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	12,176,273	12,629,748
Intangible assets	7	4,513	6,939
Investment in subsidiaries	8	519,893	519,893
Loan to subsidiary company	9	1,335,097	1,154,028
		<b>14,035,776</b>	<b>14,310,608</b>
<b>CURRENT ASSETS</b>			
Inventories	10	1,437,685	1,085,140
Trade receivables	11	533,487	133,171
Other receivables	12	812,682	601,012
Accrued interest	9	346,082	264,089
Derivative instruments	13	19,855	1,429
Cash and cash equivalents	14	236,064	163,248
		<b>3,385,855</b>	<b>2,248,089</b>
<b>TOTAL ASSETS</b>		<b>17,421,631</b>	<b>16,558,697</b>
<b>EQUITY &amp; LIABILITIES</b>			
Share capital	15	11,575,806	5,806,868
Retained earnings	15.6	(2,709,843)	(1,559,795)
Other component of equity	16	(4,216)	(18,029)
Share money deposits	15.7	37,929	-
<b>EQUITY</b>		<b>8,899,676</b>	<b>4,229,044</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	17.1	2,511,995	3,000,781
Deferred tax liabilities	18	9,267	172,993
Employee benefits	19	72,898	52,982
Derivative instruments	20.1	6,746	18,029
		<b>2,600,906</b>	<b>3,244,785</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	21	1,494,847	1,318,338
Other payables	22	298,572	341,387
Derivative instruments	20.2	28,764	-
Current portion of long term debt	17.2	2,302,811	1,780,227
Bank overdrafts	23	165,737	583,683
Short-term debt	24	1,568,171	5,059,982
Current tax liabilities	25	62,147	1,251
		<b>5,921,049</b>	<b>9,084,868</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,421,631</b>	<b>16,558,697</b>

The accompanying Notes 1 to 45 form an integral part of these financial statements.

  
Company Secretary

  
Director

  
Managing Director

As per our annexed report of same date.

  
(Nurul Faruk Hasan & Co.)  
Chartered Accountants

Dhaka, 02 April 2012

**LAFARGE SURMA CEMENT LIMITED**  
**Income Statement**  
**for the year ended 31 December 2011**

	NOTES	2011 Taka'000	2010 Taka'000
REVENUE	28	6,098,478	5,655,374
Cost of sales	29	(5,578,134)	(4,995,256)
<b>GROSS PROFIT</b>		<b>520,344</b>	<b>660,118</b>
General and administrative expenses	30	(374,702)	(342,119)
Sales and marketing expenses	32	(68,340)	(93,909)
Other operating (expenses)/income	33	322,634	(264,663)
<b>OPERATING INCOME/(LOSS)</b>		<b>399,936</b>	<b>(40,573)</b>
Exchange loss on foreign currency transactions	4.6	(644,546)	(51,940)
Finance cost	34	(1,046,761)	(665,665)
Finance income	34	41,023	40,096
<b>LOSS BEFORE TAX</b>		<b>(1,250,348)</b>	<b>(718,082)</b>
Income tax	35	100,300	212,144
<b>LOSS FOR THE YEAR</b>		<b>(1,150,048)</b>	<b>(505,938)</b>
Basic earnings per share (Taka)	36	(1.29)	(0.58)
Diluted earnings per share (Taka)	36	(1.29)	(0.58)

*The accompanying Notes 1 to 45 form an integral part of these financial statements.*

  
 Company Secretary

  
 Director

  
 Managing Director

As per our annexed report of same date.

Dhaka, 02 April 2012

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

**LAFARGE SURMA CEMENT LIMITED**  
**Statement of Comprehensive Income**  
**for the year ended 31 December 2011**

	2011 Taka'000	2010 Taka'000
<b>LOSS FOR THE YEAR</b>	<b>(1,150,048)</b>	<b>(505,938)</b>
Cash flow hedge instruments	13,813	(18,029)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>13,813</b>	<b>(18,029)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>(1,136,235)</b>	<b>(523,967)</b>

*The accompanying Notes 1 to 45 form an integral part of these financial statements.*

  
 Company Secretary

  
 Director

  
 Managing Director

As per our annexed report of same date.

Dhaka, 02 April 2012

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

**LAFARGE SURMA CEMENT LIMITED**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2011**

(All figures are in Tk. '000)

	Share capital	Retained earnings	Other component of equity	Share money deposits	Total equity
<b>Balance at 1 January 2010</b>	5,806,868	(1,053,857)	-	-	4,753,011
Total comprehensive loss for the year	-	(523,967)	-	-	(523,967)
<b>Balance at 31 December 2010</b>	<b>5,806,868</b>	<b>(1,577,824)</b>	-	-	<b>4,229,044</b>
Restatement of prior year transaction	-	18,029	(18,029)	-	-
<b>Restated balance at 31 December 2010</b>	<b>5,806,868</b>	<b>(1,559,795)</b>	<b>(18,029)</b>	-	<b>4,229,044</b>
Total comprehensive (loss)/income for the year	-	(1,150,048)	13,813	-	(1,136,235)
Issuance of right shares	5,768,938	-	-	-	5,768,938
Deposited by underwriters	-	-	-	37,929	37,929
<b>Balance at 31 December 2011</b>	<b>11,575,806</b>	<b>(2,709,843)</b>	<b>(4,216)</b>	<b>37,929</b>	<b>8,899,676</b>

  
 Company Secretary

  
 Director

  
 Managing Director

**LAFARGE SURMA CEMENT LIMITED**  
**Statement of Cash Flows**  
**for the year ended 31 December 2011**

	2011 Taka'000	2010 Taka'000
<b><i>Cash Flows From Operating Activities</i></b>		
Cash received from customers	5,756,821	5,882,172
Payment for cost and expenses	(5,726,643)	(4,833,589)
Payment of advance income tax by deduction	(155,879)	(93,437)
Interest paid	(1,002,263)	(670,629)
Other receipts	1,025	10,674
<b><i>Net cash used in operating activities</i></b>	<b>(1,126,939)</b>	<b>295,191</b>
<b><i>Cash Flows From Investing Activities</i></b>		
Payments for property, plant and equipment	(37,925)	(168,256)
Payments for intangible assets	(631)	(3,481)
Proceeds from sale of property, plant and equipment	251	36
<b><i>Net cash used in investing activities</i></b>	<b>(38,305)</b>	<b>(171,701)</b>
<b><i>Cash Flows From Financing Activities</i></b>		
Proceeds from issue of right shares	5,768,938	-
Payment for right issue costs	(9,412)	-
Repayment of long term debt	(611,709)	(1,733,468)
Repayment of bank overdrafts	(417,946)	(91,413)
Repayment short term debts	(3,491,811)	1,794,600
<b><i>Net cash generated by financing activities</i></b>	<b>1,238,060</b>	<b>(30,281)</b>
<b><i>Net increase in cash and cash equivalents</i></b>	<b>72,816</b>	<b>93,209</b>
<b><i>Cash and Cash Equivalents at Beginning of the Year</i></b>	<b>163,248</b>	<b>70,039</b>
<b><i>Cash and Cash Equivalents at End of the Year</i></b>	<b>236,064</b>	<b>163,248</b>

  
 Company Secretary

  
 Director

  
 Managing Director

## LAFARGE SURMA CEMENT LIMITED

### Notes to the Financial Statements for the year ended 31 December 2011

#### 1 Background and Introduction

##### Formation and legal status

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

#### 2 Nature of Business

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

Pursuant to a decision of the Hon'ble Supreme Court of India, the mining operations of subsidiary company namely Lafarge Umiam Mining Private Limited was suspended effective from 5 February 2010 and since then, the Company continued in manufacturing and marketing of cement through imported cement clinker. Subsequently, in its final judgement dated 06 July 2011, the Supreme Court of India was pleased to allow the application filed by LUMPL and the Company has resumed its limestone mining operations from 5 August 2011. Accordingly, LSCL has started its clinker production from 14 August 2011.

#### 3 Going concern issue

The Company and its major subsidiary namely Lafarge Umiam Mining Private Limited (LUMPL) have been experiencing unfavorable operating results and insufficient cash generation for debt servicing. Since the judgement dated 06 July 2011 of the Supreme Court of India has paved the way for resumption of mining operations, the Company's operational and cash flow positions are expected to improve significantly. Further, the Company has collected the proceeds from right issue of shares to meet its financial obligations and improve its cash flow position. In such a scenario, the Company does not anticipate any adverse situation that may affect the going concern status of the Company and the subsidiary.

#### 4 Summary of Significant Accounting Policies

##### 4.1 Basis of accounting

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

The financial statements have been prepared on the historical cost convention other than the derivative financial instruments that have been measured at fair value.

## 4.2 Use of Estimates and Judgments

### i) Estimates

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

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

### ii) Judgments

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

## 4.3 Functional and presentation currency

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

## 4.4 Property, plant and equipment

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

These are capitalized at cost of acquisition and subsequently stated at cost less accumulated depreciation in compliance with the benchmark treatment of BAS 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) Capitalisation of strategic spare parts

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

### iii) Construction in progress

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

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

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

## 4.5 Intangible assets

### i) Software

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

**ii) Amortization of intangible assets**

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

**4.6 Foreign currency translation/ transaction**

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

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

	Closing Rate
BDT/USD	81.845
BDT/EUR	105.9034
BDT/GBP	126.4629
BDT/INR	1.54

**4.7 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. In the time of separation, the liability to each employee is settled in cash.

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

**4.8 Inventories**

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

**4.9 Taxation**

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

**Current tax**

Current tax is computed @ 0.50% of the amount representing company's gross receipts of income from all sources as per changes in Finance Act 2011.

**Deferred tax**

Deferred 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 BAS 12. Tax rate prevailing at the balance sheet date is used to determine deferred income tax.

**4.10 Revenue recognition**

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

#### **4.11 Derivatives instruments**

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

#### **4.12 General**

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

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

The Board of Directors of respective companies are responsible for the preparation and presentation of financial statements of Lafarge Surma Cement Limited and its subsidiaries. Lafarge Surma Cement Limited has two subsidiary companies incorporated in India as detailed in Note-8.

6. Property, Plant and Equipment

<i>Figures in Taka'000</i>		Land freehold	Leasehold improvement	Building	Plant building	Technical facilities	Plant & machinery	Other plant & equipment	Vehicles	Computer equipment	Office equipment	Furniture & fixtures	Construction in progress	Total
COST														
At January 1, 2011	531,093	367	55,252	496,175	48,473	13,093,032	51,136	102,350	76,922	54,249	51,208	141,427	14,701,684	
Additions	698	-	-	-	-	5,083	769	-	1,238	1,291	2,070	31,322	42,471	
Disposals	-	-	-	-	-	-	-	-	(112)	(730)	(376)	(2,086)	(3,304)	
Transfers	286	-	282	217	2,895	18,169	2,843	-	312	2,034	2,066	(29,104)	-	
At December 31, 2011	532,077	367	55,534	496,392	51,368	13,116,284	54,748	102,350	78,360	56,844	54,968	141,559	14,740,851	
DEPRECIATION														
At January 1, 2011	-	367	6,497	49,963	6,698	1,822,707	12,530	55,603	58,097	39,855	19,619	-	2,071,936	
Disposals	-	-	-	-	-	-	-	-	(88)	(569)	(119)	-	(776)	
Charge for the year	-	-	1,107	12,408	1,624	437,057	5,306	14,723	10,525	5,696	4,972	-	493,418	
At December 31, 2011	-	367	7,604	62,371	8,322	2,259,764	17,836	70,326	68,534	44,982	24,472	-	2,564,578	
CARRYING AMOUNT														
At December 31, 2011	532,077	-	47,930	434,021	43,046	10,856,520	36,912	32,024	9,826	11,862	30,496	141,559	12,176,273	
At December 31, 2010	531,093	-	48,755	446,212	41,775	11,270,325	38,606	46,747	18,825	14,394	31,589	141,427	12,629,748	

	2011 Taka'000	2010 Taka'000
<b>6.1 Construction in progress</b>		
Plant building	17,439	-
General survey and studies	91,081	90,866
Other equipment	10,688	28,896
Other improvement works	22,351	21,665
	<b>141,559</b>	<b>141,427</b>
<b>6.2 Depreciation charge for the year allocated to</b>		
Production and maintenance overhead (Note- 29.2)	468,194	465,472
General and administrative expenses (Note- 30)	25,223	26,883
	<b>493,417</b>	<b>492,355</b>

**6.3 Disposal of property, plant and equipment**

<i>Figures in Taka'000</i>	Computer equipment	Office equipment	Furniture & fixtures	Construction in progress
Cost	112	730	376	2,086
Accumulated depreciation	(88)	(569)	(119)	-
<b>Carrying amount at December 31, 2011</b>	<b>24</b>	<b>161</b>	<b>257</b>	<b>2,086</b>
<b>Sale proceeds</b>	<b>27</b>	<b>79</b>	<b>145</b>	<b>-</b>
	Company			Company
<b>Mode of disposal</b>	policy	Tender	Tender	policy
<b>Particulars of purchaser</b>	Employees	Employees	Employees	Written off

**7. Intangible Assets**

<i>Figures in Taka'000</i>	Software	Construction in progress	Total
<b>COST</b>			
At January 1, 2011	50,267	3,481	53,748
Additions	489	142	631
Transfers	1,325	(1,325)	-
At December 31, 2011	52,081	2,298	54,379
<b>AMORTIZATION</b>			
At January 1, 2011	46,809	-	46,809
Charge for the year	3,057	-	3,057
At December 31, 2011	49,866	-	49,866
<b>CARRYING AMOUNT</b>			
<b>At December 31, 2011</b>	<b>2,215</b>	<b>2,298</b>	<b>4,513</b>
<b>At December 31, 2010</b>	<b>3,458</b>	<b>3,481</b>	<b>6,939</b>

	<u>2011</u> <u>Taka'000</u>	<u>2010</u> <u>Taka'000</u>
<b>8 Investment in Subsidiaries</b>		
Lafarge Umiam Mining Private Limited <i>- a fully owned subsidiary incorporated in India</i>	519,356	519,356
Lum Mawshun Minerals Private Limited <i>- a 74% owned subsidiary incorporated in India</i>	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:

Name of entities	Face value per share	Number of ordinary shares held by the Company	
		2011	2010
Lafarge Umiam Mining Private Limited	Indian Rupees 10	41,133,099	41,133,099
Lum Mawshun Minerals Private Limited	Indian Rupees 100	4,046	4,046

	<u>2011</u> <u>Taka'000</u>	<u>2010</u> <u>Taka'000</u>
<b>9 Loan to Subsidiary Company</b>		
Lafarge Umiam Mining Private Limited <i>(a fully owned subsidiary)</i>	<u>1,335,097</u>	<u>1,154,028</u>

An amount of USD 18 million loan has been allowed and disbursed to Lafarge Umiam Mining Private Limited (a fully owned subsidiary) which is a private limited company incorporated on 22 March 1999 under the Indian Companies Act 1956 with its registered office in Shillong in the State of Meghalaya, India. Loan outstanding at 31 December 2011 is USD 16,313 (in thousand). Exchange gain of Taka 181,069 (in thousand) has been provided during the year due to depreciation of Taka against US Dollar.

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

Date of loan agreement:	April 20, 2004 and subsequent amendments thereto.
Loan amount:	US Dollar 18 million.
Rate of interest:	LIBOR + 3% per annum on outstanding principal amount.
Repayment of principal:	Starting from 15 June 2009, repayment was to be made in USD by 32 equal installments on 15 March, 15 June, 15 September and 15 December each year. However, after the payment of 3rd installment in December 2009, no repayment was made in the years 2010 and 2011 due to the stringent cash condition in the subsidiary(LUMPL) for the forest clearance issue.
Payment of interest:	Arrear interest of first four years up to 16 March 2008 was to be paid in 32 equal installments starting from 15 June 2009 on every repayment date along with the principal repayment. Current interest is to be paid on every repayment date (15 March, 15 June, 15 September and 15 December). However, no interest payment, arrear or current, was made in the years 2010 and 2011 due to the stringent cash condition in the subsidiary.
Security:	Mortgage or creation of security interest in favour of offshore lenders (see note 17.2) over the tangible movable assets excluding raw materials, inventories, and trade receivables.

	2011 Taka'000	2010 Taka'000
<b>10 Inventories</b>		
Raw materials	279,364	212,974
Spare parts	597,244	644,210
Packing materials	1,223	4,252
Other materials	56,196	59,523
Finished goods and work in process	503,658	164,181
	<b>1,437,685</b>	<b>1,085,140</b>
<b>11 Trade Receivables</b>		
Trade receivables	533,487	133,171
	<b>533,487</b>	<b>133,171</b>
Trade receivables are secured and considered good.		
<b>12 Other Receivables</b>		
Contractors, consultants, suppliers and others (Note-12.1)	142,868	104,069
Office and house rent	18,802	26,267
VAT current account	86,389	80,580
Advance to employees	19,699	9,039
Advance to employees for SAR plan (Note- 19.2)	21,502	11,874
Security and other deposits (Note- 12.2)	2,261	2,261
Prepaid expenses	42,438	43,680
Other receivables	19,969	20,367
Income tax-deducted at source	458,754	302,875
	<b>812,682</b>	<b>601,012</b>
Advances mentioned above are unsecured and considered good. Advances made to employees include advance related to employee matters and for running the day to day operation cost of different departments.		
<b>12.1 Advance to contractors, consultants, suppliers and others</b>		
Letter of Credit-spare parts	55,811	11,539
Letter of Credit-raw materials	30,351	68,472
Custom duties	21,511	13,138
Others	35,195	10,920
	<b>142,868</b>	<b>104,069</b>
<b>12.2 Security and other deposits</b>		
House rental	520	520
Telecommunications	527	527
Central Depository System	500	500
Other services	714	714
	<b>2,261</b>	<b>2,261</b>
<b>13 Derivative Instruments-Assets</b>		
Derivative instruments	<b>19,855</b>	<b>1,429</b>
The Company entered into forward contracts with the commercial banks in order to manage its foreign exchange exposure due to change in exchange rates. The amount is the difference between market prices and prices the company would pay to settle the foreign exchange liabilities at close of the year.		

	2011 Taka'000	2010 Taka'000
<b>14 Cash and Cash Equivalents</b>		
Cash in hand	323	572
Cash in transit	-	77,792
	<u>323</u>	<u>78,364</u>
<b>Cash at banks</b>		
In current accounts	114,236	66,015
In Short Term Deposit accounts	54,286	18,859
In Short Notice Deposit account	67,219	10
	<u>235,741</u>	<u>84,884</u>
	<b><u>236,064</u></b>	<b><u>163,248</u></b>
<b>15 Share Capital</b>		
<b>15.1 Authorized capital</b>		
Balance at 1 January		
70,000,000 ordinary shares of Tk. 100 each	7,000,000	7,000,000
Increased during the year	7,000,000	-
<b>Balance at 31 December</b>		
<b>1,400,000,000 ordinary shares of Tk. 10 each</b>	<b><u>14,000,000</u></b>	<b><u>7,000,000</u></b>
<p>During the year, authorized capital has been increased from BDT 7,000,000,000 to BDT 14,000,000,000. Further, steps have been taken to issue right shares of 58,068,675 ordinary shares of BDT 100 per share at par value amounting to BDT 5,806,867,500 offered on the basis of 1:1, for which approval of Securities and Exchange Commission (SEC) has been received on 08 September, 2011. Moreover, face value of each ordinary share has been denominated from BDT 100 to BDT 10 at 4 December 2011.</p>		
<b>15.2 Issued and subscribed capital</b>		
Balance at 1 January	5,853,848	5,806,868
Issued and subscribed as right issue	5,806,867	-
<b>Balance at 31 December</b>	<b><u>11,660,715</u></b>	<b><u>5,806,868</u></b>
<b>15.3 Paid up capital</b>		
Fully paid up in cash	5,759,888	5,759,888
Fully paid up in other than cash	46,980	46,980
<b>Balance at 1 January</b>	<b><u>5,806,868</u></b>	<b><u>5,806,868</u></b>
Fully paid up in cash as right issue on 28 November 2011	5,768,938	-
<b>Balance at 31 December</b>	<b><u>11,575,806</u></b>	<b><u>5,806,868</u></b>

## 15.4 Composition of shareholders at 31 December

Name of the shareholders	Nationality	Number of shares		Holding %	
		2011	2010	2011	2010
Surma Holding B.V	The Netherlands	683,698,700	34,184,935	59.06	58.87
International Finance Corporation	U. S. A.	22,486,000	2,283,800	1.94	3.93
Asian Development Bank	Philippines	-	5,797,000	-	9.98
Sinha Fashions Limited	Bangladesh	35,100,000	1,755,000	3.03	3.02
Islam Cement Limited	Bangladesh	31,914,200	1,595,710	2.76	2.75
Delta Life Insurance Company Ltd.	Bangladesh	27,011,180	1,350,559	2.33	2.33
Investment Corporation of Bangladesh	Bangladesh	10,887,000	542,150	0.94	0.93
Others Shareholders	Bangladesh & NRB	346,483,490	10,559,521	29.94	18.19
		<b>1,157,580,570</b>	<b>58,068,675</b>	<b>100.00</b>	<b>100.00</b>

## 15.5 Classification of shares by holding at 31 December

Slabs by number of shares	Number of shareholders		Holding %	
	2011	2010	2011	2010
Less than 500	14,869	9,806	2.45	2.48
From 500 to 5,000	5550	1685	7.17	4.39
From 5,001 to 10,000	488	125	3.09	1.57
From 10,001 to 20,000	206	86	2.61	2.08
From 20,001 to 30,000	63	18	1.37	0.76
From 30,001 to 40,000	32	15	0.98	0.86
From 40,001 to 50,000	15	11	0.59	0.86
From 50,001 to 100,000	48	16	3.02	1.99
From 100,001 to 1,000,000	41	10	7.62	4.73
Above 1,000,000	7	6	71.10	80.28
	<b>21,319</b>	<b>11,778</b>	<b>100.00</b>	<b>100.00</b>

## 15.6 Retained Earnings

	2011 Taka'000	2010 Taka'000
Balance at 1 January	(1,559,795)	(1,053,857)
Loss for the year	(1,150,048)	(523,967)
Restatement of prior year transaction*	-	18,029
<b>Balance at 31 December</b>	<b>(2,709,843)</b>	<b>(1,559,795)</b>

\*During the year, the company noted that Cash flow hedging Taka 18,029 in thousand for 2010 had been reported to income statement instead of other comprehensive income. The financial statements for the year 2011 have been restated accordingly.

## 15.7 Share Money Deposits

Deposited by underwriters	<b>37,929</b>	-
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The above amount was deposited by underwriters as per agreement with the Company. This amount is the unsubscribed portion of the Right share issue offer. After certain legal formalities the amount will be converted into the share capital.

## 16 Other Components of Equity

Cash flow hedge (Note- 16.1)	<b>(4,216)</b>	<b>(18,029)</b>
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## 16.1 Cash flow hedge instruments

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

17	Long Term Debt	Currency	Amount '000		2011	2010
			Foreign Currency		Taka'000	Taka'000
17.1	<b>Long portion</b>					
	<i>Loan drawn down from:</i>					
	International Finance Corporation	USD	14,069		1,151,498	1,194,396
	Asian Development Bank	USD	5,714		467,686	727,663
	European Investment Bank	USD	10,497		859,159	899,319
	Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	-		-	90,443
	Standard Chartered Bank		-		-	30,000
	AB Bank Limited		-		33,652	58,960
				<b>Total</b>	<b>2,511,995</b>	<b>3,000,781</b>
17.2	<b>Current portion</b>					
	<i>Loan drawn down from:</i>					
	International Finance Corporation	USD	7,035		575,749	597,198
	Asian Development Bank	USD	11,429		935,371	485,109
	European Investment Bank	USD	5,249		429,580	425,370
	Deutsche Investitions und Entwicklungsgesellschaft mbH	EURO	-		307,159	180,886
	Standard Chartered Bank		-		30,000	70,000
	AB Bank Limited.		-		24,952	21,664
				<b>Total</b>	<b>2,302,811</b>	<b>1,780,227</b>

#### Details of loan agreements

Name of Lenders	Type	Amount	Tenure	Interest Rates
<b>International Finance Corporation (IFC)</b>				
Loan A	Term Loan	USD 35 million	7 years	(i) LIBOR+3.075% till FSC* date (ii) after period(i) above LIBOR+3.45% till 60% repaid (iii) after period(ii) above LIBOR+3.20% on outstanding
*FSC: Financial Support Completion				
Loan B	Term Loan	USD 15 million	7 years	(i) LIBOR+2.95% till FSC date (ii) after period(i) above LIBOR+3.45% till 60% repaid (iii) after period(ii) above LIBOR+3.20% on outstanding

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

#### Asian Development Bank (ADB)

Term Loan	USD 40 million	7 years	(i) LIBOR+3.03% till FSC date (ii) after period(i) above LIBOR+3.53% till 60% repaid (iii) after period(ii) above LIBOR+3.28% on outstanding
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The repayment of the loan has started from 15 September 2006 and will end on 15 March 2013

#### German Development Bank (DEG)

Term Loan	EURO 9.28 million	6 years	EURIBOR+3.75%
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The repayment of the loan has started from 15 September 2006 and will end on 15 March 2012

#### European Investment Bank (EIB)

Term Loan	USD 35 million	7 years	4.354%
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The repayment of the loan has started from 15 January 2007 and will end on 15 July 2013

The Company has rescheduled the principal payment to the international lenders for a period of one year.

#### Standard Chartered Bank

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

#### AB Bank Limited

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

**Security:**

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

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

Security agreement: Creating charge over the contracts;

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

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

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

**Debt covenant for dividend policy**

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

	<b>2011</b>	<b>2010</b>
	<b>Taka'000</b>	<b>Taka'000</b>
<b>18 Deferred Tax (Liabilities)/Assets</b>		
The tax effects of temporary differences that resulted in deferred tax assets and liabilities.		
Deferred tax assets		
Provision for gratuity	23,746	18,136
Provision for doubtful debts	2,926	2,445
Business loss	3,262,454	3,036,719
Cash flow hedge	2,530	-
	<u>3,291,656</u>	<u>3,057,300</u>
<b>Deferred tax liabilities</b>		
Property, plant and equipment	(3,300,923)	(3,230,293)
	<u>(3,300,923)</u>	<u>(3,230,293)</u>
	<b><u>(9,267)</u></b>	<b><u>(172,993)</u></b>
<b>19 Employee Benefits</b>		
Gratuity scheme (Note- 19.1)	63,322	48,364
Stock Appreciation Rights (Note- 19.2)	9,576	4,618
	<u><b>72,898</b></u>	<u><b>52,982</b></u>
<b>19.1 Contribution to gratuity scheme</b>		
Balance at 1 January	48,364	43,542
Current service cost	20,529	10,901
Benefits paid during the year	(5,571)	(6,079)
<b>Balance at 31 December</b>	<u><b>63,322</b></u>	<u><b>48,364</b></u>

**Actuarial valuation**

The recent actuarial valuations of the scheme and the present value of the defined benefit obligation were carried out at 31 December 2011 by a professional actuary using Projected Unit Credit Method.

	2011	2010
	%	%
<b>Assumptions employed for the valuations are as follows:</b>		
Expected rate of salary increase	8.00	8.00
Expected return on plan assets	9.00	9.00
<b>Results of the valuation are as follows:</b>		
Value of liability in respect of Active members	82,552	-
Value of liability as per books	(63,322)	-
<b>Actuarial loss</b>	<b>19,230</b>	<b>-</b>

As the corridor method is being adopted, and it is the first year of the valuation of the scheme, the actuarial loss is not considered for recognition until 2013.

## 19.2 Provision for stock appreciation rights (SAR)

### LEA 2009

Balance at 1 January	4,618	381
Provision for the year	4,263	4,237
<b>Balance at 31 December</b>	<b>8,881</b>	<b>4,618</b>

### LEA 2011

Provision for the year	695	-
<b>Balance at 31 December</b>	<b>695</b>	<b>-</b>
	<b>9,576</b>	<b>4,618</b>

### Stock Appreciation Rights (SAR)

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

## 20 Derivative Instruments-Liabilities

<b>20.1 Derivative instruments- long term</b>	<b>6,746</b>	<b>18,029</b>
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The Company entered into Interest Rate Swap (IRS) contract with Standard Chartered Bank in order to manage the interest rate risk associated with the Loan from Asian Development Bank (ADB) due to change in variable interest rate (the base rate : 6 Months' LIBOR). The amount is the difference between market prices and prices the company would pay to settle the IRS contract at close of the year.

<b>20.2 Derivative instruments- Short term</b>	<b>28,764</b>	<b>-</b>
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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 close of the year.

	2011 Taka'000	2010 Taka'000
<b>21 Trade Payables</b>		
Raw materials	227,596	246,699
Packing bags	38,543	18,410
Marketing expenses	24,707	27,518
Distribution cost	129,501	84,773
Computer expenses	72,798	15,895
Audit fee	1,411	1,400
Maintenance	16,394	14,556
Administrative office expenses	36,621	27,718
General assistance fee (Note- 21.1)	225,236	187,919
Trademark license fee (Note- 21.2)	225,235	187,919
Gas bill	135,534	289,696
Operation and maintenance bill-Power Plant	10,468	3,593
Discount on sales	73,293	3,540
Advances paid by customers	137,971	79,312
Self insurance (Note- 21.3)	2,861	-
Others	136,678	129,390
	<b>1,494,847</b>	<b>1,318,338</b>
<b>21.1 General assistance fee</b>		
The amount is payable to Lafarge S.A. and Cementos Molins for general assistance fee (1 percent of annual net turnover of the company in accordance with the General Assistance Agreement).		
<b>21.2 Trademark license fee</b>		
The amount is equally payable to Lafarge S.A. and Cementos Molins for trademark license fee (1 percent of annual net turnover of the company in accordance with the Trademark License Agreement).		
<b>21.3 Self insurance</b>		
The Company provided the amount for covering future loss of product during transportation in lieu of the transport insurance. The objectives of this provision are i) recognition of the risks; ii) mitigate the higher insurance cost; iii) non availability of insurance cover for certain type of barges.		
<b>22 Other Payables</b>		
Payables to supplier of property, plant & equipment	67,420	62,874
Accrued interest and commitment fees	103,882	130,177
Payable to employees	49,211	97,741
Income tax & VAT deducted at source	78,059	50,595
	<b>298,572</b>	<b>341,387</b>
<b>23 Bank Overdrafts</b>		
Standard Chartered Bank	156,849	41,370
Trust Bank Limited	165	26,121
Citibank N.A.	8,723	203,635
Uttara Bank Ltd, Cash credit Account	-	291,430
The Hongkong and Shanghai Banking Corporation Limited	-	21,127
	<b>165,737</b>	<b>583,683</b>

	2011 Taka'000	2010 Taka'000
<b>24 Short Term Debt</b>		
Standard Chartered Bank	438,532	1,850,000
Citibank N.A.	999,639	1,999,982
Commercial Bank of Ceylon Plc	-	200,000
The Hongkong and Shanghai Banking Corporation Limited	130,000	1,010,000
	<b>1,568,171</b>	<b>5,059,982</b>
<b>25 Current Tax Liabilities</b>		
Balance at 1 January	1,251	1,251
Provision for the year	60,896	-
<b>Balance at 31 December</b>	<b>62,147</b>	<b>1,251</b>
<b>26 Commitments</b>		
<b>Commitments relating to operating obligations</b>		
Purchase commitments given	465,774	774,470
Capital expenditure commitments given	4,388	5,565
<b>Commitments relating to financing obligations</b>		
Credit Agricole Corporate and Investment Bank	21,422	30,396
Security agency services contract	4,501	7,782
	<b>496,085</b>	<b>818,213</b>
<b>27 Contingent Liability and Claims</b>		
<b>27.1 Contingent liability</b>		
Clinker production of the Company at the plant got stopped from April 2010 due to the stoppage of supply limestone from the quarry and resumed in August 2011. During this period, the gas consumption from Jalalabad Gas Transmission and Distribution System limited drastically reduced since there was no clinker production. Under the current agreement with Jalalabad Gas, the Company needs to take a minimum quantity failing which the Company needs to pay as advance the shortfall between the minimum quantity and the actual quantity consumed. The Company raised a dispute with Jalalabad Gas that this is a force majeure event and hence, the Company is not liable to pay this advance but this was not accepted by them. Thereafter the matter has been referred to arbitration. The lawyers of the Company have given an opinion that the Company has good chance of getting a favourable judgement. An amount of BDT 568 million was accumulated provision in this respect.	568,515	-
Bank guarantees have been issued in favour of Customs Authority against import of equipment and spare parts.	7,301	7,301
Bank guarantees have been issued in favour of Wartsila Bangladesh as a payment guarantee against operation & maintenance contract.	10,800	10,800
Bank guarantees have been issued in favour of Jalalabad Gas Transmission and Distribution System Limited for continued gas supply to the plant.	297,476	297,476
<b>27.2 Claims</b>		
a. Claims against the Company not acknowledged as debt	Nil	Nil
b. Claims by the Company not acknowledged as receivable	Nil	Nil

	2011 Taka'000	2010 Taka'000
<b>28 Revenue</b>		
Sale of gray cement*	5,157,300	5,283,056
Sale of cement clinker	941,178	372,318
	<b>6,098,478</b>	<b>5,655,374</b>
<b>*Sale of gray cement</b>		
Local sales	5,144,816	5,278,321
Export	12,484	4,735
	<b>5,157,300</b>	<b>5,283,056</b>
<b>29 Cost of Sales</b>		
Opening finished goods and work in process (Note- 44)	164,181	203,510
Raw materials consumed (Note- 29.1)	3,811,423	2,972,823
Power and fuel consumed	429,406	326,016
Production and maintenance overhead (Note- 29.2)	759,489	764,452
General and social expenses (Note- 29.3)	215,840	204,478
Distribution cost	701,453	688,158
Closing finished goods and work in process (Note- 44)	(503,658)	(164,181)
	<b>5,578,134</b>	<b>4,995,256</b>
<b>29.1 Raw materials consumed</b>		
Limestone	1,290,659	784,759
Shale	7,887	6,522
Clay	26,864	21,000
Gypsum	123,250	128,889
Iron Ore	42,426	3,431
Sand	3,903	4,105
Slag	46,527	-
Packing Bag	279,745	308,973
Purchase Clinker	1,925,346	1,638,400
Others	64,816	76,744
	<b>3,811,423</b>	<b>2,972,823</b>
<b>29.2 Production and maintenance overhead</b>		
Salary, allowances and benefits	120,745	144,469
Contributions to employees' benefit schemes	10,149	6,344
Maintenance	20,674	75,694
Other supplies and spares	78,635	8,825
Material handling	51,922	40,212
Other expenses	1,524	4,813
Technical studies	7,646	18,623
Depreciation (Note- 6.2)	468,194	465,472
	<b>759,489</b>	<b>764,452</b>

	2011 Taka'000	2010 Taka'000
<b>29.3 General and social expenses</b>		
Salary, allowances and benefits	46,979	56,759
Contributions to employees' benefit schemes	2,316	1,912
Staff welfare expenses	10,868	14,217
Training, seminars and meeting	2,695	315
Travelling	3,736	2,572
Rent	518	2,727
Gas, electricity and water	357	536
Telephone, fax and postage	1,560	1,958
Office maintenance	30,615	6,317
Security services	18,519	15,619
Printing and stationery	745	835
Computer expenses	15,122	14,453
Other supplies and spares	5,452	4,936
Other office expenses	2,243	7,706
Registration and other fees	9	32
Consultancy	113	894
Vehicles running expenses	9,257	6,647
Corporate social activities	2,072	5,070
Insurance	62,664	60,973
	<b>215,840</b>	<b>204,478</b>
<b>30 General and Administrative Expenses</b>		
Salary, allowances and benefits	114,672	104,725
Contributions to retirement benefit scheme	11,334	6,737
Staff welfare expenses	1,485	204
Training, seminars and meeting	25,503	17,489
Travelling	12,712	9,985
Rent	22,948	24,161
Gas, electricity and water	1,483	1,471
Telephone, fax and postage	3,971	3,738
Entertainment	2,537	1,639
Office maintenance	5,082	4,624
Office security services	1,227	867
Printing and stationery	1,109	1,024
Computer expenses	27,109	21,555
Other office expenses	1,293	4,577
Registration and other fees	1,023	2,465
Audit and tax advisory fees (Note- 31)	1,288	1,542
Legal expenses	2,542	5,188
Vehicles running expenses	13,484	9,447
Publicity and public relation	13,594	10,048
General assistance fee	39,087	37,818
Trademark license fee	39,086	37,817
Insurance	2,049	2,170
General survey and studies	1,804	1,020
Administrative depreciation (Note- 6.2)	25,223	26,883
Amortization of intangible assets (Note- 7.1)	3,057	4,925
	<b>374,702</b>	<b>342,119</b>

	2011 Taka'000	2010 Taka'000
<b>31 Audit and Tax Advisory Fees</b>		
Statutory audit fee	200	200
Group audit fee	510	510
Certification fees	50	54
Annual consolidation audit	200	200
Pocket expenses	30	30
Tax and VAT advisory services	298	548
	<b>1,288</b>	<b>1,542</b>
<b>32 Sales and Marketing Expenses</b>		
Salary, allowances and benefits	37,468	32,259
Contributions to retirement benefit scheme	3,456	2,703
Training, seminars and meeting	1,139	731
Travelling	4,204	3,138
Gas, electricity and water	85	111
Telephone, fax and postage	970	1,015
Entertainment	77	237
Office maintenance	403	418
Printing and stationery	814	1,318
Other office expenses	592	81
Registration and other fees	1,931	1,973
Vehicles running expenses	5,300	5,238
Advertisement and promotion	10,123	42,949
Insurance	205	228
Provision for trade receivables	1,141	-
General survey and studies	432	1,510
	<b>68,340</b>	<b>93,909</b>
<b>33 Other Operating Income/(expenses)</b>		
Loss on sale of property, plant and equipment	(190)	1
Sale of miscellaneous scrap items	1,025	4,897
Cancellation of provisions	35,485	1,129
Agency commission	-	15,404
Insurance claim received	220	-
Reversal of non-operating receivable (Note- 33.1)	286,094	(286,094)
	<b>322,634</b>	<b>(264,663)</b>

33.1 Reversal made during the year for loss on adjustable minimum payment against gas contract with the Jalalabad Gas Transmission and Distribution System Limited. The amount has been shown as contingent liability since the likelihood of payment is low.

	<u>2011</u> <u>Taka'000</u>	<u>2010</u> <u>Taka'000</u>
<b>34 Finance Costs and Income</b>		
Interest on long term loan	203,297	247,926
Interest on bank overdrafts and short term debts	747,051	346,896
Fees for long term loan	42,669	56,445
Derivative expenses	8,908	-
Other finance costs	2,379	649
Right share issue expenses	29,254	-
Bank charges and commission	13,203	13,749
<b>Finance costs</b>	<b>1,046,761</b>	<b>665,665</b>
Interest on loan to subsidiary company (note- 9)	40,874	38,502
Derivative income	-	1,429
Interest Income on Bank Deposits	149	165
<b>Finance income</b>	<b>41,023</b>	<b>40,096</b>
<b>Net finance costs</b>	<b>1,005,738</b>	<b>625,569</b>
<b>35 Income Tax</b>		
Current income tax expenses	60,896	-
Deferred income tax income	(161,196)	(212,144)
	<b>(100,300)</b>	<b>(212,144)</b>
<b>36 Earnings Per Share</b>	<b>2011</b>	<b>2010</b>
The computation of basic earnings per share for the years ended 2011 and 2010 are as follows:		
<b>NUMERATOR</b> (Thousand Taka)		
<b>LOSS FOR THE YEAR- ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>	<b>(1,150,048)</b>	<b>(505,938)</b>
<b>DENOMINATOR</b> (Thousands of Shares)		
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>889,586</b>	<b>865,223</b>
Effect of dilutive shares- share money deposits	316	-
<b>TOTAL POTENTIAL DILUTIVE SHARES</b>	<b>316</b>	<b>-</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING- DILUTED</b>	<b>889,902</b>	<b>865,223</b>
<b>BASIC EARNINGS PER SHARE</b> Taka	<b>(1.29)</b>	<b>(0.58)</b>
<b>DILUTED EARNINGS PER SHARE</b> Taka	<b>(1.29)</b>	<b>(0.58)</b>

During the year the Company has increased its share capital through right issue of shares. Since this capital increase was performed by right shares at a price lower than the market price, the number of shares outstanding for the years 2011 and 2010, used to compute basic and diluted earnings per share and presented above, has been adjusted by the ratio between the last market price of the Company's shares before the right shares subscription and theoretical ex-right price (TERP).

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

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

Name of the Party and relationship	Nature of transaction	Transaction value during the Year	Outstanding amount '000 at 31 Dec 2011
Lafarge Asia SDN BHD-Group Company	Intercompany services/Technical assistance	28,050	114,432
Lafarge Halla Cement Limited-Group Company	Intercompany services	5,597	15,839
Lafarge Cement UK-Group Company	Intercompany services	34,184	36,331
Lafarge S.A.-Group Company	Technical assistance/Trademark license	43,797	381,308
Cementia Asia SDN BHD-Group Company	Travel expenses	6,520	25,733
Cementos Molins-Group Company	Trademark license/Travel expenses	33,718	203,611
Eastern Housing Ltd.-Shareholder	Cement sales	14,903	1,358
Bengal Development Corp.-Shareholder	Cement sale	-	-
Sinha Textile Ltd.-Shareholder	Cement sales	3,292	7
Aftab Bahumukhi Farms Ltd	Cement sales	2,456	1,278
Lafarge Umiam Mining Private Limited-Subsidiary Company	Import of raw materials	890,096	68,547
	Interest income	40,874	346,082
	Loan amount received	-	1,335,097

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

### 38 Directors', Managers' and Officers' Remuneration

	2011 Taka'000	2010 Taka'000
Salary, allowances and benefits	147,445	135,346
Contributions to employees' benefit scheme	10,004	7,277
Reimbursable expenses	7,935	5,971
	<b>165,384</b>	<b>148,594</b>

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

### 39 Number of Employees

#### *Lafarge Surma Cement Limited*

Nationality:

	2011	2010
Bangladeshi	347	346
Non-Bangladeshi	6	8
	<b>353</b>	<b>354</b>

#### *Salary range:*

Monthly Taka 3,000 or above	353	354
Monthly below Taka 3,000	Nil	Nil

### 40 Subsequent Events

There are no subsequent events to report.

	2011 Taka'000	2010 Taka'000
<b>41 Expenditure in Foreign Currencies</b>		
Technical assistance	25,138	41,125
Interest and fees on long term debts	276,003	256,336
Travel expenses	1,378	9,444
	<b>302,519</b>	<b>306,905</b>
<b>42 Earnings in Foreign Currencies</b>		
Interest on loan to subsidiary company	<b>40,874</b>	<b>38,502</b>
<b>43 Materials Consumption (Note- 29.1)</b>		
<i>In terms of value</i>		
Imported	3,500,911	2,638,745
Indigenous	310,512	334,078
	<b>3,811,423</b>	<b>2,972,823</b>
<i>In terms of Percentage</i>		
Imported	92	89
Indigenous	8	11
	<b>100</b>	<b>100</b>

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

Items	Unit	2011		2010	
		Quantity'000	Taka'000	Quantity'000	Taka'000
Grey cement	MT	33	158,894	30	99,219
Cement clinker	MT	-	-	41	99,471
Work in process	MT	5	5,287	5	4,820
<b>Balance at 1 January</b>		<b>38</b>	<b>164,181</b>	<b>76</b>	<b>203,510</b>
Grey cement	MT	48	247,733	33	158,894
Cement clinker	MT	67	248,548	-	-
Work in process	MT	5	7,377	5	5,287
<b>Balance at 31 December</b>		<b>120</b>	<b>503,658</b>	<b>38</b>	<b>164,181</b>

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

Products	Annual Installed Capacity	Actual Production	
		2011	2010
Grey cement	1,200	885	925
Cement clinker	1,150	485	385

  
Company Secretary

  
Director

  
Managing Director



# REPORT & FINANCIAL STATEMENTS OF LAFARGE UMIAM MINING PRIVATE LIMITED

For the year ended 31 December 2011



# LAFARGE UMIAM MINING PVT. LTD.

## Directors' Report

Dear Shareholders:

Your Directors have the pleasure in presenting the twelfth annual report of Lafarge Umiam Mining Private Limited (the "Company"), on the business and operations of the Company together with the audited balance sheet and the profit and loss account for the year ended December 31, 2011.

### Financial Performance:

The financial results of the Company are as follows:

Particulars	Rupees in ' 000	
	Dec' 31, 2011	Dec' 31, 2010
Gross Revenue	564,410	295,836
Expenditure	951,639	322,919
<b>EBITDA</b>	<b>(387,229)</b>	<b>(27,083)</b>
Interest and finance charges	203,391	84,791
Depreciation	82,665	67,293
<b>Profit/ (Loss) before Exceptional item and Tax</b>	<b>(673,825)</b>	<b>(179,167)</b>
Exceptional item - Expense relating to expense to obtaining forest clearance	-	630,896
<b>Profit / ( Loss ) before Taxation</b>	<b>(673,285)</b>	<b>(810,063)</b>
Provision for tax	-	(136)
<b>Profit / ( Loss ) After Taxation</b>	<b>(673,285)</b>	<b>(809,927)</b>
Surplus / deficit brought forward from previous year	(1,048,808)	(238,881)
Surplus / deficit carried forward to balance sheet	(1,722,633)	(1,048,808)
<b>Earning/(loss) per Share :</b>		
Including exceptional item	(16.38)	(19.69)
Excluding exception item	(16.38)	(4.35)

The performance of the Company has been seriously affected due to stoppage of operations as the matter relating to grant of approval to the Company under Section 2 of the Forest Conservation Act, 1980 required to be validated by the Green Bench of the Hon'able Supreme Court of India. The Court finally passed a judgment in favor of the Company on 6<sup>th</sup> July 2011. The mining operations commenced from 6<sup>th</sup> August 2011. Your Company has reported net loss of INR 673,825 ('000) during the year. The loss is mainly on account of nil turnover during the period January 1, 2011 till August 6, 2011, costs, including financial charges, related to obtaining approval under Forest Conservation Act 1980 and foreign exchange loss suffered during the year which amounted to INR 331,895 ('000). The foreign exchange loss suffered was on account of high volatility of closing foreign exchange rate. With this net loss reported during the year, the accumulated loss as on 31<sup>st</sup> December, 2011 had reached at INR 1,722,633 ('000) which has resulted in complete erosion of net worth representing 418% of paid up capital.

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

The Hon'ble Supreme Court of India vide its judgment dated July 6, 2011, reported in (2011) 7 SCC 338, in the case of Lafarge Umiam Mining Private Ltd. & Another Vs. Union of India & Ors, numbered as IA 1868 of 2007 in WP (C) No. 202 of 1995, was pleased to allow IA 1868 of 2007 and thereby validated the modified Environmental Clearance dated April 19, 2010 and the Stage I Forest Clearance dated April 22, 2010 granted to your Company by the Ministry of Environment and Forests (MoEF). On February 29, 2012 your Company has further been granted Stage II Forest Clearance by the MoEF.

During the stoppage of production period, your Company was prepared, so that it can re-start production of limestone within shortest possible time after the Hon'ble Court grants permission. As a result, after the Hon'ble Supreme Court's judgment, the Company started its mining operations on August 5, 2011 and on August 7, 2011 the Company started transporting and exporting limestone to the Plant of Lafarge Surma Cement Ltd. through the long belt conveyor.

## **Production Performance:**

Due to the Order of the Hon'ble Supreme Court of India dated February 5, 2010, the production of limestone in the Nongtrai mine remained suspended from February 5, 2010 until August 4, 2011. Accordingly, in the first seven months of 2011 there was no production in the mines. During the stoppage of production period, your Company maintained the installed mining equipment, the MMD crusher, and the long belt conveyor in an up-to-date condition by regular inspection and related checks as per the recommendations of the experts, from the Sponsor's Technical Center. As a result, immediately after the receipt of approval to recommence the mining operations, the mining equipments, the MMD crusher and the Long Belt Conveyor started smoothly and have been performing to a satisfactory level.

As your Company did not produce in the first seven months, in the year 2011, it achieved 43.02% of targeted capacity utilization of limestone production with a production of 860,599 tones. Up to March 31, 2012, your Company has exported 1,329,814 tones of limestone to the Plant at Chhatak, Sunamganj, Bangladesh which is owned by Lafarge Surma Cement Ltd. (LSC), the parent company of your Company.

The re-start of the mining operations was smooth and without major hiccup. The production performance of the Company since re-start is encouraging.

## **Sustainable Development**

In line with Lafarge and Molins' global policies, your Company has always been attaching the highest priority on environment. Your Company has always been conscious of the fact that the concept of sustainable development has to balance the needs of environment and development. We are pleased to inform you that the Green Bench of the Hon'ble Supreme Court of India has examined our case in great detail and its final judgment is hailed as a landmark judgment on environmental protection. We give below some extracts from the judgment that vindicates your Company position that the operations have been fully in line with the concept of sustainable development and that the MOEF, India has done its job diligently...

“... environmental conflicts are ineradicable and environmental protection is always a matter of degree, inescapably requiring choices as to the appropriate level of environmental protection and the risks which are to be regulated. This aspect is recognized by the concept of “sustainable development”. On the facts of the case the judgment states “.... we are satisfied that the parameters of intergenerational equity are satisfied and no reasonable person can say that the impugned decision to grant Stage-I forest clearance and the revised environmental clearance stood vitiated on account of non-application of mind by MoEF. On the contrary, the facts indicate that the MoEF has been diligent. That, MoEF has taken requisite care and caution to protect the environment and in the circumstances, we uphold the stage-I forest clearance and the revised environmental clearance granted by MoEF.”

### **Corporate Social Responsibility:**

Your Company strongly believes that “business is a priority but social welfare is a responsibility”. This core objective of business and social responsibility has prompted your Company to embark upon substantial programs around its quarry in Meghalaya.

The Hon’ble Supreme Court of India has also examined the community development activities carried out by your Company in the villages surrounding the mining site. The Hon’ble Court relied on the High Powered Committee (HPC) called for by MoEF. The extract of the judgment are as “.....indigenous and native people are satisfied with the credentials of M/s Lafarge as company is providing health care facilities, drinking water facilities, employment for local youth, construction of village roads, employment for school teachers, scholarship programme for children, etc.....”

Your Company continues to provide wide ranging community development activities in the villages surrounding the mining site, especially the villages of Nongtraï and Shella.

### **Health and Safety**

Health and Safety (HS) is the core value of your Company. Practicing Health and Safety procedures has been proven to be the most effective management technique to achieve operational integrity and manufacturing excellence. Due to it’s diversity in terms of geographical location and social atmosphere, HS activities and behavior change is a critically challenging task. However we achieved the best in 2011 result, which was a ZERO LTI (lost time injury) year.

In 2011 your Company achieved highest score in Hazard Identification and “Visible Felt Leadership” (VFL) which a safety Contacts with employees and contractors. The numbers are highest in the history of LUMPL and through this we have established a wide base and thus ensured ZERO accident with a sustainable standard. A Key program like “Safety Behavioral Change” among the Company and its contractors’ personnel was a great success. The month of June 2011 was observed as the “Safety Month” with a theme of “Road Safety”. We have established a strong ground for a safer operation of our people carrying vehicle and mobile equipments. Safety Month was followed by the successful completion of Hazard Observation Weeks in December to improve reporting of hazard with an objective of eliminating major or minor accidents proactively in the Company.

The Company is committed to follow the recommendations made by the Directorate General of Mines Safety as applicable to our mines. Mines Safety Week was also a great success in 2011.



## Living in one of the remotest parts

of Meghalaya, we toiled hard on unresponsive land not knowing how to make ends meet. But overnight our lives changed and the source of our melancholy became the very foundation of our success. Thanks to Lafarge Umimam for transforming our limestone into an economic lifeline which will not soon be forgotten.

### **Auditors' Report:**

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

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

In the Audit Report to the shareholders, the Auditors without qualifying their report have drawn attention to Note 2 of Part B of Schedule 13 to the financial statement, 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.

In this regard, the Board of Directors of the Company would like to draw your attention to the relevant statements made above in the State of the Company's Affairs and Financial Performance. Your Company and the Sponsors have given the highest importance and resolved the forest clearance issue in Hon'ble Supreme Court of India.

### **Directors:**

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

#### **Appointments:**

Lafarge Surma Cement Limited ("LSC"), nominated Mr. Tarek Samir Ahmed Elba, Mr. Shuvashish Barua and Mr. Arif Bhuiyan, as Directors on the Board of the Company.

Mr. Arif Bhuiyan has been appointed as an Additional Director on the Board of the Company on March 12, 2012. Mr. Arif Bhuiyan, is a Director of LSC. His presence on the Board would be beneficial for the Company.

Mr. Tarek Samir Ahmed Elba, has been appointed as an Additional Director on the Board of the Company on April 27 2012. Effective May 1, 2012, Mr. Tarek, shall be the Chief Executive Officer of LSC. His presence on the Board would be beneficial for the Company.

#### **Resignations:**

Mr. Kazi Khalid Mahmood had been appointed as a Director on the Board of the Company on June 24, 2009. Mr. Khalid Mahmood (nominee of LSC) resigned from the Board by a letter dated June 21, 2011.

Mr. Shuvashish Barua had been appointed as an Additional Director on the Board of the Company on June 27, 2011. Mr. Barua (nominee of LSC) resigned from the Board by a letter dated December 10, 2011

Mr. Michael Andrew Cowell, had been appointed as a Director on the Board of the Company on. February 14, 2007 Mr. Michael Andrew Cowell (nominee of LSC) resigned from the Board by a letter dated April 23, 2012. His resignation would be effective May 1, 2012.

### **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, 2011, 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, 2011 on a going concern basis.

#### **Auditors:**

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

#### **Particulars of employees:**

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

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

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

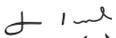
#### **Fixed deposits:**

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

#### **Acknowledgements**

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

For and on Behalf of the Board

  
Chairman

Place : Dhaka

Date : April 27, 2012

**Annexure “A” to the Directors’ Report-**

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

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

Name & age	Designation & nature	Remuneration received INR . '000	Qualification & Experience	Date of Joining	Particulars of last employment
Narayan Prasad Sharma	VP & Director	6,523	B.E. (Mech.) & M.B.A 20 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, 2011.

**I. Conservation of Energy:****(a) Energy conservation measures taken:**

- 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.
- 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.
- To keep pace with the developments taking place, internationally HRD activities are a regular process at Mining Unit. This has not only drastically improved the knowledge, skills and analytical ability of your Company team but also helped in bringing in new ideas which leads the way for modifications, adoption of latest developments in engineering and technology for overall improvement in efficiency of the quarry team and improvement in work culture.

**(b) Additional Investment and proposals for energy conservation:**

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

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

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

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

<b>A. Power and Fuel Consumption</b>	<b>Current year (Jan1, 2011 - Dec 31, 2011)</b>	<b>Previous Year (Jan1, 2010 - Dec 31, 2010)</b>
1. Electricity		
(a) Purchased		
Unit ( KWH)	166,738	236,041
Total Amount (Rs)	674,811	1,207,618
Rate/unit (Rs)	4.04	5.12
(b) Own Generation :		
(i) Through diesel Generator		
Units (KWH)	1,659,310	1,275,800
(ii) Units/litre of diesel oil	2.64	2.61
Cost /Unit ( INR/Unit)	12.46	10.72
(iii) 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 rate	N.A	N.A
3. Furnace oil		
Quantity (k. ltrs.)	N.A	N.A
Total amount	N.A	N.A
Average rate	N.A	N.A
4. Others/internal generation (please give details)		
Quantity	N.A	N.A
Total cost	N.A	N.A
Rate/unit	N.A	N.A

**B. Consumption per unit of production**

2009 - 1.92 KWH/MT  
 2010 - 2.76 KWH/MT  
 2011- 2.19 KWH /MT

**II. Technology Absorption:**

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

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

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

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

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

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

The particulars relating to Foreign Exchange Earnings:

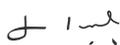
**The particulars relating to Foreign Exchange Earnings:**

	Year Ended	
	31st December 2011	31st December 2010
	INR.'000	INR.'000
FOB Value of Exports	524,764	275,272
<b>Total</b>	<b>524,764</b>	<b>275,272</b>

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

	Year Ended	
	31st December 2011	31st December 2010
	Rs.'000	Rs.'000
i) Professional and Consulting fees	36,817	2,287
ii) Spare parts	18,940	11,493
<b>Total</b>	<b>55,757</b>	<b>13,780</b>

For and on Behalf of the Board

  
 Chairman

Place: Dhaka

Date: April 27, 2012

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

1. We have audited the attached Balance Sheet of **LAFARGE UMIAM MINING PRIVATE LIMITED** ("the Company") as at 31st December, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our report, we invite attention to Note 2 of Part B of Schedule 13 to the financial statements, regarding financial statements being prepared on a going concern basis, in spite of full erosion of net worth of the Company as at the year end, taking into account the continued financial support from its parent company.
4. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in paragraph 3 and in the Annexure referred to in paragraph 4 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011;
  - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
  - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the Directors as on 31<sup>st</sup> December, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st December, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Registration No. 302009E)



**A Bhattacharya**

Partner  
(Membership No. 054110)

**KOLKATA**, 13 March 2012

## ANNEXURE TO THE AUDITORS' REPORT

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

- (i) Having regard to the nature of the Company's business/activities/result, clauses (vi), (viii), (xii), (xiii), (xiv), (xv), (xviii), (xix), (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) All fixed assets have not been physically verified by the Management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control. The Company does not have any sale of services.
- (vi) To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management needs to be strengthened to make it commensurate with the size of the Company and the nature of its business.

- (viii) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) The unpaid undisputed dues in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st December, 2011 for a period of more than six months from the date they became payable, are:

Name of the Statute	Nature of Dues	Due Date	Period to which the amount relates	Amount involved (Rs. '000)
Meghalaya Stamp Act, 1993	Stamp Duty	January 30, 2002	January 2002	9,362

- (c) According to the information and explanations given to us, there are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st December 2011 on account of disputes.
- (ix) 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 in the financial year as well as in the immediately preceding financial year.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (xi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis aggregating to Rs. 974,603 thousands have, prima facie, been used during the year for long- term investment.
- (xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Registration No. 302009E)



**A Bhattacharya**

Partner

(Membership No. 054110)

KOLKATA, 13 March 2012

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**BALANCE SHEET**  
**AS AT 31<sup>ST</sup> DECEMBER 2011**

		Amount in Rs. '000	
		As at 31 <sup>st</sup> December 2011 Rs.	As at 31 <sup>st</sup> December 2010 Rs.
<b>I. SOURCES OF FUNDS :</b>			
<b>1. SHAREHOLDER'S FUND</b>			
Share Capital	1	411,331	411,331
<b>2. LOAN FUNDS</b>			
a) Secured Loans	2	976,462	777,301
b) Unsecured Loans	3	2,095,182	1,663,186
<b>TOTAL</b>		<b>3,482,975</b>	<b>2,851,818</b>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. FIXED ASSETS</b>	4		
a) Gross Block		2,173,780	1,411,827
b) Less: Depreciation/Amortization		346,532	270,094
c) Net Block		1,827,248	1,141,733
d) Capital Work-in-progress	5	17,788	699,585
<b>2. CURRENT ASSETS, LOANS, AND ADVANCES</b>	6		
a) Inventories		89,911	35,959
b) Sundry debtors		44,612	-
c) Cash and bank balances		6,064	7,224
d) Other current assets		443	359
e) Loans and advances		169,626	162,207
<b>Less :</b>		310,656	205,749
<b>CURRENT LIABILITIES AND PROVISIONS</b>	7		
a) Liabilities		391,478	241,729
b) Provisions		3,872	2,328
		395,350	244,057
<b>Net Current Assets</b>		(84,694)	(38,308)
<b>3. PROFIT AND LOSS ACCOUNT</b>		1,722,633	1,048,808
<b>TOTAL</b>		<b>3,482,975</b>	<b>2,851,818</b>

**NOTES FORMING PART OF ACCOUNTS** 13

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

**For Deloitte Haskins & Sells**  
 Chartered Accountants

  
 A. Bhattacharya  
 Partner

Place : Kolkata  
 Dated : 13 March 2012

**For and on behalf of the Board**

  
 Michael Andrew Cowell  
 Director

  
 Narayan Prasad Sharma  
 Director

  
 Manjuree Rai  
 Company Secretary

Place : Dhaka  
 Dated : 12<sup>th</sup> March, 2012

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2011**

		Amount in Rs. '000	
	Schedule	Year ended 31 <sup>st</sup> December 2011 Rs.	Year ended 31 <sup>st</sup> December 2010 Rs.
<b>INCOME</b>			
Export Sales :			
Limestone		559,176	240,855
<b>Other Income</b>	<b>8</b>	5,234	54,981
<b>TOTAL</b>		<b>564,410</b>	<b>295,836</b>
<b>EXPENDITURE</b>			
Extracted materials, Royalty & Cess and Stores & Spares	<b>9</b>	305,238	168,520
Employees' Remuneration and Benefits	<b>10</b>	42,445	35,499
Operating and Administration Expenses	<b>11</b>	603,956	118,900
<b>TOTAL</b>		<b>951,639</b>	<b>322,919</b>
<b>Profit/(Loss) before Financial charges, Depreciation, Exceptional item and Tax</b>		<b>(387,229)</b>	<b>(27,083)</b>
Financial Charges	<b>12</b>	203,931	84,791
Depreciation / Amortization		82,665	67,293
<b>Profit / (Loss) before Exceptional item and tax</b>		<b>(673,825)</b>	<b>(179,167)</b>
Exceptional item			
Expense relating to obtaining forest clearance [Refer Note No.B,1 of Schedule 13 ]		-	630,896
<b>Profit / ( Loss ) before Taxation</b>		<b>(673,825)</b>	<b>(810,063)</b>
Provision for Taxation			
Excess provision of Current Tax for earlier years		-	(136)
<b>Profit / ( Loss ) After Taxation</b>		<b>(673,825)</b>	<b>(809,927)</b>
Balance brought forward from previous year		(1,048,808)	(238,881)
<b>Balance carried to Balance Sheet</b>		<b>(1,722,633)</b>	<b>(1,048,808)</b>
Basic and diluted Earnings/(Loss) per share - Rs.			
Including exceptional item		(16.38)	(19.69)
Excluding exceptional item		(16.38)	(4.35)
<b>NOTES FORMING PART OF ACCOUNTS</b>	<b>13</b>		

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

**For Deloitte Haskins & Sells**

Chartered Accountants



A. Bhattacharya  
Partner

Place : Kolkata  
Dated : 13 March, 2012

**For and on behalf of the Board**



Michael Andrew Cowell  
Director



Narayan Prasad Sharma  
Director



Manjuree Rai  
Company Secretary

Place : Dhaka  
Dated : 12<sup>th</sup> March, 2012

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2011**

	Amount in Rs. '000	
	Year ended 31 <sup>st</sup> December 2011 Rs.	Year ended 31 <sup>st</sup> December 2010 Rs.
<b>A Cash flow from Operating Activities</b>		
Net profit / (loss) before taxation & exceptional item	(673,825)	(179,167)
<b>Adjustments for:</b>		
Liability no longer required written back	(4,998)	-
Unrealised foreign exchange (gain)/ loss	61,166	(36,947)
Write of fixed assets	37,267	-
Provision for obsolescence of extracted materials	-	1,212
Depreciation	82,665	67,293
Interest Income	(236)	(504)
Financial Charges	203,931	84,791
Operating profit before Working Capital changes	(294,030)	(63,322)
(Increase)/Decrease in Inventory	(53,952)	51,092
(Increase)/Decrease in Sundry Debtors	(45,334)	36,550
(Increase)/Decrease in Loans & Advances	(7,264)	29,895
Increase/(Decrease) in Current Liabilities	146,714	(114,581)
Increase/(Decrease) in Provisions	1,544	(25,287)
Cash generated from Operations	(252,322)	(85,653)
Advance Income tax paid	(155)	(40,152)
Cash flow before exceptional item	(252,477)	(125,805)
Exceptional item - Expense relating to obtaining forest clearance [Refer Note No.B,1 of Schedule 13 ]	-	(630,896)
<b>Net Cash used in Operating activities</b>	<b>(252,477)</b>	<b>(756,701)</b>
<b>B Cash flow from Investing Activities</b>		
Purchase of Fixed Asset	(123,650)	(676,976)
Interest received	152	528
<b>Net cash used in Investing Activities</b>	<b>(123,498)</b>	<b>(676,448)</b>
<b>C Cash flow from Financing Activities</b>		
Proceeds from short term borrowings	5,435,713	254,883
Repayment of short term borrowings	(4,990,961)	-
Proceeds from long term borrowings	144,111	1,237,720
Repayment of long term borrowings	(70,000)	-
Financial charges	(144,254)	(63,858)
<b>Net cash from Financing Activities</b>	<b>374,609</b>	<b>1,428,745</b>
<b>Net Increase (Decrease) in Cash &amp; Cash equivalent</b>	<b>(1,366)</b>	<b>(4,404)</b>
<b>D. Effect of foreign Exchange Difference on Cash and Cash Equivalent</b>	<b>206</b>	<b>-</b>
<b>Cash &amp; Cash equivalents at the beginning of the year</b> [Refer Schedule 6 A(c) ]	<b>7,224</b>	<b>11,628</b>
<b>Cash &amp; Cash equivalents* at the end of the year</b> [Refer Schedule 6 A(c) ]	<b>6,064</b>	<b>7,224</b>

Note:

- 1) Figures in bracket represents outflows.
- 2) Previous year figures have been regrouped/restated wherever necessary
- 3) Purchase of Fixed Assets include payments for items in Capital Work in Progress
- 4) Cash and cash equivalents represents Cash and Bank Balances
- 5) \* Includes restricted balance of Rs. 905 thousands (Previous year - Rs.2,331 thousands)

In terms of our report attached

**For Deloitte Haskins & Sells**  
Chartered Accountants



A. Bhattacharya  
Partner

Place : Kolkata  
Dated : 13 March 2012



Michael Andrew Cowell  
Director

Place : Dhaka  
Dated : 12<sup>th</sup> March, 2012

**For and on behalf of the Board**



Narayan Prasad Sharma  
Director



Manjuree Rai  
Company Secretary

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

	Amount in Rs. '000	
	As at 31 <sup>st</sup> December 2011 Rs.	As at 31 <sup>st</sup> December 2010 Rs.
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
Authorised :		
42,000,000 Equity shares of Rs 10/- each	<u>420,000</u>	<u>420,000</u>
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. The Ultimate Holding Company is Surma Holdings, B.V, NetherLand)	<u>411,331</u>	<u>411,331</u>
<b>SCHEDULE 2</b>		
<b>SECURED LOANS</b>		
<b>Others</b>		
From Lafarge Surma Cement Limited, Bangladesh, the holding company		
External Commercial Borrowing	976,462	777,301
(Refer Note No.B,3 of Schedule 13)	<u>976,462</u>	<u>777,301</u>
<b>SCHEDULE 3</b>		
<b>UNSECURED LOANS</b>		
<b>From Banks</b>		
From Citibank NA, Mumbai :		
Working capital demand loan	564,670	194,000
Overdraft	-	2,417
Term loan*	575,273	537,720
From Standard Chartered Bank, Mumbai :		
Working capital demand loan	289,697	200,000
Overdraft	35,542	29,049
Term loan*	630,000	700,000
* based on autonomous guarantee from Financiere Lafarge S.A., France - Group Company	<u>2,095,182</u>	<u>1,663,186</u>

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
Schedules forming part of the Balance Sheet  
SCHEDULE 4

**FIXED ASSETS**

Amount in Rs. '000

Particulars	Gross Block - At Cost			Depreciation/Amortization			Net Block	
	As at 1 <sup>st</sup> January 2011	Additions during the year	As at 31 <sup>st</sup> December 2011	As at 1 <sup>st</sup> January 2011	For the year	As at 31 <sup>st</sup> December 2011	As at 31 <sup>st</sup> December 2011	As at 31 <sup>st</sup> December 2010
<b>Tangible Assets</b>								
Freehold Land	20,490	-	20,490	-	-	20,490	20,490	20,490
Leasehold Land	13,885	-	13,885	2,597	649	10,639	10,639	11,288
Building	46,219	20,886	67,105	4,877	1,258	60,970	60,970	41,342
Plant and Machinery	1,188,120	69,863	1,214,489	222,358	57,800	940,558	940,558	965,762
Development of property	107,362	-	107,362	16,600	4,357	86,405	86,405	90,762
Furniture and Fixtures	2,852	506	3,358	1,298	310	1,750	1,750	1,554
Office & Household Equipments	4,765	602	5,367	3,509	524	1,334	1,334	1,256
Electronic Data Processing Equipment	5,742	106	5,848	4,185	831	832	832	1,557
Vehicles	19,317	-	19,317	11,688	2,402	5,227	5,227	7,629
<b>Intangible Assets</b>								
Software (acquired)	3,075	270	3,345	2,982	161	202	202	93
Development of Property*	-	713,214	713,214	-	14,373	698,841	698,841	-
<b>TOTAL</b>	<b>1,411,827</b>	<b>805,447</b>	<b>2,173,780</b>	<b>270,094</b>	<b>82,665</b>	<b>1,827,248</b>	<b>1,827,248</b>	<b>1,141,733</b>
Previous year	1,344,810	67,017	1,411,827	202,801	67,293	1,141,733	1,141,733	

\* Cost incurred towards obtaining the statutory right to divert forest land for non forest activity under Forest Conservation Act, 1980 [Refer Note No.B,1 of Schedule 13]  
Adjustment during the year represents the write off of machinery spare parts

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

**SCHEDULE 5**

**CAPITAL WORK-IN-PROGRESS**

Amount in Rs. '000

Particulars	As at 31 <sup>st</sup> December 2011	As at 31 <sup>st</sup> December 2010
Development of property *	13,688	13,689
Building	2,569	14,255
Plant & Machinery	1,441	13,867
Others	90	1,120
Intangible Asset - Development of property**	-	656,654
<b>TOTAL</b>	<b>17,788</b>	<b>699,585</b>
Previous year	699,585	90,263

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

\*\* Cost incurred towards obtaining the statutory right to divert forest land for non forest activity under Forest Conservation Act, 1980

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

	Amount in Rs. '000	
	As at 31 <sup>st</sup> December 2011 Rs.	As at 31 <sup>st</sup> December 2010 Rs.
<b>SCHEDULE 6</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>A. CURRENT ASSETS</b>		
<b>a) Inventories</b>		
Extracted Limestone	43,119	196
Extracted Shalestone	1,212	1,212
Less : Provision for Obsolescence	<u>(1,212)</u>	<u>(1,212)</u>
Oil and Fuel	1,923	1,457
Stores and Spare parts	44,869	34,306
	<u>89,911</u>	<u>35,959</u>
<b>b) Sundry Debtors (Unsecured, considered good)</b>		
Other Debts ( not exceeding six months)	44,612	-
	<u>44,612</u>	<u>-</u>
<b>c) Cash and Bank Balances</b>		
Cash balance on hand	121	137
With Scheduled Banks		
In Current Accounts	3,326	474
In Short Term Deposits Accounts *	2,617	6,613
	<u>6,064</u>	<u>7,224</u>
<b>d) Other Current Assets ( Unsecured, considered good)</b>		
Interest accrued but not due on bank deposits	443	359
	<u>443</u>	<u>359</u>
<b>B. LOANS AND ADVANCES ( Unsecured and Considered Good)</b>		
Advances recoverable in cash or kind or value to be received	127,598	120,240
Deposits	1,721	1,815
Advance Income Tax	40,307	40,152
[Incl MAT credit Rs.36,156 thousand(Previous Year Rs.36,156 thousand) Net of Provision for Income Tax Rs. 36,156 thousand (previous year Rs. 36,156 thousand)]	<u>169,626</u>	<u>162,207</u>
	<u>310,656</u>	<u>205,749</u>

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

	Amount in Rs. '000	
	As at 31 <sup>st</sup> December 2011 Rs.	As at 31 <sup>st</sup> December 2010 Rs.
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A. CURRENT LIABILITIES</b>		
a) Sundry Creditors		
i) Total outstanding dues to micro enterprises and small enterprises	-	-
ii) Total outstanding dues to creditors other than micro enterprises and small enterprises	166,279	106,975
b) Interest accrued but not due on loan	122,686	124,232
c) Other liabilities	102,513	10,522
	<b>391,478</b>	<b>241,729</b>
<b>B. PROVISIONS</b>		
a) Provision for Wealth Tax	33	37
(Net of Advance Taxes Rs. 180 thousand, previous year Rs. 151 thousand)		
b) Provision for Gratuity	3,103	2,026
c) Provision for Stock Appreciation Right	736	265
	<b>3,872</b>	<b>2,328</b>
	<b>395,350</b>	<b>244,057</b>

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
Schedules forming part of the Profit and Loss account

	Amount in Rs. '000	
	Year ended 31 <sup>st</sup> December 2011 Rs.	Year ended 31 <sup>st</sup> December 2010 Rs.
<b>SCHEDULE 8</b>		
<b>OTHER INCOME</b>		
Interest on bank deposits (Tax Deductible at Source Rs. 21 thousand, PY Rs. 50 thousand)	214	504
Exchange fluctuation gain	-	54,477
Liability no longer required written back	4,998	-
Others	22	-
	<b>5,234</b>	<b>54,981</b>
<b>SCHEDULE 9</b>		
<b>EXTRACTED MATERIALS, ROYALTIES &amp; CESS, CONTRIBUTION FOR SPV AND STORES &amp; SPARE PARTS</b>		
a) Extracted Limestone		
Opening stock	196	28,358
Add:- Cost of extraction	141,322	64,711
	141,518	93,069
Less : Closing stock	43,119	196
Extracted Limestone Consumed	<b>98,399</b>	<b>92,873</b>
b) Extracted Shalestone		
Opening stock	-	1,212
Less : Closing stock	-	-
Extracted Shalestone Consumed ( Provision for obsolescence stock)	<b>-</b>	<b>1,212</b>
c) Royalty & Cess and Contribution for SPV		
State Government	72,011	39,710
Local bodies and others	22,340	14,234
Welfare Cess	756	477
Contribution for SPV	77,544	-
	<b>172,651</b>	<b>54,421</b>
d) Consumption of Fuel, Stores and Spares		
Fuel	20,688	13,677
Stores and Spares	13,500	6,337
	<b>34,188</b>	<b>20,014</b>
	<b>305,238</b>	<b>168,520</b>
<b>SCHEDULE 10</b>		
<b>EMPLOYEES' REMUNERATION AND BENEFITS</b>		
Salaries, Wages and Bonus	38,968	32,516
Contribution to Provident and other funds	2,349	1,515
Gratuity	1,128	1,468
	<b>42,445</b>	<b>35,499</b>

**LAFARGE UMIAM MINING PRIVATE LIMITED**  
Schedules forming part of the Profit and Loss account

	Amount in Rs. '000	
	Year ended 31 <sup>st</sup> December 2011 Rs.	Year ended 31 <sup>st</sup> December 2010 Rs.
<b>SCHEDULE 11</b>		
<b>OPERATING AND ADMINISTRATION EXPENSES</b>		
Rent	1,654	1,514
Repairs to buildings	-	476
Repairs to machinery	7,654	3,774
Repairs to others	8,417	7,036
Insurance	3,018	3,498
Rates & taxes	24	34
Business Promotion & Public Relations	5,997	3,839
Auditors Remuneration	1,202	870
Consultancy fees	2,713	3,856
IT Cost	4,969	4,060
Security cost	38,819	28,903
Exchange rate fluctuation loss	331,895	-
Communication charges	1,046	776
Community Development	8,194	8,601
Environmental cost	7,532	1,846
Gas, Water & Electricity	3,007	2,681
Idle Charges for mining operations	94,375	-
Bank charges	476	333
Legal fees	4,685	7,115
Traveling and conveyance	22,509	23,853
Cost of operation and maintenance of DG Sets	9,748	8,421
Safety expense	2,115	1,805
Site restoration cost	167	167
Write off of fixed assets	37,267	-
Deputation of custom official at site	2,345	1,881
Others	4,128	3,561
	<b>603,956</b>	<b>118,900</b>
<b>SCHEDULE 12</b>		
<b>FINANCIAL CHARGES</b>		
Interest on loans:		
Interest on External Commercial Borrowings	25,741	25,262
Interest on working capital demand loan and overdraft	70,243	27,559
Interest on term loan from banks	105,593	27,331
<b>Others :</b>		
Guarantee fee on term loan	-	5,512
Amortization of discount on forward contracts	-	(873)
Processing fees for loan	2,354	-
	<b>203,931</b>	<b>84,791</b>

## SCHEDULE 13

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

#### A. SIGNIFICANT ACCOUNTING POLICIES:

##### 1. BASIS OF PREPARATION

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

##### 2. REVENUE RECOGNITION

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

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

##### 3. FIXED ASSETS

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

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

##### 4. DEVELOPMENT OF QUARRY

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

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

**5. INVENTORY**

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

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

Cost of inventories is ascertained on the weighted average basis

**6. DEPRECIATION / AMORTISATION**

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

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

Leasehold Lands are amortised over the remaining tenure of the lease. Development of property pertaining to Limestone and Shalestone quarry is amortised over the remaining tenure of legal rights.

Intangible assets (other than development of property) are amortised over the best estimated of its useful life ranging a periods of 3 to 5 years.

**7. FOREIGN EXCHANGE TRANSACTIONS**

- a) Foreign currency transactions entered 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. Non monetary foreign currency items are carried at cost . Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account
- c) In case of forward exchange contracts which are entered into to hedge the foreign exchange risks in respect of an existing assets/liabilities, the premium or discount on forward contracts is recognized over the life of the contract. In case of forward exchange contracts entered into to hedge the foreign currency risk of a firm commitment or a highly probable future forecast transactions, the overall losses, if any, arises in respect of all such outstanding forward contracts at the balance sheet date by marking them to the market, is recognized in the profit and loss account.

**8. EMPLOYEE BENEFITS**

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

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

## 9. BORROWING COST

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

## 10. TAXES ON INCOME

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

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

## 11. IMPAIRMENT OF FIXED ASSETS

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

## 12. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

## B. NOTES ON ACCOUNTS:

1. The Ministry of Environment and Forests (MoEF), North Eastern Regional Office, Shillong, by its letter dated 30th April 2007, directed the Company to stop the limestone mining operations until it had obtained forestry clearance under the Forest Conservation Act, 1980. Accordingly Limestone Mining Operations of the Company at its limestone mining site at Phlangkaruh, Nongtra, East Khasi Hills District, Meghalaya, was stopped on 04th May 2007. The Company filed an application for Forest Clearance under Section 2 of the Forest (Conservation) Act with the Ministry of Environment and Forests on 03rd May 2007 and simultaneously filed an interim application (bearing I.A No 1868 of 2007) before the Supreme Court of India on 08th June 2007 inter alia praying for expeditious disposal of the forest clearance application filed by it before the Ministry of Environment and Forests under Section 2 of the Forest Conservation Act, 1980 within a time bound manner and preferably within a period of 60 days. That on 23rd November, 2007 the Hon'ble Supreme Court was pleased to pass an interim order permitting the Company to resume its mining activities. However, by its order dated 05th February, 2010 the Supreme Court was pleased to direct the Company to stop mining till further orders while allowing it to move any mined material lying at the Company's mines and stockpile to Bangladesh. The Supreme Court vide its judgement and final order dated 06th July, 2011 reported in (2011) 7 SCC 338 was pleased to allow IA 1868 of 2007 thereby validating the modified Environmental

Clearance dated 19th April, 2010 and the Stage I Forest Clearance dated 22nd April, 2010 granted to the Company by Ministry of Environment and Forests. The judgement also expressly vacated the order dated 05th February, 2010 earlier passed by the Supreme Court. The Company has resumed mining operation with effect from 5th August, 2011. The Company has further been granted Stage II Forest Clearance dated 29th February, 2012 by Ministry of Environment and Forests.

The Company has incurred total cost amounting to Rs 1,370,095 thousand (Previous year Rs 1,287,550 thousand) towards obtaining forest clearance till the date of resumption of mining operations, details of which along with the treatment of such cost is given as per table below:

Sl no	Particulars	Total amount	Capitalised as intangible Asset	Capitalised as Tangible Asset	Charged off during year ended 31st Dec, 2010
		Rs ' 000	Rs ' 000	Rs ' 000	Rs ' 000
1	Compensatory afforestation	13,162	13,162	-	-
2	Penal Compensatory afforestation	10,749	-	-	10,749
3	Net Present Value	550,000	550,000	-	
4	Interest on Net Present Value	176,649	-	-	176,649
5	Special Purpose Vehicle	412,070	-	-	412,070
6	Biodiversity management plan	2,750	2,750	-	-
7	Safety zone	4,054	4,054	-	-
8	Reclamation plan	249	249	-	-
9	Construction of Sewage Treatment Plant and Effluent Treatment Plant	16,737	-	16,737	-
10	Catchment area treatment plan	2,882	2,882	-	-
11	Exploring the use of surface miner technology	574	574	-	-
12	Financing cost in relation to forest clearance cost	31,428	-	-	31,428
13	Other costs including environmental infrastructure	148,791	139,543	9,248	-
	Total	1,370,095	713,214	25,985	630,896

Serial no 1 to 11 of the aforesaid table relates to expenditure incurred as per MoEF letter dated 22nd April 2010.

Amount Capitalised as intangible asset represents the statutory rights to use forest land under Forest (Conservation) Act, 1980 is being amortized over balance life of existing mining lease granted and the amount capitalised as tangible asset represents various environmental infrastructure facilities.

2. The net worth of the Company as on 31st December, 2011 has been fully eroded due to the losses incurred by the Company which were mainly due to unavoidable interruptions of production due to regulatory issues relating to quarry operations as mentioned in Note no 1 above. The Company is getting continued financial support from its parent Company and also from the Group Company and was successful in raising loans from banks to finance the forest clearance cost as mentioned in Note no 1 above. The Company has received an undertaking from the parent Company that it shall continue to receive financial support for its operation. Accordingly the management considers that the going concern assumption is not vitiated. In view of this the financial statements have been prepared on the assumption that the Company is going concern despite its net worth being fully eroded.
3. The Company has availed an "offshore loan" from Lafarge Surma Cement Limited (LSC), Bangladesh, holding 41,133,098 shares of the Company (Previous year 41,133,098 shares) to fund its limestone and shale mining project development and operation the outstanding balance of which as on 31st December 2011 was Rs. 976,462 thousand/- (Previous year Rs. 771,301 thousand) The said loan has been granted by LSC out of an aggregate loan availed by LSC from certain "offshore lenders".

As per the terms of the offshore loan, Lafarge Surma Cement Ltd and 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 Mortgage and charge over all present and future movable and intangible assets, contracts, investments and insurance policies of the Company except for stock in trade and receivable under a composite security agreement in favour of secured offshore lenders.

4. Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs. 37,186 thousand (Previous Year Rs 32,526 thousand/-).
5. Auditors' Remuneration (including service tax):

	Year Ended	
	31 <sup>st</sup> December, 2011	31 <sup>st</sup> December, 2010
	Rs.'000	Rs.'000
i) Statutory Audit fees	552	552
ii) Tax Audit related matter	309	309
iii) Other matter	331	Nil
iv) Reimbursement of Expense	10	9
<b>Total</b>	<b>1,202</b>	<b>870</b>

6. Directors' Remuneration

	Year Ended	
	31 <sup>st</sup> December, 2011	31 <sup>st</sup> December, 2010
	Rs.'000	Rs.'000
Salaries and Bonus	6,348	5,523
Contribution to provident fund	273	205
Others	82	67
<b>Total</b>	<b>6,703</b>	<b>5,795</b>

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

7. Deferred tax:

The break up of deferred tax is as under	31 <sup>st</sup> December, 2011	31 <sup>st</sup> December, 2010
	Rs.'000	Rs.'000
<b>Deferred Tax Liabilities</b>		
Timing difference on account of:-		
-Depreciation	191,476	165,211
Gross Deferred Tax Liabilities (A)	191,476	165,211
<b>Deferred Tax Assets</b>		
-Unabsorbed depreciation (restricted to the extent of deferred tax liability on depreciation)	(191,476)	(165,211)
Gross Deferred Tax Assets (B)	(191,476)	(165,211)
<b>Deferred Tax Assets (Net) (A-B)</b>	<b>Nil</b>	<b>NIL</b>

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

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

9. Expenditure / Earnings in foreign currency:

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

	Year Ended	
	31 <sup>st</sup> December, 2011	31 <sup>st</sup> December, 2010
	Rs.'000	Rs.'000
i) Professional and Consulting fees	36,817	2,287
ii) Spare parts	18,940	11,493
<b>Total</b>	<b>55,757</b>	<b>13,780</b>

b) Earnings in foreign currency (Cash basis):

	Year Ended	
	31 <sup>st</sup> December, 2011	31 <sup>st</sup> December, 2010
	Rs.'000	Rs.'000
i) FOB Value of Exports	524,764	275,272
<b>Total</b>	<b>524,764</b>	<b>275,272</b>

10. Contingent Liability not provided for :

Bank Guarantee amounting to Rs. 200/- thousand (Previous year: Rs. 200 thousand ) issued by State Bank of India, Main Branch Shillong and Rs. 1,077/- (Previous year: Rs. 1,077/-) 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.

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

12. LEA (Lafarge 2009 and 2011 international employee) share ownership plan

The Company pursuant to Lafarge S.A.'s global human resource policy has established the Lafarge's Group stock bonus rights plan ("LEA 2009" and "LEA 2011" or "the Plans") whereby the employees have been granted Stock Appreciation Rights on December 9, 2009 and on July 28, 2011 respectively under the two plans and on account of the Plans the Company has a total provision of Rs. 736/- thousand (previous year Rs. 265/- thousand) towards Stock Appreciation Rights.

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

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

	Year Ended	
	31 <sup>st</sup> December, 2011	31 <sup>st</sup> December, 2010
	Rs.'000	Rs.'000
Opening balance	709	542
Additions	167	167
Reversals	Nil	Nil
<b>Closing balance</b>	<b>876</b>	<b>709</b>

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

Independent Actuarial Valuation of all employee benefit scheme was made on 31st December 2011 which is in the nature of unfunded gratuity benefit.

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

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

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

		Current Year	Previous Year
		Rs.'000	Rs.'000
1	Current Service cost	694	463
2	Interest cost	177	64
3	Expected return on plan assets	-	-
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Amortization of Past Service Cost	-	572
7	Actuarial Losses/(Gains)	257	369
<b>8</b>	<b>Total expense recognized in the Statement of Profit &amp; Loss</b>	<b>1,128</b>	<b>1,468</b>

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

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

Sl. No.		Current Year	Previous Year			
			As on 31st Dec 10	As on 31st Dec 09	As on 31st Dec 08	As on 31st Dec 07
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
1	Present value of Defined Benefit Obligation	3,103	2,026	775	530	287
2	Fair value of plan assets	-	-	-	-	-
3	Funded status [Surplus/(Deficit)]	(3,103)	(2,026)	(775)	(530)	(287)
4	Effect of balance sheet asset limit	-	-	-	-	-
5	Unrecognized Past Service Costs	-	-	-	-	-
<b>6</b>	<b>Net asset/(liability) recognized in balance sheet</b>	<b>(3,103)</b>	<b>(2,026)</b>	<b>(775)</b>	<b>(530)</b>	<b>(287)</b>
7	Experience (Gain)/Loss adjustments on plan liabilities	484	-	-	-	-

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

		Current Year	Previous Year
		Rs.'000	Rs.'000
1	Present Value of DBO at beginning of period	2,026	775
2	Current Service cost	694	463
3	Interest cost	177	64
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Employee contribution	-	-
7	Plan amendments	-	572
8	Acquisitions	-	-
9	Actuarial (gains)/ losses	257	369
10	Benefits paid	(51)	(217)
11	Present Value of DBO at the end of period	3,103	2,026

### IV. Actuarial Assumptions

Sl. No.		Current Year	Previous Year
1	Discount Rate per annum Compound	8.75%	8.25%
2	Rate of increase in salaries	8.00%	8.00%
3	Rate of return on Plan Assets	Not Applicable	Not Applicable
4	Expected Average remaining working lives of employees (years)	24.59	25.18

Note:

- (i) The estimate of future salary increase taken into account based on seniority, promotion and other relevant factors.
- (ii) Experience adjustment arising on plan liabilities Rs Nil (Previous Rs Nil).

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

Sl. No.		Current Year	Previous Year
		Rs.'000	Rs.'000
1	Employer's Contribution to recognized Provident Fund	2,349	1,515

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

## a) Key Managerial Personnel (KMP):

Name	Nature of relationship	Transactions year ended		
		31st December 2011 Rs.'000	31st December 2010 Rs.'000	Nature of transaction
Mr. Shivesh Kumar Sinha	Chairman	Nil	Nil	---
Mr. Michael Andrew Cowell	Director	Nil	Nil	---
Mr. Masud Khan	Director	Nil	Nil	---
Mr. Asim Chattopadhyay	Director	Nil	Nil	---
Mr. Jose Maria Fontdecaba	Director	Nil	Nil	---
Mr. Narayan Prasad Sharma	Director	6,523	5,615	Remuneration
Mr. Kazi Khalid Mahmood (Ceased to be KMP w.e.f 27.06. 2011)	Director (Ceased to be Director w.e.f 27.06.2011)	Nil	Nil	---
Mr. Ashim Kr. Chattopadhyay	Director	180	180	Remuneration
Mr. Shuvashis Priya Barua (Ceased to be KMP w.e.f 27.12.2011)	Director (Ceased to be Director w.e.f 27.12.2011)			
Ms. Sayeda Tahya Hossain	Director	Nil	Nil	---

b) Holding Company : Lafarge Surma Cement Ltd, Bangladesh

Ultimate Holding Company: Surma Holdings B.V, Netherland

Transactions:

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

	31 <sup>st</sup> December 2011	31 <sup>st</sup> December 2010
	Rs.'000	Rs.'000
Closing balance	976,462	777,301
Interest accrued and due but not paid during the year	107,560	46,338
Total amount of ECB loan received during the year ended	Nil	Nil
Total of ECB loan foreign exchange fluctuation (gain)/ loss during the year	146,683	(30,505)
Total of ECB loan repaid during the year ended	Nil	Nil

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

	31 <sup>st</sup> December 2011	31 <sup>st</sup> December 2010
	Rs.'000	Rs.'000
Total interest accrued but not due on ECB loan	119,425	122,611
Total interest charge on ECB loan for the year	25,742	25,262

## iii) Export sales transaction:

	31 <sup>st</sup> December 2011	31 <sup>st</sup> December 2010
	Rs.'000	Rs.'000
Closing balance of export sales receivables as at	44,612	Nil
Total value of export sales transaction during the year ended	559,176	240,855

## c) Fellow Subsidiary Company:

Name of the related party: Lum Mawshun Minerals Pvt Ltd

Transactions:

	31 <sup>st</sup> December 2011	31 <sup>st</sup> December 2010
	Rs.'000	Rs.'000
Closing balance	92	Nil
Expense paid by the Company on behalf of the fellow subsidiary company	92	Nil

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

	31 <sup>st</sup> December 2011	31 <sup>st</sup> December 2010
	Rs.'000	Rs.'000
a) Net Profit / (Loss) after Tax available for Equity Shareholders (Rs.'000)	(673,825)	(809,927)
b) Net Profit / (Loss) before exceptional item and after Tax available for Equity Shareholders (Rs.'000)	(673,826)	(179,031)
c) Weighted average number of equity shares of nominal value of Rs. 10 /- each (Nos.)	41,133,099	41,133,099
d) Basic and diluted Earnings/(Loss) per Share including exceptional item ( a ÷ c)	(16.38)	(19.69)
e) Basic and diluted Earnings/(Loss) per Share excluding exceptional item ( b ÷ c)	(16.38)	(4.35)

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

18. During the year the Company had entered into certain forward exchange contracts which are not intended for speculation purpose but only for hedging currency related risks. The Company has provided foreign exchange loss of Rs. 7,887/- thousand ( Previous year Rs. Nil ) due to fluctuation in foreign exchange rates in respect of all outstanding forward contracts at the balance sheet date not backed by any underlying existing assets/liabilities by marking them to the market.

a) There are forward contracts outstanding as on 31st December, 2011 which are as follows:

As at	No. of Contracts	Amount (USD'000)	Amount (Rs.'000)
31st December 2011	5	4,000	216,591
31st December 2010	Nil	Nil	Nil

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

		Convertible amount as at			
		31st December, 2011		31st December, 2010	
Particulars	Currency	Foreign Currency '000	Rs. '000	Foreign Currency '000	Rs.'000
External Commercials Borrowings	USD	18,332	976,462	17,347	777,301
Working capital loan	USD	14,350	764,367	Nil	Nil
Unsecured loan	USD	10,800	575,273	12,000	537,720
Sundry Creditors	USD	211	11,259	284	12,746
	Euro	Nil	Nil	92	5,512
Advances for stores and spares	GBP	Nil	Nil	18	1,227

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

20. Quantitative information

a) Particulars regarding capacity and production- Extracted Material

Particulars	Units of measurement	Current year			Previous year		
		Licensed Capacity	Installed Capacity	Actual Production	Licensed Capacity	Installed Capacity	Actual Production
Limestone	MT	2,000,000	1,954,000	860,599	2,000,000	1,954,000	299,394
Shalestone	MT	342,000	300,000	Nil	342,000	300,000	Nil

b) Particulars regarding finished goods

Particulars	Units of measurement	Current year			Previous year		
		Opening stock	Production/ Sales	Closing stock	Opening stock	Production/ Sales	Closing stock
Crushed	Rs.'000	Nil	559,176	Nil	Nil	240,855	Nil
Limestone	MT	Nil	755,835	Nil	Nil	477,373	Nil
Crushed	Rs.'000	Nil	Nil	Nil	Nil	Nil	Nil
Shalestone	MT	Nil	Nil	Nil	Nil	Nil	Nil

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

Particulars	Units of measurement	Current year		Previous year	
		Quantity	Value (Rs.'000)	Quantity	Value (Rs.'000)
Extracted Limestone	MT	755,835	98,399	477,373	92,873
Extracted Shalestone	MT	Nil	Nil	Nil	Nil
Oil and fuel	Litres	627,143	20,688	489,359	13,677
Stores and Spares	-	-	13,500	-	6,337

21. Figures for the previous year have been rearranged /regrouped wherever necessary to conform to figures of current year.

Signatories to Schedules 1 to 13

For and on behalf of the Board



Director



Company Secretary



Director

# Out of the limestone desolation

of Meghalaya, we at Lafarge Umiam Mining Pvt. Ltd. created an experience that touches the lives of everyone it comes into contact with. That desolation has forever been swapped for economic and social development as we continue to turn everyone's dreams into reality.



REPORT & FINANCIAL STATEMENTS OF  
LUM MAWSHUN MINERALS PVT. LTD.  
For the year ended 31 December 2011



# LUM MAWSHUN MINERALS PVT. LTD.

## 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, 2011.

### **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 2011 was INR 104,226

### **Directors:**

#### **Appointments:**

LSC nominated Mr. Shivesh Kumar Sinha, Mr. Narayan Prasad Sharma and Mr. Tarek Samir Ahmed Elba as Directors on the Board of the Company.

Mr. Shivesh Kumar Sinha has been appointed as an Additional Director on the Board of the Company on September 20, 2011. 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 September 20, 2011. Mr. Sharma is a Director of LUMPL. His presence on the Board would be beneficial for the Company.

Mr. Tarek Samir Ahmed Elba, has been appointed as an Additional Director on the Board of the Company on April 28, 2012. Effective May 1, 2012, Mr. Tarek, shall be the Chief Executive Officer of LSC. His presence on the Board would be beneficial for the Company.

#### **Resignation:**

Mr. Michael Andrew Cowell, had been appointed as a Director on the Board of the Company on 14.02.2007. Mr. Michael Andrew Cowell (nominee of LSC) resigned from the Board by a letter dated April 23, 2012. His resignation would be effective May 1, 2012.

#### **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, 2011, 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, 2011 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.

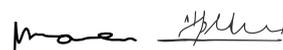
### **Fixed deposits:**

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 Nongtraï and Shella for their continued support.

For and on Behalf of the Board

  
Directors

Place: Dhaka

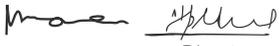
Date: April 27, 2012

**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

  
Directors

Place: Dhaka

Date: April 27, 2012

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

1. We have audited the attached Balance Sheet of **LUM MAWSHUN MINERALS PRIVATE LIMITED** ("the Company") as at 31st December, 2011 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Without qualifying our report, we invite attention to Note 3 of Part B of Schedule 5 to the financial statements, regarding financial statements being prepared on a going concern basis in spite of full erosion of net worth of the Company as at the year end, taking into account the continued support from its parent company.
4. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to in paragraph 4 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2011 and
    - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that.

6. On the basis of the written representations received from the Directors as on 31st December, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st December, 2011 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Registration No. 302009E)



**A Bhattacharya**

Partner  
(Membership No. 054110)

**KOLKATA**, 13 March, 2012

## ANNEXURE TO THE AUDITORS' REPORT

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

- (i) Having regard to the nature of the Company's business/activities/result, clauses (i), (ii), (iv), (vi), (vii), (viii), (xii), (xiii), (xiv), (xv), (xvi), (xviii), (xix), (xx) of CARO are not applicable.
- (ii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (iii) To the best of our knowledge and belief and according to the information and explanations given to us, there are no contracts or arrangements to be entered in the register maintained in pursuance in Section 301 of the Companies Act, 1956.
- (iv) According to the information and explanations given to us in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st December, 2011 for a period of more than six months from the date they became payable.
  - (c) There are no dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st December 2011 on account of disputes.
- (v) The accumulated losses of the Company have exceeded fifty percent of its net worth as at the end of the year. The Company has incurred cash losses in the financial year as well as in the immediately preceding financial year.
- (vi) In our opinion and according to the information and explanations given to us, the Company does not have any dues to banks, financial institutions and debenture holders.
- (vii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis aggregating to Rs. 397,371 have, prima facie, been used during the year for long- term investment.
- (viii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Registration No. 302009E)



**A Bhattacharya**

Partner  
(Membership No. 054110)

**KOLKATA**, 13 March, 2012

**LUM MAWSHUN MINERALS PRIVATE LIMITED**  
**BALANCE SHEET**  
**AS AT 31st DECEMBER, 2011**

	Schedule	As at 31 <sup>st</sup> December 2011 Rs.	As at 31 <sup>st</sup> December 2010 Rs.
<b>SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Funds :</b>			
Share Capital	1	546,600	546,600
<b>Total</b>		<b>546,600</b>	<b>546,600</b>
<b>APPLICATION OF FUNDS :</b>			
<b>1. Current Assets, Loans and Advances</b>			
a) Cash and bank balances	2	39,291	38,856
b) Other current assets	3	9,750	18,781
		49,041	57,637
<b>Less : Current Liabilities &amp; Provisions</b>			
Current Liabilities	4	446,412	350,782
<b>Net Current Assets</b>		(397,371)	(293,145)
<b>2. Profit and Loss Account</b>		943,971	839,745
<b>Total</b>		<b>546,600</b>	<b>546,600</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	5		

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

**For Deloitte Haskins & Sells**  
 Chartered Accountants

  
 A. Bhattacharya  
 Partner

**For and on behalf of the Board**

  
 Michael Andrew Cowell  
 Director

  
 Narayan Sharma  
 Director

Place : Kolkata  
 Dated : 13 March 2012

Place : Dhaka  
 Dated : 12<sup>th</sup> March 2012

**LUM MAWSHUN MINERALS PRIVATE LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER, 2011**

Schedule	Year ended 31 <sup>st</sup> December 2011 Rs.	Year ended 31 <sup>st</sup> December 2010 Rs.
<b>A . INCOME</b>		
Interest on bank deposits	3,599	2,112
[ Tax deducted at source - Rs Nil (previous year - Rs Nil)]		
Total	<u><b>3,599</b></u>	<u><b>2,112</b></u>
<b>B. EXPENDITURE</b>		
Bank charges	40	74
Auditors Remuneration	102,579	69,489
Professional fees	5,206	-
	<u><b>107,825</b></u>	<u><b>69,563</b></u>
<b>Net profit / (loss) for the year (A-B)</b>	(104,226)	(67,451)
Balance brought forward from previous year	(839,745)	(772,294)
<b>Balance carried forward to Balance Sheet</b>	<u><b>(943,971)</b></u>	<u><b>(839,745)</b></u>
Earnings per share (Basic and diluted)	(19.07)	(12.34)

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 5**

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

**For Deloitte Haskins & Sells**

Chartered Accountants



A. Bhattacharya  
Partner

**For and on behalf of the Board**



Michael Andrew Cowell  
Director



Narayan Sharma  
Director

Place : Kolkata  
Dated : 13 March 2012

Place : Dhaka  
Dated : 12<sup>th</sup> March 2012

**LUM MAWSHUN MINERALS PRIVATE LIMITED**  
Schedules forming part of the Balance Sheet

	As at 31 <sup>st</sup> December 2011 Rs.	As at 31 <sup>st</sup> December 2010 Rs.
<b>Schedule 1 : Share Capital</b>		
Authorised :		
1,68,000 Equity shares of Rs. 100/- each	16,800,000	16,800,000
Issued, Subscribed and Paid-up :		
5466 Equity shares (Previous year: 5466 equity shares) of Rs. 100/- each fully paid - up [Of the above, 4046 shares (Previous year: 4046 shares) are held by Lafarge Surma Cement Limited, Bangladesh, the holding company]. The Ultimate Holding Company is Surma Holdings, B.V, NetherLand)	546,600	546,600
	<b>546,600</b>	<b>546,600</b>
<b>Schedule 2 : Cash and Bank Balances</b>		
Cash balance on hand	274	274
Balances with Scheduled Bank:		
In Current Account	6,387	18,582
In Fixed Deposit Account *	32,630	20,000
<b>Total</b>	<b>39,291</b>	<b>38,856</b>
<b>Schedule 3 : Other Current Assets</b>		
Interest Accrued but not due on Fixed Deposits	9,750	18,781
<b>Total</b>	<b>9,750</b>	<b>18,781</b>
<b>Schedule 4 : Current Liabilities</b>		
Sundry Creditors		
- total outstanding dues of Micro Enterprises and Small Enterprises	-	-
- total outstanding dues of creditors other than Micro Enterprises and Small Enterprises	436,154	350,782
Other Liabilities	10,258	-
<b>Total</b>	<b>446,412</b>	<b>350,782</b>

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

## Schedule 5

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### (A) SIGNIFICANT ACCOUNTING POLICIES:

##### 1. BASIS OF PREPARATION

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

##### 2. TAXES ON INCOME

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

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

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

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

#### (B) NOTES ON ACCOUNTS:

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

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

2. The Company is a subsidiary of Lafarge Surma Cement Ltd, Bangladesh (Parent Company). The Company was formed for acquisition of mining and land rights to facilitate the mining operation of limestone and shale by Lafarge Umiam Mining Private Limited (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 and Land rights as well as freehold and leasehold lands as was acquired to LUMPL along with the preoperative expenses and related account balances pertaining to such lands transferred, after obtaining necessary approval from the Government. Consequently there has been no business during the year as well as in the previous years. However, the Company is exploring new opportunities.
3. The net worth of the Company as on 31.12.2011 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.
4. Earnings per Share (EPS) – The numerators and denominators used to calculate Basic and Diluted EPS:

Particulars		Year ended December, 31	
		2011	2010
1	Net Profit after tax attributable to Equity Shareholders (Rs) {A}	(104,226)	(67,451)
2	Weighted average number of Equity Shares outstanding during the year (Nos.) {B}	5,466	5,466
3	Nominal Value of Equity per share (Rs.)	100	100
4	Basic / Diluted Earnings per share (Rs.) {A÷B}	(19.07)	(12.34)

5. Deferred tax Asset/Liability has not been created during the year, there being no timing difference between the accounting income and taxable income, which is capable of reversing in subsequent periods.
6. Auditors' Remuneration (including service tax):

	Year ended 31-Dec-2011 (Rs)	Year ended 31-Dec-2010 (Rs)
Audit Fees	33,090	33,090
Tax Audit Fees	36,399	36,399
Others	33,090	-
<b>Total</b>	<b>102,579</b>	<b>69,489</b>

7. Related party disclosure as per Accounting Standard 18.

a) Holding Company:

Name: Lafarge Surma Cement Ltd, Bangladesh

Ultimate Holding Company: Surma Holdings B.V, Netherland

b) Fellow Subsidiary:

Name: Lafarge Umiam Mining Pvt Ltd

Transaction: Expense paid by the fellow subsidiary on behalf of the Company Rs. 92,321/- (Previous Year Rs. Nil); Balance at the year end: Rs.92,321/- (Previous Year Rs. Nil)

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

Signatories to Schedules 1 to 5

For and on behalf of the Board

  
Director

  
Director

# Lafarge Surma Cement Ltd.

A company of  LAFARGE and  CEMENTOS MOLINS

## Form of Proxy

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

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

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

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

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

as my/our proxy, to attend on my/our behalf at the 14<sup>th</sup> Annual General Meeting of the Company to be held on June 14, 2012 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 \_\_\_\_\_ 2012.

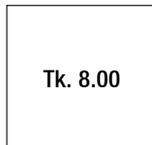
\_\_\_\_\_  
Signed (Shareholder)

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

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

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

Affix revenue stamp



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  LAFARGE and  CEMENTOS MOLINS

## Attendance Slip

I hereby record my presence at the 14<sup>th</sup> Annual General Meeting of Lafarge Surma Cement Limited on June 14, 2012.

Name

Folio/BO ID. No.

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

\_\_\_\_\_  
Signature



## Lafarge Surma Cement Ltd.

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

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Web : [www.lafarge-bd.com](http://www.lafarge-bd.com), Email : [info@bd.lafarge.com](mailto:info@bd.lafarge.com)