

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

UNDER SECTION 184 OF THE COMPANIES ACT, 1994 AND NOTIFICATION DATED AUGUST 7, 2012 OF THE BANGLADESH SECURITIES AND EXCHANGE COMMISSION.

DEAR VALUED SHAREHOLDERS

The Board of Directors of Lafarge Surma Cement Ltd. (the “Company”) has the pleasure in presenting to the members their report together with audited financial statements of the Company for the year ended on December 31, 2015.

STATE OF THE COMPANY’S AFFAIRS

In 2015, your Company consistently delivered diverse and sustained growth, while investing to underpin future momentum and building balance sheet resilience. We have no doubt that the clarity and consistency of our strategy, our discipline to remain focused, and a firm commitment to our culture and values have been crucial to your Company’s performance growth. More than anything else, your Company has developed agility to change and transform; to respond to challenges and tackle the twin objective of improving value creation from current assets and paving the path to grow and become more efficient. Today Lafarge Surma is a strong company. Your Company continues to be obsessed with the basics of management – balancing the pursuit of growth with disciplined management of costs and risks, keeping a firm grip on liquidity and capital and leveraging on the global strength of our parents, the LafargeHolcim Group and Cementos Mollins Group, with deep local knowledge. Your Company remains committed to develop partnership with the customers and end-users that remain our sources of strength and pillars of support. These fundamentals underscore everything your Company does and everything we as a company stand for.

Your Company’s achievements in 2015 were noteworthy, especially considering the overwhelming external downsides, which include transportation and sales challenges caused by turbulence in the first quarter, unprecedented rainfall, significant fall of price of clinker in the international market, overall slowdown in the construction sector, increase of gas price in Bangladesh (100% increase for captive power plant and 15% increase for industrial use), and increase of mineral cess (32%) by the Government of India. Amidst these challenges that led to revenue decline, your Company focused on rigorous performance management, particularly in reducing costs in all fronts. The Company adopted meticulous cost saving initiatives in raw materials, production and logistics costs which led to a reduction in variable cost by almost 3.4%. Due to lower demand growth, your Company fell short on total sales in earlier quarters, though in the last quarter sales volume was higher by 10% over same period in 2014.

The production performance of the Quarry, owned by Lafarge Umiam Mining Pvt. Ltd. (LUMPL), the Indian subsidiary of your Company, was remarkable. Quarry operations costs saw a reduction compared to 2014 with introduction of self mining using world class equipment. Self mining initiatives resulted into enhancement of efficiency in limestone production. The performance of Surma Plant was also praiseworthy with a record performance surpassing its own record set in the last year. Dispatch performance has also been laudable reaching to an all time high of 1,430 K tons. All these have been possible through the sustained efforts of all working as a team in a high performing culture.

The majority shareholder of your Company is Surma Holding B.V., a company registered in The Netherlands. Lafarge Group of France and Cementos Molins of Spain are 50%-50% shareholders of Surma Holding B.V. On July 10 2015 the merger between Lafarge Group and Holcim Group at the global level was completed and the new group called LafargeHolcim was established. With a well-balanced presence in 90 countries and a focus on cement, aggregates and concrete, LafargeHolcim is the world leader in the building materials industry. The Group has 115,000 employees around the world and combined net sales of CHF 29.5 billion (EUR 27.6 billion) in 2015.

In Bangladesh, LafargeHolcim Group has shareholding interests in two companies; namely Lafarge Surma Cement Ltd. (together with Cementos Molins) and Holcim Bangladesh Ltd. These two companies are operating in Bangladesh as two independent companies, under two separate managements, and remain competitors in the market. In the event there is a change in the corporate structure, we shall keep the applicable regulatory authorities of Bangladesh and the shareholders of the Company updated in conformity with the applicable laws.

HEALTH AND SAFETY

Health and Safety remains your Company's Number One priority. It is your Company's overarching value. Your Company demonstrates zero tolerance to health and safety violations. As a result, the health and safety culture continues to improve as shown in leading KPIs. One of the best practices followed by your Company is the Visible Felt Leadership (VFL) at all levels led by the top management of the Company. VFL is a process of frontline employees' engagement on "Behavioral Safety".

Your Company has been measuring H&S lagging KPI as Lost Time Injury Frequency Rate (LTIFR). It is being measured as the number of Lost Time Injury in a million hours worked. In 2015, your Company's LTIFR has been 0.00 (employee + Contractor) versus 0.23 in 2014. In May 2015, Health & Safety Month 2015 was observed throughout your Company. During this month, intensive safety programs, initiatives and training were organized for the entire workforce to re-emphasize the importance of Health & Safety in the Company. Your Company participated in H&S Passport Challenge competition arranged by Group. In this competition, globally 5 participants were awarded by the Group; and one of them was from your Company.

We are saddened that there were few off site road transport fatal incidents involving vehicles transporting our cement from Plant to the customers. Your Company conducted in-depth investigations in all the above third party incidents and is working on the learning from these incidents, drawing up action plans and implementing the same to avoid any such unfortunate incidents in future and to ensure adherence to Company's goal to have zero fatality. Your Company is regularly training the drivers of the transporters on defensive driving to avoid any unfortunate incident.

LafargeHolcim group has launched new Health & Safety Policy and Rules. Your Company has implemented those new Policy and Rules.

Your Company has taken initiatives not only to ensure safety but also to create awareness on Occupational Health. Industrial Hygiene Sampling was conducted at all the operational sites and Health Assessment Standard Operation Procedure (HASOP) has been developed and being implemented in line with the Sponsor Groups Guideline.

The goal of your Company is to set an example and establish itself as the “best-in-class” performance in Health and Safety.

PRODUCTION PERFORMANCE At Surma Plant in Chhatak, Sunamganj, Bangladesh:

The year 2015 was another successful year for the Surma Plant. Besides achieving the record breaking clinker production, your Plant was consistent in ensuring the highest product quality.

Considering quality as the core value of the business, your Plant team continued to give their best efforts to deliver the cement with premium and consistent quality utilizing integrated Plant, limestone sourced from own Quarry in Meghalaya, India and world class quality assurance laboratory as the key levers.

Surma Plant team utilized their innovative ideas, out of the box thinking and hard work to reduce the dependencies on OEM (Original Equipment Manufacturer) spares with self fabricated and locally sourced spares. This initiative and successful implementation not only increased the profitability of your Company but also helped the country to save significant amount of foreign currency.

The record breaking clinker production is another significant milestone in the history of your Company. This achievement was possible because of major operational initiatives, strong commitment of production team, robust inspection, maintenance plan and execution. Plant team delivered a remarkable performance in the area of kiln and cement grinding section. Your Company saved 4.83 days during kiln shutdown, improved kiln filling ratio, optimized VRM and Cooler performance. In 2015 there was no failure in the 17 km Long Belt Conveyor (LBC). Replacement of VRM Rotary Feeder with new design, green house implementation for clay storage during monsoon, two (2) MV motor slip ring replacement using in-house resources etc. contributed to increase in outputs and to reduce costs.

These exemplary achievements were also combined with the uninterrupted supply of 2.0 million tons of limestone from your Quarry in Meghalaya, India.

Your Company is encouraged and motivated with the achievements of 2015 and will be continuing to give more efforts to bring better results in the coming years.

PRODUCTION PERFORMANCE At Limestone Quarry in Meghalaya, India:

Lafarge Umiam Mining Private Limited (LUMPL), the 100% Indian subsidiary of your Company, for the fourth consecutive year in a row, has successfully exported two (2) million tonnes of limestone from the Quarry in Meghalaya to the Surma Plant in Chhatak, Bangladesh.

Your Quarry recorded Zero Accident in 2015 in the mining operations. Your Company is continuously renewing its pledge to be more vigilant in safety. All necessary actions are being taken in all industrial and residential sites of the Company to prevent any safety related incidents.

The limestone mining activities in your Quarry were conducted through a mining contractor. Your Company took initiatives to procure mining equipment and commence self mining in order to improve safe working environment, excellence in production, and to reduce mining costs.

Your Company procured and deployed best-in-class, energy efficient, high reliability mining equipment and commenced self mining from March 01, 2015. This timely initiative by your Company resulted in lower mining cost compared to the previous years. In 2015, the overall equipment reliability achievement was 95%, against 70% in 2014. Significant improvements were achieved in the performance of MMD Crusher, Diesel Generators and Long Belt Conveyor (LBC) as a result of execution of planned maintenance, implementation of innovative ideas and strong team commitment. Operational modifications and technical improvements were carried out in the Crusher which increased crushing rate (480 TPH in 2015, as against 380 TPH in 2014). This contributed in reduction of power consumption (1.80 MW per ton in 2015 against 2.20 MW per ton in 2014).

In 2015, LUMPL recorded a net profit of 676.55 million INR before tax.

MARKETING PERFORMANCE

Cement market in Bangladesh is highly competitive. Consistently ensuring high quality and delivering the product to the door steps of the customers and brand visibility are key levers for success. In 2015 your Company had several marketing activities at different levels to ensure sustainable performance in this very competitive market.

Your Company started its digital presence through Face book page. Reasonable visibility was ensured throughout the country with proper outdoor branding in the strategic locations and emerging markets. Retail visibility was increased by branded merchandises. There were TV advertisements in the beginning of the year during the International Cricket Games held in Bangladesh enabling your brand to reach to the customers all over the country.

As an efficient solution to customer complaints, your Company launched customer complaint software, which is integrated with a retail mapping software. Your Company continued to give preference to build relationship with the influencers' groups like engineers and masons and organized various events across the country throughout the year. Various loyalty programs were initiated for the channel partners by offering different reward programs for building sustainable business relationship. Your Company also launched IHB loyalty campaign through retail.

SALES PERFORMANCE

As mentioned at the outset, 2015 began with turbulence which made the business environment challenging in the first quarter. Faced by a major slowdown in the cement demand, grinders pushed cement volumes into a market already facing from excess grinding capacity fuelled by higher margins due to record drop in clinker prices. All this led to pressure in cement prices that saw a decline compared to previous year.

Due to external challenges stated above, both sales volume and prices declined compared to previous year. Your Company however, recovered part of lost volumes through sustained efforts in the last quarter. Overall, the performance of the sales team has been praiseworthy given the enormous pressures from the adverse external environment.

Your Company expanded its distribution and retail network through adding more distributors and retailers all over the country. This year, your Company expanded its distribution facility through addition of bulk cement carrier. As part of capability enhancement, Sales Force Effectiveness (SFE) project was launched to enhance agility, value development and more customer satisfaction.

2015 posed serious challenges in the sales growth of your Company which was not within the control of your Company. For 2016, your Company is working on the right strategy and is confident to overcome all the odds through appropriate action plan.

LOGISTICS PERFORMANCE

External environment of the year 2015 was eventful which had direct impact on distribution and logistics activities of the Company. Turbulence in first quarter impacted cement distribution business. The logistics were affected by the prolonged rainfall during 2015 as well. The year experienced highest rainfall in recent years. Amidst these adverse external situations, efficient logistic planning has persistently added value by safely delivering Company's products to customers, successfully managing business volumes from Plant to Depots and to the end customers.

The highly motivated team was able to drive on various cost reduction levers which helped to keep the distribution cost in control. The logistics team worked relentlessly to find creative ways to maximize dispatch. In 2015 the dispatch by river was highest in your Company. This helped to reduce the cost since transportation by river is cheaper than by road and maximize dispatch.

On the cost side on external spent, your Company achieved very good results in formulating and driving cost saving activities thus adding valuable contribution to EBIDTA.

Your Company will continue the good work across logistics function to continue delivering the Company's objectives and meeting customers' expectation in a cost effective manner.

FINANCIAL PERFORMANCE

The Directors take pleasure in reporting the Financial Results of your Company for the year ended on 31st December 2015 as follows:

	Tk. 000s	
	2015	2014
Profit before tax	1,949,730	2,445,736
Income tax	(346,652)	(713,064)
Profit after tax for the year	1,603,078	1,732,672
Earnings per share	1.38	1.49

The Consolidated Financial Result of your Company for the year ended on 31st December 2015 is as follows:

	Tk. 000s	
	2015	2014
Profit before tax	2,823,371	3,532,862
Income tax	(533,837)	(713,064)
Profit after tax for the year	2,289,534	2,819,798
Earnings per share	1.97	2.43

2015 has been yet another challenging year for your Company especially due to the difficult conditions prevailing in the cement industry arising out of adverse political climate at the beginning of the year and the unprecedented rains. In the backdrop of excess grinding capacity and sharp drop in clinker prices the cement prices have declined compared to 2014 that has had a major impact in your Company's bottom line. Faced with this adverse scenario, your Company concentrated to sustain the sales volume of cement and clinker. At the same time, the Company continued its strong focus in savings costs in all the areas. As a result, all major elements of cost relating to plant fixed costs, general, selling and distribution expenses and finance costs have been kept well below the budget. Your Company has been successful in reducing its variable cost per ton of cement compared to previous year in a scenario where the inflation is around 6.2%. In India, Lafarge Umiam Mining Pvt. Ltd., the subsidiary of your Company, has successfully implemented its self mining operations from March 2015 by replacing the mining contractor. As a result, there has been a further reduction in mining costs. Finance costs have reduced by 40% compared to last year. This was possible through innovative financing schemes, as well as through reduction in working capital and short term debt.

DIVIDEND

The Board of Directors of the Company at its meeting held on June 10, 2015 recommended an interim dividend of five percent (5%), in cash, on the paid-up capital of the Company out of five (5) months' profits of 2015 (from January 1, 2015 to May 31, 2015). The said interim dividend amounted to BDT 580,686,750 which was BDT 0.50 per share of BDT 10.00 each.

Further, the Board of Directors of the Company at its meeting held on March 3, 2015 recommended a final dividend of five percent (5%), in cash, on the paid-up capital of the Company out of seven (7) months' profits of 2015 (from June 1, 2015 to December 31, 2015). The said final dividend amounts to BDT 580,686,750 which is BDT 0.50 per share of BDT 10.00 each. As per the provisions of the Directive of Bangladesh Securities & Exchange Commission (BSEC) dated April 27, 2016, and minutes of the meeting between BSEC and Stock Exchanges dated April 28, 2016, the Board of Directors of the Company, by resolution dated June 9, 2016, recommended the above stated final dividend, in cash, as interim cash dividend. The same was distributed among the shareholders whose name appeared in the Register of Members as on April 13, 2016. Further, the Finance Act 2016 approved that a company, which is a subsidiary or holding company of a parent company incorporated outside Bangladesh, may maintain January to December as their Financial Year, subject to the approval of Deputy Commissioner of Taxes. Accordingly, the Board of Directors of the Company, by resolution dated July 28, 2016, recommended the said five percent (5%) interim dividend, in cash, disbursed among the shareholders by the Company by July 13, 2016, as Final Dividend, in cash.

The cumulative total dividend for the year 2015 recommended by the Company is 10% of the paid-up capital amounting to BDT 1,161,373,500 which is BDT 1:00 per share for the year ended at December 31, 2015, which have already been disbursed by the Company among the shareholders. This recommendation of the Board of Directors regarding the dividend for the year 2015 shall be forwarded to the shareholders at the 18th Annual General Meeting for their consideration and approval.

RETAINED EARNINGS

The total Retained Earnings of your Company stood at BDT 2,423,190,000.00, details of which are given in the Statement of Changes in Equity of the Consolidated Financial Statements.

HUMAN RESOURCE

Success in business largely depends on the quality of the employees. Employees are the assets, who drive the Company to its goal to better serve the shareholders interests. Recognizing the differences that the efficient employees can contribute into the business, your Company's focus is to recruit the right talent for the right job, identifying the successors for the key positions and most importantly, improve the efficiency of employees with right Learning & Development initiatives. Developing the leaders within the organization is the other major focus area for the Human Resource Department of your Company.

COMMUNITY DEVELOPMENT PROGRAM

Your Company is committed to its surrounding community. A business is successful only when the community grows along with the growth of the business.

Engaging and serving the local community through education program, primary healthcare, skill development remains one of the key priorities. Whether it is Chhatak or Meghalaya, your Company's CSR activities are carefully designed to serve the most pressing needs of the people and ensure their well being. The Community Development Center, which is the hub of all the CSR activities located at Chhatak, Sunamganj, continues to provide its services for the betterment of the community people by providing them education and healthcare facilities. Besides, the center along with six (6) sub- centers, are relentlessly working on training the members of the local community that will gradually increase their job skill and employment opportunities. Through these centers, your Company provides its community development services to more than 26,000 people. In Meghalaya, Indian subsidiary of your Company provided community development services in the field of education, primary healthcare, skill and infrastructure development to more than 5,000 residents of the local areas.

Your Company continues its focus on ensuring availability of better health care services for the local communities. With the help of the qualified physicians and nurses, the Centers established by your Company are providing free medical assistance to the local community. Members from the local community now have the access to health consultation, medical support, vaccination etc. A full-time paramedic is also based in the six (6) "Lafarge Surma Sub-Centers" taking health-care to the doorsteps of villagers residing in remote locations. More than 208,034 free health services and counseling sessions have been provided from the medical centre located in CDC and from the six (6) sub-centers. In Meghalaya, in 2015 alone, over 9,000 free health services counseling sessions have been provided around the Quarry at the permanent Healthcare Centre and the Mobile Clinic. The Center has a registered medical doctor. Free medical services including medicines are being provided to the surrounding villagers. LUMPL arranges Eye Camps with free eye checkups, medicines and glasses.

As a part of your Company's focus on education, a total number of 2,106 students have benefitted from the Company's education programs. Students also received free education from six (6) "Lafarge Surma sub centers" established in the remote locations of Chhatak. As a part of developing the lives of the entire community, the Company also provided education to 550 adults to meet the needs of their daily lives. Your Company also provides scholarships to students every year to help them continue their high school education. In 2015, more than 450 children benefitted from your Company's education program. In addition to that, 100 high school students were also given scholarships to support continuation of their education. Teachers of your Company's schools are provided trainings. In Meghalaya, LUMPL continues to provide educational assistance. 167 students have been provided with scholarship. LUMPL sponsors a school in Nongtraï village with 31 students. This school recorded 100% pass percentage in the Meghalaya Education Board examinations.

One of the focus areas of your Company's CSR program is to develop the livelihood skills of the local people, especially for the youths of the community. This enables the local youths to become self employed and creates better employment opportunity for them in the job market. The Company is providing Small Enterprise Development Training in tailoring, embroidery, candle making and the necessary start-up capital to the women of the community as part of the Company's effort to drive women empowerment. Women from the local community now have sufficient opportunities for empowerment through these income generating activities. Through an NGO, your Company has created market linkages for these women with key sellers in affluent towns, thus ensuring a ready and good market for their products. Till date, 797 women have benefitted from this program. After conducting a study on local employment opportunities, the Company introduced training on solar panel installation, mobile servicing, plumbing and pipe fitting along with the necessary startup capital for the youths of the local communities. Till date, 66 youths have availed these trainings. New employment opportunities for them have opened up. Your Company has also engaged youth from the villages of Nongtraï and Shella in Meghalaya for Self Help Groups income generation activities, to develop sustainable development. In 2015 LUMPL supported the local community to develop their livelihood skills, like training of women in weaving, bee keeping etc.

Your Company is committed to serve the community and people to develop their potential and contribute to improve their livelihood for a better future. Thus it continues to make its mark in the fields of social and economic sustainability.

AUDITORS

Pursuant to Section 210 of the Companies Act, 1994, the Company's statutory auditors M/S Hoda Vasi Chowdhury & Co, Chartered Accountants, retire at the 18th Annual General Meeting. Being eligible, they express their willingness to be appointed.

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. The Companies Act 1994 also provides that any Director appointed by the Board of Directors shall retire from office at the next ordinary general meeting but shall be eligible for election by the Company. Accordingly, four (4) Directors of the Company will retire at the 18th Annual General Meeting. The retiring Directors are:

1. Ms. Bi Yong Chungunco, Chairman
2. Ms. Johanna Leffler, Director
3. Mr. Julio Rodriguez Izquierdo, Director
4. Mr. Anisur Rahman Sinha, Director

Being eligible they offer themselves for re-election.

As per notification dated August 07, 2012 from the Bangladesh Securities Exchange Commission, the Directors made additional statements and furnish compliance report in Annexure 1 attached herewith.

For and on behalf of the Board of Directors



Bi Yong Chungunco
Chairman

Date: Dhaka, July 28, 2016

ANNEXURE

ADDITIONAL STATEMENTS BY THE BOARD OF DIRECTORS AS NOTIFICATION DATED AUGUST 07, 2012 FROM THE BANGLADESH SECURITIES AND EXCHANGE COMMISSION:

(i) Industry outlook and possible future developments in the industry.

The future potential of Bangladesh cement market remains strong. The outlook for cement in 2016-2020 remains promising with a CAGR of 9-10% mainly driven by the residential sector. Growing housing up-gradation among IHBs drives the major contribution in cement consumption. Industrial construction taking place in economic zones are also accelerating the growth. At the same time major infrastructure projects are in the pipeline to support economic growth agenda. Per capita cement consumption in Bangladesh is around 130 kgs, which is low compared to the neighbouring countries and world average. Going forward, we expect that cement market will continue to grow steadily.

(ii) Segment-wise or product-wise performance.

The Company produces clinker and cement. It mainly sells cement, but also sells limited quantity of clinker that remains in excess after catering to the cement demand. In 2015, cement sales are 2% lower and clinker sales are 0.4% higher than last year.

(iii) Risk and concerns.

The Company's major risk lies in its cross border operation. Any interruption of limestone supply from its Indian subsidiary company causes a business continuity issue. Uninterrupted running of the long belt conveyor also remains a critical issue. Dispatch of cement from the plant also carries limitations and challenges.

(iv) A discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin.

Cost of Goods Sold has reduced slightly compared to the last year due to lower sales volume. Gross Profit Margin in 2015 reduced to 35.73% (38.56% in 2014) due to lower cement price. Net Profit Margin has also decreased as a result of decrease of Gross Profit Margin as well as increase of other operating expenses.

(v) Discussion on continuity of any Extra-ordinary gain or loss.

No Extra-ordinary gain or loss during the year.

(vi) Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report.

Related party transactions disclosed in the page 81 (Note- 31) of the Annual Report.

(vii) Utilization proceeds from public issues, rights issues and/or through any others instruments.

No public issues, rights issue and/or any other instruments issued during the year.

(viii) An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.

Not applicable.

(ix) If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.

No significant variance occurred between Quarterly Financial performance and Annual Financial Statements.

(x) Remuneration to directors including independent directors.

As per the Articles of Association of the Company (Article 17: Remuneration of Directors), the Directors shall not be entitled to any remuneration except for extra services rendered to the Company and as decided by the Board. The Company may bear all such reasonable expenses as the Director may incur for the purpose of attending meetings of the Directors or general meeting.

(xi) 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.

(xii) That, proper books of account of the company have been maintained.

(xiii) 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.

(xiv) That, the International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the Financial Statements and any departure there from has been adequately disclosed.

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

(xvi) That, there are no significant doubts upon the company's ability to continue as a going concern.

(xvii) Significant deviations from last year's operating results of the company shall be highlighted and the reasons thereof should be explained.

Gross profit has decreased in 2015 compared to last year, mainly due to lower cement price. Operating profit has also decreased as a result of decrease in gross profit margin as well as other operating expense is increased.

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

INCOME AND EXPENSES:

	Tk. 000s				
	2015	2014	2013	2012	2011
REVENUE	10,967,952	11,583,029	11,330,374	10,640,061	6,098,478
Cost of sales	(7,048,751)	(7,116,158)	(6,627,036)	(6,450,942)	(5,538,142)
GROSS PROFIT	3,919,201	4,466,871	4,703,338	4,189,119	560,336
General and administrative expenses	(722,315)	(741,457)	(738,674)	(678,765)	(374,702)
Selling and distribution expenses	(207,577)	(188,298)	(152,429)	(153,284)	(68,340)
Other operating (expenses) / income	(98,281)	241,107	173,472	(20,982)	89,590
OPERATING PROFIT	2,891,028	3,778,223	3,985,707	3,336,088	206,884
Finance expenses	(182,928)	(303,195)	(772,054)	(829,278)	(2,495,364)
Finance income	115,271	57,834	2,154	764	496
PROFIT (LOSS) BEFORE TAX	2,823,371	3,532,862	3,215,807	2,507,574	(2,287,984)
Income tax	(533,837)	(713,064)	(669,708)	(654,140)	100,300
PROFIT (LOSS) FOR THE YEAR	2,289,534	2,819,798	2,546,099	1,853,434	(2,187,684)
Earnings per share (Taka)	1.97	2.43	2.19	1.60	(1.88)

ASSETS AND LIABILITIES:

	Tk. 000s				
	2015	2014	2013	2012	2011
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	11,837,497	12,409,080	12,763,354	13,370,193	13,815,909
Intangible assets	862,086	935,564	987,293	1,185,810	1,293,051
Other Receivables	140,745	145,571	86,457	55,359	-
Current assets	7,854,708	6,320,457	5,190,219	3,912,006	3,450,421
TOTAL ASSETS	20,695,036	19,810,672	19,027,323	18,523,368	18,559,381

	Tk. 000s				
LIABILITIES	2015	2014	2013	2012	2011
Share capital	11,613,735	11,613,735	11,613,735	11,613,735	11,575,806
Retained earnings	2,423,190	1,295,008	(944,130)	(3,490,257)	(5,343,728)
Other component of equity	(52,995)	(61,519)	(52,603)	(11,894)	(16,113)
Share money deposits	-	-	-	-	37,929
Foreign currency translation	377,530	408,334	427,423	268,932	197,787
Shareholders' equity -					
Parent company	14,361,460	13,255,558	11,044,425	8,380,516	6,451,681
Non-controlling interests	39	81	118	231	302
EQUITY	14,361,499	13,255,639	11,044,543	8,380,747	6,451,983
NON-CURRENT LIABILITIES					
Long-term debt	-	132,925	497,027	948,895	3,904,616
Deferred income tax liabilities	2,318,292	1,906,543	1,224,510	612,200	9,267
Contribution to employee benefit	48,915	106,922	137,817	113,924	78,457
Derivative instruments	-	-	-	-	6,746
Provisions	27,787	25,808	23,146	23,125	-
Current liabilities	3,938,543	4,382,835	6,100,280	8,443,980	8,108,312
TOTAL EQUITY A ND LIABILITIES	20,695,036	19,810,672	19,027,323	18,523,368	18,559,381

(xix) Reasons for non-declaration of dividend.

Not applicable.

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

Four (4) meetings of the Board of Directors of the Company were held during the year 2015, and the dates are March 5, 2015, June 10, 2015, September 9, 2015, and December 15, 2015. The attendance by each Director is stated below:

1. Board meeting and attendance during the year ended 31st December 2015

S/L	Name of Directors	Number of meetings held whilst a board member	Meetings attended	Remarks
1	Mr. Thomas Gerard Farrell	4	2	Resigned on 1 September 2015
2	Mr. Fabrizio Angelo Olivares	4	1	Leave granted for the meeting on 5 th March 2015. Resigned on 1 st September 2015
3	Mr. Tarek Samir Ahmed Elba	4	2	Resigned on 1 st September 2015
4	Mr. Carlos Martinez Ferrer	4	3	Leave granted
5	Mr. Marcos Cela Rey	4	4	
6	Mr. Shivesh Kumar Sinha	4	4	
7	Mr. Salvador Fernandez Capo	4	3	Leave granted
8	Mr. Manzurul Islam	4	3	Leave granted
9	Mr. Anisur Rahman Sinha	4	3	Leave granted
10	Mr. Monzurur Rahman	4	4	
11	Mr. Zakir Ahmed Khan	4	2	Leave granted
12	Mr. Md. Wahiduzzaman Khandaker	4	1	Resigned on 1 st April 2015
13	Mr. Syed Shujauddin Ahmed	4	4	
14	Mr. Tufail K Haider	4	4	
15	Ms. Bi Yong Chungunco	4	2	Appointed on 1 st September 2015
16	Mr. Neeraj Akhoury	4	2	Appointed on 1 st September 2015
17	Ms. Johanna Leffler	4	1	Appointed on 1 st September 2015. Leave granted for the meeting on 9 th September 2015

2. Audit Committee meetings and attendance during the year ended 31st December 2015

S/L	Name of Directors	Number of meetings	Meetings attended	Remarks
1	Mr. Zakir Ahmed Khan	4	4	
2	Mr. Carlos Martinez Ferrer	4	3	Leave granted
3	Mr. Tarek Samir Ahmed Elba	4	2	Resigned on 1 st September 2015. Leave granted for the meeting on 13 th July 2015
4	Mr. Syed Shujauddin Ahmed	4	4	
5	Mr. Neeraj Akhoury	4	1	Appointed as member of Audit committee on 1 st September 2015

(xxi) **The pattern of shareholding:**

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

Name of Parent/Subsidiary/Associate Companies	Status	Share held	Share held
Surma Holding B.V.	Foreign	683,698,700	58.87%

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

Name	Position	No. of shares		
		Self	Spouse	Minor Children
Ms. Bi Yong Chungunco	Director/Chairman as nominee of Surma Holding B.V.	Nil	Nil	Nil
Mr. Neeraj Akhoury	Director/CEO as nominee of Surma Holding B.V.	Nil	Nil	Nil
Ms. Johanna Leffler	Director as nominee of Surma Holding B.V.	Nil	Nil	Nil
Mr. Carlos Martinez Ferrer	Director as nominee of Surma Holding B.V.	Nil	Nil	Nil
Mr. Marcos Cela Rey	Director as nominee of Surma Holding B.V.	Nil	Nil	Nil
Mr. Shivesh Kumar Sinha	Director as nominee of Surma Holding B.V.	Nil	Nil	Nil
Mr. Julio Rodriguez Izquierdo	Director as nominee of Surma Holding B.V.	Nil	Nil	Nil
Mr. Manzurul Islam	Director as nominee of Islam Cement Ltd .	200	Nil	Nil
Mr. Anisur Rahman Sinha	Director as nominee of Sinha Fashions Ltd .	Nil	Nil	Nil
Mr. Monzurur Rahman	Independent Director	2,000	Nil	Nil
Mr. Syed Shujauddin Ahmed	Independent Director	Nil	Nil	Nil
Mr. Tufail K Haider	Independent Director	Nil	Nil	Nil
Mr. Masud Khan	Chief Financial Officer	Nil	Nil	Nil
Mr. Kazi Mizanur Rahman	Company Secretary	Nil	Nil	Nil
Mr. Moshorrof Hossain	Head of Internal Audit	Nil	Nil	Nil

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

- Surma Holding B.V. : 683,698,700 shares
- Islam Cement Ltd: 31,914,200 shares
- Sinha Fashions Ltd: 35,100,000 shares

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

Name	Position	No. of shares
Mr. Eung Rae Kim	Industrial Director	Nil
Mr. Mohammed Arif Bhuiyan	Procurement & Logistics Director	Nil
Mr. Sang Soo Bae	Optimization Manager	Nil
Mr. Harpal Singh	Head of Maintenance	Nil
Mr. Navin Malhotra	Sales Director	Nil

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

Name of Shareholders holding ten percent or more voting interest	Status	Share held	Share held
Surma Holding B.V.	Foreign	683,698,700	58.87%

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

With regard to the appointment, retirement and re-appointment of Directors, the Company is governed by its Articles of Association, the Company Act, 1994 and other related legislations. Accordingly, the following Directors of the Board will retire at the 18th Annual General Meeting and will be eligible for re-appointment.

The name of the Directors are as follows:

1. Ms. Bi Yong Chungunco, Chairman
2. Ms. Johanna Leffler, Director
3. Mr. Julio Rodriguez Izquierdo, Director
4. Mr. Anisur Rahman Sinha, Director

Brief resume of the Directors, nature of their expertise in specific functional areas and names of companies in which they also hold the directorship and membership of committees of the board are given at page 16 to 21 of the Annual Report, which fulfill the condition 1.5 (xxii) of the corporate governance guidelines of BSEC.

STATUS OF COMPLIANCE WITH CONDITIONS IMPOSED BY THE BANGLADESH SECURITIES AND EXCHANGE COMMISSION:

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

(REPORT UNDER CONDITION NO. 7.00)

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
1	Board of Directors			
1.1	Board's Size The number of Board Directors should not be less than 5 (five) and more than 20 (twenty).	✓		
1.2	Independent Directors			
(i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.	✓		
(ii) a)	Who either does not hold any share or holds less than 1% shares to the total paid-up shares of the company;	✓		
(ii) b)	Who is not a sponsor of the company and is not connected with the companies any sponsor or director or shareholder who holds one percent (1%) or more share of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company.	✓		
(ii) c)	Who does not have any other relationship whether pecuniary or otherwise, with the company or its subsidiary/ associated companies.	✓		
(ii) d)	Who is not a member, director or officer of any stock exchange .	✓		
(ii) e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market.	✓		
(ii) f)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm.	✓		

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
(ii)g)	Who shall not be an independent director in more than 3 (three) listed companies.	✓		
(ii) h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI).	✓		
(ii) i)	Who has not been convicted for a criminal offence involving moral turpitude.	✓		
(iii)	The independent director(s) shall be appointed by the board of directors and approved by the shareholders in the Annual General Meeting (AGM).	✓		
(iv)	The post of independent director(s) can not remain vacant for more than 90 (ninety) days.	✓		
(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	✓		
(vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	✓		
1.3	Qualification of Independent Director (ID)			
(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	✓		
(ii)	The person should be a Business Leader / Corporate Leader / Bureaucrat / University Teacher with Economics or Business Studies or Law background / Professionals like Chartered Accountants, Cost & Management Accountants, and Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management / professional experience.	✓		
(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.	N/A		
1.4	Chairman of the Board and Chief Executive Officer			
	The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals with defined different roles and responsibilities. The Chairman of the company shall be elected from among the directors of the company.	✓		
1.5	The Directors' Report to Shareholders			
(i)	Industry outlook and possible future development in the industry.	✓		
(ii)	Segment-wise or product-wise performance.	✓		
(iii)	Risks and concerns.	✓		
(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	✓		
(v)	Discussion on continuity of any Extra -Ordinary gain or loss.	N/A		
(vi)	Basis for related party transactions - a statement of all related party transactions should be disclosed in the annual report.	✓		
(vii)	Utilization of proceeds from public issues, rights issues and / or through any others instruments.	✓		
(viii)	An explanation if the financial result deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.	N/A		

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	N/A		
(x)	Remuneration to directors including independent directors.	N/A		No remuneration paid to any director
(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.	✓		
(xii)	Proper books of account of the issuer company have been maintained.	✓		
(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		
(xiv)	International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	✓		
(xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		
(xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		
(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		
(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		
(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	N/A		10% Cash Dividend for the year 2015 inclusive of 5% interim Cash Dividend
(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		
(xxi)	The pattern of shareholdings and name wise details disclosing the aggregate number of shares.			
(xxi)a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details).	✓		
(xxi)b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details).	✓		

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
(xxi) c)	Executives (top five salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit).	✓		
(xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
(xxii)	Appointment/Reappointment of Directors:			
(xxii) a)	A brief resume of the director.	✓		
(xxii) b)	Nature of his/her expertise in specific functional areas.	✓		
(xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
2	Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS)			
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	✓		
2.2	The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors. Provided that the CFO and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	✓		
3	Audit Committee			
(i)	The company shall have an Audit Committee as a sub-committee of the Board of Directors.	✓		
(ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		
(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		
3.1	Constitution of the Audit Committee			
(i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
(ii)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director.	✓		
(iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	✓		
(iv)	When the term of service of the Committee members expires or there is any circumstance causing any Committee member to be unable to hold office until expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (one) month from the date of vacancy(ies) in the Committee to ensure continuity of the performance of work of the Audit Committee.	N/A		No vacancy occurred
(v)	The company secretary shall act as the secretary of the Committee.	✓		
(vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
3.2	Chairman of the Audit Committee			
(i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director.	✓		
(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	✓		
3.3	Role of Audit Committee			
(i)	Oversee the financial reporting process.	✓		
(ii)	Monitor choice of accounting policies and principles.	✓		
(iii)	Monitor Internal Control Riskmanagement process.	✓		
(iv)	Oversee hiring and performance of external auditors	✓		
(v)	Review along with the management, the annual financial statements before submission to the board for approval.	✓		
(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the board for approval.	✓		
(vii)	Review the adequacy of internal audit function.	✓		
(viii)	Review statement of significant related party transactions submitted by the management.	✓		
(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		
(x)	When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.	N/A		
3.4	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors			
(i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
(ii) a)	Report on conflicts of interests.	N/A		None
(ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system.	N/A		None
(ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations.	N/A		None
(ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	N/A		None

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
3.4.2	Reporting to the Authorities: If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board of Directors, whichever is earlier.	N/A		None
3.5	Reporting to the Shareholders and General Investors: Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.	✓		
4	External /Statutory Auditors			
(i)	Appraisal or valuation services or fairness opinions.	✓		
(ii)	Financial information systems design and implementation.	✓		
(iii)	Book-keeping or other services related to the accounting records or financial statements.	✓		
(iv)	Broker-dealer services.	✓		
(v)	Actuarial services.	✓		
(vi)	Internal audit services.	✓		
(vii)	Any other service that the Audit Committee determines.	✓		
(viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	✓		
(ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	✓		
5	Subsidiary Company			
(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	N/A		The Subsidiaries are governed by guidelines applicable in India.
(ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	N/A		
(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	✓		
(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	✓		
(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	✓		

Condition No.	Title	Compliance status (Put ✓ in the appropriate column)		Remarks (If any)
		Complied	Not complied	
6	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
	The CEO and CFO shall certify to the Board that: -			
(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:	✓		
(i) a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		
(i) b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	✓		
(ii)	There are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
7	Reporting and Compliance of Corporate Governance			
(i)	The company shall obtain a certificate from a practicing Professional Accountant/ Secretary (Chartered Accountant/ Cost and Management Accountant/ Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	✓		
(ii)	The directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	✓		

For and on behalf of the Board of Directors



Bi Yong Chungunco
Chairman

Date: Dhaka, July 28, 2016