

# Lafarge Surma Cement Ltd.

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

## 3rd Quarter Consolidated Financial Statements-2016 (Un-audited)

Pursuant to the requirement of Regulation 17(3) of the Listing Regulations 2015 of Dhaka and Chittagong Stock Exchange Limited and Complying with Notification No. SEC/CMRCD/2008-183/Admin/03-34 dated September 27, 2009 and Letter No. SEC/CFD/Misc./233/2004/615 dated February 02, 2010 of Bangladesh Securities and Exchange Commission. The details of the published quarterly financial statements are available in the web-site of the Company. The address of the web-site is: www.lafarge-bd.com

LAFARGE SURMA CEMENT LIMITED			
Consolidated Statement of Financial Position (Un-audited) at 30 September 2016			
NOTE	30 Sep 2016 Taka'000	31 Dec 2015 Taka'000	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	11,723,760	11,837,497
Intangible assets	6	839,356	862,086
Other receivables	9	139,326	140,745
		<b>12,702,442</b>	<b>12,840,328</b>
<b>CURRENT ASSETS</b>			
Inventories	7	1,672,033	1,429,587
Trade receivables	8	1,116,534	908,260
Other receivables	9	2,258,715	2,265,908
Derivative instruments		4,682	1,109
Cash and cash equivalents	10	2,750,626	3,249,844
		<b>7,802,590</b>	<b>7,854,708</b>
<b>TOTAL ASSETS</b>		<b>20,505,032</b>	<b>20,695,036</b>
<b>EQUITY &amp; LIABILITIES</b>			
Share capital		11,613,735	11,613,735
Retained earnings		3,159,350	2,423,190
Other components of equity		(48,002)	(52,995)
Foreign currency translation		378,919	377,530
<b>SHAREHOLDERS' EQUITY- PARENT COMPANY</b>		<b>15,104,002</b>	<b>14,361,460</b>
Non-controlling interests		37	39
<b>EQUITY</b>		<b>15,104,039</b>	<b>14,361,499</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	11	2,320,128	2,318,292
Employee benefits		63,355	48,915
Provisions	12	29,936	27,787
		<b>2,412,419</b>	<b>2,394,994</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	1,925,937	2,473,604
Other payables	14	382,830	376,640
Derivative instruments		-	2,493
Short-term debt	15	679,807	1,085,806
		<b>2,988,574</b>	<b>3,938,543</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,505,032</b>	<b>20,695,036</b>

The accompanying Notes 1 to 26 form an integral part of these financial statements.

Company Secretary: [Signature] Chief Financial Officer: [Signature] Director: [Signature] Chief Executive Officer: [Signature] Chairman: [Signature]

LAFARGE SURMA CEMENT LIMITED				
Consolidated Statement of Profit or Loss (Un-audited) for the period ended 30 September 2016				
NOTES	Jan-Sep 2016 Taka'000	Jan-Sep 2015 Taka'000	Jul-Sep 2016 Taka'000	Jul-Sep 2015 Taka'000
<b>REVENUE</b>				
17	7,432,916	7,715,592	2,316,371	2,432,120
18	(4,964,732)	(5,051,818)	(1,580,656)	(1,677,598)
<b>GROSS PROFIT</b>	<b>2,468,184</b>	<b>2,663,774</b>	<b>735,715</b>	<b>754,522</b>
<b>General and administrative expenses</b>				
19	(508,166)	(540,907)	(156,901)	(175,024)
<b>Sales and marketing expenses</b>				
20	(129,344)	(139,331)	(50,830)	(51,724)
<b>Other operating income</b>				
	4,726	11,998	(387)	1,301
<b>OPERATING PROFIT</b>	<b>1,835,400</b>	<b>1,995,534</b>	<b>627,597</b>	<b>629,076</b>
<b>Finance cost</b>				
21	(60,354)	(143,107)	5,703	(77,219)
<b>Finance income</b>				
21	105,178	79,263	32,341	13,950
<b>PROFIT BEFORE TAX</b>	<b>1,880,224</b>	<b>1,931,690</b>	<b>565,641</b>	<b>465,806</b>
<b>Income tax</b>				
22	(563,377)	(211,074)	(188,299)	(96,594)
<b>PROFIT FOR THE PERIOD</b>	<b>1,316,847</b>	<b>1,720,616</b>	<b>377,342</b>	<b>369,212</b>
<b>Basic earnings per share (Taka)</b>				
23	1.13	1.48	0.32	0.32

The accompanying Notes 1 to 26 form an integral part of these financial statements.

Company Secretary: [Signature] Chief Financial Officer: [Signature] Director: [Signature] Chief Executive Officer: [Signature] Chairman: [Signature]

LAFARGE SURMA CEMENT LIMITED			
Consolidated Statement of Cash Flows (Un-audited) for the period ended 30 September 2016			
	Jan-Sep 2016 Taka'000	Jan-Sep 2015 Taka'000	
<b>Cash Flows From Operating Activities</b>			
Cash receipts from customers	6,951,127	7,403,920	
Cash paid to suppliers and employees	(5,930,895)	(5,630,076)	
Cash generated in operations	1,020,232	1,773,844	
Income taxes paid	(250,253)	(340,247)	
Other receipts	4,393	4,709	
<b>Net cash generated by operating activities</b>	<b>774,372</b>	<b>1,438,306</b>	
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment	(348,656)	(133,012)	
Payments for intangible assets	(15,707)	(2,691)	
Proceeds from sale of property, plant and equipment	423	8,998	
Interest income on bank deposits	105,100	68,909	
<b>Net cash used in investing activities</b>	<b>(258,840)</b>	<b>(57,796)</b>	
<b>Cash Flows From Financing Activities</b>			
(Decrease) Increase in short term debt	(400,980)	100,472	
Repayment of long term debt	(44,550)	(541,853)	
Payment of interest and other finance costs	(569,081)	(1,140,847)	
Dividend paid	-	2,282	
<b>Net cash used in financing activities</b>	<b>(1,014,611)</b>	<b>(1,676,986)</b>	
<b>Net effect of foreign currency translation on cash and cash equivalents</b>			
	(139)	(4,304)	
<b>Net decrease in cash and cash equivalents</b>	<b>(499,218)</b>	<b>(300,780)</b>	
<b>Cash and Cash Equivalents at Beginning of the Period</b>			
	3,249,844	1,881,906	
<b>Cash and Cash Equivalents at End of the Period</b>	<b>2,750,626</b>	<b>1,581,126</b>	

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Company Secretary: [Signature] Chief Financial Officer: [Signature] Director: [Signature] Chief Executive Officer: [Signature] Chairman: [Signature]

LAFARGE SURMA CEMENT LIMITED							
Consolidated Statement of Changes in Equity (Un-audited) for the period ended 30 September 2016							
	Share capital	Retained earnings	Other components of equity	Foreign currency translation	Equity for parent company	Non controlling interests	Total equity
<b>Balance at 1 January 2015</b>	11,613,735	1,295,008	(61,519)	408,334	13,255,558	81	13,255,639
Total comprehensive income/(loss) for the period	-	1,720,616	5,581	(32,867)	1,693,330	(20)	1,693,310
Final Dividend 2014	-	(580,687)	-	-	(580,687)	-	(580,687)
Interim Dividend	-	(580,687)	-	-	(580,687)	-	(580,687)
<b>Balance at 30 September 2015</b>	<b>11,613,735</b>	<b>1,854,250</b>	<b>(55,938)</b>	<b>375,467</b>	<b>13,787,514</b>	<b>61</b>	<b>13,787,575</b>
<b>Balance at 1 January 2016</b>	11,613,735	2,423,190	(52,995)	377,530	14,361,460	39	14,361,499
Total comprehensive income for the period	-	1,316,847	4,993	1,389	1,323,227	(2)	1,323,227
Final Dividend 2015	-	(580,687)	-	-	(580,687)	-	(580,687)
<b>Balance at 30 September 2016</b>	<b>11,613,735</b>	<b>3,159,350</b>	<b>(48,002)</b>	<b>378,919</b>	<b>15,104,002</b>	<b>37</b>	<b>15,104,039</b>

Company Secretary: [Signature] Chief Financial Officer: [Signature] Director: [Signature] Chief Executive Officer: [Signature] Chairman: [Signature]

LAFARGE SURMA CEMENT LIMITED			
Notes to the Condensed Consolidated Financial Statements (Un-audited) for the period ended 30 September 2016			
<b>1 Background and Introduction</b>			
<b>Formation and legal status</b>			
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:			
<b>Lum Mawshun Minerals Private Limited (LMMPL)</b> - 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.			
<b>Lafarge Umiam Mining Private Limited (LUMPL)</b> - 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.			

<b>2 Nature of Business</b>			
The Company has established the country's only modern, integrated and state-of-the-art cement manufacturing plant at Chhatak under Sunamganj district. The company extracts and processes the basic raw materials limestone from its own quarry in Meghalaya. A 17-kilo metre cross-border belt conveyor links the quarry with the cement plant for transportation of raw materials. The company is engaged in manufacturing and marketing of cement and clinker in the local market.			
<b>3 Basis of preparation</b>			
The consolidated interim financial statements have been prepared in accordance with Bangladesh Accounting Standard 34 Interim Financial Reporting.			
<b>4 Significant Accounting Policies</b>			
The financial statements have been prepared under the historical cost convention, except for the following:			
i) derivative financial instruments measured at fair value;			
ii) financial instruments at fair value through profit and loss measured at fair value.			
The same accounting policies, presentation and methods of computation have been followed in these interim financial statements as were applied in the preparation of the Company's financial statements for the year ended 31 December 2015.			

	30 Sep 2016 Taka'000	31 Dec 2015 Taka'000
<b>5 Property, Plant and Equipment</b>		
<b>COST</b>		
At January 1	16,817,164	16,878,660
Additions	332,367	149,826
Disposals	(6,670)	(138,878)
Translation adjustment	(5,805)	(72,444)
At Sep 30/December 31	<b>17,137,056</b>	<b>16,817,164</b>
<b>DEPRECIATION</b>		
At January 1	4,979,667	4,469,580
Disposals	(1,246)	(52,542)
Charge for the period	436,155	582,830
Translation adjustment	(1,280)	(20,201)
At Sep 30/December 31	<b>5,413,296</b>	<b>4,979,667</b>
<b>CARRYING AMOUNT</b>	<b>11,723,760</b>	<b>11,837,497</b>
<b>6 Intangible Assets</b>		
<b>COST</b>		
At January 1	1,129,622	1,164,077
Additions	15,707	9,309
Disposals	-	(419)
Translation adjustment	(3,463)	(43,345)
At Sep 30/December 31	<b>1,141,866</b>	<b>1,129,622</b>
<b>AMORTIZATION</b>		
At January 1	267,536	228,513
Charge for the period	35,400	46,821
Translation adjustment	(426)	(7,798)
At Sep 30/December 31	<b>302,510</b>	<b>267,536</b>
<b>CARRYING AMOUNT</b>	<b>839,356</b>	<b>862,086</b>
<b>7 Inventories</b>		
Raw materials	232,848	303,011
Spare parts	925,439	864,146
Packing materials	12,742	10,164
Other materials	52,643	103,469
Finished goods and work in process	448,361	148,797
	<b>1,672,033</b>	<b>1,429,587</b>
<b>8 Trade Receivables</b>		
Trade receivables	1,125,568	918,869
Valuation allowance	(9,034)	(10,609)
	<b>1,116,534</b>	<b>908,260</b>
<b>9 Other Receivables</b>		
Contractors, consultants, suppliers and others	443,729	328,574
Employees	43,370	21,583
Prepaid expenses	99,533	91,364
VAT current account	311,809	135,582
Advance income tax- net of tax provision (Note 16)	1,446,669	1,761,214
Other receivables	32,350	47,540
Accrued interest	20,581	20,788
	<b>2,398,041</b>	<b>2,406,653</b>
<b>Current portion</b>		
	2,258,715	2,265,908
<b>Non-current portion</b>	139,326	140,745
<b>10 Cash and Cash Equivalents</b>		
Cash in hand	777	668
Cash at banks	2,749,849	3,249,176
	<b>2,750,626</b>	<b>3,249,844</b>
<b>11 Deferred Tax Liabilities</b>		
The tax effects of temporary differences that resulted in deferred tax liabilities and assets.		
Deferred tax liabilities	2,339,963	2,327,920
Property, plant and equipment		
	<b>2,339,963</b>	<b>2,327,920</b>
<b>Deferred tax assets</b>		
Provision for gratuity	17,577	6,976
Provision for doubtful debts	2,258	2,652
	<b>19,835</b>	<b>9,628</b>
<b>Net deferred tax liabilities</b>	<b>2,320,128</b>	<b>2,318,292</b>
<b>12 Provisions</b>		
<b>Site restoration provisions</b>		
Balance at 1 January	27,787	25,808
Current year addition	2,223	3,091
Translation adjustment	(74)	(1,112)
	<b>29,936</b>	<b>27,787</b>
At Sep 30/December 31		
The Company is legally required to restore a quarry site, the estimated costs of site restoration are accrued and recognized to the cost of sales, on the basis of mines closure plan submitted to Indian Bureau of Mines (IBM).		
<b>13 Trade Payables</b>		
Payable for expenses	1,533,199	1,552,522
General assistance fee (Note- 13.1)	172,608	211,865
Trademark license fee (Note- 13.2)	172,608	211,865
Advances paid by customers	44,091	317,606
Others	3,431	179,746
	<b>1,925,937</b>	<b>2,473,604</b>
<b>13.1 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>13.2 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).		
	30 Sep 2016 Taka'000	31 Dec 2015 Taka'000
<b>14 Other Payables</b>		
Payables to supplier of property, plant & equipment		
	129,860	66,102
Other finance costs payable		
	-	2,416
Payable to employees		
	130,002	166,548
Income tax & VAT deducted at source		
	85,655	115,883
Dividend payable		
	37,313	25,691
	<b>382,830</b>	<b>376,640</b>
<b>15 Short Term Debt</b>		
Bank overdraft facilities		
	35,902	47,129
Short term credit facilities		
	643,905	1,038,677
	<b>679,807</b>	<b>1,085,806</b>
<b>16 Current Tax Liabilities</b>		
Balance at 1 January		
	304,624	185,327
Provision for the period		
	562,167	119,297
Translation adjustment		
	1,373	-
At Sep 30/December 31	<b>868,164</b>	<b>304,624</b>
<b>17 Revenue</b>		
Sale of gray cement		
	6,359,974	6,510,184
Sale of cement clinker		
	1,072,942	1,205,408
	<b>7,432,916</b>	<b>7,715,592</b>
<b>18 Cost of Sales</b>		
Manufacturing variable cost		
	2,889,519	2,920,010
Manufacturing fixed cost		
	984,005	1,074,920
Freight cost to customers		
	394,064	337,072
Depot operating and transportation costs		
	589,419	549,640
Inventory movement		
	(337,441)	(273,333)
Depreciation and amortization		
	445,166	443,509
	<b>4,964,732</b>	<b>5,051,818</b>
<b>19 General and Administrative Expenses</b>		
Salary, allowances and benefits		
	149,682	157,078
General assistance fee		
	69,643	72,346
Trademark license fee		
	69,643	72,346
Computer expenses		
	31,864	37,345
Other office expenses		