

half-yearly report

2013



Lafarge Surma Cement Ltd.

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



The cement silos at Lafarge Surma Cement Ltd's Plant at Chhattak, Sunamganj

Dated: Dhaka, July 16, 2013

Dear Shareholders,

Pursuant to the requirements of the Securities and Exchange Rules, 1987 and the Listing Regulations of the Stock Exchanges, we are pleased to present the following Half-Yearly Financial Statements of Lafarge Surma Cement Limited:


- Un-audited Half-Yearly Consolidated Financial Statements containing Financial position as at June 30, 2013, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on the same date; and
- Un-audited Half-Yearly Financial Statements containing Financial Position as at June 30, 2013, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on the same date.

Yours Sincerely,

Tarek Samir Ahmed Elba
Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Consolidated Statement of Financial Position (Un-audited)
at 30 June 2013


	NOTES	30 Jun 2013 Taka'000	31 Dec 2012 Taka'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	12,972,756	13,370,193
Intangible assets	6	1,038,245	1,185,810
Other receivables	9	46,695	55,359
		14,057,696	14,611,362
CURRENT ASSETS			
Inventories	7	1,536,416	1,659,520
Trade receivables	8	655,845	711,629
Other receivables	9	1,782,422	1,386,697
Derivative instruments		1,265	-
Cash and cash equivalents	10	405,368	154,160
		4,381,316	3,912,006
TOTAL ASSETS		18,439,012	18,523,368
EQUITY & LIABILITIES			
Share capital		11,613,735	11,613,735
Retained earnings		(2,428,236)	(3,490,257)
Other component of equity		(93,241)	(11,894)
Foreign currency translation		505,425	268,932
SHAREHOLDERS' EQUITY - PARENT COMPANY		9,697,683	8,380,516
Non-controlling interests		166	231
EQUITY		9,697,849	8,380,747
NON-CURRENT LIABILITIES			
Long-term debt	11.1	691,233	948,895
Deferred tax liabilities	12	1,248,797	612,200
Employee benefits		113,666	113,924
Provisions	13	22,334	23,125
		2,076,030	1,698,144
CURRENT LIABILITIES			
Trade payables	14	2,180,106	1,945,520
Other payables	15	292,474	473,595
Derivative instruments		9,928	7,641
Current portion of long term debt	11.2	1,370,685	2,838,908
Short-term debt	16	2,766,920	3,063,221
Current tax liabilities	17	145,020	115,582
		6,765,133	8,444,477
TOTAL EQUITY AND LIABILITIES		18,439,012	18,523,368


 Finance Director


 Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Consolidated Income Statement (Un-audited)
for the period ended 30 June 2013


	NOTES	Jan-Jun 2013 Taka '000	Jan-Jun 2012 Taka '000	Apr-Jun 2013 Taka '000	Apr-Jun 2012 Taka '000
REVENUE	18	5,691,975	5,539,839	2,746,008	2,742,132
Cost of sales	19	(3,249,411)	(3,436,706)	(1,656,450)	(1,617,614)
GROSS PROFIT		2,442,564	2,103,133	1,089,558	1,124,518
General and administrative expenses	20	(374,055)	(313,521)	(163,143)	(161,796)
Sales and marketing expenses	21	(80,941)	(73,233)	(39,732)	(32,142)
Other operating income	28	179,953	9,459	171,165	5,520
OPERATING INCOME		2,167,521	1,725,838	1,037,848	936,100
Finance cost	22	(439,818)	(672,405)	(377,211)	(537,000)
Finance income	22	51	11,505	51	11,505
INCOME BEFORE TAX		1,727,755	1,064,938	660,688	410,605
Income tax	23	(665,733)	(445,441)	(299,019)	(255,691)
INCOME FOR THE PERIOD		1,062,021	619,497	361,669	154,914
Basic earnings per share (Taka)	24	0.91	0.53	0.31	0.13


Finance Director


Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Consolidated Statement of Comprehensive Income (Un-audited)
for the period ended 30 June 2013

	Jan-Jun 2013 Taka '000	Jan-Jun 2012 Taka '000	Apr-Jun 2013 Taka '000	Apr-Jun 2012 Taka '000
INCOME FOR THE PERIOD	1,062,021	619,497	361,669	154,914
Cash flow hedge instruments	(81,347)	(52,113)	(90,950)	(92,123)
Actuarial loss	-	66	-	66
Exchange differences on translating foreign operation	236,493	97,046	220,517	183,263
Non controlling interests- currency translation adjustment	(65)	(36)	(57)	(65)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	155,081	44,963	129,510	91,171
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,217,102	664,460	491,179	246,065
Attributable to:				
Owners of the parent Company	1,217,167	664,495	491,237	246,150
Non-controlling interests	(65)	(36)	(57)	(65)
	1,217,102	664,460	491,179	246,065



 Finance Director


 Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Consolidated Statement of Changes in Equity (Un-audited)
for the period ended 30 June 2013

(All figures are in Tk. '000)


	Share capital	Retained earnings	Other components of equity	Share deposits	Foreign currency translation	Equity for parent company	Non controlling interests	Total equity
Balance at 1 January 2012	11,575,806	(5,343,726)	(16,113)	37,929	197,787	6,451,681	302	6,451,983
Total comprehensive income/(loss) for the period	37,929	619,497	(52,047)	(37,929)	97,046	664,496	(36)	664,460
Balance at 30 June 2012	11,613,735	(4,724,231)	(68,160)	-	294,833	7,116,177	266	7,116,443
Balance at 1 January 2013	11,613,735	(3,490,257)	(11,894)	-	268,932	5,380,516	231	8,380,747
Total comprehensive income/(loss) for the period	-	1,062,021	(81,347)	-	236,493	1,217,167	(65)	1,217,102
Balance at 30 June 2013	11,613,735	(2,428,236)	(93,241)	-	505,425	6,597,683	166	6,597,649


 Finance Director


 Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Consolidated Statement of Cash Flows (Un-audited)
for the period ended 30 June 2013

	Jan-Jun 2013 <u>Taka'000</u>	Jan-Jun 2012 <u>Taka'000</u>
Cash Flows From Operating Activities		
Cash receipts from customers	5,734,755	5,655,720
Cash paid to suppliers and employees	<u>(3,269,570)</u>	<u>(3,324,736)</u>
Cash generated in operations	2,465,185	2,330,982
Income tax paid	(130,880)	(114,107)
Other receipts	1,483	1,347
Net cash generated by operating activities	<u>2,335,788</u>	<u>2,218,222</u>
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(141,473)	(28,548)
Payments for intangible assets	(1)	(32,183)
Proceeds from sale of property, plant and equipment	4,533	561
Net cash used in investing activities	<u>(136,941)</u>	<u>(60,170)</u>
Cash Flows From Financing Activities		
Repayment of long term debt	(1,610,441)	(1,044,601)
Increase (decrease) in short term debt	(125,002)	(895,168)
Payment for right issue costs	-	(26,204)
Payment of interest	(211,421)	(338,130)
Net cash used in financing activities	<u>(1,946,864)</u>	<u>(2,304,103)</u>
Net effect of foreign currency translation on cash and cash equivalents	(775)	(303)
Net increase(decrease) in cash and cash equivalents	<u>261,208</u>	<u>(146,354)</u>
Cash and Cash Equivalents at Beginning of the Period	<u>154,160</u>	<u>245,432</u>
Cash and Cash Equivalents at End of the Period	<u>405,368</u>	<u>99,078</u>


 Finance Director


 Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED

Notes to the Condensed Consolidated Financial Statements (Un-audited) for the period ended 30 June 2013

1 Background and Introduction

Formation and legal status

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

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

3 Basis of Preparation

The consolidated interim financial statements have been prepared in accordance with Bangladesh Accounting Standard 34 *Interim Financial Reporting*.

4 Significant Accounting Policies

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 2012.

	30 Jun 2013 <u>Taka'000</u>	31 Dec 2012 <u>Taka'000</u>
5 Property, Plant and Equipment		
COST		
At January 1	16,809,057	16,720,342
Additions	55,177	245,413
Disposals	(5,339)	(46,499)
Translation adjustment	(209,895)	(110,199)
At June 30/December 31	<u>16,649,000</u>	<u>16,808,057</u>
DEPRECIATION		
At January 1	3,438,864	2,904,433
Disposals	(5,339)	(14,381)
Change for the period	287,400	570,599
Translation adjustment	(44,681)	(21,787)
At June 30/December 31	<u>3,676,244</u>	<u>3,438,864</u>
CARRYING AMOUNT	<u>12,972,756</u>	<u>13,370,193</u>

	30 Jun 2013 Taka'000	31 Dec 2012 Taka'000
6 Intangible Assets		
COST		
At January 1	1,338,116	1,397,782
Additions	1	10,908
Translation adjustment	(134,630)	(70,574)
At June 30/December 31	<u>1,203,487</u>	<u>1,338,116</u>
AMORTIZATION		
At January	152,306	104,731
Change for the period	25,679	93,098
Translation adjustment	(12,743)	(5,523)
At June 30/December 31	<u>165,242</u>	<u>152,306</u>
CARRYING AMOUNT	<u><u>1,038,245</u></u>	<u><u>1,185,810</u></u>
7 Inventories		
Raw materials	540,934	581,410
Spare parts	756,726	688,300
Packing materials	8,132	14,857
Other materials	59,792	106,270
Finished goods and work in process	170,832	268,683
	<u>1,536,416</u>	<u>1,659,520</u>
8 Trade Receivables		
Trade receivables	656,354	718,391
Valuation allowance	(509)	(6,762)
	<u>655,845</u>	<u>711,629</u>
9 Other Receivables		
Contractors, consultants, suppliers and others	493,262	325,068
Employees	46,893	34,676
Prepaid expenses	254,137	176,432
VAT current account	116,801	127,473
Income tax-deducted at source	871,636	747,425
Other receivables	46,368	30,962
	<u>1,829,117</u>	<u>1,442,056</u>
Current portion	1,782,422	1,386,497
Non-current portion	46,695	55,559
10 Cash and Cash Equivalents		
Cash in hand	448	477
Cash at banks	404,920	153,683
	<u>405,368</u>	<u>154,160</u>
11 Long Term Debt		
11.1 Long portion		
AB Bank Limited	-	8,356
Citibank N.A. - Mumbai	326,561	430,799
Standard Chartered Bank - Mumbai	364,672	509,740
	<u>691,233</u>	<u>948,895</u>
11.2 Current portion *		
International Finance Corporation	546,978	1,122,375
Asian Development Bank	-	455,857
European Investment Bank	408,112	837,430
AB Bank Limited	-	27,883
Citibank N.A. - Mumbai	233,259	191,467
Standard Chartered Bank - Mumbai	182,336	203,896
	<u>1,370,685</u>	<u>2,838,903</u>

* Loans of International Finance Corporation and European Investment Bank have been paid off subsequently on July 15, 2013

	30 Jun 2013 <u>Taka'000</u>	31 Dec 2012 <u>Taka'000</u>
12 Deferred Tax (Liabilities)/Assets		
The tax effects of temporary differences that resulted in deferred tax assets and liabilities.		
Deferred tax assets		
Provision for gratuity	36,479	36,517
Provision for doubtful debts	2,889	2,536
Business loss	2,029,009	2,676,458
Cash flow hedge	-	292
	<u>2,068,177</u>	<u>2,715,803</u>
Deferred tax liabilities		
Property, plant and equipment	(3,316,974)	(3,328,003)
	<u>(3,316,974)</u>	<u>(3,328,003)</u>
	<u>(1,248,797)</u>	<u>(612,200)</u>
13 Provisions		
Site restoration provisions		
Balance at 1 January	23,125	-
Addition	1,814	24,376
Translation adjustment	(2,606)	(1,251)
	<u>22,334</u>	<u>23,125</u>
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).		
14 Trade Payables		
Payable for expenses	1,400,833	1,184,268
General assistance fee (Note- 14.1)	359,474	304,884
Trademark license fee (Note- 14.2)	359,474	304,884
Advances paid by customers	51,221	64,224
Others	9,104	87,260
	<u>2,180,106</u>	<u>1,945,520</u>
14.1 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).		
14.2 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).		
15 Other Payables		
Payables to supplier of property, plant & equipment	22,140	106,428
Accrued interest and commitment fees	26,624	63,728
Payable to employees	142,592	211,033
Income tax & VAT deducted at source	101,118	90,406
	<u>292,474</u>	<u>473,595</u>
16 Short Term Debt		
Bank overdraft facilities	14,435	171,439
Short term credit facilities	2,752,485	2,891,782
	<u>2,766,920</u>	<u>3,063,221</u>
17 Current Tax Liabilities		
Balance at 1 January	115,592	62,147
Provision for the year	29,428	53,445
	<u>145,020</u>	<u>115,592</u>

	Jan-Jun 2013	Jan-Jun 2012
	<u>Taka'000</u>	<u>Taka'000</u>
18 Revenue		
Sale of gray cement	4,712,681	4,613,032
Sale of cement clinker	979,294	926,807
	<u>5,691,975</u>	<u>5,539,839</u>
19 Cost of Sales		
Manufacturing variable cost	1,743,569	1,792,721
Manufacturing fixed cost	580,795	527,787
Distribution cost to customers	132,622	166,737
Internal distribution cost	321,915	337,378
Inventory movement	172,612	314,558
Depreciation and amortization	297,698	297,515
	<u>3,248,411</u>	<u>3,436,706</u>
20 General and Administrative Expenses		
Salary, allowances and benefits	83,386	73,909
General assistance fee	54,590	53,731
Trademark license fee	54,590	53,731
Computer expenses	16,814	11,355
Other office expenses	62,448	53,916
Administrative depreciation and amortization	15,181	12,736
Contribution to Workers' Profit Participation and welfare Fund	87,046	54,143
	<u>374,065</u>	<u>313,521</u>
21 Sales and Marketing Expenses		
Salary, allowances and benefits	31,436	31,578
Advertisement	37,936	33,688
Other office expenses	11,569	7,967
	<u>80,941</u>	<u>73,233</u>
22 Finance Costs and Income		
Interest on long term debt	77,158	175,341
Interest on short term debt	94,280	97,145
Fees for long term debt	6,472	12,552
Derivative expenses	-	100,691
Other finance costs	412	30,704
Exchange loss	250,605	249,409
Bank charges and commission	10,691	6,563
Finance costs	<u>439,618</u>	<u>672,405</u>
Derivative income		11,196
Interest income on bank deposits	51	309
Finance income	<u>51</u>	<u>11,505</u>
Net finance costs	<u>439,767</u>	<u>660,900</u>
23 Income Tax		
Current income tax expenses	29,428	27,867
Deferred income tax expenses	636,305	417,574
	<u>665,733</u>	<u>445,441</u>

24 Earnings Per Share

The computation of basic earnings per share for the periods ended 2013 and 2012 are as follows:

NUMERATOR	(Thousand Taka)	Jan-Jun 2013 Taka'000	Jan-Jun 2012 Taka'000
INCOME FOR THE PERIOD- ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
		1,062,022	619,497
DENOMINATOR	(Thousands of Shares)		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING			
		1,161,374	1,161,374
BASIC EARNINGS PER SHARE	Taka	0.91	0.53
DILUTED EARNINGS PER SHARE	Taka	0.91	0.53

25 Related Party Transactions

Except for the regular transactions, there were no significant related party transactions during the period.

26 Commitments and Contingencies

There were no significant changes in the commitments and contingencies made by the Company during the period.

27 Agreement with the Madina Cement Industries

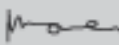
Lafarge Surma and Madina Cement Industries ("Madina") have entered into an outsourced Toll Grinding Agreement (the "Agreement") on March 10, 2013. The Agreement is for three years with provisions for further extension by mutual agreement. Under the agreement Madina will produce Portland Composite Cement (PCC) for Lafarge Surma. Lafarge Surma shall supply clinker to Madina and Madina shall supply other raw materials to manufacture the bagged PCC cement strictly in accordance with Lafarge Surma's specification and quality standard. Madina shall sell the bagged cement, produced under the Agreement, exclusively to Lafarge Surma. Lafarge Surma shall market and distribute the cement under the brand name "POWERCRETE".

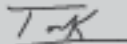
28 Other Operating Income

Last year, the Company filed an insurance claim against business interruption arising from machinery breakdown in Lafarge Surma Cement Limited (LSC). During the year, an amount of Taka 170,533 (in thousand) which is included under the "Other operating income" head has been received from the insurance company as final settlement of the claim.

29 Comparatives

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


Finance Director


Chief Executive Officer

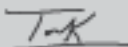


The pre-heater at Lafarge Surma Cement Ltd's
Plant at Chhattak, Sunamganj

LAFARGE SURMA CEMENT LIMITED
Statement of Financial Position (Un-audited)
at 30 June 2013


	NOTES	30 Jun 2013 Taka'000	31 Dec 2012 Taka'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	11,578,947	11,791,028
Intangible assets	6	11,480	13,239
Investment in subsidiaries		536,245	599,651
Loan to subsidiary company		951,255	1,105,620
		<u>13,077,927</u>	<u>13,609,538</u>
CURRENT ASSETS			
Inventories	7	1,607,346	1,670,233
Trade receivables	8	655,845	711,629
Other receivables	9	1,473,558	1,143,791
Accrued interest		243,781	294,902
Cash and cash equivalents	10	398,816	143,503
		<u>4,379,346</u>	<u>3,964,058</u>
TOTAL ASSETS		<u>17,457,273</u>	<u>17,473,596</u>
EQUITY & LIABILITIES			
Share capital		11,613,735	11,613,735
Retained earnings		(236,654)	(1,224,788)
Other component of equity		16,324	79,271
EQUITY		<u>11,393,405</u>	<u>10,468,218</u>
NON-CURRENT LIABILITIES			
Long-term debt	11.1	-	8,356
Deferred tax liabilities	12	1,248,797	612,200
Employee benefits		106,737	105,707
		<u>1,355,594</u>	<u>726,263</u>
CURRENT LIABILITIES			
Trade payables	13	2,013,839	1,822,643
Other payables	14	272,456	433,179
Derivative instruments		-	780
Current portion of long term debt	11.2	955,090	2,443,545
Short-term debt	15	1,321,879	1,463,376
Current tax liabilities	16	145,020	115,592
		<u>4,708,284</u>	<u>6,279,115</u>
TOTAL EQUITY AND LIABILITIES		<u>17,457,273</u>	<u>17,473,596</u>


 Finance Director


 Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Income Statement (Un-audited)
for the period ended 30 June 2013


	NOTES	Jan-Jun 2013 Taka '000	Jan-Jun 2012 Taka '000	Apr-Jun 2013 Taka '000	Apr-Jun 2012 Taka '000
REVENUE	17	5,691,975	5,539,639	2,746,008	2,742,132
Cost of sales	18	(3,727,380)	(3,804,749)	(1,932,257)	(1,809,569)
GROSS PROFIT		1,964,595	1,735,090	813,751	932,563
General and administrative expenses	19	(374,055)	(313,521)	(183,143)	(161,796)
Sales and marketing expenses	20	(80,941)	(73,233)	(39,732)	(32,142)
Other operating income	27	179,953	9,459	171,165	5,520
OPERATING INCOME		1,689,552	1,357,795	762,041	744,125
Finance cost	21	(96,310)	(353,152)	(36,462)	(133,914)
Finance income	21	60,625	24,075	12,306	12,034
INCOME BEFORE TAX		1,653,867	1,028,718	737,885	622,245
Income tax	22	(665,733)	(445,441)	(299,019)	(255,691)
INCOME FOR THE PERIOD		988,134	583,277	438,866	366,554
Basic earnings per share (Taka)	23	0.85	0.50	0.38	0.32


 Finance Director


 Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Statement of Comprehensive Income (Un-audited)
for the period ended 30 June 2013

	Jan-Jun 2013 Taka '000	Jan-Jun 2012 Taka '000	Apr-Jun 2013 Taka '000	Apr-Jun 2012 Taka '000
INCOME FOR THE PERIOD	988,134	583,277	438,838	386,554
Cash flow hedge instruments	-	2,345	(482)	925
Exchange differences on translating foreign operation	(62,947)	(34,987)	(55,372)	(63,161)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(62,947)	(32,652)	(55,864)	(62,236)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	925,187	550,625	382,974	304,318



 Finance Director


 Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Statement of Changes in Equity (Un-audited)
for the period ended 30 June 2013

(All figures are in Tk. '000)


	Share capital	Retained earnings	Other components of equity	Share money deposits	Total equity
Balance at 1 January 2012	11,575,808	(2,709,843)	108,140	37,929	9,013,032
Total comprehensive income(loss) for the period	37,929	583,277	(32,652)	(37,929)	560,625
Balance at 30 June 2012	11,613,735	(2,126,566)	75,488	-	9,563,657
Balance at 1 January 2013	11,613,735	(1,224,788)	79,271	-	10,468,218
Total comprehensive income(loss) for the period	-	988,134	(62,947)	-	925,187
Balance at 30 June 2013	11,613,735	(236,654)	16,324	-	11,383,405


 Finance Director


 Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Statement of Cash Flows (Un-audited)
for the period ended 30 June 2013

	Jan-Jun 2013 <u>Taka'000</u>	Jan-Jun 2012 <u>Taka'000</u>
Cash Flows From Operating Activities		
Cash receipts from customers	5,734,755	5,655,720
Cash paid to suppliers and employees	<u>(3,731,696)</u>	<u>(3,610,352)</u>
Cash generated in operations	2,003,059	2,045,368
Income tax paid	(130,880)	(114,107)
Other receipts	1,483	1,347
Net cash generated by operating activities	<u>1,873,662</u>	<u>1,932,606</u>
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(103,302)	(23,606)
Payments for intangible assets	(1)	(246)
Proceeds from sale of property, plant and equipment	4,526	561
Received against loan to subsidiary company	126,707	-
Interest received from subsidiary company	49,316	-
Net cash generated/used in investing activities	<u>77,246</u>	<u>(23,291)</u>
Cash Flows From Financing Activities		
Repayment of long term debt	(1,462,161)	(634,603)
Increase (decrease) in short term debt	(111,050)	(968,664)
Payment for right issue costs	-	(26,204)
Payment of interest	(122,384)	(222,006)
Net cash used in financing activities	<u>(1,695,595)</u>	<u>(2,051,479)</u>
Net increase(decrease) in cash and cash equivalents	<u>255,313</u>	<u>(142,162)</u>
Cash and Cash Equivalents at Beginning of the Period	143,503	236,064
Cash and Cash Equivalents at End of the Period	<u>398,816</u>	<u>93,902</u>


 Finance Director


 Chief Executive Officer

LAFARGE SURMA CEMENT LIMITED
Notes to the Condensed Financial Statements (Un-audited)
for the period ended 30 June 2013

1 Background and Introduction

Formation and legal status

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

2 Nature of Business

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

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

3 Basis of Preparation

The consolidated interim financial statements have been prepared in accordance with Bangladesh Accounting Standard 34 Interim Financial Reporting.

4 Significant Accounting Policies

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 2012.

	30 Jun 2013 <u>Taka'000</u>	31 Dec 2012 <u>Taka'000</u>
5 Property, Plant and Equipment		
COST		
At January 1	14,838,046	14,740,851
Additions	38,325	143,694
Disposals	(5,339)	(46,499)
At June 30/December 31	<u>14,871,032</u>	<u>14,838,046</u>
DEPRECIATION		
At January	3,047,018	2,564,578
Disposals	(5,339)	(14,381)
Change for the period	250,406	496,821
At June 30/December 31	<u>3,292,085</u>	<u>3,047,018</u>
CARRYING AMOUNT	<u>11,578,947</u>	<u>11,791,028</u>

	30 Jun 2013 Taka'000	31 Dec 2012 Taka'000
6 Intangible Assets		
COST		
At January 1	64,888	54,379
Additions	1	10,509
At June 30/December 31	<u>64,889</u>	<u>64,888</u>
AMORTIZATION		
At January	51,649	49,966
Change for the period	1,760	1,763
At June 30/December 31	<u>53,409</u>	<u>51,649</u>
CARRYING AMOUNT	<u>11,480</u>	<u>13,239</u>
7 Inventories		
Raw materials	644,350	625,492
Spare parts	698,973	623,187
Packing materials	8,132	14,857
Other materials	57,518	103,295
Finished goods and work in process	198,373	303,402
	<u>1,607,346</u>	<u>1,670,233</u>
8 Trade Receivables		
Trade receivables	656,354	718,391
Valuation allowance	(509)	(6,762)
	<u>655,845</u>	<u>711,629</u>
9 Other Receivables		
Contractors, consultants, suppliers and others	295,878	160,306
Employees	46,174	32,953
Prepaid expenses	178,040	113,512
VAT current account	116,801	127,473
Income tax-deducted at source	815,234	684,354
Other receivables	30,431	25,193
	<u>1,473,558</u>	<u>1,143,791</u>
10 Cash and Cash Equivalents		
Cash in hand	383	404
Cash at banks	398,433	143,099
	<u>398,816</u>	<u>143,503</u>
11 Long Term Debt		
11.1 Long portion		
AB Bank Limited	-	8,356
	<u>-</u>	<u>8,356</u>
11.2 Current portion *		
International Finance Corporation	546,978	1,122,375
Asian Development Bank	-	455,657
European Investment Bank	408,112	637,430
AB Bank Limited	-	27,883
	<u>955,090</u>	<u>2,443,345</u>

* Loans of International Finance Corporation and European Investment Bank have been paid off subsequently on July 15, 2013

	30 Jun 2013 Taka'000	31 Dec 2012 Taka'000
12 Deferred Tax (Liabilities)/Assets		
The tax effects of temporary differences that resulted in deferred tax assets and liabilities.		
Deferred tax assets		
Provision for gratuity	36,479	36,517
Provision for doubtful debts	2,689	2,536
Business loss	2,029,009	2,676,458
Cash flow hedge	-	292
	<u>2,068,177</u>	<u>2,715,803</u>
Deferred tax liabilities		
Property, plant and equipment	(3,316,974)	(3,328,003)
	<u>(3,316,974)</u>	<u>(3,328,003)</u>
	<u>(1,248,797)</u>	<u>(612,200)</u>
13 Trade Payables		
Payable for expenses	1,234,566	1,061,391
General assistance fee (Note- 13.1)	359,474	304,884
Trademark license fee (Note- 13.2)	359,474	304,884
Advances paid by customers	51,221	64,224
Others	9,104	87,280
	<u>2,013,839</u>	<u>1,822,643</u>
13.1 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).		
13.2 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).		
14 Other Payables		
Payables to supplier of property, plant & equipment	12,449	77,426
Accrued interest and commitment fees	26,624	63,728
Payable to employees	138,320	207,635
Income tax & VAT deducted at source	95,063	84,190
	<u>272,456</u>	<u>433,179</u>
15 Short Term Debt		
Bank overdraft facilities	42	80,643
Short term credit facilities	1,321,837	1,382,733
	<u>1,321,879</u>	<u>1,463,376</u>
16 Current Tax Liabilities		
Balance at 1 January	115,582	82,147
Provision for the year	29,428	53,445
	<u>145,010</u>	<u>135,592</u>

	Jan - Jun 2013 Taka'000	Jan - Jun 2012 Taka'000
17 Revenue		
Sale of gray cement	4,712,681	4,613,032
Sale of cement clinker	979,294	926,807
	<u>5,691,975</u>	<u>5,539,839</u>
18 Cost of Sales		
Manufacturing variable cost	2,515,394	2,325,590
Manufacturing fixed cost	415,829	360,443
Distribution cost to customers	132,622	166,737
Internal distribution cost	321,915	337,378
Inventory movement	104,634	381,074
Depreciation and amortization	236,986	233,527
	<u>3,727,380</u>	<u>3,904,749</u>
19 General and Administrative Expenses		
Salary, allowances and benefits	83,386	73,909
General assistance fee	54,590	53,731
Trademark license fee	54,590	53,731
Computer expenses	16,814	11,355
Other office expenses	82,448	53,916
Administrative depreciation and amortization	15,181	12,736
Contribution to Workers' Profit Participation and welfare Fund	87,046	54,143
	<u>374,055</u>	<u>313,521</u>
20 Sales and Marketing Expenses		
Salary, allowances and benefits	31,436	31,578
Advertisement	37,936	33,688
Other office expenses	11,569	7,967
	<u>80,941</u>	<u>73,233</u>
21 Finance Costs and Income		
Interest on long term debt	25,732	96,975
Interest on short term debt	53,996	63,538
Fees for long term debt	6,472	12,552
Derivative expenses	-	100,691
Other finance costs	412	30,704
Exchange loss	-	43,057
Bank charges and commission	9,698	5,645
Finance costs	<u>96,310</u>	<u>353,152</u>
Exchange gain	43,629	-
Interest on loan to subsidiary company	16,945	23,786
Interest income on bank deposits	51	309
Finance income	<u>60,625</u>	<u>24,075</u>
Net finance costs	<u>35,685</u>	<u>329,077</u>
22 Income Tax		
Current income tax expenses	29,428	27,867
Deferred income tax expenses	636,305	417,574
	<u>665,733</u>	<u>445,441</u>

23 Earnings Per Share

The computation of basic earnings per share for the periods ended 2013 and 2012 are as follows:

NUMERATOR	(Thousand Taka)	Jan-Jun 2013 Taka'000	Jan-Jun 2012 Taka'000
INCOME FOR THE PERIOD- ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
		988,135	583,277
<hr/>			
DENOMINATOR	(Thousands of Shares)		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING			
		1,161,374	1,161,374
<hr/>			
BASIC EARNINGS PER SHARE	Taka	0.85	0.50
DILUTED EARNINGS PER SHARE	Taka	0.85	0.50

24 Related Party Transactions

Except for the regular transactions, there were no significant related party transactions during the period.

25 Commitments and Contingencies

There were no significant changes in the commitments and contingencies made by the Company during the period.

26 Agreement with the Madina Cement Industries

Lafarge Suma and Madina Cement Industries ("Madina") have entered into an outsourced Toll Grinding Agreement (the "Agreement") on March 10, 2013. The Agreement is for three years with provisions for further extension by mutual agreement. Under the agreement Madina will produce Portland Composite Cement (PCC) for Lafarge Suma. Lafarge Suma shall supply clinker to Madina and Madina shall supply other raw materials to manufacture the bagged PCC cement strictly in accordance with Lafarge Suma's specification and quality standard. Madina shall sell the bagged cement, produced under the Agreement, exclusively to Lafarge Suma. Lafarge Suma shall market and distribute the cement under the brand name "POWERCRETE".

27 Other Operating Income

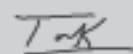
Last year, the Company filed an insurance claim against business interruption arising from machinery breakdown in Lafarge Suma Cement Limited (LSC). During the year, an amount of Taka 170,533 (in thousand) which is included under the "Other operating income" head has been received from the insurance company as final settlement of the claim.

28 Comparatives

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





Finance Director



Chief Executive Officer

Lafarge Surma Cement Ltd.

A company of  and 

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