

Lafarge Surma Cement Ltd.

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

2nd Quarter Consolidated Financial Statements-2016 (Un-audited)

Pursuant to the requirement of Clause 17(2) 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 June 2016			
NOTE	30 June 2016 Taka'000	31 Dec 2015 Taka'000	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	11,756,233	11,837,497
Intangible assets	6	822,127	862,086
Other receivables	9	137,457	140,745
		12,715,817	12,840,328
CURRENT ASSETS			
Inventories	7	1,440,152	1,429,587
Trade receivables	8	1,101,164	908,260
Other receivables	9	2,423,621	2,265,908
Derivative instruments		1,256	1,109
Cash and cash equivalents	10	3,518,050	3,249,844
		8,484,243	7,854,708
TOTAL ASSETS		21,200,060	20,695,036
EQUITY & LIABILITIES			
Share capital		11,613,735	11,613,735
Retained earnings		3,362,695	2,423,190
Other components of equity		(53,476)	(52,995)
Foreign currency translation		356,567	377,530
SHAREHOLDERS' EQUITY- PARENT COMPANY		15,279,521	14,361,460
Non-controlling interests		27	39
EQUITY		15,279,548	14,361,499
NON-CURRENT LIABILITIES			
Deferred tax liability	11	2,323,827	2,318,292
Employee benefits		63,219	48,915
Provisions	12	28,661	27,787
		2,415,707	2,394,994
CURRENT LIABILITIES			
Trade payables	13	2,294,352	2,473,604
Other payables	14	262,859	376,640
Derivative instruments		4,481	2,493
Short-term debt	15	943,113	1,085,806
		3,504,805	3,938,543
TOTAL EQUITY AND LIABILITIES		21,200,060	20,695,036

LAFARGE SURMA CEMENT LIMITED				
Consolidated Statement of Profit or Loss (Un-audited) for the period ended 30 June 2016				
NOTES	Jan-Jun 2016 Taka '000	Jan-Jun 2015 Taka '000	Apr-Jun 2016 Taka '000	Apr-Jun 2015 Taka '000
REVENUE				
Cost of sales	17	5,116,545	5,283,472	2,631,968
	18	(3,384,076)	(3,374,220)	(1,653,330)
GROSS PROFIT		1,732,469	1,909,252	978,628
General and administrative expenses	19	(351,265)	(365,883)	(174,958)
Sales and marketing expenses	20	(78,514)	(87,607)	(49,207)
Other operating income		5,113	10,697	4,848
OPERATING PROFIT		1,307,803	1,466,459	750,699
Finance cost	21	(66,057)	(65,888)	(30,429)
Finance income	21	72,837	65,313	39,255
PROFIT BEFORE TAX		1,314,583	1,465,884	719,859
Income tax	22	(375,078)	(114,480)	(200,783)
PROFIT FOR THE PERIOD		939,505	1,351,404	477,445
Basic earnings per share (Taka)	23	0.81	1.16	0.38

LAFARGE SURMA CEMENT LIMITED			
Consolidated Statement of Cash Flows (Un-audited) for the period ended 30 June 2016			
	Jan-Jun 2016 Taka'000	Jan-Jun 2015 Taka'000	
Cash Flows From Operating Activities			
Cash receipts from customers		4,859,098	5,459,702
Cash paid to suppliers and employees		(3,990,914)	(3,910,801)
Cash generated in operations		868,184	1,548,901
Income taxes paid		(194,443)	(289,043)
Other receipts		3,474	3,890
Net cash generated by operating activities		677,215	1,263,748
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(318,638)	(107,874)
Payments for intangible assets		-	(1,640)
Proceeds from sale of property, plant and equipment		423	4,523
Interest income on bank deposits		64,889	46,167
Net cash used in investing activities		(253,326)	(58,824)
Cash Flows From Financing Activities			
(Decrease) Increase in short term debt		(120,534)	192,470
Repayment of long term debt		(31,800)	(353,406)
Payment of interest and other finance costs		(1,195)	(71,402)
Dividend paid		(1,955)	(550,617)
Net cash used in financing activities		(153,538)	(782,955)
Net effect of foreign currency translation on cash and cash equivalents			
		(2,145)	(934)
Net increase in cash and cash equivalents		268,206	421,035
Cash and Cash Equivalents at Beginning of the Period		3,249,844	1,881,906
Cash and Cash Equivalents at End of the Period		3,518,050	2,302,941

LAFARGE SURMA CEMENT LIMITED				
Consolidated Statement of Comprehensive Income (Un-audited) for the period ended 30 June 2016				
	Jan-Jun 2016 Taka'000	Jan-Jun 2015 Taka'000	Apr-Jun 2016 Taka'000	Apr-Jun 2015 Taka'000
PROFIT FOR THE PERIOD	939,505	1,351,404	445,642	767,445
Items that will not be reclassified subsequently to profit or loss				
Income tax on actuarial loss that will not be reclassified to profit or loss	-	(1,726)	-	(1,726)
Total items that will not be reclassified to profit or loss		(1,726)		(1,726)
Items that may be reclassified subsequently to profit or loss				
Cash flow hedge instruments	(481)	6,630	(6,900)	(3,893)
Exchange differences on translating foreign operation	(20,963)	(8,951)	(22,484)	(122,871)
Non-controlling interests-currency translation adjustment	(12)	(5)	(11)	(10)
Total items that may be reclassified to profit or loss	(21,456)	(2,326)	(29,395)	(126,774)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(21,456)	(4,052)	(29,395)	(128,500)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	918,049	1,347,352	416,247	638,945
Attributable to:				
Owners of the parent Company	918,049	1,347,352	416,247	638,945
Non-controlling interests	(12)	(5)	(11)	(10)

LAFARGE SURMA CEMENT LIMITED							
Consolidated Statement of Changes in Equity (Un-audited) for the period ended 30 June 2016							
	Share capital	Retained earnings	Other components of equity	Foreign currency translation	Equity for parent company	Non controlling interests	Total equity
Balance at 1 January 2015	11,613,735	1,295,008	(61,519)	408,334	13,255,558	81	13,255,639
Total comprehensive income/(loss) for the period	-	1,351,404	4,904	(8,951)	1,347,357	(5)	1,347,352
Final Dividend	-	(580,687)	-	-	(580,687)	-	(580,687)
Interim Dividend	-	(580,687)	-	-	(580,687)	-	(580,687)
Balance at 30 June 2015	11,613,735	1,485,038	(56,615)	399,383	13,441,541	76	13,441,617
Balance at 1 January 2016	11,613,735	2,423,190	(52,995)	377,530	14,361,460	39	14,361,499
Total comprehensive income for the period	-	939,505	(484)	(20,963)	918,061	(12)	918,049
Balance at 30 June 2016	11,613,735	3,362,695	(53,476)	356,567	15,279,521	27	15,279,548

1 Background and Introduction
Formation and legal status
Lafarge Surma Cement Limited (LSCL) - (hereinafter referred to as "Lafarge Surma or the Company") was incorporated on 11 November 1997 as a private limited company in Bangladesh under the Companies Act 1994 having its registered office in Dhaka. The Company has subsequently been converted into a public limited company on 20 January 2003 and went for Initial Public Offering of shares in November 2003 which was fully subscribed and issued. The shares have since been listed and are being traded in Dhaka and Chittagong Stock Exchanges. Presently the Company has two subsidiaries in India. The main objectives of the subsidiaries are to support the holding company. A brief description of each of the subsidiary is given below:
Lum Mawshun Minerals Private Limited (LMMPL) - incorporated under the Indian Companies Act 1956 on 17 November 1994 as a private limited company with its registered office at Shillong in the State of Meghalaya, India.
Lafarge Umiam Mining Private Limited (LUMPL) - incorporated under the Indian Companies Act 1956 on 22 March 1999 as a private limited company with its registered office at Shillong in the State of Meghalaya, India.

2 Nature of Business
The Company has established the country's only modern, integrated and state-of-the-art cement manufacturing plant at Chhatak under Sunamganj district. The company extracts and processes the basic raw materials limestone from its own quarry in Meghalaya. A 17-kilo metre cross-border belt conveyor links the quarry with the cement plant for transportation of raw materials. 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 2015.

	30 June 2016 Taka'000	31 Dec 2015 Taka'000	
5 Property, Plant and Equipment			
COST			
At January 1	16,817,164	16,878,660	
Additions	242,226	149,826	
Disposals	(7,314)	(138,878)	
Translation adjustment	(37,660)	(72,444)	
At June 30/December 31	17,014,416	16,817,164	
DEPRECIATION			
At January 1	4,979,667	4,469,580	
Disposals	(1,246)	(52,542)	
Charge for the period	290,859	582,830	
Translation adjustment	(11,097)	(20,201)	
At June 30/December 31	5,258,183	4,979,667	
CARRYING AMOUNT	11,756,233	11,837,497	
6 Intangible Assets			
COST			
At January 1	1,129,622	1,164,077	
Additions	-	9,309	
Disposals	-	(419)	
Translation adjustment	(22,377)	(43,345)	
At June 30/December 31	1,107,245	1,129,622	
AMORTIZATION			
At January 1	267,536	228,513	
Charge for the period	22,013	46,821	
Translation adjustment	(4,431)	(7,798)	
At June 30/December 31	285,118	267,536	
CARRYING AMOUNT	822,127	862,086	
7 Inventories			
Raw materials	197,642	303,011	
Spare parts	900,842	864,146	
Packing materials	19,433	10,164	
Other materials	50,622	103,469	
Finished goods and work in process	271,613	148,797	
	1,440,152	1,429,587	
8 Trade Receivables			
Trade receivables	1,110,466	918,869	
Valuation allowance	(9,302)	(10,609)	
	1,101,164	908,260	
9 Other Receivables			
Contractors, consultants, suppliers and others	534,776	328,574	
Employees	52,550	21,583	
Prepaid expenses	126,739	91,364	
VAT current account	207,617	135,582	
Advance income tax- net of tax provision (Note 16)	1,576,647	1,761,214	
Other receivables	34,342	47,548	
Accrued interest	28,407	20,788	
	2,561,078	2,406,653	
Current portion	2,423,621	2,265,908	
Non-current portion	137,457	140,745	
10 Cash and Cash Equivalents			
Cash in hand	661	668	
Cash at banks	3,517,389	3,249,176	
	3,518,050	3,249,844	
11 Deferred Tax Liabilities			
The tax effects of temporary differences that resulted in deferred tax liabilities and assets.			
Deferred tax liabilities	2,336,857	2,327,920	
Property, plant and equipment			
	2,336,857	2,327,920	
Deferred tax assets			
Provision for gratuity	10,704	6,976	
Provision for doubtful debts	2,326	2,652	
	13,030	9,628	
Net deferred tax liabilities	2,323,827	2,318,292	
12 Provisions			
Site restoration provisions			
Balance at 1 January	27,787	25,808	
Current year addition	1,479	3,091	
Translation adjustment	(605)	(1,112)	
	28,661	27,787	
At June 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).			
13 Trade Payables			
Payable for expenses	1,518,985	1,552,522	
General assistance fee (Note- 13.1)	259,967	211,865	
Trademark license fee (Note- 13.2)	259,967	211,865	
Advances paid by customers	253,063	317,606	
Others	2,370	179,746	
	2,294,352	2,473,604	
13.1 General assistance fee			
The amount is payable to Lafarge S.A. and Cements Molins for general assistance fee (1 percent of annual net turnover of the company in accordance with the General Assistance Agreement).			

	30 June 2016 Taka'000	31 Dec 2015 Taka'000	
13.2 Trademark license fee			
The amount is equally payable to Lafarge S.A. and Cements 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	39,018	66,102	
Other finance costs payable	-	2,416	
Payable to VAT employees	109,132	166,548	
Income tax & VAT deducted at source	90,197	115,883	
Interim dividend payable	24,512	25,691	
	262,859	376,640	
15 Short Term Debt			
Bank overdraft facilities	35,852	47,129	
Short term credit facilities	907,261	1,038,677	
	943,113	1,085,806	
16 Current Tax Liabilities			
Balance at 1 January	304,624	185,327	
Provision for the period	368,335	119,297	
At June 30/December 31	672,959	304,624	
17 Revenue			
Sale of gray cement	4,652,894	4,758,306	
Sale of cement clinker	463,651	525,166	
	5,116,545	5,283,472	
18 Cost of Sales			
Manufacturing variable cost	1,920,765	1,946,532	
Manufacturing fixed cost	658,170	705,509	
Freight cost to customers	241,901	199,543	
Depot operating and transportation costs	398,932	368,829	