

ANNUAL REPORT 2019



LEGACY
OF
INSPIRING
GENERATIONS

RAK
CERAMICS

LEGACY OF INSPIRING GENERATIONS

20/20

2020: Celebrating 20 glorious years of inspiring generations

Since 2000, RAK Ceramics (Bangladesh) has been inspiring generation over generation to transform their lives and lifestyles through ceramics specialism by virtue of offering an wide range of top-notch ceramics products, including tiles and sanitary-ware.

RAK Ceramics (Bangladesh) was founded on the premise of serving national demand through essential interior infrastructure products and has grown through the years with support of our valued stakeholders.

In celebrating the year 2020 as our glorious 20 years journey, we look back at having created a rich legacy of inspiring our customers to embrace a modern and convenient lifestyle through our products and services. We have inspired our peer ecosystem to adopt the best practices and also excellence in operational standards. We have inspired our people to dedicate themselves to the cause of serving our customers with dedication, passion and responsibility. We have inspired our suppliers and business partners to enhance their capacities and grow their businesses. And we have fostered a robust value-creation platform that has benefitted our shareholders through increased wealth creation.

Indeed, we are inspired by our progress and success over the past 20 years and with a legacy, will ensure that going into our next 20 years and beyond, we will continue to make a meaningful impact across the crescent of our influence in Bangladesh and beyond.



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CORPORATE INFORMATION

Board of Directors

Chairperson

Abdallah Massaad

Managing Director

SAK Ekramuzzaman

Director

Pramod Kumar Chand

Independent Directors

Wassim Moukahhal

Faheemul Huq, Barrister-at-Law

Chief Financial Officer

Sadhan Kumar Dey

Company Secretary

Muhammad Shahidul Islam FCS

Audit Committee

Chairperson

Faheemul Huq, Barrister-at-Law

Members

Wassim Moukahhal

Pramod Kumar Chand

Member Secretary

Muhammad Shahidul Islam FCS

Head of Internal Audit and Compliance

Mohammad Samsul Arefin

Nomination and Remuneration Committee

Chairperson

Wassim Moukahhal

Members

Pramod Kumar Chand

Faheemul Huq, Barrister-at-Law

Member Secretary

Muhammad Shahidul Islam FCS

Statutory Auditor

ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL)
BDBL Bhaban, Level-13
12, Kazi Nazrul Islam Avenue
Dhaka 1215

Principal Bankers

HSBC
Standard Chartered Bank
Commercial Bank of Ceylon
Dutch-Bangla Bank

Legal Advisor

Margub Kabir, Barrister-at-Law

Registered Office

RAK Tower (7th, 8th & 9th floor)
1/A Jasimuddin Avenue
Sector-3, Uttara Model Town
Dhaka 1230
Phone: +88 (02) 58957393, 58952303
Fax: +88 (02) 58957096

Factory

Dhanua, Sreepur, Gazipur, Bangladesh

Websites

www.rakcerambd.com
www.rakceramics.com

COMPANY PROFILE

Room for imagination

At RAK Ceramics, we help to create icons, we help to build marvels, and our products feature in the most of the iconic buildings around the country. We are known for our wide product range and our ability to produce bespoke ranges for both small and large scale projects, enabling our clients to bring their ideas to life. We respect, we inspire, we improve, we deliver for today and tomorrow, no matter the ambition, no matter the challenge, at RAK Ceramics we take care of all the details irrespective of large or small project.

Our passion and expertise combined with careful attention to detail enables us to provide our customers a wide range of integrated ceramics solutions, allowing them the freedom to be creative and plenty of room for imagination.

Our business

RAK Ceramics is one of the largest ceramics' brands in the world. Specialising in ceramic and gres porcelain wall and floor tiles and sanitary-ware, Our Annual production capacity is 10.32 million square metre of tiles and 1.45 million pieces of sanitary-ware at our plants in Bangladesh. Across our operations, we employ approximately 2,000 staff.

RAK Ceramics (Bangladesh) is also the country's leading manufacturer and distributor of high-end interior building products. The Company's wide range of branded products are made available to all potential and emerging markets of the country through a unified customer sales team and an integrated supply chain network that leverages the Company's scale. We target the highest profitability, underpinned by a cost-conscious culture, as well as environmental, social and governance (ESG) principles to drive a shared value creation.

As an institution with industry leading production capacities that support nation-wide product demand and after-sales service, we possess leading positions in our categories and our brands are well-entrenched with consumers in Bangladesh, as illustrated by our percentage share of market.

Quality standards

Bureau Veritas Certifications verify in every year the implementation of RAK Ceramics' quality management system and certified the company, in compliance with the requirements of ISO 9001:2015 with the scope covering the design, development, production, sales and marketing of ceramics and porcelain floor and wall tiles and vitreous china sanitary-wares, including ABS resin toilet seats and covers.

Sustainability

We play our role for a better environment and society – today and for the future

Sustainability in every sphere of business is one of the main elements of RAK Ceramics' mission statement. The company is committed to practicing environmental stewardship throughout its manufacturing chain – from product design and efficient operations processes – to playing an active role in building a better community by enhancing the surrounding environment. The organisation's activities improve energy efficiency, reduce pollution, enhance biodiversity and improve the quality of life for both people in the communities it operates in and for its workforce. The sanitary-ware division is committed to developing eco-friendly products with a particular focus on water saving (33% saved in water consumption using the latest flush systems in water closets). It recycles natural raw materials to help conserve natural resources and adopts clean development mechanism (CDM) projects to reduce carbon emissions during the manufacturing process.

Innovation

RAK Ceramics is a pioneer in introducing hi-tech innovations that are a breakthrough in the industry. A wide range of technologies are used at the Company's state-of-the-art plants, including digital printing technology, slim, double charge, scratch-free and other advanced technologies, such as granitech, technoslate, twin press, dry glaze and waterjet, to name a few.

Our portfolio

The biggest factor that ensures the strongest differentiation for RAK Ceramics (Bangladesh) is its wide product portfolio comprising ceramics and gres porcellanato (porcelain/fully vitrified) tiles, bathroom sets and all types of sanitary-ware. The Company has over 2,700 models active in the ceramic and porcelain tiles business, and regularly introduces new designs that are closely aligned with evolving consumer trends. The Company's tiles range in sizes from 7.5 x 20 cm up to 80 x 80 cm, straddling the full chain of tiles products in Bangladesh.

The Company has over 43 models of sanitary-ware that provides customers with a deep choice. In sanitary-ware, various models are produced in wash basins (wall mounted as well as pedestal) and water closets. Besides, the product mix is oriented mostly towards value-added products. This, paired with other structural advantages has ensured sustainable margins with a shrunken payback cycle.

The Company has initiated the export of its products though production is mostly consumed in the local markets.

Our credentials

We use the cutting edge technology across our operations that ensures excellent product finish and

minimal wastages, while incorporating costs that are comparable to the lowest in the industry.

The Company emerged as the first in Bangladesh's ceramics industry to be awarded the prestigious ISO 9001: 2008 certification by the UKAS accredited internationally-recognized certification agency, BVQI, in May 2006. The Company takes its environmental responsibility seriously, pledging a commitment to protect and preserve the environment. This intent is testified in its ISO 14001:2004 certification. Furthermore, the Company also complies with ISO 13006:2012 (E), the latest international standard for ceramic tiles, locally known as BDS ISO 13006:2012.

The Company's sanitary-ware complies with the quality criteria detailed under BDS 1162:2012. Both tiles and sanitary-ware products are BSTI-approved.

The ownership of RAK Ceramics (Bangladesh) represents 72.08% by sponsors and remaining 27.92% by general public, including institutional investors, as on December 31, 2019.

With an annual turnover of BDT 6,463.86 million in 2019, within a short span of 20 years, RAK Ceramics (Bangladesh) has firmly established itself as one of the leading manufacturer of high quality ceramic wall and floor tiles and sanitaryware products in Bangladesh.

BRANDED SERIES

DOUBLE CHARGE

StoneArt
Tiles Collection

Hard Rock
COLLECTIONS

JUNIOR
Tiles Collection

Random Designs
GRES PORCELLANATO FLOOR TILES

Wall Hung
WC

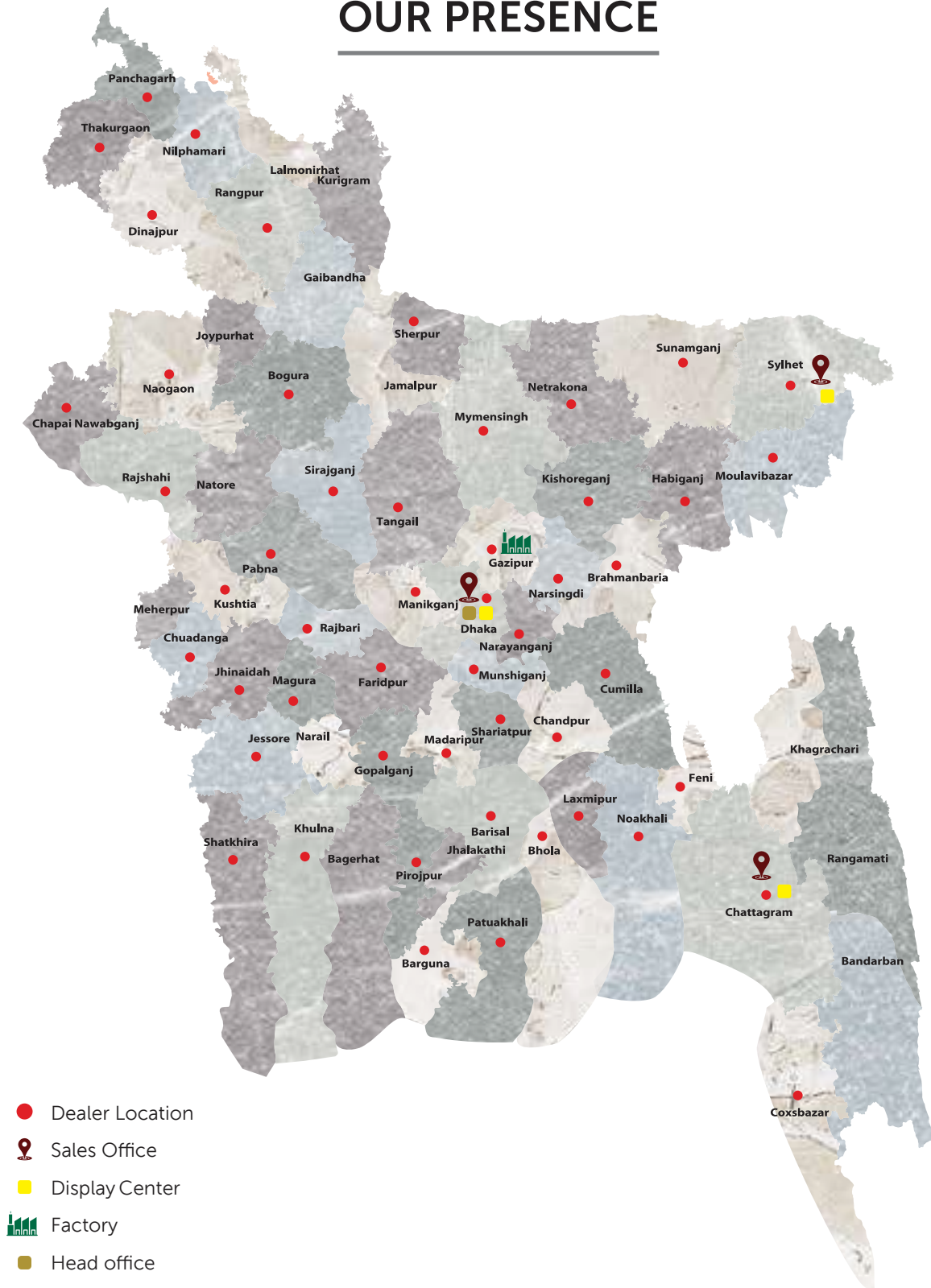
WOOD ART
COLLECTION
Gres Porcellanato

Single Piece
WC

Rinse
SERIES

COMBI
WC

OUR PRESENCE





OUR VISION

Our vision is to be the world's leading ceramics lifestyle solutions provider.



OUR MISSION

Our mission is to foster an internal culture that remains committed to our vision of becoming the world's leading ceramics lifestyle solutions provider. We will achieve this by utilising our rich experience, our wide product range, our innovative approach and our continuing emphasis to deliver quality. We will focus on building a world-class organisation. We have applied our expertise in some of the most iconic and innovative projects, and we aim to continue to push the boundaries in new and exciting projects as we move forward.

CORE VALUES AND CODE OF CONDUCT

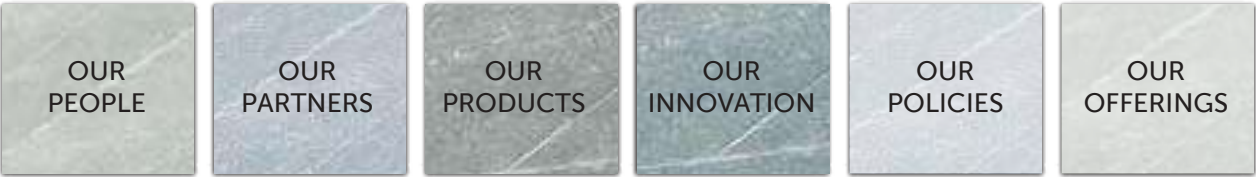
We have embedded our values across the business to ensure that our people act consistently and take the right decisions aligned with our broader philosophies. As a corporate citizen, RAK Ceramics has an established policy adhere to communication and dissemination of information as required under applicable laws in a fair, diligent and transparent manner. This policy of the Company is to develop and foster fair, sustainable and mutually beneficial relationship with its customers on an arm’s length basis.

Our code of conduct and ethical standards addresses ethical conduct in our work environment, business practices and relationship with external stakeholders. RAK Ceramics (Bangladesh) sets out the code of

conduct known as (guiding principals) for all employees and the Chairperson of the Board and other Board members of the Company ensures the implementation of the highest ethical standards in all of the Company’s business dealings. Our code of conduct guides us for our daily business interactions, reflecting our standard of proper behavior and our corporate values. The code clearly conveys to each of us the manner in which we achieve our business. Our priorities for 2020 and beyond are to continue embedding appropriate procedures and controls for responsibly and prudently managing the supply chain and other third-party risks to support our growth strategy for new products and markets.



WE MAKE A DIFFERENCE THROUGH



OUR INVESTMENT CASE

RAK Ceramics (Bangladesh) is the country's largest ceramics manufacturer and has set high operational standard through years of focused investments and development of unparalleled operational expertise.

MARKET LEADERSHIP

20 years of rich experience, market-leading positions, significant scale and modern operations

- We are the undisputed leader in all major markets across the country.
- Significant barriers to entry

ENDURING RELATIONSHIPS

Depth and breadth of customer relationships

- Status as a large customer for our primary and core suppliers
- Supporting the growth and development of all participants in the ceramics industry

RESILIENCE

Resilient core business that is characterised by product, geographic and customer diversification

- Offering strong price and value propositions to our customers and consumers
- Not overtly reliant on consumer credit

DISTRIBUTION NETWORK

Extensive and expansive distribution network covering Bangladesh

- Dense geographical footprint underpinning strong consumer accessibility
- Scalable and flexible network, helping optimise costs and maximising throughput

PORTFOLIO

Wide and diversified portfolio of brands

- Primary point of reference for consumer purchases evolving from the unorganised sector
- Dependable brands with very high brand recall

FOCUS ON MARGIN ENHANCEMENT

Emphasis will support us in expanding profitability

- Strong efficiency and cost containment initiatives
- Process simplification underway to enhance long-term decision-making

ROBUST FINANCIALS

Strong cash flows and sound balance sheet

- Cash from operations at BDT 1,585.22 mn (2019)
- Net debt-equity ratio of 0.01, supporting balance sheet strength (2019)

GROWTH FOCUS

Focus on continually reinforcing market position

- Large addressable market with ceramics tiles industry demand estimated to be rising significantly.
- Diversified product portfolio, robust consumer strategies and cost-efficient operations remain our enduring growth drivers



At RAK Ceramics (Bangladesh), we have always remained cognisant of our social responsibilities, extending a helping hand to societies that need it the most, thus ensuring a safe and secure future for them. A high degree of social and societal awareness has enabled us to report a resilient all-round performance for the year 2019.



CHAIRMAN'S STATEMENT

Dear Stakeholders,

I am pleased to present the annual report of RAK Ceramics (Bangladesh) for the year 2019, a year of significant change and considerable operational progress. I am also pleased to report that we have responded well those challenges and delivered a resilient performance with both tiles and sanitaryware segment. Year 2019 has been an important milestone of 20 years' legacy of inspiring generation, though we have been the pioneer on ceramics industry revolution in our country for all those years but it was always you behind our success. Thank you very much.

While looking back our root, infrastructure industry is a strategic core industry for growth and development of any nations and has a multiplier impact on the economy and society. Bangladesh is growing steadily with ambitious development goal with distinctive advantage of a young and aspirational population which promising limitless opportunity for us and your company is well positioned to capture those opportunities.

Last year I expressed our deep rooted ceramics capability with four pillars, Customer centricity, Supply chain alignment, Consumer segmentation and Capability to respond future; which we were strengthening those pillar round the year remain focused on delivering continuous improvement. Cash generation was excellent and we prudently manage our balance sheet. We made further excellent progress on formulating and executing our strategy and we continue to focus on developing our business.

This year we have set four strategic objectives

1. Optimize return through growth and dividend.
2. Focused strategic segment.
3. Leadership in ceramics technology
4. Industry leadership in cost efficiency.



The year 2020 marks our 20 years of progress and success in Bangladesh and during this period, we have created a unique legacy of inspiring generations, while also reinforcing our foundations for achieving better outcomes in future.

Our goal has enabled us to evolve, from a ceramics manufacturer into a pioneer lifestyle brand. RAK Ceramics (Bangladesh) is implementing immediate and urgent steps to ensure sustainable growth with some of the longer-term remediation efforts to address culture and tone at the top. The management is confident that the Company will continue to deliver improving operational and financial performance as a result of ongoing transformation. The values we are driving across the business underpin the way we work and help us to achieve our vision to be a trusted partner and deliver the product to our customers.

The Board expects to make further good progress in the year ahead, even though we are weathering various local and global challenges, we expect to continue

to outperform. We remain focused on maximizing revenue growth, improved gross margin, effective cost control and strong cash flow.

In conclusion, I would like to thank the Board members of RAK Ceramics (Bangladesh) and all employees, business partners and shareholders for their dedication, faith and support to the continued success of the company. The Board and management are committed to ensure the Company's trajectory of business growth, financial returns and sustained value creation is restored appropriately.

Thank you for sharing this journey with us.



Abdallah Massaad

Chairman
RAK Ceramics (Bangladesh) Limited

DIRECTORS' PROFILE



Abdallah Massaad

Chairman

Mr. Abdallah Massaad, Chairman of the Company, is also a member of the Board of Directors of RAK Power Pvt. Ltd. and RAK Security and Services (Pvt.) Ltd., subsidiary companies of RAK Ceramics (Bangladesh) Limited.

Mr. Massaad has led RAK Ceramics PJSC as Group Chief Executive Officer since June 2012.

He is also a representative on the board and management of several subsidiaries of RAK Ceramics. He is extremely knowledgeable in the fields of ceramics and industrial manufacturing, and is instrumental in helping companies engage in the forward and backward integration of the ceramics supply chain.

His tenure with RAK Ceramics began in 2004, when Mr. Massaad was invited as a Marketing Consultant to assist the CEO office, and upgrade the branding and positioning of the company in preparation for future sales and marketing challenges arising from ambitious expansion plans.

Mr. Massaad formally joined RAK Ceramics in 2006 as Deputy CEO, responsible for operations management, strategy development, implementation and RAK Ceramics' global interests. He supported the Chairman and CEO with strategic planning and expansion initiatives enabling the company to reach the milestone of 1 billion square metres of global sales since it began. He was also responsible for implementing Corporate Governance regulations and overseeing the strategic refocusing of the business portfolio.

June 2014 marked a transformational point for RAK Ceramics under Mr. Massaad's leadership, when Samena Capital acquired 30.6% of the business and implemented a "Value Creation Plan" aimed at unlocking value for shareholders. As part of the Value Creation Plan, RAK Ceramics started a re-focused strategy which aims to streamline global businesses and identify its most profitable operations.

In 2015, Mr. Massaad won the International Business Stevie® Award for 'Executive of the Year (Manufacturing)'. The efforts of Mr. Massaad as a visionary CEO were also further recognized when he was awarded 'Industry CEO of the Year' at the CEO Middle East Annual Awards 2015. In 2016 and 2018, Mr. Massaad was shortlisted as a Top 100 CEO as part of Mediaquest's Top CEO Awards in the GCC. In 2017, Mr. Massaad was shortlisted as one of the Top 100 Smartest People in the United Arab Emirates by Arabian Business, and he was also honoured as one of the top 100 Most Sustainable CEOs by the World Sustainability Congress.

Having over 26 years of experience from field sales to sales management, to product marketing, Mr. Massaad has highly developed business leadership skills in national and international markets. Prior to joining RAK Ceramics, Mr. Massaad was the General Manager of International Ceramics Company SARL (ICC) Lebanon.

Mr. Massaad holds post graduate qualifications in Management 'DEA in Business Administration' (1998) and an undergraduate degree "Maitrise in Business Administration – Marketing" from USEK (Université Saint-Esprit de Kaslik), Lebanon. He is fluent in Arabic, French and English and also speaks basic German.



SAK Ekramuzzaman

Managing Director

Mr. SAK Ekramuzzaman, Managing Director of the Company is one of the local investors having equity partnership with RAK Ceramics (Bangladesh) Limited. Besides managing diversified business interests of RAK Group, he is involved in a number of other business interests in Bangladesh.

Mr. Ekramuzzaman is also the member of the Board of Directors of RAK Power Pvt. Ltd. and RAK Security and Services (Pvt.) Ltd., subsidiaries of RAK Ceramics (Bangladesh) Limited.

Mr. Ekramuzzaman has been conferred as CIP Industry 2017 by the Government of Bangladesh in recognition of his outstanding contribution for industrialization and in the economy of Bangladesh.



PRAMOD KUMAR CHAND

Director

Mr. Pramod Kumar Chand is the Group Chief Financial Officer of RAK Ceramics PJSC, Director of RAK Power Pvt. Ltd. and RAK Security and Services (Pvt.) Ltd., which are subsidiaries of this Company. He is also a member of the Audit Committee and the Nomination and Remuneration Committee of RAK Ceramics (Bangladesh) Limited.

Mr. Pramod has a wide experience in dealing with corporate finance matters including treasury, working capital financing, project finance, venture capital, debt & equity capital market instruments, fund raising processes and general management.

Mr. Pramod's professional credentials span over 3 decades of post qualification experience with blue chip employers including Birla Corporation Ltd., and OCL India Ltd. in India, and Rak Investment Authority in UAE.

Mr. Pramod is a Member of the Institute of Chartered Accountants of India (ICAI) and has been a rank holder and winner of A F Ferguson award.



WASSIM MOUKAHHAL

Independent Director

Mr. Wassim Moukahhal is an Independent Director of RAK Ceramics (Bangladesh) Limited and its subsidiary companies. He is the Chairperson of the Nomination and Remuneration Committee and also a member of the Audit Committee of RAK Ceramics (Bangladesh) Limited. He also serves as a Member of the Board of Directors and the Executive Committee for RAK Ceramics PJSC and as a Member of the Board of Directors of RAK Porcelain.

Mr. Moukahhal has more than 15 years of experience in private equity investments and is currently a Managing Director of Samena Capital Investments Limited in Dubai, focusing on investments within the MENA region. He is also a member of the Board of Directors of Anghami and a member of the Investment Committee of the Samena Special Situations Funds.

Mr. Moukahhal previously worked at EFG-Hermes in Dubai where he was a Vice President in the Private Equity and Infrastructure investments team. Prior to EFG, he worked in the Private Equity Group for The National Investor (TNI) in the UAE.

Mr. Moukahhal holds an MBA from the Wharton School at the University of Pennsylvania and a Bachelor's degree in Economics & Finance from McGill University.



FAHEEMUL HUQ, BARRISTER-AT-LAW

Independent Director

Mr. Faheemul Huq, Barrister-at-Law, is the Independent Director of the Company and also the Independent Director of subsidiary companies of RAK Ceramics (Bangladesh) Limited. He is the Chairman of the Audit Committee and also the member of the Nomination and Remuneration Committee of RAK Ceramics (Bangladesh) Limited.

Mr. Huq completed his LL.B. (Hon's) from the University of Dhaka and the University of Wolverhampton, UK, PGDL, Bar Vocational Course, Lincoln's Inn, UK, Barrister-at-Law and was called to the Bar from Hon'ble Society of Lincoln's Inn, UK. He is enrolled in the Appellate Division of the Supreme Court of Bangladesh. Mr. Huq is one of the senior Advocate in the Supreme Court of Bangladesh with more than 20 years of experience in Bangladesh. Mr. Huq is a Member of the Bangladesh Supreme Court Bar Association and the Dhaka Bar Association, Bangladesh.

Mr. Huq is involved in many social activities such as the Chairman of Fazlur Rahman Foundation and Farida Huq Foundation, Life Member of Diabetic Association of Bangladesh, Member of Patient Welfare Committee of Diabetic Association of Bangladesh, Member of Legal Affairs Committee of Diabetic Association of Bangladesh and Member of Managing Committee of Dr. Farida Huq Memorial Ibrahim General Hospital, Kaliakair, Gazipur. He is also Life Member of the Dhaka Club Limited and the Banani Club Limited.



At RAK Ceramics (Bangladesh), we have inspired a generation of our employees to embrace a journey in a direction that will add value to both their professional and personal lives. In doing so, we have been able to develop one of the best manpower resources in Bangladesh, thus enabling us to reinforce our position as our industry's largest and most respected ceramics brand.

AWARDS & RECOGNITIONS

Silver Award

6th ICSB National Award- 2018
Manufacturing Companies Category



3rd Position

ICMAB Best Corporate Award 2018
Miscellaneous Manufacturing Category



Certificate of Merit

19th ICAB Award – 2018 Manufacturing Sector



INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS IN THE INDUSTRY

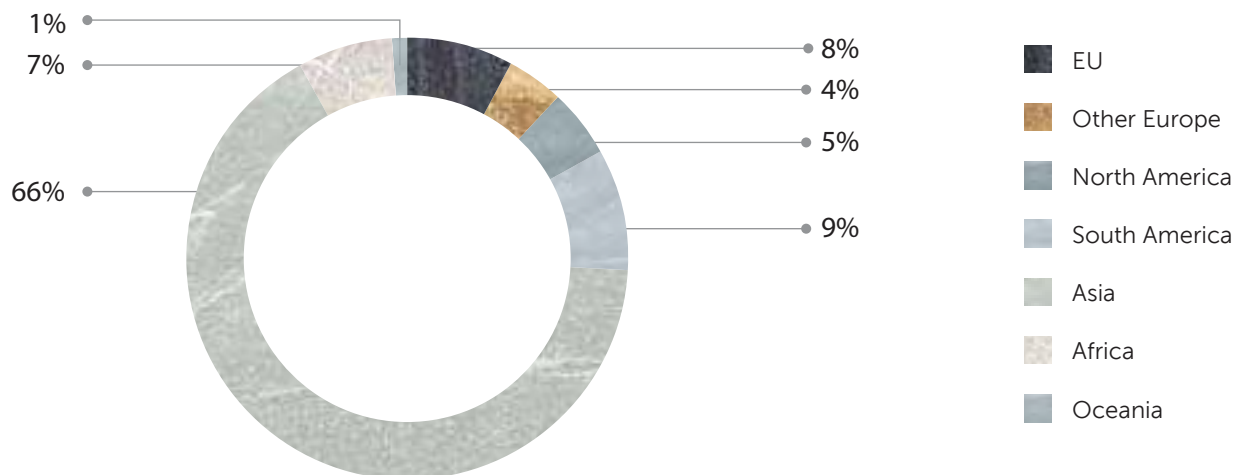
The ceramic tiles market is expected to grow with a CAGR of 7% in the period from 2020-2025 while the industry experienced a sustainable growth @ 1.5% in tiles consumption (volume) over the last five years. Increasing construction spending is the key factor in driving the ceramic tiles market globally. China, Japan, and India construction business are experiencing robust growth owing to the growth in the Asia-Pacific and global market. Rising disposable income and high population, along with other factors are positively influencing the construction sector, which in turn, is driving the ceramic tiles market. Vendors make use

of the advancements in digital printing technology, in order to provide ceramic tiles with a wide range of design aesthetics. The ceramics tiles market accounts for about 80% of the non-resilient flooring market. However, governmental regulations pertaining to the carbon emissions in the production of ceramic tiles hamper the market growth. Ceramic tiles are widely applicable in residential and commercial buildings, owing to their durability and crack resistant nature. Moreover, the protective coatings on ceramic tiles offer high water resistance, stain protection, and cleanup for the tile surface.

WORLD TILE CONSUMPTION BY GEOGRAPHICAL AREA - values in mn Sqm

Geographical Area	2014	2015	2016	2017	2018	% on 2018 world consumption	CAGR
EU	867	910	970	1,021	1,034	8%	4.5%
Other Europe	543	532	527	565	556	4%	0.6%
North America	462	507	547	569	565	4%	5.2%
South America	1,285	1,279	1,180	1,160	1,168	9%	-2.4%
Asia	8,135	8,184	8,841	8,983	8,511	66%	1.1%
Africa	792	816	858	920	930	7%	4.1%
Oceania	48	52	56	53	54	0.42%	3.0%
TOTAL	12,132	12,280	12,979	13,271	12,818	100%	1.4%

CERAMIC TILE CONSUMPTION BY GEOGRAPHICAL AREA 2018 - % shares



BANGLADESH CERAMIC INDUSTRY

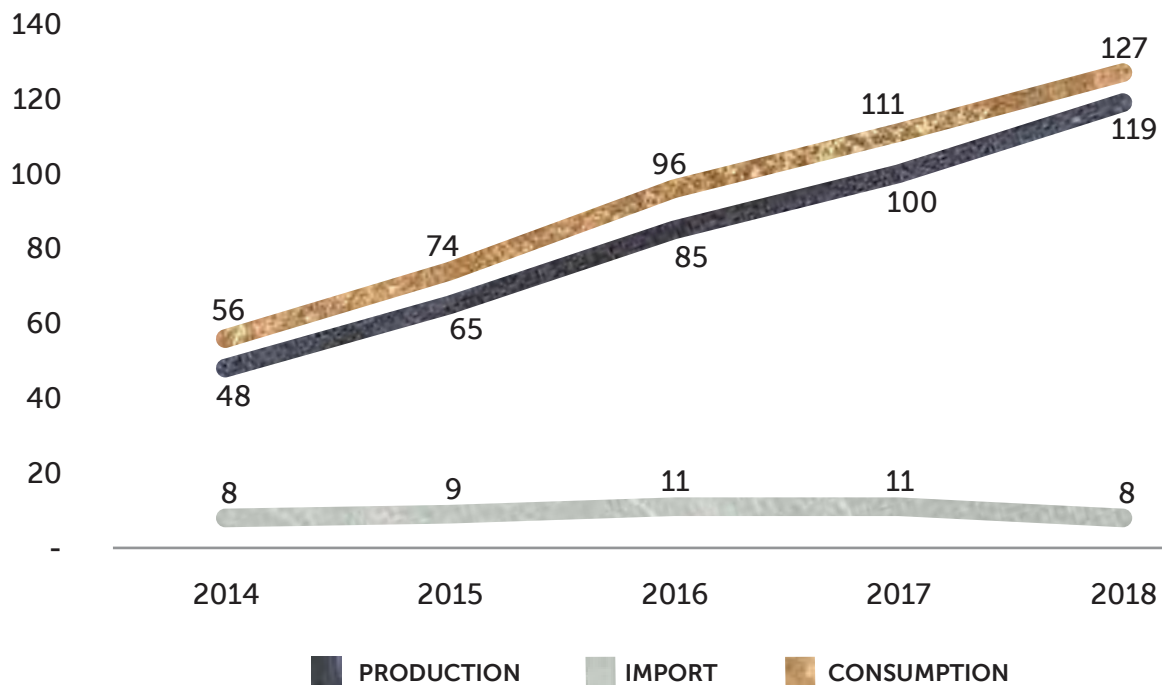
Bangladesh ceramic industry has experienced 200 pc growth in production over last five years. This growth momentum is expected to sustain for a considerable period of time. The industry is also positioned to expand rapidly in the global market with its high quality products, low labour costs and creative entrepreneurs. With the latest trade ban imposed by USA on China, 'an import destination for tiles' has turn its entrepreneur towards Bangladesh for heavy capital investment in ceramic industry for their own suitability. In Bangladesh

currently about 63 tiles, sanitaryware and tableware manufacturer are enlisted into business of which 26 are actively in tiles operation. Investment in this sector by local as well as foreign investors already extended BDT 50 billion. At present, total yearly production capacity of ceramic tiles stood at 120 mn Sqm which is expected to rapidly expand over a 3-5 years' span. Sanitary ware has got already 7.5 mn pc's installed capacity which is yet to grow further at the same pace of tiles.

BANGLADESH: KEY INDICATORS - Values in millions of sq.m

	2014	2015	2016	2017	2018	CAGR
Production	48	65	85	100	119	25%
Import	8	9	11	11	8	0%
Consumption	56	74	96	111	127	23%

BANGLADESH: KEY INDICATORS - mn (Sqm)



MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial overview

RAK Ceramics (Bangladesh) is the country's largest and most respected tiles and sanitary-ware brand. The Company has anchored this position based on its market-leading capacities, world-class manufacturing assets, high production utilisation levels, optimised cost structures, vibrant sales and distribution network, superior post-sales support and robust customer engagement programs.

An overview of the Company's consolidated financial operations is given below.

Accounting policies and estimation in the preparation of financial statements and changes thereon

Accounting policies and estimation for the preparation of the Company's financial statements and changes thereon are disclosed in "Note no. 3 of the "consolidated financial statements" on page 114 of this annual report.

Comparative analysis of financial performance and position of the Company

The detail of comparative analysis of the financial performance and position of the Company's operational results is discussed in the "General review of performance 2019" on page 32 of this annual report.

Financial performance

Comparative financial data of preceding five years are given below:

(Amount in BDT mn)

Particulars	2019	2018*	2017	2016	2015
Sales	6,463.86	6,331.08	6,956.19	5,661.41	5,059.30
Gross profit	1,907.74	2,013.40	2,704.97	2,409.36	2,162.41
Net profit after tax	754.03	890.63	1,018.01	915.25	1,094.34
Earnings per share (absolute BDT)	1.76	2.08 (Restated)	2.62 (Restated)	2.35 (Restated)	2.81 (Restated)
Net operating cash flow	1,585.22	567.62	1,835.93	1,103.14	920.24
Net asset value (NAV)	7,354.61	6,992.97	6,456.04	6,111.73	6,038.59
Net asset value per share	17.18	17.97	18.25	18.14	17.93

*2018 and 2019 complying IFRS-15

Financial performance vis-à-vis industry peers

Listed ceramics companies in Bangladesh comprise the following:

Sl. No.	Name	Product Category	Market Category	Year of listing on DSE	Year of listing on CSE	Year end
01	RAK Ceramics (Bangladesh) Limited	Tiles and sanitary ware	A	2010	2010	December 31st
02	Fu-Wang Ceramic Industry Limited	Tiles	Z	1998	1998	June 30th
03	Monno Ceramic Industries Limited	Tableware	A	1883	1995	June 30th
04	Shinepukur Ceramics Limited	Tableware	Z	2008	2008	June 30th
05	Standard Ceramic Industries Ltd.	Tableware	B	1996	1996	June 30th

Financial scenario of ceramics companies in Bangladesh:

(Amount in BDT mn)

Particulars	For the year ended 31 December 2019	For the year ended 30 June 2019			
	RAK Ceramics (Bangladesh) Limited	Fu-Wang Ceramic Industry Limited	Monno Ceramic Industries Limited	Shinepukur Ceramics Limited	Standard Ceramic Industries Ltd.
Sales	6,463.86	595.17	1,071.08	1,533.12	323.85
Gross profit	1,907.74	225.74	199.50	340.42	68.25
Net profit/Loss after tax	754.03	80.78	72.65	62.71	10.05
Net asset value	7,354.61	1,519.53	2,152.45	4,267.93	105.78
NOCF per share (absolute BDT)	3.70	0.38	3.35	0.41	1.45
Net asset value per share (absolute BDT)	17.18	11.15	65.90	29.04	16.37
Earnings per share (absolute BDT)	1.76	0.59	2.22	0.43	1.56

Global economic scenario

According to the International Monetary Fund, global economic growth for the year 2019 has been revised downwards from 3.4% to 3.3%. The downward revision primarily reflects negative surprises to economic activity in a few emerging market economies but improved momentum for emerging market and developing economies is projected to continue into 2020. As a major contributor, China, is expecting to experience 4% reduction in growth rate. This is attributable to continued trade tension among global powers, tighter financial conditions and higher commodity prices. With protective trade measures taken by the US administration and the UK exiting the EU, even growth in the emerging and developing economies (including India) may not be able to keep pace with global GDP growth trends.

Asian economic scenario

The outlook for South Asia remains broadly positive, despite of domestic headwinds in some of the economies. Although the first-round adverse impact from the global trade tension is partly moderated by the region's limited integration in global value chains, risks from the recent escalation of US-China trade tension and regional geopolitical challenges have increased.

Infrastructure development plays a fundamental role is not only driving economic growth, but also accelerating

other complementary industries, such as transportation, energy, heavy engineering and construction. Growth in the region is expected to rise to 5.5% in 2020, assuming a modest rebound in domestic demand and as economic activity benefits from policy accommodation in India and Sri Lanka and improved business confidence and support from infrastructure investments in Afghanistan, Bangladesh and Pakistan.

Bangladesh economic scenario

The economic growth of Bangladesh remained strong in FY 2018-19, surging by 8%, with industry growing by a much faster 11%.

The Asian Development Bank indicates that Bangladesh is the fastest-growing economy in the Asia-Pacific region. Considering the government's ambitious goals of achieving double-digit economic growth, measures are being taken to better facilitate ease of doing business, along with the development of several mega projects, economic processing zones and incentives for facilitating foreign investment, macroeconomic factors that could possibly stimulate growth further look bright. The country is also investing in a variety of modernisation projects. At a time when many countries are looking inwards and closing their doors, Bangladesh is open for business.

This year, Bangladesh is on track to post record high annual GDP growth of 8.1%, up from 7.9% in 2018.

Risks and concerns

Details of risks and concerns facing the Company are discussed in detail in the "Risk management and control" on page 62 of this annual report.

Future plan

Infrastructure industry is a strategic lever for growth and development of the nations and has a multiplier impact on the economy and greater society. Bangladesh has the unique advantage of a young and motivated population and highest economic growth, which would drive sustainable demand for industries such as ours. While the short-term global macroeconomic and geopolitical situation may continue to pitch some challenges, the future holds many opportunities for our

Company and we are well positioned to capitalize on the opportunities and deliver strong growth.

We remain committed to the strategic goals and will continue to focus on improving the operational performance to ensure a sustaining enterprise.



(SAK Ekramuzzaman)

Managing Director

February 04, 2020



At RAK Ceramics (Bangladesh), we have constituted a strong, diversified and multifaceted Board of Directors, under whose watchful supervision and guidance we have been able to achieve our targets and objectives. In doing so, we have been able to implement best practices and achieve all-round corporate excellence.



PERFORMANCE AT A GLANCE



Challenging year with resilient financial and significant operational performance



Decisive management actions taken to strengthen industry-leading market positions



Greater stabilisation achieved at our fourth tiles manufacturing plant



Expansion steadied at our sanitary-ware plant



Revenue up by 2.1 percent to BDT 6,463.85 mn



Operating profit of BDT 1,091.82 mn (2018: BDT 1,285.82 mn)



Earnings per share of BDT 1.76 (2018: BDT 2.08)



15 percent cash dividend recommended for 2019



Continued to strengthen our governance structures and practices



Reinforced human resource training and skills development

PERFORMANCE AT A GLANCE



7.68 mn SQM: Tiles produced



Consolidated turnover: BDT 6,463.86 mn



8.04 mn. SQM: Tiles delivered



Profit after tax: 754.03 mn



1,421,260 pcs: Sanitary-ware produced



EBIDTA: BDT 1,512.46 mn



1,421,526 pcs: Sanitary-ware delivered



Operating cash flow growth: 1.8x

PERFORMANCE AT A GLANCE



Tiles revenue increased by 4.75% due to growth in the average sales price and increase in volumes by 4.68%.



Free cash flow increased by 2.9x due to stringent control over working capital use across our operations.



Sanitary-ware revenue moderated by 3.86% due to price war in the market and increased competition from low-end products.



Short-term debt declined by 71.2% due to improved cash flow.

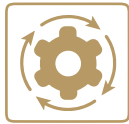


Gross margin declined by 2.3% due to lower revenues from sanitary-ware division.



Net operating cash flow per share increased to BDT 3.70 per share (2018: BDT 1.46 per share)

OPERATIONAL HIGHLIGHTS



Significant operational and resilient financial improvement as transformation process maturing and delivering results.



Visible improvement in working capital due to close monitoring of operational current assets and current liabilities.



Strengthened mid-management team and the ensuing enhanced capability has created a future-ready business.



Continuous improvement on management information system (MIS) helping the business to create competitive advantages over the long-term.



Substantial improvements in operational efficiencies delivering significant cost reduction across the operations.

GENERAL OVERVIEW OF PERFORMANCE 2019



At RAK Ceramics (Bangladesh), we are focused on delivering growth through innovation. Our fundamental objectives are to improve profitability and deliver long-term sustainable value to our shareholders, while taking into account the interests of all stakeholders.

Overview 2019

In 2019, RAK Ceramics achieved satisfactory progress with operational transformation initiatives delivering improved operational and financial performance, compared to industry peers. The Company delivered mostly similar financial performance as the previous year, with a slight increase in revenues 2.10% and gross profit declining by 5.25% due to adhering group policy on IAS-2 for providing slow moving inventory and loss of material due to natural calamity (cyclone) during the month of February 2019, representing a one-off event. This performance reflects a combination of higher revenues coupled with tighter control over operating costs.

RAK is in the process of shaping the flooring industry by maintaining its leadership position in specific segments, such as institutional sectors, builders in urban sectors, individual house builders, medium and small housing developers in rural areas.

RAK remains focused on delivering on our continuous improvement objectives, and prudently manage our balance sheet and cash flows.

Our financial objectives

Our drive towards growing shareholder value sustainably is guided by our continuous focus on our financial objectives:

- A sustainable delivery of operational and capital efficiencies to enhance Return on Capital Employed (ROCE)
- Continuously improving on our cost competitive position
- Managing the balance sheet prudently by means of our financial risk management strategy; and
- Prudent and disciplined resource allocation. The two key principal objectives in the capital allocation framework are to strengthen the balance sheet and to focus on value-based resource allocation

Revenue and gross margin

The business experienced lower gross margin with 2.10% higher revenues to BDT 6,463.86 mn in 2019 (2018: BDT 6,331.08 mn), reflecting competitive market conditions and the decision to focus on volumes over pricing and profitability through scale. Prior period revenue has been restated, complying with IFRS 15, which has been briefed on changes in accounting policy.

The Company's revenue from ceramic tile division increased by 5.8% due to introduction of value-added products, whereas sanitaryware division's revenues decreased by 4.6% due to price war. The Company is accelerating its strategy to increase profit by improving pricing discipline and reducing its exposure to low margin business.

Return on capital employed

Post tax return on capital employed (ROCE) is one of the Company's primary performance metrics and is calculated as operating profit less tax, divided by average net assets plus average net debt. The Company continues to maintain ROCE at acceptable limit 14.20% as at 31 December 2019 (2018: 17.31%). Operational working capital fell to 8.1% of sales (2018: 8.9%), particularly helped by actions to reduce levels of inventory, down by BDT 220 mn at the year end to BDT 2,785.63 mn (2018: 3,005.62 mn).

Cash flow and leverage

The Company generated BDT 1,887.13 mn of net cash from operating activities (2018: BDT 855.39mn) during the year by enhancing payment terms with supplier and ensuring stringent credit controls with customers. The combination of increased operational cash flow and lower spending on capital asset and reduced net debt enabled the Company to improve significant net cash flow to BDT 1,499.31 mn (2018 BDT: 829.80 mn). The Company continues to target a further improvement in the future.

Changes in accounting policy

IFRS 16 is a new standard relating to accounting for leases which is effective for accounting periods beginning on or after 1 January 2019. The standard eliminates the classification of leases as either operating leases or finance leases for lessees and introduces a single lease accounting model where the lessee is required to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. The Company has adopted the standard using the modified retrospective approach, which means that it has no impact on the results announced in this Report.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Company adopted IFRS 15 resulting representation of Revenue after netting off all discounts, commission, incentives and promotional bonus.

Prior period restatement

The Company has reviewed certain accounting policies and judgements to comply certain compulsory standard for fair presentation of financials. This resulted in a number of areas like revenue, gross profit, marketing and selling expenses, being restated by prior

year restatements to previously recorded numbers, as announced in the Company's 2018 Financial Report, it has no impact on the results announced in this Report.

Ways to achieve operational efficiency

Operational efficiency is a key strength of RAK Ceramics. Over the period, we have designed and implemented several process improvement initiatives which help us upgrade many operational key performance indicators to benchmark levels. Our continuous focus on operational efficiency helps to achieve leadership in cost competitiveness, which enables protecting business profitability through resilient performance.

Operational efficiency through reducing operating costs – During the year 2019, the business has taken all-around cost control through cutting down discretionary costs, eliminating duplicate spending processes, sourcing directly from manufacturer/s and enhancing the level of finance control.

Operational efficiency through reducing working capital – Apart from reducing operating cost, working capital in use has reduced by BDT 220 mn. The Management has revised the inventory management control process during the year, implementing more stringent controls on sourcing to minimize the lower levels of working capital in use.

Customer Value optimization through targeted pricing and unit profitability – This was achieved out of value-added innovative products like double charge, scratch free, industrial tiles, water-efficient closets, etc., during the year. Incentivized dealer and increase dealer network protected market leadership which enabled secured turnover growth over the last year.

Value creation and allocation summary

In support of our purpose and through effective and disciplined efforts in managing the six capitals and our continued commitment to stakeholders, value delivered during the year reinforces our approach of aiming to be a credible stakeholder partner.

Value Creation

[Gross Turnover: BDT 9,370.52mn] – [Purchase of Material and Service BDT 3,771.20mn] + [Other Income BDT 79.08mn] = [Value Created: BDT 5,678.40mn]

Value delivered

Direct Tax, VAT and others paid to the Government **48.12%**

Reinvested in group **21.10%**

Wages and benefits paid **16.72%**

Dividend paid **13.70%**

Provided to loan capital **0.36%**

Financial performance

Amount in **BDT mn**

Particulars	Y-19	Y-18	Change %
Sales	6,463.86	6,331.08 (restated)	2.10

Sales increased by 2.10% to BDT 6,463.86 mn from BDT 6,331.08mn (restated) in 2018 mainly due to increase of sales of tiles division.

Particulars	Y-19	Y-18	Change %
Gross Profit	1,907.74	2,013.39 (restated)	(5.25)

Gross profit decreased by 5.25% to BDT 1,907.74 mn from BDT 2,013.39 mn (restated) in 2018, mainly due to significant increase major input material natural gas and other associated raw material input.

Particulars	Y-19	Y-18	Change %
PAT	754.03	890.62	(15.34)

Profit after tax decreased by 15.34% to BDT 754.03 mn from BDT 890.62 mn in 2018., mainly due to lower gross profit and spending money on brand and marketing including inflationary impact on other selling, general and administration overhead.

Particulars	Y-19	Y-18	Change %
EBITDA	1,512.46	1,691.92	(10.61)

EBITDA decreased by 10.61% to BDT 1,512.46 mn from BDT 1,691.92 mn in 2018, because decreased of profit after tax.

Particulars	Y-19	Y-18	Change %
EPS (Absolute BDT)	1.76	2.08 (restated)	(15.38)

EPS decreased by 15.38% to BDT 1.76 from BDT 2.08 per share in 2018 (restated), mainly due to lower profit after tax and increased number of shares due to offer stock dividend in 2018.

Revenue mix:

The ceramics business accounted for a significant share of the Company's revenues; other businesses (power and security) made contributions to the consolidated topline.

RAK Ceramics

Particulars	Y-19	Y-18	Change %
Revenue	6,408.00	6,269.20 (restated)	2.21

Revenues increased by 2.21% to BDT 6,408.00 mn in 2019 from BDT 6,269.20 mn in 2018 (restated).

Particulars	Y-19	Y-18	Change %
PAT	793.65	883.18	(10.14)

Profit after tax decreased by 10.14% to BDT 793.65 mn in 2019 from BDT 883.18 mn in 2018.

RAK Power

Particulars	Y-19	Y-18	Change %
Revenue	352.40	392.09	(10.12)

Particulars	Y-19	Y-18	Change %
PAT	50.67	86.45	(41.39)

Profit after tax decreased by 41.39% to BDT 50.67 mn in 2019 from BDT 86.45 mn in 2018, with decrease in sales to the extent of 10.12% to BDT 352.40 mn in 2019 from BDT 392.09 mn in 2018.

RAK Security and Seviceis

Particulars	Y-19	Y-18	Change %
Revenue	107.56	159.35	(32.50)

Particulars	Y-19	Y-18	Change %
PAT	(1.22)	2.56	(147.66)

Business incurred loss to BDT 1.22 mn due to decrease in sales to BDT 107.56 mn (BDT 159.35 in 2018)

Operating profit

Particulars	Y-19	Y-18	Change %
Operating profit	1,091.82	1,285.82	(15.09)

Net operating profit decreased by 15.09% to BDT 1,091.82 mn in 2019 from BDT 1,285.82 mn (restated) in 2018.

Operating expenses

Particulars	Y-19	Y-18	Change %
Operating expenses	5,412.62	5,107.32	5.98

The Company's operating expenses (operating, marketing and administrative) increased by 5.98% to BDT 5,412.62 mn in 2019 from BDT 5,107.32 mn in 2018 in tandem with operational volume and country inflation. Operating cost as a proportion of sales increased by 3.07% in 2019 against 2018.

Operating cost matrix

Particulars	2019		2018		Increase/ (Decrease)(%)
	Amount (BDT mn)	Proportion of sales (%)	Amount (BDT mn)	Proportion of sales (%)	
Cost of goods sold	4,556.11	70.49	4,317.69	68.20	5.52
Marketing expenses	456.00	7.05	411.36	6.50	10.85
Administrative expenses	400.51	6.20	378.27	5.97	5.88

Administrative expenses

Particulars	Y-19	Y-18	Change %
Administrative expenses	400.51	378.27 (restated)	5.88

Administrative expenses increased by 5.88% to BDT 400.51 mn from BDT 378.27 mn was in 2018 mainly due to annual inflation and increase other associated overheads.

Marketing expenses

Particulars	Y-19	Y-18	Change %
Marketing expenses	456.00	411.36 (restated)	10.85

Marketing expenses increased by 10.85% to BDT 456.00 mn from BDT 411.36 mn (restated) was in 2018 mainly due to increase in branding and business promotion expenses.

Financial expenses

Particulars	Y-19	Y-18	Change %
Financial expenses	27.32	39.39	(30.64)

Interest expenses against loan decreased by BDT 21.52 mn and Interest expenses against lease liability increased

by BDT 5.11 mn in 2019. Bank charges decrease to BDT 2.56 mn in 2019 from BDT 4.29 mn in 2018.

Analysis of the balance sheet shareholders' fund

Particulars	Y-19	Y-18	Change %
Share capital	4,279.69	3,890.62	10.00
Share premium	1,473.65	1,473.65	-
Retained earnings	1,601.28	1,628.69	(1.68)
Shareholders' fund	7,354.61	6,992.97	5.17

Shareholders' fund increased by 5.17% to BDT 7,354.61 mn in 2019, up from BDT 6,992.97 mn in 2018.

Non-current assets

Fixed assets additions

During the year 2019, the total additions to the fixed assets, including subsidiary companies, was BDT 229.66 mn. The major additions to the fixed assets were Purchase of Plant & machinery, building, mobile plant etc.

Capital work-in-progress

Capital work-in-progress also includes construction work for factory staff residential building, plant and machinery etc.

Current assets

Inventory

Particulars	Y-19	Y-18	Change %
Finished goods	701.96	872.17	(19.52)
Raw materials	798.91	839.61	(4.85)
Stores and consumables spares	951.86	1,011.84	(5.93)
Work-in-process	104.69	105.32	(0.60)
Goods-in-transit	228.21	176.67	29.17
Total Inventory	2,785.63	3,005.62	(7.32)

The Company has a policy of maintaining adequate inventory of key inputs to ensure uninterrupted operations as most of the materials sourced globally.

Trade and other receivables

Particulars	Y-19	Y-18	Change %
Trade receivables	813.48	805.88	0.94
Other receivables	46.48	65.91	(29.48)
Trade and other receivables	859.96	871.79	(1.36%)

These largely comprise of trade receivables where in average receivables cycle is maintain as per company's credit policy.

Asset composition

Particulars	2019		2018		Increase/ (Decrease)(%)
	Amount (BDT mn)	Proportion of assets (%)	Amount (BDT mn)	Proportion of assets (%)	
Non-Current assets	3,913.70	30.67	4,031.50	33.08	(2.92)
Current assets	8,846.16	69.33	8,155.35	66.92	8.47
Total	12,759.86	100.00	12,186.85	100	4.70

Cash and bank balance

Particulars	Y-19	Y-18	Change %
Cash in hand	3.63	5.27	(31.12)
Cash at bank	1,495.68	824.54	81.40
Total	1,499.31	829.81	80.68

Cash and bank balances include cash in hand of BDT 3.63 mn, balances in bank accounts of BDT 704.17 mn and fixed deposits of BDT 791.51 mn. Liquid balances of cash and bank are necessary for the smooth functioning of the business.

Equity and liabilities

Capital and reserves

The equity capital comprised 4,279,687,010 ordinary shares of BDT 10 each. The market value of the share is BDT 28.70 (as on 31 December 2019, DSE) resulting in a market capitalization of BDT 12.28 bn.

Non-current borrowings

There is no non-current borrowings in this year.

Current borrowings

Current borrowings include current portion of long term foreign currency loan of BDT 89.23 mn.

Current liabilities

Particulars	Y-19	Y-18	Change %
Current liabilities	5,187.17	4,907.75	5.69

Current liabilities increase by 5.69% to BDT 5,187.17 mn in 2019 from BDT 4,907.75 mn in 2018, mainly due to better negotiation on payment terms.

Analysis of cash flows

Cash flow from operating activities

Operating cash flow increased by 179.27% to BDT 1,585.22 mn from BDT 567.62 mn in 2018 mainly due to controlled inventory stock and stringent credit policy in place.

Cash flow from investing activities

Net cash used in investing activities decreased by 9.92% to BDT 190.24 mn in 2019 from BDT 211.18 mn in 2018 due to less outflow of cash for acquisition of Property.

Cash flow from financing activities

Net cash used in financing activities reduced by 20.26% to BDT 725.28 mn in 2019 from BDT 909.55 mn in 2018 due to less repayment of term loan by 67.45% to BDT 88.20 mn in 2019 from BDT 270.96 mn in 2018.

SEGMENT WISE PERFORMANCE

A. RAK Ceramics (Bangladesh) Limited

i) TILES

Installed capacity: 10.32 mn sqm. annually

Highlights 2019

Capacity utilization was 74% at our tiles plant in 2019

Production of 2019 was 7.68 mn sqm; 10.38% lower than previous year.

Road map in 2020

Explore new markets, especially those of the neighboring countries.

Focus on process efficiency and robust cost control.

ii) SANITARYWARE

Installed capacity: 1.45 mn pcs. annually.

Highlights 2019

Our Sanitaryware capacity was 98% utilized.

Production of 2019 was 1.42 mn pcs. 4.33% lower than previous year.

Road map in 2020

Continued focus on production and sale of premium products.

Explore new markets, especially those of the neighboring countries.

B. RAK Power Pvt. Ltd.

Installed capacity: 13 MW

Highlights 2019

The power plant capacity was available in excess of 90% of installed capacity during the year 2019. Significant portion of generated power has primarily transmitted to meet the requirements of the parent company, RAK Ceramics (Bangladesh) Limited.

C. RAK Security and Services (Pvt.) Ltd

The Company is in the business of providing Security and other services to group companies as well as non-group customers.

Highlights 2019

The Company reported revenue of BDT 107.56 mn in 2019, against BDT 159.34 mn in 2018. The decline was primarily due to income from labour services moderating by 32.50%, as compared to 2018. The Company's net profit after tax stood at BDT (1.22) mn, against BDT 2.56 mn in 2018.

Road map 2020

To explore and expand customer base in the country by leveraging its attained skills and experience.

Segment Reporting 2019

(Amount in BDT mn)

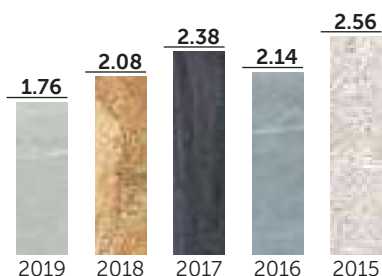
Particulars	RAK Ceramics	RAK Power	RAK Security	Adjustment	Entity Total
Sales	6,408.00	352.40	107.56	(404.10)	6,463.86
Gross Profit	1,799.93	82.75	16.36	8.7	1,907.74
Profit before Tax	1,059.30	75.40	(1.22)	(89.08)	1,044.40
Profit after Tax	793.65	50.67	(1.22)	(89.07)	754.03

YoY PERFORMANCE – HOW WE MEASURE OUR PROGRESS

Definition - Earnings per share (EPS) is calculated as the company’s profit divided by the outstanding number of ordinary shares. This is the primary determinant to value the share price.

Performance

EPS - RESTATED

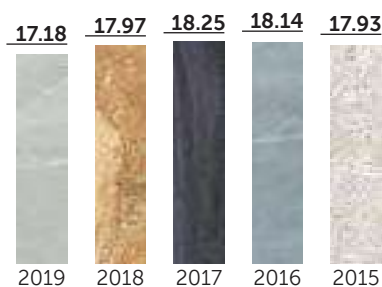


Observation – EPS has reduced by 0.42 paisa over 2018, primarily because of reduced net profit and increased number of shares due to offer stock dividend in 2018.

Definition - The net asset value (NAV) per share represents the net value of an entity per share and is calculated as the equity divided by number of total outstanding shares.

Performance

NAV PER SHARE

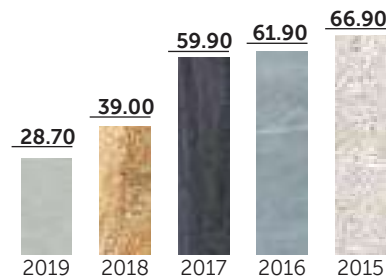


Observation – Net value of asset per share has reduced by 0.79 primarily due to increase of number of shares for declaring bonus shares in 2018.

Definition – Market price of stock over the period. Market price of stock multiplied by number of ordinary shares determine market capitalization or value of the company.

Performance

STOCK PERFORMANCE

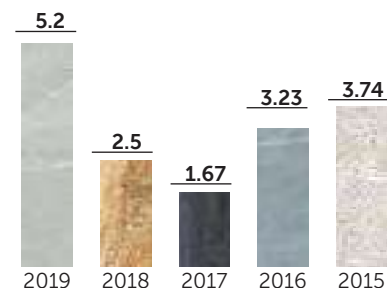


Observation – Dhaka Stock Exchange recorded negative index return 17.3% last year among the Asian countries, due to various macroeconomic factors which has had a reciprocal impact on our stock price.

Definition - Dividend yield is the financial ratio that measures the quantum of cash dividends paid out to shareholders relative to the market value per share.

Performance

DIVIDEND YIELD

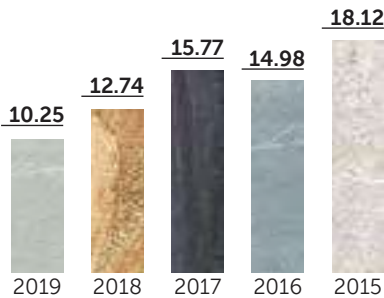


Observation – Dividend yield has increased significantly, as the company has recommended cash dividend which is subject to approval at the AGM.

Definition - The return on shareholders' equity ratio shows how much money is returned to the owners as a percentage of the money they have invested or retained in the company.

Performance

RETURN ON SHAREHOLDERS FUND

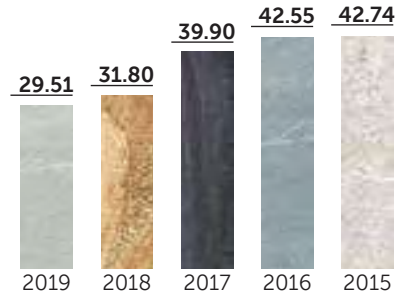


Observation – Number of ordinary shares has been increasing over the last three years and insignificant increment of profit after tax has caused lower index.

Definition – The gross profit margin is the ratio of gross profit expressed as percentage over to turnover/sales. Gross margin ratio only considers the cost of goods sold in its calculation because it measures the profitability of selling inventory.

Performance

GROSS PROFIT MARGIN %

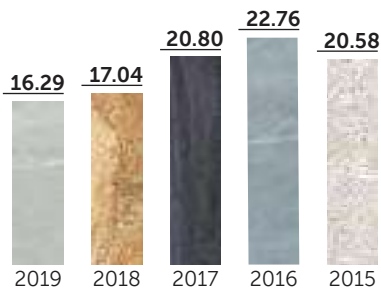


Observation – Gross profit margin percentage has decreased due to impact of IFRS 15 adoption and adverse impact of loss of material due to natural calamity (cyclone).

Definition – The Price Earnings Ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its earnings per-share.

Performance

PE RATIO

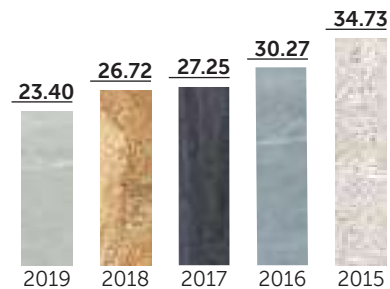


Observation - Dhaka Stock Exchange recorded negative index return 17.3% last year among the Asian countries, due to various macroeconomic factors which has had a reciprocal impact on our stock price.

Definition – Earnings before depreciation, interest, tax and amortization is a measure of a company's overall financial performance. EBITDA margins provide investors a snapshot of short-term operational efficiency.

Performance

EBITDA (%)

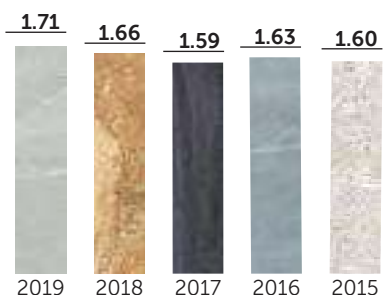


Observation – Due to lower down gross margin as explained earlier causing falling down all other margin parameter, even though company reduce the cost of interest and tax.

Definition – Current ratio that measures a company's ability to pay short-term obligations like debt, payable or those due within one year. This is computed current asset over current liability.

Performance

CURRENT RATIO

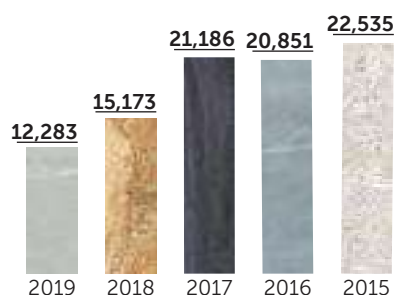


Observation – Company performing well year over year while monitoring current asset like cash, receivables, inventory and current liability payable within a year like short term loan, payable etc.

Definition – Market capitalization is the aggregate market value of a company in terms of BDT. it is computed based on the current market price (CMP) of its shares and the total number of outstanding shares.

Performance

MARKET CAPITALIZATION

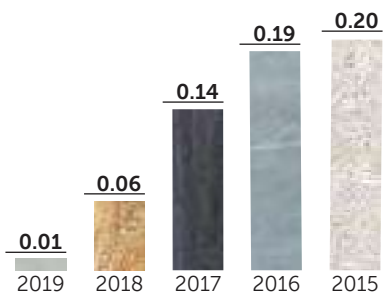


Observation - Dhaka Stock Exchange, recorded negative index return as mentioned in PE ratio observation, which causing lower market price of share. Market volatility, concerns to the waning investors' confidence, which has also an impact on RAK market price of share.

Definition – Debt to Equity Ratio (D/E) is calculated by dividing a company's total liabilities by its shareholder equity. It is a measure of what extent a company is financing its operations through debt versus equity funds

Performance

DEBT EQUITY RATIO

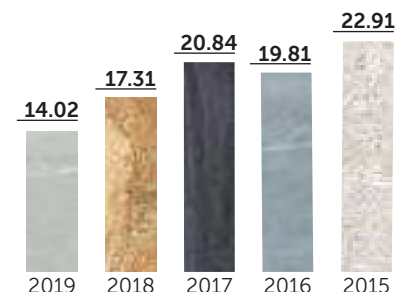


Observation – Company managing debt very well and sustainably maintaining optimum leverage.

Definition – Return on Capital Employed (ROCE) measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed.

Performance

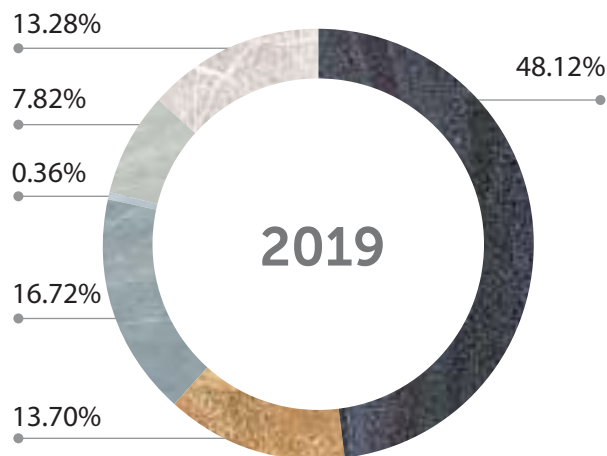
RETURN ON CAPITAL EMPLOYED (%)



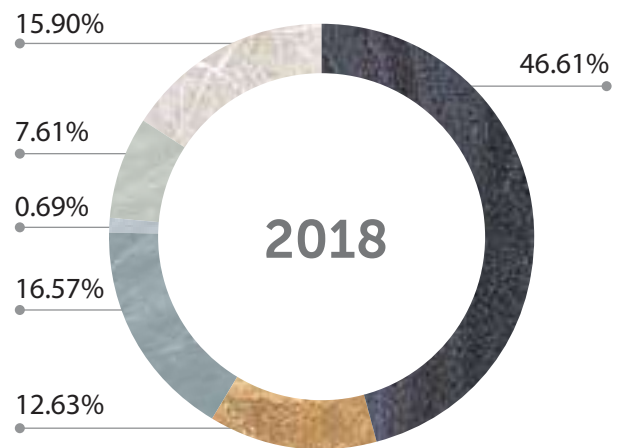
Observation - Due to lower gross margins as explained earlier caused a decline in all other margin parameters, including return on capital employed.

VALUE ADDED STATEMENT

Particulars	2019		2018	
	Amount in BDT	%	Amount in BDT	%
Revenue	9,370,529,566		9,267,871,479	
Other income	79,082,208		104,074,247	
Less: Payments to suppliers for materials and services	3,771,203,013		3,770,591,133	
Value-added	5,678,408,761	100%	5,601,354,593	100%
Distribution of value-added				
To the Government: Income tax, duties and value-added tax	2,732,444,417	48.12%	2,610,563,558	46.61%
To the suppliers of capital				
Dividends to shareholders	778,124,906	13.70%	707,386,291	12.63%
To employees				
Wages, salaries, bonus, commissions, pensions and other benefits	949,390,122	16.72%	927,962,020	16.57%
To providers of finance				
Interest and bank charges on borrowings	20,449,121	0.36%	38,583,463	0.69%
Retained for reinvestment and future growth				
Depreciation	443,974,986	7.82%	426,234,498	7.61%
Retained profit	754,025,209	13.28%	890,624,763	15.90%
Total	5,678,408,761	100.00%	5,601,354,593	100.00%

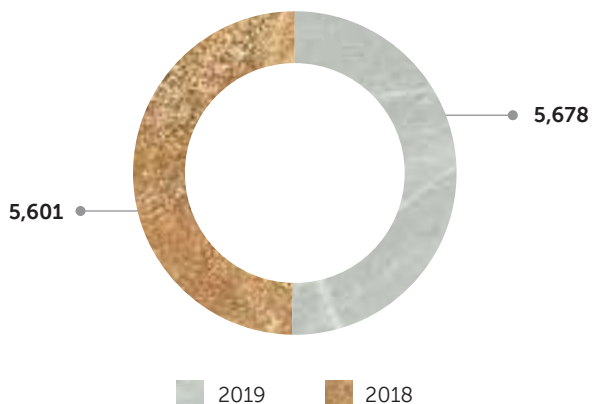


- To the Government : Income tax, duties and value-added tax
- Dividends to shareholders
- Wages, salaries, bonus, commissions, pensions and other benefits
- Interest and bank charges on borrowings
- Depreciation
- Retained profit

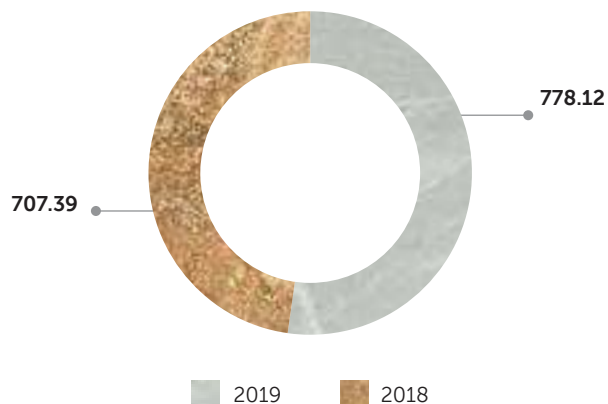


- To the Government : Income tax, duties and value-added tax
- Dividends to shareholders
- Wages, salaries, bonus, commissions, pensions and other benefits
- Interest and bank charges on borrowings
- Depreciation
- Retained profit

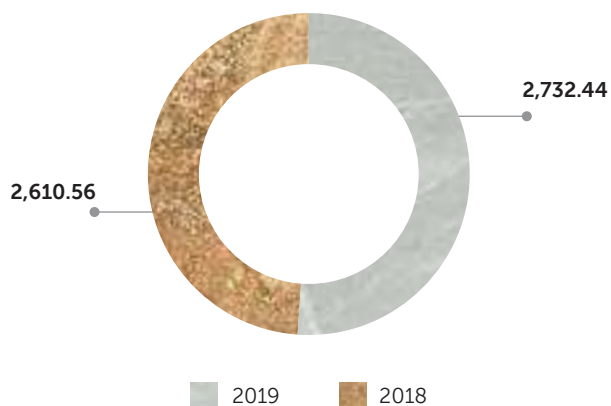
VALUE ADDED YEAR OVER YEAR



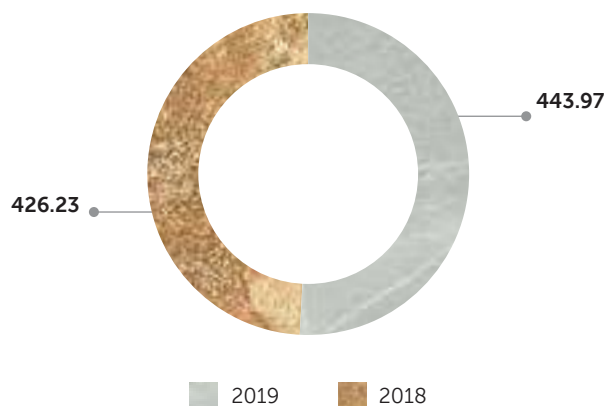
PAY TO SHAREHOLDERS – DIVIDEND



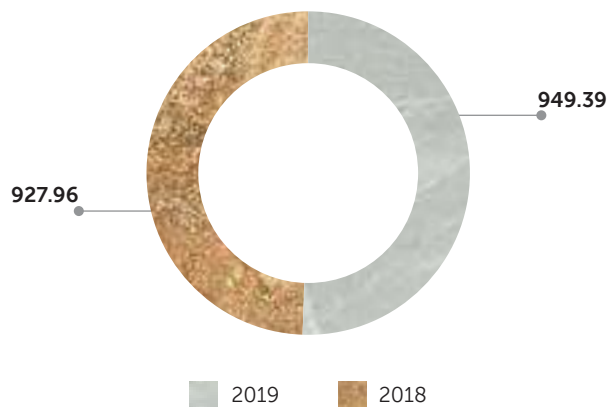
PAY TO GOVERNMENT – TAXES



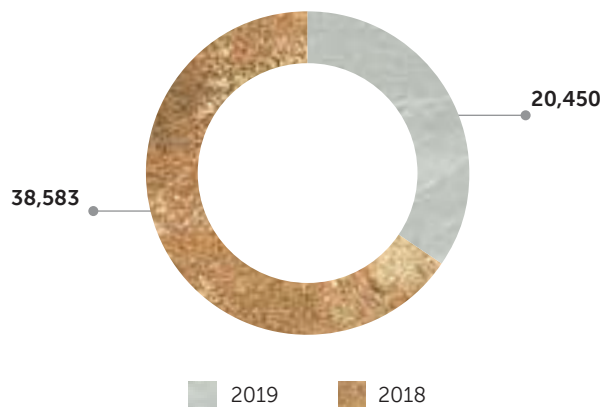
PAY TO BUSINESS - REINVESTED



PAY TO EMPLOYEES – WAGES



PAY TO FINANCERS – LOAN CAPITAL

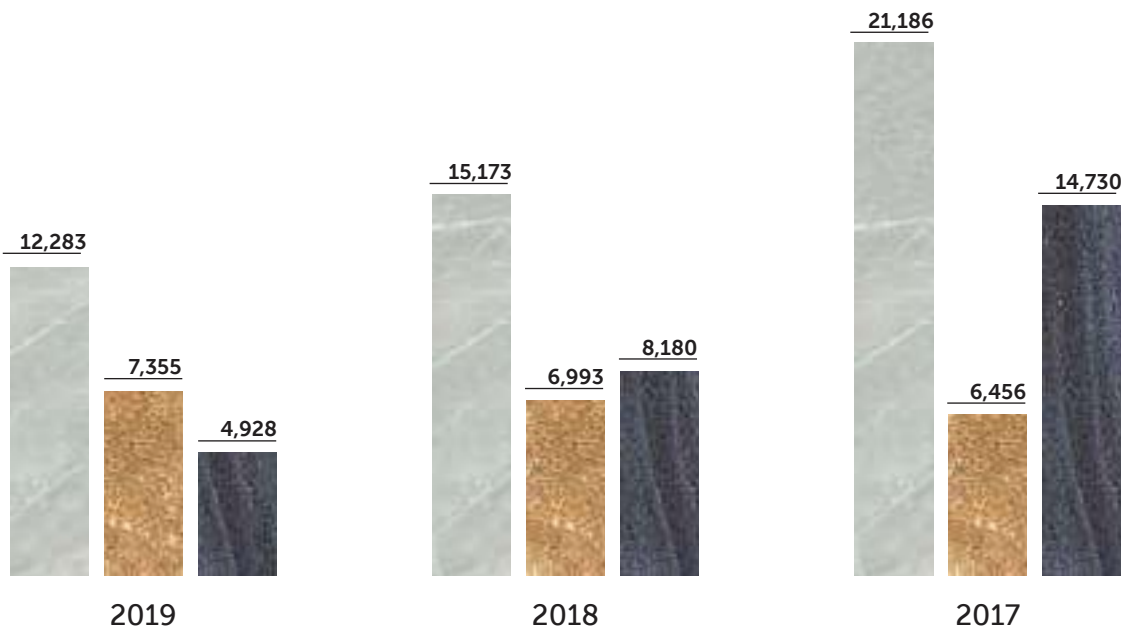


ECONOMIC VALUE-ADDED

Particulars	Amount in BDT	
	2019	2018
Net operating profit after tax (NOPAT)	801,436,113	950,521,692
Total capital employed	7,354,611,900	7,279,106,371
Cost of capital (in %)	11%	11%
Cost of capital (COC)	790,899,501	800,701,701
EVA = NOPAT - COC	10,536,613	149,819,991

MARKET VALUE-ADDED STATEMENT

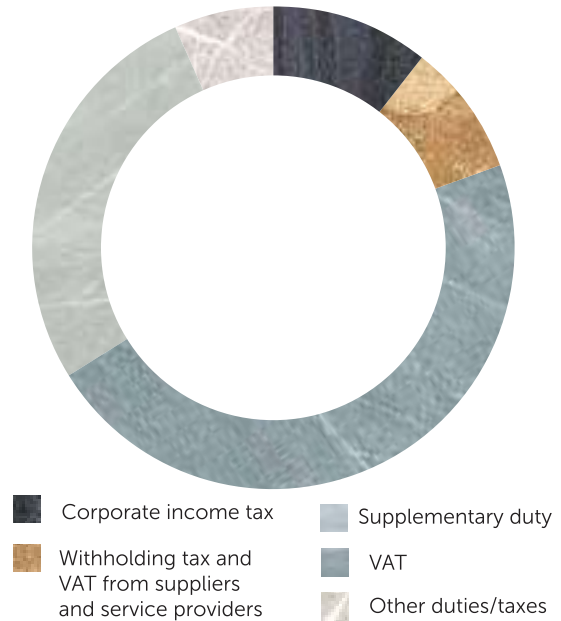
Particulars	2019	2018	2017
Market value of shares outstanding	12,283	15,173	21,186
Book value of shares outstanding	7,355	6,993	6,456
Market value-added	4,928	8,180	14,730



■ MARKET VALUE OF SHARES OUTSTANDING
 ■ BOOK VALUE OF SHARES OUTSTANDING
 ■ MARKET VALUE-ADDED

CONTRIBUTION TO NATIONAL EXCHEQUER

Serial No.	Particulars	Amount in BDT
1	Corporate income tax	284,231,871
2	Withholding tax and VAT from suppliers and service providers	234,654,085
3	VAT	1,231,499,984
4	Supplementary duty	720,710,431
5	Other duties/taxes	174,202,712
Total		2,732,444,417



At RAK Ceramics (Bangladesh), we have considered top-notch and regulatory-compliant corporate governance practices to have propelled us forward on our journey of continual excellence. As an outcome of our organisation today is firmly anchored on the wheels of sustainable progress, ensuring circular development in terms of continuous value generation-distribution.



ABOUT THE INTEGRATED REPORT

Overview

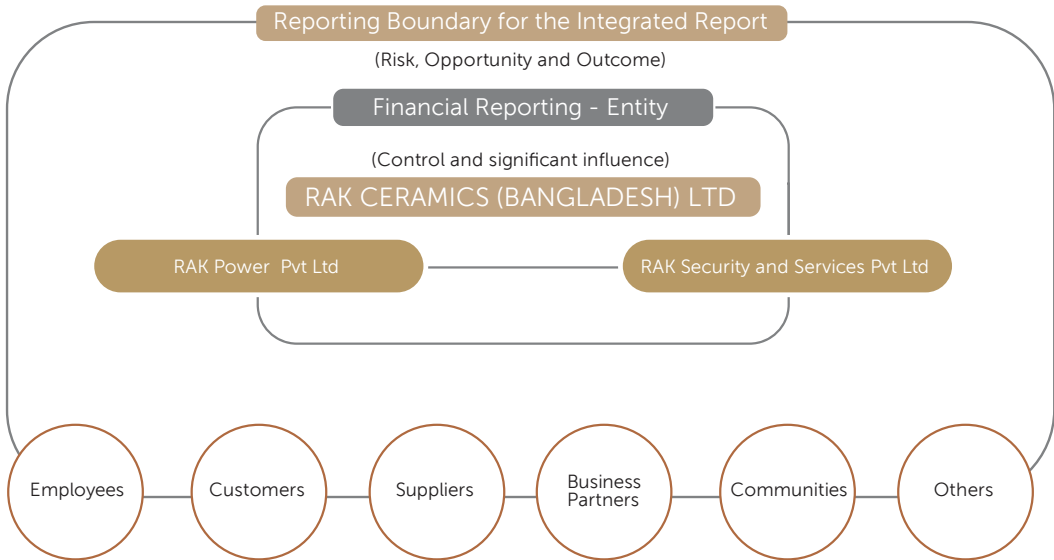
RAK Ceramics (Bangladesh) presents its 2019 integrated annual report to appraise shareholders of operational, financial and governance developments, and to outline the challenges encountered in a tough year for the group.

Our Directors believe that good governance is the foundation for sustainable value creation, with the Company’s reporting being anchored on the broader governance principles of accountability, transparency,

ethical standards and compliance. We are committed to effective governance across the business and, over the past year have strengthened our governance practices to be able to improve our stewardship.

Our integrated annual report is focused primarily on our shareholders, the primary providers of our financial capital, and the wider investor community. We also recognise that several other stakeholder groups are important to us and influence our ability to create value, including our employees, customers, suppliers and regulators.

INTEGRATED REPORT TO OUR PRIMARY STAKEHOLDERS



Reporting principles

The Financial and statutory data presented in compliance with the requirements of the Companies Act 1994, Bangladesh Securities and Exchange Commission and International Financial Reporting Standards. This report has been prepared complying with the framework of the International Integrated Reporting Council, published in 2013, and discloses performance comparing key performance indicators applicable to RAK Ceramics. Our sustainability report is prepared as per GRI Sustainability Reporting.

Reporting scope and boundary

The integrated annual report covers the financial and non-financial performance of RAK Ceramics

(Bangladesh) and two of its subsidiaries, for the financial year 1 January 2019 to 31December 2019.

Reporting period

The information and analysis is reported for the period 1st January 2019 to 31st December 2019. For key performance indicators, comparisons and analysis for the last three to five years have been incorporated in the report to provide complete information for association and reference for the readers.

Materiality of disclosure

The principle of materiality continues to be applied in determining the content and disclosure in the integrated

annual report. This covers internal or external issues that we believe could have a material impact on the Company's ability to create value. This report excludes the disclosure of price sensitive information or any other details that could compromise the Company's competitive position.

Assurance

The content of the integrated annual report 2019 has been reviewed by the management. The Company's independent auditor, ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL) has provided assurance on the annual financial statements and corporate governance certification by the M/s Jasmin & Associates, Chartered Secretaries.

Disclaimer

Shareholders will note that the integrated annual report includes forward-looking statements which relate to the possible future financial position and results of the company's operations. These are not statements of fact but rather statements by the management based on current estimates and expectations of future performance. No assurance can be provided on these forward-looking statements, and shareholders are advised to exercise caution in this regard.

Internal control and governance

The Board, in association with the Audit Committee, monitors and evaluates RAK's internal control and risk

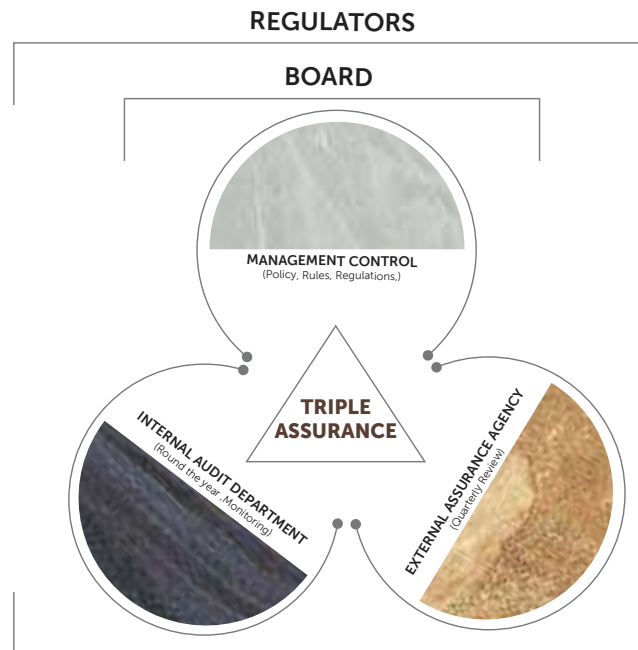
assessment framework. We apply a triple assurance model to enhance the assurance obtained from the management, internal audit cell and external assurance providers, while promoting a strong ethical work environment to ensure the highest level of compliance. Internal control process is monitored and evaluated under the direction of internal audit, while external audit cover key controls accounting matters in the course of their audit. The Board and Audit Committee assessed the effectiveness of internal controls mechanism for the year ended 31st December 2019 as satisfactory.

Management responsibility

All material and significant disclosure reported are aligned with the applicable disclosure requirements as per Companies Act 1994, and Bangladesh Securities and Exchange guidelines and notification issued time to time. To enhance governance inaccuracy, risk management and controls, the contents of this Report have been reviewed by the senior executives of the Company.

Availability of the annual report

The Annual Report of the Company is sent to all shareholders through email in due course of time whose email address is available with us as per CDBL record on record date and copy of the same is also made available on the website of the Company: <http://www.rakcerambd.com>. In case of non-receipt of the Annual Report sent through email, shareholders are welcome to collect the same from the Registered Office of the Company.

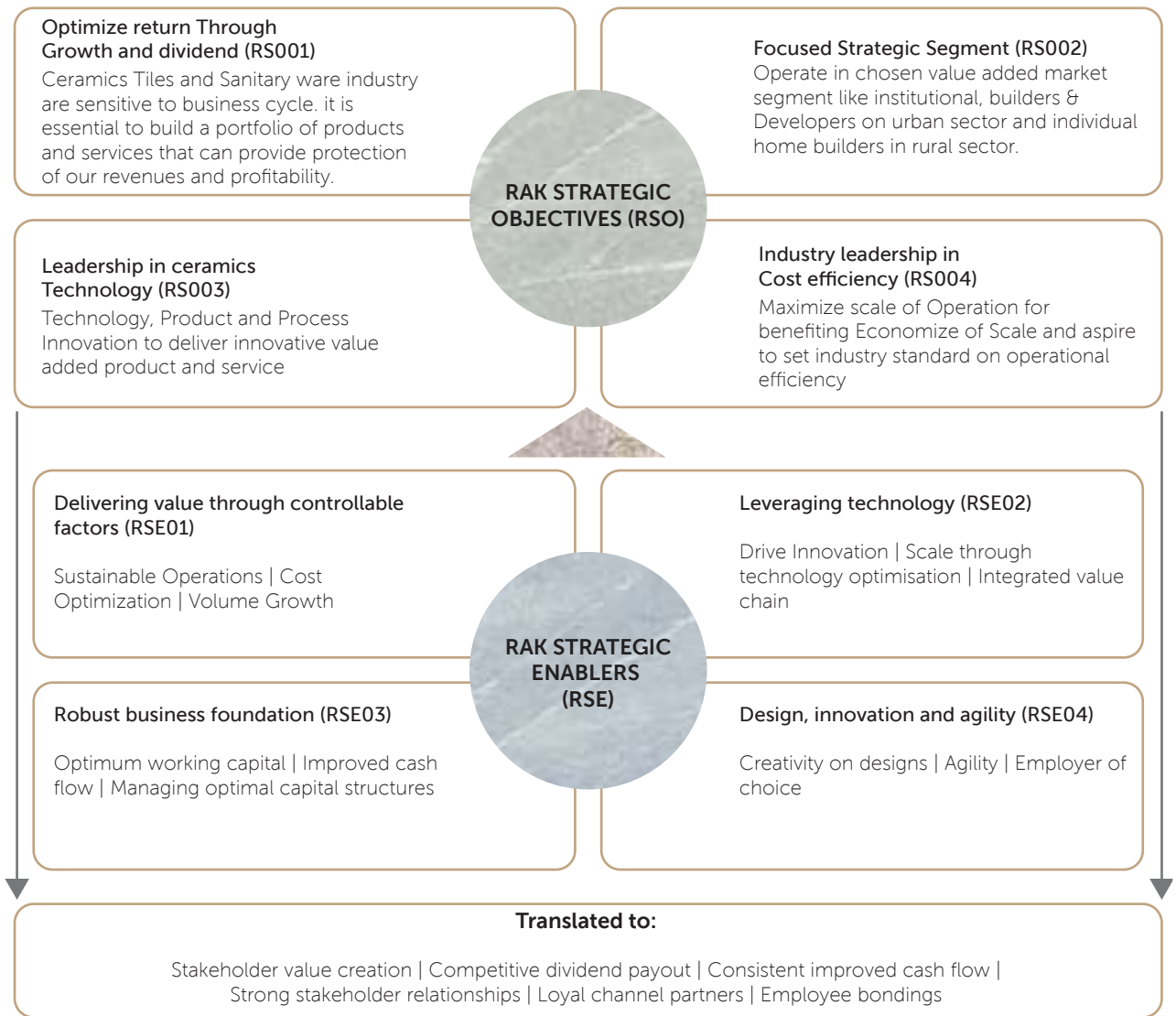


ACCELERATING VALUE-BASED GROWTH

At RAK Ceramics, Our primary object to be the lowest comparative cost-efficient producers of ceramics tiles in the industry. To respond to challenges, such as improving productivity, maintaining cost competitiveness and being innovative in a fast-changing and challenging business environment, RAK Ceramics needs to strengthen its market leadership through defined a set of strategic objectives.

To achieve these objectives, RAK Ceramics has also identified a set of core capabilities, or strategic enablers, which support the attainment of our strategic objectives. We refined our strategy to drive sustainable value creation, sharpened our focus to leverage our core strengths, while embedding increased discipline in how we allocate resources. Our value-based strategy is anchored on leveraging our competitive strengths in the ceramics industry.

VALUE-BASED STRATEGY TO DELIVER SUSTAINABLE GROWTH



Optimize return Through Growth and dividend (RS001)
 Ceramics Tiles and Sanitary ware industry are sensitive to business cycle. it is essential to build a portfolio of products and services that can provide protection of our revenues and profitability.

Focused Strategic Segment (RS002)
 Operate in chosen value added market segment like institutional, builders & Developers on urban sector and individual home builders in rural sector.

Leadership in ceramics Technology (RS003)
 Technology, Product and Process Innovation to deliver innovative value added product and service

Industry leadership in Cost efficiency (RS004)
 Maximize scale of Operation for benefiting Economize of Scale and aspire to set industry standard on operational efficiency

Delivering value through controllable factors (RSE01)
 Sustainable Operations | Cost Optimization | Volume Growth

Leveraging technology (RSE02)
 Drive Innovation | Scale through technology optimisation | Integrated value chain

Robust business foundation (RSE03)
 Optimum working capital | Improved cash flow | Managing optimal capital structures

Design, innovation and agility (RSE04)
 Creativity on designs | Agility | Employer of choice

Translated to:
 Stakeholder value creation | Competitive dividend payout | Consistent improved cash flow | Strong stakeholder relationships | Loyal channel partners | Employee bondings



HOW WE DO BUSINESS



We manage an integrated value chain process from creating superior value to capture value through lifestyle products. Each product we produce is crafted to cater to those who appreciate the finer things in life. Though out this process we identify opportunity, risk, material issue that can impact delivering value to sustainable enterprise.

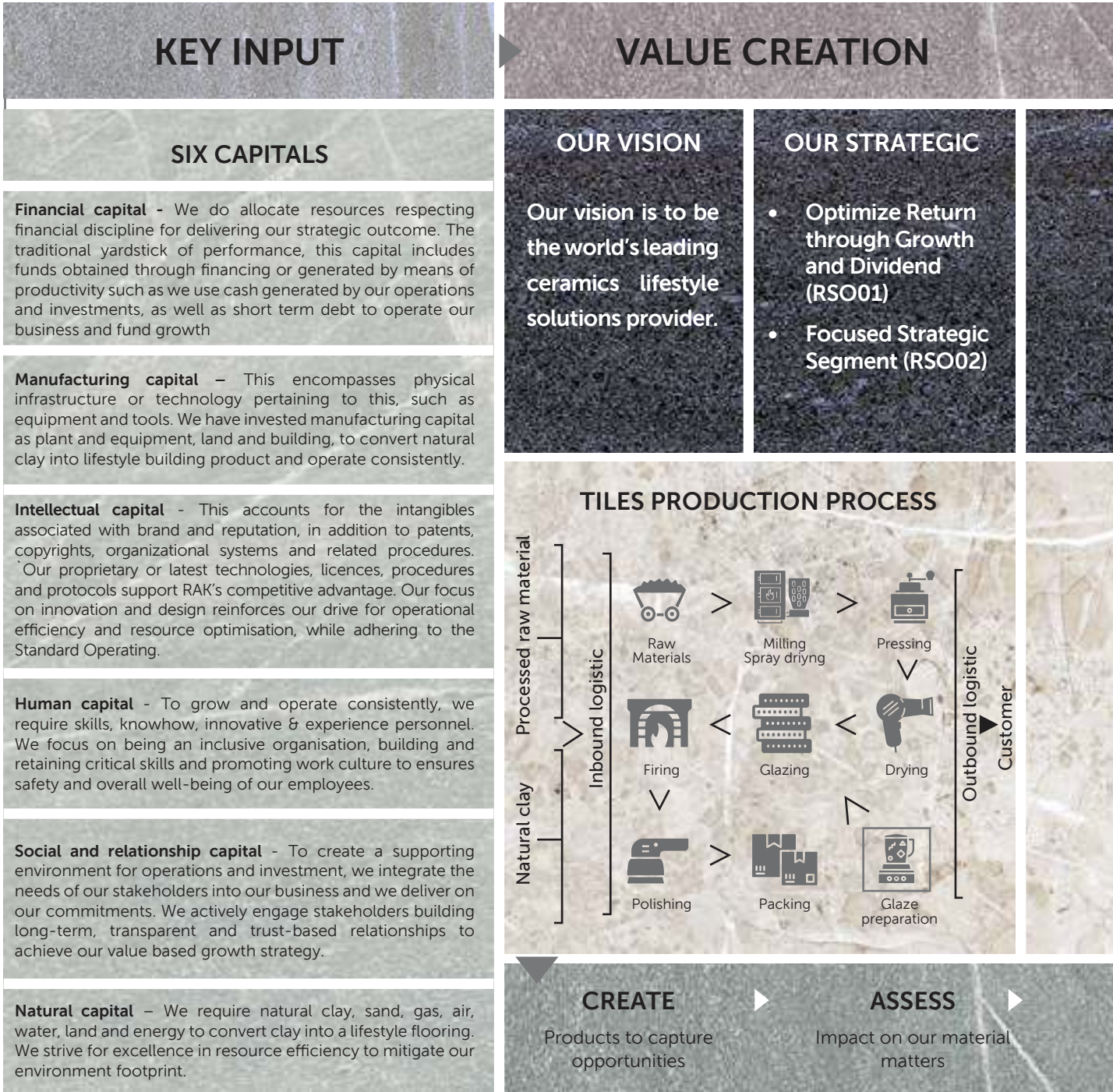


What differentiated us

- Our highly skilled people with technical and operational capabilities
- Strong customer relationships
- Our ability to manage complex integrated value chains and production facilities
- Strong brand recall in Bangladesh
- Customer's first choice
- Effective and efficient dealer's network



HOW WE CREAT VALUE USING SIX CAPITALS



RISK MANAGEMENT

GOVERNANCE CODE

REGULATORS



ENGAGED EMPLOYEES

SAFE WORKPLACE

PERFORMANCE OF SIX CAPITALS

FINANCIAL CAPITAL

KEY INPUTS	VALUE CREATION (OUTCOME)			OUTLOOK	
	2019	2019	2018		
1 Net Worth	7,355	1. Turnover	6,434.86	6,331.08	Company focusing both on increasing net worth and market capitalization for the investors.
2 Market Capitalization	12,283	2. EBITDA Margin %age	23.40%	26.72%	
3 Finance Income	33	3. Net Debt to Equity	0.01%	6.00%	
4 Short Term Debt	89	4. Cash Generated	1,585.22	567.62	

MANUFACTURING CAPITAL

KEY INPUTS	VALUE CREATION (OUTCOME)			OUTLOOK	
	2019	2019 (BDT. mn)	2018 (BDT. mn)		
1 Property plant and equipment	3683.73	Capital Expenditure	729.52	307.84	Company planning to increase more value creation using existing asset, alternatively increase capacity utilization. Optimum balance of Financial Leverage
2 Asset under work in progress	177.64	Capex Work in progress	177.64	127.78	
3 Tiles Capacity	10.32mn SQM	Dep.and Amortization	450.17	431.70	
4 Sanitaryware Capacity	1.45 mn pcs	Impairment of Asset	10.20	-	

INTELLECTUAL CAPITAL

KEY INPUTS	VALUE CREATION (OUTCOME)	OUTLOOK
1 Significant number of trade Mark Filed	Company introduced new design and new category of tiles and sanitary ware continuously. Company has over 2700 active model in tiles category and 41 models in sanitary ware category.	Company integrate design and innovation in its DNA to offer best life style products. Company is offering new design every quarters to make our product competitive
2 Diversified leadership team		
3 Innovative design team		

HUMAN CAPITAL

KEY INPUTS	VALUE CREATION (OUTCOME)			OUTLOOK
	2019	2018		
1 Efficient and productive young work force	Wages & Benefits	949.39	927.96	We are emphasizing and encouraging employee Training and development hours year over year. We integrate succession plan for critical position on our HR management system. Company planning to inaugurate staff residential building soon to support better and safe living of our employees.
2 Diversified leadership team driving culture of growth	Number of Employees on roll	1570.00	1,870.00	
3 Low turnover on senior/middle management team				

NATURAL CAPITAL

KEY INPUTS	VALUE CREATION (OUTCOME)	OUTLOOK
1 Globally sourced natural resources	Company has installed crusing plant for re-use or better use of rejected products through re-cycle process. Water Effluent Treatment plant significantly adding value over the environment impact and recycle of water resources.	We impact negatively on natural capital by using non-renewable resources wherever possible and through our emission and wastes, which we are trying our best to minimize.
2 Government supplied natural Gas		
3 Optimum usage of water		
4 Captive source of energy		

SOCIAL AND RELATIONSHIP CAPITAL

KEY INPUTS	VALUE CREATION (OUTCOME)	OUTLOOK
1 Pan Bangladesh basis 150+ dealers	Tax Paid to the Government BDT: 2732.44mn	We support stakeholder
2 Dedicated customer relationship of 15 member team	in 2019 (BDT: 2610.56 in 2018). Company has	engagement throughout the
3 Supplier base more than 2500+	organized customer engagement program 3	year to influence our relationship
4 Spend on Social cause 1.1mn	times in 2019 (2 times in 2018) and employee	and social awarness. We boost
	engagement program 14 times in 2019 (1	manufactured, financial and
	times in 2018).	intellectual capital.

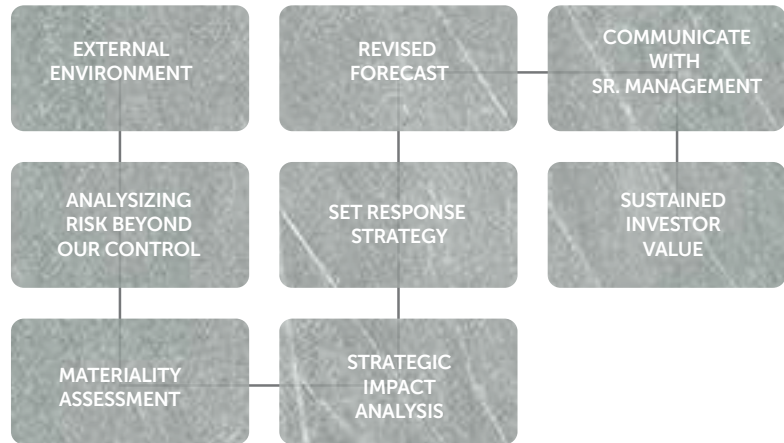
SIGNIFICANT EXTERNAL ENVIRONMENT CHALLENGES IN 2019

- Extreme volatile forex currency in Bangladesh: In 2018 USD vs BDT rate was 82.94 which has depreciated in 2019 to 85.05.
- Intensifying competition in ceramics tiles and sanitary industry: At present 42 tiles and sanitary ware factory are in operating in Bangladesh
- Controlled supply and significant price increase of natural gas; The primary energy input of ceramics industry experience in a significant price increased (37.89) during the year.
- Crude oil also experiencing inflationary pressure due to various geopolitical global issue. The Price of Crude oil has increased by 34.46% over year (sourcing macrotrend.com)



EXTERNAL ENVIRONMENT SCANNING PROCESS

The external market environment continues to have an impact on our capability to build stakeholder value. We identify the risks and opportunities that could potentially disrupt the industry. Materiality assessment provides further insights to the changing needs of all stakeholders. A challenging operating environment persisted in 2019, with forex market volatility and other operational challenges impacting our operation.



STRATEGIC PLANNING PROCESS

As part of our strategic planning process, we carefully analyze external environment for market dynamics, structural shift of industry, disruption potentiality and understand how these factors will impact our ceramics business. In developing our strategy, we considered

both opportunities and risks, as identified while scanning external environment. We also identify the risks and opportunities that could potentially disrupt the industry. Our strategy keeps us focused, setting a visible direction and create sustainable growth, enhanced shareholder returns and enduring value for all our stakeholders over the short- and long-term.

STRATEGIC PLANNING PROCESS



OUR STRATEGY



RS001 Optimize return through growth and dividend

Focus Area:

Expansion of production capacity for value-added products

Market penetration out of the capital city of Dhaka

Key measures

Production capacity on tiles (in SQM)

Production capacity of sanitaryware (in pieces)

Market share (%)

New models added during the year.

Goal

Maximise utilization of available capacity

RS002 Focused strategic segment

Focus area:

Introduce value-added products every quarter

Create new demand across new sectors

Key measures

Revenue and profitability from value added products

Revenue and profitability from strategic segment

Goal

Focused strategic segment for differentiation.

RS003 Leadership in ceramics technology

Focus area:

Pioneer in ceramics tiles technology.

Pioneer in sanitaryware technology

Protect business from disruption

Key measures

Agility on technology deployment

Reduce cost of production

Introduce value added product per quarter

Goal

Maintain leadership position in ceramics technology in Bangladesh

RS004 Industry leadership in cost efficiency

Focus area:

Continue improve value chain performance to reduce cost

Source material directly from mines owner or manufacturers

Bring down cost using technology and manufacturing capital

Bring down energy costs

Key measures

Reduction of gas utilization per square meter.

Increase/improve top grade production compare to previous year

Goal

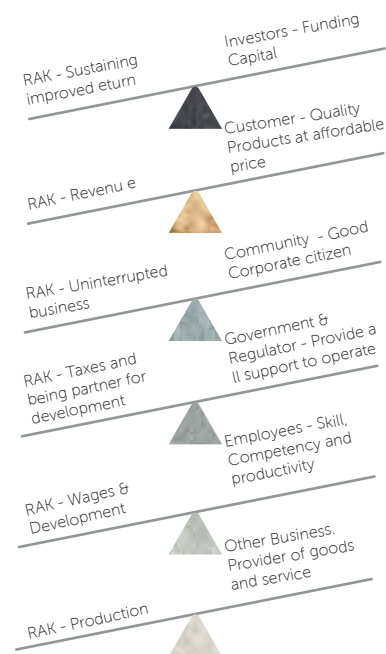
Enhancement cost efficiency

STAKEHOLDERS' RELATIONSHIP

Key issues with our stakeholder.

Investors	<ul style="list-style-type: none"> • Consistent returns
Customers	<ul style="list-style-type: none"> • Quality products with affordable pricing
Community	<ul style="list-style-type: none"> • To be good corporate citizen
Government & Regulator	<ul style="list-style-type: none"> • Comply with rules and regulations
Employees	<ul style="list-style-type: none"> • Comparative wages and growth opportunities
Other Business Partners	<ul style="list-style-type: none"> • Trust-based relationships

Balancing jigsaw



How we engage with our stakeholders and respond to their expectations

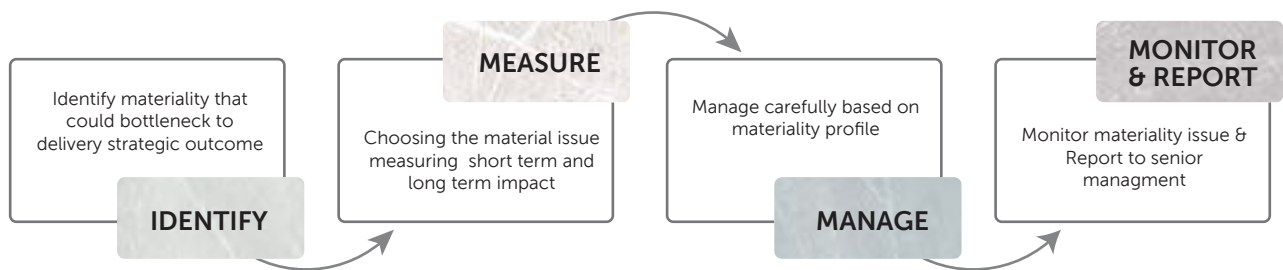
Investors	<ul style="list-style-type: none"> • Transparent communication Annual General Meetings Stock Exchange update
Customers	<ul style="list-style-type: none"> • Customer care team Quarterly dealers meet Participate in trade shows
Community	<ul style="list-style-type: none"> • Community procurement Safe environment Local employment preference
Government	<ul style="list-style-type: none"> • Comply with regulations Participate in government-promoted programs Governance
Employees	<ul style="list-style-type: none"> • Employee engagement programs Industry-leading wages Growth opportunity
Other Business Partners	<ul style="list-style-type: none"> • Transparent communication Impartial opportunity Respect policies and practices

MATERIAL ISSUES

Our material issues are those issues which could have relevant on our business or have an impact on delivering strategic value. We identified and consider potential material issues while formulating strategy those have impact on short term or long term growth.

We use the similar process while we use control and management of risk.

- **Identify** – We identify material issue which could have short term or long term impact through our monthly management meeting, quarterly executive committee meeting and statutory each quarter end board meeting while we assessing internally. We also explore potential material issue while we meet with our other stake holders like customer engagement program.



- **Measure** – We measure based on severity and likelihood matrix and how it could impact on shareholder’s key issue and expectation. When measure specific materiality exposure we consider the effect of that issue on the overall strategy of the company.
- **Manage** – After measuring we decide on which material issue to eliminate or minimize, and how much of its core risks to retain to mitigate based on materiality profile.
- **Monitor** – Implement responses review, monitor in order to ensure that materiality levels remain at an optimal level.
- **Report** – Articulate the senior management team on regular interval to monthly management meeting, executive meeting and board meeting.

Material issue which could have impact for deriving value

Growth under continued increasing competitive industry: Availability of capital, increasing GDP and increasing captive consumption due to vertical integration attracting firms in the ceramics industry strengthening competition quiet often causing powerful negative impact on business growth

- **Strategic objective impact** - RSO01 and RSO04

- **Impact on six capital** – Financial Capital, Manufacturing Capital, Intellectual Capital.
- **Response plan** - Driving continuous improvement initiatives to strengthen our cost position and improve our innovative offerings for differentiation. Cost efficiency and Innovation is the key driver for sustaining growth.
- **Operating under volatile macro-economic environment** – We operate under significant force of macroeconomic volatility which is growing day by day. Oil prices, foreign exchange rates and stringent regulatory policy continue differentiator on translating strategy in outcome. In addition, we are sourcing more than 80% of basis input globally with positive correlation of adverse macro-economic factors.

- **Strategic objective impact** - RSO01 and RSO04
- **Impact on six capital** – Financial Capital, Manufacturing Capital, Intellectual Capital, Social and Relationship Capital
- **Response plan** – While cost efficiency and innovation is the key driver for sustaining growth however improved relationship with supplier and regulator minimize the impact or increase shareholder’s return. Improved resource allocation initiative shall improve return.

Sustaining profit – Our strategic choice is value based growth. Even though we are sharpening our cost efficiency, strategic sourcing and focused on defined segment initiatives sustaining profit over the long run is important differentiator on delivering strategic value.

- **Strategic objective impact** - RSO03, RSO02 and RSO04
- **Impact on six capital** – Financial Capital, Manufacturing Capital, Social & Relationship Capital.

Response plan – Focused defined segment, cost efficiency, process innovation, product offerings and skilled manpower helps sustaining long-term profit.

POLICY ON COMMUNICATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS



For managing successful, productive and engaging relationships with shareholders, it is imperative to reinforce the importance of maintaining transparency and accountability.

Through the Company Secretary, the Board ensures that shareholders of the Company are treated justly and that their rights are firmly protected. The Company Secretary is the major link of communication between shareholders and the Board of Directors of the Company, delivering high-quality services to its valued shareholders, aligned with the well-defined rights of shareholders, as expressed in the applicable laws and the Articles of Association of the Company. Shareholders are informed of all major developments and changes in business through communication in a routine manner, catering to their requirements for all material disclosures to facilitate and support informed decisions.

Ensuring shareholder participation at the AGM

Ensuring full participation of shareholders at the AGM is one of the primary objectives of the management of RAK Ceramics (Bangladesh). Towards this extent, the Company delivers the Annual Report at least 14 days prior to the AGM date. Regarding the AGM date, time and venue, the information is communicated well in advance to shareholders. At the AGM, the Company's management receives shareholders' valuable opinions and makes every effort to implement these for the improvement of the Company.

Communication to shareholders and stakeholders

The Company endeavours to actively liaison with all shareholders as well as ensures that all stakeholders are informed about the Company's activities and achievements on a regular basis. The Company discloses quarterly and annual financial performance

and other reports in due course for meeting the best interests of shareholders.

Corporate website

Regular and material communication is ensured by the Company to meet the best interests of shareholders. Exhibition of best practices is further made by providing comprehensive information on the Company's website, assuring investor trust and confidence in the Company. The Company's website acts as the right channel in case of retrieval of any publication. Further, the website is also a comprehensive reference of RAK Ceramics (Bangladesh) management, vision and mission, value statement, investor relations, sales network, products, promotions and events. All information regarding financial statements, patterns of shareholding, corporate benefits, notices, price sensitive information, code of conduct, dividend, refund warrant, etc., are disclosed in the 'Investors' sub-menu of the website.

Furthermore, the Company also publishes regulatory information from time to time on its website as a matter of transparency in information disclosure for the benefit of all shareholders and stakeholders.

Grievance redress

RAK Ceramics (Bangladesh) strongly believes in maintaining smooth and cooperative relationships with all stakeholders. We pursue a proactive and high-quality shareholders' redressal policy to handle all grievances and complaints in an effective, fair and expeditious manner. Any query received from investors is treated efficiently, fairly and with courtesy, keeping with the overall objective of dealing with it in a timely and transparent manner.

Investor complaint redress at RAK Ceramics (Bangladesh)

- Any investor may lodge their complaint relating to their investment in the Company through a formal letter sent to the share department's official's email address or by phone call to the Company Secretary
- The share department official shall review investor complaint/s on a weekly basis
- A designated person of the Company looks after investor grievances on a daily basis
- Some of the ways by which we address more common issues include engaging with

shareholders through communication for the collection of dividend warrants which have been returned from the BEFTN system, or by informing them of the delivery status by courier service

- We also manage requests for updation of e-Tin number in the BO account, if cash dividend is declared
- We also handle requests for updation of bank account details in the BO account while sending dividend through the BEFTN system
- We review instances of non-receipt of Annual Report and the declared dividend
- We consider all matters related to shareholders of the Company efficiently and with urgency



RISK MANAGEMENT AND CONTROL



At RAK Ceramics (Bangladesh), mitigating risk is key to the delivery of long-term sustainable improvement in shareholders’ value. All risks and mitigation measures are aligned with the Company’s strategic objectives.

Risk management approach

The Company establishes the culture of effective risk management, and is responsible for maintaining appropriate systems and controls. It also sets the risk appetite and determines the policies and procedures that are put in place to mitigate exposure to risks.

The Company always put effort forward to mitigate the exposure to all forms of strategic, financial, market and operational risks, both external and internal. The effectiveness of key mitigating controls is continually monitored and also subject to audit assessments. The effectiveness and impact of key controls are evaluated and this is used to determine the intensity of each risk.

Risk mitigation and controlling process

There is a formal ongoing process to identify, assess, and analyze the risks incorporating them into the risk register for further specifying and control the intensity of risks and those of a potentially significant nature are included in our risk documentation practices

Risk appetite

The Company is prepared to accept a certain level of risk to remain competitive. However, it continues to embrace a conservative and prudent approach to risk management and mitigation. Some of the key risks facing the business and their accompanying mitigation/control measures is described hereunder:

Risk log

SL	Risk theme	Potential impact	Mitigating factor	Link to strategic objectives
1	<p>Macroeconomic and political risks</p> <p>The Company is dependent on the economic activity levels in its end markets. Accordingly, it is susceptible to economic downturn, the impact of Government policy and any political and economic uncertainty.</p>	<p>Bangladesh is a country that is prone to the socio-economic risks that are typically faced by fast-developing countries. This could lead to lower activity levels which could reduce sales and production volumes. This could have an adverse effect on the Company's financial results.</p>	<p>The Company closely monitors trends and lead indicators with a view to gain an understanding of where the markets are headed. The Company is quick to identify and capitalize on sales opportunities. With housing and infrastructure at the heart of Bangladesh's transformation into a middle-income nation, we believe that a close association with these sectors will enable us to reap the benefits of sustainable demand over the years to come.</p>	<p>RSO01 RSO03</p>

SL	Risk theme	Potential impact	Mitigating factor	Link to strategic objectives
2	<p>Customer attrition risks</p> <p>Our sales are oriented to meet the demands of both retail as well as institutional customers. Our inability to meet their demands can lead to customer attrition.</p>	Any possible loss of key customer mandates can impact our credibility, while also having an adverse effect on our financials.	<ul style="list-style-type: none"> The Company is continuously engaged with brand and new product development and quality and customer service improvements across its value chain. The Company maintains a national network that makes customer access quick and seamless. 	RSO01
3	<p>Cost and availability of raw materials</p> <p>The Company is susceptible to significant increases in the price of raw materials (which are also imported), utilities, fuel and transportation and haulage charges.</p>	Increased raw material resource costs could reduce margins. Also, it might be difficult to pass-on the increased costs to customers, which can have an impact on the cost base and subsequently on profitability.	<ul style="list-style-type: none"> The Company focuses on strengthening its supplier relationships and generally enters into long-term contracts that enable effective cost inflation mitigation. The Company's sales pricing policy is linked to its purchasing policies that ensure margin protection on the one hand, while also enabling consumer price protection on the other. The Company also possesses strong relationships with its logistics partners that help mitigate transportation and haulage risks and costs.= 	RSO04
4	<p>Competitor activity risks</p> <p>The Company has a number of existing competitors who compete on range, price, quality and service. Furthermore, potential new low-cost competitors may be attracted into the market through increased demand for products.</p>	Increased competition could reduce volumes and margins on manufactured products. Also, it could intensify challenges in our efforts in sustainable brand building.	<ul style="list-style-type: none"> The Company has unique propositions anchored on design, affordability and after sales service that differentiate RAK brands. The Company places high emphasis on quality, service, reliability and ethical standards that differentiate us from competitor products. The Company has a continuing focus on refreshing the shelf through ongoing engagement with new product development. 	RSO01 RSO02
5	<p>Interest rate risks</p> <p>Interest rate risk is the risk that a company may face due to unfavorable movements in interest rates. Unfavorable interest rate movements caused by volatile money markets, adverse policy and regulations</p>	In case the demand of capital grows further to accommodate business need, it could impact the Company's ability to raise cost-effective funds.	<ul style="list-style-type: none"> RAK Ceramics (Bangladesh) operates with low dependence on external borrowings. The Company possesses strong retained earnings of Taka 1,601.27 mn, cash and bank balances of Taka 1499.31 mn and a low debt-equity ratio of 0.01, as on 31 December 2019, showcasing our ability to raise low cost debt for prospective needs. Moreover, a strong balance sheet and high quality ratings also enable us to raise funds, when and if required, at competitive rates. 	RSO01 RSO04

SL	Risk theme	Potential impact	Mitigating factor	Link to strategic objectives
6	<p>Currency risks</p> <p>Exchange rate risk is relevant for RAK Ceramics (Bangladesh) since a large proportion of our raw material requirements are invoiced in foreign currency.</p>	<p>Unfavorable currency fluctuations could impact profitability.</p>	<ul style="list-style-type: none"> It is the Company's policy to enter into safe forward contracts sanctioned as per the Central Bank's forex policy towards cushioning itself against adverse foreign currency movements risks. Importantly, the parent Company possesses a database of over 2,500 global suppliers engaged with it for more than 18 years. RAK Ceramics (Bangladesh) leverages its parent Company's monthly global resource planning exercise, which takes care of resource procurement schedules and currency fluctuation escalations. 	<p>RSO03 RSO04</p>
7	<p>Regulatory risks</p> <p>The Company operates under the Companies Act, 1994 and other related regulations that include Income Tax Ordinance 1984, Income Tax Rules 1984, Value Added Tax (VAT) Act 2012 and Value Added Tax (VAT) Rules 2016.</p>	<p>Abrupt regulatory changes could affect the Company's business and operations.</p>	<ul style="list-style-type: none"> The Bangladeshi economy, led by the incumbent government, has been socio-economically stable over the past few years. Besides, the government holds the democratic mandate of ensuring holistic and sustainable growth and, towards this extent, has created a favorable environment with structurally robust policies. This has ensured regulatory predictability leading to a secure business environment. 	<p>RSO02 RSO04</p>
8	<p>Technological risks</p> <p>Technology plays a vital role in the existence of any industrial concern, ensuring superior customer service and minimizing costs across the production and operations value chain. The Company's production facilities are based on the currently available technology.</p>	<p>Any development of new and more cost-effective technology may cause technological obsolescence, leading to negative operational efficiency.</p>	<ul style="list-style-type: none"> RAK Ceramics (Bangladesh) is a subsidiary of RAK Ceramics PJSC, UAE. This ownership enables the Company to enjoy access to the latest technology incorporated in its manufacturing facilities. The Company has adopted the world class SACMI technology that ensures high-quality, cost-effective output for the production of tiles and sanitary ware. The Company has also invested in a full-fledged R&D team to facilitate the absorption of new technology with optimal investments. The Company also has access to international / multinational companies for supplying appropriate technology and technical managerial support for the establishment of new projects. Moreover, with foreign affiliation with RAK Ceramics PJSC, UAE for technical know-how and assistance, the Company is expected to always remain ahead of the other producers in the local market, which ultimately reduces the technology related risks impacting the Company. 	<p>RSO03</p>
9	<p>Management risks:</p>	<p>Turnover of key managerial personnel, executives and officers may have an adverse impact on the business, operating results and future growth.</p>	<ul style="list-style-type: none"> The Company places top priority on developing its human resources. The Company offers well-designed compensation package to its employees to encourage professionalism, stimulate collaboration and team work and promote innovation, reinforced with high ethical standards. Moreover, the employees enjoy benefits of Contributory Provident Fund, Gratuity Scheme and Group Life Insurance, Workers Profit Participation Fund and Welfare Fund that enables our workforce to remain committed, loyal, engaged and motivated. 	<p>RSO01 RSO02 RSO03 RSO04</p>



At RAK Ceramics (Bangladesh), we have stood tall in the face of climate action, focusing our actions on minimising the impact of our operations on the environment, while also ensuring that we lower our carbon footprint by as much as possible. In ensuring environmental sustainability, we have been able to achieve financial stability, pursuing growth in a fair, balanced and secure way.

OUR OBLIGATION TO ENVIRONMENT AND SOCIETY TOWARDS UN SDGS

Overview

At RAK Ceramics (Bangladesh), our higher purpose as a Company is to make better homes and better working spaces a reality for everyone, everywhere, and our corporate social responsibility (CSR) is at the core of this endeavour.

We are delighted to report that we have continued to achieve progress through our CSR activities in 2019, making progress in all strategic pillars and staying true to our commitment of improving the quality of people's lives around our beneficiary communities and pursuing the growth of our businesses through responsible and sustainable innovation.

Green environmental practices

RAK Ceramics (Bangladesh) embraces its role in responsible environmental stewardship. We are committed to practice environmental sustainability throughout our value chain, including product design, sourcing, operations and supply chain. The Company is committed to fulfill an active role in building a better Bangladesh by taking responsibility of the surrounding environment with focus and dedication. Towards this extent, our manufacturing assets and facilities embrace the following green practices and are equipped with:

- High-efficiency burners
- Mezzanine shelving system installed in the central store warehouse
- Modern water consumption systems that help regulate water use
- Facilities enabling re-cycling and re-use of in-process waste water
- Awareness around water conservation
- Solid waste management practices
- Natural resource conservation and pollution control equipment

Green production facilities

Our production facilities are equipped with high-efficiency burners that are utilised in all heaters to reduce energy consumption. The efficiency of fuel

burning equipment, such as generators, kilns, spray dryers and horizontal and vertical dryers, among others, are fine-tuned by highly experienced and competent personnel. Furthermore, waste heat from the tunnel kiln is used in the pre-dryer section in the sanitary-ware plant with a view to re-use energy.

The Company operates modern effluent treatment plants (ETPs) to recycle and re-use waste water generated from the factories. Moreover, RAK Ceramics' employees are provided extensive training on water conservation to raise awareness and reduce unnecessary wastage of water.

Water conservation

Our operations take cognisance of a holistic water management program that is consistent with the Company's strategy for ensuring sustainable water consumption and use. We consider several water management options that can be divided into various groups, thus making it possible to pinpoint reduction possibilities accurately:

- **Monitoring:** Water consumption is regularly measured and checked to prevent unnecessary use. We also analyse trends to swiftly detect major leaks and repair damages as soon as possible.
- **Optimisation:** We ensure that through engaging in regular preventive maintenance of equipment and other devices, water is used judiciously without any wastage.
- **Natural resource conservation and pollution control:** In our focus on minimising the depletion of natural minerals, RAK Ceramics (Bangladesh) has developed strong expertise in combining as many as 5-9 types of natural minerals coming from several countries around the world to minimise damage to the external environment.

Indoor air quality and its effect on office interiors

RAK Ceramics (Bangladesh) promotes building fit-outs that ensure a healthier indoor environment and productive, healthy and high-energy workplaces, which also have a less negative impact on the environment. Besides, we focus on conserving natural resources by embracing environment-friendly processes and practices.

Solid waste management

We implement comprehensive programs to minimise the disposal of waste material into the environment by adopting continuous improvement in waste segregation and recycling programs, which include:

- Segregating hazardous and non-hazardous waste
- Controlling litter and unpleasant odors
- Conducting routine inspections of waste storage areas
- Identification and segregation of waste through the use of garbage bins that are classified as:
 - Green garbage bins ensuring the proper collection and disposal of residual waste, leftover food, paper, cartons, floor sweepings and other waste that has no commercial value
 - Blue garbage bins that enable the collection of metals, machine parts and other such accessories
 - Black garbage bins that provide for contaminated items, expired chemicals and infectious waste (such as from clinics)

Energy-efficient systems

RAK Ceramics (Bangladesh) emphasises on the procurement and installation of energy-efficient systems that contribute to preserving the environment and protecting our reputation as a socially-committed and responsible organisation.

Ventilated facade system

Normal ventilation systems are used in our plants that is suitable for local environmental conditions and helps in the conservation of energy.

Environmental governance and compliance

Key environmental issues are reviewed by our well-represented sustainability group. A specially-instituted forum also assesses key topics and shares industry best practices across the Group. We are currently developing an innovative approach in responsible procurement, and intend to diversify our sourcing basket that will not only help us control quality and costs, but also enable us to identify and work with responsible and ecologically-aware suppliers.

Our people are at the heart of our business

At the heart of our human resource strategy is the recognition that the skills and potential of our people

and their ability to work effectively with our customers and across the supply chain is a crucial differentiator for the Company. In addition to enhancing the quality of the solutions we develop, building and sustaining strong relationships help us improve our services and drive operational efficiency.

In our ongoing commitment to pursue high quality development, our leadership is supportive to enable us to attract and retain the best quality talent with attributes that we require to operate our business profitably and sustainably.

Furthering our commitment to treating our employees well and managing their expectations better, we have offered the following benefits/facilities:

- **Life insurance coverage:** All employees are adequately covered by a comprehensive life insurance policy to protect against any future hazards.
- **Provident fund and gratuity scheme:** The Company maintains a recognised Contributory Provident Fund and an approved Gratuity scheme for all its employees.
- **Workers' profit participation fund:** The Company maintains a Workers' Profit Participation Fund (WPPF), as per the Bangladesh Labour Act, 2006.
- **Employee welfare fund:** Financial assistance is provided to employee and their immediate family members for medical and educational purposes from the Employee Welfare Fund maintained by the Company.

Our focus on creating a happier workplace

We recognise that our Company will succeed and grow only if we attract and retain the highest quality talent. We engage talented employees dedicated to serve our customers and responsibly embracing our Company's mission and values.

The health and safety of our people and everyone who come under the ambit of our activities is fundamental to our business and is a source of our uncompromising stance on the security and welfare of our stakeholder ecosystem.

Our products and their impact on the environment

RAK Ceramics is a founding member of the Emirates Green Building Council that supports the development of sustainable buildings in the UAE. As part of its commitment to focus on 'green building' products, it has launched several exciting and innovative products that contribute to creating a greener and cleaner environment. The UAE Ministry of Environment and Water (MOEW) has awarded the Company the prestigious 'Environmental Performance Certificate' (EPC) in recognition of its successful efforts to comply with environmental protection standards and regulations. The Company is proud of its many performance material products, which provide excellent quality and value and actively support our customers in responsibly reducing their environmental footprint.

Our impact on the UN SDGs

In September 2015, 193 UN member-states adopted the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs) as the primary framework to shift the world in the direction of a more prosperous, equitable and sustainable future.

The SDGs are a set of cross-linked goals and a blueprint to achieve a better and more sustainable future for today and for future generations.

These SDGs are highly relevant in today's times. They address the acute challenges we face – from climate crisis, abuse of women's rights, mounting pressures on the environment, unliveable cities, mass-scale poverty and deprivation, and more. Throughout the SDG adoption process, it was emphasised that businesses would have to play a pivotal role in delivering on the objectives of the 17 goals by 2030. These goals are:



At RAK Ceramics (Bangladesh), our social and environmental initiatives influence the following UN SDGs (United Nations' Sustainable Development Goals):

- Clean water and sanitation : SDG 6
- Affordable and clean energy : SDG 7
- Decent work and economic growth : SDG 8
- Sustainable cities and communities : SDG 11
- Responsible consumption and production : SDG 12
- Climate action : SDG 13
- Life on land : SDG 15

CORPORATE SOCIAL RESPONSIBILITIES



Every business has social impact on the life of employees, customers and suppliers, their families and communities. This is why at RAK Ceramics (Bangladesh) we decided to embrace a new social purpose around two cornerstones: safety as care and a renewed commitment to sustainability. We believe that caring for each other is what will drive us to further improve our performance and we believe that renewing our commitment to people's health and wellbeing, environment, responsible sourcing and local communities is the way to make our growth sustainable in the long term.

RAK Ceramics (Bangladesh)'s, approach to social responsibility is embedded in the Company's culture and focuses on creating sustainable value for our stakeholders, especially those at the bottom of the economic pyramid. Towards this extent, corporate social responsibility is at the heart of RAK Ceramics' business values and we recognize that many of our stakeholders, from site neighbours and employees through to our customers and investors, have rising expectations out of our corporate responsibility commitment and performance. The Company's CSR emphasis is embedded into the culture of the Company, not only enabling the enhancement of business sustainability, but also ensuring commitment to long-term stakeholder value creation.

RAK Ceramics (Bangladesh) has a corporate social responsibility (CSR) committee to ensure better

management of the Company's CSR initiatives in a way that secures business sustainability, as well as creates and sustains a positive impact on the reputation of the Company. The CSR Committee is authorised by the Board of Directors to evaluate activities within the business with respect to CSR.

RAK Ceramics (Bangladesh) actively promotes and engages in the concept of social contribution that helps strengthen communities and contribute to the enrichment of the grassroots of the society, both at the individual level and consolidated as a group. The Company is cognizant of its responsibility towards social welfare and contributed an amount of BDT 1.10 mn during the year 2019, encompassing donations to medical treatment, foster education, social and cultural activities of the country.





At RAK Ceramics (Bangladesh), we have inspired a generation of homeowners, supporting their quest for a shelter that is safe, secure and comfortable. In fulfilling this need, we have been able to build our core competencies in tile specialism, thus creating a solid and sustainable platform for growth.

DIRECTORS' REPORT



Dear Shareholders,

Assalamu Alaikum

The Board of Directors of RAK Ceramics (Bangladesh) Limited is pleased to present this Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2019, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

Principle activities

RAK Ceramics (Bangladesh) Limited is the country's largest and leading tiles and sanitary ware brand. The Company is engaged in the manufacture and sale of ceramic tiles, bathroom sets and sanitaryware products. Over two decades journey, the Company has created industry-leading designs and patterns for wall and floor tiles, borders and corners, etc. Many of RAK Ceramic's models come in modular designs which offer ample choice to our customers.

Industry outlook and possible future developments

Detail about industry outlook and possible future developments in the industry are discussed in the 'Industry outlook and possible future developments in the industry' on page 22 and 'Management discussion and analysis' on page 24 of this annual report.

Segment-wise performance

RAK Ceramics (Bangladesh) operates with an annual standard production capacity of 10.32 mn sqm of tiles and 1.45 mn pieces of sanitaryware with over 41 active designs, ensuring the widest range of products available

in the industry. Detail about segment-wise or product-wise performance is discussed in the 'Segment wise performance' on page 37 of this annual report.

Financial results

The Company reported consolidated sales of BDT 6,463.86 mn in 2019, against BDT 6,331.08 mn reported in 2018. Consolidated gross profit of BDT 1,907.74 mn in 2019 against BDT 2,013.39 mn reported in 2018. Consolidated net profit of BDT 754.03 mn in 2019 stood against BDT 890.63 mn achieved in 2018. Details of operational results of the Company are discussed in the 'General review of performance 2019' on page 32 of this annual report.

Appropriations of profit and key operating and financial data of preceding five years

The Directors are pleased to report the financial results for the year 2019 and recommend the following appropriations:

(Amount in BDT mn)

Particulars	2019	2018
Profit before tax *	1,044.40	1,225.93
Less: Provision for tax	290.38	335.30
Profit after tax *	754.03	890.63
Add: Un-appropriated profit brought forward	1,628.69	1,445.45
Less: Prior year adjustment (leases)	3.32	-
Profit available for distribution	2,379.40	2,336.08
Less: Appropriation of dividend	778.12	707.39
Un-appropriated profit C/F	1,601.28	1,628.69

Profit after tax is exclusive of non-controlling interest. Key operating and financial data of the preceding five years is given in 'Annexure-1' on page 76 of this annual report.

Reserve and surplus

In 2019, retained earnings of the Company stood at BDT 1,601.28 mn, against BDT 1,628.69 mn in 2018.

Dividend

The Board of Directors is pleased to recommend dividend @ 15% in cash of the paid up capital of the Company, representing an amount of BDT 641,953,051 for the year ended December 31, 2019. The Company paid dividend @10% in cash and @10% in stock of the paid up capital of the Company for the year 2018. No bonus shares or stock dividend has been declared as interim dividend.

Contribution to national exchequer

RAK Ceramics (Bangladesh) is committed to timely disbursement of its direct and indirect tax obligations. During the year 2019, the Company including its subsidiaries contributed a total sum of BDT 2,732.44 mn to the national exchequer. Detail of the contribution to national exchequer during the year is discussed in the 'Contribution to national exchequer' on page 44 of this annual report.

Extraordinary gain or loss

There was no extraordinary activities during the year 2019 affecting any extraordinary gain or loss.

Variance between quarterly and annual financial statements

There are no significant variances in the financial results between quarterly and annual financial statements.

Material change or change in the nature of business

During the year under review, there are no material changes in the nature of business of the Company or its subsidiaries.

Risk and concerns

Risk assessment and mitigation is an integral part of the Company. The Company has appropriate and effective risk management systems which carries out risk identification, assessment and ensures that risk mitigation plans are in place. The Board of Directors regularly monitor, assess and identify potential risks and threats to profitability and sustainable growth. Detail of risks and concerns, including internal and external risk factors is discussed in the 'Risk management and control' on page 62 in this annual report.

Auditors

ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), shall retire at the 21st Annual General Meeting (AGM) and, being eligible, offer themselves for re-appointment.

The Board also recommends their re-appointment for the year 2020. Remuneration of the auditor will be fixed by the shareholders at this AGM.

The statutory auditors of the Company has given reports on the financial statements of the Company for the year ended 31 December 2019, which forms part of the annual report. There is no qualification, reservation, adverse remark, comments, observations or disclaimer given by the statutory auditors in their reports.

Parent and subsidiary companies

RAK Ceramics PJSC, UAE (the Company) is the parent company of RAK Ceramics (Bangladesh). It is one of the largest ceramics' brands in the world specializing in ceramic and gres porcelain wall and floor tiles and sanitaryware. It has an annual production capacity of 110 mn sqm of tiles and 5 mn pcs of sanitaryware at 16 state-of-the-art plants located all over the world, including Bangladesh.

The Company serves clients in more than 150 countries through its network of operational hubs in Europe, the Middle East and North Africa, Asia, North and South

America and Australia. It is listed on the Abu Dhabi Securities Exchange in the United Arab Emirates and, as a Group, it has an annual turnover of around US\$1 billion.

RAK Ceramics (Bangladesh) has two subsidiaries; RAK Power Pvt. Ltd and RAK Security and Services (Pvt) Ltd, which are fully owned subsidiaries of the Company. The principal activities and status of these subsidiaries are separately disclosed in the 'Segment wise performance' on page 37 of this annual report.

Related party transactions

The detail of related parties with whom transactions have taken place and their relationship as identified and certified by the management is disclosed in the 'Related party disclosures under IAS-24' on page 148 of this annual report.

Corporate social responsibility

The Company understands its responsibility towards social welfare and contributed an amount of BDT 1.10 mn during the year under review. Detail of the company's CSR activities during the year is discussed in the 'Corporate social responsibilities' on page 69 of this annual report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) accords the highest priority to its human resource and staff welfare. The Company believe that employees are integral to its success. The Company committed to ensures a safe and healthy working environment for its employees. The Company currently has 1,570 full-time employees on its rolls and offers well-designed compensation packages for employees to encourage professionalism, develop talents, enhance leadership capabilities and maximize the potential of human resources with high ethical standards.

Notably, the employees of the Company enjoy benefits of contributory provident fund, gratuity scheme and group life insurance, etc. Furthermore, the Company also established "Workers Profit Participation Fund and Welfare Fund". In year 2019, the Company contributed 5% of its profit before tax towards the Workers' Profit Participation and Welfare Fund, amounting to BDT 52.96 mn.

Internal control

The Board has the ultimate responsibility of establishing effective systems of internal control. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, the safeguarding of its

assets, the prevention and detection of frauds and errors, compliance with applicable legislations, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. The Company has also established an internal audit and compliance department that functions under an independent head of internal audit and compliance to ensure that internal control and compliances are in place.

Board of directors

The Board of Directors of the Company comprises five members including two Independent Directors. Names and profiles, including the nature of expertise in specific functional areas of the directors of the Company are shown in the 'Directors' profile' on page 16 of this annual report.

Appointment/reappointment of directors

In accordance with the Article 93, 94 and 95 of the Articles of Association of the Company, Mr. Abdallah Massaad will retire from office as Director by rotation at the 21st Annual General Meeting and, being eligible, offers himself for re-election in accordance with the terms of Article 96 of the Articles of Association of the Company.

Remuneration of directors including independent directors

The Company did not pay any remuneration to any Director, including Independent Directors, except board meeting attendance fee and 3% of profit before tax to the Managing Director.

Code of conduct

In compliance with the conditions of corporate governance code, the Board has laid down a code of conduct for the Chairman of the Board and other Board members of the Company and annual compliance of the code is recorded accordingly.

Board of directors' meeting and attendance

The Board of Directors of the Company met seven times during the year under review. The number of Board meetings held and the attendance of each Director during the year 2019 is disclosed in 'Annexure-2' on page 77 of this annual report.

Pattern of shareholding

In accordance with the conditions of corporate governance, the shareholding pattern of the Company is disclosed in 'Annexure-3' on page 78 of this annual report.

Directors' statement on financial reporting

The Directors, in accordance with the corporate governance code 2018 of the Bangladesh Securities and Exchange Commission dated June 03, 2018, confirm the following to the best of their knowledge:

- a. The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b. Proper books of account of the issuer company have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements, and any departure therefrom has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. The minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.
- g. There is no significant doubt upon the issuer company's ability to continue as a going concern.

Management discussion and analysis

In accordance with the condition of corporate governance code, 'Management discussion and analysis' has been duly signed by the Managing Director of the Company and is included on page 24 of this annual report.

Declaration by MD and CFO

In accordance with the conditions of corporate governance code, a declaration on financial statements for the year ended December 31, 2019 duly signed by the MD and CFO is included on page 102 of this annual report.

Corporate governance

To ensure the spirit of corporate governance with accountability for inspiring confidence of investors, regulators, financiers and other stakeholders, RAK

Ceramics (Bangladesh) is committed to comply with all the requirements of corporate governance code 2018 of the Bangladesh Securities and Exchange Commission. Detail about corporate governance is discussed in the 'Corporate governance report' on page 85 of this annual report.

Reporting and compliance of corporate governance

The Company has complied with the conditions of the corporate governance code 2018 of the Bangladesh Securities and Exchange Commission dated June 03, 2018. Detail status of compliance on corporate governance along with the corporate governance compliance certificate has been included on page 89 of this annual report.

Membership with BAPLC

RAK Ceramics (Bangladesh) has membership with the Bangladesh Association of Publicly Listed Companies (BAPLC). A certificate of BAPLC membership has been included on page 100 of this annual report.

Post balance sheet events

There are no material events which have occurred after the balance sheet/reporting date, the nondisclosure of which could affect the ability of users of these financial statements to make an appropriate evaluation.

Appreciation

The Board would like to take this opportunity to thank the Government authorities, shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in achieving the Company's objectives.

For and on behalf of the Board of Directors,



(Abdallah Massaad)

Chairman

February 04, 2020

ANNEXURE - 1

Key operating and financial data of preceding five years

Amount in BDT

Particulars	2019	2018	2017	2016	2015
Sales	6,463,857,312	6,331,083,301	6,956,185,329	5,661,411,578	5,059,300,403
Cost of sales	4,556,112,666	4,317,689,669	4,251,220,093	3,252,054,966	2,896,889,441
Gross profit	1,907,744,646	2,013,393,632	2,704,965,236	2,409,356,612	2,162,410,962
Administration expenses	459,102,484	440,788,957	445,551,419	416,460,612	886,856,902
Marketing and selling expenses	455,996,281	411,359,546	778,347,786	706,362,135	688,070,995
Net profit before financial expenses	992,645,881	1,161,245,129	1,481,066,031	1,286,533,865	587,483,065
Financial expense	27,323,676	39,394,022	101,024,936	40,014,661	18,935,684
Other income*	79,082,208	104,074,247	34,558,774	24,139,245	910,848,168
Net profit before taxation	1,044,404,413	1,225,925,354	1,414,599,869	1,270,658,449	1,479,395,549
Income tax expenses	290,378,957	335,300,169	396,587,747	355,403,678	385,055,782
Non-controlling interest	247	422	423	472	487
Net profit after taxation	754,025,209	890,624,763	1,018,011,699	915,254,299	1,094,339,280

*Other income includes interest income, dividend income, rental Income and profit on sale of fixed assets.

* Sales figure of 2018 and 2019 reduced primarily due to net-off commission, incentive and bonus, as per IFRS-15.

ANNEXURE - 2

Statement of BoD meeting and attendance

Name of Director	Position	Number of meetings held while as a member	Number of meetings attended
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	07	7
SAK Ekramuzzaman	Managing Director	07	5
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	07	7
Faheemul Huq Barrister-at-Law	Independent Director	07	2
Wassim Moukahhal	Independent Director	07	7

ANNEXURE - 3

The pattern of shareholding as on 31 December 2019

a) Parent/Subsidiary companies and other related parties

Name	Status/Position	No. of shares held
RAK Ceramics Co. PJSC, UAE	Parent Company	291,586,431

b) Directors/CFO/CS/HIAC and their spouses and minor children

Name	Status/Position	No. of shares held
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	16
SAK Ekramuzzaman	Managing Director	16,895,824
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	Nil
Faheemul Huq, Barrister-at-Law	Independent Director	104,061
Wassim Moukahhal	Independent Director	Nil
Sadhan Kumar Dey	Chief Financial Officer	Nil
Muhammad Shahidul Islam	Company Secretary	Nil
Mohammad Samsul Arefin	Head of Internal Audit and Compliance	Nil

c) Shareholding status of the top-5 salaried employees, other than CFO, CS & HIAC

Name	Status/Position	No. of shares held
J. Reza	VP-SCM and Admin	Nil
Rajib Kumar Saha	GM-PMO	Nil
Mizanur Rahman	GM Sales	Nil
Mohammed Shamsuddin	AGM VAT & TAX	Nil
Md. Azimul Hossain	IT Business Lead Manager	Nil

d) Shareholders holding 10% or more voting interest in the company

Name	Status/Position	No. of shares held
RAK Ceramics PJSC, UAE	Parent Company	291,586,431

AUDIT COMMITTEE REPORT



The Audit Committee is a sub-committee of the Board of Directors. The Committee assists the Board in ensuring that the financial statements reflect a true, fair and accurate view of the state of affairs of the Company, and also in ensuring robust monitoring systems and internal controls within the business.

Terms of reference

The terms of reference of the Audit Committee have been determined by the Board, as per the Corporate Governance Code 2018 (CG Code 2018) of the Bangladesh Securities and Exchange Commission, dated June 03, 2018.

Composition

In accordance with the CG Code 2018, the Audit Committee comprises three members, which include two Independent Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the member secretary of the Committee. The current members of the Audit Committee include:

- Faheemul Huq, Chairman
- Wassim Moukahhal, Member
- Pramod Kumar Chand, Member
- Muhammad Shahidul Islam, Member Secretary

All members of the Committee have strong business acumen, robust insights and are knowledgeable individuals with uncompromising integrity, and are able to ensure compliance with financial, regulatory and corporate laws that support meaningful contribution to the business as well.

Roles and responsibilities

The roles and responsibilities of the Audit Committee are clearly defined in the Audit Committee Charter. The Audit Committee shall assist the Board in fulfilling its oversight responsibilities. To recognise the importance

of oversight responsibilities of the Board with special emphasis on ensuring compliance with all applicable legislations and regulations, the core responsibilities of the Audit Committee, among others, are as follows:

- (a) Oversee the financial reporting process;
- (b) Monitor the choice of accounting policies and principles;
- (c) Monitor internal audit and compliance processes to ensure that it is adequately resourced, including approval of the internal audit and compliance plan and review of the internal audit and compliance report;
- (d) Oversee hiring and performance of external auditors;
- (e) Hold meetings with external/statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;
- (f) Review, along with the management, the annual financial statements before submission to the Board for approval;
- (g) Review, along with the management, the quarterly and half-yearly financial statements before submission to the Board for approval;
- (h) Review the adequacy of the internal audit function;
- (i) Review the Management's Discussion and Analysis before disclosing it in the annual report;
- (j) Review statements of all related party transactions submitted by the management;
- (k) Review management letters or letters of internal control weakness issued by statutory auditors;

- (l) Oversee the determination of audit fees based on the scope and magnitude, level of expertise and time required for effective audit, while also evaluating the performance of external auditors; and
- (m) Perform other activities related to the Audit Committee Charter, as requested by the Board of Directors.

Committee meetings and attendance

During 2019, the Committee held 04 (four) meetings, complying with the requirement of at least one meeting

to be held every quarter, in which the Committee reviewed issues relating to business operations, compliance and finance and accounts, among others. The Managing Director, Chief Financial Officer and Head of Internal Audit and Compliance (HIAC) were permanent invitees to the meeting. Relevant departmental heads and other members of the management also attended the meetings, as required. The proceedings of the meetings are properly recorded in minutes and regularly reported to the Board of Directors. The number of Audit Committee meetings held, and the attendance by each member during the year 2019 comprise the following:

Name of Director	Position	Number of meetings held as a member	Number of meetings attended
Faheemul Huq Barrister-at-Law	Independent Director and Chairperson of the Committee	04	02
Wassim Moukahhal	Independent Director and Member of the Committee	04	04
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director and Member of the Committee	04	04
Muhammad Shahidul Islam	Company Secretary and Member Secretary of the Committee	04	04

Internal control and risk management process

The system of internal control covers financial, operational and compliance controls and risk management procedures. The importance of risk management and internal controls includes the establishment of an appropriate control environment and framework, as well as reviewing its adequacy, integrity and competence.

The risk management process at RAK Ceramics (Bangladesh) comprises the alignment of resources to ensure the attainment of strategy and business plans, including the exploitation of available opportunities that meet the risk appetite criteria set by the Board. Risk profiles inherent to existing activities are furthermore maintained within the approved risk tolerance levels, thereby optimising risk-return parameters, laying the foundations for sustainable growth and consistent value creation for shareholders and other stakeholders.

Committee's report summary

The Committee has the following opinions regarding corporate and financial affairs of the Company:

- Reviewed the quarterly, half-yearly and yearly financial statements of the company, and recommended to the board for adoption and approval
- Reviewed the internal audit process and effectiveness of internal audit
- Reviewed the findings of internal audit team and its corrective actions
- Reviewed if adequate internal control systems are in place to detect, correct and prevent fraud and errors on a timely basis
- Reviewed if laws and regulations relating to business and internal policies, procedures and guidelines have been complied with

- Reviewed if financial statements for the year ended December 31, 2019 contained full disclosures and if these were prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB)
- Appropriate management information systems (MIS) are in place to facilitate the decision-making process
- Existing risk management procedures are effective to capture and mitigate risk
- The state of compliance with corporate governance code and other regulations, as per the requirements of the Bangladesh Securities and Exchange Commission, were ensured

Statutory auditor

The Audit Committee is satisfied through its own process of review that the statutory auditor of the Company is independent, as defined by the related act. The Audit Committee of the Board recommended the re-appointment of ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), as the statutory auditors of the Company for the year 2020.

Internal audit

Internal Audit is regarded as one of the four pillars of corporate governance. Internal audit is conducted under the supervision of Mr. Mohammad Samsul Arefin, Head of Internal Audit and Compliance (HIAC), in accordance with the approved roles and responsibilities of HIAC and corporate governance code/best practices.

Financial management

The financial management/activities of the Company are supervised by Mr. Sadhan Kumar Dey, Chief Financial Officer of the Company. The Audit Committee is satisfied that Mr. Sadhan Kumar Dey has the appropriate expertise and knowledge to fulfill his role efficiently.

Quarterly financial statements

As per the CG Code 2018, the Audit Committee reviewed quarterly financial statements of the Company and its subsidiaries, and found that these statements reflected a true and fair view of the state of affairs of the companies.

Annual financial statements

The Committee has tabled the annual financial statements for approval by the Board. The Board has subsequently approved the financial statements, which will be opened for discussion at the forthcoming Annual General Meeting.

Appreciation

The Audit Committee expresses its sincere thanks to the members of the Board, the management and the statutory and internal auditors for their support and assistance in enabling it to carry out its duties and responsibilities effectively.



(Wassim Moukahhal)

Member
Audit Committee
February 04, 2020

NOMINATION AND REMUNERATION COMMITTEE REPORT



The Board of Directors of RAK Ceramics (Bangladesh) has duly constituted a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board. The NRC assists the Board in formulating the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of Directors and other top-level executives. The NRC fulfills a guiding role to the management to identify the Company's needs for human resources at different levels and to determine their selection, transfer or replacement and promotion criteria.

Terms of reference

The terms of reference of the NRC have been determined by the Board, as per the Corporate Governance Code 2018 (CG Code 2018) of Bangladesh Securities and Exchange Commission, dated June 03, 2018.

Composition

In accordance with CG Code 2018, the NRC of RAK Ceramics (Bangladesh) comprises three members, which include two Independent Directors. The Chairperson of the Committee is an Independent Director of the Company. The Company Secretary is the Member Secretary of the Committee. The current members of the NRC are as follows:

- Wassim Moukahhal, Chairperson
- Barrister Faheemul Huq, Member
- Pramod Kumar Chand, Member
- Muhammad Shahidul Islam, Member Secretary

Roles and responsibilities

The roles and responsibilities of the NRC are clearly defined in the terms of reference (ToR). The prime responsibilities of the NRC, among others, are as follows:

- (1) NRC shall be independent and responsible or accountable to the Board and to shareholders
- (2) NRC shall oversee, among others, the following matters and make a report with recommendations to the Board:
 - (a) Formulating the criteria for determining qualifications, positive attributes and independence of a Director, and recommending a policy to the Board relating to the remuneration of Directors and top-level executives, considering the following:
 - (i) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable Directors to steward the company successfully;
 - (ii) The alignment of remuneration to performance is clear and meets appropriate performance benchmarks;
 - (iii) Remuneration to Directors and top-level executives involves a balance between fixed and incentive pay, reflecting short and long-term performance objectives appropriate to the working of the company and its goals;
 - (b) Devising a policy on the Board's diversity, taking into consideration age, gender, experience, ethnicity, educational background and nationality;

- (c) Identifying persons who are qualified to become Directors and who may be appointed in top-level executive positions, in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
- (d) Formulating the criteria for evaluation of performance of Independent Directors of the Board;
- (e) Identifying the Company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria;
- (f) Developing, recommending and reviewing annually the Company's human resources and training policies; and
- (g) Developing a succession plan for the Board and for top-level executives, and regularly reviewing the plan.

Nomination policy

The NRC shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director in terms of the diversity policy of the Board, and recommend to the Board his/her appointment. For the appointment of top-level executives, a person should possess adequate qualifications, expertise and experience for the position he/she is considered for appointment. Further, for administrative convenience, the appointment of top-level executives, the Managing Director is authorised to identify and appoint a suitable person for such a position. However, if need be, the Managing Director may consult the Committee/Board for further directions/guidance.

Remuneration policy

The level and composition of remuneration to be paid to Directors, top-level executives and other employees

shall be reasonable and sufficient to attract, retain and motivate suitable individuals. The relationship of remuneration to performance should be clear and should encourage meeting of appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive/performance-related pay, reflecting achievement of short and long-term performance objectives appropriate to the working of the Company and meeting its goals.

Evaluation criteria

The Committee shall carry out evaluation of performance of every Director. The Committee shall identify the evaluation criteria which will evaluate Directors based on their knowledge to perform the role, time and level of participation, performance of duties, level of oversight and professional conduct and independence. The appointment/re-appointment/continuation of Directors on the Board shall be subject to the outcome of the annual evaluation process. The Committee shall evaluate performance of top-level executives on the basis of individual KPIs. Decisions pertaining to promotion/continuation of top-level executives shall be subject to the outcome of the annual evaluation process based on appropriate performance benchmarks.

Committee meetings and attendance

During the year 2019, the NRC held one meeting, complying with the requirement of at least one meeting to be held during the year. The proceedings of the meeting was recorded in proper minutes and reported to the Board of Directors. The number of NRC meetings held and the attendance by each member during the year 2019 is given below:

Name of Director	Position	Number of meetings held while as a member	Number of meetings attended
Wassim Moukahhal	Independent Director and Chairperson of the Committee	01	01
Faheemul Huq, Barrister-at-Law	Independent Director and Member of the Committee	01	Nil
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director and Member of the Committee	01	01
Muhammad Shahidul Islam	Company Secretary and Member Secretary of the Committee	01	01

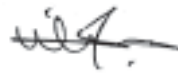
Activities of NRC

The NRC carried out the following activities during the year 2019:

- Reviewed issues related to the formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of Directors and top-level executives.
- Reviewed the performance of top-level executives on the basis of individual KPIs.
- Reviewed the criteria for evaluation of performance of Independent Directors and the Board.
- Reviewed the Company's need for employees at different levels and determined their selection, transfer or replacement and promotion criteria.
- Reviewed human resources and training policies.

Appreciation

The NRC expresses their sincere thanks to the members of the Board and the management of the Company for their outstanding support and co-operation extended in helping discharge its duties and responsibilities effectively.



(Wassim Moukahhal)

Chairperson
Nomination and Remuneration Committee
February 04, 2020



CORPORATE GOVERNANCE REPORT



At RAK Ceramics (Bangladesh), we believe that it is imperative for us to manage our business operations in the most fair and transparent manner, under the governance and stewardship of our values. For us, corporate governance represents an ethical business process aimed at enhancing our organisation’s reputation, goodwill and sustainability. We believe that our good governance processes provide transparency with regards to corporate policies and strategies, while enabling us to refine our decision-making process. This further strengthens internal control systems and helps in building positive relationships with all our stakeholders.

The Board of Directors of the Company are responsible and committed to embracing sound principles of corporate governance. Our governance framework ensures that we make timely disclosures and share detailed and timely information with respect to our financials and our performance, as well as disclosures related to our leadership and governance. We believe in transparency and commit ourselves to adhere to good corporate governance practices at all times.

Enabling us to reinforce our governance standards, we have adopted a few core principles that include the following:

- Appropriate composition of the Board;
- Timely disclosure of material and financial information to the Board, regulators, shareholders and other stakeholders;
- Robust systems and processes to ensure strong internal controls, financial controls and compliance with laws, rules and regulations; and
- Proper business conduct by the Board, committees, top management and employees.

Board of directors

RAK Ceramics (Bangladesh) firmly believes that an active, well-informed and independent Board is necessary to ensure alignment with the highest standards of

corporate governance in order to bring forth objectivity and transparency in the overall decision-making process, thus enhancing the quality of our decisions. The Board of Directors is an effective intermediary between shareholders and the management. Directors are elected or appointed by shareholders at the Annual General Meeting and they are accountable to our shareholders.

Composition of the board

In compliance with the corporate governance code 2018 of the Bangladesh Securities and Exchange Commission (BSEC), the Board of Directors of RAK Ceramics (Bangladesh) comprises five members, including two Independent Directors. The Company has a Non-Executive Chairman and a Managing Director (separate roles).

Board procedure

The Board embraces the practice of planning in advance in matters requiring discussions and decisions by the Board. The Board is apprised by means of a presentation on production, sales, marketing, finance major business segments and other operations of the Company, among other matters, as per their demands and requirements. The Managing Director along with the Company Secretary, finalises the agenda papers for Board meetings, in consultation with concerned teams/

stakeholders. The minutes of the proceedings of each Board meeting are maintained in terms of statutory provisions.

Committees of the board

In accordance with the requirements of Corporate Governance Code 2018 of the BSEC, RAK Ceramics (Bangladesh) has an Audit Committee and a Nomination and Remuneration Committee (NRC) as sub-committees of the Board of Directors.

Audit committee

The Audit Committee is a sub-committee of the Board and assists the Board in ensuring the promulgation of strong monitoring systems across the business. The Committee comprises three members, which include two Independent Directors. The Chairman of the Committee is an Independent Director of the Company. The Company Secretary is the Member Secretary of the Committee.

The Audit Committee is responsible to the Board, and the duties and responsibilities of the Committee are clearly set forth in writing by the Board in the Audit Committee Charter. The Audit Committee reports to the:

- a) Board of Directors
- b) Relevant regulatory authorities
- c) Shareholders and general investors

Details about the Audit Committee, including terms of reference, composition, responsibilities, meetings, reporting and activities carried out by the Committee, are disclosed in this annual report in the "Audit Committee Report", signed by the Member of the Committee.

Nomination and remuneration committee (NRC)

The NRC is a sub-committee of the Board and assists the Board in the formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top-level executives, as well as a policy for the formal processes of considering remuneration of directors and top-level executives.

The NRC of RAK Ceramics (Bangladesh) comprises three members, which include two Independent Directors. The Chairperson of the Committee is an Independent Director of the Company. The Company Secretary is the Member Secretary of the Committee. The NRC is

independent, responsible and accountable to the Board and to shareholders. The NRC shall:

- a) Report and offer recommendations to the Board of Directors
- b) Disclose the nomination and remuneration policy and the evaluation criteria and its activities to shareholders

The details about the NRC, including terms of reference, composition, responsibilities, meetings, nomination and remuneration policy, evaluation criteria and activities, are disclosed in this annual report in the "Nomination and Remuneration Committee (NRC) Report", signed by the Chairperson of the Committee.

Chairman of the board and managing director

The position of the Chairman of the Board and the Managing Director of RAK Ceramics (Bangladesh) is filled by different individuals. The Board of Directors has clearly defined the respective roles and responsibilities of the Chairman and the Managing Director, in addition to their roles and responsibilities, as per the Articles of Association of the Company. However, in addition, Mr. Imtiaz Hussain was the Chief Executive Officer of the Company and has resigned voluntarily from the position.

Chief financial officer

Sadhan Kumar Dey is the Chief Financial Officer of RAK Ceramics (Bangladesh). He is a qualified finance and management professional from the Chartered Institute of Management Accountant – UK and the Institute of Certified Management Accountant – Australia. He is alumni of Harvard Business School, USA. He possesses more than 20 years of industrial experience, focused on serving construction companies in the manufacturing sectors. As CFO, he is responsible for the finance and accounting activities of the Company. The Board of Directors has clearly defined the roles, responsibilities and duties of the CFO.

Company secretary

Muhammad Shahidul Islam is the Company Secretary of RAK Ceramics (Bangladesh) and has been appointed by the Board of Directors of the Company. He is a qualified Chartered Secretary and a fellow member of the Institute of Chartered Secretaries of Bangladesh (ICSB). His professional career spans over 15 years in the realm of Company Secretariat, Corporate Affairs, Compliances, Initial Public Offer (IPO), Legal, Capital Market Operations and Internal Audit covering the

manufacturing and insurance sectors. The Board of Directors has clearly defined the roles, responsibilities and duties of the Company Secretary.

Head of Internal audit and compliance

Mohammad Samsul Arefin is the Head of Internal Audit and Compliance of RAK Ceramics (Bangladesh). He is a qualified Cost and Management Accountant and is a fellow member of the Institute of Cost and Management Accountants of Bangladesh (ICMAB). He is also a Chartered Global Management Accountant (CGMA), qualified from CIMA, UK. He is responsible for internal control and compliance of the Company. The Board of Directors has clearly defined the roles, responsibilities and duties of the Head of Internal Audit and Compliance.

Statutory auditors

Statutory auditors are appointed by the shareholders at the Annual General Meeting and also fix their remuneration thereof. ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), was the statutory auditor of the Company for the year 2019. They conduct systematic examination of the books and records of the Company and ascertain, verify and report upon the facts regarding the financial results of the Company. To ensure the highest levels of compliance with corporate governance, the Company did not engage its statutory auditors to perform the following services:

- (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 or special audit services;
- (vii) Any service that the Audit Committee determines;
- (viii) Audit or certification services on compliance of corporate governance; and
- (ix) Any other service that creates conflict of interest.

M/s. ACNABIN declares that none of the partners or employees or any family members of any partners or employees of M/s. ACNABIN has taken any loan from

RAK Ceramics (Bangladesh) Limited, nor they have any directorship/shares of RAK Ceramics (Bangladesh) Limited during the tenure of the audit assignment.

Internal audit and control

RAK Ceramics (Bangladesh) considers internal audit and compliance as one of the most important tools for ensuring alignment with best governance practices. Hence, the Company has an independent internal audit and compliance department under the control of the Audit Committee of the Board. Internal audit at RAK Ceramics (Bangladesh) assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management capabilities, controls and governance processes. It also helps the Audit Committee of the Board of Directors to perform their responsibilities efficiently and effectively.

Subsidiary company

RAK Ceramics (Bangladesh) has two subsidiary companies and, in compliance with the Corporate Governance Code 2018 of the BSEC, the Company ensured the following across its subsidiaries:

- Provisions relating to the composition of the Board of subsidiary companies, including Independent Directors, have been complied with.
- Independent Director of the company is also a Director in subsidiary companies.
- Affairs of subsidiary companies have been reviewed at the Board meeting of the Company.
- Minutes of the Board meeting of subsidiary companies have been placed for review at the Board meeting of the Company.
- Financial statements of subsidiary companies have been reviewed by the Audit Committee of the Company.

Code of conduct

The Board of Directors of RAK Ceramics (Bangladesh) has laid down a comprehensive code of conduct for the Chairperson of the Board, other Board members and Chief Executive Officer of the Company, and annual compliance to the code is recorded.

As an organisation of repute, our values encompass integrity, self-determination and valuing our human resources. Our parent company has specified the corporate values for the Company and has also

stipulated a code of conduct for employees, ensuring that the latter maintains the highest integrity, promotes fair and accurate disclosures and ensures financial reporting and compliance with all the relevant laws and ethical principles.

Compliances

RAK Ceramics (Bangladesh) is committed to comply with all the requirements of the corporate governance code, as required by the Bangladesh Securities and Exchange Commission. The certificate on compliance

of conditions of corporate governance code of the Company is provided on page 89 in this annual report.

Conclusion

RAK Ceramics (Bangladesh) ensured the highest standards in good corporate governance and also rigorous adherence to the requirements of the ethical code of conduct through close and consistent monitoring. Through the code of ethics, all levels of staff have been educated and encouraged to report through whistle-blowing when they suspect any wrongdoing by employees.



CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Jasmin & Associates
(Chartered Secretaries & Corporate Affairs Consultants)

55/B, Noakhali Tower, 10th Floor
Suite 11-F, Purana Paltan, Dhaka-1000
jasminmizan123@yahoo.com, jasminandassociates@gmail.com
Phone : 02-9574125, E-TIN No.295279438482

Report to the Shareholders of RAK Ceramics (Bangladesh) Limited on Compliance of the Corporate Governance Code

We have examined the Compliance status to the Corporate Governance Code by RAK Ceramics (Bangladesh) Limited for the year ended on December 31, 2019. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 of the Bangladesh Securities and Exchange Commission.

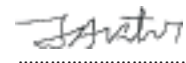
Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and Verification thereof, we report that, in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission;
- (b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- (c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws; and
- (d) The Governance of the company is highly satisfactory.

For: Jasmin & Associates



Jasmin Akter, FCS
Chief Executive

Place : Dhaka
Dated : February 04, 2020

RAK Ceramics (Bangladesh) Limited

For the year ended 31st December 2019

Status of Compliance with the Corporate Governance Code**As per Condition No. 1 (5)(xxvii)**

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRCD/2006-158/207/Admin/80, dated 3 June 2018, issued under section 2CC of the Securities and Exchange Ordinance 1969:

(Report under Condition No. 9)

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1	BOARD OF DIRECTORS:			
1(1)	Board's Size			
	The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty).	√		
1(2)	Independent Directors			
1(2)(a)	At least one-fifth (1/5) of the total number of directors in the Company's Board shall be Independent Directors; any fraction shall be considered to the next integer or whole number for calculating the number of independent director(s);	√		
1(2)(b)(i)	Who either do not hold any share/s in the Company or hold less than one (1%) shares of the total paid-up shares of the Company;	√		
1(2)(b)(ii)	Who is not a sponsor of the Company or is not connected with any of the Company's sponsor/s or director/s or nominated director/s or shareholder/s of the Company or any of its associates, sister concerns, subsidiaries and parents or holding entities who hold one percent (1%) or more shares of the total paid-up shares of the Company on the basis of family relationship and his or her family members also shall not hold the above-mentioned shares in the company;	√		
1(2)(b)(iii)	Who has not been an executive of the company in the immediate 2 (two) preceding financial years;	√		
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the Company or its subsidiary/associated companies;	√		Director of subsidiary Companies
1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	√		
1(2)(b)(vi)	Who is not a shareholder, director, except independent director, or officer of any member or TREC holder of any stock exchange or an intermediary of the capital market;	√		

1(2)(b)(vii)	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 or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance to this code;	√		
1(2)(b)(viii)	Who shall not be an independent director in more than 5 (five) listed companies;	√		
1(2)(b)(ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a non-bank financial institution (NBF); and	√		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude.	√		
1(2)(c)	The independent director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM).	√		
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	√		
1(2) (e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only.	√		
1(3)	Qualification of independent director (ID)			
1(3)(a)	Independent director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws, regulatory requirements and can make meaningful contributions to the business;	√		
1(3)(b)(i)	Business leader who is or was a promoter or director of an unlisted company having a minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or	√		
1(3)(b)(ii)	Corporate leader who is or was a top-level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having a minimum paid-up capital of Tk. 100.00 million of a listed company; or	√		
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th grade on the national pay scale, who has at least educational background of bachelor's degree in economics or commerce or business or law; or	√		
1(3)(b)(iv)	University teacher who has educational background in economics or commerce or business studies or law; or	√		
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh's Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;	√		
1(3) (c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	√		
1 (3)(d)	In special cases, the above qualifications or experiences may be relaxed, subject to prior approval of the Commission.			No such matter
1(4)	Duality of chairperson of the Board of Directors and Managing Director of Chief Executive Officer			
1(4) (a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√		

1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√	
1(4) (c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	√	
1 (4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√	
1 (4) (e)	In the absence of the Chairperson of the Board, the remaining members may elect one among themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√	
1(5)	The Director's Report to Shareholders		
1(5)(i)	An industry outlook and possible future developments in the industry;	√	
1(5)(ii)	The Segment-wise or product-wise performance;	√	
1(5)(iii)	Risks and concerns, including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√	
1(5)(iv)	A discussion on the cost of goods sold, gross profit margin and net profit margin, where applicable;	√	
1(5) (v)	A discussion on continuity of any extra-ordinary activities and their implication (gain or loss);		No such matter
1(5) (vi)	A detailed discussion on related party transactions, along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√	
1(5)(vii)	A statement of utilisation of proceeds raised through public issues, rights issues and/or any other instruments;		No such matter
1(5)(viii)	An explanation on the financial results if they deteriorate after the company goes for initial public offering (IPO), repeat public offering (RPO), rights share offer, direct listing, etc.;		No such matter
1(5)(ix)	An explanation on any significant variance that occurs between quarterly financial performances and annual financial statements;		No such matter
1(5)(x)	A statement of remuneration paid to directors, including independent directors;	√	
1(5)(xi)	A statement that 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;	√	
1(5)(xii)	A statement that proper books of accounts of the issuer Company have been maintained;	√	
1(5)(xiii)	A statement that appropriate accounting policies have been consistently applied in preparation of financial statements and that the accounting estimates are based on reasonable and prudent judgment;	√	
1(5)(xiv)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements, and any departure therefrom has been adequately disclosed;	√	
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√	
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√	

1(5)(xvii)	A statement that 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;			No such matter
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained;			No such matter
1(5)(xix)	Key operating and financial data of at least preceding 5 (five) years shall be summarised;	√		
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;			No such matter
1(5)(xxi)	Board's statement to the effect that no bonus shares or stock dividend has been or shall be declared as interim dividend;	√		
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	√		
1(5)(xxiii) (a)	Parent or subsidiary or associated companies and other related parties (name-wise details);	√		
1(5)(xxiii) (b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details);	√		
1(5)(xxiii) (c)	Executives;	√		
1(5)(xxiii) (d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1(5)(xxiv) (a)	A brief resume of the director;	√		
1(5)(xxiv) (b)	Nature of his/her expertise in specific functional areas;	√		
1(5)(xxiv) (c)	Name of companies in which the person also holds the directorship and the membership of committees of the board;	√		
1(5)(xxv) (a)	Accounting policies and estimation for preparation of financial statements;	√		
1(5)(xxv) (b)	Changes in accounting policies and estimations, if any, clearly describing the effect on financial performance or results and financial position, as well as cash flows in absolute figures for such changes;	√		
1(5)(xxv) (c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position, as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	√		
1(5)(xxv) (d)	Compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	√		
1(5)(xxv) (e)	Briefly explain the financial and economic scenario of the country and the globe;	√		
1(5)(xxv)(f)	Risks and concern issues related to the financial statements, explaining such risks and concern mitigation plan of the company; and	√		
1(5)(xxv) (g)	Future plan or projection or forecast for the company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	√		
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board, as required under condition No. 3(3) shall be disclosed as per Annexure-A ; and	√		

1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C.	√		
1(6)	Meetings of the Board of Directors: The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS), as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this code.	√		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6 for the Chairperson of the Board, other board members and Chief Executive Officer of the company;	√		
1(7)(b)	The code of conduct, as determined by the NRC, shall be posted on the website of the company, including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with the environment, employees, customers and suppliers; and independency.	√		
2	Governance of Board of Directors of Subsidiary Company			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;	√		
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;	√		
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;	√		
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;	√		
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)			
3(1)	Appointment			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	√		
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board, as well as immediate dissemination to the Commission and stock exchange(s).	√		

3(2)	Requirement to attend Board of Directors' meetings The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board, provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	√		
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed the financial statements for the year and that to the best of their knowledge and belief:			
3(3)(a)(i)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and	√		
3(3)(a)(ii)	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.	√		
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	√		
3(3) (c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		
4	Board of Directors' Committee: - For ensuring good governance in the company, the Board shall have at least the following sub-committees:			
4 (i)	Audit Committee; and	√		
4(ii)	Nomination and Remuneration Committee	√		
5	AUDIT COMMITTEE:			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors;	√		
5(1)(b)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect a true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business;	√		
5(1) (c)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
5(2)	Constitution of the Audit Committee			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√		
5(2)(b)	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;	√		
5(2) (c)	All members of the Audit Committee should be 'financially literate' and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	√		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before 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 shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√		

5(2)(e)	The company secretary shall act as the secretary of the Committee;	√	
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without independent director.	√	
5(3)	Chairman of the Audit Committee		
5(3)(a)	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;	√	
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√	
5(3) (c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM):	√	
5(4)	Meeting of the Audit Committee		
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year;	√	
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√	
5(5)	Role of Audit Committee The Audit Committee shall :		
5(5)(a)	Oversee the financial reporting process;	√	
5(5)(b)	monitor choice of accounting policies and principles;	√	
5(5) (c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√	
5(5)(d)	Oversee hiring and performance of external auditors;	√	
5 (5) (e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√	
5(5) (f)	Review along with the management, the annual financial statements before submission to the board for approval;	√	
(5)(5) (g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√	
5(5) (h)	Review the adequacy of internal audit function;	√	
5(5) (i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√	
5(5) (j)	Review statement of all related party transactions submitted by the management;	√	
5(5) (k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	√	
5(5) (l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√	
5(5) (m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission.		No such matter

5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	√		
5(6)(a)(ii)(a)	Report on conflicts of interests;			No such matter
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;			No such matter
5(6)(a)(ii)(c)	Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and			No such matter
5(6)(a)(ii)(d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			No such matter
5(6)(b)	Reporting to the Authorities: If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board 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 for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.			No such matter
5(7)	Reporting to the Shareholders and General Investors: Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	√		
6	Nomination and Remuneration Committee (NRC):			
6(1)	Responsibility to the Board of Directors			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;	√		
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top-level executive as well as a policy for formal process of considering remuneration of directors, top-level executives;	√		
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).	√		
6(2)	Constitution of the NRC			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;	√		
6(2)(b)	All members of the Committee shall be non-executive directors;	√		
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;	√		
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;	√		
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;	√		

6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;	√		
6(2)(g)	The company secretary shall act as the secretary of the Committee;	√		
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;	√		
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.	√		
6(3)	Chairperson of the NRC			
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;	√		
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one among themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;	√		
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders;	√		
6(4)	Meeting of the NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;	√		
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;	√		
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);	√		
6(4) (d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.	√		
6(5)	Role of the NRC			
6(5) (a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;	√		
6(5)(b)(i) (a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;	√		
6(5)(b)(i) (b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and	√		
6(5)(b)(i) (c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;	√		
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;	√		
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;	√		
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;	√		

6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and	√		
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies;	√		
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.	√		
7	External or Statutory Auditors.			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:			
7(1)(i)	Appraisal or valuation services or fairness opinions;	√		
7(1)(ii)	Financial information systems design and implementation;	√		
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements;	√		
7(1)(iv)	Broker-dealer services;	√		
7(1)(v)	Actuarial services;	√		
7(1)(vi)	Internal audit services or special audit services	√		
7(1)(vii)	Any service that the Audit Committee determines;	√		
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	√		
7(1)(ix)	Any other service that creates conflict of interest.	√		
7(2)	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; his or her family members also shall not hold any shares in the said company:	√		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√		
8	Maintaining a website by the Company:			
8(1)	The company shall have an official website linked with the website of the stock exchange.	√		
8(2)	The company shall keep the website functional from the date of listing.	√		
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	√		
9	Reporting and Compliance of Corporate Governance.-			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.	√		
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	√		
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	√		

BAPLC CERTIFICATE 2019



At RAK Ceramics (Bangladesh), we have embraced modernity, while being rooted to our heritage and traditions that together encourage us to pursue integrity, transparency and ethics in all that we do. In doing so, we have been able to directly link our reporting with our working practices and standards as closely as possible, thus ensuring an enhanced degree of viability and sustainability.



DECLARATION OF MD AND CFO REGARDING FINANCIAL STATEMENTS

Date: February 04, 2020

The Board of Directors
RAK Ceramics (Bangladesh) Limited

Subject: Declaration on Financial Statements for the year ended 31 December 2019

Dear Sir,

Pursuant to the condition No. 1 (5)(xxvi), imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/ Admin/80 dated 3 June 2018 under section 2CC of the Securities and Exchange Ordinance 1969, we hereby declare that:

- (1) The audited standalone and consolidated financial statements of RAK Ceramics (Bangladesh) Limited for the year ended 31 December 2019 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, and any departure therefrom has been adequately disclosed;
- (2) The estimates and judgements related to the financial statements were made on a prudent and reasonable basis in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure the above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate, and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern.

In this regard, we also certify that:

- (i) We have reviewed the audited standalone and consolidated financial statements for the year ended 31 December 2019 and to the best of our knowledge and belief:
 - (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
 - (b) These statements collectively 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 our knowledge and belief, no transactions entered into by the Company during the period, which are fraudulent, illegal or in violation of the code of conduct of the Company's Board of Directors or its members.

Sincerely yours,



(SAK Ekramuzzaman)
Managing Director



(Sadhan Kumar Dey)
Chief Financial Officer



RAK Ceramics (Bangladesh) Limited

**INDEPENDENT AUDITORS' REPORT
AND AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

as at and for the year ended
31 December 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of RAK Ceramics (Bangladesh) Limited

Opinion

We have audited the consolidated financial statements of RAK Ceramics (Bangladesh) Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 02-03.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under

those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risk of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the significant effect on the overall audit strategy, allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Recognition of rights of use assets and lease liabilities for lease rental arrangements

Refer note no 3.14.3, 6 and 20 to the consolidated financial statements

The Group recognized rights of lease assets (ROUA) and lease liabilities arising from the lease rental agreements for its display centers, accommodation floors and warehouse.

The recognition is made for the first time in current year's consolidated financial statements as it adopted IFRS 16 (Leases) in its consolidated financial statements for the first time. However, that would not require a restatement of the comparative period information because the Group elected modified retrospective approach.

The lease liability is measured at the present value of the lease payments that are not paid at that date. For calculation of the lease liability, the management applies its judgment in determination of lease term, where certainty of exercising the option to extend or the option not to terminate the lease is considered.

The incremental borrowing rate is used as discounting rate in calculation of lease liability.

How our audit addressed the Key Audit Matters

We assessed the Group's key internal controls in identification of lease, recognition and measurement of ROUA and lease liability, and related key assumptions. We performed following procedures for our assessment:

- Read the contracts for lease rental arrangements, especially the terms and conditions related to payments, lease incentives, any indirect costs, dismantling and restoration, option to extend the lease or not to terminate the lease.
- Checked the lease amortization schedule and depreciation schedule for each of the leases.
- Checked the appropriateness of management's assumptions, especially in determining the certainty of exercising option to extend or terminate lease and the discounting rate applied to calculate lease liability.

Key Audit Matters

Revenue recognition

Refer note no 3.14.2 and 24

The Group provides various benefits to its dealers, including discount, commissions, incentives and bonus.

Considering the variability of the said benefits, effective from the current year, the management presented them as deduction from revenue in contrast to previous years' presentation as marketing and selling expense. Prior year's comparative figures are also restated in this regard.

The management applies its judgment in determining whether there is valid expectation among the dealers arising from the Group's customary business practices for any further benefits in excess of the figures provisioned for.

Provision for slow moving and obsolete inventories

Refer note no 3.9 and 9 to the consolidated financial statements

The inventories of the Group are carried at lower of cost and net realizable value. The management applies judgment in determining the appropriate provisions for obsolete stock based upon a detailed analysis of old and slow-moving inventory.

Credit risk and impairment on trade receivables

Refer note no 3.14.1, 10, 27.1 and 35.1 (b) to the consolidated financial statements

Remarkable amount of the trade receivables of the Group is attributable to a single customer, which is also a related party (as disclosed in note no #36 to the consolidated financial statements) to the Group. Being related party, there may be unpalatable behavior putting reliability at risk.

Significant amount of judgment is to be applied to determine the risk of default over the expected life of trade receivables, which may have material impact over the figures of trade receivable. As a result, there is risk of error in determining the allowance for impairment for trade receivables.

How our audit addressed the Key Audit Matters

Our audit procedures involved following activities:

- Reading the contracts with the dealers and other circulars and announcements for terms and conditions related to discount, commissions, incentives and bonus;
- Recalculate the amount of discount, commissions, incentives and bonus;
- Checking the past trend of allowing discount, commissions, incentives and bonus.

We obtained assurance over relevance and appropriateness of management's assumptions applied in calculating the provision for slow moving and obsolete inventories by:

- evaluating the design and implementation of key inventory controls operating across the Company;
- attending stock counting and reconciling the count results to the inventory listings to test the completeness of data;
- checking the ageing analysis of inventories and appropriateness of management's determination of probability of obsolescence for each group of inventory ageing;
- reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year.

Our audit procedures included testing the Group's credit control procedures and judgment on determining the provisions for expected credit losses. The audit procedures involved following activities:

- testing, on a sample basis, receivable balances and comparing it with our results from the external confirmations;
- inspecting the arrangements, securities documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables;
- reviewing the calculations of the allowance for impairment of trade receivables based on the judgments applied by the management.

Key Audit Matters

Review of tax and regulatory matters

Refer note no 23 and 40 to the consolidated financial statements

The Group has several pending corporate tax assessments and legal proceedings with the government revenue authorities related to claims for tax, VAT and customs duty. The pending cases expose the Group to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may not be appropriate to predict.

These uncertainties inherently affect the amount and timing of potential outflows with respect to the tax provisions and contingent liabilities.

As a listed entity, the Group also has to maintain compliance with the requirements of the Bangladesh Securities and Exchange Commission.

How our audit addressed the Key Audit Matters

We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the legal provision and contingencies recognition process. To get more insights we performed following procedures:

- enquired into those charged with governance to obtain their view on the status of all significant litigation and regulatory matters;
- enquired the Group's internal legal counsel for all significant litigation and regulatory matters and studied internal notes and reports. We also enquired formal confirmations from external counsel on these matters;
- assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information;
- assessed the Group's provisions and contingent liabilities disclosure.

We have reviewed the controls related to Corporate Governance compliance and reporting compliance as per Bangladesh Securities and Exchange Commission guidelines.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as explained in note 02-03, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Bangladesh Securities and Exchange Commission rules and regulations together with other applicable regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Group.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we could not obtain prior to the date of this auditors' report and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise

appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of

accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the Key Audit Matters as reported in the respective section of the report above. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

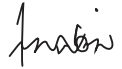
In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Group so

far as it appeared from our examination of these books;

- c) the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the Group's business.

Dated, 04 February 2020



ACNABIN

Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

**CONSOLIDATED STATEMENT
OF FINANCIAL POSITION**

as at 31 December 2019

	Notes	2019 Taka	2018 Taka
Assets			
Property, plant and equipment	4	3,002,294,289	3,200,651,808
Investment property	5	681,433,369	691,149,776
Right of use assets	6	45,836,335	-
Intangible assets	7	6,495,047	11,916,384
Capital work-in-progress	8	177,641,997	127,781,532
Total non-current assets		3,913,701,037	4,031,499,500
Inventories	9	2,785,630,242	3,005,616,081
Trade and other receivables	10	859,960,257	871,791,127
Advances, deposits and prepayments	11	267,192,251	322,820,432
Advance income tax	12	3,434,063,275	3,125,317,011
Cash and cash equivalents	13	1,499,310,101	829,807,227
Total current assets		8,846,156,126	8,155,351,878
Total assets		12,759,857,163	12,186,851,378
Equity			
Share capital	14	4,279,687,010	3,890,624,560
Share premium	15	1,473,647,979	1,473,647,979
Retained earnings	16	1,601,275,518	1,628,694,442
Equity attributable to equity holders of the company		7,354,610,507	6,992,966,981
Non-controlling interests		1,393	1,546
Total equity		7,354,611,900	6,992,968,527
Liabilities			
Borrowings	19	-	88,203,349
Deferred tax liability	17	191,893,149	197,934,495
Lease liability	20	29,374,867	-
Total non-current liabilities		221,268,016	286,137,844
Borrowings	19	89,232,918	309,652,416
Lease liability	20	10,101,008	-
Trade and other payables	21	691,725,531	528,659,578
Accrued expenses	22	558,665,634	531,601,160
Provision for income tax	23	3,834,252,156	3,537,831,853
Total current liabilities		5,183,977,246	4,907,745,007
Total liabilities		5,405,245,263	5,193,882,851
Total equity and liabilities		12,759,857,163	12,186,851,378

The accompanying notes are an integral part of these financial statements



Managing Director



Director



Company Secretary
As per our report of same date



ACNABIN

Chartered Accountants

Dated, 04 February 2020

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 Taka	2018 Taka
Sales	24	6,463,857,312	6,331,083,301
Cost of sales	25	(4,556,112,666)	(4,317,689,669)
Gross profit		1,907,744,646	2,013,393,632
Other income	26	46,204,060	65,663,417
Administrative expenses	27	(400,512,718)	(378,274,211)
Impairment loss on trade receivable	27.1	(5,624,637)	(3,601,431)
Marketing and selling expenses	28	(455,996,281)	(411,359,546)
		(815,929,576)	(727,571,771)
Profit from operating activities		1,091,815,070	1,285,821,861
Finance income	29	32,878,148	38,410,830
Finance expenses	30	(27,323,676)	(39,394,022)
Net finance income		5,554,472	(983,192)
Profit before contribution to worker's profit participation and welfare fund		1,097,369,542	1,284,838,669
Contribution to worker's profit participation and welfare fund	31	(52,965,129)	(58,913,315)
Profit before income tax		1,044,404,413	1,225,925,354
Income tax expense			
Current tax	32	(296,420,303)	(316,179,434)
Deferred tax	17	6,041,346	(19,120,735)
		(290,378,957)	(335,300,169)
Profit for the year		754,025,456	890,625,185
Other comprehensive income		-	-
Total comprehensive income for the year		754,025,456	890,625,185
Profit attributable to:			
Equity holders of the company		754,025,209	890,624,763
Non-controlling interests		247	422
Profit after tax for the year		754,025,456	890,625,185
Basic earnings per share (Par value TK 10)	38	1.76	2.08


The accompanying notes are an integral part of these financial statements



Managing Director



Director



Company Secretary

As per our report of same date



ACNABIN

Chartered Accountants

Dated, 04 February 2020

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Attributable to owners of the Company				Non-controlling interests Taka	Total equity Taka
	Share capital Taka	Share Premium Taka	Retained earnings Taka	Total Taka		
Balance as at 01 January 2018	3,536,931,410	1,473,647,979	1,445,455,970	6,456,035,359	1,524	6,456,036,883
Total comprehensive income for 2018						
Profit/(loss) for the year	-	-	890,624,763	890,624,763	422	890,625,185
Cash dividend (2017)	-	-	(353,693,141)	(353,693,141)	(400)	(353,693,541)
Stock dividend (2017)	353,693,150	-	(353,693,150)	-	-	-
Balance as at 31 December 2018	<u>3,890,624,560</u>	<u>1,473,647,979</u>	<u>1,628,694,442</u>	<u>6,992,966,981</u>	<u>1,546</u>	<u>6,992,968,527</u>
Balance as at 01 January 2019	3,890,624,560	1,473,647,979	1,628,694,442	6,992,966,981	1,546	6,992,968,527
Prior year adjustment (Leases)			(3,319,226)	(3,319,226)	-	(3,319,226)
Total comprehensive income for 2019						
Profit/(loss) for the year	-	-	754,025,209	754,025,209	247	754,025,456
Transactions with the shareholders:						
Cash dividend (2018)	-	-	(389,062,456)	(389,062,456)	(400)	(389,062,856)
Stock dividend (2018)	389,062,450	-	(389,062,450)	-	-	-
Balance as at 31 December 2019	<u>4,279,687,010</u>	<u>1,473,647,979</u>	<u>1,601,275,518</u>	<u>7,354,610,507</u>	<u>1,393</u>	<u>7,354,611,900</u>

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	2019	2018
	Taka	Taka
Cash receipts from customers	6,450,716,308	6,026,277,449
Cash payments to suppliers and employees	(4,563,582,744)	(5,170,880,115)
Cash generated from operating activities	1,887,133,564	855,397,334
Interest received from bank deposit	6,832,490	5,915,987
Income tax paid (note - 12)	(308,746,264)	(293,693,008)
Net cash (used in)/from operating activities (note-39.1)	1,585,219,790	567,620,313
Cash flows from investing activities		
Acquisition of property, plant and equipment	(279,524,603)	(307,844,206)
Sale of property, plant and equipment	179,500	145,690
Disposal proceeds of associate	-	74,025,000
Interest received from FDR	20,857,636	29,837,100
Income from rental	12,045,000	4,605,000
Intangible assets	(771,526)	(11,950,323)
Insurance claim received	56,976,731	-
Dividend received	200	200
Net cash (used in)/from investing activities	(190,237,062)	(211,181,539)
Cash flows from financing activities		
Finance charges	(18,947,425)	(48,091,939)
Avail/(repayment) of term loan	(88,203,349)	(270,959,943)
Avail/(repayment) of short-term loan	(220,419,498)	(238,509,621)
Payment of lease liability	(10,730,542)	-
Dividend paid	(386,966,131)	(351,973,215)
Unclaimed share application refund	(8,160)	(19,200)
Adjustment related with non-controlling interest	(400)	(400)
Net cash (used in)/from financing activities	(725,275,505)	(909,554,318)
Effect of exchange rate changes in cash and cash equivalents	(204,349)	563,565
Net increase/(decrease) in cash and cash equivalents	669,502,874	(552,551,979)
Cash and cash equivalents as at 01 January	829,807,227	1,382,359,206
Cash and cash equivalents as at 31 December (Note 13)	1,499,310,101	829,807,227

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

as at and for the year ended 31 December 2019

1. Reporting entity

RAK Ceramics (Bangladesh) Limited (the Company), formerly RAK Ceramics (Bangladesh) Pvt. Limited, a UAE-Bangladesh joint venture company, was incorporated in Bangladesh on 26 November 1998 as a private company limited by shares under the Companies Act 1994. The Company was later converted from a private limited into a public limited on 10 June 2008 after observance of required formalities as per laws. The name of the Company was thereafter changed to RAK Ceramics (Bangladesh) Ltd. as per certificate issued by the Registrar of Joint Stock Companies dated 11 February 2009. The address of the Company's registered office is RAK Tower, Plot # 1/A, Jasimuddin Avenue, Sector # 3, Uttara, Dhaka 1230. The company got listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on 13 June 2010.

1.1 Nature of business

The Company is engaged in manufacturing and marketing of ceramics tiles, wash room sets and all types of sanitary ware. It has started its commercial production on 12 November 2000. The commercial production of its new sanitary ware plant, expansion unit of ceramics facilities, tiles and sanitary plant was started on 10 January 2004, 1 July 2004, 1 September 2007, 1 April 2015 and 17th May 2016 respectively.

1.2 Description of subsidiaries**RAK Power Pvt. Ltd.**

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 205,000,000 at the end of reporting year. The Company has gone into operation from 1 May 2009. The registered office of the Company is at RAK Tower (8th floor), Jashimuddin Avenue, Plot # 1/A, Sector # 03, Uttara Model Town, Dhaka - 1230. The Power Plant is located at Village : Dhanua, P.S: Sreepur, District: Gazipur. 57% shares of RAK Power Pvt. Ltd. is held by RAK Ceramics (Bangladesh) Limited.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to further increase the shareholding in RAK Power Pvt. Ltd. from 57% to 99.99% through purchase of 881,495 number of ordinary shares of BDT 100 each in consideration of BDT 255 per share totaling to BDT 224,781,225 only from all the other shareholders of RAK Power Pvt. Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of acquisition has been taken place as approved in Board of Directors meeting of RAK Power (Pvt.) Ltd on 20 October 2015

RAK Security and Services (Pvt.) Limited

RAK Security and Services (Pvt.) Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 21 December 2006 as a private company limited by shares with an authorized capital of Taka 100,000,000 divided into 1,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 1,000,000 at the end of reporting year. The Company has gone into operation from 1 May 2007. The registered office of the Company is at RAK Tower (8th floor), Plot # 1/A, Jasimuddin Avenue, Sector # 03, Uttara Model Town, Dhaka-1230. 35% shares of RAK Security and Services (Pvt.) Ltd is held by RAK Ceramics (Bangladesh) Limited.

The Board of Directors of RAK Ceramics (Bangladesh) Limited in its meeting held on July 26, 2015 have decided to further increase the shareholding in RAK Security & Services (Pvt.) Ltd. from 35% to 99.00% through purchase of 6,500 number of ordinary shares of BDT 100 each in consideration of BDT 2,875 per share totaling to BDT 18,687,500 only from all the other shareholders of RAK Security & Services (Pvt.) Ltd. subject to approval by the shareholders and concerned authorities for the interest of the business of the Company. The shareholders of RAK Ceramics (Bangladesh) Limited have approved the same in the EGM dated September 20, 2015. The effect of acquisition has been taken place as approved in Board of Directors meeting of RAK Security and Services (Pvt.) Ltd on 20 October 2015.

2. Basis of preparation**2.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1994 and the Securities and Exchange Rules 1987.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

The title and format of these financial statements follow the requirements of IFRS which are to some extent different from the requirement of the Companies Act 1994. However, such differences are not material and in the view of management IFRS titles and format give better presentation to the shareholders.

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 04 February 2020.

2.2 Basis of measurement

These financial statements have been prepared on historical cost basis except for inventories which are measured at lower of cost and net realisable value.

2.3 Functional and presentational currency

These financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is the functional currency and presentation currency of the Company. The figures of financial statements have been rounded off to the nearest Taka.

2.4 Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are stated in the following notes:

Note 4	Property, plant & equipment
Note 5	Investment property
Note 6	Right of use assets
Note 17	Deferred tax liability
Note 18	Employees benefit payable
Note 20	Lease liability
Note 23	Provision for income tax
Note 27.1	Impairment loss on trade receivable

2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 December 2019 and is followed consistently.

2.6 Going concern

The Company has adequate resources to continue in operation for foreseeable future and hence, the financial statements have been prepared on going concern basis. As per management assessment there are no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

3 Significant accounting policies

The accounting policies set out below, which comply with IFRS, have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

"These consolidated financial statements comprise the consolidated financial position and the consolidated results of operations of the Company and its subsidiaries (collectively referred to as "the Group") on a line by line basis together with the Group's share in the net assets of its equity-accounted investees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

IFRS-10 "Consolidated Financial Statements" introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. An investor has power over an investee when the investor has existing rights that gives it the current ability to direct the relevant activities that significantly affect the investee's returns. Power arises from rights. An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. An investor controls an investee if the investor not only has the power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's return from its involvement with the investee."

Subsidiaries

Subsidiaries are enterprises controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The results of operations and total assets and liabilities of subsidiary companies are included in the consolidated financial statements on a line-by-line basis and the interest of minority shareholders, if any, in the results and net assets of subsidiaries is stated separately. The financial statement of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases. Any gains or losses on increase/decrease in non-controlling interest in subsidiaries without a change in control, is recognised as a component of equity.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Financial assets

a) Trade & other receivables

Trade & other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition trade & other receivables are measured at amortised cost using the effective interest method, less any impairment provision.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.3 Financial liabilities

a) Trade & other payables

Trade & other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, trade & other payables are measured at amortised cost using the effective interest method.

b) Borrowings

Interest-bearing borrowings include short term bank loan. Interest-bearing borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3.4 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Paid up share capital represents total amount contributed by the shareholders and bonus shares issued by the Company to the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders' meetings. In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

3.5 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment. Maintenance, renewals and betterments that enhance the economic useful life of the property, plant and equipment or that improve the capacity, quality or reduce substantially the operating cost or administration expenses are capitalised by adding it to the related property, plant and equipment. Ongoing repairs and maintenance is expensed as incurred.

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss from disposal of asset under other income in the statement of profit or loss and other comprehensive income.

3.5.1 Depreciation on property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Capital-work-in-progress and land are not depreciated. Depreciation on addition to fixed assets is charged when it is available for use and charging of depreciation on property, plant and equipment ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that assets is derecognised.

Rates of depreciation on various classes of property, plant and equipment are as under:

Category of property, plant and equipment	Rate (%)
Factory building	5-20
General building	5
Head Office building	5
Plant and machinery	5-10
Mobile plant	10
Electrical installation	10-20
Gas pipeline	10-20
Furniture, fixture and equipment	10
Office equipment	10-20
Communication equipment	10-20
Tools and appliances	10-20
Vehicles	10-20
Fire fighting equipment	20

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Land is not depreciated as it deemed to have an indefinite life.

3.6 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the investment property. Maintenance, renewals and betterments that enhances the economic useful life of the investment property or that improve the capacity, quality or reduce subsequently the operation cost or administration expenses and capitalized by adding it to the related investment property. Ongoing repairs and maintenance is expensed as incurred.

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An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income the period in which the property is derecognised.

3.6.1 Depreciation on investment property

Depreciation charged on the basis of straight line method. Depreciation continues to be charged on each item of investment property until written value of such fixed asset is reduced to Taka one. Depreciation on addition to fixed assets is charged when it is available for use and charging of depreciation on property, plant, equipment & investment property ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that assets is derecognised.

Rates of depreciation on various classes of investment property are as under:

Category of property, plant and equipment	Rate (%)
Building	5

Land is not depreciated as it deemed to have an infinite life.

3.7 Capital work-in-progress

Capital work in progress is stated at cost less impairment, if any, until the construction is completed. Upon completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalised borrowing costs are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

3.8 Intangible assets

Intangible assets that are acquired by the Group (such as designs and trade marks for manufacture of ceramic tiles and sanitary ware have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives of 2 to 3 years from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Raw materials in transit are valued at cost.

Net realisable value (NRV) is the estimated selling price in the ordinary course of business, less estimated cost of completion and any estimated costs necessary to make the sale.

3.10 Impairment

Non-derivative financial assets

Non derivative financial assets are assessed at each reporting date to determine the loss allowance for lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. When there is no significant increase in credit risk on the financial instruments since initial recognition, the expected credit losses for next 12 months is measured as loss allowance on that financial instrument.

Non-financial assets

The carrying amount of the non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (CGU) exceeds its estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset. For an asset that does not generate significantly independent cash inflows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

Recognition of impairment

Impairment losses are recognised in profit or loss. Impairment losses in respect of CGUs are allocated first to reduced the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis.

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Employee benefit schemes

The Company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds.

Defined contribution plan (Provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognised Employees Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10 percent of their basic salary to the provident fund and the Company also makes equal contribution to the fund. These are administered by the Board of Trustees. The contributions are invested separately from the company's assets.

Contribution to defined contribution plan is recognised as an expense when an employee has rendered services to the Company. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

Defined benefit plan (Gratuity)

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Permanent employees are entitled to gratuity on the basis of his latest basic salary for a completed year of service or for service for a period of more than six months, salary of minimum 30 days, or salary of 45 days for a continuous service for more than ten years, it shall be in addition to any payment of compensation or payment of any wage or allowance in lieu of notice due to termination of services of a worker on different grounds. The expected cost of this benefit is included in respective annual statement of profit or loss and other comprehensive income over the period of employment.

3.12 Workers' Profit Participation Fund and Welfare Fund (WPPF)

The Company provides 5% of its net profit before tax after charging such expense as WPPF in accordance with "The Bangladesh Labour Act 2006 amended in 2018".

3.13 Provisions

Provisions are recognised on the reporting date if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.14 Standards, amendments and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018/2019 with earlier application permitted. The group does not plan to adopt these standards early. The new standards which may be relevant to the group are set out below.

3.14.1 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-months ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and
- 12-Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the group has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The group will perform the calculation of ECL rates separately for different types of customers including related parties.

Actual credit losses will be adjusted to reflect differences between economic conditions during the period over which the historical data will be collected, prevalent conditions and the Group's view of economic conditions over the expected lives of the receivables and related party balances.

iii. Hedging

IFRS 9 incorporates new hedge accounting rules which intend to align hedge accounting with a group's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the group has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

The group will avail of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no. 35.1 (b).

3.14.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

i. Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the group is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

Based on the group's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

ii. Rendering of services

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the group sells the services in separate transactions.

Based on the group's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

iii. Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

3.14.3 IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

General impact of application of IFRS 16 Leases

In the current year, the group, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016) in its effective date.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Notes to the financial statements. The impact of the adoption of IFRS 16 on the Group's financial statements is described below.

The date of initial application of IFRS 16 for the group is 1 January 2019

The group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the group has carried out an implementation project.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

Recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

Recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and separates the total amount of cash paid presented within financing activities in the statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

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For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within rent expenses in the statement of profit or loss.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the group recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the group's financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

As required by IFRS 9, an allowance for expected credit loss has been recognized on the finance lease receivables.

3.15 Finance income and expenses

Finance income comprises interest income on fixed deposits, Short Notice Deposit (SND) and amounts due from related parties. Interest income is recognized in profit or loss as it accrues, using the effective interest rate method.

Finance costs comprises interest expense on overdraft, LTR, term loan, short term borrowings and finance lease. All finance expenses are recognised in the statement of comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.16 Foreign currency

Transactions in foreign currencies are translated to Taka at the foreign exchange rates prevailing on the date of transaction. All monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Taka at the rates of exchange prevailing on that date. Resulting exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of profit or loss and other comprehensive income as per International Accounting Standard IAS-21 "The Effects of Changes in Foreign Exchange Rates".

3.17 Taxation

Income tax expenses represents current tax and deferred tax. Income tax expense is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for companies as per Finance Act 2019.

Deferred tax:

Deferred tax has been recognised in accordance with International Accounting Standard (IAS) 12. Deferred tax is provided using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purpose. Deferred tax is determined at the effective income tax rate prevailing at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3.18 Earning per share

The Company presents basic and diluted (when dilution is applicable) earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company with the weighted average number of ordinary shares outstanding during the year, adjusted for the effect of change in number of shares for bonus issue. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no dilutive potential ordinary shares during the relevant years.

3.19 Determination and presentation of operating segment

Details of product-wise segment reporting as required by IFRS-8 operating segments is followed.

3.20 Contingencies

Contingent liability

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability should not be recognised in the financial statements, but may require disclosure. A provision should be recognised in the year in which the recognition criteria of provision have been met.

Contingent asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent asset must not be recognised. Only when the realisation of the related economic benefits is virtually certain should recognition take place provided that it can be measured reliably because, at that point, the asset is no longer contingent.

3.21 Statement of cash flows

Statement of cash flows is prepared under direct method in accordance with International Accounting Standard IAS-7 "Statement of cash flows" as required by the Securities and Exchange Rules 1987.

3.22 New standards adopted

The following new standard is effective for annual years beginning from 1 January 2018/2019 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments.
IFRS 15	Revenue from contract with customers.
IFRS 16	Leases

3.23 Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the reporting date are reflected in the financial statements. Material events after the reporting period that are not adjusting events are disclosed by way of note.

3.24 Comparatives and reclassification

Comparative information have been disclosed in respect of 2018 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

To facilitate comparison, certain relevant balances pertaining to the previous year have been rearranged/reclassified whenever considered necessary to confirm to current year's presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

4 Property, plant and equipment

2019

Amounts in Taka

Particulars	COST				Rate (%)	DEPRECIATION				Net book value as at 31 Dec 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2019		Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2019	
Land	338,570,507	-	-	338,570,507		-	-	-	-	338,570,507
Factory building	999,375,345	38,657,783	-	1,038,033,128	5-20	382,353,134	52,280,276	-	434,633,410	603,399,718
Office building	204,836,622	8,784,691	(12,757,294)	200,864,019	5	111,325,399	10,936,085	(2,553,122)	119,708,362	81,155,657
Plant and machinery	5,387,988,133	157,640,006	-	5,545,628,139	5-10	3,452,988,485	305,368,735	-	3,758,357,220	1,787,270,919
Mobile plant	135,573,374	6,728,522	-	142,301,896	10	99,008,863	4,623,588	-	103,632,451	38,669,445
Electrical installation	242,630,147	-	-	242,630,147	10-20	193,187,791	7,675,319	-	200,863,110	41,767,037
Gas pipeline	77,047,294	2,391,051	-	79,438,345	10-20	52,329,342	3,922,021	-	56,251,363	23,186,982
Furniture and fixtures	40,827,059	3,742,359	-	44,569,418	10	27,704,762	2,418,307	-	30,123,069	14,446,349
Office equipment	113,918,875	5,908,723	-	119,827,598	10-20	74,241,892	18,826,666	-	93,068,558	26,759,040
Communication equipment	14,768,857	3,336,425	-	18,105,282	10-20	8,599,956	2,040,145	-	10,640,101	7,465,181
Tools and appliances	19,113,047	64,050	-	19,177,097	10-20	10,304,624	1,714,744	-	12,019,368	7,157,729
Vehicles	89,762,354	1,594,836	(294,728)	91,062,462	10-20	51,715,558	7,077,035	(175,856)	58,616,737	32,445,725
Fire fighting equipments	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012	-
Total	7,668,042,626	228,848,446	(13,052,022)	7,883,839,050		4,467,390,818	416,882,921	(2,728,978)	4,881,544,761	3,002,294,289

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2018

Amounts in Taka

Particulars	COST				Rate (%)	DEPRECIATION				Net book value as at 31 Dec 2018
	Balance as at 01 Jan 2018	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2018		Balance as at 01 Jan 2018	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2018	
Land	336,575,507	1,995,000	-	338,570,507		-	-	-	-	338,570,507
Factory building	932,964,883	66,410,462	-	999,375,345	5-20	333,451,642	48,901,492	-	382,353,134	617,022,211
Office building	203,113,529	1,723,093	-	204,836,622	5	101,236,417	10,088,982	-	111,325,399	93,511,223
Plant and machinery	5,268,607,207	119,380,926	-	5,387,988,133	5-10	3,149,903,876	303,084,609	-	3,452,988,485	1,934,999,648
Mobile plant	122,434,617	13,138,757	-	135,573,374	10	90,904,362	8,104,501	-	99,008,863	36,564,511
Electrical installation	241,464,647	1,165,500	-	242,630,147	10-20	183,208,804	9,978,987	-	193,187,791	49,442,356
Gas pipeline	77,047,294	-	-	77,047,294	10-20	48,717,653	3,611,689	-	52,329,342	24,717,952
Furniture and fixtures	37,026,750	3,982,583	(182,274)	40,827,059	10	25,855,408	2,023,987	(174,633)	27,704,762	13,122,297
Office equipment	110,835,457	3,083,418	-	113,918,875	10-20	55,298,970	18,942,922	-	74,241,892	39,676,983
Communication equipment	12,231,404	2,537,453	-	14,768,857	10-20	6,853,414	1,746,542	-	8,599,956	6,168,901
Tools and appliances	17,669,297	1,443,750	-	19,113,047	10-20	8,355,786	1,948,838	-	10,304,624	8,808,423
Vehicles	83,352,902	6,617,452	(208,000)	89,762,354	10-20	44,596,878	7,269,848	(151,168)	51,715,558	38,046,796
Fire fighting equipments	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012	-
Total	7,446,954,506	221,478,394	(390,274)	7,668,042,626		4,052,014,222	415,702,397	(325,801)	4,467,390,818	3,200,651,808

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5 Investment property

2019

Amounts in Taka

Particulars	COST			Rate	DEPRECIATION			Net book value as at 31 Dec 2019		
	Balance as at 01 Jan 2019	Addition during the year	Sale/ disposal during the year		Balance as at 31 Dec 2019	Balance as at 01 Jan 2019	Charged during the year		Adjustment during the year	Balance as at 31 Dec 2019
Land ¹	500,571,750	-	-	500,571,750	-	-	-	-	500,571,750	
Office building ²	210,636,382	815,692	-	211,452,074	5%	20,058,356	10,532,101	-	30,590,455	180,861,619
Total	711,208,132	815,692	-	712,023,824		20,058,356	10,532,101	-	30,590,455	681,433,369

2018

Amounts in Taka

Particulars	COST			Rate	DEPRECIATION			Net book value as at 31 Dec 2018		
	Balance as at 01 Jan 2018	Addition during the year	Sale/ disposal during the year		Balance as at 31 Dec 2018	Balance as at 01 Jan 2018	Charged during the year		Adjustment during the year	Balance as at 31 Dec 2018
Land ¹	500,571,750	-	-	500,571,750	-	-	-	-	500,571,750	
Office building ²	210,636,382	-	-	210,636,382	5%	9,526,255	10,532,101	-	20,058,356	190,578,026
Total	711,208,132	-	-	711,208,132		9,526,255	10,532,101	-	20,058,356	691,149,776

- 1 The land 10 khata is situated besides the RAK Tower was acquired in March 2012. The same was classified as Property, plant & equipment till 31st Dec 2016. However, presently the asset is under operating lease considering undetermined future use. Hence in the current financial statements, the same is reclassified as an item of "Investment Property" as defined under IAS 40.

The said property are stated at cost as per IAS 16 due to alternate reliable sources of measurement being unavailable.

- 2 The property, being an Apartment on 10th floor, RAK Tower, was acquired in the month of February 2017 from M/s Julphar Bangladesh. (Erstwhile RAK Pharmaceuticals Pvt. Ltd) and godown office building is situated at above mentioned land. This property is too under operating lease culminating in undetermined future use. Hence the same is classified under "Investment Property" under IAS 40.

The fair values of the property has been adopted at the transaction value considering that the municipal valuation of the property has fairly remained unchanged, the company has adopted the transaction value as the fair value of the property.

	2019 Taka	2018 Taka
5.1 Depreciation charged on the basis of the purpose of use		
Cost of sales (Note 25)	377,142,595	377,083,481
Administrative expenses (Note 5.2)	44,810,746	44,714,209
Marketing & selling expenses (Note 28)	5,461,681	4,436,808
	427,415,022	426,234,498
5.2 Administrative expenses		
Depreciation on property, plant & equipment (Note 27)	34,278,645	34,182,108
Depreciation on investment property (Note 27)	10,532,101	10,532,101
	44,810,746	44,714,209

5.3 Disposal of property, plant and equipment**2019**

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor Bike	294,728	175,856	118,873	179,500	60,627
Total	294,728	175,856	118,873	179,500	60,627

2018

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Furniture & fixture	182,274	174,633	7,641	11,550	3,909
Motor Bike	208,000	151,168	56,832	134,140	77,308
Total	390,274	325,801	64,473	145,690	81,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

6 Right of use assets 2019

Amounts in Taka

Particulars	COST				Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2019	Net book value as at 31 Dec 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2019					
Display center	76,028,968	-	(28,391,487)	47,637,481	22,705,295	8,433,056	-	31,138,351	16,499,130
Accommodation Building	2,644,593	655,543	-	3,300,136	353,312	1,458,868	-	1,812,180	1,487,956
Warehouse	-	32,707,529	-	32,707,529	-	5,723,818	-	5,723,818	26,983,711
Office Building	3,776,889	-	-	3,776,889	1,967,130	944,222	-	2,911,352	865,537
Total	82,450,450	33,363,072	(28,391,487)	87,422,036	25,025,737	16,559,964	-	41,585,701	45,836,335

Allocation of Depreciation

Administrative expenses (Note:27)	2,403,090
Marketing & Selling expenses (Note:28)	14,156,874
	16,559,964

6.1 Gain on retirement of Right of use assets

Particulars	Lease liability	Right of use assets	Gain
Display center	30,048,249	28,391,487	1,656,762

1. Company rented four display center's situated in Dhaka, Chittagong and Sylhet.
2. Accommodation Buildings rented for the use of transit employees.
3. Company has taken a warehouse at pubail to store the finished goods to distribute in nearby area promptly.
4. Office Buildings rented for the use of official work.

	2019	2018
	Taka	Taka
7 Intangible assets		
Balance as at 1 January	11,916,384	5,429,027
Add: Addition during the year	771,526	11,950,323
	12,687,910	17,379,350
Less: Amortisation during the year (Note-27)	6,192,863	5,462,966
Balance as at 31 December	6,495,047	11,916,384
The above amount represents cost of various licenses as well software which are being amortised over 2-3 years from the date of their expenses.		
8 Capital Work-in-Progress		
Balance as at 1 January	127,781,532	41,415,719
Add: Addition during the year	261,225,698	259,518,324
	389,007,230	300,934,043
Less: Transfer to property, plant & equipment and investment Property (note 8.1)	211,365,233	173,152,511
Balance as at 31 December	177,641,997	127,781,532
8.1 Items transferred from capital work in progress to property, plant & equipment		
Factory building	38,326,033	52,019,988
Plant & machinery	139,907,809	112,846,905
Mobile plant	-	7,826,143
Communication equipment	-	345,362
Others	33,131,391	114,113
	211,365,233	173,152,511
9 Inventories		
Raw materials	818,594,596	839,612,529
Less : Provision for slow moving & obsolete inventories	19,685,939	-
	798,908,657	839,612,529
Stores and consumables spares and packing	951,862,906	1,043,685,123
Less: Write off for stores, consumables and packing during the year	-	31,843,008
	951,862,906	1,011,842,115
Finished goods (net of net realizable value adjustment)	719,463,284	872,171,284
Less : Provision for slow moving & obsolete inventories	17,505,541	-
	701,957,743	872,171,284
Work-in-process	104,694,796	105,323,515
Goods-in-transit	228,206,140	176,666,638
	2,785,630,242	3,005,616,081
10 Trade and other receivables		
Trade receivables (Note 10.1)	813,475,817	805,880,110
	813,475,817	805,880,110
Receivable against insurance claim	38,287,131	56,976,730
Accrued interest (Note 10.2)	8,197,308	3,009,287
Accrued rental income	-	5,925,000
	859,960,257	871,791,127

	2019	2018
	Taka	Taka
10.1 Trade receivables		
Receivables from local sales	816,128,848	809,481,541
Receivables from export sales	6,573,037	-
	<u>822,701,885</u>	<u>809,481,541</u>
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	2,640,080	348,092
Related parties	6,585,988	3,253,339
	<u>813,475,817</u>	<u>805,880,110</u>
10.2 Accrued interest		
Interest accrued on FDR	8,197,308	3,009,287
	<u>8,197,308</u>	<u>3,009,287</u>
11 Advance, deposit and prepayments		
Advances:		
Employees	3,000	175,500
Purchase of land and others	5,729,371	7,185,449
Suppliers against materials and services	78,360,866	94,233,766
	<u>84,093,237</u>	<u>101,594,715</u>
Security and other deposits:		
Titas gas	65,658,900	55,772,000
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and Supplementary duty (Note-11.1)	1,833,190	46,576,861
Deposited with income tax authority	68,128,195	50,628,195
Deposited with VAT authority	6,726,946	6,726,946
Display center and others	3,757,500	-
Other deposits	1,494,626	1,499,853
	<u>149,554,357</u>	<u>163,158,855</u>
Prepayments:		
Showroom, warehouse and office rent		
Insurance and others	33,544,657	45,612,243
	<u>33,544,657</u>	<u>58,066,862</u>
	<u>267,192,251</u>	<u>322,820,432</u>
11.1 Supplementary duty & VAT		
Balance as at 1 January	216,803	43,078,066
Add: Treasury deposit for SD & VAT purpose	1,616,388	1,393,216,802
Rebate of input VAT	-	418,046,905
	<u>1,833,190</u>	<u>1,854,341,774</u>
	1,833,190	1,854,341,774
Less: SD & VAT on sales	-	1,805,059,097
Other payable	-	2,705,815
	<u>-</u>	<u>1,807,764,912</u>
Balance as at 31 December	<u>1,833,190</u>	<u>46,576,861</u>
The above amount represents only RAK Security and Services Pvt. Ltd.		
12 Advance Income Tax		
Balance as at 1 January	3,125,317,011	2,831,624,003
Add: Paid during the year	308,746,264	299,845,698
Less: Adjusted during the year	-	6,152,690
Balance as at 31 December (Note - 12.1)	<u>3,434,063,275</u>	<u>3,125,317,011</u>

	2019	2018
	Taka	Taka
12.1 Payment for the year		
Income year		
Year 2019	235,349,636	-
Year 2018	314,338,282	240,941,655
Year 2017	344,518,556	344,518,556
Year 2016	291,375,845	291,375,845
Year 2015	187,267,285	187,267,285
Year 2014	291,694,002	291,694,002
Year 2013	389,651,054	389,651,054
Year 2012	334,263,453	334,263,453
Year 2011	328,701,317	328,701,317
Year 2010	265,532,626	265,532,626
Year 2009	218,091,876	218,091,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006	23,087,333	23,087,333
	3,434,063,275	3,125,317,011
13 Cash and cash equivalents		
Cash in hand	3,628,454	5,267,464
Cash at banks		
HSBC (current account -001-013432-011, 107580-011, 096015-011, 096007-011 BDT)	20,555,049	44,563,430
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	180,849,061	27,557,487
Brac Bank Ltd. (current account - 1530201731248001 - BDT)	39,046,938	7,022,039
Citibank N.A. (current account - G0100001200262018 - BDT)	161,889	167,340
Dutch Bangla Bank Ltd. (current account -117-110-12733,117-110-4311,117.110.23474 BDT)	2,600,632	1,519,425
HSBC (ERQ account - 001-013432-047 - USD)	-	15,969,457
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	11,995,287	713,861
Standard Chartered Bank (Margin money account)	15,827,195	3,834,947
Dutch Bangla Bank (Margin money account)	246,006	-
United Commercial Bank (SND account - 0831301000000164 BDT)	27,528,317	9,233,763
Eastern Bank Ltd. (SND account - 1131350237146 - BDT)	96,642,480	48,550,824
Eastern Bank Ltd. (SND account - 1131350237393 WH - BDT)	4,980	-
EXIM Bank (SND account - 01513100031877 - BDT)	510,116	493,820
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	52,842	53,650
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	100,382,750	117,790,656
Dutch Bangla Bank Ltd. (SND account - 117-120-376 (WH)- BDT)	128,657	-
BRAC Bank (SND - 1513101731248001 - BDT)	362,785	360,789
Prime Bank Ltd. (SND - 12531010022563 - BDT)	27,898,730	5,741,297
Dhaka Bank Ltd (SND - 102.150.274- BDT)	24,223,605	39,444,913
Commercial Bank of Ceylon (CD-2817000776 - BDT.)	22,154	9,811
Dhaka Bank Ltd (CD - 204100000019318- BDT)	234,064	599,154
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	52,176,242	65,731,073
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	52,844,531	30,234,529
Midland Bank Ltd. (SND 0006-10700000015 - BDT)	608,850	11,420,033
	654,903,160	431,012,298

	2019	2018		
	Taka	Taka		
IPO bank account				
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,431,487	2,437,422		
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,919,501	3,916,999		
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,606	153,455		
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,599	126,440		
	<u>6,631,193</u>	<u>6,634,316</u>		
Dividend bank account				
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,610,821	2,614,781		
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,196,201	2,200,512		
SCB (Current - 02-6162940-02- BDT) - 2012	3,873,556	3,858,070		
SCB (Current - 02-6162940-03- BDT) - 2013	16,882,899	16,816,804		
SCB (Current - 02-6162940-04- BDT) - 2014	5,006,270	4,986,605		
SCB (Current - 02-6162940-05- BDT) - 2015	3,847,241	3,832,380		
SCB (Current - 02-6162940-06- BDT) - 2016	4,307,616	4,326,361		
SCB (Current - 02-6162940-07- BDT) - 2017	1,715,963	1,790,467		
SCB (Current - 02-6162940-08- BDT) - 2018	2,199,822	-		
	<u>42,640,389</u>	<u>40,425,980</u>		
Investment in Fixed Deposit Receipt (FDR)				
HSBC	11,906,325	11,866,589		
SCB	762,080	762,080		
Dutch Bangla Bank Ltd.	28,838,500	28,838,500		
Eastern Bank Ltd.	250,000,000	150,000,000		
Dhaka Bank Ltd.	500,000,000	150,000,000		
Meghna Bank Ltd.	-	5,000,000		
	<u>791,506,905</u>	<u>346,467,169</u>		
Total	<u>1,499,310,101</u>	<u>829,807,227</u>		
14 Share Capital				
Authorised :				
600,000,000 ordinary shares of Taka 10/- each	<u>6,000,000,000</u>	<u>6,000,000,000</u>		
Issued, subscribed, called and paid up :				
427,968,701 ordinary shares of Taka 10/- each	<u>4,279,687,010</u>	<u>3,890,624,560</u>		
Percentage of shareholdings :	2019	2018		
	%	%		
	Taka	Taka		
RAK Ceramics PJSC, UAE	68.13	2,915,864,310	68.13	2,650,785,740
S.A.K. Ekramuzzaman	3.95	168,958,240	3.95	153,598,410
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	340	0.00	310
Sheikh Omer Bin Saqr Al Qassimi	0.00	340	0.00	310
Sheikh Ahmad Bin Humaid al Qassimi	0.00	340	0.00	310
Hamad Abdulla Al Muttawa	0.00	160	0.00	150
Dr. Khater Massaad	0.00	160	0.00	150
Abdallah Massaad	0.00	160	0.00	150
Manoj Uttamrao Ahire	0.00	160	0.00	150
General Public	27.92	1,194,862,800	27.92	1,086,238,880
	<u>100.00</u>	<u>4,279,687,010</u>	<u>100.00</u>	<u>3,890,624,560</u>

The company was incorporated on 26th of November 1998 with paid up capital of BDT 1,000 and subsequently has issued ordinary shares including bonus shares in several dates i.e. 30 September 2000, 30 October 2005, 15 June 2009, 28 July 2009, 31 January 2010, 24 May 2010, 20 March 2011, 15 April 2012, 10 April 2013, 02 April 2014, 29 March 2017, 18 April 2018 and 09 April 2019.

Classification of shareholders by holding

Shareholder's range	Number of shareholders		Number of shares	
	2019	2018	2019	2018
01-499 shares	20,366	22,333	4,995,826	5,070,691
500 to 5,000 shares	8,198	8,992	13,460,461	14,323,202
5001 to 10,000 shares	1,031	1,018	7,277,910	7,132,096
10,001 to 20,000 shares	527	521	7,320,397	7,268,499
20,001 to 30,000 shares	167	152	4,076,759	3,787,490
30,001 to 40,000 shares	70	73	2,404,839	2,520,150
40,001 to 50,000 shares	48	48	2,143,014	2,169,779
50,001 to 100,000 shares	106	93	7,222,580	6,487,948
100,001 to 1,000,000 shares	100	92	25,398,876	24,171,658
1,000,001 to 1,000,000,000 Shares	15	13	353,668,039	316,130,943
	30,628	33,335	427,968,701	389,062,456

15 Share premium

On 31 January, 2010, company issued 10,000,000 ordinary shares in favor of institutional shareholder and employees per share BDT. 40 (include BDT. 30 as premium). On 24 May, 2010 Company again issued 34,510,000 ordinary shares through IPO per share BDT. 48 (include BDT. 38 as premium). Details reconciliation shown below:

No. of shares	Share premium (per share)	2019	2018
		Taka	Taka
10,000,000	30	300,000,000	300,000,000
34,510,000	38	1,311,380,000	1,311,380,000
		1,611,380,000	1,611,380,000
		137,732,021	137,732,021
		1,473,647,979	1,473,647,979

16 Reserve and surplus

Balance as on 1 January	1,628,694,442	1,445,455,970
Less : Adjustment for prior year (Leases)	(3,319,226)	-
Add : Profit during the year	754,025,209	890,624,763
	2,379,400,424	2,336,080,733
Less: Dividend declared during the year	(778,124,906)	(707,386,291)
Balance as on 31 December	1,601,275,518	1,628,694,442

Detail movement for reserve and surplus shown under statement of changes in equity.

17 Deferred tax liabilities

Balance as at 1 January	197,934,495	178,813,760
Less : Deferred tax (income)/expenses	(6,041,346)	19,120,735
Balance as at 31 December	191,893,149	197,934,495

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2019			
Property, plant and equipment (Excluding land and others)	2,769,055,533	1,978,873,851	790,181,682
Trade receivable	791,627,927	800,414,926	(8,786,999)
Inventory	2,716,061,804	2,763,754,793	(47,692,989)
Net taxable temporary difference			733,701,694
Deferred tax liability (applying applicable tax rate for individual company)			191,893,149
As at 31 December 2018			
Property, plant and equipment (Excluding land and others)	2,965,075,192	2,206,204,829	758,870,363
Trade receivable	825,965,144	829,566,575	(3,601,431)
Net taxable temporary difference			755,268,932
Deferred tax liability (applying applicable tax rate for individual company)			197,934,495

18 Employees benefits payable

	2019		
	Provident fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	61,044,474	32,792,338	93,836,812
	61,044,474	32,792,338	93,836,812
Less: Payments made to fund during the year	61,044,474	32,792,338	93,836,812
Balance as at 31 December	-	-	-

Provision and payment includes BDT. 1,946,890 for the year 2019 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

	2018		
	Provident fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	61,860,370	33,220,831	95,081,200
	61,860,370	33,220,831	95,081,200
Less: Payments made to fund during the year	61,860,370	33,220,831	95,081,200
Balance as at 31 December	-	-	-

Provision and payment includes BDT. 516,106 for the year 2018 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

	2019 Taka	2018 Taka
19 Borrowings		
Non-current:		
Term loan	89,232,918	362,201,591
Current portion of term loan	(89,232,918)	(273,998,242)
	-	88,203,349
Current:		
Bank overdrafts	-	35,654,174
Current portion of term loan	89,232,918	273,998,242
	89,232,918	309,652,416
Balance as at 31 December	89,232,918	397,855,765

19.1 Borrowings by maturity

At 31 December 2019	< 1 year	1-2 years	2-5 years	Total
Term loan	89,232,918	-	-	89,232,918
	89,232,918	-	-	89,232,918
At 31 December 2018	< 1 year	1-2 years	2-5 years	Total
Bank overdrafts	35,654,174	-	-	35,654,174
Term loan	273,998,242	88,203,349	-	362,201,591
	309,652,416	88,203,349	-	397,855,765

19.2 Facilities details

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft	50,000,000	-	Revolving	From company's own source	1) Letter of comfort,	
	Short term loan	378,000,000	-	180/360 days from B/L date		2) Hypothecation over plant & machinery on parri - passu basis with other lenders.	1) Land,
HSBC	Overdraft	30,000,000		Revolving	From company's own source		2) Plant and machinery of the expansion plant.
	Short term loan	550,000,000	-	180/360 days from B/L date			
	Long term loan	1,366,872,000	89,232,918	5 years			
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	-	Revolving	From company's own source	3) Hypothecation over stock & book debts on a parri - passu basis with other lenders.	
	Short term loan	90,000,000	-	180/360 days from B/L date			
Commercial Bank of Ceylon	Overdraft	25,000,000	-	Revolving	From company's own source	4) Demand promissory note.	
	Short term loan	300,000,000	-	180/360 days from B/L date			

	2019 Taka	2018 Taka
20 Lease liability		
Non-current:		
Lease liability	39,475,875	-
Less : Current portion of lease liability	10,101,008	-
	<u>29,374,867</u>	<u>-</u>
Current:		
Current portion of lease liability	10,101,008	-
	<u>10,101,008</u>	<u>-</u>

Particulars	Balance as on 01 January, 2019	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2019
Display center	46,374,623	(30,048,249)	7,049,344	2,306,778	4,742,566	11,583,808
Accommodation Building	2,319,576	655,543	1,602,312	185,750	1,416,562	1,558,557
Warehouse	-	28,907,529	6,050,262	2,473,372	3,576,890	25,330,639
Office Building	1,997,395	-	1,140,000	145,477	994,523	1,002,871
	<u>50,691,594</u>	<u>(485,177)</u>	<u>15,841,918</u>	<u>5,111,376</u>	<u>10,730,542</u>	<u>39,475,875</u>

	2019 Taka	2018 Taka
21 Trade and other payables		
Trade payables		
Payable to local suppliers	92,068,742	109,881,660
Payable to foreign suppliers	334,034,758	265,572,347
Payable to service provider	31,996,004	20,171,194
Payable to C & F agent	18,884,970	11,187,712
	<u>476,984,474</u>	<u>406,812,913</u>
Other payables		
Tax deducted at source	20,422,540	18,295,834
VAT deducted at source	7,771,816	6,765,578
VAT and Supplementary duty payable (Note-21.1)	103,722,054	-
Dividend Payable	41,670,516	39,574,191
Unclaimed share application	20,810,756	20,818,916
Advance from customer against sales	14,403,615	10,893,079
Security deposit payable	3,470,342	1,658,392
Payable to employees	1,202,084	658,229
Provisional liabilities - material & services	1,267,333	23,182,446
	<u>214,741,056</u>	<u>121,846,665</u>
	<u>691,725,531</u>	<u>528,659,578</u>

	2019 Taka	2018 Taka
21.1 VAT and Supplementary duty (SD) payable		
VAT and Supplementary duty on sales	1,855,334,444	-
Payable - SD & VAT	107,215,433	-
Other payable	3,336,899	-
	<u>1,965,886,776</u>	<u>-</u>
Less: Balance as at 1 January	46,360,059	-
Treasury deposit for SD & VAT purpose	1,276,905,762	-
Rebate of input VAT	538,898,901	-
	<u>1,862,164,722</u>	<u>-</u>
Balance as at 31 December	<u>103,722,054</u>	<u>-</u>
Due to introduction of new SD & VAT Act, SD & VAT now require to deposit within 15 days of next month instead of advance. Therefore instead of advance it is now shown as payable.		
22 Accrued expenses		
Power and gas	41,446,942	33,809,781
Staff cost	128,303,482	101,868,611
Audit fees	1,525,000	1,543,750
Professional charges	463,000	451,750
Interest on loans	1,554,585	52,889
Telephone	239,907	240,867
Provision for freight	1,114,737	6,236,754
Managing Director's remuneration (Note 22.1)	35,910,357	39,943,228
Worker's profit participation and welfare fund (Note 22.2)	52,965,129	58,913,315
Royalty and technical know-how fees (Note 22.3)	287,408,635	284,211,437
Others	7,733,860	4,328,778
	<u>558,665,634</u>	<u>531,601,160</u>
22.1 Managing Director's remuneration		
Balance as at 1 January	39,943,228	45,725,177
Add: Provision made during the year	35,910,357	39,943,228
	<u>75,853,585</u>	<u>85,668,405</u>
Less: Paid to Managing Director during the year	39,943,228	45,725,177
Balance as at 31 December	<u>35,910,357</u>	<u>39,943,228</u>
22.2 Worker's profit participation and welfare fund		
Balance as at 1 January	58,913,315	67,441,264
Add: Contribution made to the fund during the year	52,965,129	58,913,315
	<u>111,878,444</u>	<u>126,354,579</u>
Less: Payment made from the fund during the year	58,913,315	67,441,264
Balance as at 31 December	<u>52,965,129</u>	<u>58,913,315</u>

	2019	2018
	Taka	Taka
22.3 Provision for royalty and technical know-how fees		
Balance as at 1 January	284,211,437	191,852,419
Add: Provision made during the year	84,744,206	94,261,305
	368,955,643	286,113,724
Less: Payment made during the year	81,547,008	1,902,287
Balance as at 31 December	287,408,635	284,211,437
23 Provision for income Tax		
Balance as at 1 January	3,537,831,853	3,227,805,110
Add: Provision made for the year	296,420,303	316,179,434
	3,834,252,156	3,543,984,544
Less: Provision release during the year	-	6,152,691
Balance as at 31 December (Note 23.1)	3,834,252,156	3,537,831,853
23.1 Provision for income Tax		
Income year		
Year 2019	296,420,303	-
Year 2018	316,355,666	316,355,666
Year 2017	346,089,883	346,089,883
Year 2016	302,798,649	302,798,649
Year 2015	323,397,728	323,397,728
Year 2014	377,885,822	377,885,822
Year 2013	362,336,361	362,336,361
Year 2012	339,211,366	339,211,366
Year 2011	326,685,215	326,685,215
Year 2010	348,965,691	348,965,691
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	3,834,252,156	3,537,831,853
24 Sales		
Gross sales from Ceramics product	8,869,234,727	8,692,532,056
Gross sales from Power generation	379,906,242	392,089,748
Gross sales from Security service	121,388,597	183,249,674
	9,370,529,566	9,267,871,478
Less: Elimination	404,110,423	489,551,833
Supplementary Duty	670,842,773	674,107,884
VAT	1,201,656,333	1,157,559,196
Discount	47,695,679	115,868,831
Commission, incentive and bonus	582,367,046	499,700,433
Net sales	6,463,857,312	6,331,083,301

	2019	2018
	Taka	Taka
25 Cost of sales		
Materials consumed:		
Opening inventory as at 1 January	839,612,529	655,088,511
Add: Purchase during the year	2,239,349,844	2,681,307,156
	<u>3,078,962,373</u>	<u>3,336,395,667</u>
Less: Closing inventory as at 31 December	818,594,596	839,612,529
	<u>2,260,367,777</u>	<u>2,496,783,138</u>
Manufacturing overhead:		
Direct labour (note 25.1)	595,504,852	588,450,015
Direct expenses:		
Power and gas	234,312,245	220,935,411
Repairs and indirect materials (note 25.2)	716,398,223	810,642,376
Rental charges	-	922,886
Depreciation on property, plant & equipment (note 5.1)	377,142,595	377,083,481
Royalty and technical know-how/assistance fees	84,744,206	94,261,305
Other production overhead (Note 25.3)	46,178,500	97,271,900
Provision for slow moving & obsolete inventories (note 9)	37,191,480	-
Movement in stock	204,272,788	(368,660,843)
	<u>4,556,112,666</u>	<u>4,317,689,669</u>
25.1 Direct labour		
Salary & wages	366,268,122	345,718,759
Overtime	35,996,638	44,323,368
Bonus	68,754,469	48,979,076
Incentive	20,000	780,984
Temporary labour wages	67,609,061	96,441,332
Staff uniform expenses	1,548,395	1,630,344
Gratuity	22,559,693	23,045,568
Employer's contribution to provident fund	19,860,877	20,679,049
Leave encashment	9,387,856	4,109,877
Group life insurance	2,547,186	2,312,256
Compensation	952,555	429,402
	<u>595,504,852</u>	<u>588,450,015</u>
25.2 Repairs and indirect materials		
Stores, spares, repair & maintenance	366,435,809	416,473,740
Packing expenses	349,962,414	394,168,636
	<u>716,398,223</u>	<u>810,642,376</u>

	2019	2018
	Taka	Taka
25.3 Other production overhead		
Hotel fare and tour expenses	3,675,774	5,163,985
Demurrage	2,384,244	14,254,258
Insurance	27,331,071	20,378,368
Hiring charges and transportation	6,163,396	17,116,989
Write off for stores, consumables and packing	-	31,843,008
Other expenses	6,624,015	8,515,292
	46,178,500	97,271,900
26 Other income		
Dividend income	200	200
Miscellaneous income	79,340	145,270
Rental income	6,120,000	8,460,000
Profit on sale of fixed assets (note- 5.3)	60,627	81,217
Gain on retirement of right of use assets (note-6.1)	1,656,762	-
Insurance claim	38,287,131	56,976,730
	46,204,060	65,663,417
27 Administrative expenses		
Staff cost (note-27.2)	198,668,844	188,186,072
Annual General Meeting expenses	5,091,981	16,239,911
Telephone and postage	5,879,843	3,937,359
Office repair and maintenance (note 27.3)	11,602,345	8,695,888
Registration and renewal	899,311	1,906,411
Security and guard expenses	12,963,951	12,125,487
Electricity, gas and water	8,735,395	7,754,536
Depreciation on property, plant & equipment (note - 5.2)	34,278,645	34,182,108
Depreciation on investment property (note - 5.2)	10,532,101	10,532,101
Depreciation on right of use assets (note-6)	2,403,090	-
Amortisation	6,192,863	5,462,966
Legal and professional fees	9,962,298	6,933,955
Vehicle repair and maintenance	14,449,905	11,332,073
Rent, rate and tax	4,320,400	7,416,946
Loss on retirement of fixed assets	10,204,172	-
IT expenses	5,284,353	4,231,184
General Servicing	10,615,266	8,893,019
Donation	1,102,500	4,053,037
Managing Director's remuneration (note-27.4)	35,910,357	39,943,228
Technical consultancy & others	11,415,098	6,447,930
	400,512,718	378,274,211

Rent, rates and taxes includes rent expenses for short term lease for BDT. 1,455,560 and related government levies wherever applicable. Details of the short term lease is shown in note 34 . No low value item exists at the reporting period.

	2019	2018
	Taka	Taka
27.1 Impairment loss on trade receivable		
Unrelated parties	2,291,988	348,092
Related parties	3,332,649	3,253,339
	5,624,637	3,601,431
New classification of financial assets shown in note 35.1(b) Impairment loss allowance has not been considered on other receivables and bank balances because business is confident to recover the full amount from the party.		
27.2 Staff cost		
Salary & wages	138,394,082	136,802,633
Overtime	30,166	-
Bonus	24,022,478	20,121,783
Incentive	-	335,979
Gratuity	7,586,413	7,856,289
Employer's contribution to provident fund	7,301,369	7,721,457
Leave encashment	5,411,101	1,518,227
Group life insurance	801,988	763,146
Canteen and conveyance expenses	9,270,590	8,100,268
Staff uniform expenses	770,127	914,819
Travelling expenses	1,571,722	2,628,231
Compensation	129,002	-
Medical expenses	1,262,481	1,094,402
Accommodation expenses	1,703,857	117,878
Other employee benefit	413,468	210,960
	198,668,844	188,186,072
27.3 Office repair & maintenance		
Repairs office equipment	756,985	104,211
Office maintenance	10,845,360	8,591,677
	11,602,345	8,695,888
27.4 Managing Director's remuneration		
Provision made during the year	35,910,357	39,943,228
	35,910,357	39,943,228

Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.

	2019	2018
	Taka	Taka
28 Marketing & selling expenses		
Staff cost (note-28.1)	66,340,939	52,750,302
Advertisement	33,829,109	8,800,695
Freight and transportation	265,406,265	271,435,892
Compensation	11,826,912	16,068,593
Business promotion	37,446,893	31,095,739
Depreciation on property, plant & equipment	5,461,681	4,436,808
Depreciation on right of use assets (note-6)	14,156,874	-
Showroom, office & house rent	5,047,545	18,562,018
Sample expenses	9,936,512	3,999,199
Travel, entertainment and others	6,543,551	4,210,300
	455,996,281	411,359,546

Showroom, office and house rent includes rent expenses for short term lease for BDT. 1,234,000 and related government levies wherever applicable. Details of the short term lease is shown in note no 34. No low value item exists at the reporting period.

28.1 Staff cost		
Salary & wages	44,191,989	37,341,109
Bonus	9,086,827	4,115,614
Incentive	173,977	1,131,016
Gratuity	2,646,232	2,318,974
Employer's contribution to provident fund	2,386,546	2,271,626
Leave Encashment	1,649,726	445,054
Group life insurance	239,568	218,665
Conveyance & food expenses	5,758,730	4,829,060
Compensation	139,920	-
Staff uniform expenses	67,424	79,184
	66,340,939	52,750,302

28.2 Salary & wages under staff cost (note no. 25.1, 27.2 & 28.1) includes employee contribution to provident fund for BDT. 19,860,877, BDT. 7,301,369 & BDT. 2,386,546.

29 Finance income		
Interest on bank account (SND)	6,832,490	5,915,987
Interest on fixed deposits	26,045,658	28,068,332
Un-winding gain	-	4,426,511
	32,878,148	38,410,830

	2019 Taka	2018 Taka
30 Finance expenses		
Interest expenses against loan	12,774,595	34,297,301
Interest expenses against lease liability	5,111,376	-
Foreign exchange loss/(gain)	6,874,554	810,559
Bank charges	2,563,151	4,286,162
	27,323,676	39,394,022
31 Contribution to worker's profit participation and welfare fund		
Provision made during the year	52,965,129	58,913,315
	52,965,129	58,913,315
32 Current tax		
Current year	296,420,303	316,179,434
	296,420,303	316,179,434

	2019 Taka		2018 Taka	
Profit before tax	%	1,044,404,413	%	1,225,925,354
Current tax expenses	28.38%	296,420,303	25.79%	316,179,434
Deferred tax expenses	-0.58%	(6,041,346)	1.56%	19,120,735
Total tax expenses	27.80%	290,378,957	27.35%	335,300,169
Expected income tax using applicable tax rate for individual company	27.63%	288,576,854	27.36%	335,394,915
Tax on non-deductible expenses	0.80%	7,843,448	-1.60%	(19,215,481)
Effective current tax	28.38%	296,420,303	25.79%	316,179,434
Effective deferred tax	-0.58%	(6,041,346)	1.56%	19,120,735
	27.80%	290,378,957	27.35%	335,300,169

34 Short term lease expenses				
Nature of the lease	Lease term	Allocation	Rent Payment	
Rented accomodation	<1 year	Marketing	1,234,000	
Rented accomodation	<1 year	Admin	1,455,560	
			2,689,560	

35 Financial risk management

The management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

35.1 Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Trade & other receivable are mainly related to receivables from dealers, receivables from export sales, claim receivables, accrued interest and other receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

a) Exposure to credit risk

carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	USD		Amounts in Taka	
	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018
Trade receivables				
Customer-Local	-	-	806,902,780	805,880,110
Customer-Export	78,297	-	6,573,037	-
	78,297	-	813,475,817	805,880,110
Other receivables				
Receivable against insurance claim			38,287,131	56,976,730
Accrued Interest			8,197,308	3,009,287
Accrued rental income			-	5,925,000
			46,484,439	65,911,017
Cash equivalents			1,495,681,647	824,539,763

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2019.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment loss (Refer note 10.1)
Trade receivable-unrelated	10.1	Loan & receivable	Amortized cost	327,655,223	325,015,143	2,640,080
Trade receivable-related	10.1	Loan & receivable	Amortized cost	495,046,661	488,460,673	6,585,988
Cash & cash equivalent	13	Loan & receivable	Amortized cost	1,495,681,647	1,495,681,647	-

- The above table provides information ECLs till date. Impairment provision till Dec 2018 was Tk. 3,601,431 and provision made during the year is Tk. 5,624,637.
- Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current year on transition to IFRS 9.
- Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current year on transition to IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

Ageing of receivables

c)

i. The ageing of trade receivables as at 31 Dec was:

	Amounts in Taka	
	As at 31 Dec 2019	As at 31 Dec 2018
Not past due	751,147,263	745,648,990
0-90 days past due	32,705,826	16,912,926
91-180 days past due	18,869,623	21,642,349
181-365 days past due	3,437,613	12,917,992
over 365 days past due	7,315,492	8,757,853
	813,475,817	805,880,110

35.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on timeline of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. Moreover, the Company seeks to maintain short term lines of credit with scheduled commercial banks to ensure payment of obligations in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flows projections and credit lines facilities with banks are negotiated accordingly.

The following are the contractual maturities of financial liabilities of the Company:

	As at 31 Dec 2019			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	691,725,531	691,725,531	691,725,531	-
Term loan (foreign)	89,232,918	89,232,918	89,232,918	-
	780,958,449	780,958,449	780,958,449	-

	As at 31 Dec 2018			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	35,654,174	35,654,174	35,654,174	-
Trade and other payables	528,659,578	528,659,578	528,659,578	-
Term loan	362,201,591	362,201,591	273,998,242	88,203,349
	926,515,343	926,515,343	838,311,994	88,203,349

35.3 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

a) Currency risk

The Company is exposed to currency risk on certain revenues and purchase of raw material, spare parts, accessories and capital item. Majority of the company's foreign currency purchase are denominated in USD and EURO. All the export proceeds are receipt in USD, 50% of export proceeds are crediting to export retention quota account and rest of the 50% are converted to Taka and crediting to company's current account.

i) Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts (in Taka):

	As at 31 Dec 2019				As at 31 Dec 2018			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated assets								
Receivable from customers-Export	-	-	78,297	-	-	-	-	-
Cash at bank	-	-	141,204	-	-	-	198,729	-
	-	-	219,501	-	-	-	198,729	-
	As at 31 Dec 2019				As at 31 Dec 2018			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated liabilities								
Trade payables	-	132,189	2,201,698	1,373,117	26,250	164,612	2,246,077	631,228
Term loan	-	-	1,050,417	-	-	-	4,314,492	-
Royalty & Technical Fees	-	-	3,383,268	-	-	-	3,385,485	-
	-	132,189	6,635,383	1,373,117	26,250	164,612	9,946,054	631,228
Net exposure	-	(132,189)	(6,415,882)	(1,373,117)	(26,250)	(164,612)	(9,747,325)	(631,228)

The Company has foreign exchange loss of Tk 6,874,554 during the year ended 31 December 2019 (31 December 2018: Exchange loss Tk 810,559).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2019	31 Dec 2018
	Taka	Taka
AED	23.0627	22.7911
GBP	111.3664	106.2826
USD	84.4500	83.4500
EURO	95.0948	95.5444

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

A strengthening or weakening of the Taka, as indicated below, against the AED, GBP, USD, EURO at 31 December would have increased/(decreased) profit or loss by the amounts shown below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

	As at 31 Dec 2019		As at 31 Dec 2018	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
At 31 December				
AED (3 percent movement)	-	-	(812)	765
GBP (3 percent movement)	(4,088)	3,850	(5,091)	4,795
USD (3 percent movement)	(198,429)	186,870	(301,464)	283,903
EURO (3 percent movement)	(42,468)	39,994	(19,523)	18,385

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	As at 31 Dec 2019	As at 31 Dec 2018
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	791,506,905	346,467,169
Cash at banks	704,174,743	478,072,594
Financial liabilities		
Term loan (Foreign)	89,232,918	362,201,591
Bank overdraft	-	35,654,174

Fair value of financial assets and liabilities of the Company together with carrying amount shown in the statement of financial position are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

	As at 31 Dec 2019		As at 31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	791,506,905	791,506,905	346,467,169	346,467,169
Loans and receivables				
Trade receivables	813,475,817	813,475,817	805,880,110	805,880,110
Other receivables	46,484,439	46,484,439	65,911,017	65,911,017
Cash equivalents	1,495,681,647	1,495,681,647	824,539,763	824,539,763
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	89,232,918	89,232,918	362,201,591	362,201,591
Bank overdraft	-	-	35,654,174	35,654,174
Trade and other payables	691,725,531	691,725,531	528,659,578	528,659,578

Interest rates used for determining amortised cost

The interest rates used to discount estimated cash flows, when applicable were as follows:

	31 Dec 2019	31 Dec 2018
Investment in FDR (local currency/BDT)	1.95%-10.50%	1.95%-8.50%
Bank overdraft (local currency/BDT)	8.00%-10.25%	8%-10.00%
Short term bank loan (local currency/BDT)	9.50%-10.00%	8%-10.00%
Short term bank loan (foreign currency/USD)	Libor+2.75%	Libor+(2.75%-2.85%)
Long term bank loan (foreign currency/USD)	Libor+3%	Libor+3%

36 Related party disclosures under IAS-24

List of related parties with whom transactions have taken place and their relationship as identified and certified by management:

Amounts in Taka

Name of related party	Relationship	Security/ Gurantee status	Bad debts Status	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables/ Advance	Outstanding payable	Remuneration	Dividend income
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	350,456,021	11,064,211	-	69,096,649	-	81,999,600
				Previous year	392,089,748	6,152,571	-	98,658,782	-	81,999,600
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	52,160,129	-	-	6,400,853	-	4,950,000
				Previous year	95,939,059	-	-	19,908,164	-	3,960,000
RAK Ceramics - PJSC, UAE	Parent	Unsecured	Nil	Current year	22,466,247	-	-	24,122,508	-	-
				Previous year	29,055,626	-	-	25,144,693	-	-
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	392,749,682	-	-	81,573,238	-	-
				Previous year	509,397,456	-	-	83,236,425	-	-
Julphar Pharmaceuticals Ltd.	Other related party	Unsecured	Nil	Current year	-	2,520,000	-	-	-	-
				Previous year	-	4,860,000	3,645,000	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	419,421	3,600,000	5,144	-	-	-
				Previous year	1,796,925	3,600,000	2,280,000	-	-	-
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	68,191,789	-	-	10,047,843	-	-
				Previous year	76,073,703	-	-	12,706,166	-	-
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	14,711,593	-	-	722,088	-	-
				Previous year	18,684,918	-	-	865,356	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	353,672	-	-	-	-	-
				Previous year	2,401,433	-	-	24,544	-	-
Green Planet Communications	Other related party	Unsecured	Nil	Current year	379,457	-	-	-	-	-
				Previous year	9,584,482	-	-	48,720	-	-
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	780,380	-	-	17,595	-	-
				Previous year	717,674	-	-	-	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	39,045,942	-	-	5,772,579	-	-
				Previous year	118,354,894	-	-	8,046,142	-	-
Mohammed Trading	Other related party	Secured by Guaranted Cheque	Nil	Current year	-	2,384,669,868	494,919,371	-	-	-
				Previous year	-	2,277,534,117	520,382,927	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current year	2,563,008	-	-	35,910,357	35,910,357	-
				Previous year	2,193,288	-	-	39,943,228	39,943,228	-
Imtiaz Hussain	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	-	10,367,732	-
				Previous year	-	-	-	1,123,305	10,793,225	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

36.1 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 35,910,357.

During the year, Board meeting fees of Taka 150,000 was paid to the board members for attending the Board meetings.

37 Segment reporting

The company has three reportable segments which offer different products and services and are managed separately because they require different technology and marketing strategies. The following summary describes the operations of each segment:

Ceramics & Sanitary Ware: Engages in manufacturing and marketing of ceramics tiles, bathroom sets and all types of sanitary ware.

Power: Set-up power utilities and operate power-generating plants, transmission system and distribution system and to sell the generated electric power to any legal entity.

Security and services : Engages in providing security guard, cleaning services, verification services, termite and pest control services and set up manpower technical training.

2019	Business Segments				Entity total Taka
	Ceramic & sanitary ware Taka	Power Taka	Security and Services Taka	Inter segment Taka	
Revenue - external customers	6,408,004,827	1,946,067	53,906,419	-	6,463,857,312
Revenue - inter segment	-	350,456,021	53,654,402	(404,110,423)	-
Total segment revenue	6,408,004,827	352,402,088	107,560,821	(404,110,423)	6,463,857,312
Cost of sales- external customer	(4,205,457,932)	(259,456,704)	(91,198,028)	-	(4,556,112,666)
Cost of sales- inter segment	(402,616,150)	(10,191,442)	-	412,807,592	-
Total segment cost of sales	(4,608,074,082)	(269,648,146)	(91,198,028)	412,807,592	(4,556,112,666)
Gross profit	1,799,930,745	82,753,942	16,362,793	-	1,907,744,646
Other income	40,004,520	79,340	-	-	40,083,860
Dividend income	86,949,600	50,000	200	(86,999,600)	200
Rental income	17,184,211	-	-	(11,064,211)	6,120,000
Financial income	30,596,482	2,146,781	134,885	-	32,878,148
Financial expenses	(27,060,159)	(437,197)	(116,834)	290,514	(27,323,676)
Depreciation	(412,290,356)	(14,806,996)	(317,670)	-	(427,415,022)
Other operating expenses	(476,012,461)	5,614,794	(17,286,076)	-	(487,683,743)
Segment profit before tax	1,059,302,582	75,400,664	(1,222,702)	-	1,044,404,413
Income tax expense	(269,804,714)	(26,615,589)	-	-	(296,420,303)
Deferred tax	4,152,154	1,889,192	-	-	6,041,346
Non -Controlling interest	-	247	(0.06)	-	247
Profit for the year					754,025,209

	2019 Taka	2018 Taka
38.1 Weighted average number of ordinary shares		
The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. The weighted average number of shares is calculated by assuming that the shares have always been in issue. This means that they have been issued at the start of the year presented as the comparative figures.		
Outstanding shares	389,062,456	389,062,456
Effect of issue of bonus shares for the year 2018	38,906,245	38,906,245
	<u>427,968,701</u>	<u>427,968,701</u>
38.2 Diluted earning per share		
No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during these years.		
38.3 Reason of deviation of earnings per share:		
The expenditure increased due to normal increase in salary & wages and also incremental amounts in respect of dealers performance incentives, inventory provisioning based on ageing analysis.		
39 Reason of deviation of net operating cash flow per share:		
The company registered improvement in cash inflows from customers as well as better credit term with suppliers in the year as compared to previous year.		
39.1 Reconciliation of operating cash flow:		
Cash flows from operating activities		
Profit before taxation	1,044,404,413	1,225,925,354
Adjustment for:		
Depreciation	443,974,986	426,234,497
Amortization	6,192,863	5,462,966
Loss on assets retirement	10,204,172	-
Advance rent adjustment	(13,852,346)	-
Tax adjustment	-	(6,152,691)
Foreign exchange loss	6,874,554	810,559
Finance expenses	20,449,121	38,583,462
Finance income	(32,878,148)	(38,410,830)
Other income	(46,124,720)	(65,518,148)
	<u>1,439,244,896</u>	<u>1,586,935,170</u>
Increase/decrease in trade and other receivables	(7,595,707)	(304,951,125)
Increase/decrease in inventories	219,985,839	(471,912,815)
Increase/decrease in trade and other payables	235,498,541	45,326,102
Cash generated from operating activities	<u>1,887,133,564</u>	<u>855,397,334</u>
Interest received from bank deposit	6,832,490	5,915,987
Income tax paid	(308,746,264)	(293,693,008)
Net cash (used in)/from operating activities	<u>1,585,219,790</u>	<u>567,620,313</u>

40 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 888,227,095 (31 Dec 2018: Tk 992,574,842). Considering the merits of the cases, it has not been deemed necessary to make provisions for all such disputed claims.

There is also contingent liability in respect of outstanding letters of credit of Tk 228,072,306 (31 Dec 2018: Tk 307,987,625) and letter of guarantee of Tk 100,575,768 (31 Dec 2018: Tk 115,134,048).

41 Events after the reporting period

41.1 Declaration of dividend and date of Annual General Meeting (AGM)

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held in February 04, 2020, has unanimously recommended cash dividend @ 15% of the paid up capital of the company for the year ended 31 December 2019 equivalent to BDT. 641,953,052 to be distributed as cash dividends among share holders, which is more than 30% of the current year profit. The dividends is subject to final approval by the shareholders at the forthcoming 31 March 2020 Annual General Meeting of the Company.



RAK Ceramics (Bangladesh) Ltd.

**INDEPENDENT AUDITORS'
REPORT AND AUDITED FINANCIAL
STATEMENTS**

as at and for the year ended
31 December 2019

Independent Auditor's Report

TO THE SHAREHOLDERS OF RAK CERAMICS (BANGLADESH) LIMITED

Opinion

We have audited the financial statements of RAK Ceramics (Bangladesh) Limited ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 02-03.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements

section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risk of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the significant effect on the overall audit strategy, allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

How our audit addressed the Key Audit Matters

Recognition of rights of use assets and lease liabilities for lease rental arrangements

Refer note no 3.15.3, 6 and 21 to the financial statements

The Company recognized rights of use assets (ROUA) and lease liabilities arising from the lease rental arrangements for its display centers, accommodation floors and warehouse.

The recognition is made for the first time in current year's financial statements as it adopted IFRS 16 (Leases) in its financial statements for the first time. However, that would not require a restatement of the comparative period information because Company elected modified retrospective approach.

The lease liability is measured at the present value of the lease payments that are not paid at that date. For calculation of the lease liability, the management applies its judgment in determination of lease term, where certainty of exercising the option to extend or the option not to terminate the lease is considered.

The incremental borrowing rate is used as discounting rate in calculation of lease liability.

We assessed the Company's key internal controls in identification of lease, recognition and measurement of ROUA and lease liability, and related key assumptions. We performed following procedures for our assessment :

- Read the contracts for lease rental arrangements, especially the terms and conditions related to payments, lease incentives, any indirect costs, dismantling and restoration, option to extend the lease or not to terminate the lease.
- Checked the lease amortization schedule and depreciation schedule for each of the leases.
- Checked the appropriateness of management's assumptions, especially in determining the certainty of exercising option to extend or terminate lease and the discounting rate applied to calculate lease liability.

Key Audit Matters**How our audit addressed the Key Audit Matters****Revenue recognition**

Refer note no 3.15.2 and 25

The Company provides various benefits to its dealers, including discount, commissions, incentives and bonus.

Considering the variability of the said benefits, effective from the current year, the management presented them as deduction from revenue in contrast to previous years' presentation as marketing and selling expense. Prior year's comparative figures are also restated in this regard.

The management applies its judgment in determining whether there is valid expectation among the dealers arising from the Company's customary business practices for any further benefits in excess of the figures provisioned for.

Our audit procedures involved following activities:

- Reading the contracts with the dealers and other circulars and announcements for terms and conditions related to discount, commissions, incentives and bonus;
- Recalculating the amount of discount, commissions, incentives and bonus;
- Checking the past trend of allowing discount, commissions, incentives and bonus.

Provision for slow moving and obsolete inventories

Refer note no 3.9 and 10 to the financial statements

The inventories of the Company are carried at lower of cost and net realizable value. The management applies judgment in determining the appropriate provisions for obsolete stock based upon a detailed analysis of old and slow-moving inventory.

We obtained assurance over relevance and appropriateness of management's assumptions applied in calculating the provision for slow moving and obsolete inventories by:

- evaluating the design and implementation of key inventory controls operating across the Company;
- attending stock counting and reconciling the count results to the inventory listings to test the completeness of data;
- checking the ageing analysis of inventories and appropriateness of management's determination of probability of obsolescence for each group of inventory ageing;
- reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year.

Credit risk and impairment on trade receivables

Refer note no 3.15.1, 11, 28.1 and 37.1 (b) to the financial statements

Remarkable amount of the trade receivables of the Company is attributable to a single customer, which is also a related party (as disclosed in note no #38 to the financial statements) to the Company. Being related party, there may be unpalatable behavior putting reliability at risk.

Significant amount of judgment is to be applied to determine the risk of default over the expected life of trade receivables, which may have material impact over the figures of trade receivable. As a result, there is risk of error in determining the allowance for impairment for trade receivables.

Our audit procedures included testing the Company's credit control procedures and judgment on determining the provisions for expected credit losses. The audit procedures involved following activities:

- testing, on a sample basis, receivable balances and comparing it with our results from the external confirmations;
- inspecting the arrangements, securities documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables;
- reviewing the calculations of the allowance for impairment of trade receivables based on the judgments applied by the management.

Key Audit Matters**How our audit addressed the Key Audit Matters****Review of tax and regulatory matters**

Refer note no 24 and 42 to the financial statements

Company has several pending corporate tax assessments and legal proceedings with the government revenue authorities related to claims for tax, VAT and customs duty. The pending cases expose the Company to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may not be appropriate to predict.

These uncertainties inherently affect the amount and timing of potential outflows with respect to the tax provisions and contingent liabilities.

As a listed entity, the Company also has to maintain compliance with the requirements of the Bangladesh Securities and Exchange Commission.

We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the legal provision and contingencies recognition process. To get more insights we performed following procedures:

- enquired into those charged with governance to obtain their view on the status of all significant litigation and regulatory matters;
- enquired the Company's internal legal counsel for all significant litigation and regulatory matters and studied internal notes and reports. We also enquired formal confirmations from external counsel on these matters;
- assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information;
- assessed the Company's provisions and contingent liabilities disclosure.

We have reviewed the controls related to Corporate Governance compliance and reporting compliance as per Bangladesh Securities and Exchange Commission guidelines.

Responsibilities of Management and Those Charged with Governance for Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as explained in note 02-03, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bangladesh Securities and Exchange Commission rules and regulations together with other applicable regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Company.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we could not obtain prior to the date of this auditors' report and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the Key Audit Matters as reported in the respective section of the report above. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

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



ACNABIN

Chartered Accountants


RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF FINANCIAL POSITION


as at 31 December 2019

	Note	2019 Taka	2018 Taka
Assets			
Property, plant and equipment	4	2,857,158,157	3,043,473,716
Investment property	5	681,433,368	691,149,776
Right of use assets	6	44,970,798	-
Intangible assets	7	6,495,047	11,916,384
Capital work in progress	8	177,641,997	127,781,532
Investment in subsidiaries	9	360,379,950	360,379,950
Total non-current assets		4,128,079,317	4,234,701,358
Inventories	10	2,716,061,804	2,935,341,706
Trade and other receivables	11	837,944,361	847,302,232
Advances, deposits and prepayments	12	236,462,896	294,088,849
Advance income tax	13	3,106,581,019	2,841,236,116
Cash and cash equivalents	14	1,427,796,668	764,167,746
Total current assets		8,324,846,748	7,682,136,649
Total assets		12,452,926,065	11,916,838,007
Equity			
Share capital	15	4,279,687,010	3,890,624,560
Share premium	16	1,473,647,979	1,473,647,979
Retained earnings	17	1,636,929,820	1,624,536,295
Total equity		7,390,264,809	6,988,808,834
Liabilities			
Deferred tax liability	18	161,871,924	166,024,078
Borrowings	20	-	88,203,349
Lease liability	21	29,374,867	-
Total non-current liabilities		191,246,791	254,227,427
Borrowings	20	89,232,918	309,652,416
Lease liability	21	9,098,137	-
Trade and other payables	22	754,014,087	634,828,996
Accrued expenses	23	522,177,830	502,233,555
Provision for income tax	24	3,496,891,493	3,227,086,779
Total current liabilities		4,871,414,465	4,673,801,746
Total liabilities		5,062,661,256	4,928,029,173
Total equity and liabilities		12,452,926,065	11,916,838,007

The accompanying notes are an integral part of these financial statements.


 Managing Director


 Director


 Company Secretary

As per our report of same date


 ACNABIN

Chartered Accountants

Dated, 04 February 2020

RAK Ceramics (Bangladesh) Ltd.

**STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

for the year ended 31 December 2019

	Note	2019 Taka	2018 Taka
Sales	25	6,408,004,827	6,269,197,882
Cost of sales	26	(4,608,074,082)	(4,419,431,962)
Gross profit		1,799,930,745	1,849,765,920
Other income	27	144,138,331	157,626,209
Administrative expenses	28	(377,202,064)	(353,809,055)
Impairment loss on trade receivable	28.1	(5,624,637)	(3,162,362)
Marketing and selling expenses	29	(452,510,987)	(408,205,302)
		(691,199,357)	(607,550,510)
Profit from operating activities		1,108,731,388	1,242,215,410
Finance income	30	30,596,482	32,051,044
Finance expenses	31	(27,060,159)	(37,086,830)
Net finance income		3,536,323	(5,035,786)
Profit before contribution to workers'			
Profit participation and welfare fund and income tax		1,112,267,711	1,237,179,624
Contribution to workers' profit participation and welfare fund		(52,965,129)	(58,913,315)
Profit before income tax		1,059,302,582	1,178,266,309
Income tax expense:			
Current tax	32	(269,804,714)	(273,027,981)
Deferred tax	18	4,152,154	(22,057,495)
		(265,652,560)	(295,085,476)
Profit for the year		793,650,022	883,180,833
Other comprehensive income for the year		-	-
Total comprehensive income for the year		793,650,022	883,180,833
Basic earnings per share (par value Tk 10)	40	1.85	2.06

The accompanying notes are an integral part of these financial statements.


Managing Director

Director

Company Secretary

As per our report of same date


ACNABIN

Chartered Accountants

Dated, 04 February 2020

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital	Share premium	Retained earnings	Total
	Taka	Taka	Taka	Taka
Balance as at 1 January 2018	3,536,931,410	1,473,647,979	1,448,741,753	6,459,321,142
Total comprehensive income for 2018				
Profit for the years	-	-	883,180,833	883,180,833
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2017)	-	-	(353,693,141)	(353,693,141)
Stock dividend (2017)	353,693,150	-	(353,693,150)	-
Balance as at 31 December 2018	<u>3,890,624,560</u>	<u>1,473,647,979</u>	<u>1,624,536,295</u>	<u>6,988,808,834</u>
Balance as at 1 January 2019	3,890,624,560	1,473,647,979	1,624,536,295	6,988,808,834
Prior year adjustment (leases)	-	-	(3,131,591)	(3,131,591)
Total comprehensive income for 2019				
Profit for the year	-	-	793,650,022	793,650,022
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2018)	-	-	(389,062,456)	(389,062,456)
Stock dividend (2018)	389,062,450	-	(389,062,450)	-
Balance as at 31 December 2019	<u>4,279,687,010</u>	<u>1,473,647,979</u>	<u>1,636,929,820</u>	<u>7,390,264,809</u>

The accompanying notes are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	2019	2018
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	6,397,938,990	5,980,444,811
Cash payments to suppliers and employees	(4,660,207,012)	(5,244,233,236)
Cash generated from operating activities	1,737,731,978	736,211,575
Interest received from bank deposit	5,904,922	5,105,100
Income tax paid (note 13)	(265,344,903)	(266,232,589)
Net cash (used in)/from operating activities (note 41.1)	1,478,291,997	475,084,086
Cash flows from investing activities		
Acquisition of property, plant and equipment	(276,441,901)	(307,400,340)
Sale of property, plant and equipment	179,500	134,140
Disposal proceeds of associate	-	74,025,000
Interest received from FDR	19,500,669	28,745,724
Income from rental	23,109,211	10,757,571
Intangible assets	(771,526)	(11,950,323)
Insurance claim received	56,976,731	-
Dividend received	86,949,600	85,959,600
Net cash (used in)/from investing activities	(90,497,716)	(119,728,628)
Cash flows from financing activities		
Finance charges	(18,627,853)	(45,604,563)
Avail/ (repayment) of short term borrowings	(220,419,498)	(238,509,621)
Avail/ (repayment) of long term borrowings	(88,203,349)	(270,959,943)
Payment of lease liability	(9,736,019)	-
Dividend paid	(386,966,131)	(351,973,215)
Unclaimed share application fund	(8,160)	(19,200)
Net cash (used in)/from financing activities	(723,961,010)	(907,066,542)
Effect of exchange rate changes in cash and cash equivalents	(204,349)	563,565
Net increase/(decrease) in cash and cash equivalents	663,628,922	(551,147,519)
Cash and cash equivalents as at 01 January	764,167,746	1,315,315,265
Cash and cash equivalents as at 31 December (Note 14)	1,427,796,668	764,167,746

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

1. Reporting entity

RAK Ceramics (Bangladesh) Ltd (the Company), formerly RAK Ceramics (Bangladesh) Pvt. Limited, a UAE-Bangladesh joint venture company, was incorporated in Bangladesh on 26 November 1998 as a private company limited by shares under the Companies Act 1994. The Company was later converted from a private limited into a public limited on 10 June 2008 after observance of required formalities as per laws. The name of the Company was thereafter changed to RAK Ceramics (Bangladesh) Ltd. as per certificate issued by the Registrar of Joint Stock Companies dated 11 February 2009. The address of the Company's registered office is RAK Tower, Plot # 1/A, Jasimuddin Avenue, Sector # 3, Uttara, Dhaka 1230. The company got listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on 13 June 2010.

1.1 Nature of business

The Company is engaged in manufacturing and marketing of ceramics tiles, wash room sets and all types of sanitary ware. It has started its commercial production on 12 November 2000. The commercial production of its new sanitary ware plant, expansion unit of ceramics facilities, tiles and sanitary plant was started on 10 January 2004, 1 July 2004, 1 September 2007, 1 April 2015 and 17th May 2016 respectively.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1994 and the Securities and Exchange Rules 1987.

The title and format of these financial statements follow the requirements of IFRS which are to some extent different from the requirement of the Companies Act 1994. However, such differences are not material and in the view of management IFRS titles and format give better presentation to the shareholders.

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 04 February 2020.

2.2 Basis of measurement

These financial statements have been prepared on historical cost basis except for inventories which are measured at lower of cost and net realisable value.

2.3 Functional and presentational currency

These financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is the functional currency and presentation currency of the Company. The figures of financial statements have been rounded off to the nearest Taka.

2.4 Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are stated in the following notes:

Note 4	Property, plant & equipment
Note 5	Investment Property
Note 6	Right of use assets
Note 18	Deferred tax liability
Note 19	Employees benefit payable
Note 21	Lease liability
Note 24	Provision for income tax
Note 28.1	Impairment of loss of trade receivable.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 Dec 2019 and is followed consistently.

2.6 Going concern

The Company has adequate resources to continue in operation for foreseeable future and hence, the financial statements have been prepared on going concern basis. As per management assessment there are no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently.

3.1 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment. Maintenance, renewals and betterments that enhance the economic useful life of the property, plant and equipment or that improve the capacity, quality or reduce substantially the operating cost or administration expenses are capitalised by adding it to the related property, plant and equipment. Ongoing repairs and maintenance is expensed as incurred.

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss from disposal of asset under other income in the statement of profit or loss and other comprehensive income.

3.2 Depreciation on property, plant and equipment

Depreciation charged on the basis of straight line method. Depreciation continues to be charged on each item of property, plant, equipment & investment property until written down value of such fixed asset is reduced to Taka one. Depreciation on addition to fixed assets is charged when it is available for use and charging of depreciation on property, plant, equipment & investment property ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that assets is derecognised.

Rates of depreciation on various classes of property, plant, equipment & investment property are as under:

Category of property, plant and equipment	Rate (%)
Building	5
Plant and machinery	10
Mobile plant	10
Electrical installation	10
Gas pipeline	10
Furniture, fixture and equipment	10
Office equipment	10-20
Communication equipment	10-20
Tools and appliances	10
Vehicles	10

Land is not depreciated as it deemed to have an infinite life.

3.3 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the investment property. Maintenance, renewals and betterments that enhances the economic useful life of the investment property or that improve the capacity, quality or reduce subsequently the operation cost or administration expenses and capitalized by adding it to the related investment property. Ongoing repairs and maintenance is expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income the period in which the property is derecognised.

3.4 Depreciation on investment property

Depreciation charged on the basis of straight line method. Depreciation continues to be charged on each item of investment property until written value of such fixed asset is reduced to Taka one. Depreciation on addition to fixed assets is charged when it is available for use and charging of depreciation on investment property ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that assets is derecognised.

Rates of depreciation on various classes of investment property are as under:

Category of property, plant and equipment	Rate (%)
Building	5

Land is not depreciated as it deemed to have an infinite life.

3.5 Intangible assets

Expenditure to acquire designs and trade marks for manufacture of ceramic tiles and sanitary ware as well as computer software is capitalised. This is being amortised equally within a period of two to three years depending upon the tenure of accrual of benefits.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6 Capital work-in-progress

Capital work-in-progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use. Capital work-in-progress is recorded at cost to the extent of expenditure incurred at the date of Statement of Financial Position. The amount of capital work-in-progress is transferred to appropriate asset category and depreciated when the asset is completed and commissioned.

3.7 Financial assets

a) Investment in subsidiaries

Investment in subsidiaries are recognised initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, investment in subsidiaries are measured at cost less impairment loss, if any.

b) Loans to subsidiaries & associate companies

Loans to subsidiaries & associate companies are recognised initially at fair value. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

c) Trade & other receivables

Trade & other receivables are recognised initially at fair value. Subsequent to initial recognition, trade & other receivables are measured at amortised cost using the effective interest method, less any bad impairment provision.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less which are available for use by the Company without any restriction. Bank overdraft that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

3.8 Financial liabilities

a) Trade & other payables

Trade & other payables are recognised initially at fair value. Subsequent to initial recognition, trade payables are stated at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

b) Borrowings

Interest-bearing borrowings include short term bank loan. Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

3.9 Inventories

Inventories on hand are valued at the lower of cost and net realisable value. For raw materials and consumable spare parts cost is determined on a weighted average cost basis. Work-in-process is stated at cost to complete of respective product. Cost comprises cost of raw materials, wages and other overheads up to the stage of completion. Finished products are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Raw materials in transit are valued at cost.

3.10 Impairment

Non-derivative financial assets

Non derivative financial assets are assessed at each reporting date to determine the loss allowance for lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. When there is no significant increase in credit risk on the financial instrument since initial recognition, the expected credit losses for next 12 months is measured as loss allowance on that financial instrument.

Non-financial assets

The carrying amount of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset. For an asset that does not generate significantly independent cash inflows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

Recognition of impairment

Impairment losses are recognised in profit or loss. Impairment losses in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis.

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Share capital

Ordinary shares are classified as equity. Incremental costs attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax affects. Paid up share capital represents total amount contributed by the shareholders and bonus shares issued by the Company to the ordinary shareholders. Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at shareholders' meetings. In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any residual proceeds of liquidation.

3.12 Employee benefit schemes

The Company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognised Employees Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10 percent of their basic salary to the provident fund and the Company also makes equal contribution to the fund. These are administered by the Board of Trustees. The contributions are invested separately from the company's assets.

Contribution to defined contribution plan is recognised as an expense when an employee has rendered services to the Company. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

Defined benefit plan (gratuity fund)

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Permanent employees are entitled to gratuity on the basis of his latest basic salary for a completed year of service or for service for a period of more than six months, salary of minimum 30 days, or salary of 45 days for a continuous service for more than ten years, it shall be in addition to any payment of compensation or payment of any wage or allowance in lieu of notice due to termination of services of a worker on different grounds. The expected cost of this benefit is included in respective annual statement of profit or loss and other comprehensive income over the period of employment.

Details of employees benefit schemes have been provided in note no. 19.

3.13 Workers' Profit Participation and Welfare Fund

The Company provides 5% of its net profit before tax after charging such expense as Workers' Profit Participation and Welfare Fund in accordance with "The Bangladesh Labour Act 2006 amended in 2018".

3.14 Provisions

Provisions are recognised on the reporting date if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.15 Standards, amendments and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018/2019 with earlier application permitted. The company does not plan to adopt these standards early. The new standards which may be relevant to the company are set out below.

3.15.1 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

- 12-months ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the company has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The company will perform the calculation of ECL rates separately for different types of customers including related parties.

Actual credit losses will be adjusted to reflect differences between economic conditions during the period over which the historical data will be collected, prevalent conditions and the company's view of economic conditions over the expected lives of the receivables and related party balances.

ii. Hedging

IFRS 9 incorporates new hedge accounting rules which intend to align hedge accounting with a company's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the company has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

The company will avail of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no 37.1 (b).

3.15.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

i. Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the company is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

Based on the company's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the company does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

ii. Rendering of services

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the company sells the services in separate transactions.

Based on the company's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the company does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

iii. Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

3.15.3 IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

General impact of application of IFRS 16 Leases

In the current year, the company, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016) in its effective date.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in notes to the financial statements. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

The date of initial application of IFRS 16 for the company is 1 January 2019

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the company has carried out an implementation project.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the company:

Recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

Recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and separates the total amount of cash paid (presented within financing activities) in the statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within rent expenses in the statement of profit or loss.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the company's financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

As required by IFRS 9, an allowance for expected credit loss has been recognized on the finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

3.16 Finance income and expenses

Finance income comprises interest income on funds invested in FDR and Short Notice Deposit (SND) accounts. Interest income is recognised on accrual basis.

Finance expense comprises interest expense on overdraft, LTR, term loan, short term borrowings and finance lease. All finance expenses are recognised in the statement of profit or loss and other comprehensive income.

3.17 Taxation

Income tax expenses represents current tax and deferred tax. Income tax expense is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a publicly-traded company of the same industry. The tax rate 25% is used for the reporting period 2019 as per Finance Act 2019.

Deferred tax:

Deferred tax has been recognised in accordance with International Accounting Standard (IAS) 12. Deferred tax is provided using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purpose. Deferred tax is determined at the effective income tax rate prevailing at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.18 Foreign currency

Transactions in foreign currencies are translated to Taka at the foreign exchange rates prevailing on the date of transaction. All monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Taka at the rates of exchange prevailing on that date. Resulting exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of profit or loss and other comprehensive income as per International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates".

3.19 Earning per share

The Company presents basic and diluted (when dilution is applicable) earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company with the weighted average number of ordinary shares outstanding during the period, adjusted for the effect of change in number of shares for bonus issue. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no dilutive potential ordinary shares during the relevant years.

3.20 Contingencies

3.20.1 Contingent liability

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability should not be recognised in the financial statements, but may require disclosure. A provision should be recognised in the period in which the recognition criteria of provision have been met.

3.20.2 Contingent asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

A contingent asset must not be recognised. Only when the realisation of the related economic benefits is virtually certain should recognition take place provided that it can be measured reliably because, at that point, the asset is no longer contingent.

3.21 Statement of cash flows

Statement of cash flows is prepared under direct method in accordance with International Accounting Standard (IAS)-7 "Statement of cash flows" as required by the Securities and Exchange Rules 1987.

3.22 Duty drawback

Duty drawback paid on imported material for export sale is adjusted against VAT payable on domestic sale.

3.23 New standards adopted

The following new standards are effective for annual periods beginning from 1 January 2018/2019 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases

3.24 Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the reporting date are reflected in the financial statements. Material events after the reporting period that are not adjusting events are disclosed by way of note.

3.25 Comparatives and reclassification

Comparative information have been disclosed in respect of 2018 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

To facilitate comparison, certain relevant balances pertaining to the previous year have been rearranged/reclassified whenever considered necessary to confirm to current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

4 Property, Plant and equipment 2019

Amount in Taka

Particulars	COST				Rate	DEPRECIATION			Net book value as at 31 Dec 2019	
	Balance as at 01 Jan 2019	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2019		Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2019
Land	319,680,040	-	-	319,680,040		-	-	-	-	319,680,040
Factory building	979,802,214	38,657,783	-	1,018,459,997	5%	363,141,065	52,204,676	-	415,345,742	603,114,256
Office building	204,836,622	8,784,691	(12,757,294)	200,864,019	5%	111,325,400	10,936,085	(2,553,122)	119,708,363	81,155,655
Plant and machinery	5,119,372,534	157,640,006	-	5,277,012,539	10%	3,318,680,685	291,937,956	-	3,610,618,640	1,666,393,899
Mobile plant	101,976,217	6,728,522	-	108,704,737	10%	65,530,875	4,587,861	-	70,118,736	38,586,002
Electrical installation	216,807,511	-	-	216,807,511	10%	168,451,438	7,107,621	-	175,559,060	41,248,451
Gas pipeline	59,347,562	-	-	59,347,562	10%	34,795,610	3,395,726	-	38,191,334	21,156,227
Furniture and fixtures	37,908,982	3,734,359	-	41,643,341	10%	25,843,131	2,257,187	-	28,100,318	13,543,023
Office equipment	110,886,803	5,225,073	-	116,111,876	10-20%	72,296,842	18,599,775	-	90,896,617	25,215,258
Communication equipment	14,644,071	3,336,425	-	17,980,495	10-20%	8,475,172	2,040,145	-	10,515,318	7,465,178
Tools and appliances	18,982,348	64,050	-	19,046,398	10%	10,178,508	1,713,444	-	11,891,952	7,154,446
Vehicles	85,072,098	1,594,836	(294,728)	86,372,205	10%	47,124,560	6,977,782	(175,856)	53,926,486	32,445,719
Total	7,269,317,002	225,765,744	(13,052,023)	7,482,030,723		4,225,843,286	401,758,257	(2,728,978)	4,624,872,567	2,857,158,157

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

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RAK CERAMICS (BANGLADESH) LIMITED

2018

Amount in Taka

Particulars	COST				Rate	DEPRECIATION				Net book value as at 31 Dec 2018
	Balance as at 01 Jan 2018	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2018		Balance as at 01 Jan 2018	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2018	
Land	317,685,040	1,995,000	-	319,680,040		-	-	-	-	319,680,040
Factory building	913,769,752	66,032,462	-	979,802,214	5%	314,256,512	48,884,553	-	363,141,065	616,661,149
Office building	203,113,529	1,723,093	-	204,836,622	5%	101,236,418	10,088,982	-	111,325,400	93,511,222
Plant and machinery	4,999,991,608	119,380,926	-	5,119,372,534	10%	3,029,026,856	289,653,829	-	3,318,680,685	1,800,691,849
Mobile plant	88,837,460	13,138,757	-	101,976,217	10%	60,786,086	4,744,789	-	65,530,875	36,445,342
Electrical installation	215,642,011	1,165,500	-	216,807,511	10%	159,040,149	9,411,289	-	168,451,438	48,356,073
Gas pipeline	59,347,562	-	-	59,347,562	10%	31,351,066	3,444,544	-	34,795,610	24,551,952
Furniture and fixtures	33,926,399	3,982,583	-	37,908,982	10%	24,119,611	1,723,520	-	25,843,131	12,065,851
Office equipment	107,869,251	3,017,552	-	110,886,803	10-20%	53,594,518	18,702,324	-	72,296,842	38,589,961
Communication equipment	12,106,618	2,537,453	-	14,644,071	10-20%	6,741,103	1,734,069	-	8,475,172	6,168,899
Tools and appliances	17,538,598	1,443,750	-	18,982,348	10%	8,230,970	1,947,538	-	10,178,508	8,803,840
Vehicles	78,662,646	6,617,452	(208,000)	85,072,098	10%	40,339,425	6,936,303	(151,168)	47,124,560	37,947,538
Total	7,048,490,474	221,034,528	(208,000)	7,269,317,002		3,828,722,714	397,271,740	(151,168)	4,225,843,286	3,043,473,716

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

5 Investment property

2019

Amount in Taka

Particulars	COST				Rate	DEPRECIATION			Net book value as at 31 Dec 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2019		Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year	
Land ¹	500,571,750	-	-	500,571,750		-	-	-	500,571,750
Office building ²	210,636,382	815,692	-	211,452,074	5%	20,058,356	10,532,101	-	180,861,618
Total	711,208,132	815,692	-	712,023,824		20,058,356	10,532,101	-	681,433,368

2018

Amount in Taka

Particulars	COST				Rate	DEPRECIATION			Net book value as at 31 Dec 2018
	Balance as at 01 Jan 2018	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2018		Balance as at 01 Jan 2018	Charged during the year	Adjustment during the year	
Land ¹	500,571,750	-	-	500,571,750		-	-	-	500,571,750
Office building ²	210,636,382	-	-	210,636,382	5%	9,526,255	10,532,101	-	190,578,026
Total	711,208,132	-	-	711,208,132		9,526,255	10,532,101	-	691,149,776

- 1 The land 10 khata is situated besides the RAK Tower was acquired in March 2012. The same was classified as Property, plant & equipment till 31st Dec 2016. However, presently the asset is under operating lease considering undetermined future use. Hence in the current financial statements, the same is reclassified as an item of "Investment Property" as defined under IAS 40.

The said property are stated at cost as per IAS 40 due to alternate reliable sources of measurement being unavailable.

- 2 The property, being an Apartment on 10th floor, RAK Tower, was acquired in the month of February 2017 from M/s Julphar Bangladesh. (Erstwhile RAK Pharmaceuticals Pvt. Ltd) and godown office building situated at above mentioned land. This property is too under operating lease culminating in undetermined future use. Hence the same is classified under "Investment Property" under IAS 40.

The fair values of the property has been adopted at the transaction value considering that the municipal valuation of the property has fairly remained unchanged, the company has adopted the transaction value as the fair value of the property.

	2019	2018
	Taka	Taka
5.1 Depreciation charged on the basis of the purpose of use		
Cost of sales (Note 26)	362,506,495	359,541,207
Administrative expenses (Note 5.2)	44,322,181	43,825,825
Marketing & selling expenses (Note 29)	5,461,681	4,436,808
	<u>412,290,358</u>	<u>407,803,840</u>
5.2 Administrative expenses		
Depreciation on property, plant & equipment (Note 28)	33,790,081	33,293,725
Depreciation on investment property (Note 28)	10,532,101	10,532,101
	<u>44,322,181</u>	<u>43,825,825</u>

5.3 Disposal of property, plant and equipment**2019**

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against insurance claim/sale	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor Bike	294,728	175,856	118,873	179,500	60,627
Total	<u>294,728</u>	<u>175,856</u>	<u>118,873</u>	<u>179,500</u>	<u>60,627</u>

2018

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against insurance claim/sale	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor Bike	208,000	151,168	56,832	134,140	77,308
Total	<u>208,000</u>	<u>151,168</u>	<u>56,832</u>	<u>134,140</u>	<u>77,308</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

6 Right of use assets

2019

Amounts in Taka

Particulars	COST				DEPRECIATION			Balance as at 31 Dec 2019	Net book value as at 31 Dec 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2019	Balance as at 31 Dec 2019	Charged during the year	Adjustment during the year		
Display center	76,028,968	-	(28,391,487)	47,637,481	22,705,295	8,433,056	-	31,138,351	16,499,130
Accommodation Building	2,644,593	655,543	-	3,300,136	353,312	1,458,868	-	1,812,180	1,487,956
Warehouse	-	32,707,529	-	32,707,529	-	5,723,818	-	5,723,818	26,983,711
Total	78,673,561	33,363,072	(28,391,487)	83,645,147	23,058,607	15,615,742	-	38,674,349	44,970,798

Allocation of Depreciation

Administrative expenses (Note:28)	1,458,868
Marketing & selling expenses (Note:29)	14,156,874
	15,615,742

6.1 Gain on retirement of Right of use assets

Particulars	Lease liability	Right of use assets	Gain
Display center	30,048,249	28,391,487	1,656,762

1. Company rented four display center's situated in Dhaka, Chittagong and Sylhet.
2. Accommodation Buildings rented for the use of transit employees.
3. Company has taken a warehouse at pubail to store the finished goods to distribute in nearby area promptly.

	2019	2018		
	Taka	Taka		
7 Intangible assets				
Balance as at 1 January	11,916,384	5,429,027		
Add: Addition during the year	771,526	11,950,323		
	<u>12,687,910</u>	<u>17,379,350</u>		
Less: Amortized during the year (Note-28)	6,192,863	5,462,966		
Less: Adjustment during the year	-	-		
Balance as at 31 December	<u>6,495,047</u>	<u>11,916,384</u>		
The above amount represents cost of various licenses as well software which are being amortised over 2-3 years from the date of their expenses.				
8 Capital Work-in-Progress				
Balance as at 1 January	127,781,532	41,415,719		
Add: Addition during the year	261,225,698	259,518,324		
	<u>389,007,230</u>	<u>300,934,043</u>		
Less: Transfer to property, plant & equipment and investment property during the year (Note-8.1)	211,365,233	173,152,511		
Balance as at 31 December	<u>177,641,997</u>	<u>127,781,532</u>		
8.1 Items transferred from capital work in progress to property, plant & equipment and investment property				
Factory building	38,326,033	52,019,988		
Plant and machinery	139,907,809	112,846,905		
Mobile Plant	-	7,826,143		
Communication equipment	-	345,362		
Others	33,131,391	114,113		
	<u>211,365,233</u>	<u>173,152,511</u>		
9 Investment in subsidiaries (Note-9.1)				
RAK Power Pvt. Ltd	341,629,950	341,629,950		
RAK Security & Services Pvt. Ltd	18,750,000	18,750,000		
	<u>360,379,950</u>	<u>360,379,950</u>		
9.1 Details of investments in subsidiaries				
Name of subsidiaries	Nature of business	% of holding	Investment/ Taka	Investment/ Taka
RAK Power Pvt. Ltd	Electricity generation	99.99	341,629,950	341,629,950
RAK Security & Services Pvt. Ltd	Security services provider	99.00	18,750,000	18,750,000
10 Inventories				
Raw materials			818,594,596	839,612,529
Less : Provision for slow moving & obsolete inventories			19,685,939	-
			<u>798,908,657</u>	<u>839,612,529</u>
Stores, consumables spares and packing			882,294,468	973,410,748
Less: Write off for stores, consumables and packing			-	31,843,008
			<u>882,294,468</u>	<u>941,567,740</u>
Finished goods (net of net realizable value adjustment)			719,463,284	872,171,284
Less : Provision for slow moving & obsolete inventories			17,505,541	-
			<u>701,957,743</u>	<u>872,171,284</u>
Work-in-process			104,694,796	105,323,515
Goods-in-transit			228,206,140	176,666,638
			<u>2,716,061,804</u>	<u>2,935,341,706</u>
11 Trade and other receivables				
Trade receivables (Note-11.1)			791,627,927	781,562,088
Receivable against insurance claim			38,287,131	56,976,730
Accrued interest (Note-11.2)			8,029,303	2,838,414
Accrued rental income			-	5,925,000
			<u>837,944,361</u>	<u>847,302,232</u>

	2019	2018
	Taka	Taka
11.1 Trade receivables		
Receivable from dealers	793,841,889	784,724,450
Receivable from export sales	6,573,037	-
	<u>800,414,926</u>	<u>784,724,450</u>
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	2,328,301	36,313
Related parties	6,458,698	3,126,049
	<u>791,627,927</u>	<u>781,562,088</u>
11.2 Accrued interest		
Interest accrued on FDR	8,029,303	2,838,414
	<u>8,029,303</u>	<u>2,838,414</u>
12 Advance, deposit and prepayments		
Advances:		
Purchase of land and others	5,729,371	7,185,449
Suppliers against materials and services	78,134,866	93,763,096
	<u>83,864,237</u>	<u>100,948,545</u>
Security and other deposits:		
Titas gas	38,569,450	28,682,550
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and Supplementary duty (Note-12.1)	-	46,341,073
Deposited with income tax authority	68,128,195	50,628,195
Deposited with VAT authority	6,726,946	6,726,946
Display center and others	3,472,500	-
Other deposits	1,494,626	1,499,853
	<u>120,346,717</u>	<u>135,833,617</u>
Prepayments:		
Showroom, warehouse and office rent	-	12,341,619
Insurance and others	32,251,942	44,965,068
	<u>32,251,942</u>	<u>57,306,687</u>
	<u>236,462,896</u>	<u>294,088,849</u>
12.1 VAT and supplementary duty (SD)		
Balance as at 1 January	-	43,059,080
Add: Treasury deposit for SD & VAT purpose	-	1,393,000,000
Rebate of input VAT	-	418,046,905
	<u>-</u>	<u>1,854,105,985</u>
Less: SD & VAT on sales	-	1,805,059,097
Other payable	-	2,705,815
	<u>-</u>	<u>1,807,764,912</u>
Balance as at 31 December	<u>-</u>	<u>46,341,073</u>
Due to introduction of new SD & VAT Act, SD & VAT now require to deposit within 15 days of next month instead of advance. Therefore instead of advance it is now shown as payable in note no. 22.1		
13 Advance Income Tax		
Balance as at 1 January	2,841,236,116	2,575,003,527
Add: Paid during the year	265,344,903	266,232,589
Balance as at 31 December (Note -13.1)	<u>3,106,581,019</u>	<u>2,841,236,116</u>

	2019	2018
	Taka	Taka
13.1 Year wise closing balance		
Income year		
Year 2019	215,167,478	
Year 2018	270,464,119	220,286,694
Year 2017	295,460,648	295,460,648
Year 2016	242,216,508	242,216,508
Year 2015	138,288,579	138,288,579
Year 2014	253,701,667	253,701,667
Year 2013	352,440,807	352,440,807
Year 2012	301,027,378	301,027,378
Year 2011	322,755,413	322,755,413
Year 2010	263,692,205	263,692,205
Year 2009	218,086,876	218,086,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006 (Unadjusted balance)	23,087,333	23,087,333
	3,106,581,019	2,841,236,116
14 Cash and cash equivalents		
Cash in hand	3,318,879	4,738,666
Cash at banks		
HSBC (current account - 001-013432-011 - BDT)	19,762,353	43,906,323
Standard Chartered Bank (current account - 01-6162940-01 - BDT)	180,535,362	26,594,643
Brac Bank (current account - 1530301731248001 - BDT)	39,046,938	7,022,039
Citibank N.A. (current account - G010000200262018 - BDT)	161,889	167,340
Dutch Bangla Bank Ltd. (current account - 117 - 110 - 12733 - BDT)	2,000	-
HSBC (ERQ account - 001-013432-047 - USD)	-	15,969,457
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	11,995,287	713,861
Standard Chartered Bank (Margin Money account)	12,507,995	515,747
DBBL (Margin Money account)	246,006	-
UCB (SND account - 0831301000000164 BDT)	27,528,317	9,233,763
EBL (SND account - 1131350237146 - BDT)	96,642,480	48,550,824
EBL (SND account - 1131350237393 (WH) - BDT)	4,980	-
DBL (SND - 102.150.274- BDT))	24,223,605	39,444,913
EXIM Bank (SND account - 01513100031877 - BDT)	510,116	493,820
Dutch Bangla Bank Ltd. (SND account - 117-120-589 - BDT)	68,605,781	102,678,556
Dutch Bangla Bank Ltd. (SND account - 117-120-376 (WH)- BDT)	128,657	-
BRAC Bank (STD - 1513101731248001 - BDT)	362,785	360,789
Prime Bank Ltd. (SND - 12531010022563 - BDT)	27,898,730	5,741,297
Commercial Bank of Ceylon (CD - 1817000776 - BDT)	22,154	9,811
Commercial Bank of Ceylon (SND - 2817000777 - BDT)	52,176,242	65,731,073
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	52,844,530	30,234,528
	615,206,207	397,368,784
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,431,487	2,437,422
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	3,919,501	3,916,999
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262026 - EURO)	153,606	153,455
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262034 - GBP)	126,599	126,440
	6,631,193	6,634,316
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,610,821	2,614,781

	2019	2018
	Taka	Taka
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,196,201	2,200,512
SCB (Current - 02-6162940-02 - BDT) - 2012	3,873,556	3,858,070
SCB (Current - 02-6162940-03 - BDT) - 2013	16,882,899	16,816,804
SCB (Current - 02-6162940-04 - BDT) - 2014	5,006,270	4,986,605
SCB (Current - 02-6162940-05 - BDT) - 2015	3,847,241	3,832,380
SCB (Current - 02-6162940-06 - BDT) - 2016	4,307,616	4,326,361
SCB (Current - 02-6162940-07 - BDT) - 2017	1,715,963	1,790,467
SCB (Current - 02-6162940-08 - BDT) - 2018	2,199,822	-
	<u>42,640,389</u>	<u>40,425,980</u>
Investment in Fixed Deposit Receipt (FDR)		
HSBC	10,000,000	10,000,000
Eastern Bank Ltd.	250,000,000	150,000,000
Dhaka Bank Ltd.	500,000,000	150,000,000
Meghna Bank Ltd.	-	5,000,000
	<u>760,000,000</u>	<u>315,000,000</u>
	<u>1,427,796,668</u>	<u>764,167,746</u>

15 Share Capital

Authorised :

600,000,000 ordinary shares of Tk 10 each

6,000,000,000 6,000,000,000

Issued, subscribed, called and paid up

427,968,701 ordinary shares of Tk 10 each

4,279,687,010 3,890,624,560

Percentage of shareholdings :	2019		2018	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,915,864,310	68.13	2,650,785,740
SAK Ekramuzzaman	3.95	168,958,240	3.95	153,598,410
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	340	0.00	310
Sheikh Omer Bin Saqr Al Qassimi	0.00	340	0.00	310
Sheikh Ahmad Bin Humaid al Qassimi	0.00	340	0.00	310
Hamad Abdulla Al Muttawa	0.00	160	0.00	150
Dr. Khater Massaad	0.00	160	0.00	150
Abdallah Massaad	0.00	160	0.00	150
Manoj Uttamrao Ahire	0.00	160	0.00	150
General Public	27.92	1,194,862,800	27.92	1,086,238,880
	<u>100.00</u>	<u>4,279,687,010</u>	<u>100.00</u>	<u>3,890,624,560</u>

The company was incorporated on 26th of November 1998 with paid up capital of BDT 1,000 and subsequently has issued ordinary shares including bonus shares in several dates i.e. 30 September 2000, 30 October 2005, 15 June 2009, 28 July 2009, 31 January 2010, 24 May 2010, 20 March 2011, 15 April 2012, 10 April 2013, 02 April 2014, 29 March 2017, 18 April 2018 and 09 April 2019.

Classification of shareholders by range:

Shareholder's range	Number of shareholders		Number of shares	
	2019	2018	2019	2018
Less than 500 shares	20,366	22,333	4,995,826	5,070,691
501 to 5,000 shares	8,198	8,992	13,460,461	14,323,202
5001 to 10,000 shares	1,031	1,018	7,277,910	7,132,096
10,001 to 20,000 shares	527	521	7,320,397	7,268,499
20,001 to 30,000 shares	167	152	4,076,759	3,787,490
30,001 to 40,000 shares	70	73	2,404,839	2,520,150
40,001 to 50,000 shares	48	48	2,143,014	2,169,779
50,001 to 100,000 shares	106	93	7,222,580	6,487,948
100,001 to 1,000,000 shares	100	92	25,398,876	24,171,658
Over 1,000,000 shares	15	13	353,668,039	316,130,943
	30,628	33,335	427,968,701	389,062,456

16 Share premium

On 31 January, 2010, company issued 10,000,000 ordinary shares in favor of institutional shareholder and employees per share BDT 40 (include BDT 30 as premium). On 24 May, 2010 Company again issued 34,510,000 ordinary shares through IPO per share BDT 48 (include BDT 38 as premium). Details reconciliation shown below:

No. of shares	Share premium (per share)	2019	2018
		Taka	Taka
10,000,000	30	300,000,000	300,000,000
34,510,000	38	1,311,380,000	1,311,380,000
		1,611,380,000	1,611,380,000
Less; Share issue expenses		137,732,021	137,732,021
		1,473,647,979	1,473,647,979

17 Reserve and surplus

Balance as on 01 January	1,624,536,295	1,448,741,753
Less: Adjustment for prior year (Leases)	(3,131,591)	-
Add : Profit during the year	793,650,022	883,180,833
	2,415,054,726	2,331,922,586
Less: Dividend declared during the year	(778,124,906)	(707,386,291)
Balance as at 31 December	1,636,929,820	1,624,536,295

Detail movement for reserve and surplus shown under statement of changes in equity.

18 Deferred tax liabilities

Balance as at 1 January	166,024,078	143,966,583
Deferred tax (income) / expenses	(4,152,154)	22,057,495
Balance as at 31 December	161,871,924	166,024,078

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2019			
Property, plant and equipment (Excluding land and others)	2,644,036,865	1,940,069,180	703,967,685
Trade receivable	791,627,927	800,414,926	(8,786,999)
Inventory	2,716,061,804	2,763,754,793	(47,692,989)
Net taxable temporary difference			647,487,697
Deferred tax liability (applying tax rate 25.00%)			161,871,924
As at 31 December 2018			
Property, plant and equipment (Excluding land and others)	2,828,293,093	2,161,034,418	667,258,675
Trade receivable	781,562,088	784,724,450	(3,162,362)
Net taxable temporary difference			664,096,313
Deferred tax liability (applying tax rate 25.00%)			166,024,078

19

Employees benefits payable

	2019		
	Provident fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	55,735,470	29,250,807	84,986,277
	55,735,470	29,250,807	84,986,277
Less: Payments made to fund during the year	55,735,470	29,250,807	84,986,277
Balance as at 31 December	-	-	-
	2018		
	Provident fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	56,783,902	29,464,099	86,248,001
	56,783,902	29,464,099	86,248,001
Less: Payments made to fund during the year	56,783,902	29,464,099	86,248,001
Balance as at 31 December	-	-	-

	2019	2018
	Taka	Taka
20 Borrowings		
Non-current:		
Term loan -HSBC	89,232,918	362,201,591
Less current portion of long term loan -HSBC	(89,232,918)	(273,998,242)
	-	88,203,349
Current:		
Overdraft - DBBL	-	35,654,174
Current portion of long term loan - HSBC	89,232,918	273,998,242
	89,232,918	309,652,416
Balance as at 31 December	89,232,918	397,855,765

20.1 Borrowings by maturity

At 31 December 2019	< 1 year	1-2 years	Total
Term loan	89,232,918	-	89,232,918
	89,232,918	-	89,232,918
At 31 December 2018	< 1 year	1-2 years	Total
Overdrafts	35,654,174	-	35,654,174
Term loan	273,998,242	88,203,349	362,201,591
	309,652,416	88,203,349	397,855,765

The company enjoys off-shore financing from HSBC, SCB & CBC on its outstanding import bills as deferred payment bills under letter of credits.

20.2 Facilities details (Funded)

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft	50,000,000	-	Revolving	From company's own source	1) Letter of comfort, 2) Hypothecation over plant & machinery on parri - passu basis with other lenders.	1) Land, 2) Plant and machinery of the expansion plant.
	Short term loan	350,000,000	-	180/360 days from B/L date	From company's own source		
HSBC	Overdraft	25,000,000	-	Revolving	From company's own source	3) Hypothecation over stock & book debts on a parri - passu basis with other lenders. 4) Demand promissory note.	
	Short term loan	540,000,000	-	180/360 days from B/L date	From company's own source		
	Long term loan	1,366,872,000	89,232,918	5 years			
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	-	Revolving	From company's own source		
	Short term loan	90,000,000	-	180/360 days from B/L date	From company's own source		
Commercial Bank of Ceylon	Overdraft	25,000,000	-	Revolving	From company's own source		
	Short term loan	300,000,000	-	180/360 days from B/L date	From company's own source		

	2019 Taka	2018 Taka
21 Lease liability		
Non-current:		
Lease liability	38,473,003	-
Less : Current portion of lease liability	9,098,137	-
	29,374,867	
Current:		
Current portion of lease liability	9,098,137	-

Liability schedule

Particulars	Balance as on 01 January 2019	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2019
Display center	46,374,623	(30,048,249)	7,049,344	2,306,778	4,742,566	11,583,808
Accommodation Building	2,319,576	655,543	1,602,312	185,750	1,416,562	1,558,557
Warehouse	-	28,907,529	6,050,262	2,473,372	3,576,890	25,330,639
	48,694,199	(485,177)	14,701,918	4,965,900	9,736,019	38,473,003

22 Trade and other payables

	2019 Taka	2018 Taka
Trade payables		
Payable to local suppliers	91,474,988	106,553,005
Payable to foreign suppliers	334,034,758	265,572,347
Payable to service provider	102,705,441	132,639,732
Payable to C & F agent and freight forwarder	18,884,970	11,187,712
	547,100,157	515,952,796
Other payables		
Tax deducted at source	19,471,170	17,370,004
VAT deducted at source	5,547,759	5,481,985
VAT and Supplementary duty payable (Note-22.1)	101,875,164	-
Dividend Payable	41,670,516	39,574,191
Unclaimed share application	20,810,756	20,818,916
Advance from customer against sales	13,451,556	10,172,837
Provisional liabilities - material & services	1,267,333	23,182,446
Payable to employees	1,202,084	658,229
Security deposit payable	1,617,592	1,617,592
	206,913,930	118,876,200
	754,014,087	634,828,996

	2019	2018
	Taka	Taka
22.1 VAT and Supplementary duty (SD) payable		
VAT and Supplementary duty on sales	1,827,830,290	-
Payable - SD & VAT	107,215,433	-
Other payable	3,336,899	-
	<u>1,938,382,622</u>	<u>-</u>
Less: Balance as at 1 January	46,341,073	-
Treasury deposit for SD & VAT purpose	1,267,336,620	-
Rebate of input VAT	522,829,766	-
	<u>1,836,507,459</u>	<u>-</u>
Balance as at 31 December	<u>101,875,164</u>	<u>-</u>
Due to introduction of new SD & VAT Act, SD & VAT now require to deposit within 15 days of next month instead of advance. Therefore instead of advance it is now shown as payable.		
23 Accrued expenses		
Power and gas	22,761,878	19,663,377
Staff cost	117,084,602	91,178,688
Audit fees	1,400,000	1,400,000
Taxation matter	400,000	400,000
Interest on loan	1,554,585	52,889
Telephone	232,907	233,867
Provision for labour bill	1,345,000	-
Provision for freight	1,114,737	6,236,754
Managing Director's remuneration (Note-23.1)	35,910,357	39,943,228
Workers profit participation and welfare fund (Note-23.2)	52,965,129	58,913,315
Royalty and technical know-how fee (Note-23.3)	287,408,635	284,211,437
	<u>522,177,830</u>	<u>502,233,555</u>
23.1 Managing Director's remuneration		
Balance as at 1 January	39,943,228	45,725,177
Add: Payable to Managing Director during the year	35,910,357	39,943,228
	<u>75,853,585</u>	<u>85,668,405</u>
Less: Paid to Managing Director during the year	39,943,228	45,725,177
Balance as at 31 December	<u>35,910,357</u>	<u>39,943,228</u>
23.2 Workers' profit participation and welfare fund		
Balance as at 1 January	58,913,315	67,441,264
Add: Contribution made to the fund during the year	52,965,129	58,913,315
	<u>111,878,444</u>	<u>126,354,579</u>
Less: Payment made from the fund during the year	58,913,315	67,441,264
Balance as at 31 December	<u>52,965,129</u>	<u>58,913,315</u>

	2019	2018
	Taka	Taka
23.3 Royalty and technical know-how fees		
Balance as at 1 January	284,211,437	191,852,419
Add: Provision made during the year	84,744,206	94,261,305
	<u>368,955,643</u>	<u>286,113,724</u>
Less: Payment made during the year	81,547,008	1,902,287
Balance as at 31 December	<u>287,408,635</u>	<u>284,211,437</u>
24 Provision for income Tax		
Balance as at 1 January	3,227,086,779	2,954,058,798
Add: Provision made during year	269,804,714	273,027,981
Balance as at 31 December (note 24.1)	<u>3,496,891,493</u>	<u>3,227,086,779</u>
24.1 Year wise closing balance		
Income year		
Year 2019	269,804,714	-
Year 2018	273,027,981	273,027,981
Year 2017	297,112,555	297,112,555
Year 2016	253,189,745	253,189,745
Year 2015	274,419,022	274,419,022
Year 2014	339,893,487	339,893,487
Year 2013	318,166,647	318,166,647
Year 2012	305,056,869	305,056,869
Year 2011	323,149,311	323,149,311
Year 2010	348,965,691	348,965,691
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	<u>3,496,891,493</u>	<u>3,227,086,779</u>

25 Sales

	Unit	2019		2018	
		Quantity	Amount	Quantity	Amount
		in million	Taka	in million	Taka
Local					
Tiles	Sft	86.22	6,178,147,485	82.25	5,874,735,827
Decor/Border	Pcs	0.37	39,660,138	0.51	54,752,001
Sanitary ware	Pcs	1.43	2,636,589,379	1.48	2,741,024,672
			8,854,397,002		8,670,512,500
Less: Supplementary Duty			670,842,773		674,107,884
			8,183,554,229		7,996,404,616
Less: VAT			1,160,324,403		1,133,657,027
			7,023,229,826		6,862,747,589
Export					
Tiles	Sft	0.33	14,837,726	0.42	20,558,519
Sanitary ware			-	0.000135	1,461,038
			7,038,067,552		6,884,767,146
Less: Discount			47,695,679		115,868,831
Less: Commission, incentive and bonus (note - 25.1)			582,367,046		499,700,433
			6,408,004,827		6,269,197,882

25.1 Commission, incentive and bonus

Dealer's commission	129,982,592	125,736,792
Breakage commission	140,036,687	140,725,943
Incentive and bonus	312,347,767	233,237,698
	582,367,046	499,700,433

2019

Taka

2018

Taka

26 Cost of sales

Materials consumed:

Opening inventory as on 01 January	839,612,529	655,088,511
Add:Purchase during the year	2,093,277,302	2,548,824,346
Less:Closing inventory as on 31 December	818,594,596	839,612,529
	2,114,295,235	2,364,300,328

Factory overhead:

Direct labour (note-26.1)	548,032,235	539,316,207
Direct expenses:		
Power and gas	579,941,454	605,993,780
Repairs and indirect materials (note-26.2)	636,845,559	730,309,319
Moulds and punches		
Depreciation	362,506,495	359,541,207
Royalty and technical know-how fees	84,744,206	94,261,305
Other production overhead (note-26.3)	40,244,630	94,370,659
Provision for slow moving & obsolete inventories (note 10)	37,191,480	-
Movement in stock	204,272,788	(368,660,843)
	4,608,074,082	4,419,431,962

	2019	2018
	Taka	Taka
26.1 Direct labour		
Salary & wages	341,738,057	321,317,050
Overtime	23,864,555	31,392,567
Bonus	64,460,325	44,514,618
Incentive	-	506,527
Temporary labour wages	67,609,061	96,441,332
Gratuity	19,705,388	19,955,924
Employers contribution to provident fund	18,346,773	18,924,468
Leave encashment	9,201,840	3,922,416
Group life insurance	2,153,681	1,911,903
Compensation	952,555	429,402
	548,032,235	539,316,207
26.2 Repairs and indirect materials		
Stores, spares, repair & maintenance	286,883,145	336,140,683
Packing expenses	349,962,414	394,168,636
	636,845,559	730,309,319
26.3 Other production overhead		
Hotel fare and tour expenses	3,675,774	5,163,985
Demurrage	2,384,244	14,254,258
Insurance	25,508,575	19,506,303
Write off for stores, consumables and packing	-	31,843,008
Hiring charges and transportation	6,163,396	17,116,989
Other expenses	2,512,641	6,486,116
	40,244,630	94,370,659
27 Other income		
Dividend income	86,949,600	85,959,600
Rental income	17,184,211	14,612,571
Profit on sale of fixed assets (note - 5.3)	60,627	77,308
Gain on retirement of right of use assets (note 6.1)	1,656,762	-
Insurance claim	38,287,131	56,976,730
	144,138,331	157,626,209

	<u>2019</u>	<u>2018</u>
	<u>Taka</u>	<u>Taka</u>
28 Administrative expenses		
Staff cost (note-28.2)	182,280,806	171,582,695
Annual General Meeting expenses	5,062,006	16,232,436
Telephone and postage	5,233,070	2,950,721
Office repair and maintenance (note-28.3)	10,515,542	7,896,251
Registration and renewal	782,400	1,778,930
Security and guard expenses	12,835,911	11,997,447
Electricity, gas and water	8,266,362	7,307,213
Depreciation on property, plant & equipment (note - 5.2)	33,790,081	33,293,725
Depreciation on investment property (note - 5.2)	10,532,101	10,532,101
Depreciation on right of use assets (note-6)	1,458,868	-
Amortization	6,192,863	5,462,966
Legal and professional fees	9,731,184	6,320,055
Vehicle repair and maintenance	13,449,291	10,569,005
Rent rate and tax	2,772,959	4,536,578
Loss on retirement of fixed assets	10,204,172	-
IT expenses	5,284,353	4,231,184
General Servicing	10,615,266	8,893,019
Donation	1,102,500	4,053,037
Others	11,181,972	6,228,463
Managing Director's remuneration (note-28.4)	35,910,357	39,943,228
	<u>377,202,064</u>	<u>353,809,055</u>
Rent, rates and taxes includes rent expenses for short term lease for BDT. 156,000 and related government levies wherever applicable. Details of the short term lease is shown in note no 35. No low value item exists at the reporting period.		
28.1 Impairment loss on trade receivable		
Unrelated parties	2,291,988	36,313
Related parties	3,332,649	3,126,049
	<u>5,624,637</u>	<u>3,162,362</u>
New classification of financial assets shown in note 37.1(b). Impairment loss allowance has not been considered on other receivables and bank balances because business is confident to recover the full amount from the party.		
28.2 Staff cost		
Salary & wages	126,494,586	125,584,546
Overtime	30,166	-
Bonus	22,725,164	18,415,868
Incentive	-	258,649
Gratuity	6,990,369	7,275,781
Employers contribution to provident fund	6,830,379	7,263,897
Leave encashment	5,364,745	1,475,848
Group life insurance	780,020	721,751
Canteen and conveyance expenses	8,457,825	6,856,371

	2019	2018
	Taka	Taka
Staff uniform expenses	8,450	11,500
Travelling expenses	1,503,762	2,506,204
Compensation	129,002	-
Medical expenses	1,262,481	1,094,402
Accommodation expenses	1,703,857	117,878
	<u>182,280,806</u>	<u>171,582,695</u>
28.3 Office repair & maintenance		
Repairs office equipment	756,985	104,211
Office maintenance	9,758,557	7,792,040
	<u>10,515,542</u>	<u>7,896,251</u>
28.4	This represents provision made @ 3% of net profit before tax.	
29 Marketing & selling expenses		
Staff cost (note-29.1)	64,753,904	51,261,487
Advertisement	33,829,109	8,800,695
Freight and transportation	265,406,265	271,435,892
Compensation	11,826,912	16,068,593
Business promotion	36,410,305	30,262,071
Depreciation on property, plant & equipment	5,461,681	4,436,808
Depreciation on right of use assets (note-6)	14,156,874	-
Showroom, office & house rent	5,047,545	18,562,018
Sample expenses	9,936,512	3,999,199
Travel, entertainment and others	5,681,880	3,378,539
	<u>452,510,987</u>	<u>408,205,302</u>
	Showroom, office and house rent includes rent expenses for short term lease for BDT. 1,234,000 and related government levies wherever applicable. Details of the short term lease is shown in note no 35. No low value item exists at the reporting period.	
29.1 Staff cost		
Salary & wages	42,928,822	36,175,609
Bonus	8,927,627	3,949,114
Incentive	173,977	1,131,016
Gratuity	2,555,050	2,232,394
Employers contribution to provident fund	2,314,906	2,203,586
Leave encashment	1,649,726	445,054
Group life insurance	237,722	216,470
Compensation	139,920	-
Conveyance and food expenses	5,758,730	4,829,060
Staff uniform expenses	67,424	79,184
	<u>64,753,904</u>	<u>51,261,487</u>

		2019	2018		
		Taka	Taka		
29.2	Salary & wages under staff cost (note no. 26.1, 28.2 & 29.1) includes employee contribution to provident fund for BDT.18,346,773, BDT. 6,830,379 & BDT. 2,314,906.				
30	Finance income				
	Interest on bank account (SND)	5,904,922		5,105,100	
	Interest on Fixed deposits	24,691,560		26,945,944	
		30,596,482		32,051,044	
31	Finance expenses				
	Interest expenses against Loan	12,772,822		34,292,199	
	Interest expenses against lease liability	4,965,900		-	
	Bank charges	2,390,828		1,803,887	
	Foreign exchange loss/(gain)	6,930,609		990,744	
		27,060,159		37,086,830	
32	Income tax expenses				
	Current year	269,804,714		273,027,981	
		269,804,714		273,027,981	
33	Reconciliation of effective tax rate				
		2019		2018	
		%	Taka	%	Taka
	Profit before tax		1,059,302,582		1,178,266,309
	Current tax expenses	25.47%	269,804,714	23.17%	273,027,981
	Deferred tax expenses	-0.39%	(4,152,154)	1.87%	22,057,495
	Total tax expenses	25.08%	265,652,560	25.04%	295,085,476
	Expected income tax using applicable tax rate	25.00%	264,825,645	25.00%	294,566,577
	Tax on non-deductible expenses	0.47%	4,979,068	-1.83%	(21,538,597)
	Effective current tax	25.47%	269,804,714	23.17%	273,027,981
	Effective deferred tax	-0.39%	(4,152,154)	1.87%	22,057,495
		25.08%	265,652,560	25.04%	295,085,476

		2019	2018
		Taka	Taka
34	Transaction in foreign currency		
	CIF value of import:		
	Raw materials	1,552,832,480	1,880,891,907
	Spare parts	230,672,877	282,898,577
	Capital machinery	133,001,302	79,174,533
	Expenditure:		
	Royalty, consultancy & training fees	61,160,256	1,428,155
	Dividend	251,824,645	228,935,404
		2,229,491,560	2,473,328,576
	Earning		
	FOB value of exports	14,837,726	22,019,557
		14,837,726	22,019,557

35	Short term lease expenses			
	Nature of the lease	Lease term	Allocation	Rent Payment
	Nature of the lease	<1 year	Marketing	1,234,000
	Rented accomodation	<1 year	Admin	156,000
	Rented accomodation			1,390,000

36 Quantitative details of opening stock, purchase/production, consumption/sales and closing stock of raw materials and finished goods

Description	Unit	Quantity in million			
		Opening stock	Purchase / Production	Sale / Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials	KG				
Current year		110.13	246.56	232.21	124.47
Previous year		122.10	240.84	252.81	110.13
Finished goods					
Tiles:	Sft				
Ceramics/granite					
Current year		21.82	82.66	86.55	17.93
Previous year		12.26	92.24	82.68	21.82
Decor/border	Pcs				
Current year		0.14	0.35	0.37	0.12
Previous year		0.16	0.49	0.51	0.14
Sanitaryware:					
Sanitary items	Pcs				
Current year		0.13	1.42	1.42	0.13
Previous year		0.12	1.49	1.48	0.13

36.1 Production capacity and actual production are given below:**2019**

Production	Unit	Installed Capacity (million)	Utilisation during the year (million)	% of Utilisation	Over/ (Under) Utilisation (million)
		Annual			
Tiles	Sft	111.04	82.66	74%	(28.38)
Sanitary ware	Pcs	1.45	1.42	98%	(0.03)

2018

Production	Unit	Installed Capacity (million)	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
		Annual			
Tiles	Sft	111.04	92.24	83%	(18.80)
Sanitary ware	Pcs	1.45	1.49	102%	0.04

37 Financial risk management

The management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

37.1 Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	USD		Amounts in Taka	
	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018
Trade receivables				
Customer-Local	-	-	785,054,890	781,562,088
Customer-Export	78,297	-	6,573,037	-
	78,297	-	791,627,927	781,562,088

	USD		Amounts in Taka	
	As at 31 Dec 2019	As at 31 Dec 2018	As at 31 Dec 2019	As at 31 Dec 2018
Other receivables				
Receivable against insurance claim			38,287,131	56,976,730
Accrued rental income			-	5,925,000
Accrued Interest			8,029,303	2,838,414
			46,316,434	65,740,144
Cash equivalents			1,424,477,789	759,429,080

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2019.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment loss (Refer note-11.1)
Trade receivable-unrelated	11.1	Loan & receivable	Amortized cost	305,495,555	303,167,254	2,328,301
Trade receivable-related	11.1	Loan & receivable	Amortized cost	494,919,371	488,460,673	6,458,698
Cash & cash equivalent	14	Loan & receivable	Amortized cost	1,424,477,789	1,424,477,789	-

- i The above table provides information ECLs till date. Impairment provision till Dec 2018 was Tk. 3,162,362 and provision made during the year is Tk. 5,624,637.
- ii Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current year on transition to IFRS 9.
- iii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current year on transition to IFRS 9.

c) Ageing of receivables

The aging of trade receivables as at 31 December was:

	Amount in Taka	
	As at 31 Dec 2019	As at 31 Dec 2018
Not past due	744,018,786	739,002,736
0-90 days past due	25,698,995	10,052,893
91-180 days past due	14,272,937	15,954,932
181-365 days past due	2,834,611	8,326,591
over 365 days past due	4,802,598	8,224,936
	791,627,927	781,562,088

37.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on timeline of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. Moreover, the Company seeks to maintain short term lines of credit with scheduled commercial banks to ensure payment of obligations in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flows projections and credit lines facilities with banks are negotiated accordingly.

The following are the contractual maturities of financial liabilities of the Company:

	As at 31 Dec 2019			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Long term borrowing (foreign)	89,232,918	89,232,918	89,232,918	-
Trade and other payables	754,014,087	754,014,087	754,014,087	-
	843,247,005	843,247,005	843,247,005	-
	As at 31 Dec 2018			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Overdrafts	35,654,174	35,654,174	35,654,174	-
Long term borrowing	362,201,591	362,201,591	273,998,242	88,203,349
Trade and other payables	634,828,996	634,828,996	634,828,996	-
	1,032,684,761	1,032,684,761	944,481,412	88,203,349

37.3 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) Currency risk

The Company is exposed to currency risk on certain revenues and purchase of raw material, spare parts, accessories and capital item. Majority of the company's foreign currency purchase are denominated in USD and EURO. All the export proceeds are receipt in USD, 50% of export proceeds are crediting to export retention quota account and rest of the 50% are converted to Taka and crediting to company's current account.

i) Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts (in Taka):

	As at 31 Dec 2019				As at 31 Dec 2018			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated assets								
Receivable from customers-Export	-	-	78,297	-	-	-	-	-
Cash at bank	-	-	141,204	-	-	-	198,729	-
	-	-	219,501	-	-	-	198,729	-

	As at 31 Dec 2019				As at 31 Dec 2018			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated liabilities								
Trade and other payables	-	132,189	2,201,698	1,373,117	26,250	164,612	2,246,077	604,904
Long term borrowings (foreign)	-	-	1,050,417	-	-	-	4,314,492	-
Royalty & Technical Fees	-	-	3,383,268	-	-	-	3,385,485	-
	-	132,189	6,635,383	1,373,117	26,250	164,612	9,946,053	604,904
Net exposure	-	(132,189)	(6,415,882)	(1,373,117)	(26,250)	(164,612)	(9,747,325)	(604,904)

The Company has foreign exchange loss of Tk 6,930,609 during the year ended 31 Dec 2019 (31 Dec 2018: Exchange loss Tk 990,744).

The following significant exchange rates have been applied:

	Exchange rate (Average)	
	As at 31 Dec 2019	As at 31 Dec 2018
AED	23.0627	22.7911
GBP	111.3664	106.2826
USD	84.4500	83.4500
EURO	95.0948	95.5444

ii) **Foreign exchange rate sensitivity analysis for foreign currency expenditures**

A strengthening or weakening of the Taka, as indicated below, against the AED, GBP, USD, EURO at 31 Dec would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31 Dec 2019		As at 31 Dec 2018	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
At 31 December				
AED (3 percent movement)	-	-	(812)	765
GBP (3 percent movement)	(4,088)	3,850	(5,091)	4,795
USD (3 percent movement)	(198,429)	186,870	(301,464)	283,903
EURO (3 percent movement)	(42,468)	39,994	(18,708)	17,619

b) **Interest rate risk**

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	Amount in Taka	
	As at 31 Dec 2019	As at 31 Dec 2018
Fixed rate instruments		
Financial assets		
Investment in FDR	760,000,000	315,000,000
Cash at banks	664,477,789	444,429,080
Financial liabilities		
Overdrafts	-	35,654,174
Long term borrowing	89,232,918	362,201,591

Fair value of financial assets and liabilities of the Company together with carrying amount shown in the statement of financial position are as follows:

	Amount in Taka As at 31 Dec 2019		Amount in Taka As at 31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held to maturity assets				
Investment in FDR	760,000,000	760,000,000	315,000,000	315,000,000
Loans and receivables				
Trade receivables	791,627,927	791,627,927	781,562,088	781,562,088
Other receivables	46,316,434	46,316,434	65,740,144	65,740,144
Cash equivalents	1,424,477,789	1,424,477,789	759,429,080	759,429,080
Financial liabilities				
Liabilities carried at amortised costs				
Overdrafts	-	-	35,654,174	35,654,174
Long term borrowing (foreign)	89,232,918	89,232,918	362,201,591	362,201,591
Trade and other payables	754,014,087	754,014,087	634,828,996	634,828,996

Accounting classification and fair values as at 31 December 2019 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

The interest rates used to discount estimated cash flows, when applicable were as follows:

	As at 31 Dec 2019	As at 31 Dec 2018
	Investment in FDR (local currency/BDT)	3.50%-10.50%
Bank overdraft (local currency/BDT)	8%-10.50%	8%-10%
Short term bank loan (local currency/BDT)	9.50%-10%	8%-10%
Short term bank loan (foreign currency/USD)	Libor+2.75%	Libor+(2.75%-2.85%)
Long term bank loan (foreign currency/USD)	Libor+3%	Libor+3%

38 Related party disclosures under IAS-24

List of related parties with whom transactions have taken place and their relationship as identified and certified by management:

Amount in Taka

Name of related party	Relationship	Security/ Gurantee status	Bad debts Status	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Dividend income
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	350,456,021	11,064,211	-	69,096,649	-	81,999,600
				Previous year	392,089,748	6,152,571	-	98,658,782	-	81,999,600
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	52,160,129	-	-	6,400,853	-	4,950,000
				Previous year	95,939,059	-	-	19,908,164	-	3,960,000
RAK Ceramics -PJSC, UAE	Parent	Unsecured	Nil	Current year	22,466,247	-	-	24,122,508	-	-
				Previous year	29,055,626	-	-	25,144,693	-	-
Ceramim FZ LLC	Fellow subsidiary	Secured	Nil	Current year	392,749,682	-	-	81,573,238	-	-
				Previous year	509,397,456	-	-	83,236,425	-	-
Julphar Pharmaceuticals Ltd.	Other related party	Unsecured	Nil	Current year	-	2,520,000	-	-	-	-
				Previous year	-	4,860,000	3,645,000	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	419,421	3,600,000	5,144	-	-	-
				Previous year	1,796,925	3,600,000	2,280,000	-	-	-
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	68,191,789	-	-	10,047,843	-	-
				Previous year	76,073,703	-	-	12,706,166	-	-
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	14,711,593	-	-	722,088	-	-
				Previous year	18,684,918	-	-	865,356	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	353,672	-	-	-	-	-
				Previous year	2,401,433	-	-	24,544	-	-
Green Planet Communications	Other related party	Unsecured	Nil	Current year	379,457	-	-	-	-	-
				Previous year	9,584,482	-	-	48,720	-	-
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	780,380	-	-	17,595	-	-
				Previous year	717,674	-	-	-	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	39,045,942	-	-	5,772,579	-	-
				Previous year	118,354,894	-	-	8,046,142	-	-
Mohammed Trading	Other related party	Secured by Guaranteed Cheque	Nil	Current year	-	2,384,669,868	494,919,371	-	-	-
				Previous year	-	2,277,534,117	520,382,927	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current year	2,563,008	-	-	35,910,357	35,910,357	-
				Previous year	2,193,288	-	-	39,943,228	39,943,228	-
Imtiaz Hussain	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	-	10,367,732	-
				Previous year	-	-	-	1,123,305	10,793,225	-

39 Number of employees

The number of employees engaged for the period who received total remuneration of Taka 60,000 and above per annum at reporting date was as follows.

	2019	2018
Number of employees	1,582	1,866

None of receiving below Taka 5,000 per month.

40 Earnings per share (EPS)

Calculation of earnings per share (EPS) is as under:

	2019	2018
	Taka	Taka
Earnings attributable to the ordinary shareholders		
Profit for the year	793,650,022	883,180,833
No. of ordinary equity shares	427,968,701	427,968,701
Weighted average no. of equity shares outstanding (Note 40.1)	427,968,701	427,968,701
Earnings per share (EPS) for the year	1.85	2.06
Diluted earnings per share for the year	1.85	2.06
Net assets value per share	17.27	17.96
Net operating cash flow per share	3.45	1.11

40.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

	2019	2018
Outstanding shares	389,062,456	389,062,456
Effect of issue of bonus shares for the year 2018	38,906,245	38,906,245
	427,968,701	427,968,701

40.2 Diluted earning per share

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during these years.

40.3 Reason of deviation of earnings per share:

The expenditure increased due to normal increase in salary & wages and also incremental amounts in respect of dealers performance incentives, inventory provisioning based on ageing analysis.

41 Reason of deviation of net operating cash flow per share:

The company registered improvement in cash inflows from customers as well as better credit term with suppliers in the year as compared to previous year.

	2019	2018
	Taka	Taka
41.1 Reconciliation of operating cash flow:		
Cash flows from operating activities		
Profit before taxation	1,059,302,582	1,178,266,309
Adjustment for:		
Depreciation	427,906,099	407,803,841
Amortization	6,192,863	5,462,966
Loss on assets retirement	10,204,172	-
Advance rent adjustment	(13,852,346)	-
Foreign exchange loss	6,930,609	990,744
Finance expenses	20,129,550	36,096,086
Finance income	(30,596,482)	(32,051,044)
Other income	(144,138,331)	(157,626,209)
	<u>1,342,078,716</u>	<u>1,438,942,694</u>
Increase/decrease in trade and other receivable	(10,065,839)	(288,753,071)
Increase/decrease in inventories	219,279,902	(467,414,003)
Increase/decrease in trade and other payables	186,439,196	53,435,957
Cash generated from operating activities	<u>1,737,731,978</u>	<u>736,211,575</u>
Interest received from bank deposit	5,904,922	5,105,100
Income tax paid	(265,344,903)	(266,232,589)
Net cash (used in)/from operating activities	<u><u>1,478,291,997</u></u>	<u><u>475,084,086</u></u>

42 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments, VAT claims and customs duty by the authority aggregating to Tk 888,227,095 (31 Dec 2018: Tk 992,574,842). Considering the merits of the cases, it has not been deemed necessary to make provisions for all such disputed claims.

There is also contingent liability in respect of outstanding letters of credit of Tk 228,072,306 (31 Dec 2018: Tk 307,987,626) and letter of guarantee of Tk 77,720,974 (31 Dec 2018: Tk 57,453,148).

43. Events after the reporting period

43.1 Declaration of dividend and date of Annual General Meeting (AGM)

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held in February 04, 2020, has unanimously recommended cash dividend @ 15% of the paid up capital of the company for the year ended 31 December 2019 equivalent to BDT. 641,953,052 to be distributed as cash dividends among share holders, which is more than 30% of the current year profit. The dividends is subject to final approval by the shareholders at the forthcoming 31 March 2020 Annual General Meeting of the Company.

DIRECTORS' REPORT OF RAK POWER PVT. LTD



Dear Shareholders,

The Board of Directors of RAK Power Pvt. Ltd are pleased to present to you 15th Annual Report on the business and operations of your Company along with the audited Financial Statements of Account for the year ended 31st December 2019 for your consideration, approval and adoption.

Principal activities

The core objective of the Company is to set-up power generating plants and operate transmission & distribution system to sell the generated electric power to parent company, authorized legal entity and/or designated franchisee including group companies within geographical boundary of the Bangladesh. The Company, during its decade old existence, has constantly evolved to stay relevant to meet the needs of customers and contribute to the Group. It remains focused on building sustainable value to all our stakeholders while upholding the RAK values.

Performance of Power Generation

The power plant capacity was available in excess of 90% of installed capacity during the year 2019. Significant portion of generated power has primarily transmitted to meet the requirements of the parent company, RAK Ceramics (Bangladesh) Limited. Prior to 2018 available capacity of the plant was 9.5 MW out of installed capacity 10MW. To support additional power requirement after expansion 4th Tiles plant and increased capacity of the existing Sanitary plant of RAK Ceramics (Bangladesh) Ltd, RAK-Power installed additional 1MW Caterpillar Generating plant in 2015 and 3MW MWM Generators in 2016. Until 2016 business was selling additional power to BREB & up to 2017 to Julphar Bangladesh Ltd however, the same arrangement was discontinued for uninterrupted supply to parent company. Since November 2019 business started selling additional power to Julphar Bangladesh Ltd and review re-

registration with BREB for selling power to fetch additional revenue.

Operating results

The operating results of the Company for the year ended 2019 are as follows:

Particulars	(Amount in BDT mn)	
	2019	2018
Sales	352.40	392.09
Gross Profit	82.75	135.28
Net Profit After Tax	50.67	86.45
Earnings Per Share (Absolute BDT)	24.72	42.17
Net Operating Cash Flow Per Share (NOCFPS)	44.39	46.83
Net Asset Value (NAV)	282.05	316.21
Net Asset Value per share (Absolute BDT)	137.59	154.25

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend @ 20 % of the paid-up capital of the Company for the year 2019. While recommending the dividend, the Board of Directors has considered the operational performance, business results, assets as at that date and working capital requirements for potential future expansions. The Company paid cash dividend @

40% of paid-up capital for the year 2018.

Auditors

ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), shall retire at the 15th Annual General Meeting and, being eligible, offer themselves for re-appointment. The Board has also recommended their re-appointment for the year 2020. Remuneration of the Auditor will be fixed by the shareholders at the 15th Annual General Meeting.

Post Balance Sheet events

There are no material events or developments that have occurred after the Balance Sheet/reporting date, the non-disclosure of which could affect the ability of the users of these financial statements to make an appropriate evaluation.

Appreciation

The Board would like to take this opportunity to place

on record their sincere appreciation to Government authorities, shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in enabling the Company to attain its objectives.

For and on behalf of the Board of Directors,



(Abdallah Massaad)

Chairman

February 04, 2020



RAK Power Pvt. Ltd.

**AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

as at 31 December 2019

RAK Power Pvt. Ltd.

Independent Auditor's Report

TO THE SHAREHOLDERS OF RAK POWER PVT. LTD.

Opinion

We have audited the accompanying financial statements of RAK Power Pvt. Ltd. which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 02-03.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as explained in note 02-03, and for such internal control as management determines is necessary

to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we could not obtain prior to the date of this auditors' report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Director's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of these books;
- c) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns.



ACNABIN
Chartered Accountants

RAK Power Pvt. Ltd.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	31 Dec 2019	31 Dec 2018
		Taka	Taka
Assets			
Property, plant and equipment	4	136,312,668	148,068,460
Right of use asset	5	2,833,258	-
Investment	6	287,500	287,500
Total non-current assets		139,433,426	148,355,960
Inventories	7	69,568,437	70,274,367
Trade and other receivables	8	71,502,631	98,829,655
Advances, deposits and prepayments	9	28,304,852	27,662,579
Advance income tax	10	308,327,274	266,386,881
Cash and cash equivalents	11	58,970,986	63,146,812
Total current assets		536,674,180	526,300,294
Total assets		676,107,606	674,656,254
Equity			
Share capital	12	205,000,000	205,000,000
Retained earnings	13	77,052,355	111,216,108
Total equity		282,052,355	316,216,108
Liabilities			
Deferred tax liability	14	30,174,899	32,064,091
Total non-current liabilities		30,174,899	32,064,091
Lease Liability	16	3,575,688	-
Trade and other payables	17	12,291,292	11,736,387
Accrued expenses	18	27,573,675	20,815,560
Provision for income tax	19	320,439,697	293,824,108
Total current liabilities		363,880,352	326,376,055
Total liabilities		394,055,251	358,440,146
Total equity and liabilities		676,107,606	674,656,254

The accompanying notes are an integral part of these financial statements.



Managing Director



Director

As per our report of same date



ACNABIN

Chartered Accountants

Dated, 04 February 2020

RAK Power Pvt. Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	31 Dec 2019 Taka	31 Dec 2018 Taka
Sales	20	352,402,088	392,089,748
Cost of sales	21	(269,648,146)	(256,812,814)
Gross profit		82,753,942	135,276,934
Other income	22	129,340	189,179
Administrative expenses	23	(9,192,202)	(9,239,232)
		(9,062,862)	(9,050,053)
Profit from operating activities		73,691,080	126,226,881
Finance income	24	2,202,836	2,027,325
Finance expenses	25	(493,252)	(2,456,819)
Net finance income		1,709,584	(429,494)
Profit before income tax		75,400,664	125,797,387
Income tax expense:			
Current tax	26	(26,615,589)	(42,125,554)
Deferred tax	14	1,889,191	2,783,087
		(24,726,398)	(39,342,467)
Profit for the year		50,674,266	86,454,920
Other comprehensive income for the year		-	-
Total comprehensive income for the year		50,674,266	86,454,920
Basic earnings per share (par value Tk 100)	32	24.72	42.17

The accompanying notes are an integral part of these financial statements.



Managing Director



Director

As per our report of same date



ACNABIN

Chartered Accountants

Dated, 04 February 2020

RAK Power Pvt. Ltd.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital	Retained earnings	Total
	Taka	Taka	Taka
Balance as at 1 January 2018	205,000,000	106,761,188	311,761,188
Total comprehensive income for 2018			
Profit for the year	-	86,454,920	86,454,920
Transactions with the shareholders			
Cash dividend (2017)	-	(82,000,000)	(82,000,000)
Balance as at 31 December 2018	<u>205,000,000</u>	<u>111,216,108</u>	<u>316,216,108</u>
Balance as at 1 January 2019	205,000,000	111,216,108	316,216,108
Prior year adjustment (leases)		(2,838,019)	(2,838,019)
Total comprehensive income for 2019			
Profit for the year	-	50,674,266	50,674,266
Transactions with the shareholders			
Cash dividend (2018)	-	(82,000,000)	(82,000,000)
Balance as at 31 December 2019	<u>-</u>	<u>77,052,355</u>	<u>282,052,355</u>

The accompanying notes are an integral part of these financial statements.

RAK Power Pvt. Ltd.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	31 Dec 2019	31 Dec 2018
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	379,805,584	388,473,151
Cash payments to suppliers and employees	(247,656,201)	(263,978,452)
Cash generated from operating activities	132,149,383	124,494,699
Interest received from bank deposit	792,683	724,752
Income tax paid	(41,940,393)	(29,212,716)
Net cash (used in)/from operating activities	90,739,827	96,006,735
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,051,201)	(443,866)
Sale of property, plant and equipment	-	7,642
Interest received from Bank Deposits	1,359,834	1,091,375
Dividend received	50,000	40,000
Net cash (used in)/from investing activities	(1,641,367)	695,151
Cash flows from financing activities		
Finance charges	(147,610)	(2,456,820)
Payment of Lease Liability	(11,388,522)	-
Dividend paid	(82,000,000)	(82,000,000)
Net cash (used in)/from financing activities	(93,536,132)	(84,456,820)
Net increase/(decrease) in cash and cash equivalents	(4,175,826)	12,245,066
Cash and cash equivalents as at 1 January	63,146,812	50,901,746
Cash and cash equivalents as at 31 December (Note 11)	58,970,986	63,146,812

The accompanying notes are an integral part of these financial statements.

RAK Power Pvt. Ltd.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

1. Reporting entity

"RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of BDT 1,000,000,000 divided into 10,000,000 ordinary shares of BDT 100 each. The paid up capital stands at BDT 205,000,000 as on 31 December 2019. The company has gone into commercial operation from 01 May 2009.

The registered office of the company is at RAK Tower (8th floor), Jashimuddin Avenue, Plot # 1/A, Sector # 3, Uttara Model Town, Dhaka-1230. The Power Plant is located at Vill : Dhanua, P.S: Sreepur, Dist : Gazipur."

1.1 Nature of business

The main objects of the company is to set-up power utilities, own and operate power-generating plants, transmission system and distribution system and to sell the generated electric power to any legal entity or any designated franchise area within Bangladesh, and generate electricity based on different available types of fuels such as gaseous, liquid and solid fuels, hydro potential and any other natural resources such as solar, wind, tidal and waste materials.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1994 and the Securities and Exchange Rules 1987.

The title and format of these financial statements follow the requirements of IFRS which are to some extent different from the requirement of the Companies Act 1994. However, such differences are not material and in the view of management IFRS titles and format give better presentation to the shareholders.

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 04 February 2020.

2.2 Basis of measurement

These financial statements have been prepared on historical cost basis except for inventories which are measured at lower of cost and net realisable value.

2.3 Functional and presentational currency

These financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is the functional currency and presentation currency of the Company. The figures of financial statements have been rounded off to the nearest Taka.

2.4 Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are stated in the following notes:

Note 4	Property, plant & equipment
Note 5	Right of use asset
Note 14	Deferred tax liability
Note 15	Employees benefit payable
Note 16	Lease liability
Note 19	Provision for income tax

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 December and is followed consistently.

2.6 Going concern

The Company has adequate resources to continue in operation for foreseeable future and hence, the financial statements have been prepared on going concern basis. As per management assessment there are no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently.

3.1 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment. Maintenance, renewals and betterments that enhance the economic useful life of the property, plant and equipment or that improve the capacity, quality or reduce substantially the operating cost or administration expenses are capitalised by adding it to the related property, plant and equipment. Ongoing repairs and maintenance is expensed as incurred.

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss from disposal of asset under other income in the statement of profit or loss and other comprehensive income.

3.2 Depreciation on property, plant, equipment and investment property

Depreciation charged on the basis of straight line method. Depreciation continues to be charged on each item of property, plant, equipment & investment property until written down value of such fixed asset is reduced to Taka one. Depreciation on addition to fixed assets is charged when it is available for use and charging of depreciation on property, plant, equipment & investment property ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that assets is derecognised.

Rates of depreciation on various classes of property, plant, equipment & investment property are as under:

Category of property, plant and equipment	Rate (%)
Factory building	20
Plant and machinery:	
Main Genset	5
Auxiliary equipments	10
Electrical installation	20
Gas pipeline	20
Furniture and fixtures	10
Office equipment	20
Communication equipment	10
Tools and appliances	20
Fire fighting equipments	20
Vehicles	20

Land is not depreciated as it deemed to have an infinite life.

3.3 Financial assets

a) Investment (in share)

Investment in subsidiaries are recognised initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, investment in subsidiaries are measured at cost less impairment loss, if any.

b) Trade & other receivables

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

Trade & other receivables are recognised initially at fair value. Subsequent to initial recognition, trade & other receivables are measured at amortised cost using the effective interest method, less any bad debts provision.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less which are available for use by the Company without any restriction. Bank overdraft that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

3.3.1 Financial liabilities

The Company recognises a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Non-derivative financial liabilities comprise trade & other payables, and interest bearing borrowings.

a) Trade & other payables

Trade & other payables are recognised initially at fair value. Subsequent to initial recognition, trade payables are stated at amortised cost using the effective interest method.

3.4 Inventories

Inventories on hand are valued at the lower of cost and net realisable value. For raw materials and consumable spare parts cost is determined on a weighted average cost basis. Work-in-process is stated at cost to complete of respective product. Cost comprises cost of raw materials, wages and other overheads up to the stage of completion. Finished products are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Raw materials in transit are valued at cost.

3.5 Employee benefit schemes

The Company maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds.

Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognised Employees Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10 percent of their basic salary to the provident fund and the Company also makes equal contribution to the fund. These are administered by the Board of Trustees. The contributions are invested separately from the company's assets.

Contribution to defined contribution plan is recognised as an expense when an employee has rendered services to the Company. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

Defined benefit plan (gratuity fund)

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Permanent employees are entitled to gratuity on the basis of his latest basic salary for a completed year of service or for service for a period of more than six months, salary of minimum 30 days, or salary of 45 days for a continuous service for more than ten years, it shall be in addition to any payment of compensation or payment of any wage or allowance in lieu of notice due to termination of services of a worker on different grounds. The expected cost of this benefit is included in respective annual statement of profit or loss and other comprehensive income over the period of employment.

Details of employees benefit schemes have been provided in note no. 15.

Workers' Profit Participation and Welfare Fund

As per Bangladesh Labour Act 2006 as amended in 2018, The Workers Profit Participation Fund is yet to be introduced.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

3.6 Finance income and expenses

Finance income comprises interest income on funds invested in FDR and Short Notice Deposit (SND) accounts. Interest income is recognised on accrual basis.

Finance expense comprises interest expense only on overdraft. All finance expenses are recognised in the statement of profit or loss and other comprehensive income.

3.7 Taxation

Income tax expenses represents current tax and deferred tax. Income tax expense is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a private limited company of the same industry. The tax rate 35% is used for the reporting period 2019 as per Finance Act 2019. 10% rebate on payable tax is calculated upto the profit of 30 June 2019 as per SRO 185-Ain/Aikor/2014 dated 01/07/2014.

Deferred tax:

Deferred tax has been recognised in accordance with International Accounting Standard (IAS) 12. Deferred tax is provided using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purpose. Deferred tax is determined at the effective income tax rate prevailing at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.8 Foreign currency

Transactions in foreign currencies are translated to Taka at the foreign exchange rates prevailing on the date of transaction. All monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Taka at the rates of exchange prevailing on that date. Resulting exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of profit or loss and other comprehensive income as per International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates".

3.9 Earning per share

The Company presents basic and diluted (when dilution is applicable) earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company with the weighted average number of ordinary shares outstanding during the period, adjusted for the effect of change in number of shares for bonus issue. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no dilutive potential ordinary shares during the relevant years.

3.10 Contingencies

3.10.1 Contingent liability

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability should not be recognised in the financial statements, but may require disclosure. A provision should be recognised in the period in which the recognition criteria of provision have been met.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

3.11 Statement of cash flows

Statement of cash flows is prepared under direct method in accordance with International Accounting Standard IAS-7 "Statement of cash flows" as required by the Securities and Exchange Rules 1987.

3.12 Provisions

Provisions are recognised on the reporting date if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.13 Standards, amendments and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 with earlier application permitted. The company does not plan to adopt these standards early. The new standards which may be relevant to the company are set out below.

3.13.1 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-months ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-months ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the company has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The company will perform the calculation of ECL rates separately for different types of customers including related parties.

Actual credit losses will be adjusted to reflect differences between economic conditions during the period over which the historical data will be collected, prevalent conditions and the company's view of economic conditions over the expected lives of the receivables and related party balances.

iii. Hedging

IFRS 9 incorporates new hedge accounting rules which intend to align hedge accounting with a company's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the company has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

The company will avail the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no 29.1 (b).

The company analysed its financial assets and decided not to provide for impairment because the company is confident enough to recover its financial assets.

3.13.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

i. Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the company is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

Based on the company's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the company does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

ii. Rendering of services

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the company sells the services in separate transactions.

Based on the company's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the company does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

iii. Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

The company does not expect the application of IFRS 9 and IFRS 15 to have a significant impact on its consolidated financial statements. The actual impacts of adopting these standards at 1 January 2018 may change because:

these standards will require the company to revise its accounting policies and internal controls and these changes are not yet complete;

the company is also refining and finalizing its model for expected credit loss calculations; and the new accounting policies, assumptions, judgement and estimation techniques employed are subject to change until the company finalizes its first consolidated financial statements that includes the date of initial application.

3.13.3 IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

General impact of application of IFRS 16 Leases

In the current year, the Company, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016) in its effective date.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in notes to the financial statements. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019

The Company has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the company has carried out an implementation project.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company.

Recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

Recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and separates the total amount of cash paid (presented within financing activities) in the statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within rent expenses in the statement of profit or loss.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group/company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's/company's financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

As required by IFRS 9, an allowance for expected credit loss has been recognized on the finance lease receivables.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

3.14 Events after the reporting period

The following new standards are effective for annual periods beginning from 1 January 2019 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases

3.15 Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the reporting date are reflected in the financial statements. Material events after the reporting period that are not adjusting events are disclosed by way of note.

3.16 Comparatives and reclassification

Comparative information have been disclosed in respect of 2019 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current period's financial statements.

To facilitate comparison, certain relevant balances pertaining to the previous period have been rearranged/reclassified whenever considered necessary to confirm to current period's presentation.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

4 Property, Plant and equipment

31-Dec-19

Particulars	COST				Rate	DEPRECIATION			Net book value as at 31 December 2019	
	Balance as at 01 Jan 2019	Addition during the year	Sale/ disposal during the year	Balance as at 31 December 2019		Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year		Balance as at 31 December 2019
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Factory building	19,573,131	-	-	19,573,131	20%	19,212,069	75,600	-	19,287,669	285,462
Plant and machinery										
Main Genset	268,615,599	-	-	268,615,599	5%	134,307,800	13,430,779	-	147,738,579	120,877,020
Auxiliary equipments	33,597,157	-	-	33,597,157	10%	33,477,988	35,727	-	33,513,715	83,442
Electrical installation	25,822,636	-	-	25,822,636	20%	24,736,353	567,698	-	25,304,051	518,585
Gas pipeline	17,699,732	2,391,051	-	20,090,783	20%	17,533,731	526,295	-	18,060,026	2,030,757
Furniture and fixtures	2,002,698	-	-	2,002,698	10%	1,424,569	84,556	-	1,509,125	493,573
Office equipment	1,195,071	660,150	-	1,855,221	20%	1,039,058	86,338	-	1,125,396	729,825
Communication equipment	124,786	-	-	124,786	10%	124,785	-	-	124,785	1
Tools and appliances	4,445	-	-	4,445	20%	4,444	-	-	4,444	1
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	3,631,011	-	-	3,631,011	1
Vehicles	2,300,531	-	-	2,300,531	20%	2,300,530	-	-	2,300,530	1
Total	385,860,798	3,051,201	-	388,911,999		237,792,338	14,806,993	-	252,599,331	136,312,668

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

31-Dec-18

Particulars	COST				Rate	DEPRECIATION				Net book value as at 31 December 2018
	Balance as at 01 Jan 2018	Addition during the year	Sale/ disposal during the year	Balance as at 31 December 2018		Balance as at 01 January 2018	Charged during the year	Adjustment during the year	Balance as at 31 December 2018	
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Factory building	19,195,131	378,000	-	19,573,131	20%	19,195,130	16,939	-	19,212,069	361,062
Plant and machinery	-	-	-	-		-	-	-	-	-
Main Genset	268,615,599	-	-	268,615,599	5%	120,877,020	13,430,780	-	134,307,800	134,307,799
Auxiliary equipments	33,597,157	-	-	33,597,157	10%	30,118,276	3,359,712	-	33,477,988	119,169
Electrical installation	25,822,636	-	-	25,822,636	20%	24,168,655	567,698	-	24,736,353	1,086,283
Gas pipeline	17,699,732	-	-	17,699,732	20%	17,366,586	167,145	-	17,533,731	166,001
Furniture and fixtures	2,184,972	-	182,274	2,002,698	10%	1,380,701	218,501	174,633	1,424,569	578,129
Office equipment	1,129,205	65,866	-	1,195,071	20%	940,919	98,139	-	1,039,058	156,013
Communication equipment	124,786	-	-	124,786	10%	112,312	12,473	-	124,785	1
Tools and appliances	4,445	-	-	4,445	20%	4,444	-	-	4,444	1
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	3,631,011	-	-	3,631,011	1
Vehicles	2,300,531	-	-	2,300,531	20%	2,300,530	-	-	2,300,530	1
Total	385,599,206	443,866	182,274	385,860,798		220,095,584	17,871,387	174,633	237,792,338	148,068,460

	31 Dec 2019	31 Dec 2018
	Taka	Taka
4.1 Depreciation charged on the basis of the purpose of use		
Cost of sales	14,636,099	17,542,274
Administrative expenses	170,894	329,113
	14,806,993	17,871,387

4.2 Disposal of property, plant and equipment

2019

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against Sale	Profit /(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
No Disposal	-	-	-		-
Total	-	-	-	-	-

2018

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against Sale	Profit /(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Air Conditioner	182,274	174,633	7,641	11,550	3,909
Total	182,274	174,633	7,641	11,550	3,909

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

5 Right of use assets

31 Dec 2019

Particulars	COST			DEPRECIATION			Net book value as at 31 December 2019		
	Balance as at 01 Jan 2019	Addition during the period	Sale/ disposal during the period	Balance as at 31 December 2019	Balance as at 01 January 2019	Charged during the period		Adjustment during the year	
Plant and machinery	27,200,020	-	-	27,200,020	16,105,275	8,589,480	-	24,694,755	2,505,265
Office Building	1,431,242	-	-	1,431,242	745,438	357,811	-	1,103,249	327,993
Total	28,631,262	-	-	28,631,262	16,850,713	8,947,291	-	25,798,004	2,833,258

1 Office Building agreement starts from December 1, 2016 and effective for 4 years.

2 Plant and Machinery agreement starts from April 1 2015 and effective for 5 years.

	31 Dec 2019	31 Dec 2018
	Taka	Taka
6 Investment		
Investment in associates		
Investment to RAK Security & Services Pvt. Ltd	287,500	287,500
	<u>287,500</u>	<u>287,500</u>
	<u>287,500</u>	<u>287,500</u>
7 Inventories		
Stores, spares and consumables	69,568,437	70,274,367
	<u>69,568,437</u>	<u>70,274,367</u>
8 Trade and other receivables		
Trade receivable		
Receivable from Sales	71,334,626	98,658,782
	<u>71,334,626</u>	<u>98,658,782</u>
Other receivable		
Interest accrued on FDR	168,005	170,873
	<u>168,005</u>	<u>170,873</u>
	<u>71,502,631</u>	<u>98,829,655</u>
9 Advance, deposits and prepayments		
Suppliers against VAT Software	225,000	-
	<u>225,000</u>	<u>-</u>
Security and other deposit: Titas gas transmission & distribution co. ltd. VAT and Supplementary duty (Note-9.1)	27,089,450	27,089,450
	<u>-</u>	<u>18,986</u>
	<u>27,089,450</u>	<u>27,108,436</u>
Prepayments: Security deposit Insurance and others	113,000	113,000
	<u>877,402</u>	<u>441,143</u>
	<u>990,402</u>	<u>554,143</u>
	<u>28,304,852</u>	<u>27,662,579</u>
9.1 Value Added Tax (VAT)		
Balance as at 1 January	-	18,986
	<u>-</u>	<u>18,986</u>
Add: Input VAT Credit & Cash deposit	-	-
	<u>-</u>	<u>18,986</u>
Less: VAT on sales	-	-
	<u>-</u>	<u>-</u>
Balance as at 31 December	<u>-</u>	<u>18,986</u>

Due to introduction of new VAT & SD Act 2012 and VAT & SD rules 2016 now require to deposit related VAT and SD payable within 15 days of next month instead of advance. Therefore instead advance it is now showing as payable in note no. 17.1

	31 Dec 2019	31 Dec 2018
	Taka	Taka
10 Advance Income Tax		
Balance as at 1 January	266,386,881	237,174,166
Add: Paid during the year	41,940,393	29,212,715
	<u>308,327,274</u>	<u>266,386,881</u>
	<u>308,327,274</u>	<u>266,386,881</u>
10.1 Yearwise Advance income tax		
Income year		
Year 2019	18,721,191	-
Year 2018	41,898,983	18,679,781
Year 2017	41,290,654	41,290,654
Year 2016	44,944,216	44,944,216
Year 2015	45,242,248	45,242,248
Year 2014	37,992,335	37,992,335
Year 2013	37,210,247	37,210,247
Year 2012	33,236,075	33,236,075
Year 2011	5,945,904	5,945,904
Year 2010	1,840,421	1,840,421
Year 2009	5,000	5,000
	<u>308,327,274</u>	<u>266,386,881</u>
	<u>308,327,274</u>	<u>266,386,881</u>
11 Cash and cash equivalents		
Cash in hand	92,843	152,859
	<u>92,843</u>	<u>152,859</u>
Cash at banks	792,696	657,107
HSBC (current account - 001-107580-011 - BDT)	313,699	962,844
Standard Chartered Bank (CD - 01-3767272-01 - BDT)	901,655	1,850
Dutch Bangla Bank Ltd. (CD 117 - 110 - 23474 - BDT)	52,842	53,650
Standard Chartered Bank (SND -02-3767272-01 - BDT)	3,319,200	3,319,200
Standard Chartered Bank (Margin Money account)	21,382,296	15,112,100
Dutch Bangla Bank Ltd. (SND account - 117-120-2550 - BDT)	608,850	11,420,033
MidLand Bank (SND Account 0006-1070000015 - BDT)	27,371,238	31,526,784
Investment in Fixed Deposit Receipt (FDR)		
HSBC	1,906,325	1,866,589
Standard Chartered Bank.	762,080	762,080
Dutch Bangla Bank Ltd.	28,838,500	28,838,500
	<u>31,506,905</u>	<u>31,467,169</u>
	<u>58,970,986</u>	<u>63,146,812</u>

	31 Dec 2019		31 Dec 2018	
	Taka		Taka	
12 Share Capital				
Authorised				
10,000,000 ordinary shares of Tk 100 each		<u>1,000,000,000</u>		<u>1,000,000,000</u>
Issued, subscribed, called and paid up				
2,050,000 ordinary shares of Tk 100 each		<u>205,000,000</u>		<u>205,000,000</u>
Percentage of shareholding:				
	2019		2018	
	%	Taka	%	Taka
RAK Ceramics (Bangladesh) Limited.	99.9996	204,999,000	99.9996	204,999,000
RAK Security and Services (Pvt.) Ltd.	0.0002	500	0.0002	500
Engr. Md. Maqsubul Karim	0.0002	500	0.0002	500
	<u>100.00</u>	<u>205,000,000</u>	<u>100.00</u>	<u>205,000,000</u>
Classification of shareholders by range:				
Shareholder's range	Number of shareholders		Number of shares	
	2019	2018	2019	2018
Less than 500 shares	2	2	10	10
Over 500 shares	1	1	2,049,990	2,049,990
	<u>3</u>	<u>3</u>	<u>2,050,000</u>	<u>2,050,000</u>
	31 Dec 2019		31 Dec 2018	
	Taka		Taka	
13 Reserve and Surplus				
Balance as on 01 January		111,216,108		106,761,188
Prior year adjustment (leases)		(2,838,019)		-
Add : Profit during the year		50,674,266		86,454,920
Less: Dividend declared during the year		(82,000,000)		(82,000,000)
Balance as on 31 December		<u>77,052,355</u>		<u>111,216,108</u>
Detail movement for reserve and surplus shown under statement of changes in equity.				
14 Deferred tax liabilities				
Balance as at 1 January		32,064,091		34,847,177
Deferred tax (income) / expenses		(1,889,192)		(2,783,086)
Balance as at 31 December		<u>30,174,899</u>		<u>32,064,091</u>

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2019			
Property, plant and equipment (Excluding land and others)	125,018,668	38,804,671	86,213,997
Net taxable temporary difference			86,213,997
Deferred tax liability (applying tax rate 35.00%)			30,174,899
As at 31 December 2018			
Property, plant and equipment (Excluding land and others)	136,782,099	45,170,411	91,611,688
Net taxable temporary difference			91,611,688
Deferred tax liability (applying tax rate 35.00%)			32,064,091

15 Employees benefits payable

	31 Dec 2019		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	1,115,592	684,291	1,799,883
	1,115,592	684,291	1,799,883
Less: Payments made to fund during the year	1,115,592	684,291	1,799,883
Balance as at 31 December	-	-	-
	31 Dec 2018		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	1,053,720	657,801	1,711,521
	1,053,720	657,801	1,711,521
Less: Payments made to fund during the year	1,053,720	657,801	1,711,521
Balance as at 31 December	-	-	-

16 Lease Liability

	31 Dec 2019	31 Dec 2018
	Taka	Taka
Non- Current		
Lease Liability	3,575,688	-
Less: Current portion of Lease liability	-	-
Current		
Current portion of Lease liability	3,575,688	-

Liability Schedule

Particular	Balance as on 1 January 2019	Addition	Payment	Interest expenses	"Decrease in lease liability"	Closing Balance as on 31 Dec 2019
Plant and Machinery	13,861,660	-	10,956,522	290,514	10,666,008	3,195,652
Office Building	756,908	-	432,000	55,128	376,872	380,036
	14,618,568	-	11,388,522	345,642	11,042,880	3,575,688

	31 Dec 2019	31 Dec 2018
	Taka	Taka
17 Trade and other payables		
Trade payables		
Payable to local suppliers	593,754	3,328,655
Payable to service provider	4,944,317	6,275,278
	<u>5,538,071</u>	<u>9,603,933</u>
Other payables		
Tax deducted at source	891,370	852,830
VAT deducted at source	2,214,959	1,279,624
VAT payable (Note 17.1)	1,846,891	-
Security deposit payable	1,800,000	-
	<u>6,753,221</u>	<u>2,132,454</u>
	12,291,292	11,736,387
17.1 VAT payable		
VAT on sales	27,504,154	-
	<u>27,504,154</u>	<u>-</u>
Less: Balance as at 1 January	18,986	-
Treasury deposit for VAT purpose	9,569,142	-
Input VAT credit	16,069,135	-
	<u>25,657,263</u>	<u>-</u>
Balance as at 31 December	1,846,891	-
18 Accrued expenses		
Power and gas	18,673,764	14,132,304
Staff cost	4,904,905	5,201,622
Audit fees	70,000	80,500
Taxation Matter	38,000	23,000
Operation and maintenance	3,880,006	1,371,134
Telephone & Others	7,000	7,000
	<u>27,573,675</u>	<u>20,815,560</u>

		31 Dec 2019	31 Dec 2018
		Taka	Taka
19	Provision for income tax		
	Balance as at 1 January	293,824,108	251,698,554
	Add: Provision made for current year	26,615,589	42,125,554
	Balance as at 31 Dec (note 19.1)	320,439,697	293,824,108
19.1	Year wise closing balance		
	Income year		
	Current year		
	Year 2019	26,615,589	-
	Year 2018	42,125,554	42,125,554
	Year 2017	41,210,074	41,210,074
	Year 2016	45,393,782	45,393,782
	Year 2015	45,242,248	45,242,248
	Year 2014	37,992,335	37,992,335
	Year 2013	44,169,714	44,169,714
	Year 2012	33,236,076	33,236,076
	Year 2011	3,535,904	3,535,904
	Year 2010	913,421	913,421
	Year 2009	5,000	5,000
		320,439,697	293,824,108

	31-Dec-19		31-Dec-18	
	Quantity	Amount	2019	Amount
	in million kwh	Taka	in million kwh	Taka
Electricity	51.64	379,906,242	53.68	392,089,748
Less: VAT (@15% from 01 July 2019)		27,504,154		-
		352,402,088		392,089,748

20.1 Quantitative details of opening stock, purchase/production, consumption/sales and closing stock of raw materials and finished goods

Quantity in million

Description	Unit	Opening stock	Purchase / Production	Sale / Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials (natural gas)	cubic meter				
Current year		-	13.55	13.55	-
Previous year		-	12.81	12.81	-
Finished goods Electricity	kwh				
Current year		-	51.64	51.64	-
Previous year		-	53.68	53.68	-

20.2 Production capacity and actual production are given below:

31-Dec-19

Production	Unit	Installed Capacity during the year (million)	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Electricity	kwh	82.02	51.64	63%	(30.38)

31-Dec-18

Production	Unit	Installed Capacity during the year (million)	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Electricity	kwh	59.96	53.68	90%	(6.28)

	31 Dec 2019	31 Dec 2018
	Taka	Taka
21 Cost of electricity generation		
Consumption of natural gas	146,072,541	132,482,810
Factory overhead:		
Direct labour (note-21.1)	9,951,481	9,723,591
Direct expenses:		
Lubricating Oil	4,826,812	7,031,379
Repair & indirect materials (note-21.2)	79,552,663	80,333,057
Rental for caterpillar Gensets	-	7,075,457
Depreciation on property, plant and equipment (Note-4)	14,636,099	17,542,274
Depreciation on right of use assets (Note-5)	8,589,480	-
Other production expenses (note 21.3)	6,019,070	2,624,246
	269,648,146	256,812,814
21.1 Direct labour		
Salary & wages	7,654,087	7,072,716
Bonus	778,260	1,188,625
Incentive	20,000	274,457
Gratuity	561,229	527,689
Employers contribution to provident fund	457,608	423,360
Leave Encashment	186,016	187,461
Group life insurance	72,781	49,283
Special Allowances	221,500	-
	9,951,481	9,723,591

	31 Dec 2019	31 Dec 2018
	Taka	Taka
21.2 Repair and indirect materials		
Operation & Maintenance	69,187,644	64,725,881
Spare Parts Cat genset	9,383,452	14,861,710
Water & Chemicals	955,567	675,016
Diesel	26,000	70,450
	79,552,663	80,333,057
21.3 Other production overhead		
Security & Services	1,670,363	1,511,624
Insurance	1,822,496	872,065
Rates & taxes	1,767,320	-
Other expenses	758,891	240,558
	6,019,070	2,624,246
22 Other income		
Dividend income	50,000	40,000
Misc. Income	79,340	145,270
Profit on sale of fixed assets	-	3,909
	129,340	189,179
23 Administrative expenses		
Staff cost (note-23.1)	6,942,090	7,318,453
Telephone and postage	138,236	147,090
Office repair and maintenance	270,733	33,637
Registration and renewal	116,911	127,481
Security and guard expenses	128,040	128,040
Electricity, gas and water	161,983	140,746
Depreciation on property, plant and equipment (Note-4)	170,894	329,115
Depreciation on right of use assets (Note-5)	357,811	-
Legal and professional fees	145,389	115,000
Vehicle repair and maintenance	597,159	356,037
Rent rate and tax	86,810	518,400
Meeting Expenses	29,975	7,475
Others	46,171	17,758
	9,192,202	9,239,232
23.1 Staff cost		
Salary & wages	5,291,958	5,159,904
Bonus	473,303	737,582
Incentive	-	77,330

	31 Dec 2019	31 Dec 2018		
	Taka	Taka		
Gratuity	123,062	130,112		
Employers contribution to provident fund	100,188	103,500		
Leave encashment	46,356	42,379		
Group life insurance	16,442	12,654		
Staff welfare expenses	17,899	9,688		
Other employee benefit	413,468	210,960		
Travelling expenses	67,960	122,027		
Special Allowances	72,500	-		
Fooding expenses	318,954	712,317		
	6,942,090	7,318,453		
24 Finance income				
Interest on bank account (SND)	792,683	724,752		
Interest on FDR	1,354,098	1,122,388		
Exchange gain	56,055	180,185		
	2,202,836	2,027,325		
25 Finance expenses				
Interest expenses	1,772	5,101		
Interest on Lease Liability	345,642	-		
Bank charges	145,838	2,451,718		
	493,252	2,456,819		
26 Income tax expenses				
	31-Dec-19			31-Dec-18
	Jan 1 to Jun 30	Jul 1 to Dec 31	Total	
Sales	169,041,064	183,361,024	352,402,088	392,089,748
Cost of sales	(119,740,012)	(149,908,134)	(269,648,146)	(256,812,814)
Gross profit	49,301,052	33,452,890	82,753,942	135,276,934
Other income	50,000	79,340	129,340	189,179
Administrative expenses	(4,793,240)	(4,398,962)	(9,192,202)	(9,239,232)
Profit from operating activities	44,557,812	29,133,268	73,691,080	126,226,881
Finance income	1,161,843	1,040,993	2,202,836	2,027,325
Finance expenses	(1,221,997)	728,745	(493,252)	(2,456,819)
Profit before income tax	44,497,658	30,903,006	75,400,664	125,797,387
Income tax expense	14,882,961	11,732,628	26,615,589	(42,125,554)

Rebate 10% income tax (Vide SRO 185-Ain/Aikor/2014 dated 01/07/2014) is calculated upto 30 June 2019. Effectiveness of the SRO is over from 1 July 2019, so, tax calculation is separately shown from January 1 to June 30 & from July 1 to December 31.

27 Reconciliation of effective tax rate

	31-Dec-19		31-Dec-18	
	%	Taka	%	Taka
Profit before tax		75,400,664		125,797,387
Current tax expenses	35.30%	26,615,589	33.49%	42,125,554
Deferred tax expenses	-2.51%	(1,889,191)	-2.21%	(2,783,087)
Total tax expenses	32.79%	24,726,398	31.27%	39,342,467
Expected income tax using applicable tax rate	31.50%	23,751,209	35.00%	44,029,085
Tax on non-deductible expenses	3.80%	2,864,380	-1.51%	(1,903,532)
Effective current tax	35.30%	26,615,589	33.49%	42,125,554
Effective deferred tax	-2.51%	(1,889,191)	-2.21%	(2,783,087)
	32.79%	24,726,398	31.27%	39,342,467

28 Transaction in foreign currency

	31 Dec 2019	31 Dec 2018
	Taka	Taka
CIF value of import:		
Spare parts	9,511,997	38,134,412
	9,511,997	38,134,412

29 Financial risk management

The management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

29.1 Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

	Amount in USD		Amounts in Taka	
	As at 31 December		As at 31 December	
	2019	2018	2019	2018
Trade receivables				
Customer-Local	-	-	71,334,626	98,658,782
	-	-	71,334,626	98,658,782
Other receivables				
Accrued Interest	-	-	168,005	170,873
Other Receivable	-	-	-	-
	-	-	168,005	170,873
	-	-	-	-
Cash equivalents	-	-	58,878,143	62,993,953

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2019.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment
Trade & other receivable-unrelated	8	Loan & receivable	Amortized cost	168,005	168,005	-
Trade & other receivable-related	8	Loan & receivable	Amortized cost	71,334,626	71,334,626	-
Cash & cash equivalent	11	Loan & receivable	Amortized cost	58,970,986	58,970,986	-

- i Trade and other receivables and due from related parties that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current period on transition to IFRS 9.
- ii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current period on transition to IFRS 9.

c) Ageing of receivables

	Amounts in Taka	
	As at 31 December	
	2019	2018
Not past due	71,502,631	98,829,655

29.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on timeline of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. Moreover, the Company seeks to maintain short term lines of credit with scheduled commercial banks to ensure payment of obligations in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flows projections and credit lines facilities with banks are negotiated accordingly.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

The following are the contractual maturities of financial liabilities of the Company:

	As at 31 December 2019			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
		-	-	-
Trade and other payables	12,291,292	12,291,292	12,291,292	-
	12,291,292	12,291,292	12,291,292	-
	As at 31 December 2018			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	11,736,387	11,736,387	11,736,387	-
	11,736,387	11,736,387	11,736,387	88,203,349

29.3 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) Currency risk

The Company is exposed to currency risk on certain purchase of spare parts. Majority of the company's foreign currency purchase are denominated in EURO.

i) Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts (in Taka):

	As at 31 December 2019		As at 31 December 2018	
	USD	EURO	USD	EURO
Foreign currency denominated assets	-	-	-	-
Receivable from customers-Export	-	-	-	-
Cash at bank	-	-	-	-
	-	-	-	-
	As at 31 December 2019		As at 31 December 2018	
	USD	EURO	USD	EURO
Foreign currency denominated liabilities				
Trade payables		26,158	-	26,324
Short term bank loan	-	-	-	-
	-	26,158	-	26,324
Net exposure	-	(26,158)	-	(26,324)

The Company has foreign exchange loss or (gain) Tk (56,055/-)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

The following significant exchange rates have been applied:

	Exchange rate	
	As at 31 December	
	31 Dec 2019	31 Dec 2018
US Dollar	84.9500	82.9950

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

A strengthening or weakening of the Taka, as indicated below, against the USD and EUR at 31 December 2019 would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31 December 2019		As at 31 December 2018	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
At 31 December				
EURO (3 percent movement)	76,097	(71,664)	77,787	(73,256)

b) **Interest rate risk**

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as it has neither floating interest rate bearing financial liabilities nor entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	Amount in Taka	
	As at 31 December 2019	As at 31 December 2018
Fixed rate instruments		
Financial assets		
Investment in FDR	31,506,905	31,467,169
Cash at banks	27,371,238	31,526,784

Fair value of financial assets and liabilities of the Company together with carrying amount shown in the statement of financial position are as follows:

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2019

	Amount in Taka		Amount in Taka	
	As at 31 December 2019		As at 31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Assets carried at fair value through profit or loss	-	-	-	-
Held to maturity assets				
Investment in FDR	31,506,905	31,506,905	31,467,169	31,467,169
Loans and receivables				
Trade receivables	71,334,626	71,334,626	98,658,782	98,658,782
Other receivables	168,005	168,005	170,873	170,873
Cash equivalents	58,878,143	58,878,143	62,993,953	62,993,953
Available for sales financial assets				
Liabilities carried at amortised costs				
Trade and other payables	12,291,292	12,291,292	11,736,387	11,736,387

Accounting classification and fair value as at 31 December 2019 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

The interest rates used to discount estimated cash flows, when applicable were as follows:

	As at 31 December	
	2019	2018
Investment in FDR	1.95%-4.50%	1.95%-4.00%
Short term bank loan (local currency)	-	13.50%
Interest on Overdraft	8%-10.25%	8%-10%

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

30 Related party disclosures under IAS-24

List of related parties with whom transactions have taken place and their relationship as identified and certified by management:

Amounts in Taka

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	Year	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Dividend income	Dividend Income	Security / Guarantee status
RAK Ceramics (Bangladesh) Limited	Parent Compny	Unsecured	Nil	Current	11,064,211	350,456,021	69,096,649	-	-	81,999,600		Agreement
				Previous	6,152,571	392,089,748	98,658,782	-	-	81,999,600		
RAK Security & Services Pvt. Ltd	Fellow Subsidiary	Unsecured	Nil	Current	1,494,273	-	-	156,253	-	200	50,000	-
				Previous	1,523,026	-	-	176,870	-	200	40,000	-
Julphar Bangladesh Ltd.	Other related party	Partial Secured	Nil	Current	-	1,946,067	2,237,977	-	-	-	-	1,800,000
				Previous	-	-	-	-	-	-	-	-
Md. Maqsudul Karim	Key Management Personnel	Unsecured	Nil	Current	-	-	-	-	4,042,237	200	-	-
				Previous	-	-	-	-	3,995,792	200	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current	-	-	-	-	5,500	-	-	-
				Previous	-	-	-	-	2,000	-	-	-

30.1 Paid to Directors

During the year, Board meeting fees of Taka 29,975

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

31 Number of employees

The number of employees engaged for the year who received total remuneration of Taka 60,000 and above per annum at reporting date was as follows.

	2019 Person	2018 Person
Number of employees	18	19

None of receiving below Taka 5,000 per month.

32 Earnings per share (EPS)

	2019 Taka	2018 Taka
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders Profit for the year	50,674,266	86,454,920
No. of ordinary equity shares	2,050,000	2,050,000
Weighted average no. of equity shares outstanding	2,050,000	2,050,000
Earnings per share (EPS) for the period	24.72	42.17
Diluted earnings per share for the period	24.72	42.17
Net assets value per share	137.59	154.25
Net operating cash flow per share	44.26	46.83

32.1 Reason of deviation of earnings per share:

Gas & other cost increase, power tariff decrease is main reason for deviation of earning per share.

32.2 Reason of deviation of net operating cash flow per share:

Power tariff reduction is the reason for decrease in net operating cash flow per share.

33 Contingent liabilities

There is contingent liability in respect of letter of guarantee of Tk 22,854,794/-

34 Events after the reporting period

34.1

The Board of Directors of RAK Power Pvt. Ltd. in its meeting held on 04 February 2020, has unanimously recommended cash dividend @20% of the paid up capital of the company for the year ended 31 December 2019 equivalent to BDT 41,000,000 to be distributed as cash dividends among shareholders, which is more than 30% of the current year profit. These dividends is subject to final approval by the shareholders at the forthcoming 31 March 2020 Annual General Meeting of the Company.

DIRECTORS' REPORT OF RAK SECURITY AND SERVICES (PVT.) LTD



Dear shareholders,

The Board of Directors of RAK Security and Services (Pvt.) Ltd is pleased to present this Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2019, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

Principal activities

The principal activities of the Company comprises the business of security guarding and facilities management that include cleaning services, termite, pest control and fumigation services, fire security services and setting-up manpower technical training establishments for developing skilled workers for various fields of construction and other public works. We also provide pre-employment background verification and immigration and visa documentation verification services, among others.

Review of business

The Company reported revenue of BDT 107.56 mn in 2019, against BDT 159.34 mn in 2018. The decline was primarily due to income from labour services moderating by 32.50%, as compared to 2018. The Company's net profit after tax stood at BDT (1.22) mn, against BDT 2.56 mn in 2018.

Operating results

The operating results of the Company for the year ended 2019 are as follows:

(Amount in BDT mn)

Particulars	2019	2018
Sales	107.56	159.34
Gross profit	16.36	22.20
Net profit after tax	(1.22)	2.56
Earnings Per Share (Absolute BDT)	(122.27)	256.25
Net Operating Cash Flow Per Share (NOCFPS)	1,581.55	(961.92)
Net Asset Value (NAV)	36.99	43.32
Net Asset Value per share (Absolute BDT)	3,698.58	4,332.50

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend @ 500% of the paid up capital of the Company for the year 2019. While recommending the dividend, the Board of Directors has considered the operational performance, business results, assets as at that date and working capital requirements for the future. The Company paid cash dividend @ 500% of paid-up capital for the year 2018.

Auditors

ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), shall retire at the 13th Annual General Meeting and, being eligible, have offered themselves for reappointment. The Board also recommended their re-appointment for the year 2020. Remuneration of the Auditor will be fixed by the shareholders at the 13th Annual General Meeting.

Post Balance Sheet events

There are no material events or developments that have occurred after the balance sheet/reporting date, the non-disclosure of which could affect the ability of the users of these financial statements to make an appropriate evaluation.

Appreciation

The Board would like to take this opportunity to place on record their sincere appreciation to the Government

authorities, shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in enabling the Company to attain its objectives.

For and on behalf of the Board of Directors,



(Abdallah Massaad)

Chairman

February 04, 2020



RAK Security and Services (Pvt) Limited
**AUDITORS' REPORT AND
STATEMENT OF FINANCIAL**
as at 31 December 2019

RAK Security and Services (Pvt) Ltd.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK SECURITY AND SERVICES (PVT) LTD

Opinion

We have audited the accompanying financial statements of RAK Security and Services (Pvt) Ltd which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 03.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as explained in note 03, and for such internal

control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we could not obtain prior to the date of this auditors' report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Directors' Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged

with governance and take appropriate actions in accordance with ISAs.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of these books;
- c) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns.

Dated, 04 February 2020



ACNABIN

Chartered Accountants

RAK Security and Services (Pvt) Ltd.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	31 Dec 2019	31 Dec 2018
		Taka	Taka
Assets			
Property, plant and equipment	4	3,536,216	3,822,386
Right of use assets	5	537,544	-
Investment	6	1,275	1,275
Deferred tax asset	7	153,674	153,674
Total non-current assets		4,228,709	3,977,335
Trade receivables	8	26,167,019	44,403,057
Advance, deposit and prepayment	9	2,424,503	1,069,004
Advance income tax	10	19,154,981	17,694,014
Cash & bank balances	11	12,542,447	2,492,668
Total current assets		60,288,950	65,658,743
Total assets		64,517,659	69,636,078
Equity			
Share capital	12	1,000,000	1,000,000
Retained earning		35,985,823	42,325,057
Total equity		36,985,823	43,325,057
Liabilities			
Trade & other payables	13	1,073,906	838,011
Lease liability	14	622,836	-
Provision for expenses	15	8,914,129	8,552,045
Provision for income tax	16	16,920,965	16,920,965
Total current liabilities		27,531,836	26,311,021
Total equity and liabilities		64,517,659	69,636,078

The accompanying notes are an integral part of these financial statements.



Managing Director



Director

As per our report of same date

Dated, 04 February 2020



ACNABIN

Chartered Accountants

RAK Security and Services (Pvt) Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	31 Dec 2019	31 Dec 2018
		Taka	Taka
Sales	18	107,560,821	159,347,505
Cost of service	19	(91,198,028)	(137,149,296)
Gross profit		16,362,793	22,198,209
Other income	20	200	200
Administrative expenses	21	(14,118,452)	(15,225,926)
Impairment loss on trade receivable	21.1	-	(439,069)
Marketing expenses	22	(3,485,294)	(3,154,245)
Profit from operating activities		(1,240,753)	3,379,169
Finance income	23	134,885	86,135
Finance expenses	24	(116,834)	(30,557)
		18,051	55,578
Profit before income tax		(1,222,702)	3,434,747
Income tax	25	-	(1,025,899)
Deferred tax	7	-	153,674
Profit for the year		(1,222,702)	2,562,521
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(1,222,702)	2,562,521
Basic earnings per share (par value Tk 100)		(122.27)	256.25

The accompanying notes are an integral part of these financial statements.



Managing Director



Director

As per our report of same date

Dated, 04 February 2020



ACNABIN

Chartered Accountants

RAK Security and Services (Pvt) Ltd.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share Capital	Retained earnings	Total
	Taka	Taka	Taka
Balance as at 01 January 2018	1,000,000	43,762,536	44,762,536
Total comprehensive income for 2018			
Profit for the year	-	2,562,521	2,562,521
Other comprehensive income	-	-	-
Transaction with the shareholders			
Cash dividend (2017)	-	(4,000,000)	(4,000,000)
Balance as at 31 December 2018	1,000,000	42,325,057	43,325,057
Balance as at 01 January 2019	1,000,000	42,325,057	43,325,057
Total comprehensive income for 2019			
Adjustment for lease liability		(116,531)	(116,531)
Profit for the year	-	(1,222,702)	(1,222,702)
Other comprehensive income			
Transaction with the shareholders			
Cash dividend (2018)	-	(5,000,000)	(5,000,000)
Balance as at 31 December 2019	1,000,000	35,985,823	36,985,823

The accompanying notes are an integral part of these financial statements.

RAK Security and Services (Pvt) Ltd.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	31 Dec 2019	31 Dec 2018
	Taka	Taka
Cash flow from operating activities		
Cash received from customer and others	125,796,859	152,645,791
Cash paid to suppliers and employees	(108,655,212)	(157,950,701)
Cash generated from operating activities	17,141,647	(5,304,910)
Interest received from Bank	134,885	86,135
Payment of corporate income tax	(1,460,967)	(4,400,395)
Net cash (used in)/from operating activities	15,815,565	(9,619,170)
Cash flow from investing activities		
Acquisition of fixed assets	(31,500)	-
Dividend received	200	200
Net cash (used in)/from investing activities	(31,300)	200
Cash flow from financing activities		
Finance Charge	(26,485)	(30,557)
Payment of lease liability	(708,000)	-
Dividend Payment	(5,000,000)	(4,000,000)
Net cash (used in)/from financing activities	(5,734,485)	(4,030,557)
Net increase/(decrease) in cash and cash equivalents	10,049,780	(13,649,528)
Cash and cash equivalents as at 01 January	2,492,668	16,142,195
Cash and cash equivalents as at 31 December	12,542,447	2,492,668

The accompanying notes are an integral part of these financial statements.

RAK Security and Services (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

1. Introduction

RAK Security and Services (Pvt) Ltd. is a Private Company Limited by shares incorporated in Bangladesh on 21 December 2006 under the Companies Act XVIII of 1994. The registered office of the company is situated at RAK Tower (8th Floor), Plot No. 1/A, Jasimuddin Avenue, Sector No. 03, Uttara, Dhaka 1230.

2. Nature of Business

The main objects of the company is to carry on the business of security guarding, cleaning services, termite and pest control services, fumigation services and setting up manpower technical training establishments for creation of skilled workers in various fields of construction and public works. Pre-employment back ground verification and immigration & Visa documents verification services, fire safety services etc.

2.1 Authorization for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 04 February 2020.

2.2 Reporting period

The Company has also complied with The Income Tax Ordinance 1984, The Income Tax Rules 1984, The Value Added Tax and Supplementary duty Act 2012, The Value Added Tax and Supplementary duty Rules 2016 and Bangladesh Labor Law 2006 as amended in 2018.

3. Significant Accounting Policies

3.1 Accounting Convention and Basis

The financial statements have been prepared on a going concern concept under historical cost convention in accordance with Generally Accepted Accounting Principles as laid down in the International Accounting Standards (IASs)/ International Financial Reporting Standards (IFRSs), applicable to the company.

The disclosures of information have been made in accordance with the requirements of the above mentioned standards and in compliance with Companies Act 1994 and the statement of financial position and statement of profit or loss and other comprehensive income have been prepared according to IAS-1 (Presentation of Financial Statements) based on accrual basis and other applicable laws and regulations.

3.2 Other Regulatory Compliances

The company has also complied with The Income Tax Ordinance 1984, The Income Tax Rules 1984, The Value Added Tax and Supplementary duty Act 2012, The Value Added Tax and Supplementary duty Rules 2016 and Bangladesh Labour Law 2006 as amended in 2018

3.3 Integral Components of the Financial Statements

The financial statements of the Company include the following components:-

- a. Statement of Financial Position as at 31 December 2019.
- b. Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019.
- c. Statement of Changes in Equity for the year ended 31 December 2019.
- d. Statement of Cash Flows for the year ended 31 December 2019.
- e. Notes, Comprising a Summary of Significant Accounting Policies and Other Explanatory Information.

3.4 Property, Plant & Equipments (PPE)

Depreciation charged on the basis of straight line method. Depreciation continues to be charged on each item of property, plant, equipment & investment property until written down value of such fixed asset is reduced to Taka one. Depreciation on addition to fixed assets is charged when it is available for use and charging of depreciation on property, plant, equipment & investment property ceases at the earliest of the date the assets is classified held for sale in accordance with IFRS 5 and the date that assets is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

Rates of depreciation on various classes of property, plant and equipment are as under:

Category	Rate
Furniture & fixtures	10%
Tools & appliances	20%
Vehicles	20%
Office Equipments	10%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Land is not depreciated as it is deemed to have an indefinite life.

3.5 Advances, Deposits & Prepayments

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads.

Deposits are measured at payment value.

Pre-payments are initially measured at cost. After initial recognition, pre-payments are carried at cost less charges to Statement of Profit or Loss and other Comprehensive Income.

3.6 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash at bank which are available for use by the Company without any restriction. There is an insignificant risk of changes in value of these current assets.

3.7 Employees' Benefit Schemes

The Company Maintains both defined contribution plan and defined benefit plan for its eligible permanent employees. The eligibility is determined according to the terms and conditions set forth in the respective deeds.

Defined Contribution Plan (Provident Fund)

Define contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognised Employee Provident Fund is considered as defined contribution plan as it meets the recognition criteria specified for this purpose. All permanent employees contribute 10 percent of their basic salary to the provident fund and the Company also makes equal contribution to the fund. These are administered by the Board of trustees. The contributions are invested separately from the Company's assets.

Contribution to defined contribution plan is recognised as an expense when as employee has rendered services to the Company. The legal and constructive obligation is limited to the amount its agrees to contribute to the fund.

Defined Benefit Plan (Gratuity Fund)

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plants is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years.

Permanent employees are entitled to gratuity on the basis of his latest basic salary for a completed year of service or for service for a year of more than six months, salary of minimum 30 days, or salary of 45 days for a continuous service for more than ten years, it shall be in addition to any payment of compensation or payment of any wage or allowance in lieu of notice due to termination of services of a worker on different grounds. The expected cost of this benefit is included in respective annual statement of profit or loss and other comprehensive income over the year of employment.

3.8 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

ii. Impairment

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the company has a choice to also apply this policy for trade receivables and contract assets with a significant financing component.

The estimated ECL will be calculated based on actual credit loss experience. The company will perform the calculation of ECL rates separately for different types of customers including related parties.

Actual credit losses will be adjusted to reflect differences between economic conditions during the year over which the historical data will be collected, prevalent conditions and the company's view of economic conditions over the expected lives of the receivables and related party balances.

ii. Hedging

IFRS 9 incorporates new hedge accounting rules which intend to align hedge accounting with a company's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the company has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

The company will avail of the exemption allowing it not to restate comparative information for prior years with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no 27.1 (b).

3.9 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

i. Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

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Based on the Group's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

ii. Rendering of services

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

Based on the Group's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

3.10 IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

General impact of application of IFRS 16 Leases

In the current year, the company, for the first time, has applied IFRS 16 Leases (as issued by the IAS in January 2016) in its effective date.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in notes to the financial statements. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

The date of initial application of IFRS 16 for the company is 1 January 2019

The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the company has carried out an implementation project.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), The company

Recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

Recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and separates the total amount of cash paid (presented within financing activities) in the statement of cash flows.

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Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within rent expenses in the statement of profit or loss.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

As required by IFRS 9, an allowance for expected credit loss has been recognized on the finance lease receivables.

3.11 Provision for taxation

"Corporate tax"

Corporate tax provision at the rate of @35% is made for the Current year.

Deferred tax

There is no such timing difference between Profit as per Income Tax ordinance and accounting profit as per financial statements, hence no Deferred Tax liabilities/Assets calculated as per IAS-12 for the year ended 31 December 2019.

3.12 Earnings per share (EPS)

The Company calculates Earning per Share (EPS) in accordance with IAS 33: Earning per Share, which has been shown on the face of Statement of Profit or Loss and Other Comprehensive Income, and the computation of EPS is stated in related note.

3.13 New standards adopted

The following new standards are effective for annual periods beginning from 1 January 2018/2019 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases

3.14 General

3.14.1 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.

3.14.2 Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

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as at and for the year ended 31 December 2019

4. Property, plant and equipment

31 Dec 2019

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 December 2019
	Balance as at 01 Jan 2019	Addition during the year	Sale/ disposal during the year	Balance as at 31 Decem-ber 2019	Rate	Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year	Balance as at 31 Decem-ber 2019	
Land	2,309,220	-	-	2,309,220	-	-	-	-	-	2,309,220
Furniture & fixtures	915,379	8,000	-	923,379	10%	437,061	76,564	-	513,625	409,754
Office equipments	1,837,000	23,500	-	1,860,500	10%	905,991	140,553	-	1,046,544	813,956
Tools & appliances	126,255	-	-	126,255	20%	121,672	1,300	-	122,972	3,283
Vehicles	2,389,725	-	-	2,389,725	20%	2,290,469	99,253	-	2,389,722	3
Total	7,577,579	31,500	-	7,609,079		3,755,193	317,670	-	4,072,863	3,536,216

31 Dec 2018

Amount in Taka

Particulars	COST					DEPRECIATION				Net book value as at 31 Dec 2018
	Balance as at 01 Jan 2018	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2019	Rate	Balance as at 01 Jan 2018	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2018	
Land	2,309,220	-	-	2,309,220	-	-	-	-	-	2,309,220
Furniture & fixtures	915,379	-	-	915,379	10%	355,095	81,966	-	437,061	478,318
Office equipments	1,837,000	-	-	1,837,000	10%	763,532	142,459	-	905,991	931,009
Tools & appliances	126,255	-	-	126,255	20%	120,372	1,300	-	121,672	4,583
Vehicles	2,389,725	-	-	2,389,725	20%	1,956,924	333,545	-	2,290,469	99,256
Total	7,577,579	-	-	7,577,579		3,195,923	559,270	-	3,755,193	3,822,386

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

5 Right of use assets

31 Dec 2019

Amount in Taka

Particulars	COST			DEPRECIATION				Net book value as at 31 December 2019	
	Balance as at 01 Jan 2019	Addition during the year	Sale/ disposal during the year	Balance as at 31 December 2019	'Balance as at 01 Jan 2019	Charged during the year	Adjustment during the year		Balance as at 31 December 2019
Office Building	2,345,647	-	-	2,345,647	1,221,691	586,412	-	1,808,103	537,544
Total	2,345,647	-	-	2,345,647	1,221,691	586,412	-	1,808,103	537,544

Office building agreement starts from December 01, 2016 and effective for 4 years.

		31 DEC 2019	31 DEC 2018
		Taka	Taka
6. Investment			
Investment in RAK Power Pvt. Ltd.		1,275	1,275
		1,275	1,275
7. Deferred tax asset			
Balance as at 1 January			
Deferred tax income		153,674	153,674
Balance as at 31 December		153,674	153,674
	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2018			
Trade receivables	44,403,057	44,842,126	(439,069)
			(439,069)
Deferred tax asset (applying tax rate 35.00%)			(153,674)
8. Trade Receivables			
Trade receivables		26,606,088	44,842,126
		26,606,088	44,842,126
Less: Provision of impairment loss on trade receivable:			
Unrelated parties		311,779	311,779
Related parties		127,290	127,290
		26,167,019	44,403,057
9. Advance, deposit and prepayment			
Advance to employee		3,000	175,500
Advance to suppliers		1,000	470,670
Security Deposit		172,000	-
VAT Deposit		1,833,190	216,802
Insurance and Others		415,313	206,032
		2,424,503	1,069,004
10. Advance income tax			
Balance as at 01 January		17,694,014	19,446,310
Add. Paid during the year		1,460,967	4,400,394
		19,154,981	23,846,704
Less: Assessment completed during the year		-	6,152,690
Balance as at 31 December		19,154,981	17,694,014

	31 DEC 2019	31 DEC 2018
	Taka	Taka
10.1 Year wise closing balance		
Year - 2019	1,386,968	-
Year - 2018	1,975,180	1,975,180
Year - 2017	7,767,254	7,767,254
Year - 2016	4,215,121	4,215,121
Year - 2015	3,736,458	3,736,458
Advance Tax Appeal	74,000	-
	19,154,981	17,694,014
11. Cash and bank balances		
Cash in hand	216,733	375,939
Cash at banks		
DBBL (current account 117.110.4311)	1,696,977	1,517,575
DBBL (SND account 117.120.311)	10,394,673	-
Dhaka Bank Ltd. (current account 204.100.19318)	234,064	599,154
	12,542,447	2,492,668
12. Share capital		
Authorized capital:		
1,000,000 Ordinary shares of Tk. 100 each	100,000,000	100,000,000
Issued, subscribed, called and paid up capital:		
10,000 Ordinary shares of Tk. 100 each	1,000,000	1,000,000
Particulars of share-holdings are as follows:		
Name of shareholders:	No. of shares	Value per share
RAK Ceramics (Bangladesh) Ltd.	9,900	100
RAK Power Pvt. Ltd	100	100
Total	10,000	
		1,000,000
		1,000,000
13. Trade and other payables		
Other Payables		
Advance from customers	952,059	720,242
Payable to employee	52,750	40,800
Tax deducted at source	60,000	73,000
VAT deducted at source	9,097	3,969
	1,073,906	838,011
14. Lease Liability		
Non- Current		
Lease Liability	622,836	-
Less: Current portion of lease liability	622,836	-
	-	-
Current		
Current portion of lease liability	622,836	-

Liability Schedule

Particulars	Balance as on Jan 01, 2019	Addition	Payment	Interest Expenses	Decrease in lease liability	Closing Balance as on Dec 31, 2019
Office Building	12,40,487	-	7,08,000	90,349	6,17,651	6,22,836
Total	12,40,487	-	7,08,000	90,349	6,17,651	6,22,836

31 DEC 2019

Taka

31 DEC 2018

Taka

15. Provision for expenses

Satff cost	63,13,975	54,88,301
Audit fees	55,000	63,250
Legal and professional charges	25,000	28,750
Utilities bill	11,300	14,100
Temporary labour	25,08,854	29,57,644
	89,14,129	85,52,045

16. Provision for income tax

Balance as at 01 January	1,69,20,965	2,20,47,757
Add. Provision made during the year	-	10,25,899
	1,69,20,965	2,30,73,656
Less: Assessment completed during the year	-	61,52,691
Balance as at 31 December	1,69,20,965	1,69,20,965

16.1 Year wise closing balance

Year 2015	37,36,458	37,36,458
Year 2016	42,15,122	42,15,122
Year 2017	77,67,254	77,67,254
Year 2018	12,02,131	12,02,131
Year 2019	-	-
	1,69,20,965	1,69,20,965

Since Company incurred Loss, tax provision has not been made during the period.

17. Employees' benefit payable

	2019		
	Provident Fund Taka	Gratuity Fund Taka	Total Taka
Balance as at 01 January	-	-	-
Add: Provision made during the year	41,93,412	28,57,240	70,50,652
	41,93,412	28,57,240	70,50,652
Less: Payment made during the year	41,93,412	28,57,240	70,50,652
Balance as at 31 December	-	-	-

Provision and payment includes BDT. 597,768 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

		2018		
		Provident Fund	Gratuity Fund	Total
		Taka	Taka	Taka
	Balance as at 01 January	-	-	-
	Add: Provision made during the year	40,22,748	30,98,931	71,21,679
		40,22,748	30,98,931	71,21,679
	Less: Payment made during the year	40,22,748	30,98,931	71,21,679
	Balance as at 31 December	-	-	-
Provision and payment includes BDT. 516,106 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.				
		31 DEC 2019	31 DEC 2018	
		Taka	Taka	
18.	Sales			
	Gross receipts from services	12,13,88,597	18,32,49,674	
	Less: Value added tax (VAT)	1,38,27,776	2,39,02,169	
		10,75,60,821	15,93,47,505	
19.	Direct expenses			
	Direct Wages (Note-19.1)	8,65,45,908	13,21,70,814	
	Security Training expenses (Note-19.2)	2,04,233	2,53,875	
	Other direct expenses (Note-19.3)	13,46,972	16,30,344	
	Verification expenses (Note-19.4)	31,00,915	30,94,263	
		9,11,98,028	13,71,49,296	
19.1	Direct Wages			
	Salary and Wages	6,72,27,645	11,17,19,934	
	Overtime	1,21,32,083	1,29,30,801	
	Bonus	35,15,884	32,75,833	
	Employer's contribution to provident fund	10,56,496	13,31,221	
	Gratuity	22,93,076	25,61,955	
	Group Life Insurance	3,20,724	3,51,070	
		8,65,45,908	13,21,70,814	
19.2	Security training expenses			
	Staff welfare	2,01,423	2,43,250	
	Conveyance	2,810	10,625	
		2,04,233	2,53,875	
19.3	Other direct expenses			
	Uniform expenses	13,46,972	16,30,344	
		13,46,972	16,30,344	
19.4	Verification expenses			
	Staff Cost	16,45,536	15,66,249	
	Special Service Allowance	14,35,700	15,04,895	
	Mobile Bill	19,679	23,119	
		31,00,915	30,94,263	

	31 DEC 2019	31 DEC 2018
	Taka	Taka
20. Other income		
Dividend income	200	200
	200	200
21. Administrative expenses		
Staff Cost (21.2)	94,45,948	92,84,924
Rent, rates and taxes	14,60,631	23,61,968
Telephone and postage	5,08,537	8,39,548
Repair and maintenance	8,16,070	7,66,000
Electricity, gas and water	3,07,050	3,06,577
Depreciation	3,17,670	5,59,270
Depreciation on right of use assets	5,86,412	-
Vehicle repair & maintenance	4,03,455	4,07,030
Legal and professional fees	85,725	4,98,900
Other expenses	1,86,955	2,01,709
	1,41,18,452	1,52,25,926
Rent, rates and taxes includes rent expenses for short term lease for BDT. 1,299,560 and related government levies wherever applicable. Details of the short term lease is shown in note no 26. No low value item exists at the reporting period.		
21.1 Impairment loss on trade receivable		
Unrelated parties	-	3,11,779
Related parties	-	1,27,290
	-	4,39,069
New classification of financial assets shown in note 27.1(b). Impairment loss allowance has not been considered on bank balance because business is confident to recover the full amount from the bank.		
21.2 Staff Cost		
Salary	65,35,038	60,58,183
Bonus	8,24,011	9,68,333
Staff welfare	7,43,778	8,93,631
Employer's contribution to provident fund	3,70,802	3,54,060
Gratuity	4,72,982	4,50,396
Conveyance	4,93,811	5,31,580
Group Life Insurance	5,526	28,741
	94,45,948	92,84,924
22. Marketing expenses		
Staff Cost (22.1)	15,87,035	14,88,815
Travelling expenses	37,575	-
Conveyance	8,14,882	8,20,221
Telephone and Telex Expenses	9,214	9,756
Promotional expenses	10,36,588	8,35,453
	34,85,294	31,54,245

		31 DEC 2019	31 DEC 2018
		Taka	Taka
22.1	Staff Cost		
	Salary	12,63,167	11,65,500
	Bonus	1,59,200	1,66,500
	Employer's contribution to provident fund	71,640	68,040
	Gratuity fund	91,182	86,580
	Group Life Insurance	1,846	2,195
		15,87,035	14,88,815
23.	Finance income		
	Interest on bank account (SND)	1,34,885	86,135
		1,34,885	86,135
24.	Financial expenses		
	Interest expenses against lease liability	90,349	-
	Bank charges	26,485	30,557
		1,16,834	30,557
25.	Income tax		
	Current year	-	1,202,131
	Prior year adjustment	-	(176,232)
		-	1,025,899
26.	Short-term lease expenses		
	Nature of the lease	lease term	Allocation
			Rent payment
	Rented accommodation	<1 year	Admin
			12,99,560
			12,99,560

27 Financial risk management

The management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk

27.1 Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	USD		Amount in Taka	
	As at Dec 31	As at Dec 31	As at Dec 31	As at Dec 31
	2019	2018	2019	2018
Trade receivables				
Customer-Local	-	-	2,61,67,019	4,44,03,057
Customer-Export	-	-	-	-
	-	-	2,61,67,019	4,44,03,057
Cash equivalents	-	-	1,25,42,447	24,92,668

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2019.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment
Trade & other receivable-unrelated	8	Loan & receivable	Amortized cost	1,99,16,791	1,94,77,722	4,39,069
Cash & cash equivalent	11	Loan & receivable	Amortized cost	1,25,42,447	1,25,42,447	

- i Trade and other receivables and due from related parties that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current period on transition to IFRS 9.
- ii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current period on transition to IFRS 9.
- iii Since trade receivable aging has improved, no provision is required during the period as developed policy of the Company as per IFRS 9.

Amount in Taka

As at Dec 31	As at Dec 31
2019	2018

c) Aging of receivables

The aging of trade receivables:

Current (not due)	89,50,458	2,67,31,290
Overdue by 0 - 90 days	95,35,042	68,60,033
Overdue by 91 - 180 days	47,20,387	56,87,417
Overdue by 180 - 365 days	8,02,728	45,91,401
More than 365 days	25,97,473	4,89,423

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27.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on timeline of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. Moreover, the Company seeks to maintain short term lines of credit with scheduled commercial banks to ensure payment of obligations in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flows projections and credit lines facilities with banks are negotiated accordingly.

The following are the contractual maturities of financial liabilities of the Company:

	As at December 31, 2019			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	10,73,906	10,73,906	10,73,906	-
	10,73,906	10,73,906	10,73,906	-
	As at December 31, 2018			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	8,38,011	8,38,011	8,38,011	-
	8,38,011	8,38,011	8,38,011	-

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

28. Related party disclosure under IAS-24

List of related parties with whom transaction have taken place and their relationship as identified and certified by management:

Amounts in Taka

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	Period	Purchase / Service	Sales of goods / Services	Outstanding Receivables	Dividend income
RAK Ceramics (Bangladesh) Limited	Parent Company	Unsecured	Nil	Current Year	-	5,21,60,129	65,36,365	-
				Previous Year	-	9,71,01,693	2,11,25,978	-
RAK Power Pvt. Ltd.	Fellow Subsidiary	Unsecured	Nil	Current Year	-	14,94,273	1,63,536	200
				Previous Year	-	15,23,026	1,76,870	200
M/s. Ekramuzzaman	Other related party	Unsecured	Nil	Current Year	-	10,75,506	1,17,516	-
				Previous Year	-	10,33,559	99,112	-
Mohammed Trading	Other related party	Unsecured	Nil	Current Year	-	16,58,568	2,93,374	-
				Previous Year	-	17,41,778	2,33,643	-
Julphar Bangladesh Ltd.	Other related party	Unsecured	Nil	Current Year	-	18,19,444	4,89,878	-
				Previous Year	-	21,29,440	4,34,166	-
RAK Paints Pvt. Limited	Other related Party	Unsecured	Nil	Current Year	-	64,67,577	29,57,865	-
				Previous Year	-	65,26,166	44,46,948	-
RAK Consumer Products Ltd.	Other related Party	Unsecured	Nil	Current Year	-	19,92,941	14,69,000	-
				Previous Year	-	17,06,992	23,28,994	-
Rakeen Development Pvt. Limited	Other related party	Unsecured	Nil	Current Year	-	69,97,737	40,50,134	-
				Previous Year	-	39,03,579	17,81,065	-
Star Ceramics Pvt. Limited	Other related party	Unsecured	Nil	Current Year	-	7,13,807	4,25,058	-
				Previous Year	-	45,35,788	8,71,634	-
Star Porcelain Pvt. Ltd.	Other related party	Unsecured	Nil	Current Year	-	3,25,089	28,62,456	-
				Previous Year	-	29,30,746	43,42,524	-
Kea Printing and Packaging Ind.	Other related party	Unsecured	Nil	Current Year	-	9,88,098	90,982	-
				Previous Year	-	9,88,507	3,78,602	-

28.1 Paid to Directors

During the period, Board meeting fees of Taka 4,000 was paid to the board members for attending the Board meetings.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2019

29. Number of employees

The number of employees engaged for the period who received total remuneration of Taka 60,000 and above per annum at reporting date was as follows;

	2019	2018
Number of employees	357	356

None of receiving below Taka 5,000 per month.

30. Earnings per share (EPS)

Calculation of earnings per share (EPS) is as under:

Earnings attributable to the ordinary shareholders

Profit for the period (12,22,702) 25,62,521

No. of ordinary equity shares 10,000 10,000

Weighted average no. of equity shares outstanding (Note 12) 10,000 10,000

Earnings per share (EPS) for the year (122.27) 256.25

Diluted earnings per share for the year (122.27) 256.25

Net assets value per share 3,698.58 4,332.51

Net operating cash flow per share 1,581.56 (961.92)

30.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

Outstanding shares	10,000	10,000
	10,000	10,000

30.2 Diluted earning per share

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during these years.

30.3 Reason of deviation of earnings per share:

Though there was decrease in the revenue of the company as compared to previous year and the normal increase of general expenses, which resulted in a reduction of net profit for the year.

30.4 Reason of deviation of net operating cash flow per share:

The company registered improvement in cash inflows from customers due to enhanced control on customer credit as well as decrease in advance tax deposits as a resultant of lower income in the period as compared to same period previous year.

31 Events after the reporting period

31.1 Declaration of dividend and date of Annual General Meeting (AGM)

The Board of Directors of RAK Security and Services (Pvt) Ltd. , in its meeting held in February 04, 2020, has unanimously recommended cash dividend @ 500% of the paid up capital of the company for the year ended 31 December 2019 equivalent to BDT. 5,000,000 to be distributed as cash dividend among shareholders. The dividend is subject to final approval by the shareholders at the forthcoming 31 March 2020 Annual General Meeting of the Company.

STATEMENT PURSUANT TO SECTION 186(1)(E) OF THE COMPANIES ACT 1994

Name of the subsidiary	RAK Power Pvt. Ltd.	R.A.K. Security and Services (Pvt.) Ltd.
Name of the holding company	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited
Holding Company's interest	2,049,990 ordinary shares of Tk.100 each fully paid up	9,900 ordinary shares of Tk.100 each fully paid up
Extent of holding	99.99%	99.00%
The 'financial year' of the subsidiary company ended on	December 31, 2019	December 31, 2018
Net aggregate amount of the subsidiary company's profits/ (losses) dealt with in the holding company's accounts	BDT. 506.25	BDT. 12.00
For the subsidiary's aforesaid financial year	BDT. 82.00	BDT. 5.00
For the previous financial years since it became subsidiary	BDT. 424.25	BDT. 7.00
Net aggregate amount of the subsidiary company's profits/ (losses) not dealt with in the holding company's accounts	BDT. 119.00	Nil
For the subsidiary's aforesaid financial year	BDT. Nil	Nil
For the previous financial years since it became subsidiary	BDT. 119.00	Nil
Changes, if any, in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company	No such changes	No such changes
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	No material changes	No material changes

GLOSSARY

- **Accounts payable** - Accounts payable represents incurred expenses the company expects to pay within one year. It is recorded as part of current liabilities on the balance sheet.
- **Accounts receivable** - Accounts receivable represents uncollected revenues the company expects to receive within one year. It is recorded as part of current assets on the balance sheet.
- **Accrual accounting system** - Under this system, revenues are recorded when earned and expenses are recorded when incurred. Therefore, earned revenues may include sales on credit for which you have yet to receive cash and expenses may include bills that you have not yet paid. This method is used when preparing the income statement and balance sheet.
- **Accumulated depreciation**- The cumulative depreciation of an asset to the date of the current financial year.
- **Accumulated profits**- The amount of past years profit not paid in dividends. Sometimes referred to as retained profit. In contrast, losses from previous years not absorbed by past years profit are accumulated losses.
- **Annual report**- A report published yearly by all publicly-held companies that details the financial condition of the company and includes the balance sheet, income statement, cash flow statement, and other relevant information.
- **Asset revaluation**- The application of an accounting policy choice, whereby the monetary measure of the asset is the amount for which it could be exchanged between knowledgeable, willing parties in an arms-length transaction.
- **Assets** - The value of everything a company uses to conduct business, such as cash, equipment, land, inventories, office equipment, and money owed to the company by customers and clients.
- **Assets Items** of value which the company can trade or use in its business.
- **Balance sheet**- A financial statement that gives a snapshot of a company's financial situation at a particular point in time and lists its different assets, liabilities, and owners' equity.
- **Cash basis of accounting**- A method of accounting where only actual cash inflows and cash outflows are recorded, i.e. when payment is received or made. This method is used when preparing the cash flow statement.
- **Cash flow statement**- A financial statement that records a company's actual cash inflows and cash outflows over a defined period of time. It includes three sections: operating cash flow, investing cash flow, and financing cash flow.
- **Contingent liabilities**- A potential liability dependent on uncertain future events which are beyond the control of the company.
- **Contributed capital**- Money invested in a company by its owners/shareholders. Reported as part of owners' equity on the balance sheet.
- **Corporate social responsibility report**- A report on how the company manages its business processes to produce an overall positive impact
- **Cost of goods sold**- Also known as Cost of Sales, this represents all the expenses directly related to the making and storing of a company's goods, such as raw materials, warehousing, and direct labor costs. Doesn't exist for service companies.
- **Cost of sales**- Also known as Cost of Goods Sold, this represents all the expenses directly related to the making and storing of a company's goods, such as raw materials, warehousing, and direct labor costs. Doesn't exist for service companies.
- **Current assets**- Assets the company plans to convert to cash, sell, or use during the coming year, including cash, accounts receivable, and inventory on hand.
- **Current assets**- Cash and cash equivalents and assets which are expected to be turned into cash in the next year.
- **Current liabilities** - Amounts which the company is obliged to pay to others in the next year.
- **Depreciation** - A method used to account for the diminishing value of an asset over the time it is used and to match profit with the expenses it took to generate that profit. Registered as a non-cash expense.

- **Direct method-** A method of arriving at net operating cash flow by adjusting each item on the income statement from the accrual basis of accounting to the cash basis of accounting.
- **DSE listing rules** - Listing rules govern the admission of companies to the official list of listed companies, quotation of their shares, suspension of those shares from quotation and removal of companies from the official list. The listing rules also govern disclosure and some aspects of a listed company's conduct.
- **EBIT (Earnings before interest and taxes)-** Amount calculated by subtracting cost of goods sold and operating expenses from revenue on the income statement. Also called operating earnings.
- **Emphasis of matter** -A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report.
- **Employee benefits** - Represent benefits offered to employees of the company and can include short-term (e.g. salaries and wages), long-term (e.g. long service leave), post-employment benefits (retirement benefits) and termination benefits.
- **Equity** - Total assets less total liabilities; includes share capital, reserves and accumulated profit Expenses, the costs of deriving revenue.
- **Expenses** - Different costs, such as cost of goods sold, operating expenses, and interest expense, incurred during the normal operation of a business.
- **Financing cash flow-** Cash received or paid from borrowing money or paying back investors, creditors, and shareholders. The third part of calculating net cash flow on the cash flow statement.
- **Fixed assets-** Assets that the company does not plan to turn into cash within one year or that would take longer than one year to convert, including property, plants, machinery, and patents.
- **Gross profit-** An item included on the income statement of production companies, calculated by deducting cost of goods sold from revenues/sales generated from those goods. It is used as a rough estimate of the company's profitability.
- **Income statement-** A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the profit-and-loss statement, or P&L statement.
- **Income tax-** Tax levied by the government for income and part of the expenses deducted from revenues when arriving at net income on the income statement.
- **Indirect method-** A method of arriving at net operating cash flow by adjusting the net income on the income statement for non-cash revenues and expenses. Also called the reconciliation method.
- **Interest expense-** Represents all interest paid by the company for loans it incurred and is part of the expenses deducted from revenues in the process of arriving at net income on the income statement.
- **Investing cash flow-** Cash used for investing in long-term assets, such as equipment or equity securities, and cash received from the sale of such investments. The second part of calculating net cash flow on the cash flow statement.
- **Investor relations-** The section on a company's website under which you can find the company's financial statements.
- **Key management personnel** Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that company.
- **Liabilities** - Debts a company owes to its creditors and lenders. Liabilities Amounts which the company is obliged to pay to others.
- **Liquidity** - The ease with which assets and liabilities may be converted into cash.
- **Listed company-** A company which is publicly listed on a securities exchange like the Dhaka Stock Exchange.
- **Long-term liabilities-** The flip side of fixed assets, this represents money the company needs to pay back in one or more years. It includes long-term bank loans, mortgages, and bonds.
- **Modified opinion** - The auditor may issue a modified opinion, being a qualified opinion, an adverse opinion or a disclaimer of opinion.
- **Net loss-** The bottom line of the income statement. The negative profit (loss) left after all expenses have been deducted from revenues. If expenses are smaller than revenues than we will refer to it as net profit.
- **Net profit-** The bottom line of the income statement. The profit left after all expenses have been deducted from revenues. If expenses are larger than revenues, then we refer to it as net loss.

- **Operating cash flow-** The first section of the cash flow statement, which includes cash generated by and required for the daily operations of a business.
- **Operating earnings-** earnings left after subtracting the cost of goods sold and operating expenses from a company's revenues on the income statement. Also called EBIT (Earnings Before Interest and Taxes).
- **Operating expenses-** All costs incurred in operating the business that are not directly related to the production and storage of a company's goods. They include administrative salaries, research and development expenses, rents, and marketing costs. These cost are included in the expense section of the income statement.
- **Owners' equity-** Owners' equity equals all assets minus all liabilities and represents the part of the company owned by its shareholders. It generally includes contributed capital and retained earnings.
- **P&L statement** - A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the income statement or the profit-and-loss statement.
- **Profit margin-** An indicator of profitability. It is calculated by dividing the company's net income by its revenue for the same period. The higher the margin the more profitable a company is.
- Profit Surplus of revenues and other income over expenses.
- **Profit-and-loss statement-** A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the income statement or the P&L statement.
- **Remuneration of directors** or executives will typically include all or some of cash salary, shares or share options, superannuation, annual and long service leave.
- **Reporting period** - The period that the financial statements cover. This will typically be one year (e.g. the year ended 31st December 20XX) but can be shorter or longer in certain circumstances.
- **Reserves surpluses** arising from (for example) revaluations of certain assets.
- **Retained earnings-** Money reinvested into the company after all dividends are paid. Reported as part of owners' equity on the balance sheet.
- **Revenue earnings** arising in the ordinary activities of the company. Fees from the rendering of services are examples of revenue, as is revenue from the sale of goods.
- **Revenues-** Money generated by the company by selling its products or services to customers, before deducting any expenses. It includes only revenues associated with the company's main operations and is sometimes referred to as sales.
- **SEC-** Securities and Exchange Commission, a Bangladesh Governmental agency established by the Act to enforce all federal securities laws and protect investors from fraud in the securities markets.
- **Share option** - A contract that gives the holder of the option the right, but not the obligation, to subscribe to the company's shares at a fixed or determinable price for a specified period of time.
- **Share-based payment arrangement** - An arrangement between the company and another party (including an employee) that entitles the other party, on satisfying any conditions specific to the arrangement, to shares or share options of the company, or cash or other assets of the company that are based on the price of those shares or share options.
- **Sustainability report-** A report that provides information about the company's performance towards the goal of sustainable development.

NOTICE OF THE 21ST ANNUAL GENERAL MEETING



Notice is hereby given that the 21st Annual General Meeting of RAK Ceramics (Bangladesh) Limited will be held on Tuesday, March 31, 2020 at 10.00 a.m. at Golf Garden, Army golf club, Dhaka cantonment, Dhaka-1206 to transact the following businesses:

AGENDA

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31 December 2019, together with the reports of the Auditor and the Directors.
2. To declare dividend for the year ended 31 December 2019.
3. To elect/re-elect Director(s) of the Company.
4. To appoint the Statutory Auditors of the Company for the year 2020 and fix their remuneration.
5. To appoint the Chartered Secretary in Practice (Compliance Auditors) of the Company for the year 2020 for compliance certification on corporate governance and fix their remuneration.
6. To approve of entering into contract for supply of goods and materials with Mohammed Trading amounting to 1% (one percent) or above of the revenue for the immediately preceding financial year.

Dhaka, Bangladesh
Date: March 15, 2020

By order of the Board of Directors

Sd/-
(Muhammad Shahidul Islam FCS)
Company Secretary

Notes:

1. The shareholders whose name appeared in the Share Register of the Company, or in the Depository Register on the 'Record Date' (i.e. February 25, 2020), will be entitled to attend the 21st AGM and receive the dividend.
2. The Board unanimously recommended dividend @ 15% in cash of the paid-up capital of the Company for the year 2019.
3. Shareholders may please note that pursuant to Corporate Governance Code, 2018 of the BSEC dated June 03, 2018, M/s. Jasmin & Associates, Chartered Secretaries & Corporate Affairs Consultants, has been recommended by the Board of Directors to be appointed as Compliance Auditors of the Company for the year 2020 for compliance certification on corporate governance subject to approval of the shareholders.

4. In order to comply with the BSEC notification No. BSEC/CMRRCD/2009-193/2/Admin/103 dated 05 February 2020, the Board of Directors has recommended to enter into contract for supply of goods and materials with Mohammed Trading amounting to 1% (one percent) or above of the revenue for the immediately preceding financial year subject to approval of the shareholders.
5. A shareholder entitled to attend and vote at the AGM may appoint a proxy to attend and vote in his/her behalf (such a proxy shall be a shareholder of the Company). The Proxy Form, duly filled and stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
6. Admission to the meeting will be strictly on production of the Attendance Slip.
7. Shareholders are requested to submit to the Registered Office of the Company on or before March 29, 2020, their written option to receive dividend in the form enclosed with the Annual Report. If the shareholder fails to submit such option within the stipulated time, the dividend will be paid-off as deemed appropriate by the Company.
8. In case of non-receipt of the Annual Report of the Company sent through email, shareholders may collect the same from the Registered Office of the Company, on or before March 29, 2020.
9. Brokerage houses/DPs are requested to provide the statement along with detail of their margin loan holders on or before March 29, 2020, who are entitled to receive cash dividend of the Company for the year ended December 31, 2019. The statement should include shareholder's name, BO ID number, client-wise shareholding position, gross dividend receivable, applicable tax rate, net dividend receivable, bank account number, routing number, contact person, etc.

Shareholders may please note that no food or gift or other benefits in cash or kind shall be given at the Annual General Meeting.



RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floors), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230

Proxy Form

I/We of

..... being a shareholder of RAK Ceramics (Bangladesh) Limited, do hereby appoint

Mr/Ms..... of.....

as my/our proxy to attend and vote on my/our behalf at the **21st Annual General Meeting** of the Company to be held on **Tuesday, March 31, 2020 at 10.00 a.m.** at Golf Garden, Army golf club, Dhaka cantonment, Dhaka-1206 and at any adjournment thereof.

As witness my/our hand this day of2020

.....
(Signature of Proxy)



.....
(Signature of Shareholder)

BO ID No.

BO ID No.

Notes:

1. A shareholder entitled to attend and vote in the AGM may appoint a Proxy to attend and vote on his/her behalf.
2. The Proxy Form, duly filed and stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
3. Signature of the shareholder must be in accordance with the specimen signature recorded with the Company.
4. As per Articles of Association of the Company, no person shall act as a Proxy unless he himself is a shareholder of the Company.

.....
(Authorized signature)
RAK Ceramics (Bangladesh) Limited

.....
(Signature verified)



RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floors), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230

Attendance Slip

I/We do hereby record my/our attendance at the **21st Annual General Meeting** of the Company to be held on **Tuesday, March 31, 2020 at 10.00 a.m.** at Golf Garden, Army golf club, Dhaka cantonment, Dhaka-1206, Bangladesh.

Name of the Shareholder (s)/Proxy:

BO ID No. of Shareholder:

BO ID No. of Proxy:

No. of shares held by Shareholder:

No. of shares held by Proxy holder:

.....
Signature of Shareholder(s)/Proxy

Note: Please present this Attendance Slip at the registration counter on or before 10:00 am on the AGM date.

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