

RAK Ceramics (Bangladesh) Limited

Independent Auditor's Report and Audited Consolidated Financial Statements
as at and for the year ended 31 December 2020

**Independent Auditor's Report
to the Shareholders of RAK Ceramics (Bangladesh) Ltd.**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of RAK Ceramics (Bangladesh) Ltd. ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 and the Institute of Chartered Accountants of Bangladesh (ICAB) By Laws. 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 year 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	How our audit addressed the Key Audit Matters
Revenue recognition	
Refer note no 3.14.2 and 24 to the consolidated financial statements	
<p>The Group earns revenue from contracts with customers for sale of goods. Due to impact of COVID-19 pandemic on the operating environment surrounding the Group, there is decline in the amount of revenue earned by the Group compared to last year's reported numbers. The amount of decline was significant during the second quarter of the year due to the lockdown situation in the country as containment measure against the pandemic. However, in the following quarters, the revenue started to grow remarkably as the lockdown situation had been gradually phased out.</p> <p>The management uses its judgment for assessing appropriateness of revenue recognition, especially considering collectability of revenue from the customers stressed by the pandemic situation.</p> <p>Revenue is measured at net of discounts, dealers' commissions and incentives. The calculation of the discounts and commission is complex and require judgment in some instances.</p>	<p>Our audit procedures for revenue recognition included the following:</p> <ul style="list-style-type: none"> • Understanding of the key controls related to the contracts with customers, goods delivery and invoicing process, and sanctioning of discount and commissions; • Review collectability of the sales to customers, especially those which are stressed because of the pandemic situation; • Substantive procedures using sampling techniques to verify relevant supporting documents for the revenue recognized; • Recalculation of the discounts and commissions granted to customers and agreeing them with the underlying contracts, policy documents and past trends which arise valid expectation among customers to be eligible for the discounts and commissions; • Cut off testing, which involves testing of the revenue recognized shortly before and after the date of statement of financial position, to determine whether the revenue is recognized in the correct year.
Valuation of inventories	
Refer note no 3.9 and 9 to the consolidated financial statements	
<p>The inventories of the Group are carried at lower of cost and net realizable value. During the year, the risk of cost exceeding net realizable value has increased due to the pandemic situation having adverse impact on market conditions.</p> <p>The determination of net realizable value of the inventories is judgmental and complex, especially in current uncertain market conditions due to the pandemic.</p>	<p>We obtained assurance over relevance and appropriateness of management's assumptions applied in calculating the provision for slow moving and obsolete inventories by:</p> <ul style="list-style-type: none"> • evaluating the design and implementation of key inventory controls operating across the Group. • evaluating management's process of determining the net realizable value of the inventories and impact of the pandemic upon it. • attending stock counting and reconciling the count results to the inventory listings to test the completeness of data;



Key Audit Matters	How our audit addressed the Key Audit Matters
	<ul style="list-style-type: none"> 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 3.10, 3.14.1, 10.1, 27.1 and 35.1(b) to the consolidated financial statements	
<p>The COVID-19 pandemic situation has put many businesses of the country in financial stress. So, there is increased risk of default for the sales to customers being stressed.</p> <p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> testing of 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.
Review of tax and regulatory matters	
Refer note no 23 and 42 to the consolidated financial statements	
<p>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.</p> <p>These uncertainties inherently affect the amount and timing of potential outflows with respect to the tax provisions and contingent liabilities.</p> <p>As a listed entity, the Group also has to maintain compliance with the requirements of</p>	<p>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:</p> <ul style="list-style-type: none"> 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;



Key Audit Matters	How our audit addressed the Key Audit Matters
the Bangladesh Securities and Exchange Commission.	<ul style="list-style-type: none"> • 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. <p>We have reviewed the controls related to Corporate Governance compliance and reporting compliance as per Bangladesh Securities and Exchange Commission guidelines.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon. The Annual report is expected to be made available to us after the date of this auditor’s report.

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.

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.

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, 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.

Auditor's Responsibilities for the Audit of the 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 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 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 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 Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 year 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 Group so far as it appeared from our examination of these books;
- c) the statement of consolidated financial position and statement of consolidated 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.

Dhaka, Bangladesh

03 FEB 2021

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ACNABIN

Chartered Accountants

Signed by
Md. Rokonzaman FCA
Partner
Enrollment No.: 0739

DVC: 2102040739 AS435533



RAK Ceramics (Bangladesh) Ltd.
Consolidated statement of financial position
as at 31 December 2020

	Notes	<u>2020</u> <u>Taka</u>	<u>2019</u> <u>Taka</u>
Assets			
Property, plant and equipment	4	3,087,064,214	3,002,294,289
Investment property	5	503,456,083	681,433,369
Right of use assets	6	21,183,255	45,836,335
Intangible assets	7	3,132,357	6,495,047
Capital work-in-progress	8	56,636,694	177,641,997
Total non-current assets		<u>3,671,472,603</u>	<u>3,913,701,037</u>
Inventories	9	2,026,990,380	2,785,630,242
Trade and other receivables	10	1,008,800,248	859,960,257
Advances, deposits and prepayments	11	270,311,098	267,192,251
Advance income tax	12	3,588,659,675	3,434,063,275
Cash and cash equivalents	13	1,949,194,840	1,499,310,101
Total current assets		<u>8,843,956,241</u>	<u>8,846,156,126</u>
Total assets		<u>12,515,428,844</u>	<u>12,759,857,163</u>
Equity			
Share capital	14	4,279,687,010	4,279,687,010
Share premium	15	1,473,647,979	1,473,647,979
Retained earnings	16	1,269,975,797	1,601,275,518
Equity attributable to equity holders of the company		<u>7,023,310,786</u>	<u>7,354,610,507</u>
Non-controlling interests		<u>1,314</u>	<u>1,393</u>
Total equity		<u>7,023,312,100</u>	<u>7,354,611,900</u>
Liabilities			
Deferred tax liability	17	191,761,301	191,893,149
Lease liability	20	9,291,390	29,374,867
Total non-current liabilities		<u>201,052,691</u>	<u>221,268,016</u>
Borrowings	19	119,940,905	89,232,918
Lease liability	20	4,505,188	10,101,008
Trade and other payables	21	675,069,613	691,725,531
Accrued expenses	22	520,281,836	558,665,634
Provision for income tax	23	3,971,266,511	3,834,252,156
Total current liabilities		<u>5,291,064,053</u>	<u>5,183,977,246</u>
Total liabilities		<u>5,492,116,744</u>	<u>5,405,245,263</u>
Total equity and liabilities		<u>12,515,428,844</u>	<u>12,759,857,163</u>

The accompanying notes are an integral part of these financial statements



 Managing Director




 Director



 Company Secretary

As per our report of same date

03 FEB 2021
 Dated,



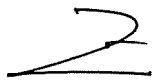
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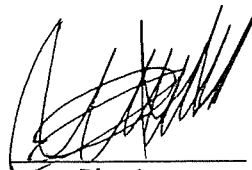
RAK Ceramics (Bangladesh) Ltd.
Consolidated profit or loss and other comprehensive income
for the year ended 31 December 2020

	Notes	<u>2020</u> Taka	<u>2019</u> Taka
Sales	24	5,288,916,673	6,463,857,312
Cost of sales	25	(4,099,115,721)	(4,556,112,666)
Gross profit		<u>1,189,800,952</u>	<u>1,907,744,646</u>
Other income	26	3,973,687	46,204,060
Administrative expenses	27	(340,243,455)	(400,512,718)
Impairment loss on trade receivable	27.1	(677,294)	(5,624,637)
Marketing and selling expenses	28	(414,376,760)	(455,996,281)
		<u>(751,323,822)</u>	<u>(815,929,576)</u>
Profit from operating activities		438,477,130	1,091,815,070
Finance income	29	51,548,759	32,878,148
Finance expenses	30	(19,673,258)	(27,323,676)
Net finance income		<u>31,875,501</u>	<u>5,554,472</u>
Profit before contribution to worker's profit participation and welfare fund		<u>470,352,631</u>	<u>1,097,369,542</u>
Contribution to worker's profit participation and welfare fund	31	(22,816,672)	(52,965,129)
Profit before income tax		447,535,959	1,044,404,413
Income tax expense			
Current tax	32	(137,014,355)	(296,420,303)
Deferred tax	17	131,848	6,041,346
		<u>(136,882,507)</u>	<u>(290,378,957)</u>
Profit for the year		<u>310,653,452</u>	<u>754,025,456</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>310,653,452</u>	<u>754,025,456</u>
Profit attributable to:			
Equity holders of the company		310,653,331	754,025,209
Non-controlling interests		121	247
Profit after tax for the year		<u>310,653,452</u>	<u>754,025,456</u>
Basic earnings per share (Par value TK 10)	38	0.73	1.76

The accompanying notes are an integral part of these financial statements



Managing Director



Director



Company Secretary

As per our report of same date

03 FEB 2021
Dated,



ACNABIN
Chartered Accountants

2102040739AS435533

RAK Ceramics (Bangladesh) Ltd.
Consolidated statement of changes in equity
for the year ended 31 December 2020

Attributable to owners of the Company

	Share capital Taka	Share Premium Taka	Retained earnings Taka	Total Taka	Non- controlling interests Taka	Total equity Taka
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 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>
Balance as at 01 January 2020	4,279,687,010	1,473,647,979	1,601,275,518	7,354,610,507	1,393	7,354,611,900
Total comprehensive income for 2020 Profit for the year	-	-	310,653,331	310,653,331	121	310,653,452
Transactions with the shareholders:						
Cash dividend (2019)	-	-	(641,953,052)	(641,953,052)	(200)	(641,953,252)
Balance as at 31 December 2020	<u>4,279,687,010</u>	<u>1,473,647,979</u>	<u>1,269,975,797</u>	<u>7,023,310,786</u>	<u>1,314</u>	<u>7,023,312,100</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 2020

	<u>2020</u>	<u>2019</u>
	<u>Taka</u>	<u>Taka</u>
Cash flows from operating activities		
Cash receipts from customers	5,105,194,886	6,450,716,308
Cash payments to suppliers and employees	<u>(3,732,064,498)</u>	<u>(4,563,582,744)</u>
Cash generated from operating activities	<u>1,373,130,388</u>	<u>1,887,133,564</u>
Interest received from bank deposit	10,130,980	6,832,490
Income tax paid (note - 12)	<u>(154,596,400)</u>	<u>(308,746,264)</u>
Net cash (used in)/from operating activities (note-41.1)	<u>1,228,664,968</u>	<u>1,585,219,790</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(231,242,745)	(279,524,603)
Sale of property, plant and equipment	2,361,500	179,500
Interest received from FDR	38,673,987	20,857,636
Income from rental	5,325,653	12,045,000
Intangible assets	(492,890)	(771,526)
Insurance claim received	38,287,131	56,976,731
Dividend received	100	200
Net cash (used in)/from investing activities	<u>(147,087,264)</u>	<u>(190,237,062)</u>
Cash flows from financing activities		
Finance charges	(18,873,848)	(18,947,425)
Avail/(repayment) of term loan	-	(88,203,349)
Avail/(repayment) of short-term loan	30,707,987	(220,419,498)
Payment of lease liability	(9,677,498)	(10,730,542)
Dividend paid	(634,047,427)	(386,966,131)
Unclaimed share application refund	-	(8,160)
Adjustment related with non-controlling interest	(200)	(400)
Net cash (used in)/from financing activities	<u>(631,890,986)</u>	<u>(725,275,505)</u>
Effect of exchange rate changes in cash and cash equivalents	198,021	(204,349)
Net increase/(decrease) in cash and cash equivalents	449,884,739	669,502,874
Cash and cash equivalents as at 01 January	<u>1,499,310,101</u>	<u>829,807,227</u>
Cash and cash equivalents as at 31 December (Note 13)	<u>1,949,194,840</u>	<u>1,499,310,101</u>

The accompanying notes are an integral part of these financial statements



RAK Ceramics (Bangladesh) Limited
Notes to the consolidated financial statements
as at and for the year ended 31 December 2020

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 period. 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 period. 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.

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 03 February 2021.

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 on trade receivable

2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 December 2020 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.



Impact of COVID-19 pandemic

When assessing going concern assumption of the Company as above, key consideration was the impact of COVID-19 pandemic. The pandemic has caused country-wide lockdown in Bangladesh by the end of March 2020 which caused closure of outlets/stores of the company's dealers, suspension of production in factory, disruption in the supply chain and closure of physical office requiring employees to work from home. In face of uncertainties related to the impact of COVID-19, management has developed adequate plans to minimize the impact on its financial conditions and liquidity. However, since september 2020 the economy has been started returning back to normalcy. Accordingly, the management believes the going concern assumption will remain unaffected from COVID-19.

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.

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.

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.

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. No internally developed intangible assets were capitalised during the period.

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. 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 the 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.

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, amendmends 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.

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.

ii. 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.

i. 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.

i. 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.

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 and Short Notice Deposit (SND). 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 2020.

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 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 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 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.

4 Property, plant and equipment

Amount in Taka

Particulars	COST			Balance as at 31 Dec 2020	Rate (%)	DEPRECIATION			Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/ Transfer during the year			Balance as at 01 Jan 2020	Charged during the year	Adjustment during the year	
Land	338,570,507	2,995,200	-	341,565,707	5-20	-	-	-	341,565,707
Factory building	1,038,033,128	-	-	1,038,033,128	5	53,712,768	-	-	488,346,178
Office and accommodation building	200,864,019	100,062,037	207,019,337	507,945,395	5	17,174,934	38,050,714	-	174,934,010
Plant and machinery	5,545,628,139	242,044,784	(806,250)	5,786,866,674	5-10	315,353,914	(50,225)	4,073,660,908	1,713,205,765
Mobile plant	142,301,896	-	-	142,301,896	10	5,237,022	-	108,869,473	33,432,423
Electrical installation	242,630,147	-	-	242,630,147	10-20	7,579,537	-	208,442,647	34,187,500
Gas pipeline	79,438,345	-	-	79,438,345	10-20	3,725,105	-	59,976,468	19,461,877
Furniture and fixtures	44,569,418	2,863,982	(4,721,772)	42,711,628	10	2,777,793	(4,716,673)	28,184,191	14,527,438
Office equipment	119,827,598	4,093,113	(26,800,299)	97,120,413	10-20	19,010,249	(26,775,670)	85,303,137	11,817,276
Communication equipment	18,105,282	188,931	(4,536,890)	13,757,325	10-20	10,640,101	(4,536,853)	8,450,583	5,306,742
Tools and appliances	19,177,097	-	-	19,177,097	10-20	1,577,437	-	13,596,805	5,580,292
Vehicles	91,062,462	-	(6,551,223)	84,511,240	10-20	6,771,205	(6,157,560)	59,230,380	25,280,859
Fire fighting equipments	3,631,012	-	-	3,631,012	20	-	-	3,631,012	-
Total	7,883,839,050	352,248,049	163,602,903	8,399,690,005		435,267,297	(4,186,267)	5,312,625,791	3,087,064,214

2019

Amount in Taka

Particulars	COST			Balance as at 31 Dec 2019	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 01 Jan 2019	Charged during the year	Adjustment during the year	
Land	338,570,507	-	-	338,570,507	5-20	-	-	-	338,570,507
Factory building	999,375,345	38,657,783	-	1,038,033,128	5	52,280,276	-	434,633,410	603,399,718
Office and accommodation building	204,836,622	8,784,691	(12,757,294)	200,864,019	5	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	305,368,735	-	3,758,357,220	1,787,270,919
Mobile plant	135,573,374	6,728,522	-	142,301,896	10	4,623,588	-	103,632,451	38,669,445
Electrical installation	242,630,147	-	-	242,630,147	10-20	7,675,319	-	200,863,110	41,767,037
Gas pipeline	77,047,294	2,391,051	-	79,438,345	10-20	3,922,021	-	56,251,363	23,186,982
Furniture and fixtures	40,827,059	3,742,359	-	44,569,418	10	2,418,307	-	30,123,069	14,446,349
Office equipment	113,918,875	5,908,723	-	119,827,598	10-20	18,826,666	-	93,068,558	26,759,040
Communication equipment	14,768,857	3,336,425	-	18,105,282	10-20	2,040,145	-	10,640,101	7,465,181
Tools and appliances	19,113,047	64,050	-	19,177,097	10-20	1,714,744	-	12,019,368	7,157,729
Vehicles	89,762,354	1,594,836	(294,728)	91,062,462	10-20	7,077,035	(175,856)	58,616,737	32,445,725
Fire fighting equipments	3,631,012	-	-	3,631,012	20	-	-	3,631,012	-
Total	7,668,042,626	228,848,446	(13,052,022)	7,883,839,050		416,882,921	(2,728,978)	4,881,544,761	3,002,294,289

* Office and accommodation building includes BDT. 207,019,337 (gross block) has transferred from "investment property" to "property, plant and equipment" because management has decided to use the assets for its own purpose. Therefore, due to change in use of office building, an apartment on 10th floor at RAK Tower, has transferred from "investment property" to "property, plant and equipment".

5 Investment Property

2020

Particulars	COST			Rate	DEPRECIATION			Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/Transfer during the year		Balance as at 31 Dec 2020	Charged during the year	Adjustment during the year	
Land ¹	500,571,750	-	-	-	-	-	-	500,571,750
Office building ²	211,452,074	-	(207,019,337)	5%	30,590,455	9,008,663	(38,050,714)	2,884,333
Total	712,023,824	-	(207,019,337)		30,590,455	9,008,663	(38,050,714)	503,456,083

Amount in Taka

2019

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

Amount in Taka

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 till 31st October 2020. Hence the same was classified under "Investment Property" under IAS 40 till 31st October 2020.

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.

3. Management has decided to use the 10th floor for its own from 1st November 2020. Therefore, the property under office building, an apartment on 10th floor at RAK Tower, has transferred from "Investment property to "Property, plant and equipment" due to change in use in accordance with IAS 40.

	<u>2020</u> <u>Taka</u>	<u>2019</u> <u>Taka</u>
5.1 Depreciation charged on the basis of the purpose of use		
Cost of sales (Note 25)	393,410,021	377,142,595
Administrative expenses (Note 5.2)	45,447,776	44,810,745
Marketing & selling expenses (Note 28)	5,418,163	5,461,681
	<u>444,275,960</u>	<u>427,415,022</u>
5.2 Administrative expenses		
Depreciation on property, plant & equipment (Note 27)	36,439,113	34,278,645
Depreciation on investment property (Note 27)	9,008,663	10,532,101
	<u>45,447,776</u>	<u>44,810,745</u>

5.3 Disposal of property, plant and equipment
2020

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Office equipment	26,800,299	26,775,670	24,629	32,500	7,871
Vehicle	6,551,223	6,157,560	393,663	1,942,500	1,548,837
Furniture & fixture	4,721,772	4,716,673	5,100	131,500	126,400
Plant and machinery	806,250	50,225	756,025	255,000	(501,025)
Communication equipment	4,536,890	4,536,853	37	-	(37)
Total	43,416,434	42,236,981	1,179,453	2,361,500	1,182,046

2019

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

6 Right of use assets

2020

Particulars	COST			DEPRECIATION				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2020	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2020	
Display center	47,637,481	11,271,396	(6,960,220)	51,948,657	7,302,906	(6,960,220)	31,481,037	20,467,620
Accommodation Building	3,300,136	699,246	(1,567,168)	2,432,214	1,394,608	(1,490,209)	1,716,579	715,635
Warehouse	32,707,529	-	(32,707,529)	-	4,906,129	(10,629,947)	-	-
Office Building	3,776,889	-	-	3,776,889	865,537	-	3,776,889	-
Total	87,422,036	11,970,643	(41,234,917)	58,157,760	14,469,180	(19,080,376)	36,974,505	21,183,255

Amount in Taka

Allocation of depreciation

	2020	2019
Administrative expenses (Note:27)	2,260,145	2,403,090
Marketing & Selling expenses (Note:28)	12,209,035	14,156,874
	<u>14,469,180</u>	<u>16,559,964</u>

2019

Particulars	COST			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	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2019	
Display center	76,028,968	-	(28,391,487)	47,637,481	8,433,056	-	31,138,351	16,499,130
Accommodation Building	2,644,593	655,543	-	3,300,136	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	944,222	-	2,911,352	865,537
Total	82,450,450	33,363,072	(28,391,487)	87,422,036	16,559,964	-	41,585,701	45,836,335

6.1 Gain/(loss) on retirement of right of use assets

2020

Particulars	Lease liability	Right of use assets	Gain/(loss)
Warehouse	21,594,420	22,077,582	(483,162)
Accommodation	84,526	76,959	7,567
Total	21,678,946	22,154,541	(475,595)

2019

Particulars	Lease liability	Right of use assets	Gain/(loss)
Display center	30,048,249	28,391,487	1,656,762
Total	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 took a warehouse at pubail to store the finished goods to distribute in nearby area promptly. The company now feel that the warehouse is not required. Therefore, the company cancelled the lease agreement dated 30 September 2020.
4. Office Buildings rented for the use of official work.

7 Intangible assets

Particulars	COST				AMORTIZATION				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2020	Balance as at 01 Jan 2020	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2020	
License	22,199,986	492,890	-	22,692,876	19,467,114	2,624,829	-	22,091,943	600,933
Computer Software	11,614,380	-	-	11,614,380	7,852,207	1,230,749	-	9,082,956	2,531,424
Total	33,814,366	492,890	-	34,307,256	27,319,321	3,855,578	-	31,474,899	3,132,357

Amount in Taka

Particulars	COST				AMORTIZATION				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	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2019	
License	22,078,460	121,526	-	22,199,986	14,453,949	5,013,164	-	19,467,114	2,732,873
Computer Software	10,964,380	650,000	-	11,614,380	6,672,509	1,179,699	-	7,852,207	3,762,174
Total	33,042,840	771,526	-	33,814,366	21,126,458	6,192,863	-	27,319,321	6,495,047

Amount in Taka



	<u>2020</u> <u>Taka</u>	<u>2019</u> <u>Taka</u>
8 Capital Work-in-Progress		
Balance as at 1 January	177,641,997	127,781,531
Add: Addition during the year	218,936,985	261,225,698
	<u>396,578,982</u>	<u>389,007,230</u>
Less: Transfer to property, plant & equipment and investment Property (note 8.1)	339,942,288	211,365,233
Balance as at 31 December	<u><u>56,636,694</u></u>	<u><u>177,641,997</u></u>
8.1 Items transferred from capital work in progress to property, plant & equipment		
Factory building	100,062,037	38,326,033
Plant & machinery	238,863,795	139,907,809
Others	1,016,456	33,131,391
	<u><u>339,942,288</u></u>	<u><u>211,365,233</u></u>
9 Inventories		
Raw materials	606,226,281	818,594,596
Less : Provision for slow moving & obsolete inventories	20,246,533	20,729,536
Less: Write off for obsolete raw materials	23,875,000	-
	<u>562,104,748</u>	<u>797,865,060</u>
Stores and consumables spares and packing	899,836,155	951,862,906
Less: Write off for stores and spares	30,826,750	-
	<u>869,009,405</u>	<u>951,862,906</u>
Finished goods (net of net realizable value adjustment)	441,243,898	719,463,284
Less : Provision for slow moving & obsolete inventories	17,064,161	16,461,944
	<u>424,179,737</u>	<u>703,001,340</u>
Work-in-process	47,290,564	104,694,796
Goods-in-transit	124,405,926	228,206,140
	<u><u>2,026,990,380</u></u>	<u><u>2,785,630,242</u></u>



	<u>2020</u>	<u>2019</u>
	<u>Taka</u>	<u>Taka</u>
10 Trade and other receivables		
Trade receivables (Note 10.1)	997,281,663	813,475,817
	<u>997,281,663</u>	<u>813,475,817</u>
Receivable against insurance claim	-	38,287,131
Accrued interest (Note 10.2)	10,941,100	8,197,308
Accrued rental income	570,000	-
Other receivable	7,485	-
	<u>1,008,800,248</u>	<u>859,960,257</u>
10.1 Trade receivables		
Receivables from local sales	1,006,405,123	816,128,848
Receivables from export sales	779,903	6,573,037
	<u>1,007,185,026</u>	<u>822,701,885</u>
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	3,031,610	2,640,080
Related parties	6,871,753	6,585,988
	<u>997,281,663</u>	<u>813,475,817</u>
10.2 Accrued interest		
Interest accrued on FDR	10,941,100	8,197,308
	<u>10,941,100</u>	<u>8,197,308</u>
11 Advance, deposit and prepayments		
Advances:		
Employees	-	3,000
Purchase of land and others	2,369,670	5,729,371
Suppliers against materials and services	33,557,110	78,360,866
	<u>35,926,780</u>	<u>84,093,237</u>
Security and other deposits:		
Titas gas	69,752,450	65,658,900
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and Supplementary duty (Note-11.1)	7,417,931	1,833,190
Deposited with income tax authority	68,128,195	68,128,195
Deposited with VAT authority	58,361,240	6,726,946
Display center and others	2,449,000	3,757,500
Other deposits	1,494,626	1,494,626
	<u>209,558,442</u>	<u>149,554,357</u>
Prepayments:		
Insurance and others	24,825,876	33,544,657
	<u>270,311,098</u>	<u>267,192,251</u>



	<u>2020</u> <u>Taka</u>	<u>2019</u> <u>Taka</u>
11.1 Supplementary duty & VAT		
Balance as at 1 January	1,833,190	216,803
Add: Treasury deposit for SD & VAT purpose	52,131,108	1,616,388
	<u>53,964,298</u>	<u>1,833,190</u>
Less: SD & VAT on sales	46,546,367	-
Balance as at 31 December	<u><u>7,417,931</u></u>	<u><u>1,833,190</u></u>

The above amount represents RAK Power Pvt. Ltd. and RAK Security and services Pvt. Ltd

12 Advance Income Tax

Balance as at 1 January	3,434,063,275	3,125,317,011
Add: Paid during the year	154,596,400	308,746,264
Balance as at 31 December (Note - 12.1)	<u><u>3,588,659,675</u></u>	<u><u>3,434,063,275</u></u>

12.1 Payment for the year

Income year

Year 2020	115,088,258	-
Year 2019	274,857,779	235,349,636
Year 2018	314,338,282	314,338,282
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
	<u><u>3,588,659,675</u></u>	<u><u>3,434,063,275</u></u>

	<u>2020</u>	<u>2019</u>
	<u>Taka</u>	<u>Taka</u>
13 Cash and cash equivalents		
Cash in hand	5,899,358	3,628,454
Cash at banks		
HSBC (current account -001-013432-011, 107580-011, 096015-011, 096007-011 BDT)	808,003	20,555,049
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	94,048,347	180,849,061
Brac Bank Ltd. (current account - 1530201731248001 - BDT)	20,293,811	39,046,938
Citibank N.A. (current account - G0100001200262018 - BDT)	156,438	161,889
Dutch Bangla Bank Ltd. (current account -117-110-12733,117-110-4311,117.110.23474 BDT)	21,955,460	2,600,632
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	11,828,247	11,995,287
Standard Chartered Bank (Margin money account)	3,319,200	15,827,195
Dutch Bangla Bank (Margin money account)	-	246,006
United Commercial Bank (SND account - 0831301000000164 BDT)	26,109,945	27,528,317
Eastern Bank Ltd. (SND account - 1131350237146 - BDT)	116,447,666	96,642,480
Eastern Bank Ltd. (SND account - 1131350237393 WH - BDT)	3,291	4,980
EXIM Bank (SND account - 01513100031877 - BDT)	706,355	510,116
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	55,211	52,842
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	192,923,791	100,382,750
Dutch Bangla Bank Ltd. (SND account - 117-120-376 (WH)- BDT)	129,548	128,657
BRAC Bank (SND - 1513101731248001 - BDT)	363,694	362,785
Prime Bank Ltd. (SND - 12531010022563 - BDT)	7,650,678	27,898,730
Eastern Bank Ltd. (CD account - 1132040363287 - BDT)	457,046	-
Dhaka Bank Ltd (SND - 102.150.274- BDT))	36,019,530	24,223,605
Commercial Bank of Ceylon (CD-2817000776 - BDT.)	25,000	22,154
Dhaka Bank Ltd (CD - 204100000019318- BDT))	137,649	234,064
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	128,925,016	52,176,242
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	60,095,754	52,844,531
Midland Bank Ltd. (SND 0006-1070000015 - BDT)	504,195	608,850
EBL (Margin Money account)	10,426,965	-
	<u>733,390,840</u>	<u>654,903,160</u>
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,433,214	2,431,487
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,919,501	3,919,501
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,606	153,606
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,599	126,599
	<u>6,632,920</u>	<u>6,631,193</u>
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,606,551	2,610,821
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,190,689	2,196,201
SCB (Current - 02-6162940-02- BDT) - 2012	3,885,208	3,873,556
SCB (Current - 02-6162940-03- BDT) - 2013	16,951,065	16,882,899
SCB (Current - 02-6162940-04- BDT) - 2014	5,021,420	5,006,270
SCB (Current - 02-6162940-05- BDT) - 2015	3,743,396	3,847,241
SCB (Current - 02-6162940-06- BDT) - 2016	4,222,208	4,307,616
SCB (Current - 02-6162940-07- BDT) - 2017	1,663,022	1,715,963
SCB (Current - 02-6162940-08- BDT) - 2018	1,933,758	2,199,822
SCB (Current - 02-6162940-09- BDT) - 2019	8,479,278	-
	<u>50,696,595</u>	<u>42,640,389</u>
Investment in Fixed Deposit Receipt (FDR)		
HSBC	11,974,547	11,906,325
SCB	6,762,080	762,080
Brac Bank Ltd.	250,000,000	-
Dutch Bangla Bank Ltd.	428,838,500	28,838,500
Eastern Bank Ltd.	150,000,000	250,000,000
Dhaka Bank Ltd.	250,000,000	500,000,000
Commercial bank of ceylon	55,000,000	-
	<u>1,152,575,127</u>	<u>791,506,905</u>
	<u><u>1,949,194,840</u></u>	<u><u>1,499,310,101</u></u>



	2020		2019	
	Taka		Taka	
14 Share Capital				
Authorised :				
600,000,000 ordinary shares of Taka 10/-		<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>4,279,687,010</u>
Percentage of shareholdings :	2020		2019	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,915,864,310	68.13	2,915,864,310
S.A.K. Ekramuzzaman	3.95	168,958,240	3.95	168,958,240
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	340	0.00	340
Sheikh Omer Bin Saqr Al Qassimi	0.00	340	0.00	340
Sheikh Ahmad Bin Humaid al Qassimi	0.00	340	0.00	340
Hamad Abdulla Al Muttawa	0.00	160	0.00	160
Dr. Khater Massaad	0.00	160	0.00	160
Abdallah Massaad	0.00	160	0.00	160
Manoj Uttamrao Ahire	0.00	160	0.00	160
General Public	27.92	1,194,862,800	27.92	1,194,862,800
	<u>100.00</u>	<u>4,279,687,010</u>	<u>100.00</u>	<u>4,279,687,010</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	
	2020	2019	2020	2019
01-499 shares	19,020	20,366	4,669,870	4,995,826
500 to 5,000 shares	7,619	8,198	12,586,707	13,460,461
5001 to 10,000 shares	986	1,031	7,057,991	7,277,910
10,001 to 20,000 shares	501	527	7,062,682	7,320,397
20,001 to 30,000 shares	178	167	4,330,386	4,076,759
30,001 to 40,000 shares	70	70	2,399,501	2,404,839
40,001 to 50,000 shares	51	48	2,296,962	2,143,014
50,001 to 100,000 shares	97	106	6,817,326	7,222,580
100,001 to 1,000,000 shares	106	100	25,620,555	25,398,876
1,000,001 to 1,000,000,000 Shares	16	15	355,126,721	353,668,039
	<u>28,644</u>	<u>30,628</u>	<u>427,968,701</u>	<u>427,968,701</u>

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)	2020 Taka	2019 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
		<u>1,473,647,979</u>	<u>1,473,647,979</u>

16 Reserve and surplus

Balance as on 1 January	1,601,275,518	1,628,694,442
Less : Adjustment for prior year (Leases)	-	(3,319,226)
Add : Profit during the year	310,653,331	754,025,209
	1,911,928,849	2,379,400,424
Less: Dividend declared during the year	(641,953,052)	(778,124,906)
Balance as on 31 December	<u>1,269,975,797</u>	<u>1,601,275,518</u>

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



	<u>2020</u> <u>Taka</u>	<u>2019</u> <u>Taka</u>
17 Deferred tax liabilities		
Balance as at 1 January	191,893,149	197,934,495
Less : Deferred tax (Income)/expenses	<u>(131,848)</u>	<u>(6,041,346)</u>
Balance as at 31 December	<u><u>191,761,301</u></u>	<u><u>191,893,149</u></u>

	Carrying amount on the date of statement of financial position Taka	Tax base Taka	Taxable/ (deductible) temporary difference Taka
As at 31 December 2020			
Property, plant and equipment (Excluding land and others)	2,685,260,012	1,871,466,588	813,793,424
Trade receivable	1,008,371,909	1,018,275,272	(9,903,363)
Inventory	1,964,552,190	2,024,804,059	<u>(60,251,869)</u>
Net taxable temporary difference			<u><u>743,638,192</u></u>
Deferred tax liability (applying applicable tax rate for individual company)			<u><u>191,761,301</u></u>
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	<u>(47,692,989)</u>
Net taxable temporary difference			<u><u>733,701,694</u></u>
Deferred tax liability (applying applicable tax rate for individual company)			<u><u>191,893,149</u></u>

18 Employees benefits payable

	<u>2020</u>		
	<u>Provident fund</u>	<u>Gratuity fund</u>	<u>Total</u>
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Balance as at 1 January	-	-	-
Add: Provision made during the year	<u>61,920,904</u>	<u>35,510,412</u>	<u>97,431,316</u>
	61,920,904	35,510,412	97,431,316
Less: Payments made to fund during the year	<u>61,920,904</u>	<u>35,510,412</u>	<u>97,431,316</u>
Balance as at 31 December	<u>-</u>	<u>-</u>	<u>-</u>

Provision and payment includes BDT. 1,199,147 for the year 2020 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

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

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.

19 Borrowings

Non-current:			
Term loan		-	89,232,918
Current portion of term loan		<u>-</u>	<u>(89,232,918)</u>
		<u>-</u>	<u>-</u>
Current:			
Short-term borrowings		119,940,905	-
Current portion of term loan		<u>-</u>	<u>89,232,918</u>
Balance as at 31 December		<u><u>119,940,905</u></u>	<u><u>89,232,918</u></u>

19.1 Borrowings by maturity

At 31 December 2020	< 1 year	1-2 years	2-5 years	Total
Short-term borrowings	119,940,905	-	-	119,940,905
	119,940,905	-	-	119,940,905

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

19.2 Facilities details (Funded)

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL
SCB	Overdraft	50,000,000	-	Revolving	From company's own source	1) Corporate guarantee, 2) Hypothecation over plant & machinery on parri - passu basis with other lenders.
	Short term loan	500,000,000	-	180/360 days from B/L date		
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. 4) Demand promissory note.
	Short term loan	90,000,000	-	180/360 days from B/L date		
Commercial Bank of Ceylon	Overdraft	35,000,000	-	Revolving	From company's own source	4) Demand promissory note.
	Short term loan	550,000,000	119,940,905	180/360 days from B/L date		

2020
Taka

2019
Taka

20 Lease liability
Non-current:

Lease liability

13,796,578

39,475,875

Less : Current portion of lease liability

4,505,188

10,101,008

9,291,390

29,374,867

Current:

Current portion of lease liability

4,505,188

10,101,008

2020
Lease liability schedule

Particulars	Balance as on 01 January, 2020	Addition/(deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2020
Display center	11,583,808	4,977,901	4,965,967	1,458,705	3,507,262	13,054,447
Accommodation Building	1,558,557	614,720	1,531,734	100,588	1,431,146	742,131
Warehouse	25,330,639	(21,594,420)	5,467,635	1,731,416	3,736,219	-
Office Building	1,002,871	-	1,045,000	42,128	1,002,871	-
	39,475,875	(16,001,798)	13,010,336	3,332,837	9,677,498	13,796,578

2019
Lease 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
Office Building	1,997,395	-	1,140,000	145,477	994,523	1,002,871
	50,691,594	(485,177)	15,841,918	5,111,376	10,730,542	39,475,875

21 Trade and other payables
Trade payables

Payable to local suppliers	127,943,341	92,068,742
Payable to foreign suppliers	199,107,788	334,034,758
Payable to service provider	45,527,314	31,996,004
Payable to C & F agent	34,072,045	18,884,970
	406,650,488	476,984,474

Other payables

Tax deducted at source	21,601,748	20,422,540
Tax deducted at source on remuneration (Note 22.1)	4,312,351	-
VAT deducted at source	10,062,124	7,771,816
VAT and Supplementary duty payable (Note-21.1)	139,511,697	103,722,054
Dividend Payable	49,576,141	41,670,516
Unclaimed share application	20,810,756	20,810,756
Advance from customer against sales	9,524,924	14,403,615
Security deposit payable	3,470,342	3,470,342
Payable to employees	2,025,964	1,202,084
Provisional liabilities - material & services	7,523,078	1,267,333
	268,419,125	214,741,056
	675,069,613	691,725,531



	2020	2019
	Taka	Taka
21.1 VAT and Supplementary duty (SD) payable		
Opening Balance	103,722,054	-
VAT and Supplementary duty on sales	1,702,174,335	1,855,334,444
Payable - SD & VAT	-	107,215,433
Other payable	-	3,336,899
	<u>1,805,896,389</u>	<u>1,965,886,776</u>
Less: Balance as at 1 January	-	46,360,059
Treasury deposit for SD & VAT purpose	1,237,856,244	1,276,905,762
Rebate of input VAT	428,528,450	538,898,901
	<u>1,666,384,694</u>	<u>1,862,164,722</u>
Balance as at 31 December	<u>139,511,697</u>	<u>103,722,054</u>
22 Accrued expenses		
Power and gas	39,137,439	41,446,942
Staff cost	110,868,915	128,303,482
Audit fees	1,525,000	1,525,000
Professional charges	445,000	463,000
Interest on loans	875,254	1,554,585
Telephone	380,138	239,907
Freight bill	1,997,523	1,114,737
Business promotion and advertisement	11,220,000	-
Managing Director's remuneration (Note 22.1)	10,062,153	35,910,357
Worker's profit participation and welfare fund (Note 22.2)	22,816,672	52,965,129
Royalty and technical know-how fees (Note 22.3)	317,433,528	287,408,635
Others	3,520,214	7,733,860
	<u>520,281,836</u>	<u>558,665,634</u>
22.1 Managing Director's remuneration		
Balance as at 1 January	35,910,357	39,943,228
Add: Payable to Managing Director for the year	14,374,504	35,910,357
	<u>50,284,861</u>	<u>75,853,586</u>
Less: Tax deducted at source during the year	4,312,351	-
Less: Paid to Managing Director during the year	35,910,357	39,943,228
Balance as at 31 December	<u>10,062,153</u>	<u>35,910,357</u>
22.2 Worker's profit participation and welfare fund		
Balance as at 1 January	52,965,129	58,913,315
Add: Contribution made to the fund during the year	22,816,672	52,965,129
	<u>75,781,801</u>	<u>111,878,444</u>
Less: Payment made from the fund during the year	52,965,129	58,913,315
Balance as at 31 December	<u>22,816,672</u>	<u>52,965,129</u>
22.3 Provision for royalty and technical know-how fees		
Balance as at 1 January	287,408,635	284,211,437
Add: Provision made during the year	30,521,994	84,744,206
	<u>317,930,629</u>	<u>368,955,643</u>
Less: Payment made during the year	497,101	81,547,008
Balance as at 31 December	<u>317,433,528</u>	<u>287,408,635</u>
23 Provision for Income Tax		
Balance as at 1 January	3,834,252,156	3,537,831,853
Add: Provision made during the year	137,014,355	296,420,303
Balance as at 31 December (Note 23.1)	<u>3,971,266,511</u>	<u>3,834,252,156</u>
23.1 Provision for Income Tax		
Income year		
Year 2020	137,014,355	-
Year 2019	296,420,303	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
	<u>3,971,266,511</u>	<u>3,834,252,156</u>

	<u>2020</u> Taka	<u>2019</u> Taka
24 Sales		
Gross sales from Ceramics product	7,475,155,261	8,869,234,727
Gross sales from Power generation	345,738,925	379,906,242
Gross sales from Security service	111,196,260	121,388,597
	<u>7,932,090,446</u>	<u>9,370,529,566</u>
Less: Elimination	344,965,855	404,110,423
Supplementary Duty	724,808,552	670,842,773
VAT	1,033,562,911	1,201,656,333
Discount	2,269,354	47,695,679
Commission, incentive and bonus	537,567,101	582,367,046
Net sales	<u>5,288,916,673</u>	<u>6,463,857,312</u>
25 Cost of sales		
Materials consumed:		
Opening inventory as at 1 January	797,865,060	839,612,529
Add: Purchase during the year	1,634,799,086	2,218,620,308
	<u>2,432,664,146</u>	<u>3,058,232,837</u>
Less: Closing inventory as at 31 December	562,104,748	797,865,060
	<u>1,870,559,398</u>	<u>2,260,367,777</u>
Manufacturing overhead:		
Direct labour (note 25.1)	518,282,673	595,504,852
Direct expenses:		
Power and gas	265,768,407	234,312,245
Repairs and indirect materials (note 25.2)	594,527,241	716,398,223
Depreciation on property, plant & equipment (note 5.1)	393,410,021	377,142,595
Royalty and technical know-how/assistance fees	30,521,994	84,744,206
Other production overhead (note 25.3)	103,454,570	46,178,500
Provision for slow moving & obsolete inventories (note 9)	119,214	37,191,480
Movement in stock	322,472,203	204,272,788
	<u>4,099,115,721</u>	<u>4,556,112,666</u>
25.1 Direct labour		
Salary & wages	337,742,059	366,268,122
Overtime	30,272,103	35,996,638
Bonus	41,497,207	68,754,469
Incentive	94,545	20,000
Temporary labour wages	51,850,892	67,609,061
Staff uniform expenses	1,676,197	1,548,395
Gratuity	24,872,362	22,559,693
Employer's contribution to provident fund	20,342,150	19,860,877
Leave encashment	7,012,364	9,387,856
Group life insurance	2,536,978	2,547,186
Compensation	385,816	952,555
	<u>518,282,673</u>	<u>595,504,852</u>
25.2 Repairs and indirect materials		
Stores, spares, repair & maintenance	310,553,917	366,435,809
Packing expenses	283,973,324	349,962,414
	<u>594,527,241</u>	<u>716,398,223</u>
25.3 Other production overhead		
Hotel fare and tour expenses	1,196,430	3,675,774
Demurrage	9,731,754	2,384,244
Insurance	27,645,254	27,331,071
Hiring charges and transportation	3,680,026	6,163,396
Write off for obsolete raw materials	23,875,000	-
Write off for stores and spares	30,826,750	-
Other expenses	6,499,356	6,624,015
	<u>103,454,570</u>	<u>46,178,500</u>

*Royalty has been calculated 8% on business profit as per Finance Act. 2020.



	2020	2019
	Taka	Taka
26 Other income		
Dividend income	100	200
Miscellaneous income	91,541	79,340
Rental income	2,700,000	6,120,000
Profit on sale of fixed assets (note 5.3)	1,182,046	60,627
Gain on retirement of right of use assets (note 6.1)	-	1,656,762
Insurance claim	-	38,287,131
	3,973,687	46,204,060
27 Administrative expenses		
Staff cost (note 27.2)	174,075,387	198,668,844
Annual General Meeting expenses	907,281	5,091,981
Telephone and postage	6,596,109	5,879,843
Office repair and maintenance (note 27.3)	11,006,455	11,602,345
Registration and renewal	12,785,446	899,311
Security and guard expenses	15,677,538	12,963,951
Electricity, gas and water	7,601,779	8,735,395
Depreciation on property, plant & equipment (note 5.2)	36,439,113	34,278,645
Depreciation on investment property (note 5.2)	9,008,663	10,532,101
Depreciation on right of use assets (note 6)	2,260,145	2,403,090
Amortisation	3,855,577	6,192,863
Legal and professional fees	11,576,354	9,962,298
Vehicle repair and maintenance	10,752,427	14,449,905
Rent, rate and tax	3,376,837	4,320,400
Loss on right of use assets (note : 6.1)	475,595	-
Loss on retirement of assets	-	10,204,172
IT expenses	3,507,401	5,284,353
General eriving	9,112,748	10,615,266
Donation	1,918,924	1,102,500
Managing Director's remuneration (note 27.4)	14,374,504	35,910,357
Others	4,935,172	11,415,098
	340,243,455	400,512,718
27.1 Impairment loss on trade receivable		
Unrelated parties	391,530	2,291,988
Related parties	285,764	3,332,649
	677,294	5,624,637
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	130,595,255	138,394,082
Overtime	-	30,166
Bonus	12,778,324	24,022,478
Incentive	25,349	-
Gratuity	7,524,558	7,586,413
Employer's contribution to provident fund	6,810,795	7,301,369
Leave encashment	2,240,943	5,411,101
Group life insurance	667,104	801,988
Canteen and conveyance expenses	6,343,715	9,270,590
Staff uniform expenses	649,666	770,127
Travelling expenses	2,381,591	1,571,722
Compensation	2,875,605	129,002
Medical expenses	725,554	1,262,481
Accommodation expenses	102,895	1,703,857
Other employee benefit	354,033	413,468
	174,075,387	198,668,844
Accommodation expenses includes rent expenses for short term lease for BDT. 1,382,450 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.		
27.3 Office repair & maintenance		
Repairs office equipment	2,510,848	756,985
Office maintenance	8,495,607	10,845,360
	11,006,455	11,602,345
27.4 Managing Director's remuneration		
Provision made during the year	14,374,504	35,910,357
	14,374,504	35,910,357
Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.		



	2020	2019
	Taka	Taka
28 Marketing & selling expenses		
Staff cost (note 28.1)	67,695,097	66,340,939
Advertisement	13,582,495	33,829,109
Freight and transportation	267,693,797	265,406,265
Compensation	3,623,491	11,826,912
Business promotion	30,697,584	37,446,893
Depreciation on property, plant & equipment (note 5.1)	5,418,163	5,461,681
Depreciation on right of use assets (note 6)	12,209,035	14,156,874
Showroom, office & house rent	850,355	5,047,545
Sample expenses	8,836,769	9,936,512
Tour, travel and others	3,769,974	6,543,551
	414,376,760	455,996,281

Showroom, office and house rent includes rent expenses for short term lease for BDT. 142,500 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	46,304,544	44,191,989
Bonus	5,115,016	9,086,827
Incentive	2,156,857	173,977
Gratuity	3,113,492	2,646,232
Employer's contribution to provident fund	2,608,360	2,386,546
Leave Encashment	930,590	1,649,726
Group life insurance	356,441	239,568
Conveyance & food expenses	7,001,311	5,758,730
Compensation	108,486	139,920
Staff uniform expenses	-	67,424
	67,695,097	66,340,939

28.2 Salary & wages under staff cost (note no. 25.1, 27.2 & 28.1) includes employee contribution to provident fund for BDT. 20,342,150, BDT. 6,810,795 & BDT. 2,608,360.

29 Finance income

Interest on bank account (SND)	10,130,980	6,832,490
Interest on fixed deposits	41,417,779	26,045,658
	51,548,759	32,878,148

30 Finance expenses

Interest expenses against loan	9,990,999	12,774,595
Interest expenses against lease liability	3,332,837	5,111,376
Foreign exchange loss	1,478,740	6,874,554
Bank charges	4,870,682	2,563,151
	19,673,258	27,323,676

31 Contribution to worker's profit participation and welfare fund

Provision made during the year	22,816,672	52,965,129
	22,816,672	52,965,129

32 Current tax

Current year	137,014,355	296,420,303
	137,014,355	296,420,303

33 Reconciliation of effective tax rate

	2020		2019	
	%	Taka	%	Taka
Profit before tax		447,535,959		1,044,404,413
Current tax expenses	30.62%	137,014,355	28.38%	296,420,303
Deferred tax expenses	-0.03%	(131,848)	-0.58%	(6,041,346)
Total tax expenses	30.59%	136,882,507	27.80%	290,378,957
Expected income tax using applicable tax rate for individual company	28.26%	126,488,523	27.63%	288,576,855
Tax on non-deductible expenses	2.4%	10,525,832	0.8%	7,843,448
Effective current tax	30.62%	137,014,355	28.38%	296,420,303
Effective deferred tax	-0.03%	(131,848)	-0.58%	(6,041,346)
	30.59%	136,882,507	27.80%	290,378,957

34 Short term lease expenses

Nature of the lease	Lease term	Allocation	Rent Payment	Rent Payment
Rented accommodation	<1 year	Admin	1,382,450	1,455,560
Rented accommodation	<1 year	Marketing	142,500	1,234,000
			1,524,950	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

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

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 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2020	As at 31 Dec 2019
Trade receivables				
Customer-Local	-	-	996,501,760	806,902,780
Customer-Export	9,235	78,297	779,903	6,573,037
	<u>9,235</u>	<u>78,297</u>	<u>997,281,664</u>	<u>813,475,817</u>
Other receivables				
Receivable against insurance claim			-	38,287,131
Accrued Interest			10,941,100	8,197,308
Accrued rental income			570,000	-
			<u>11,518,584</u>	<u>46,484,439</u>
Cash equivalents			<u>1,943,295,482</u>	<u>1,495,681,647</u>

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 2020.

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	368,553,475	365,521,865	3,031,610
Trade receivable-related	10.1	Loan & receivable	Amortized cost	638,631,551	631,759,798	6,871,753
Cash & cash equivalent	13	Loan & receivable	Amortized cost	1,943,295,482	1,943,295,482	-

- The above table provides information ECLs till date. Impairment provision till Dec 2019 was Tk. 9,226,068 and provision made during the year is Tk. 677,294.
- 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.

c) Ageing of receivables

The ageing of trade receivables as at 31 December was:

	Amounts in Taka	
	As at 31 Dec 2020	As at 31 Dec 2019
Not past due	939,289,386	751,147,263
0-90 days past due	42,546,485	32,705,826
91-180 days past due	7,633,293	18,869,623
181-365 days past due	3,364,944	3,437,613
over 365 days past due	4,447,556	7,315,492
	<u>997,281,664</u>	<u>813,475,817</u>

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 2020			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	675,069,613	675,069,613	675,069,613	-
Short term borrowing	119,940,905	119,940,905	119,940,905	-
Term loan	-	-	-	-
	795,010,518	795,010,518	795,010,518	-
	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	-
Short term borrowing	-	-	-	-
Term loan	89,232,918	89,232,918	89,232,918	-
	780,958,449	780,958,449	780,958,449	-

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.

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 2020			As at 31 Dec 2019		
	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated assets						
Receivable from customers-Export	-	9,235	-	-	78,297	-
Cash at bank	-	139,238	-	-	141,204	-
	-	148,473	-	-	219,501	-
	As at 31 Dec 2020			As at 31 Dec 2019		
	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated liabilities						
Trade payables	198,261	1,387,121	572,772	132,189	2,201,698	1,373,117
Short term borrowings	-	1,411,900	-	-	-	-
Term loan	-	-	-	-	1,050,417	-
Royalty & Technical Fees	-	3,736,710	-	-	3,383,268	-
	198,261	6,535,731	572,772	132,189	6,635,383	1,373,117
Net exposure	(198,261)	(6,387,258)	(572,772)	(132,189)	(6,415,882)	(1,373,117)

The Company has foreign exchange loss of Tk 1,478,740 during the year ended 31 Dec 2020 (31 Dec 2019: Exchange loss Tk 6,874,554).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2020	31 Dec 2019
	Taka	Taka
GBP	114.6885	111.3664
USD	84.4500	84.4500
EURO	104.0430	95.0948

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 Dec 2020		As at 31 Dec 2019	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
At 31 December				
GBP (3 percent movement)	(6,132)	5,775	(4,088)	3,850
USD (3 percent movement)	(197,544)	186,037	(198,429)	186,870
EURO (3 percent movement)	(17,715)	16,683	(42,468)	39,994

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 2020	As at 31 Dec 2019
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	1,152,575,127	791,506,905
Cash at banks	790,720,355	704,174,743
Financial liabilities		
Term loan	-	89,232,918
Short term borrowing	119,940,905	-

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

	As at 31 Dec 2020		As at 31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	1,152,575,127	1,152,575,127	791,506,905	791,506,905
Loans and receivables				
Trade receivables	997,281,664	997,281,664	813,475,817	813,475,817
Other receivables	11,518,584	11,518,584	46,484,439	46,484,439
Cash equivalents	1,943,295,482	1,943,295,482	1,495,681,647	1,495,681,647
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	-	-	89,232,918	89,232,918
Trade and other payables	675,069,613	675,069,613	691,725,531	691,725,531
Short term borrowing	119,940,905	119,940,905	-	-

Interest rates used for determining amortised cost

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

	31 Dec 2020	31 Dec 2019
Investment in FDR (local currency/BDT)	1.95%-4.50%	1.95%-10.50%
Bank overdraft (local currency/BDT)	9%	8.00%-10.25%
Short term bank loan (local currency/BDT)	9%	9.50%-10.00%
Short term bank loan (foreign currency/USD)	Libor+2.75%-3.5%	Libor+2.75%
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:

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 Previous year	295,184,786 350,456,021	12,782,609 11,064,211	-	21,115,349 69,096,649	-	40,999,800 81,999,600
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year Previous year	48,309,891 52,160,129	-	-	11,693,202 6,400,853	-	4,950,000 4,950,000
RAK Ceramics PJSC, UAE	Parent	Unsecured	Nil	Current year Previous year	7,789,789 22,466,247	-	-	19,247,093 24,122,508	-	-
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year Previous year	424,280,078 392,749,682	-	-	16,073,113 81,573,238	-	-
RAK Ceramics (India) Pvt. Ltd.	Fellow subsidiary	Secured	Nil	Current year Previous year	585,136 -	-	-	-	-	-
Julphar Pharmaceuticals Ltd.	Other related party	Unsecured	Nil	Current year Previous year	- -	2,520,000 -	-	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year Previous year	164,529 419,421	2,700,000 3,600,000	570,000 5,144	39,059 -	-	-
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year Previous year	59,354,094 68,191,789	-	-	9,987,018 10,047,843	-	-
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year Previous year	10,104,303 14,711,593	-	-	746,231 722,088	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year Previous year	381,373 353,672	-	-	-	-	-
Green Planet Communications Pvt. Ltd.	Other related party	Unsecured	Nil	Current year Previous year	- 379,457	-	-	-	-	-
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year Previous year	6,414 780,380	-	-	17,595 -	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year Previous year	11,750,342 39,045,942	-	-	56,532,946 5,772,579	-	-
Mohammed Trading	Other related party	Secured by Guaranteed	Nil	Current year Previous year	- 2,529,300	1,892,025,898 2,384,669,868	638,218,496 494,919,371	-	-	-
S.A.K. Ekramuzzaman	Key Management Person	Unsecured	Nil	Current year Previous year	2,529,300 2,563,008	-	-	10,062,153 35,910,357	14,374,504 35,910,357	-
Imtiaz Hussain	Key Management Person	Unsecured	Nil	Current year Previous year	- -	-	-	-	-	10,367,732

36.1 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 14,374,504.

During the year, Board meeting fees of Taka 125,000 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.

	Business Segments						Entity total	
	Ceramic & sanitary ware		Power		Security and Services			Inter segment
	Taka		Taka		Taka		Taka	Taka
Revenue - external customers	5,233,144,472		5,457,758		50,314,443		-	5,288,916,673
Revenue - inter segment	-		295,184,786		49,781,069		(344,965,855)	-
Total segment revenue	5,233,144,472		300,642,544		100,095,512		(344,965,855)	5,288,916,673
Cost of sales- external customer	(3,775,750,801)		(240,322,745)		(83,042,175)		-	(4,099,115,721)
Cost of sales- inter segment	(343,494,677)		(13,563,396)		-		357,058,073	-
Total segment cost of sales	(4,119,245,478)		(253,886,141)		(83,042,175)		357,058,073	(4,099,115,721)
Gross profit	1,113,898,995		46,756,403		17,053,337		-	1,189,800,952
Other income	1,173,543		91,541		8,503			1,273,587
Dividend income	45,949,800		50,000		100		(45,999,800)	100
Rental income	15,482,609		-		-		(12,782,609)	2,700,000
Financial income	49,393,744		2,105,101		49,914		-	51,548,759
Financial expenses	(18,187,444)		(1,429,694)		(56,119)		-	(19,673,257)
Depreciation	(429,425,595)		(14,634,411)		(215,954)		-	(444,275,960)
Other operating expenses	(321,952,203)		5,230,787		(17,116,806)		-	(333,838,222)
Segment profit before tax	456,333,450		38,169,727		(277,026)		-	447,535,959
Income tax expense	(122,316,309)		(14,698,046)		-		-	(137,014,355)
Deferred tax	(4,531,782)		4,454,486		209,144		-	131,848
Non -Controlling interest	-		121		0.00		-	121
Profit for the year								310,653,331

2019

	Business Segments			Entity total
	Ceramic & sanitary ware	Power	Security and services	
	Taka	Taka	Taka	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	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)	(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
Rental income	17,184,211	-	-	(11,064,211)
Financial income	30,596,482	2,146,781	134,885	32,878,148
Financial expenses	(27,060,159)	(437,197)	(116,834)	290,514
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

	<u>2020</u> <u>Taka</u>	<u>2019</u> <u>Taka</u>
38 Calculation of Earnings per share (EPS)		
Calculation of earnings per share (EPS) is as under:		
(a) Profit attributable to equity holders of the Company	<u>310,653,331</u>	<u>754,025,209</u>
(b) No. of ordinary equity shares	<u>427,968,701</u>	<u>427,968,701</u>
(c) Weighted average no. of equity shares outstanding (Note 38.1)	<u>427,968,701</u>	<u>427,968,701</u>
Earnings per share (EPS) for the year (a÷c)	<u>0.73</u>	<u>1.76</u>
Diluted earnings per share for the year (a÷c)	<u>0.73</u>	<u>1.76</u>

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.

	<u>2020</u>	<u>2019</u>
Outstanding shares	<u>427,968,701</u>	<u>427,968,701</u>
	<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 periods.

38.3 Reason of deviation of earnings per share:

Due to COVID-19 pandemic there was country-wide lockdown in Bangladesh since 26th of March 2020 which caused closure of outlets/stores of company's dealers, suspension of production in the factory, disruption of supply chain which causing reduction of earnings per share to 0.73 compare to corresponding year 1.76.

39 Calculation of Net assets value per share

(a) Net assets value (Note 14, 15 & 16)	<u>7,023,310,786</u>	<u>7,354,610,507</u>
(b) Weighted average no. of equity shares outstanding (Note 38.1)	<u>427,968,701</u>	<u>427,968,701</u>
Net assets value per share (a÷b)	<u>16.41</u>	<u>17.18</u>

40 Calculation of Net operating cash flow per share

(a) Net Cash flows from operating activities (Note 41.1)	<u>1,228,664,968</u>	<u>1,585,219,790</u>
(b) Weighted average no. of equity shares outstanding (Note 38.1)	<u>427,968,701</u>	<u>427,968,701</u>
Net operating cash flow per share (a÷b)	<u>2.87</u>	<u>3.70</u>

41 Reason of deviation of net operating cash flow per share:

Due to COVID-19 pandemic there was country-wide lockdown in Bangladesh since 26th of March 2020 which caused closure of outlets/stores of company's dealers, suspension of production in the factory, disruption of supply chain which causing reduction of operating cash flow per share to 2.87 compare to corresponding year 3.70.

41.1 Reconciliation of operating cash flow:

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Profit before taxation	447,535,959	1,044,404,413
Adjustment for:		
Depreciation	458,745,140	443,974,986
Amortization	3,855,577	6,192,863
Loss on retirement of right of use assets	475,595	-
Advance rent adjustment	(6,293,495)	(13,852,346)
Loss on assets retirement	-	10,204,172
Foreign exchange loss	1,478,740	6,874,554
Finance expenses	18,194,518	20,449,121
Finance income	(51,548,759)	(32,878,148)
Other income	(3,882,147)	(46,124,720)
	<u>868,561,128</u>	<u>1,439,244,895</u>
Increase/decrease in trade and other receivables	(183,813,330)	(7,595,707)
Increase/decrease in inventories	758,639,862	219,985,839
Increase/decrease in trade and other payables	<u>(70,257,266)</u>	<u>235,498,541</u>
Cash generated from operating activities	<u>1,373,130,388</u>	<u>1,887,133,564</u>
Interest received from bank deposit	10,130,980	6,832,490
Income tax paid	<u>(154,596,400)</u>	<u>(308,746,264)</u>
Net cash (used in)/from operating activities	<u>1,228,664,968</u>	<u>1,585,219,790</u>

42 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 1,154,183,701 (31 Dec 2019: Tk 888,227,095). 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 455,609,557 (31 Dec 2019: Tk 228,028,036) and letter of guarantee of Tk 178,626,844 (31 Dec 2019: Tk 100,575,768).

The company issued two corporate guarantee value BDT. 205 mn (HSBC) and BDT. 70 mn (SCB) in favour of subsidiary company to avail loan from banks. Outstanding loan against the said corporate guarantees are nil at 31 December 2020. Therefore no credit loss allowances is expected.

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 on 03 February 2021, has unanimously recommended cash dividend @ 10% of the paid up capital of the company for the year ended 31 December 2020 equivalent to BDT. 427,968,701 to be distributed as cash dividend among shareholders, which is more than 30% of the current year profit. The dividend is subject to final approval by the shareholders at the forthcoming 31 March 2021 Annual General Meeting of the Company .