

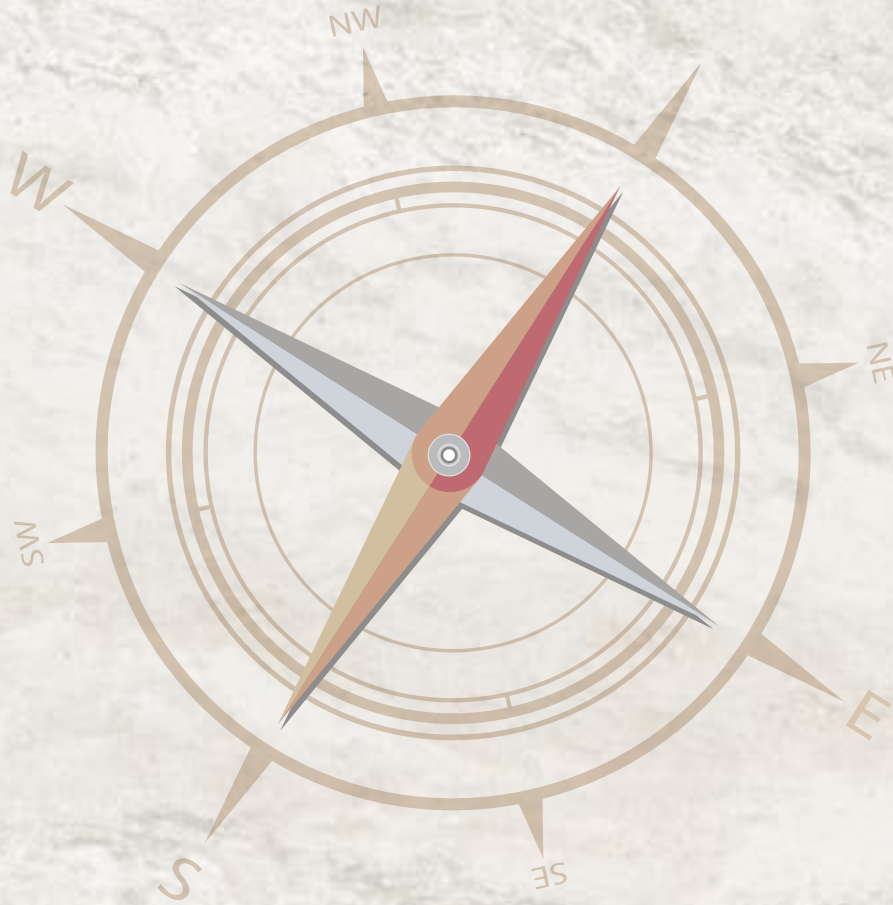


RAK
CERAMICS

THEME INTRODUCTION

ADVANCING NAVIGATION

towards
TRUE NORTH



Business is continually facing massive challenges post pandemic crisis. However at RAK, team is emphasizing to turn those challenges into meaningful change. RAK has been navigating the financial and operational challenges thrown by coronavirus, while responsibly addressing the needs of our people, customers and suppliers. Continuously navigating towards "TRUE NORTH" for accurate positioning in the most demanding environment by developing a rapid response system and increasing both resilience and responsibility.

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RAK
CERAMICS



WHO WE ARE

Corporate Information
Chairman's letter
Performance Overview
Understanding our Business
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CORPORATE INFORMATION

Board of Directors

Chairperson

Abdallah Massaad

Managing Director

SAK Ekramuzzaman

Director

Wassim Moukahhal
Pramod Kumar Chand

Independent Directors

Barrister Faheemul Huq

Chief Operating Officer and Chief Financial Officer

Sadhan Kumar Dey

Company Secretary

Muhammad Shahidul Islam FCS

Audit Committee

Chairperson

Barrister Faheemul Huq

Members

Wassim Moukahhal
Pramod Kumar Chand

Member Secretary

Muhammad Shahidul Islam FCS

Head of Internal Audit and Compliance

Mohammad Samsul Arefin

Nomination and Remuneration Committee

Chairperson

Barrister Faheemul Huq

Members

Wassim Moukahhal
Pramod Kumar Chand

Member Secretary

Muhammad Shahidul Islam FCS

Statutory Auditor

A. Qasem & Co.
Chartered Accountants
(a member firm of ECOVIS International)
Gulshan Pink City
Suites: 01-03, Level: 07
Plot: 15, Road: 103
Gulshan Avenue,
Dhaka-1212, Bangladesh.

Principal Bankers

Standard Chartered Bank
Commercial Bank of Ceylon PLC
Dutch-Bangla Bank Ltd.

Legal Advisor

Barrister Margub Kabir

Website

www.rakceramics.com/bangladesh

Registered Office

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

Factory

Dhanua, Sreepur, Gazipur, Bangladesh

CHAIRMAN'S LETTER



"Our 2021 performance demonstrates how resilient we are in building operational agility, actions we took being in line with our strategic growth pillars of product innovation, cost prioritisation, customer value and service excellence."

- Abdallah Massaad, Chairman, RAK Ceramics (Bangladesh) Limited

Dear shareholders and stakeholders of RAK Ceramics (Bangladesh),

Welcome to our Annual Report for 2021, a year in which your Company continued to rely on its solid business fundamentals and strategically diversified portfolio to keep delivering value to all our stakeholders, evolving, innovating and re-shaping the way we work and do business.

The COVID-19 pandemic caused the largest reduction in GDP in 2020 since the Great Depression, a result of the largest lockdowns in human history and widespread upheaval in economic activity and daily life. In 2021, millions of people lost their beloved of the virus, bringing suffering and hardship to millions more. Our thoughts remain with people and families who have lost a loved one.

Exemplifying the fighting spirit

The year 2021 was a mixed bag, a year of despondence, and yet one of hope and optimism. While the disastrous

second wave unleashed further havoc in terms of clamping mobility and restricting public movement, scientific breakthroughs ushering enhanced immunity helped stave-off further worst effects of the virus, bringing relief to the public after months of anxiety. However at the time of drafting this letter, the Omicron variant was seen as a cause of concern, but as evidence suggests, it is a milder form of the mutated virus. With this, the scientific fraternity has signalled that the endemic stage of the virus could be near. While this is positive, one must exercise caution.

As a Company, despite the pressures during the year, we have been able to rise to the many challenges. While protecting our people, we maintained supply for our customers, expanded revenues and profitability, defended market share, and made continuous progress on bolstering our system of advantages. In large part, this was due to the extraordinary efforts of our people. They rose to the occasion and exemplified the fighting spirit. I want to express my heartfelt thanks to all our colleagues, and make a special mention of our colleagues who continued to work daily in our plants

and other workplaces amid the pandemic, adopting all health and safety guidelines.

Seeding a responsive business strategy

Our 2021 performance demonstrates how resilient we are in building operational agility with the actions we took being in line with our strategic growth pillars of product innovation, cost prioritisation, customer value and service excellence. Thus, while the year was a uniquely challenging one, it was also a time during which we discovered the full measure of our strengths, our deep embedded resilience, and our capacity to adapt and achieve performance despite the odds. This to me was the most salient takeaway of the year, as our sales, gross profit and net profit expanded by about 30 percent, 74 percent and 191 percent, respectively over last year.

Today, we are pleased to report that an increased focus on streamlining our systems and processes, ensuring product prioritisation, strengthening value, reinforcing capacity management, optimising costs and enhancing people capabilities have all converged to not only help us achieve the year's targets, but to build on our performance, hence creating a positive outlook for the future. Furthermore, thanks to the focused and strong execution efforts of our people, we were able to retain our market share, thus preparing the ground for enhanced growth of our share of the market in the post-pandemic era.

Driving our differentiation

We collaborate with two of our key stakeholders to drive our differentiation strategy. Our foreign principles, having best-in-class ceramics technology and exceptional insights into consumers, offer us invaluable support and guidance. We nurture these relationships by going the extra mile in bringing international quality products to the Bangladeshi consumer, offering a choice that liberates their imagination and creativity. Our customers are also critical to our differentiation strategy. As much as we serve them, we also learn from them, their expectations, needs and desires and translate these learnings into products and propositions that help create the best product-market fit. This helps us to not only ensure that we become the reference point for our customers, but also enables speedy inventory conversion to sales, again a core advantage in a working capital-intensive business.

For more than 20 years, we have pioneered high-tech innovation across every single stage of the manufacturing process, producing thousands of models across different finishes, comprising the perfect balance of aesthetics and functionality. Furthermore, accredited by the world's most reputable certification entities, combined with the international requirements in terms of products and processes, quality and performance, we have continuously led the way in enhancing our offering, leveraging a wide range of technologies at our state-of-the-art manufacturing

plants. Our skilled craftspeople work in harmony with modern technology to create a wide range of products with carefully finished details and quality designs that suit customer taste.

Thus, our passion for ceramics, combined with a careful attention to detail, enable us to provide a wide range of integrated ceramic solutions, hence becoming Bangladesh's leading ceramics lifestyle brand.

Safeguarding long-term success

Decisions taken to support our long-term strategy while navigating short-term concerns include prioritising investments in technology and capacity debottlenecking, streamlining supply and distribution, and enriching our launch pipeline.

We know that our vision to be the leading ceramics lifestyle choice for our customers cannot be achieved without integrating environmental, social and governance (ESG) considerations into everything we do. Despite the challenges of 2021, we continued to make steady progress towards our sustainability commitments. We are not in the business of just producing and selling, but of making products that have a low carbon and environmental footprint. We are also focused on upholding all regulatory laws and statutes in the spirit of compliance, while meeting our responsibility to the Government exchequer.

The year 2021 highlighted once again that we are a well-positioned and resilient business with a clear vision and purpose. It has also encouraged us to ask ourselves what we need to change and further improve to ensure we remain relevant and successful. We will continue to take a disciplined approach to strengthening our prioritised capabilities, including innovation, as we consider additional opportunities to improve efficiencies and productivity.

Although we know that the recovery from the COVID-19 pandemic will not be simple or straightforward, my greatest source of confidence that we will emerge even stronger is the strength, adaptability and commitment of our people. Together with our people, we are building our future on solid foundations – our long and proud heritage, our core principles, and our values. Our success will be driven by our passion for ceramics and drive for performance.

In closing, I would like to offer thanks to our shareholders, customers, employees, vendor-partners and communities who give us the license to operate. We are grateful for your support and look forward to your cooperation in 2022 and beyond.

Best wishes,

Abdallah Massaad

Chairman, RAK Ceramics (Bangladesh) Limited

PERFORMANCE OVERVIEW

The advent of global pandemic, COVID-19 has accentuated the need for sustainability to be ingrained at the heart of our business process. The second and third quarter of the financial year 2021 witnessed disruption caused the pandemic. However, the domestic demand of tiles and sanitaryware have improved with business favorable government policies, increased government spending and relaxed restriction. Company managed to deliver volume and value with our agile business model.



Tiles Production
(Mn.M2)



Tiles Delivery
(Mn.M2)



Consolidate
Turnover (BDT mn)



Market Capitalization
(BDT mn)



Sanitary ware
Production (000'pcs)



Sanitaryware
Delivery (000'pcs)



Reported EBITDA
(BDT mn)

Safety recordable case rate (RCR) excluding illness improved to 0.06 with no fatalities.

Strong Operational Performance across the value chain. Tiles production increased by 44.1% compare to 2020 and 22.7% compare to 2019.

Earnings up by bdt. 595mn compare to 2020 and by 151mn compare to 2019.

Rebound of share price from 26.10 to 44.40 an increase of 70.11 percentage.

Basic Earnings per share up by 190% at 2.12.

UNDERSTANDING OUR BUSINESS

Integrate RAK vision with RAK Strategic Initiatives



Through Strategic Enabler - Our Differentiating Dynamics





Infused with our Principles



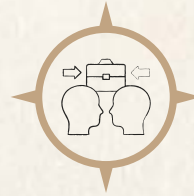
Agility

We are quick to consult, decide and act.



Trust

We trust our people and support their development



Respect

We act with respect and integrity at all times



Innovation

We innovate both in product and in process



Passion

We see a purpose in what we do and we help others to be more successful



Communication

We engage in open communication to foster honest relationship



Commitment

We stay committed at our decisions and yet flexible in our approach



Accountability

We take accountability for our actions and outcomes



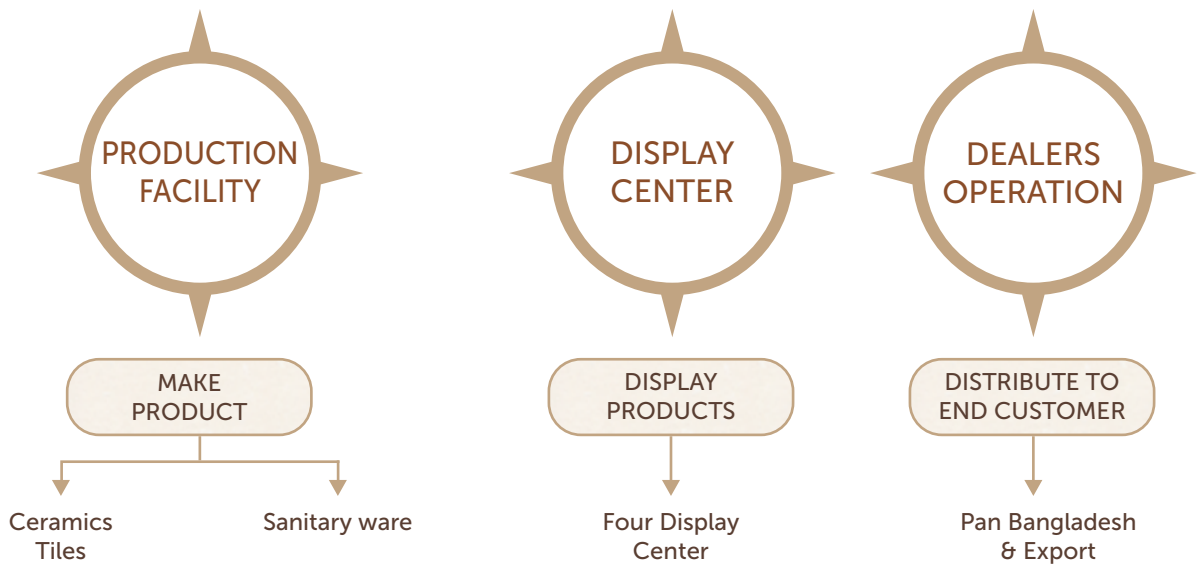
And creating Superior Value for our Stakeholders



Measuring superior value and strategic initiatives outcomes


Zero Harm at all our operation.
 Ensuring employee engagement and growth for all.
 Competitive dividend payout to our investors
 Credible stakeholder partner
 Healthy cash flow from operation
 Compliant corporate citizen

HOW WE STRUCTURE OURSELVES TO CREATE VALUE



Various Sizes of Tiles
Floor Tiles
Gress Porcelain
Salt & Pepper
Glaze Rustic
High Tech Porcelain
Glaze Polish
Double Charge
Wall Tiles
Ceramics Red Body
Ceramics White Body
Hard Rock

Various types of Sanitary ware
Sanitary ware
Washbasin
Toilet Seat
Water Closet
Wall Hung Toilet
Pedestal Washbasin




SUPPORTED BY GROUP'S EXPERTISE AS ONE OF THE LARGEST CERAMICS TILES MANUFACTURER OF THE WORLD.

MATERIAL MATTER THOSE AFFECT OUR ABILITY TO CREATE VALUE



OUR TOP PRIORITIES IN 2022

ZERO HARM

We relentlessly pursuing zero harm.
Ensuring no fatalities.

GROWTH

Continue to drive stable operation without any production stoppage at any production line other than maintenance.
Deliver continuous improvement in order to achieve 2% additional margin in 2022.

STRONG BALANCE SHEET

Increased Cash Flow
Reduce gearing which may potentially increase due to modernization up-gradation in place.
Managing optimal capital structure.

ORGANIZATIONAL CULTURAL SHIFT

Promote team towards performance accountability, healthy dialog and collaborating One Team "RAK Team".
Transform culture to care for people and live with RAK values.





LEADING FROM THE FRONT

RAK'S LUMINARY LEADERSHIP

At RAK Ceramics (Bangladesh), our objective is to be the best at what we do in every aspect of the business - be it customer service, product range, people excellence, environmental compliance, or governance. As the leading ceramic tiles and sanitaryware Company of Bangladesh, we are proud to bring international standard products to the country, thus serving our customers with superlative choices that help unleash their creativity and redefine their interiors. Hence, we are confident that our business is well-positioned for the post-pandemic era and believe that other benefits will accrue and emerge as a natural outcome of our journey towards continuous improvement.

Company profile
Vision and Mission
Our core values and code of conduct
Directors' profile
Management team
Our investment thesis
Credit rating reports 2021 & 2020
Awards & Recognition
Our response to Covid-19

COMPANY PROFILE

RAK Ceramics (Bangladesh) is more than just a ceramics company. It is a desirable lifestyle brand of Bangladesh! We are everywhere look around and there are good chances we are somewhere close to you!

Lifetime partner of our customers

We aspire to be the lifetime choice of our customers. We understand the aspirations and emotions invested in home or office ownership, and are committed to fulfill these through our brand promise of quality, performance and cost.

Customer transactions in 2021 (BDT)

6,851.14 mn

24/7 portfolio

Our portfolio is the widest, broadest and the most flexible in the ceramics and porcelain tile and sanitary ware industry. Our products cater to a growing range of tastes, offering a diverse breadth of options across multiple sizes, textures and functionalities. This presents the creative freedom to architects and interior designers to explore, experiment and bring surfaces to life. This gives us the exceptional ability to delight customers and contribute to their occasions of joy, happiness and fulfillment.

Tile (ceramic and porcelain) designs

2,700+

Sanitary ware models

43+

Winning in the marketplace

We have the scale and execution capability to create value for a wide range of customers with differentiated and segmented strategies. We are accessible to customers via our network of exclusive company-owned showrooms as well as a large dealership spread across the country.

Exclusive Company-owned Display Center

04

Dealer showrooms

130

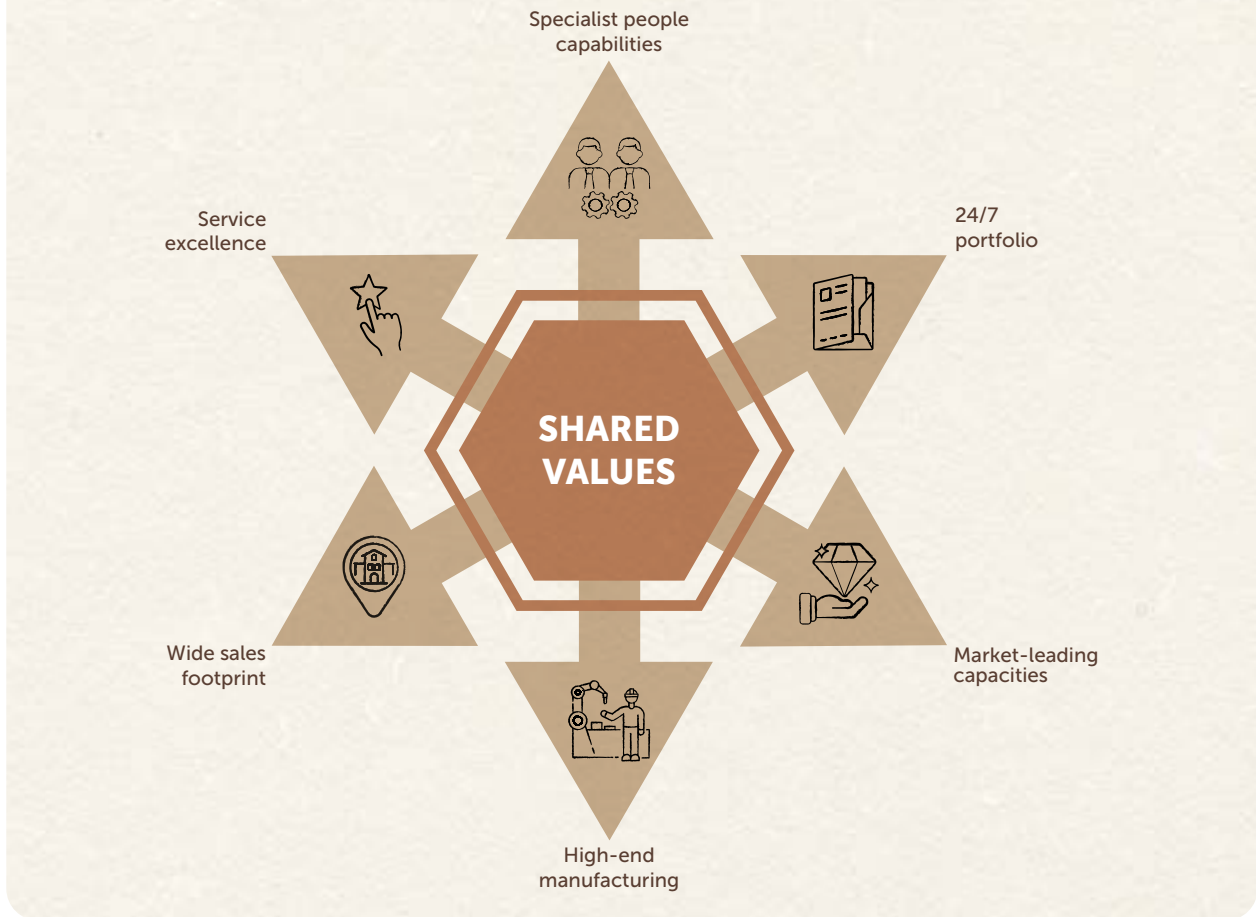
Retaining our license to operate

We believe that the only way to create long-term value for our stakeholders is through sustainable growth. We contribute to the socio-economic development of the communities where we operate, integrate sustainability into every aspect of our strategy, and strive to reduce our environmental impact.

Community investments in 2021 (BDT)

3.49 mn

Thriving on interconnectedness: RAK's system of advantages



Transforming spaces into stylish places: 16 reasons why RAK Ceramics (Bangladesh) has caught the customer's imagination!

1. We are the leading ceramic and gres porcelain tiles and sanitary ware brand of Bangladesh with clear category leadership.
2. We present the widest choice to our customers through the sheer width and depth of our brands.
3. We offer from small tiles to mega slabs, ranging from 7.5x20 cm, up to 80x80 cm, straddling the full chain of tile products in the country.
4. Under sanitary ware, we offer consumers an unparalleled choice, also comprising wash basins (wall mounted and pedestal) and water closets.
5. Our operations are vertically-integrated – right from design through to manufacturing and distribution.
6. We have unparalleled quality control systems with rigorous supervision standards that enable the delivery of highly durable products with silk smooth finishes.
7. Our products are easily available across every corner of the country.
8. We have built deep capabilities in product-market fit, thereby ensuring quicker shelf sales and low inventory.
9. We embrace the principles of good governance, reinforcing our commitment to regulatory observance and compliance.
10. We pursue commercial profit underpinned by our conscious focus on aligning with ESG (environmental, social and governance) principles to drive shared value creation.
11. We do not just manufacture and sell but focus on producing green and environmentally-compatible products. Our activities continually seek to improve energy efficiency, reduce pollution and increase waste recycling.
12. Our pioneering designs, including digital printing, bring surfaces to life.
13. The Company emerged as the first Bangladeshi company in its industry to be awarded the prestigious ISO 9001 certification by the UKAS accredited internationally recognized certification agency BVQI in May 2006. Bureau Veritas

Certifications verifies annually the implementation of RAK Ceramics' quality management system and certifies the Company, in compliance with the requirements of ISO 9001:2015

- As a responsible global leader in the ceramic industry, we are maintaining our commitment to protect and preserve the environment by operating an Environmental Management System which is certified to ISO 14001:2015 standard. The Company complies with ISO 13006:2018 (E), the latest international standard for ceramic tile, locally known as BDS ISO 13006:2015. The Company's sanitary ware complies with the quality criteria of BDS 1162:2014. Both tiles and sanitary ware products are BSTI-approved. The Company also awarded as "Best Brand

Award 2018" in the ceramic tiles category from Bangladesh Brand Forum. The ceramic tiles and sanitary ware are continuously tested in the factory's own laboratory to adhere to BS EN ISO 10545 and BS EN 997 standards respectively."

- We have a prestigious multinational sponsor-shareholder base holding 72.08% of the Company's equity. Further, institutional investors and the public hold the rest of the 27.92% share of the Company's equity.
- We have charted a clear way forward on the pillars of our responsive business strategy to retain and enhance our market share through our pipeline of new and innovative products, paired with expanding our sales footprint via a focus on augmenting our showroom network.

Some milestone

Annual tile capacity

10.32
mn sqm

Annual sanitary ware capacity

1.45
mn pcs

Revenue

6,851.14
BDT mn

Gross profit

2,032.86
BDT mn

Net profit

905.19
BDT mn

Total workforce

2,000+

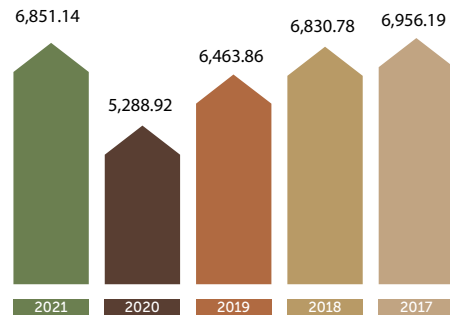
Market capitalisation on the DSE as on 31st December 2021

19,002
BDT mn

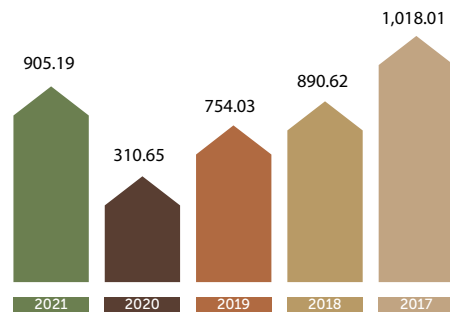
Cash balance as on 31st December 2021

2,277
BDT mn

Revenue Growth YoY (BDT)



Net Profit Growth YoY (BDT)



Our parent, RAK Ceramics – A billion dollar multinational group

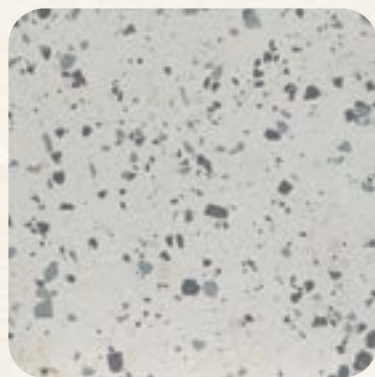
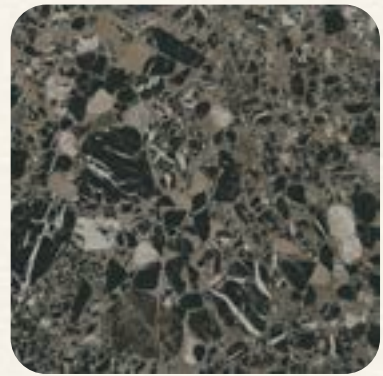
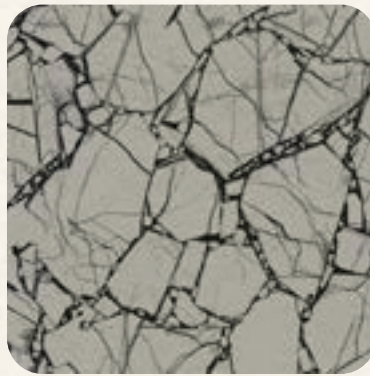
Ras Al Khaimah Ceramics (RAK Ceramics) is one of the largest ceramics' brands in the world. Specialising in ceramic and gres porcelain wall and floor tiles and sanitary ware, the group produces 118 million sqm of tiles and 5 million pieces of sanitary ware per year at its 21 state-of-the-art plants located across the United Arab Emirates (UAE), India and Bangladesh. Headquartered in the UAE, it serves clients in more than

150 countries through a network of operational hubs in Europe, Middle East and North Africa, Asia, North and South America and Australia. The group employs more than 12,000 people from over 40 nationalities across its global operations. RAK Ceramics is a listed company on the Abu Dhabi Securities Exchange in the United Arab Emirates and on the Dhaka Stock Exchange (DSE) in Bangladesh.

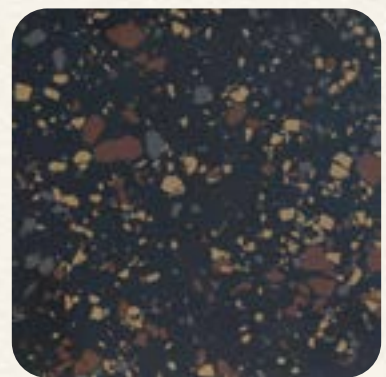
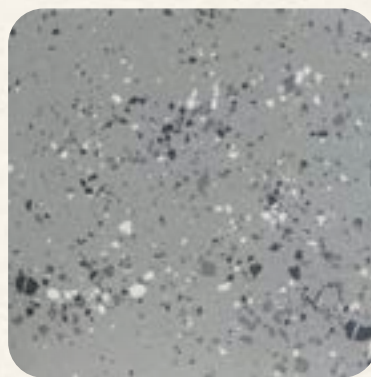
OUR ICONIC TILES MODELS



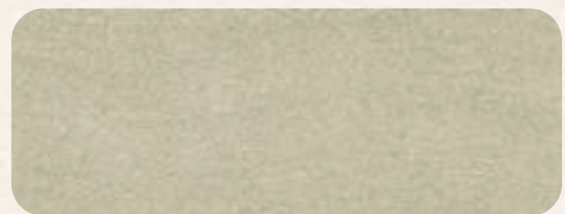
RAK HIGH TECH FULL BODY PORCELIAN



TERRAZZO TILES



TURIN GREY LEAF



TURIN GREY



PARIS BLUE FL



PARIS BLUE FRAME



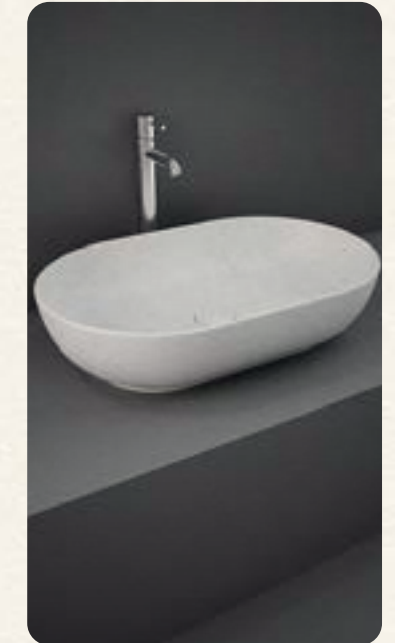
OUR PATH-BREAKING SANITARY WARE MODELS



HARMONY WALL HANG



RAK MORINING



HARMONY OVAL-MATT



FLORA BASIN



RAK FLORA



RAK GEM



GLORIA WALL HUNG



RAK Compact WB



RAK Morning WB



RAK Morning WC

RAK SIGNATURE BRANDS

At RAK Ceramics (Bangladesh), we have been able to create strong brand trust with our customers, thanks to our wide range of iconic tiles brands in our portfolio that suit every taste, budget and requirement. Unquestionably, our brands enable us to secure our positioning as the largest tiles Company.

DOUBLE CHARGE

StoneArt
Tiles Collection

Hard Rock
COLLECTIONS

Random Designs
GRES PORCELLANA TO FLOOR TILES

ROCKER
SERIES

WOOD ART
COLLECTION
Gres Porcellanato

High Tech  Porcelain

COMBI
WC

Single Piece
WC

Wall Hung
WC



VISION

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



MISSION

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



Signing Ceremony with Mehidy Hasan Miraz Brand Ambassador
of RAK Ceramics (Bangladesh) Limited

OUR CORE VALUES AND CODE OF CONDUCT

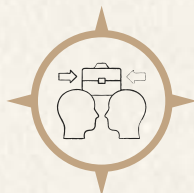
The Company's Board's aim is to ensure the highest standards of corporate governance as we oversee the implementation of our plans and ensure that we embrace ethics and values in our day-to-day operations. For us, ethics is more than just a written piece of statement; it is a part of our everyday conduct. Furthermore, our internal policies and procedures, which have been consistently effective since the Company was formed, are properly documented and communicated against the framework applicable to listed companies in Bangladesh.

We also have a deeply embedded values system across our organisation to ensure that our people act consistently and take the right decisions at all times, aligned with our broader operating and best practices philosophies. As a responsible corporate citizen, RAK Ceramics (Bangladesh) has an established and transparent policy mechanism towards information disclosure, anti-corruption and anti-bribery, as required under the applicable laws. Such policies facilitate in the development of fair, sustainable and mutually-beneficial relationships with customers and all our other stakeholders.

Our Values



Trust



Respect



Communication



Accountability



Commitment



Agility



Innovation



Passion

Guiding principles

Employees shall seek to use due care in the discharge of their duties, be loyal to the Company and act in good faith and in a manner they believe to be in the best interests of the Company. We also expect our employees to comply with all applicable laws, regulations, confidentiality agreements, obligations and corporate policies.

In their daily work, our employees are guided by the following fundamental principles:



The landscape our codes of conduct

- Statutory Compliance, Rules and Regulations
- Conflict of Interest
- Corporate Commitment
- Customer Relations
- Suppliers, Sub-contractors and Business Associates Relations
- Accounting and other records and controls
- Public Communications
- Confidential Information
- Workplace conduct
- Equal opportunities and fair treatment
- Insider Trading
- Environmental Commitment
- Contributions to Community and civil society
- Reports and Periodic Reviews

DIRECTORS' PROFILE



Abdallah Massaad
Chairman

Mr. Abdallah Massaad is the Chairman of RAK Ceramics Bangladesh, Group CEO of RAK Ceramics PJSC and a member of the Board of Directors of several subsidiaries and other international organisations.

He is extremely knowledgeable in the fields of ceramics and industrial manufacturing and is instrumental in helping companies engage in the forward and backward integration of the ceramics supply chain. With over 25 years of experience from field sales, to sales management, to product marketing, Mr. Massaad has highly developed business leadership skills in national and international markets.

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

Mr. Massaad formally joined RAK Ceramics in 2006 as Deputy CEO, responsible for operations management, strategy development, implementation and RAK Ceramics' global interests. He supported the Chairman and CEO with strategic planning and expansion initiatives enabling the company to reach the milestone of 1 billion square metres of global sales since it began. He was also responsible for implementing corporate governance regulations and overseeing the strategic refocusing of the business portfolio. Mr. Massaad has led RAK Ceramics PJSC as Group Chief Executive Officer since June 2012.

An award-winning CEO, in 2015, Mr. Massaad won an International Business Stevie® Award for 'Executive of the Year (Manufacturing)'. The efforts of Mr. Massaad as a visionary CEO were also further recognised when he was awarded 'Industry CEO of the Year' at the CEO Middle East Annual Awards 2015 and in 2016, Mr. Massaad was shortlisted as a Top 100 CEO as part of Mediaquest's Top CEO Awards in the GCC. In 2017, Mr Massaad was shortlisted as one of the Top 100 Smartest People in the United Arab Emirates by Arabian Business, and he was also honoured as one of the top 100 Most Sustainable CEOs by the World Sustainability Congress. In 2018, Mr. Massaad was awarded the most 'Visionary CEO in Manufacturing Leadership' by Frost & Sullivan, 'GameChanging CEO' by Finance Monthly, 'Outstanding CEO' at the Global Business Excellence Awards, 'Executive of the Year' at the BIG Awards for Business and the '2018 CEO of the Year' by CEO Monthly Magazine.

Prior to joining RAK Ceramics, Mr. Massaad was General Manager of International Ceramics Company SARL in Lebanon from 1997 to 2004.

Mr. Massaad holds postgraduate qualifications in Management 'DEA in Business Administration' (1998) and an undergraduate degree "Maitrise in Business Administration – Marketing" from USEK (Université SaintEsprit de Kaslik), Lebanon. He is fluent in Arabic, French and English.



SAK Ekramuzzaman
Managing Director

Mr. SAK Ekramuzzaman is one of the major local equity investors in RAK Ceramics (Bangladesh) Limited. Besides managing diversified business interests of the RAK Group, he is also involved in a number of other business interests in Bangladesh. Mr. Ekramuzzaman is also the member of the Board of RAK Power Pvt. Ltd. and RAK Security and Services (Pvt.) Ltd., subsidiaries of RAK Ceramics (Bangladesh) Limited. Mr. Ekramuzzaman has been conferred as "CIP Industry 2017" by the Government of Bangladesh in recognition of his outstanding contribution to the industrial development of Bangladesh.



Pramod Kumar Chand
Director

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

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

Mr. Pramod's professional credentials span over 3 decades of post qualification experience with blue chip employers, including Birla Corporation Ltd., and OCL India Ltd. in India, and Rak Investment Authority in UAE. Mr. Pramod is a Member of the Institute of Chartered Accountants of India (ICAI) and has been a rank holder and winner of A F Ferguson award.



Wassim Moukahhal
Director

Mr. Wassim Moukahhal is a Director of RAK Ceramics (Bangladesh) Limited and RAK Security and Services (Pvt.) Ltd., which is subsidiary of the Company. He is also a member of the Audit Committee and the Nomination and Remuneration Committee of RAK Ceramics (Bangladesh) Limited. He also serves as a Member of the Board of Directors and the Executive Committee for RAK Ceramics PJSC and as a Member of the Board of Directors of RAK Porcelain and RAK Ceramics India.

Mr. Moukahhal has more than 17 years of experience in private equity investments in the Middle East and Asia. He was a Managing Director of Samena Capital Investments Limited in Dubai and previously worked at EFG-Hermes in Dubai where he was a Vice President in the Private Equity and Infrastructure investments team. Prior to EFG, he worked in the Private Equity Group for The National Investor (TNI) in the UAE.

Mr. Moukahhal served on multiple Boards of various portfolio companies across several industries, such as building materials, technology, and consumer sectors.

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



Barrister Faheemul Huq
Independent Director

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

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

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

MANAGEMENT TEAM



SAK Ekramuzzaman
Managing Director

Mr. SAK Ekramuzzaman, Managing Director of RAK Ceramics (Bangladesh) Limited is one of the renowned local investors involved in a number of business interests in Bangladesh. He has been conferred as CIP Industry 2017 by the Government of Bangladesh in recognition of his outstanding contribution for industrialization and in the economy of Bangladesh.



Sadhan Kumar Dey
Chief Operating Officer & Chief Financial Officer

Mr. Sadhan Dey is the Chief Operating Officer and Chief Financial Officer of the Company since 2019. He carries more than 24 years of industrial experience focused on serving construction companies in the manufacturing sectors. He is a qualified finance and management professional from the Chartered Institute of Management Accountant – UK. He is a Master of Commerce and MBA. Mr. Sadhan is an alumni of Harvard Business School – Boston, USA.



Muhammad Shahidul Islam
Company Secretary

Mr. Muhammad Shahidul Islam is the Company Secretary of the Company since 2010. His professional career spans over 17 years in Company Secretariat, Corporate Affairs, Compliances, Initial Public Offering (IPO), Legal, Capital Market Operations and Internal Audit covering Manufacturing and Insurance sectors. Mr. Shahidul is a qualified Chartered Secretary and a Fellow Member of the Institute of Chartered Secretaries of Bangladesh (ICSB).



Mohammad Samsul Arefin
Head of Internal Audit and Compliance

Mr. Mohammad Samsul Arefin is the Head of Internal Audit & Compliance of the Company since May 2018. Mr. Arefin has more than 14 years of professional in the field of Financial and Accounting. Mr. Arefin is a qualified Cost and Management Accountant and fellow member of the Institute of Cost and Management Accountants of Bangladesh (ICMAB) and also qualified from the Chartered Institute of Management Accountant (CIMA) UK



Md. Mizanur Rahman
VP Sales

Mr. Md. Mizanur Rahman is the Vice President - Sales of the Company since 2000. He has more than 20 years of professional experience in sales & marketing. Mr. Md. Mizan took his graduation degree in Economics (BSc. Ag. Econ. Hons) from Bangladesh Agricultural University, Mymensingh and Post Graduate Business Administration Degree (MBA) from the University of ULAB.



Md. Mahbulul Haque
GM-SCM

Mr. Mahbulul Haque is the General Manager – Supply Chain Management of RAK Ceramics (Bangladesh) Limited. He is having more than 20 years of professional experience in supply chain management in different multinational and renowned local companies. Mr. Mahbulul completed his graduation in Mechanical Engineering from Bangladesh University of Engineering and Technology (BUET). He is also certified Supply Chain Manager from ISCEA (International Supply Chain Education Alliance, USA).



Krishna-Phanendra-Srinivas-Soma-Venkata
Deputy General Manager - Tiles

Mr. Srinivas S.V.K.P. is Deputy General Manager, responsible for the production and operation of tiles division. He has joined in the Company in the 2020 with 23 years of experience in tiles manufacturing, more than 14 years working with RAK Group of Companies. Mr. Srinivas. is a qualified graduate in Ceramics from Indian Institute of Ceramics Kolkata, and Ceramics Engineering from GICT, India.



Adireddy-Pasunoori
Sr. Production Manager-SWD

Mr. Adireddy Pasunoori is the Senior Production Manager responsible for the production and operation of Sanitary ware division. He has joined in the Company in 2019 with a 31 years' experience in Sanitary ware production and more than 12 years' with RAK Group of companies. Mr. Adireddy Pasunoori is a qualified Ceramics Engineer from GICT, India.

OUR INVESTMENT THESIS

RAK Ceramics (Bangladesh) is the leading ceramics tile and sanitary ware company in Bangladesh and is naturally positioned well to capitalise on the economic rebound. This is already being reflected in its performance in 2021 and will accelerate into the future, anchored on the Company's robust value creation drivers.

Brand trust

- Invested average 1.09% of turnover in brand promotion
- Positioned brand as a premium offering at value prices
- Roped in Mehidy Hasan Miraz, an upcoming all-rounder of the national Bangladesh cricket team, as brand ambassador

Sizable capacity

- Bangladesh's largest ceramics tiles capacity of 10.32 mn sqm per year
- Country's largest ceramics sanitary ware capacity of 1.45 mn pcs per year
- Large capacity supports stronger unit economics and improved cost management

Wide distribution

- Launched a 10,000 sft exclusive signature showroom in Dhaka
- Added 34 dealers over the last three years
- Distribution supported through efficient countrywide logistics network

Attractive product mix

- Relatively well-balanced portfolio of tiles and sanitary ware
- Improvement achieved in value-added product sales

Favourable trade terms

- Receivables cycle of 41 days of turnover equivalent, indicating brand strength
- Negligible bad debts (potentially recoverable)

Balance sheet strength

- Cash balance of BDT 2,276.66 mn
- Net debt equity ratio of a comfortable 0.06x

Responsible citizenship

- Focused approach to ESG (environmental, social, governance) principles
- Grassroot transformation programs for impacted outcomes
- Multistakeholder approach to business

National pride

- Catalysing better living and lifestyle standards
- Consistent exchequer contributions
- Thrust on employment creation

Our investment case



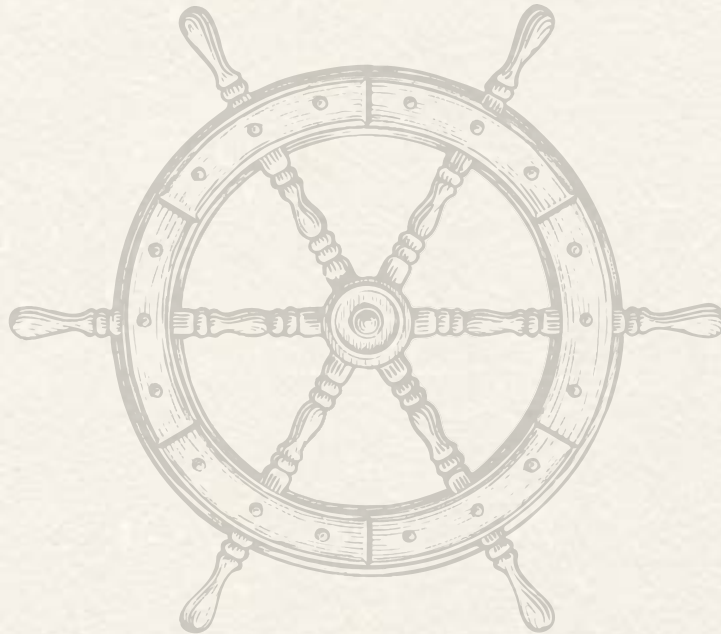
Experienced team



Proven business model



Low cost structure



Strong product-market fit



Continuous innovation drive



Formidable manufacturing investments

CREDIT RATING

2021

AA+



CRISL
CRISL 2015 Certified Credit Rating Company in Bangladesh Operating Since 1985
Setting global standard at national level

CRISL/CER/1039/22

RAK CERAMICS (BANGLADESH) LIMITED

RATING SPECIFICS

Date of Rating: February 03, 2022		Valid up to: February 03, 2023	
	Long Term	Short Term	
Entity Rating	AA+	ST-1	
Outlook	Stable		
Bank Facilities Rating			
Bank/ITL	Mode of Exposure (Figures in million)		Bank Loan Rating
Eastern Bank Limited	Working Capital Loan Limit of Tk.550.00		2P AA+
Standard Chartered Bank	Working Capital Loan Limit of Tk.550.00		2P AA+
Dutch Bangla Bank Limited	Working Capital Loan Limit of Tk.128.00		2P AA+
Commercial Bank of Ceylon	Working Capital Loan Limit of Tk.685.00		2P AA+

CRISL has assigned "AA+" (pronounced as double A plus) rating in the Long Term and "ST-1" rating in the Short Term to RAK Ceramics (Bangladesh) Limited (RAKCEL). The above has been done on the basis of its financials and other relevant quantitative and qualitative information up to the date of rating with due consideration to its fundamentals such as equity based capital structure, good operational and financial performance, good infrastructural facilities, diversified product mix, good distribution network, strong brand image etc. However the above are constrained to some extent by factors such as significant competition in the market, loss in subsidiary operation, quality control risk, product handling risk etc.

The Long Term rating indicates that entities rated in this category is adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions. The Short Term rating indicates highest certainty of timely repayment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding. Safety is almost like risk free Government short-term obligations.

CRISL also views the company with "Stable" outlook in consideration of its stable business growth and consistent fundamentals.



Md. Asifur Haq
Chief Rating Officer

Rak Ceramics (Bangladesh) Limited, 4th & 5th Floor
 6/1/A, Tejgaon Airport, Dhaka-1000, Bangladesh
 Tel: 88-02-951 8991, 3, Fax: 88-02-951 8991
 E-mail: info@crisl.com

2020

AA+



CRISL
CRISL 2015 Certified Credit Rating Company in Bangladesh Operating Since 1985
Setting global standard at national level

CRISL/CER/4324/21

RAK CERAMICS (BANGLADESH) LIMITED

RATING SPECIFICS

Date of Rating: December 04, 2020		Valid up to: December 04, 2021	
	Long Term	Short Term	
Entity Rating	AA+	ST-1	
Outlook	Stable		
Bank Facilities Rating			
Bank/ITL	Mode of Exposure (Figures in million)		Bank Loan Rating
PSBC	Term Loan Outstanding of Tk. 8.08		2P AA+
	Working Capital Loan Limit of Tk. 150.00		
Standard Chartered Bank	Working Capital Loan Limit of Tk. 250.00		
Dutch Bangla Bank Limited	Working Capital Loan Limit of Tk. 128.00		
Commercial Bank of Ceylon	Working Capital Loan Limit of Tk. 385.00		

CRISL has assigned the Long Term rating to "AA+" (pronounced as double A plus) and the Short Term rating to "ST-1" of RAK Ceramics (Bangladesh) Limited (RAKCEL). The above has been done on the basis of its financials and other relevant quantitative and qualitative information up to the date of rating with due consideration to its fundamentals such as equity based capital structure, good operational and financial performance, good infrastructural facilities, diversified product mix, good distribution network, strong brand image etc. However, the above are constrained to some extent by factors such as significant competition in the market, loss in subsidiary operation, quality control risk, product handling risk etc.

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 E-mail: info@crisl.com



NURTURING A WINNING ORGANISATION

Awards and Accolades

At RAK Ceramics (Bangladesh), we believe our awards and recognition are a subset of something fundamental that is an intrinsic part of our DNA. Our big picture. We are focused on pioneering spaces in ceramics-ware and bringing them to life.

Today, as we move forward with a clear vision, we are energised to face the future - built on the solid foundation of unmatched talent and strategy to push us further along the trajectory of growth and progress. We are committed to nurturing a winning organisation, with external endorsements comprising awards and accolades reminding us that we are on the right path.

AWARDS AND RECOGNITION



2010



2011



2012



2015



2016



2017



2018



2019



Second Position

21st ICAB National Award 2020
Manufacturing Companies Category



Joint 1st Runner Up

SAFA BPA Award 2020
Manufacturing Companies Category



Silver Award

ICMAB Best Corporate Award 2020

Other Manufacturing Category



Bronze Award

8th ICSB National Award 2020

Manufacturing Companies Category



RAK Ceramics (Bangladesh) Limited has been honored by the Large Taxpayers Unit of the National Board of Revenue for the fiscal year 2020-21



RAK Power Pvt. Ltd has been honored as the 3rd highest tax payer for the fiscal year 2020-21 from the National Board of Revenue in the other sector category.

OUR RESPONSE TO COVID-19

In a year that continued to be impacted by the coronavirus pandemic, we adapted fast to ensure we could continue to remain on the path of creating value for our stakeholders.

At RAK Ceramics (Bangladesh), we take pride in how we responded to the continuing challenges of COVID-19. In a year that was extremely demanding, we responded with discipline, agility and resilience—all classic characteristic traits of our Company. This meant going the extra mile during the pandemic, focusing on caring for our people and the broader society, harnessing our 24/7 all-weather portfolio, adapting our approach to market, and driving operational efficiencies. Truly, the agility and commitment of our people allowed us to adapt to win, keeping us on course to retain our market share, and become the preferred lifestyle brand of choice for home and office interiors in Bangladesh.

Going the extra mile during the pandemic

The true spirit of working as a Company unified by purpose and energised by passion emerges in challenging situations. Our people navigated through the COVID-19 pandemic with intention, purpose, resilience and adherence to our Company's values, while addressing challenges from a position of strength and remaining focused on emerging stronger on the other side of the pandemic. We profoundly appreciate the efforts of our frontline employees and all other staff for ensuring responsible and diligent service to our customers, despite personal challenges or difficulty brought about by the pandemic. Collectively, these efforts enabled the Company to report a stellar performance during 2021. This exemplifies the Company's timeless spirit of performing despite the odds.

Caring for our people and the broader communities

Our Company culture, which values the care we show to one another while embracing challenge and change, proved vital in the face of the continuing difficulties of 2021. The second and more fatal wave of the coronavirus swamped the economy in mid-2021, causing immense loss of lives and livelihoods and overwhelming the health care system.

Being a part of RAK Ceramics PJSC, as part of our global commitment local action initiative, our key priority throughout 2021 remained the safety of our people, as well as our customers, partners and communities.

We equipped our people with the right protective gear; ensured deep sanitisation of all our premises, especially contact-intensive areas; adhered to all health and safety protocols; and supported our dealership with dependable supplies and best business practices. We also supported the emergency health care needs of our employees and their families, focusing on shielding them from the worst effects of the pandemic.

Over the last 21 years, partnering with and investing in the communities we serve have always been an integral part of the way we do business. In the face of the persistent challenges of 2021, the community networks and partnerships we have established over the years allowed us to support those in need, those fighting the COVID-19 pandemic on the front line, and our dealer-partners who continue to serve our customers. Even amid the chaos triggered by the pandemic, we did not fail to serve the basic requirements of society, continuing with our focus on the essentials, including education, health care, etc.

Harnessing our 24/7 all-weather portfolio

Home became the safest place for families amid the pandemic. It also evolved as a dynamic multipurpose space, emerging as a place for both living and working. Besides, as movement and trading restrictions forced more people to spend more time at home, especially during the second lockdown, consumer preferences continued to change.

Furthermore, key trends also emerged, including the need for larger and more spacious homes, greater hygiene and sanitisation areas, etc. While fast-changing consumer preferences is the norm in our industry, the need for speed assumed a whole new meaning as consumer preferences changed more quickly and delivery became all the more crucial in the face of shrunken home development cycles and logistical challenges being faced by our industry.

Leveraging the learnings of the past and also our robust insights into consumer choice, we focused on accelerated product development to meet the evolving trends and hence supported more at-home occasions. Thanks to our adaptable category strategy, partnership with our customers and agility of our people, our consumers continued to get the best of styles and

choices from our portfolio, even as it offered strong cost propositions as well.

Adapting our approach to market

In a rapidly-changing environment, excellent customer service meant understanding their needs and collaborating more quickly to evolve our portfolio in terms of style, performance and functionality.

Furthermore, as the need for greater choice became a dominant trend, we engaged in the opening of our grand signature showroom in Dhaka, spread over a massive 10,000 sft. An exclusive showroom such as this reflects the importance we place on customer choice, giving them the freedom and liberty to expand their imagination and creativity, and create pride-enhancing spaces that evoke nothing but a "wow".

Throughout 2021, our sales teams continued to serve our customers, presenting to them our full catalogue and assisting them in making knowledge-driven choices. Furthermore, as public spaces gradually began to reopen, we engaged with our institutional customers in meeting their needs for creating warm, welcoming and safe spaces. A further apparent shift in

our approach to market was the use of e-commerce. We shared knowledge and insights with our retailer partners to help simplify the online shopper journey, all the while building capabilities in safe last-mile deliveries.

Driving operational efficiencies

Having secured safety, supply and service, we prioritised investment in our highest potential opportunities, allowing us to protect the financial health of our business while continuing to build capabilities for investing for the long-term. We invested in product innovation, especially across category leaders. We also offered Room Visualizer services on our website, inviting customers to visualise and design their own space and bring their ideas to life.

We also made structural improvements to our cost base, which imparted added flexibility and resilience, thus positioning our business well to withstand any potential pressure on revenue, while protecting profitability. We also responded quickly to identify and implement cost savings in 2021 and also explored new digital ways of working, which will enable us to continue to drive efficiencies and remain competitive across market cycles.



EMPLOYEE ENGAGEMENT PROGRAMS



The art of war sales training 2021



RAK Ceramics (Bangladesh) Limited founding Anniversary celebrations.

DEALERS' ENGAGEMENT PROGRAMS



Top Dealers' Night 2021



1st quarter star dealer awards

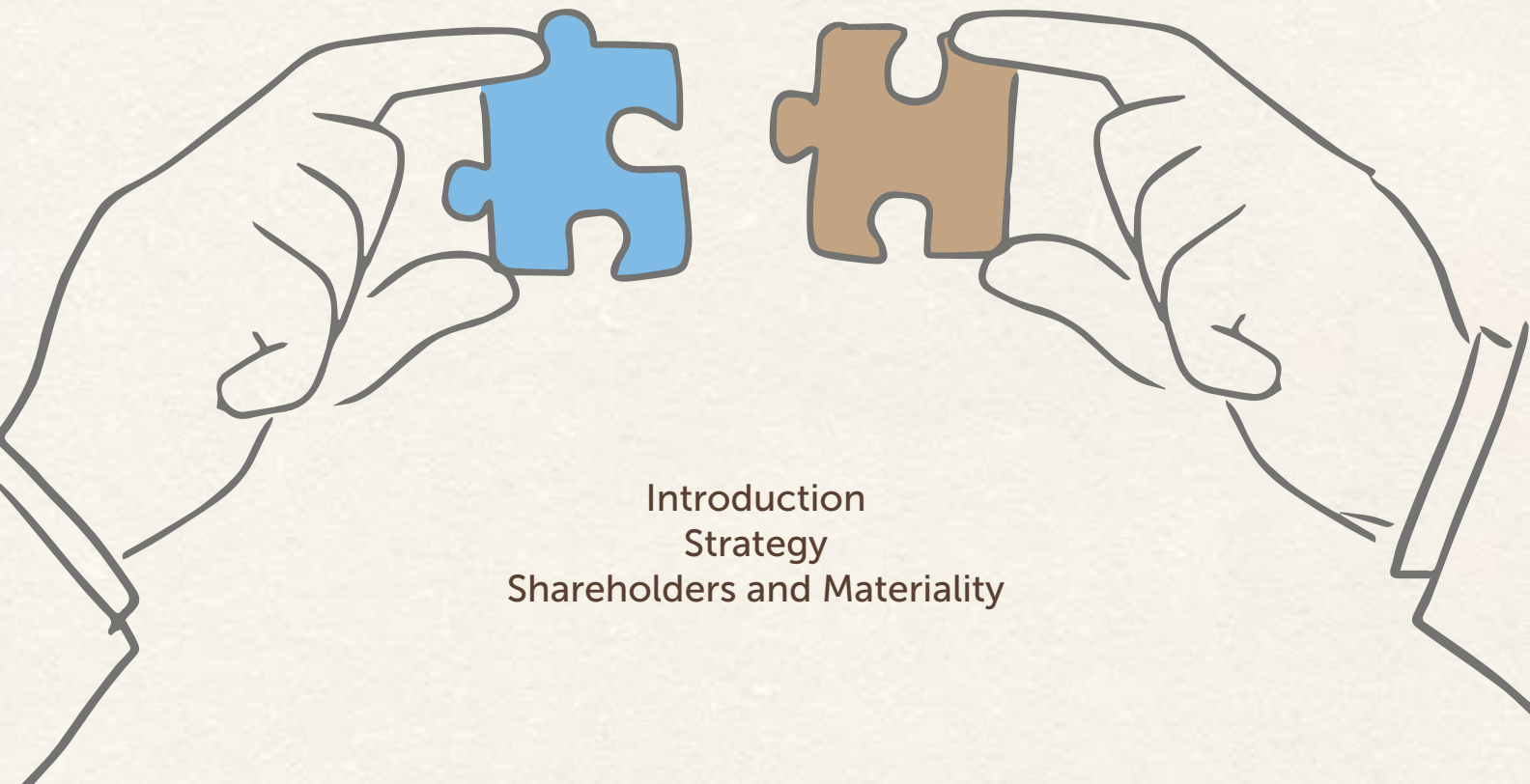


Dealers' managers program

PIECING OUR STORY TOGETHER

About our integrated report

At RAK Ceramics (Bangladesh), as we closed an eventful year 2021 characterised by uncertainty and change, we are proud to hold on to what we consider to be the most precious for us – our people and our relationships. Looking after our people remained the topmost priority. As we look back on all we have achieved so far, we are proud to have combined our longstanding strengths and competencies in piecing our story together to turn in a robust performance in 2021, and thus continuing on our path of value creation for all our stakeholders.



Introduction
Strategy
Shareholders and Materiality

RAK INTEGRATED REPORT

Honesty and integrity are by far the most important assets of an entrepreneur.

Zig Ziglar



ABOUT OUR INTEGRATED REPORT

RAK Ceramics (Bangladesh) is a UAE-Bangladesh joint venture Company with UAE-based RAK Ceramics PJSC, which amongst the largest ceramics brand of the world. With such a parentage, RAK Ceramics (Bangladesh) brings international quality products including tiles, washroom sets and sanitary ware to the Bangladeshi market. At the close of 2021, the Company had a market capitalization of BDT 19,002 mn (on the Dhaka Stock Exchange), making it the largest listed ceramics player of the country. As a responsible public-facing corporate citizen of Bangladesh, the Company is committed to upholding the highest governance standards and this Integrated Annual Report for 2021 is a manifestation of that commitment.



Overview of RAK

RAK Ceramics (Bangladesh) presents its 2021 integrated annual report to appraise shareholders of operational, financial and governance developments, and to outline the challenges encountered in a tough year for the group.

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

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

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



Reporting principles

The financial and statutory data in this Integrated Annual Report is presented in compliance with the requirements of the Companies Act, 1994; Bangladesh Securities and Exchange Commission (BSEC); and International Financial Reporting Standards (IFRS). This report has been prepared complying with the framework of the Value Reporting Foundation's (VRF's) Integrated Reporting <IR> Framework and discloses performance comparing key performance indicators, as applicable to RAK Ceramics (Bangladesh).

In brief, our report complies with the following standards:

- Value Reporting Foundation's <IR> Framework
- Companies Act, 1994
- Securities Exchange Ordinance, 1969

- Dhaka and Chittagong Stock Exchange Listing Regulation 2015
- International Financial Reporting Standards (IFRS)
- Other applicable laws, rules and regulations

Reporting scope and boundary

The integrated annual report covers the financial and non-financial performance of RAK Ceramics (Bangladesh) and two of its subsidiaries, for the financial year 1 January 2021 to 31 December 2021.

Reporting period

The information and analysis is reported for the period 1st January 2021 to 31st December 2021. For key performance indicators, comparisons and analysis for the last three to five years have been incorporated in the

report to provide complete information for association and reference for the readers.

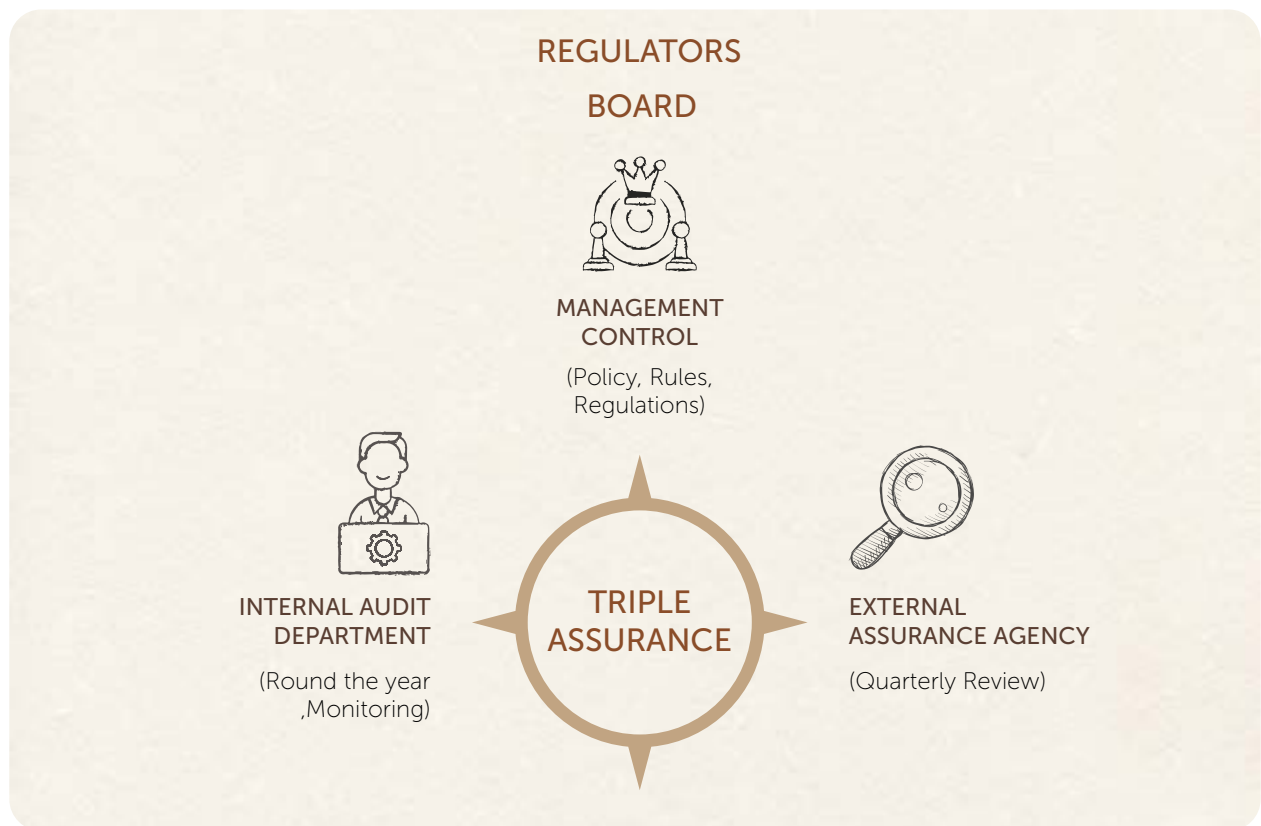
Materiality of disclosure

The principle of materiality continues to be applied in determining the content and disclosure in the integrated annual report. This covers internal or external issues that we believe could have a material impact on the Company’s ability to create value. This report excludes the disclosure of price sensitive information or any other details that could compromise the Company’s competitive position.

Internal control and governance

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

assessment framework. We apply a triple assurance model to enhance the assurance obtained from the management, internal audit cell and external assurance providers, while promoting a strong ethical work environment to ensure the highest level of compliance. Internal control process is monitored and evaluated under the direction of internal audit, while external audit cover key controls accounting matters in the course of their audit. The Board and Audit Committee assessed the effectiveness of internal controls mechanism for the year ended 31st December 2021 as satisfactory. Management agreed that the facts and figures on the consolidated financial statements present fairly our financial position, results of operations and cash flows as on 31st December 2021.

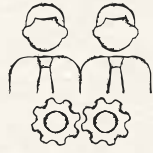


Assurance

Furthermore, the content of this Integrated Annual Report 2021 has been reviewed by the management. The Company’s independent auditor, A. Qasem & Co., Chartered Accountants (a member firm of Ecovis

International), has provided assurance on the annual financial statements, and corporate governance certification is provided by M/s Jasmin and Associates, Chartered Secretaries.

HOW WE USE SIX CAPITALS



Human capital

Our success is closely contingent on the passion, engagement and customer focus of our talented people. We cultivate their potential and empower them to leverage opportunities for growth, both for themselves and our Company.



Natural capital

To produce our products, we use raw materials including clay, sand, chemicals, water, energy and paper. We source these using sustainable practices and seek to use them efficiently.



Social and relationship capital

Maintaining our reputation and the trust of our key stakeholders is essential to our business. Our most valuable stakeholder relationships are with RAK Ceramics P.J.S.C., our people, our customers, our suppliers, government, regulators and the communities we operate in.



Financial capital

Our business activities require financial capital and we seek to allocate it efficiently. This capital is provided by our equity and debt holders, as well as cash flow earned from our operations.



Intellectual capital

Innovation is embedded in our culture and the intellectual property created from that includes new products, improvements in manufacturing, logistics and sales and new packaging. As we expand our portfolio, the importance of innovation is increasing.

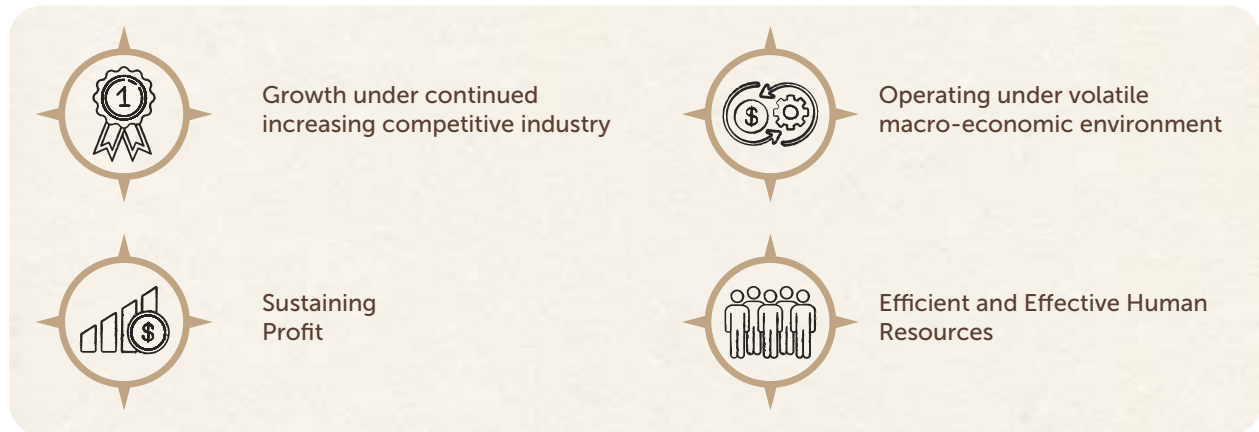


Manufacturing capital

We support the UN sustainability agenda and have linked our strategy pillars, material issues, sustainability commitments and the value created for our stakeholders to the UN Sustainable Development Goals (SDGs). Information on this is provided below, the essence of which has been integrated into discussion throughout this report.

Our Material Matters

Material matters are those issues that could substantively affect our organization's ability to create value in the short, medium and long term and result in us not being able to execute our strategy and impact our ability to remain competitive.



Our Major Risks

In pursuing our goals towards creating and sustaining value for our stakeholders, we are committed to manage effective risk, with the ultimate aim to minimize impact on business return. In 2021 we faced challenges and risks associated with various events that significantly impacted our business, including COVID-19 and macroeconomic volatility. We understand the risks associated with our business and we manage them proactively and effectively guided by our Enterprise Risk Management Framework. Major risk identified are:



Our Key Stakeholders

Our ongoing engagement with stakeholders for understanding stakeholder's needs and interests to position us for a sustainable future. Our approach to stakeholder engagement is to be perceived and experienced as a credible partner. Our ultimate aim is to be transparent, deliver on our promises and co-develop sustainable solutions with our stakeholders include:



Management Responsibility

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

Disclaimer

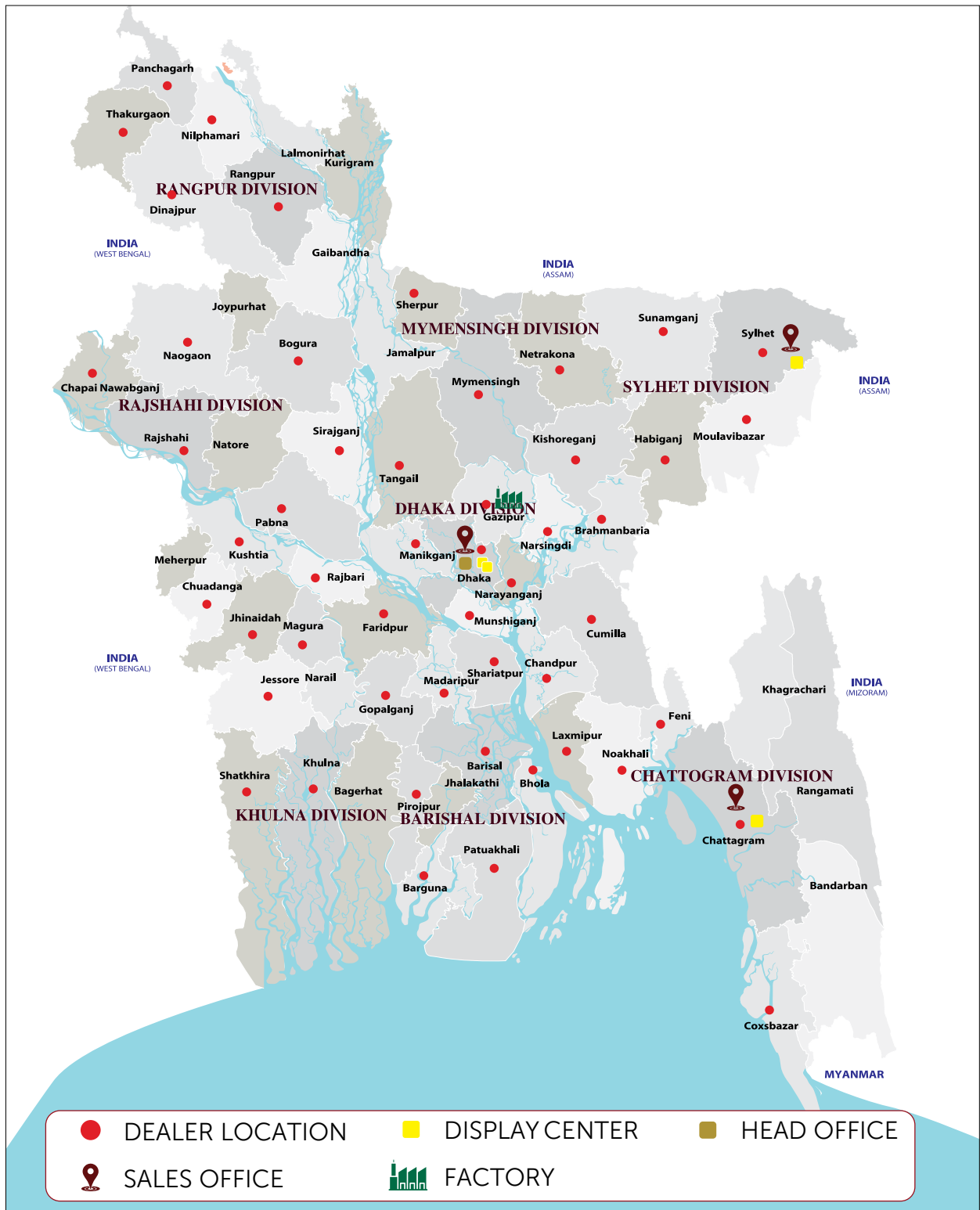
Shareholders will note that the integrated annual report includes forward-looking statements which relate to the possible future financial position and results of the company's operations. These are not statements of fact but rather statements by the management

based on current estimates and expectations of future performance. No assurance can be provided on these forward-looking statements, and shareholders are advised to exercise caution in this regard.

Availability of the Annual Report

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

OUR PAN-BANGLADESH PRESENCE



OUR STRATEGY AND VALUES OVERVIEW

Vision, Mission and Values of the RAK are three foundation of strategy planning process which is influencing the strategic direction provided by the Leadership Team. We critically examine the external business environment, internal business environment and issues in potential risks and opportunities that could disrupt the operation. Materiality assessment guides

insights to the changing needs of all our stakeholders. Our long-term strategies and annual business plans are formulated as a result of the integrated strategy planning process. Both short term plan and long term strategy are cascaded down to with defined responsibilities across business as required. Our strategy will be executed by the manifestation of our values.



STRATEGIC BUSINESS OBJECTIVES

We aspire to be future-ready structurally, financially and culturally, in our pursuit to be the most innovative and respected ceramics company in the Bangladesh. The business strategy is framed based on the Company's core focus areas in short term and long terms. We adopt an integrated approach to cater to the evolving needs of our customers. A strategy review and planning is conducted annually at corporate headquarter, which enables effective assessment, evaluation and appraisal of our strategy and future direction. We also undertake our business activities with external factors that mostly

uncontrollable, unpredicted market volatility, innovation in ceramics technology and compliance requirements among others. Those external factors are also considered during risk identification and strategy development.

In accordance with our leadership's intent to present a consolidated and holistic view of the Company's overall business performance and outlook, we have identified four RAK Strategic Business Objectives (RSOs). We have identified four Strategic Objectives to create sustainable and profitable growth.



RS001 Optimize return through growth and dividend

Focus Area:

Expansion of production capacity for value-added products

Market penetration out of the capital city of Dhaka

Key measures

Production capacity on tiles (in SQM)

Production capacity of sanitary ware (in pieces)

Market share (%)

New models added during the year.

Goal

Maximise utilization of available capacity

RS002 Focused strategic segment

Focus area:

Introduce value-added products every quarter

Create new demand across new sectors

Key measures

Revenue and profitability from value added products

Revenue and profitability from strategic segment

Goal

Focused strategic segment for differentiation.

RS003 Leadership in ceramics technology

Focus area:

Pioneer in ceramics tiles technology.

Pioneer in sanitary ware technology

Protect business from disruption

Key measures

Agility on technology deployment

Reduce cost of production

Introduce value added product per quarter

Goal

Maintain leadership position in ceramics technology in Bangladesh

RS004 Industry leadership in cost efficiency

Focus area:

Continue improve value chain performance to reduce cost

Source material directly from mine owners or manufacturers

Bringing down cost using technology and manufacturing capital Bring down energy costs

Key measures

Reduction of gas utilization per square meter.

Increase/improve top grade production compare to previous year

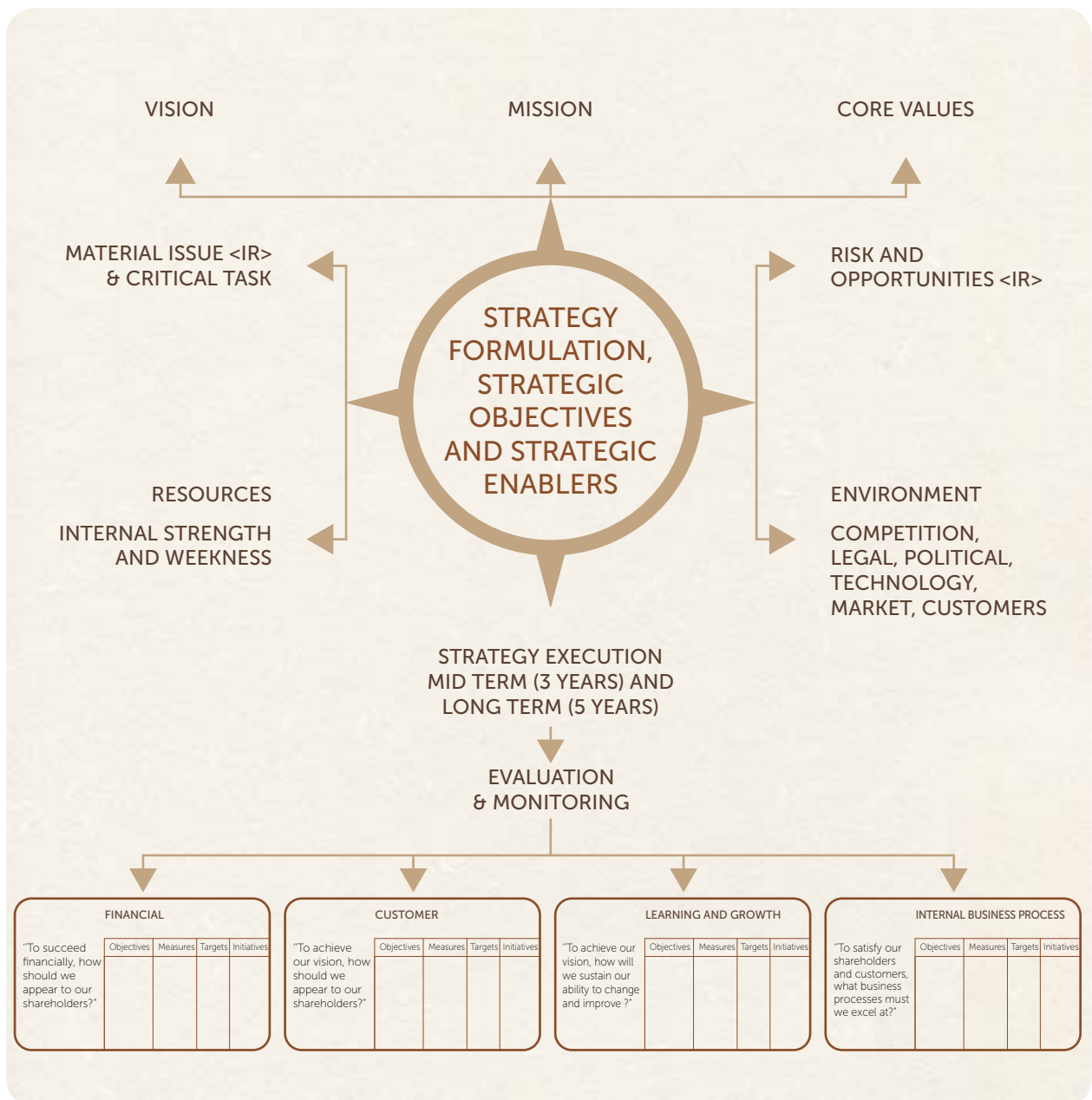
Goal

Enhancement cost efficiency

STRATEGIC PLANNING PROCESS

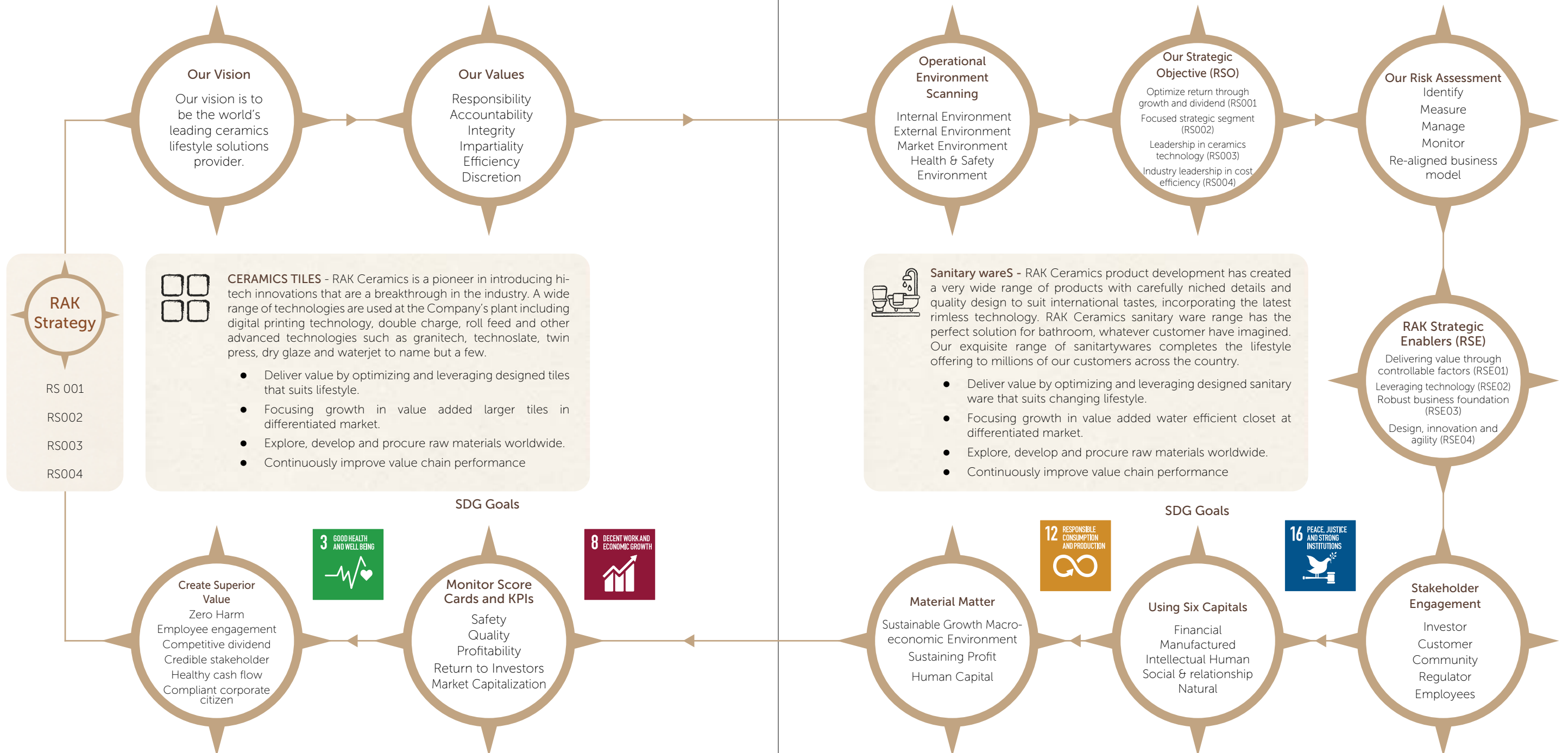
Our strategy planning process is influenced by the Vision, Mission and Values of the organization, focusing with the strategic direction provided by the Senior Leadership Team. Materiality assessment provides insights to the changing needs of all our stakeholders. As part of the process, we examine both external and internal business environment and factor in potential

risks and opportunities that could disrupt the industry. Our long-term strategies and annual business plans are formulated as an outcome of the integrated strategy planning process. The overall strategy and plans are cascaded down to individual divisions/departments with clearly defined responsibilities across all employee levels.



RAK INTEGRATED VALUE CHAIN

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

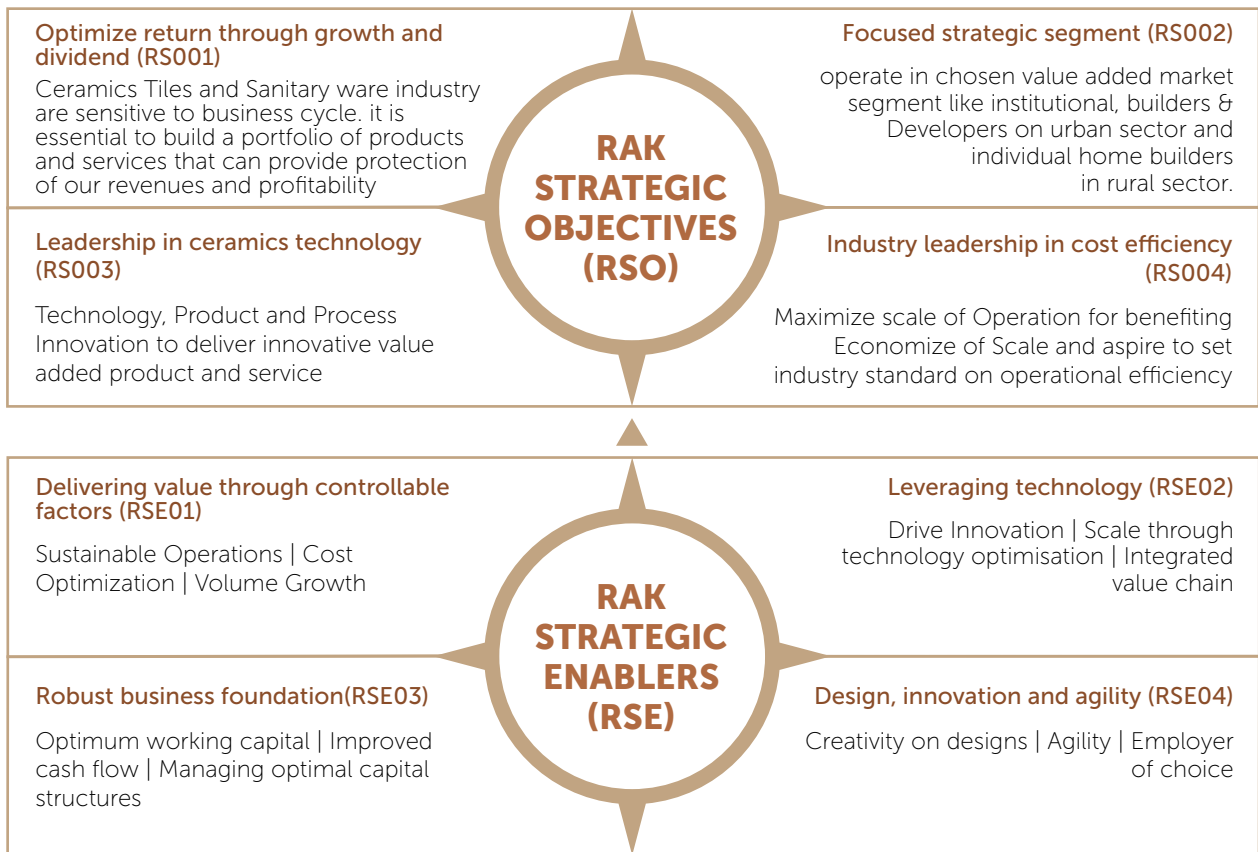


ACCELERATING VALUE-BASED GROWTH

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

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

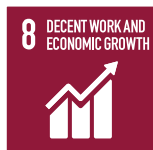
VALUE-BASED STRATEGY TO DELIVER SUSTAINABLE GROWTH



Translated to:

Zero Harm | Stakeholder value creation | Competitive dividend payout | Consistent improved cash flow | Strong stakeholder relationships | Loyal channel partners | Employee engagement and growth

Associated with SDG Goals



HOW WE SERVE OUR CUSTOMER



Delivery options

- Multiple delivery locations
- Same-day delivery
- Specialist delivery Site delivery
- Self-pickup option



Product information

- Technical data with rich content
- Website support
- Mock-up support



Bidding and tendering

- Value engineering
- Project specific tendering
- On-site consultancy



Sales channels

- Inside - sales consultant
- Outside - field sales support
- Dedicated call center



Post-sales support

- Stressed-free returns
- Selected customer credit
- Tax compliant billing



Display center services

- Dedicated sales consultant
- Plenty of stock on display
- Signature collection
- Room visualizer

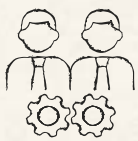


Customized solutions

- Customized HD printing
- Customized size

THROUGH

DIFFERENTIATING



Our highly skilled people with technical and operational capabilities



Strong brand recall in Bangladesh



Strong customer relationships



Customer's first choice



Our ability to manage complex integrated value chains and production facilities



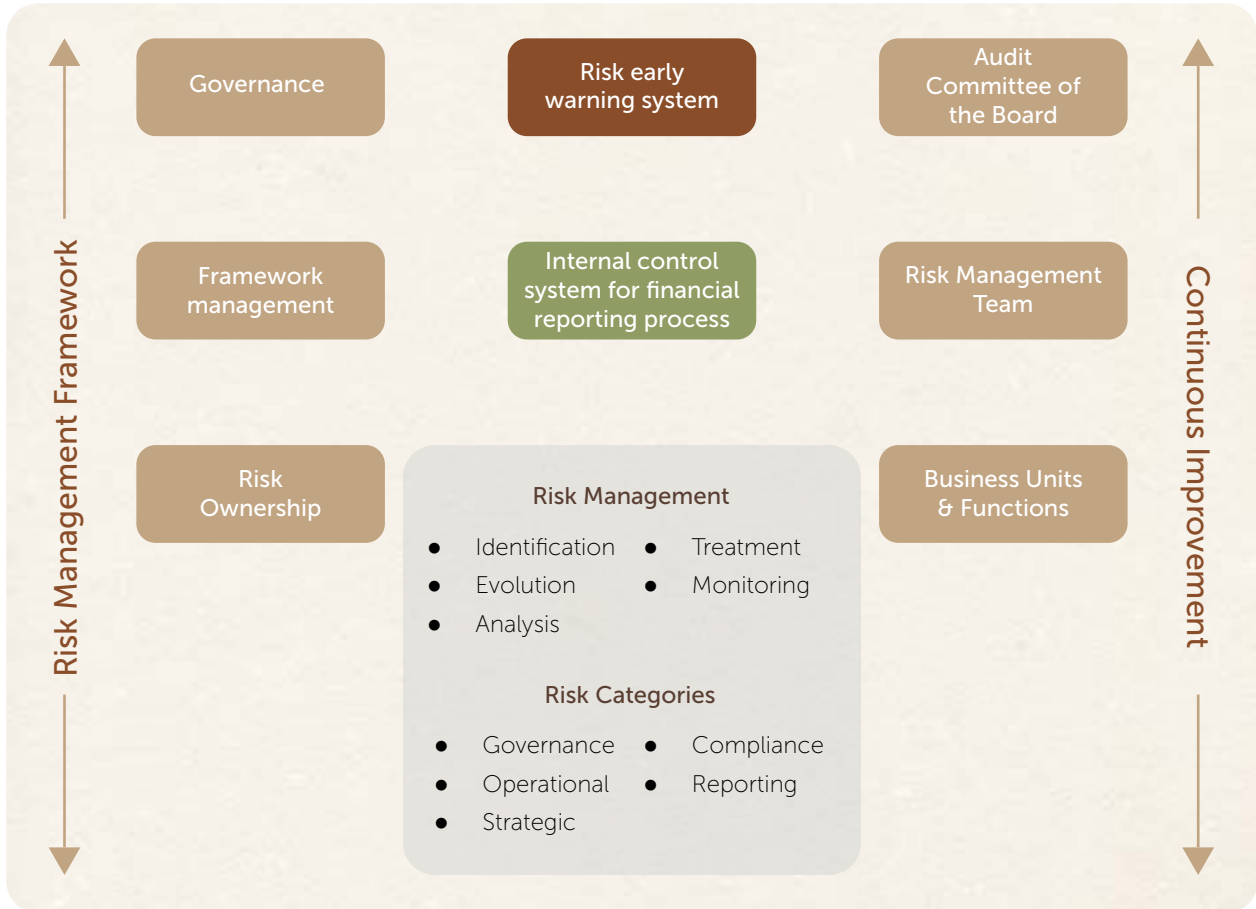
Effective and efficient dealer's network throughout Bangladesh

RISK MANAGEMENT AND CONTROL

Risk Management Framework

Our risk management framework encompasses strategy and operations and seeks to proactively identify, address and mitigate existing and emerging risks. The risk management framework goes far beyond traditional boundaries and seeks to involve all our key managers. The Company has a robust risk management framework to identify and mitigate risks arising out of internal as

well as external factors. There is a formal monitoring process at unit and company level, wherein new risks are identified, categorized as per impact and probability, mapped to key responsibilities of select managers and managed with appropriate mitigation plan. The risk management framework is reviewed annually by the Audit Committee on behalf of the Board.



Risk management approach

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

Risk mitigation and controlling process

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

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

Risk appetite

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

RISK LOG

SL	Risk theme	Potential impact	Mitigating factor	Link to strategic objectives
1	<p>Macroeconomic and political risks</p> <p>The Company is dependent on the economic activity levels in its end markets. Accordingly, it is susceptible to economic downturn, the impact of Government policy and any political and economic uncertainty.</p>	<p>Bangladesh is a country that is prone to the socio- economic risks that are typically faced by fast-developing countries. This could lead to lower activity levels which could reduce sales and production volumes. This could have an adverse effect on the Company's financial results.</p>	<ul style="list-style-type: none"> The Company closely monitors trends and lead indicators with a view to gain an understanding of where the markets are headed. The Company is quick to identify and capitalize on sales opportunities. With housing and infrastructure at the heart of Bangladesh's transformation into a middle-income nation, we believe that a close association with these sectors will enable us to reap the benefits of sustainable demand over the years to come. 	<p>RSO01 RSO03</p>
2	<p>Customer attrition risks</p> <p>Our sales are oriented to meet the demands of both retail as well as institutional customers. Our inability to meet their demands can lead to customer attrition.</p>	<p>Any possible loss of key customer mandates can impact our credibility, while also having an adverse effect on our financials.</p>	<ul style="list-style-type: none"> The Company is continuously engaged with brand and new product development and quality and customer service improvements across its value chain. The Company maintains a national network that makes customer access quick and seamless. 	<p>RSO01</p>
3	<p>Cost and availability of raw materials</p> <p>The Company is susceptible to significant increases in the price of raw materials (which are also imported), utilities, fuel and transportation and haulage charges.</p>	<p>Increased raw material resource costs could reduce margins. Also, it might be difficult to pass-on the increased costs to customers, which can have an impact on the cost base and subsequently on profitability.</p>	<ul style="list-style-type: none"> The Company focuses on strengthening its supplier relationships and generally enters into long-term contracts that enable effective cost inflation mitigation. The Company's sales pricing policy is linked to its purchasing policies that ensure margin protection on the one hand, while also enabling consumer price protection on the other. The Company also possesses strong relationships with its logistics partners that help mitigate transportation and haulage risks and costs. 	<p>RSO04</p>
4	<p>Competitor activity risks</p> <p>The Company has a number of existing competitors who compete on range, price, quality and service. Furthermore, potential new low-cost competitors may be attracted into the market through increased demand for products.</p>	<p>Increased competition could reduce volumes and margins on manufactured products. Also, it could intensify challenges in our efforts in sustainable brand building.</p>	<ul style="list-style-type: none"> The Company has unique propositions anchored on design, affordability and after sales service that differentiate RAK brands. The Company places high emphasis on quality, service, reliability and ethical standards that differentiate us from competitor products. The Company has a continuing focus on refreshing the shelf through ongoing engagement with new product development. 	<p>RSO01 RSO02</p>

SL	Risk theme	Potential impact	Mitigating factor	Link to strategic objectives
5	<p>Interest rate risks</p> <p>Interest rate risk is the risk that a company may face due to unfavorable movements in interest rates. Unfavorable interest rate movements caused by volatile money markets, adverse policy and regulations</p>	<p>In case the demand of capital grows further to accommodate business need, it could impact the Company's ability to raise cost-effective funds.</p>	<ul style="list-style-type: none"> • RAK Ceramics (Bangladesh) operates with low dependence on external borrowings. Moreover, similarly with other functions the Company also applies best practices in its treasury management to ensure excellency. On top of that the Company possesses strong retained earnings of BDT 1,747.19 mn, cash and bank balances of BDT 2,276.65 mn and a low debt-equity ratio of 0.06, as on 31 December 2021, showcasing our ability to raise low cost debt for prospective needs. Moreover, a strong balance sheet and high quality ratings also enable us to raise funds, when and if required, at competitive rates. 	<p>RSO01 RSO04</p>
6	<p>Currency risks</p> <p>Exchange rate risk is relevant for RAK Ceramics (Bangladesh) since a large proportion of our raw material requirements are invoiced in foreign currency.</p>	<p>Unfavorable currency fluctuations could impact profitability.</p>	<ul style="list-style-type: none"> • It is the Company's policy to enter into safe forward contracts sanctioned as per the Central Bank's forex policy towards cushioning itself against adverse foreign currency movements risks. <p>Importantly, the parent Company possesses a database of over 2,500 global suppliers engaged with it for more than 20 years. RAK Ceramics (Bangladesh) leverages its parent Company's monthly global resource planning exercise, which takes care of resource procurement schedules and currency fluctuation escalations.</p>	<p>RSO03 RSO04</p>
7	<p>Regulatory risks</p> <p>The Company operates under the Companies Act, 1994 and other related regulations that include Income Tax Ordinance 1984, Income Tax Rules 1984, Value Added Tax (VAT) Act 2012 and Value Added Tax (VAT) Rules 2016.</p>	<p>Abrupt regulatory changes could affect the Company's business and operations.</p>	<ul style="list-style-type: none"> • The Bangladeshi economy, led by the incumbent government, has been socio-economically stable over the past few years. Besides, the government holds the democratic mandate of ensuring holistic and sustainable growth and, towards this extent, has created a favorable environment with structurally robust policies. This has ensured regulatory predictability leading to a secure business environment. 	<p>RSO02 RSO04</p>

SL	Risk theme	Potential impact	Mitigating factor	Link to strategic objectives
8	<p>Technological risks</p> <p>Technology plays a vital role in the existence of any industrial concern, ensuring superior customer service and minimizing costs across the production and operations value chain.</p> <p>The Company's production facilities are based on the currently available technology.</p>	Any development of new and more cost-effective technology may cause technological obsolescence, leading to negative operational efficiency.	<ul style="list-style-type: none"> • RAK Ceramics (Bangladesh) is a subsidiary of RAK Ceramics PJSC, UAE. This ownership enables the Company to enjoy access to the latest technology incorporated in its manufacturing facilities. The Company has adopted the world class SACMI technology that ensures high-quality, cost-effective output for the production of tiles and sanitary ware. The Company has also invested in a full-fledged R&D team to facilitate the absorption of new technology with optimal investments. The Company also has access to international / multinational companies for supplying appropriate technology and technical managerial support for the establishment of new projects. Moreover, with foreign affiliation with RAK Ceramics PJSC, UAE for technical know-how and assistance, the Company is expected to always remain ahead of the other producers in the local market, which ultimately reduces the technology related risks impacting the Company. 	RSO03
9	<p>Management risks:</p>	Turnover of key managerial personnel, executives and officers may have an adverse impact on the business, operating results and future growth.	<ul style="list-style-type: none"> • The Company places top priority on developing its human resources. The Company offers well- designed compensation package to its employees to encourage professionalism, stimulate collaboration and team work and promote innovation, reinforced with high ethical standards. Moreover, the employees enjoy benefits of Contributory Provident Fund, Gratuity Scheme and Group Life Insurance, Workers Profit Participation Fund and Welfare Fund that enables our workforce to remain committed, loyal, engaged and motivated. 	RSO01 RSO02 RSO03 RSO04
10	<p>COVID-19 Risk</p>	COVID Pandemic may impact further on people, communities, market and inability to operate business in usual course	<ul style="list-style-type: none"> • Highest care of employees and other stakeholders. • Asses market environment consistently and respond accordingly. • Comply all Government direction and instruction. 	RSO01 RSO02 RSO03 RSO04

OPPORTUNITIES

Overall Growth Momentum

Bangladesh's manufacturing sector performance in the setback of the COVID pandemic conveys a diverse range of positive signals as regards to TURNAROUND, REBOUND and RECOVERY of the economy. With the gradually declining intensity of the pandemic and simultaneous opening of various economic activities, Bangladesh's manufacturing and service sectors can be expected to enter the post-COVID recovery phase. Given the differences in the level of disruptions caused by the pandemic, and also different levels of opening up of local and global economies, the pace of recovery is likely to be different for different sectors of the Bangladesh economy. Fiscal and monetary policy support targeted at different sectors and enterprises is also likely to have a varied level of impacts and implications in view of the recovery process. Capturing those stimulus package real estate industry has been experiencing a reasonable positive performance compare to past, eventually ceramics industries is being benefited with upward growth.

Apart from, Bangladesh's continued infrastructure push and increasing purchasing power demand for real estate is likely to increase significantly moving forward. At RAK, we continuously evaluate the evolving trends and respond proactively to capitalize on the emerging opportunities.

Positioning for Growth

The pandemic has disrupted conventional business models, creating new opportunities and business models that embed sustainability. With Bangladesh's continued infrastructure push and increasing purchasing power demand for real estate is likely to increase significantly moving forward. At RAK, we continuously evaluate the evolving trends and respond proactively to capitalize on the emerging opportunities.

Increasing demand of ceramics products.

The Bangladesh economy is growing at fastest rate comparing many other developing economy, and the real-estate associated industry will play a pivotal role in this growth journey. The growth in demand will come from traditional, as well as emerging consuming sectors focusing on changing needs of customers. Government-led investment in infrastructure, urbanization, rising preference for owning apartment, lower interest rate, are stimulate tiles demand in Bangladesh. The acceleration of the rural economy is also emerging as a potential demand driver for ceramics tiles and sanitaryware. With a leadership position in key market segments, world-class production facilities, and cost leadership position, RAK is well poised to capture those benefit out of many opportunities.

Culturally ready to leverage current and future opportunities

Several initiatives undertaken over the last 2 years have helped seeding a culture of ethics, safety, continuous improvement, environment consciousness in the organization.



EXTERNAL ENVIRONMENT

The external market environment, characterised by volatility and uncertainty especially unleashed by the COVID-19 pandemic, continues to have an impact on our ability to create sustainable stakeholder and shareholder value. Thus, with a view to remain on the path of consistent value generation, we identify and strategically leverage prevalent opportunities, while also identifying and mitigating risks that could potentially have a disruptive impact in our operations. Further, we engage in continuous materiality assessments

that guide us in meeting the changing needs and expectations of our stakeholders. The present external environment, though having demonstrated signs of recovery since the lockdowns were first imposed in late March 2020, are still fraught with uncertainty and it will take time for full-scale restoration, though Bangladesh is strongly progressing towards the same, with the government keeping GDP growth targets at over 8% for the current year.



Significant external environment challenges, 2021

Extreme volatility in **forex currency** in Bangladesh

Particulars	USD vs BDT
Beginning 2020	84.80
Ending 2021	85.73
% Change	4.29

Intensifying competition in the ceramics tiles industry. Currently, 54 ceramics factories are in operation and 15 more are in the pipeline

Particulars	Number of ceramics factories
Beginning 2020	66
Ending 2021	70
% Change	6.06

- Introduction of Revised VAT LAW
- We are sourcing more than 80% of our basic input raw material from global market. Pricing and availability of those material has substantial positive correlation with external economic factors like geopolitics, oil price, volatile foreign exchange market, trade war, economic sanction and others.

Controlled supply and significant price increase of **natural gas**

Particulars	Gas price
Beginning 2020	10.70/m ³
Ending 2021	10.70/m ³
% Change	-

Significant **increase in oil prices** due to a stressed situation in the Middle East and strained US-China relations causing increase in logistics cost

Particulars	Crude oil price
Beginning 2020	\$63.65
Ending 2021	\$74.17
% Change	16.53

MATERIALITY AND STAKEHOLDERS MANAGEMENT

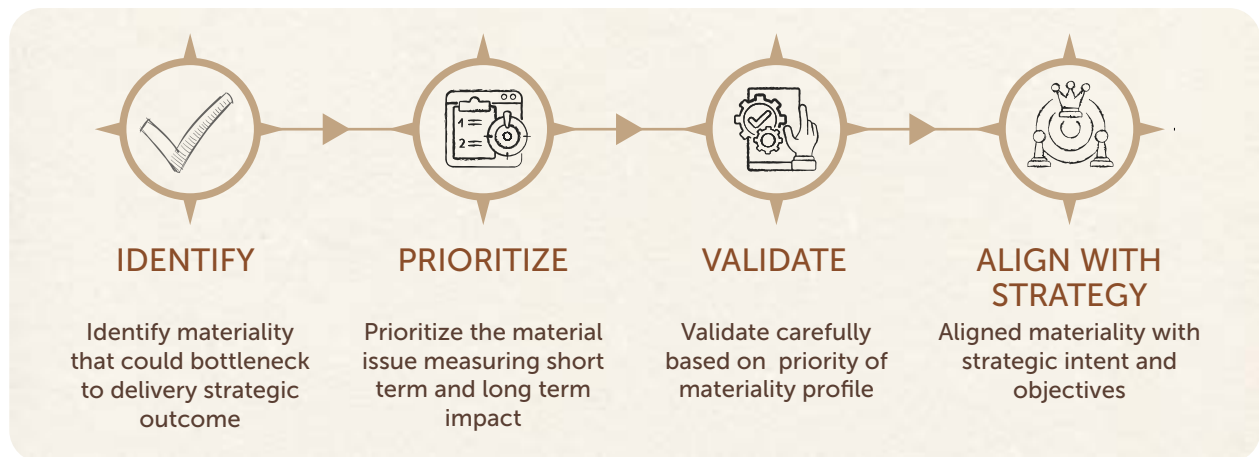
MATERIALITY

Our materiality assessment is a foundational aspect of our Integrated Report, allowing us to gather insights on the relative importance of specific Economical, Environmental, Social and Governance (EESG) issues and their impact on value creation. Issues that are considered material. Our material topics also provide further insights into our stakeholders' expectations, and the challenges and risks our Company might face in the near future.

For FY21, we undertook a new materiality assessment methodology in accordance with the IIRC Framework to gain an understanding of the most relevant matters that could impact our business in the short, medium and long term. The exercise provides detailed insight into the analyses of both positive and negative effects on present and future material issues.

MATERIALITY IDENTIFICATION PROCESS

We have adopted four step materiality identification process



1. Identify of Material Topics - The comprehensive list of material topics is collected based on business requirements, future economic volatility, stakeholder concerns, global issues, ensuring that we undertake topics of most importance and relevance to our stakeholders as well as those which may influence our strategic intent and business activities.

2. Privatization of Material Topics - The identified material topics were then prioritized through collective inputs from key internal and external stakeholders. Our material topics were then categorized based on the severity of impact and the likelihood of occurrence to facilitate our internal strategy planning. We identify primary material issue which could have direct impact generating financial value then we also identify material matter under ESG framework.

3. Validation of Material Topics - Management validated the final list of material topics based on priority.

4. Refined Strategic Alignment with our Material Topic - Our prioritized material topics helped us to better understand challenges that could have impacted future deliverable. With those identified challenges we integrate sustainability parameters into our strategy. This process is also correlated with strengthening our risk mitigation and management process, and enhancing better decision-making processes.

Primary material matter which could have impact for deriving value (Profit)

1. Growth under continued increasing competitive industry

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

- **Strategic objective impact** - RSO01 and RSO04
- **Impact on six capital** – Financial Capital, Manufacturing Capital, Intellectual Capital.
- **Response plan** - Driving continuous improvement initiatives to strengthen our cost position and improve our innovative offerings for differentiation. Cost efficiency and Innovation is the key driver for sustaining growth.

2. Operating under volatile macro-economic environment

We operate under significant force of macroeconomic volatility which is growing day by day. Oil prices, foreign exchange rates and stringent regulatory policy continue differentiator on translating strategy in outcome. In addition, we are sourcing more than 80% of basis input globally with positive correlation of adverse macro-economic factors.

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

3. Sustaining profit

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

- Strategic objective impact - RSO03, RSO02 and RSO4
- Impact on six capital – Financial Capital, Manufacturing Capital, Social & Relationship Capital.

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

4. Efficient and Effective Human Capital Management

Human Capital is one of the key drivers of corporate success and sustained competitive advantage. This important because it is perceived to increase productivity

and thus profitability. Without the effective management and deployment of our people, our strategic objectives, goals and targets will never be realized.

- Strategic objective impact - RSO01, RSO02 and RSO04
- Impact on six capital – Human, Intellectual Capital, Social and Relationship Capital
- Response plan – Promote and environment that inspires and motivates all employees to perform better, reinforced by our corporate values and code of conduct, promote high ethical standards, promote in equality and respect human rights.

Other material matter's regarding People and Planet (Economic, Environment, Social, Governance) which could have impact for deriving strategic objectives

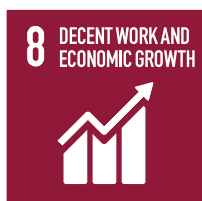
Economic

Material Issue	Measures	Key Performance Indicators	Associated Strategic Objectives
Business Growth	Focus of Rural Market penetration, while strengthening urban market New Market Segment	Growth % age in Rural Market Revenue from new segment	RS001 – Optimize return through growth and dividend. RS002 – Focus Strategic Segment RS003- Leadership in Ceramics Technology RS004 – Industry leadership in cost efficiency
Sustaining Long term Profitability	Optimum Operational efficiency Raw materials Import policy of the Government Cost Management Efficiency	Earnings before Interest Tax Depreciation and Amortization (EBITDA) Savings per M2 or per piece of sanitary ware	
Product Quality and Customer Delights	Product and Process innovation (operational efficiency) Sourcing of Raw Material and assurance of uninterrupted availability Customer Centricity	%age of quality product with highest kiln output Sourcing Target and Actual import quantity Customer Satisfaction Survey Rating Number of customer complain for quality issue.	
Changing Market Dynamics	Daily Production vs. Daily Sales statistics Increase of competition in existing product portfolio Customer performance	Daily finished stock movement Market analysis report Customer profitability and customer off-take performance.	

RESPONSE PLAN – Driving continuous improvement initiatives to strengthen our cost efficiency and innovation in product and process to delights customer satisfaction

ASSOCIATED CAPITALS – Financial Capital, Manufacturing Capital, Intellectual Capital, Human Capital, Natural Capital, Social and Relationship Capital.

SDG IMPACT



Environmental

Material Issue	Measures	Key Performance Indicators	Associated Strategic Objectives
Air Pollution (Dust particles at factory air)	Continuously monitoring and upgradation of existing air pollution control equipment as required and installation of efficient dust control technology inside plant	Dust content intensity	RS003- Leadership in Ceramics Technology RS003- Leadership in Ceramics Technology RS004 – Industry leadership in cost efficiency
Water consumption and effluent treated water discharge	Minimizing groundwater consumption by increasing capacity of water treatment and cooling tower systems. Recycling and reusing treated waste water both industrial and non-industrial purpose	Consumption Quantity of ground water Treated Quantity	
Energy Efficiency	Process optimization initiatives such as using of energy efficient burner, waste heat recovery systems, kiln gap analysis.	Energy consumption per unit of production over the period	

RESPONSE PLANT – Monitoring air quality with a planned disciplined frame work in association and guidance with Environmental Authority. Promoting more use recycled water through better effluent water treatment technology optimization. Adoption of Technology and process optimization is key of better use of energy.

ASSOCIATED CAPITALS – Financial Capital, Manufacturing Capital, Human Capital, Natural Capital, Social and Relationship Capital.

SDG IMPACT



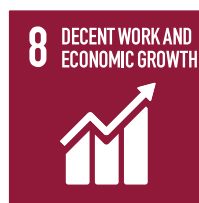
Social

Material Issue	Measures	Key Performance Indicators	Associated Strategic Objectives
Health & Work Safety	Hazard identification and risk management Achieve Zero Harm Reduction in safety incidents inside plant premises.	Lost Time Injury Frequency Rate Fatalities Lost Time Injury Frequency Rate	
Sourcing both Labor and Material through local community	Recruiting local community people in the workforce Improving vendors' share of business from local communities for various products and services	Number of local employees either in payroll or civil work force. Number of suppliers and business volume of local suppliers	RS001 – Optimize return through growth and dividend. RS003- Leadership in Ceramics Technology RS004 – Industry leadership in cost efficiency
Retention of plant employees	Encouraging employees through agile working policy Creating an inclusive workspace to retain talent including Improving of workforce capability through various training programs	Attrition rate Percentage of women in workforce Investment in employee training and development	



RESPONSE PLAN – Encouraging local community to be part of the overall development of the company. Encouraging employees through various employee engagement program, improving working condition for a better and safe workplace for women employees.

ASSOCIATED CAPITALS – Financial Capital, Human Capital, Natural Capital, Social and Relationship Capital.

SDG IMPACT



Governance

Material Issue	Measures	Key Performance Indicators	Associated Strategic Objectives
Going step ahead of the compliance and setting trends for future regulations	<p>Comply all rules and regulation in principle, in action and built in culture</p> <p>Diversity and frame Policies for women in workplace.</p> <p>Implementation of best available technologies for resource efficiency and reducing carbon footprint</p>	<p>Performance on various ecological parameters – air, water, recycle of waste</p> <p>Workforce diversity</p>	<p>RS001 – Optimize return through growth and dividend.</p> <p>RS002 – Focus Strategic Segment</p> <p>RS003- Leadership in Ceramics Technology</p> <p>RS004 – Industry leadership in cost efficiency</p>
Greater sustainability disclosures and stake holder engagement	<p>Consistent improvement in our disclosures through the Framework, Reporting and access of permissible finance disclosure.</p> <p>Enhance transparency and meet stakeholder requirements</p>	<p>Stakeholder survey index</p> <p>Frequency of website update</p> <p>Response time of stakeholder asking.</p>	
<p>RESPONSE PLAN – Educating the importance of compliance, risk management analysis, benefit of disclosures in all reports and published documents, report.</p> <p>ASSOCIATED CAPITALS – Financial Capital, Human Capital, Intellectual Capital, Social and Relationship Capital.</p>			
<p>SDG IMPACT</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>5 GENDER EQUALITY</p>  </div> <div style="text-align: center;"> <p>10 REDUCED INEQUALITIES</p>  </div> </div>			

STAKEHOLDER ENGAGEMENT

We actively engage with our stakeholders to ensure the achievement of our strategy and strive towards a multi-stakeholder approach towards solving difficult challenges. Stakeholder inclusivity and prioritization ensure the correct understanding and adequate response to stakeholder needs, interests and expectations. Our engagement approach has been curated to address the critical nature of our business

scope and outcome. Our approach to stakeholder engagement is to be perceived and experienced as a credible partner. Our ultimate aim is to be transparent, deliver on our promises and co-develop sustainable solutions with our stakeholders. Our and their success depends on mutual interdependence, support and trust based relationships.

INVESTORS

P R O V I D E F I N A N C I A L C A P I T A L

Why need to maintain relationship

Providers of financial resources essential for growth

Value Proposition

Robust business and strong balance sheet to support returns to shareholders and growth is differentiator.

Maintain industry accepted credit ratings.

Growth in dividends and share price through disciplined capital allocation.

Clear, consistent and transparent communication

How we manage relationships

Develop and maintain relationships through a dedicated Investor Relations team.

Provide continuous communication regarding objectives and strategy.

Clear, consistent and transparent communication

Emphasis areas

Focus on strong operating and financial performance

Focus on highlighting ESG commitments and disclosure

How we engage

Meetings with senior management and Non-Executive Directors when appropriate.

Integrated Report, media updates on Company's performance

Information released on business through, major business newspaper, media and our website.

8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



CUSTOMER

B U Y O U R P R O D U C T S A N D F U E L I N G G R O W T H

Why need to maintain relationship

Reason for any business to exist; customers provide us an opportunity to build long-term mutually beneficial relationships

Value Proposition

Recognition of the trust in building mutually beneficial long-term relationship.

Constructive and transparent engagement to foster win-win relationships.

Strong brands, differentiated products and solutions, engineering support, partnering for growth

Clear, consistent and easy to understand communication.

How we manage relationships

We are engaging in continuously improving our customer service levels and being customer-centric

We care for our customer at our core

We deliver our promise

We solve customer complaint and issue through dedicated team.

Emphasis areas

Product and solution offerings

Water, Air Pollution, Waste Management and renewable and clean energy

Embed sustainability in supply chain and promote ESG goals.

How we engage

Regular Account Manager visits.

Promotional and marketing of our brand and product exhibitions.

Conduct training and up skilling sessions to promote product and effective use of our products.

Dedicated Customer services team handle communication and queries relating to orders and deliveries.

8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



EMPLOYEES

PROVIDE SKILLS, KNOWLEDGE, INTELLECT AND EXPERIENCE

Why need to maintain relationship

They provide skill, expertise and knowledge for the success of our business. Their efforts are instrumental in delivering our strategies and for sustained growth.

Value Proposition

Fair remuneration and benefits. Equal opportunities for career development and growth.

Inclusive and healthy work culture which supports an engaged workforce.

Promote teamwork and collaboration.

Ethical, honest and open engagement on issues of mutual interest.

Clear, consistent and easy to understand communication

How we manage relationships

Safety is at our core value and top priority

Adhere to and comply with all local employment laws.

Continually operate in ways that, at a minimum, fulfill fundamental responsibilities in areas of work life balance, fairness and complying employment law in place

Communicate regularly on various channels.

Emphasis areas

Talent retention

Local sourcing of labor

Welfare practices for non-officers.

How we engage.

Employee on boarding and induction sessions.

Performance management process including reviews, personal development and training.

Communicate in a clear, consistent and easy to understand manner.

8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



GOVERNMENT & REGULATORS

HELPS US TO OPERATE LEGALLY

Why need to maintain relationship

Ensure business continuity complying high level of compliance with all necessary legislations and regulations.

How we manage relationships

Safety is a top priority and we continue to drive zero harm and eliminate fatalities.

Cooperate and consult with government and agencies.

Our commitment to open and transparent dialogue is supported by proactive engagement with all government authority

Value Proposition

Comply with relevant legislation.

Operate safe and stable facilities in an environmentally responsible manner.

Create jobs and offer workplace with reasonable opportunities.

Hire from and support local communities.

Clear, consistent and easy to understand communication.

Emphasis areas

Strategies action for working towards resource and energy efficiency.

Good Corporate Citizen

Act more like an institution

How we engage.

Comply with and report transparently on relevant legislation and regulations.

Comply with and report transparently on relevant legislation and regulations

Representing relevant policy issues at the government level to improve cost and ease of doing business.

Engagement with legal experts, and policy makers for consulting more business friendly regulations and policy.

8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



POLICY ON COMMUNICATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

At RAK Ceramics (Bangladesh), we are committed to forge lasting relationships with our stakeholders, including customers, employees, investors, suppliers, local communities and the planet (via governments and civil society). We hear their expectations and build on their feedback to move forward together. These bonds guide our strategy and operations, culminating into innovative solutions that create value for all.

Through the Company Secretary, the Board ensures that the Company's shareholders are treated equitably and that their rights are firmly protected in all circumstances. The Company Secretary is the primary link of communication between shareholders and the Board of Directors of the Company. He, along with his extended secretariat, is entrusted with the responsibility of delivering quality services to our valued shareholders, aligned with their well-defined rights, as expressed in the applicable laws and the Articles of Association of the Company. Shareholders are informed of all material developments and changes in business through communication in a routine manner, catering to their requirements for all major disclosures to facilitate and support informed decision-making.

Ensuring shareholder participation at the AGM

The company encourages communications with shareholders throughout the year and welcomes their participation at the shareholders' meetings. Towards this goal, the Company delivers the Annual Report at least 21 days prior to the AGM date. Regarding the AGM date, time and venue, the information is communicated well in advance to shareholders. At the AGM, the Company's management receives shareholders' valuable opinions and feedback and makes every effort to implement these for the improvement of the Company and for shareholder value sustainment.

Communication to shareholders and stakeholders

The Company strives to liaison with all shareholders as well as ensures that all stakeholders are informed about the Company's activities and achievements on an ongoing basis. The Company discloses Quarterly

Financial Statements, Half Yearly Financial Statements and the Annual Report, which the company in due course for meeting the best interests of shareholders.

Corporate website

The Company's website is the primary interface and an information hub for meeting shareholders' need for any and all matters, information and communication related to the Company. This helps build shareholder trust and goes a long way in reinforcing our bonds with them.

The Company's website is also the fundamental channel in case of retrieval of any archival publication. Further, it is a comprehensive reference source with regards to the Company's management, vision and mission, value statement, investor relations, sales network, products, promotions and events. All information regarding financial statements, patterns of shareholding, corporate benefits, notices, price sensitive information, code of conduct, dividend, refund warrant, etc., are disclosed in the Investors' sub-menu of the website.

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

Grievance redress mechanism

RAK Ceramics (Bangladesh) maintains cooperative and amicable relationships with all its stakeholders. Thus, we pursue a proactive and reliant shareholders' redress policy and mechanism to handle all grievances and complaints with care in an effective, fair and expeditious manner. Any query received from investors is treated efficiently, fairly and with courtesy, keeping with the overall objective of dealing with it in a timely, open and transparent manner.

Investor complaint redress at RAK Ceramics (Bangladesh)

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

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

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



INTRODUCTION OF RAK'S CAPITAL

Financial Capital
Manufacturing Capital
Intellectual Capital
Human Capital
Natural Capital
Social And Relationship Capital

FINANCIAL CAPITAL

Financial capital is the life line for an organization and lays a strong foundation for sustainable growth. RAK is a capital intensive organization. Prudent financial management and disciplined capital allocation is key for a sustainable growth. Core objective of the financial capital is to generate consistent returns for the shareholders while maintaining organic growth.

Highlights for 2021

534.9mn Paid as Dividend	3,177.4mn Paid to Exchequer	15.17% Return on Capital Employed	5,993.9mn For Reinvestment
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How we manage our financial capital – We have a prudent financial planning process to assesses the requirement of funds for sustainable business operations as well as for investment towards business sustainability and growth opportunities. We work towards aligning our debt maturity profile to the long term financed projects, and maintaining flexible capital structure in line with the business needs. This results in savings on interest cost and ensures the desired liquidity levels.

Associated SDG



Inter-linkage with Material Topics – Business Growth, Sustainability of Long Term Profit, Changing Market Dynamics

MANUFACTURING CAPITAL

By investing in plant and equipment, we are able to convert CLAY a natural resource into interior surface high value life style product and operate reliably. These investments also help manage our environmental footfalls and assist us to comply with regulatory requirements.

Highlights for 2021

9.42mn M2 Tiles produced	FLAKE TECH High tech tiles produce first in the country	LEADING Ceramics Tiles and Sanitary ware manufacturer	132.42mn Spending on Capital Expenditure
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How we manage our Manufacturing capital - Our continuous improvement efforts over the years have helped sustain production levels and deliver operational excellence. Despite the pandemic challenges, our production stood 9.42 MnM2. We achieved the best ever production output rate, reduced waste generation, improved waste utilization, and maximized energy and material efficiency. Our consistent focus on plant management resulted in more than 90% overall average plant availability both at Tiles and Sanitary ware plant.

Associated SDG



Inter-linkage with Material Topics – Business Growth, Sustainability of Long Term Profit, Product Quality and Customer Delight,

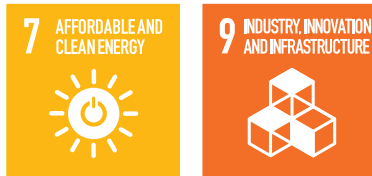
INTELLECTUAL CAPITAL

At RAK, we aspire to be among top technology driven tiles industry. Developing technological capability and infrastructure while fostering a culture of innovation is important to achieving our stated objectives. Further, the pandemic has reinforced the importance of digital technology adoption in creating and unlocking value in the new normal.

288 New Tiles Design produced	7.23mn Invested in R&D	Digital Transformation of Work From Home (WFE)	Significant Savings on Magic Triangle
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How we manage our Intellectual capital – We are leveraging in-house capabilities as well as external expertise through strategic collaborations to build an ecosystem which can accelerate deployment of technologies. At RAK, we have been driving business transformation enabled by digital technologies. Through digital interventions across its value chain, we have been able to drive EBITDA improvements, in the process, have become more insightful and agile.

Associated SDG



Inter-linkage with Material Topics – Business Growth, Product Quality and Customer Delight,

HUMAN CAPITAL

Human capital is essential for strategic performance. Bringing this capital in main stream in decision making promotes more efficient disciplined allocation of human resources leading to increased overall efficiency. We believe that developing and maintaining a vibrant work culture to attain full potential to serve. We are focused on sustaining an engaged and skilled workforce that is capable of delivering our commitments to our stakeholders and making us ‘future ready’ structurally, financially and culturally.

6,606 Total person hour training conducted in second half of the year	2,063 Employee Headcount as on 31/12/2021	20% Female participation in the workforce	0 Fatality
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How we manage our Human Capital – Human resource has always been a key differentiator for RAK . This culture of working together has ensured over 23 years of industrial harmony. Our culture exemplifies our core values, it encourages high performance through continuous development and opportunities for growth. The pandemic has accelerated workplace transformations worldwide. We brought digitalization into sharp focus to ensure employee safety. We also worked continuously towards ensuring our employees’ well-being, both physical and mentally. Build safety leadership capability at all levels to achieve zero harm and no fatality.

Associated SDG



Inter-linkage with Material Topics – Business Growth, Health and Safety, Retention of plant employee.

NATURAL CAPITAL

We are committed to using the most efficient production routes, minimizing waste generation and mitigating the negative impact on the environment. RAK envisions responsible and sustainable growth that contributes towards value creation by promoting the usage of sustainable, efficient and environment friendly energy resources and endorsed natural capital. RAK promotes energy efficiency, resources conservation, environmental protection and the development of local communities. RAK responsible toward planet and its people and therefore uses resources judiciously and ensures sensible waste management.

Efficient Water Management	Structured Waste Management	Optimum Energy Management	Caring Environmental Management
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How we manage our Natural Capital – Our approach to managing natural capital is underpinned by our strategies on reducing dependence on freshwater consumption, dust based pollution control, maximizing value from waste and enhancing biodiversity across the value chain. We focus on operational excellence through our prevent, minimize, recover, reuse and recycle approach. We invest regularly to upgrade manufacturing and distribution facilities to improve operational and environmental performance. We have implemented environmental management systems in accordance with ISO 14000: 2015 which provides the necessary framework for managing compliance and improving environmental performance.

Associated SDG



Inter-linkage with Material Topics – Air Pollution (Dust particles at factory air), Water consumption and effluent treated water discharge, Energy Efficiency.

SOCIAL & RELATIONSHIP CAPITAL

At RAK, we believe that to sustain a successful business, it is imperative to build long-term relationships based on mutual trust, respect and benefits. Our relentless pursuit towards meeting the emerging needs of our customers, creating of value for our suppliers and driving inclusive growth for our communities we serve, has contributed to creating significant social and relationship capital.

How we manage our Social and Relationship Capital – A challenging year such as FY 2020 and FY 2021 required a different approach towards our customers – of empathy and support through innovative engagement. Ensuring community interests are considered in business strategy through continually engaging our employees across operation to utilize their talent and resolve pressing issues faced by communities in daily life to enhance effectiveness of the community development initiatives.

Highlights for 2021

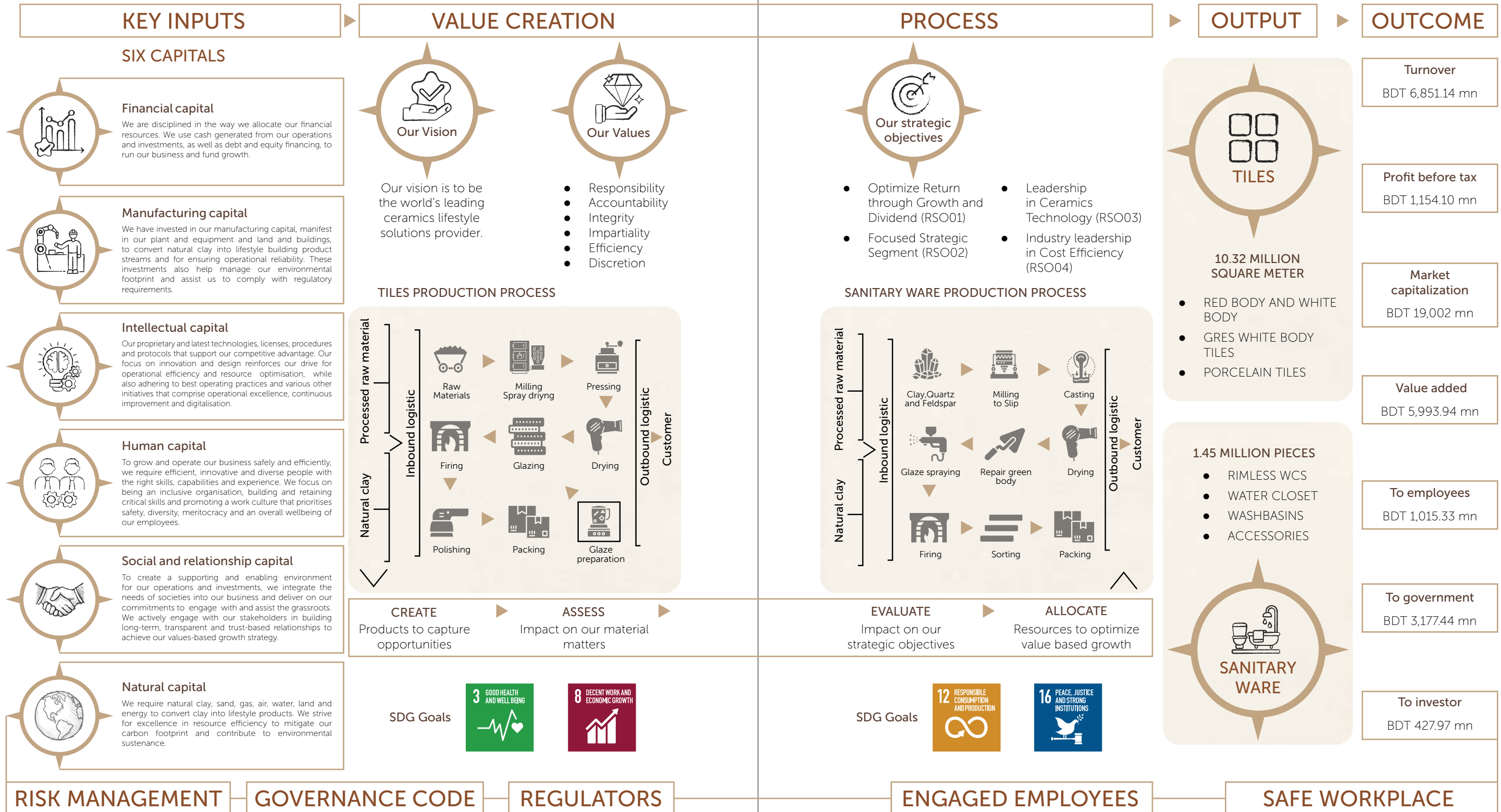
3,177.4mn. Paid to Government Exchequers	9.78mn Spend on Welfare	Educating and Encouraging Local community as Supplying partner.
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Associated SDG



Inter-linkage with Material Topics – Business Growth, Product Quality and Customer Delight, Greater sustainability and stake holder engagement.

HOW WE CREATE VALUE USING SIX CAPITALS



SCORECARD OF SIX CAPITALS

We integrate the six capitals towards achieving longterm sustainability and value creation, while embracing different skills, continuous innovation, sustainable growth.

INPUTS - CAPITALS	OUTPUTS		
FINANCIAL	OUTCOMES	2021	2020
Financial capital is generated annually from surplus arising from the current business operations and through financing activities, including raising of debt. Disciplined allocation of funds to efficient and value-based opportunities	Earnings before interest and tax (BDT mn.)	1,154.10	447.53
	Operating Cash Flow (BDT mn)	582.85	1,228.64
	Earnings Per Share (BDT)	2.12	0.73
	Dividend Paid (BDT mn)	427.96	641.95
	Net debt to EBITDA	(1.14)	(1.98)
MANUFACTURING	OUTCOMES	2021	2020
We plan to augment our production capacity through a combination of organic and inorganic growth opportunities. Our continuous improvement efforts over the years have helped sustain production levels and deliver operational excellence.	Spending on Capital Expenditure (BDT mn)	132.42	231.24
	Depreciation & Amortization (BDT mn)	461.75	462.60
	Average production line Shutdown (Days) of available days	8.01%	27.40%
	Disposal of property, plant and equipment (BDT mn))	148.78	43.4
	Tiles Produced (mn. SQM)	9.42	6.54
	Sanitary ware Produced ('000 pcs)	1,355	1,088
INTELLECTUAL	OUTCOMES	2021	2020
Developing technological capability and infrastructure while fostering a culture of innovation Skilled, experienced and technically qualified employees, enabling RAK agile to a dynamic environment. RAK business processes and management systems support ethical culture.	Number of patent hold with BSTI	97	97
	Investment in R&D (BDT mn)	7.23	5.53
	Number of New Design produced - Tiles	362	110
	Number of New Design produced - Sanitary ware	288	140
HUMAN	OUTCOMES	2021	2020
A diverse Board that drives excellence and sets the direction of the Group Young leadership team, driving our Aspirational Culture An engaged and productive workforce Of 1752 with relevant skills, knowledge and experience	Recordable Case Rate % age	0.04	0.03
	Number of Fatalities	0	0
	Salary and Benefits (BDT mn)	991.89	797.24
	Training Hours	6,606	360
	Number of Participant in Training	2,489	343

INPUTS - CAPITALS	OUTPUTS		
NATURAL	OUTCOMES	2021	2020
Optimizing resources, investing for a sustainable future. We are committed to using the most efficient production process, minimizing waste generation and mitigating the negative impact on the environment.	Water Effluent Treatment Plant added	Under process	1
	Use of Natural Gas (in MMBTU)	1,086,243	905,085
	Captive Energy produced (Kwh)	51,565,683	41,213,174
	Natural Clay used	112.6 mn	97.01mn
SOCIAL & RELATIONSHIP	OUTCOMES	2021	2020
Meaningful partnerships with customers, suppliers, and associated business peers	Paid to Government Exchequers (BDT mn.)	3,177.44	2,332.05
	Spending on Social Cause (Donation)	3.49 mn	1.92 mn
Constructive relationships with our local communities, governments and Confidence of investors and shareholders	Spending on Staff Welfare – Child Birth	3.09 mn	1.19 mn
	Spending on Staff Welfare - Medical	2.20 mn	2.01 mn
	Spending on Staff Welfare - Education	1.00 mn	1.06 mn

WAY FORWARD

Economic growth is projected to accelerate in FY 2022 as private consumption and investment gain steam. Bangladesh's manufacturing sector performance in the setback of the COVID pandemic conveys a diverse range of positive signals as regards to TURNAROUND, REBOUND and RECOVERY of the economy. With the gradually declining intensity of the pandemic and simultaneous opening of various economic activities, Bangladesh's manufacturing and service sectors can be expected to enter the post-COVID recovery phase. Given the differences in the level of disruptions caused by the pandemic, and also different levels of opening up of local and global economies, the pace of recovery is likely to be different for different sectors of the Bangladesh economy. Fiscal and monetary policy support targeted at different sectors and enterprises is also likely to have a varied level of impacts and implications in view of the recovery process. Capturing those stimulus package real estate industry has been experiencing a reasonable positive performance compare to past, eventually ceramics industries is being benefited with upward growth.

RAK CERAMIC PRODUCTION FACILITIES





UPHOLDING RESPONSIBLE CORPORATE CITIZENSHIP

Our efforts in societal sustainability

At RAK Ceramics (Bangladesh), we want to build strong relationships with our customers, suppliers and the wider community based on trust and mutual respect. We are committed to further our impact in terms of both our business as well as with respect to contributions to the state exchequer. We believe that our sustainable impact and continuous engagement process have enabled us to build constructive relationships with stakeholders across our value chain that are vital to the continuity and long-term sustainability of our business. Furthermore, our citizenship activities also express our imperative to contribute to the SDG goals and government priorities in societal development.

Our obligation to the environment and society under the UN SDGs
Corporate social responsibility

KEY SUSTAINABILITY MATTERS

Our obligation to the environment and society under the UN SDGs

Overview

At RAK Ceramics (Bangladesh), our ability to remain profitable and relevant is linked to the long-term well-being of the customers we serve and the environment in which we operate. With this in mind, we continue to be guided by our time-tested sustainability framework that enables us to identify areas of deficit in society and plug these with the most optimum solutions for lasting benefit.

The framework reflects our commitment to contribute to global and national sustainability targets vis-a-vis the UN SDGs. In addition to the UN SDGs, this framework aligns with our strategic objectives and values. These goals form the bedrock for a better and more sustainable future for critical areas incorporating ESG considerations.

As part of our methodology on UN SDG alignment, with a view to maximise our UN SDG contributions in our aim to contribute to a more inclusive and equitable society, we are focusing on the goals that are relevant to our business priorities and activities. We assessed each SDG and their corresponding indicators to determine the best way by which we can contribute to achieving these goals. This has allowed us to distill and prioritise nine out of 17 UN SDGs, as indicated below.



SDG #1 No Poverty - Provide employment opportunities – both direct and indirect

SDG #2 Zero Hunger - Contribute by developing relevant community-centered initiatives

SDG #3 Good Health and Well-being - Contribute by promoting employee well-being and ensuring a conducive and healthy workplace

SDG #4 Quality Education - Contribute by equipping our employees with valuable skills, as well as making education one of our citizenship pillars

SDG #5 Gender Equality Contribute by improving gender equality and workforce diversification, including at senior management levels

SDG #8 Decent Work and Economic Growth - Contribute by protecting labour rights and providing a supportive work environment for our employees, and enhancing the accessibility of our products and services

SDG #9 Industry, Innovation and Infrastructure - Contribute with our key support initiatives that develop the MSME sector of the nation, which is the backbone of the economy

SDG #11 Sustainable Cities and Communities - Contribute by supporting sustainable interior infrastructure development, while also fostering quality home interior aspirations of the people

SDG #12 Responsible Consumption and Production - Contribute by reducing the negative impact of our own environmental footprint

Adopting best practices in environmental management



At RAK Ceramics (Bangladesh), sound environmental practices are a core facet of our operational excellence program. We are committed to reducing our carbon footprint and play our humble role in climate action.

Our manufacturing process uses a significant amount of energy and therefore we recognise the importance of running our operations in a responsible and sustainable manner. It is our constant endeavour to replace legacy equipment and machinery with new technology that ensures that our methods of production are energy-efficient and enable us to pursue our goals in operational excellence. Furthermore, we also undertake regular energy and emission assessments and audits with a view to enable us to put in place appropriate steps to minimise and mitigate our environmental impacts. Besides, we are also exploring approaches to monitor and minimise emissions across our broader supply chain.

A major pillar of our sustainable manufacturing plan is to maintain a healthy environment, focusing on three key areas of: emissions, climate change and water use. We have set goals in each area and are continuously monitoring outcomes. We are ultimately aiming for a future where we have created net zero water consumption and carbon emissions through maximum control of pollution emission.

In addition, we are also embracing an innovation-led pathway to sustainable production, delivering step-change

solutions in how we source, process, transform and market our products. Given that our licence to operate relates directly to environmental permits and authorisations, our operations are internally comprehensively reviewed each year for compliance.

Thus, considering environmental management as an integral part of our business operations, we are committed to adopting cutting-edge processes in environmental sustainability across our value chain, including product design, sourcing, operations, supply chain and customer service. We are committed to the idea of a circular economy that envisages complete elimination of waste from our operations.

As a key step in the direction of continuous operations transformation, our manufacturing assets and facilities adopt green practices and are equipped with:

- High-efficiency burners
- Mezzanine shelving systems installed in the central store warehouse
- Modern water consumption systems that facilitate regulation of water consumption
- Facilities enabling extensive recycling and reuse of in-process waste water
- Awareness around water conservation
- Robust solid waste management (SWM) practices that help minimise our waste-to-landfill
- Advanced natural resource conservation practices
- Modern pollution control equipment that help curtail emissions

Fostering green and environmentally-compatible operations

Our production facilities are equipped with high-efficiency burners that are utilised in all heaters to facilitate optimised energy consumption. Further, the efficiency of our other fuel-burning equipment, such as generators, kilns, spray dryers and horizontal and vertical dryers, among others, are fine-tuned by specialists, thus assuring lower energy consumption and high energy savings.

Further, waste heat from the tunnel kiln is channelized to the pre-dryer section in the sanitary-ware plant with a view to enable energy reuse. The Company also possesses advanced effluent treatment plants (ETPs) to recycle and reuse waste water generated from the factories. Moreover, our employees are provided with extensive training on water and energy conservation that helps reduce wastage of precious resources, such as water, electricity, paper, etc.

Our key focus areas



Water conservation



Natural resource preservation



Pollution control



Clean air



Proper solid waste management



Energy-efficient systems



Environmental governance

Water conservation

Our holistic water management strategy is consistent with the Company's vision for ensuring sustainable water consumption and use. We consider water preservation techniques from across all points of our value chain, while also encouraging our people to make water conservation a habit and daily practice across the shop floor. Our advanced water management program comprises the following pillars:

Monitoring: Water consumption is regularly quantified and checked to prevent unnecessary use/wastage. We also analyse trends to expeditiously detect leaks and repair damages as soon as they occur, while also ensuring maintenance to proactively prevent any possible leakages.

Optimisation: We ensure regular preventive maintenance of equipment and other machinery, thus ensuring water is used efficiently without any wastages.

Natural resource preservation and pollution control

In our focus to minimise natural minerals depletion, we have developed specialist expertise in fusing and blending as many as 5-9 types of different natural minerals coming from several countries around the world. This practice ensures maximised use of natural minerals and minimal wastages, with curbs on the generation of pollutants.

Clean air

Purifying indoor air quality and fostering a healthy workplace environment is our key priority. As a specialist in interior infrastructure, we promote building fit-outs that affirm a healthier indoor environment and air quality, and stimulates healthy and high-energy workplaces, which are anchored on the principles of sustainability. Further, with the onset of the Covid-19 pandemic, this practice has gained precedence with us focusing on air purification as well as deep sanitization across our premises. This has enabled us to strike a balance between employee health and safety and operational continuity.

Proper solid waste management

We implement detailed programs to minimise waste disposal to landfill, adopting proper waste segregation and recycling programs, which include:

- Segregating hazardous and non-hazardous waste
- Controlling litter and unpleasant odors
- Conducting routine inspections of waste storage areas
- Identifying and segregating waste through the use of garbage bins classified as:
 - Green garbage bins ensuring proper collection and disposal of residual waste, leftover food,

paper, cartons, floor sweepings and other waste that has no commercial value

- Blue garbage bins that enable the collection of metals, machine parts and other such fittings that have a small commercial value
- Black garbage bins that provide for contaminated items, expired chemicals and waste that may be hazardous

Energy-efficient systems

With energy-intensive operations, we emphasise on the installation of efficient systems that help us optimise energy consumption per unit of production, which not only helps us ensure stable energy costs, but also enables us to fulfill our responsibility to the environment. Furthermore, we also use ventilated facade systems that helps keep ambient temperatures at desired levels. Besides, natural lighting also contributes us to circumvent the use of artificial lighting, where possible.

Environmental governance

Material environmental issues are regularly reviewed by our management on an ongoing basis. A specially-instituted forum also assesses key topics and shares industry best practices across the organisation. We are concurrently developing an innovative approach in responsible procurement, and intend to diversify our sourcing base that will not only help us control quality and costs, but also enable us to identify and work with responsible and ecologically-conscious suppliers.

Our people are key to our sustainability ambitions

Without our people, our environmental practices hold no ground. Thus, we adopt an open and honest approach to employee communications, with regular updates disseminated from the senior management across the business and operations of the Group. The Board and executive committee also make visits to our sites, meeting with employees and even conducting town hall and virtual meetings.

Further, other regular communications include updates on the financial performance of the Company, the industrial environment in which the Company operates, and other significant operational developments. Advancing our commitment to treating our employees with respect, fairness and dignity and managing their expectations better, we have offered the following benefits/facilities:

Life insurance coverage: All employees are adequately covered by a comprehensive life insurance policy to protect against any exigencies.

Provident Fund and Gratuity: The Company maintains a recognised Contributory Provident Fund and an approved Gratuity scheme for all employees.

Workers' Profit Participation Fund: The Company maintains a Workers' Profit Participation Fund (WPPF), as per the Bangladesh Labour Act, 2006.

Employee Welfare Fund: Financial support is provided to employees and their immediate family members for exigent medical and educational purposes from the Employee Welfare Fund maintained by the Company.

Fostering a happy and safe workplace

At RAK Ceramics (Bangladesh), we recognise that our Company will succeed only if we attract and retain the best quality talent.

Thus, our human capital strategy aims to enhance the Company's sustainable competitive advantage by developing and retaining smart, independent thinkers who are focused, tenacious, resilient, energetic and, above all, motivated to deliver ethical performance and results. These attributes are needed to keep our business agile and adaptable to prevailing conditions, given the fundamental shifts in a dynamic operating environment, and to differentiate us as a customer-focused organisation in a competitive environment. Besides, we are also placing emphasis on workforce futurization that enable our people to build the skills necessary for the future and hence remain relevant to the times.

As a Company, we are also focused on developing work-life integration, especially triggered by the pandemic, encouraging and enabling more people to progress in their professional as well as personal lives, encouraging them in volunteering activities and in pursuing their side interests. We are also working to develop talent, drive greater workforce diversity, ensure bigger employee engagement, drive innovation, support accessibility and inclusion efforts, and improve best practice sharing across the extended Group.

We are committed to ensuring the safety of all our employees, contractors and others connected with

our operations through our "Zero Harm" policy, which aims to reduce the number of onsite injuries with its relentless emphasis on improving health and safety parameters, reducing risks through people engagement, capability building, and strengthening health and safety management systems and processes. However, there is more to be done to achieve the Company's ultimate goal of achieving a Zero Harm workplace and we are continuously moving forward in this direction.

The impact of our operations on the environment

RAK Ceramics (Bangladesh) is committed to continuously improving its environmental stewardship throughout its value chain, sourcing of raw materials, and operating its manufacturing processes efficiently, with less environmental impact. For this purpose, we have a comprehensive environmental framework in place.

Our manufacturing processes use natural resources (minerals, energy and water) and therefore we work hard to ensure that our operations run in a responsible and sustainable manner. We aim to conserve natural resources through progressively reducing emissions, discharges and wastes each year. Our operational and environmental team undertakes regular environmental impact assessments to ensure appropriate steps are in place to minimize and mitigate such environmental impacts. We have also adopted an effective waste segregation scheme and recycling programme to minimize disposal of waste materials.

Our environmental manifesto

- Minimizing our impact on the environment
- Compliance with environmental laws and regulations
- Responsible consumption and production
- Combating climate change

CORPORATE SOCIAL RESPONSIBILITY

CSR overview

At RAK Ceramics (Bangladesh), we define our success not only by financial excellence, but also by measuring our triple bottom-line results to assess if the Company can be considered a socially and environmentally sustainable organisation that contributes to the welfare of society and fosters a positive impact. After years of embedding sustainability, our CSR (corporate social responsibility) strategy today is a business imperative and integral to our decision-making and targets.

Societal and sustainable challenges in 2021, triggered by the COVID-19 pandemic, climate action, etc.	Our response	Top sustainability priorities for 2021
<ul style="list-style-type: none"> • Economic slowdown, resulting in weaker business prospects, especially for the MSME sector • Healthcare-related constraints, especially amongst vulnerable households • Changes in typical spending patterns due to lower disposable income among individuals and price pressures on consumers • Socio-economic issues, including widening poverty gap, limited access to meaningful employment, etc • Heightened demand for environmentally-sustainable products 	<ul style="list-style-type: none"> • Empowering the SME sector by enhancing domestic procurement and sharing best business practices • Aligning our business with government priorities, including employment creation • Sustainably contributing to the public purse • Playing a facilitative role for Bangladesh to meet its 2030 SDG targets • Engaging in environmentally-conscious manufacturing with a focus on green operations • Facilitating responsible business stewardship that takes into cognisance the wider needs of the society 	<ul style="list-style-type: none"> • Engage in capacity building initiatives to enable SMEs to focus on preparedness and business continuity • Invest in impactful livelihood development projects that have the ability to provide long-term benefits to grassroots communities • Contribute to critical areas of societal needs, including health care, education, etc. • Accelerate our multistakeholder approach with a partnership mindset to address key societal challenges

Principles that drive our commitment to sustainable development

- Meeting all our statutory obligations in the spirit of coming forward to usher positive change
- Working to protect the environment, meeting the expectations of society and upholding human rights
- Integrating sustainability into our core business strategy to avoid causing or contributing to adverse social and environmental impacts at any level across the business
- Updating the range of our offerings to promote products that are sustainably manufactured
- Evoking social consciousness among our customers to buy products that support local employment, with their spends creating a multiplier effect on communities
- Raise our fight against waste and wastefulness through technology deployment and continuous research on products and processes

Citizenship in action

We have always believed that institutional contributions to society can help create the biggest impact for the largest number of beneficiaries in the shortest possible time. We have seen this to be an effective approach to overcome the challenges of poverty, inequality and imbalance, especially in an inequitable society. As a responsible public-

facing member of the community, we believe in impact investing, measure our citizenship contributions and focus on leaving a lasting imprint on society.

During the year 2021, we stepped up and contributed a sum of BDT 3.49 mn as CSR investments across our critical focus areas of health care and medical treatment, education, and social and cultural activities.

In our deep involvement with the society, we not only build upon the objectives of the SDGs (Sustainability Development Goals), but also enrich our social and relationship capital and strengthen bonds with our key stakeholder groups, comprising community members, supply chain partners and customers. Furthermore, our business strategies and activities consider the environmental, social and governance (ESG) impacts, including our impact on the environment, and ensure that adequate procedures in relation to anti-bribery/anti-corruption practices are in place to affirm that the Company contributes to the greater good of all our stakeholders, without compromising on its corporate objectives.

Thus, at RAK Ceramics (Bangladesh), we continue to integrate the principles of sustainability and value-based intermediation into our business goals and strategy as part of our aspiration to become the most consumer-facing brand in the interior infrastructure industry in Bangladesh.

Connecting with our stakeholders

At our Company, we have developed a specific management philosophy for each stakeholder category to help systematically manage each group. The philosophy demonstrates the organisation's conviction to address the needs of each of our respective stakeholder category and thus serves as the overarching principle for maximising stakeholder value creation.

Shareholders and investors

Management philosophy: Ensuring long-term shareholder value and upholding the rights of the shareholder, including the need for material disclosures, and supporting the broader shareholder constituency to ensure their wealth maximisation.

Customers

Management philosophy: Uphold the customers' right to choice, convenience and pricing transparency, while delivering superior knowledge-based services, hence enabling them to identify the right product for the right application.

Employees

Management philosophy: Commitment to create a conducive, safe and respectful environment for our employees to thrive and reach their full potential and offer compensation standards that enable us to attract the best talent in the industry.

Suppliers and service providers

Management philosophy: Striking the right balance between cost and quality and promoting ethical and transparent sourcing practices, while sharing best practices in business. Emphasis also placed on local sourcing by as much as possible, thus giving thrust to small businesses.

Community

Management philosophy: Aligning our citizenship programs with the needs of the grassroots society and enabling them access to the basics, including education and health care.

Regulatory bodies

Management philosophy: Ensure compliance with all legal and regulatory requirements and also meeting our tax obligations with diligence and transparency.

Industry peers

Management philosophy: We contribute to developing industry opportunities and best practices through our active participation and facilitation in trade associations, including the Bangladesh Ceramic Manufacturers & Exporters Association (BCMEA) and the Bangladesh Association of Publicly Listed Companies (BAPLC).

REMARKABLE TRAININGS & ACTIVITIES OF 2021



The Art Of War

Around 100 employees of Sales and Marketing Department of RAK Ceramics (Bangladesh) Ltd. have come from all over the country to participate in this Sales- Skill Developmental Training. Renown corporate coach Don Sundry conducted this 4 days session with two groups.



Breast Cancer Awareness

To aware our female colleagues about Breast Cancer, showing them preventive measures and the right early detection process - was the motto of this session.



World Mental Health Day Celebration: Fighting Strees, Anger & Depression

We celebrated The World Mental Health Day with two Industrial and Organisational Psychologists who have shared with us the ways to deal with stress, anger and depression to create a healthy work-life balance.



CPR, Back Pain Exercise and Stretcher Use

This was a fun-filled practical session in the factory. We showed our employees/workers - the simple exercises to get rid of back pain, how and when to apply CPR and how to properly use the stretchers.



Fire Drill by FSCD

Fire Service & Civil Defence Team came to our premises and have shared their expertises verbally and practically with our factory employees/workers.

FLEXING OUR STRENGTHS

Fortifying our investment case

At RAK Ceramics (Bangladesh), we were not immune to the Covid-19 impacts. However, the patient investments we have made over the years have helped build intrinsic resilience that enabled us to stave-off the worst effects of the pandemic storm. Hence, we were able to preserve the sanctity of our business case and continue to build value for our stakeholders. By engaging in continuous product upgradation, consistent expansion, ongoing customer acquisition and strategic diversification into new customer and market segments, we represent an attractive growth proxy of Bangladesh's real estate market poised to grow attractively in the future.

An update on our performance for the year 2021
Corporate performance 2021
Reflecting on the major business segments
Value-added statement, economic value added, market value added statement
Contribution to national exchequer



AN UPDATE ON OUR PERFORMANCE FOR THE YEAR 2021

Mitigating pandemic-related risks remained a central part of our strategy during the year. The other leg comprised the need to look beyond the pandemic and strengthen our business for the future.

Adapting, progressing, evolving

The mutated variant of the coronavirus hit Bangladesh's economy hard in mid-2021. The recovery that had started to gather pace after the first lockdown in March 2020 was met by the headwinds of the second lockdown measures reimposed to curtail the emergence of the second wave. Yet, even amidst this turbulent period, Bangladesh's economy continued to remain resilient, defined by being in the positive growth territory, which is a huge testimony of the strength of the nation, even as other parts of the world slid into recession.

The diminishing second wave again added spurs to economic growth, with consumer demand returning back to the market, aided in substantial measure by release of pent-up demand. Furthermore, inflationary trends forced hikes in commodity prices, which we sought to mitigate through efficiency programs as well

as strategic price revisions. Such measures ensured calibrated revenue and profitability management, enabling us to secure the interests of our shareholders and the long-term viability of our business.

Notably, the extent of turbulence required other decisive and timely actions to infuse stability and ensure business continuity. Amidst adversity, we planned many counter-strategies and secured the commitment of all our employees to deliver a profit before tax of BDT 1,154.10 million (2020 BDT. 447.54 million) and an earnings per share of BDT 2.12 (2020 – BDT 0.73). In addition, our cost management strategies came into effect, with sales growing much faster than cost of sales. While sales grew by 29.5 percent during the year, cost of sales grew by only 16.9 percent. This reflects our ongoing journey in creating a lean and agile business.

We also recorded solid improvements in other financial parameters, including sales, gross profit, gross profit margin, debt costs and net profit after tax.

- Sales grew by 29.5 percent to BDT 6,851.14 million
- Gross profit grew by 74.2 percent to BDT 2,032.86 million
- Debt costs reduced by 54.4 percent to BDT 4.6 million
- Net profit after tax grew by 191.4 percent to BDT 905.19 million

Our performance for the year expanded our dividend-paying capability. Dividend for the year 2021 has been announced at BDT 1.25 per share, as compared to BDT 1.00 per share during the last year.

Way forward into the future

Stronger unit economics aided our performance during the year 2021. Thus, the complement of rising sales volumes, improved realisations and optimised costs prepared the grounds for the stellar performance in 2021, with growth achieved in both our tiles and sanitary ware divisions.

Coming off this performance, we expect to continue to benefit, especially on account of improving macroeconomic stability. Yet, emergence of any fresh waves of the virus could impact our performance. One of the other emerging risks is continued commodity price increases triggered by inflationary pressures. However, we may see a cool off in commodity prices with withdrawal of stimulus measures and concurrent increase in policy rates. Harnessing our global network, we will continue to assess the macroeconomic and geopolitical environment and take necessary steps accordingly to protect our long-term value creation plans, while continuing to advance our position as Bangladesh's largest ceramics player and meet the essential needs of our customers, interior designers, architects, home-builders and others.

FINANCIAL PERFORMANCE 2021

Revenue

Amount in BDT mn

2021	6,851.14
2020	5,288.92
% Change	29.54

Sales increased by 29.54 % to BDT 6,851.14 mn from BDT 5,288.92 mn in 2020.

Gross profit

Amount in BDT mn

2021	2,032.86
2020	1,166.70
% Change	74.24

Gross profit increased by 74.24 % to BDT 2,032.86 mn from BDT 1,166.70 mn in 2020.

PAT

Amount in BDT mn

2021	905.19
2020	310.65
% Change	191.39

Profit after tax increased by 191.39% to BDT 905.19 mn from BDT 310.65 mn in 2020. Net profit margin was 13.21%.

EBITDA

Amount in BDT mn

2021	1,621.56
2020	923.46
% Change	75.60

EBITDA increased by 75.60% to BDT 1,621.56 mn from BDT 923.46 mn in 2020.

EPS

(Absolute BDT)

2021	2.12
2020	0.73
% Change	190.41

EPS increased by 190.41% to BDT 2.12 from BDT 0.73 per share in 2020.

Comparative analysis of financial performance and financial position as well as cash flows:

Income statement analysis:

The Company's strong performance is mirrored in the Profit or Loss and other comprehensive income.

Revenue

The topline was higher by 29.54 % compared to previous year.

Revenue mix

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

Ceramics

Revenue

Amount in BDT mn

2021	6,815.40
2020	5,233.14
% Change	30.24

Revenues increased by 30.24% to BDT 6,815.40 mn in 2021 from BDT 5,233.14 mn in 2020.

PAT

Amount in BDT mn

2021	885.11
2020	329.49
% Change	168.63

Profit after tax increased by 168.63 % to BDT 885.11 mn in 2021 from BDT 329.49 mn in 2020.

Power

Revenue

Amount in BDT mn

2021	374.01
2020	300.64
% Change	24.40

Revenues increased by 24.40% to BDT 374.01 mn in 2021 from BDT 300.64 mn in 2020.

PAT

Amount in BDT mn

2021	41.78
2020	27.93
% Change	49.60

Profit after tax increased by 49.60% to BDT 41.78 mn in 2021 from BDT 27.93 mn in 2020.

Security

Revenue

Amount in BDT mn	
2021	73.87
2020	100.10
% Change	(26.20)

Revenues decreased by (26.20)% to BDT 73.87 mn in 2021 from BDT 100.10 mn in 2020.

PAT

Amount in BDT mn	
2021	0.80
2020	(0.07)
% Change	1,242.86

Profit after tax increase by 1,242.86% to BDT 0.80 mn in 2021 from BDT (0.07) mn in 2020.

Operating profit

Amount in BDT mn	
2021	1,175.60
2020	438.48
% Change	168.11

Net operating profit increased by 168.11% to BDT 1,175.60 mn in 2021 from BDT 438.48 mn in 2020.

Operating expenses:

Amount in BDT mn	
2021	5,675.27
2020	4,853.74
% Change	16.93

The Company's operating expenses (operating, marketing and administrative) increased by 16.93% to BDT 5,675.27 mn in 2021 from BDT 4,853.74 mn in 2020.

Operating cost matrix

Particulars	2021		2020		Increase/ (decrease) (%)
	Amount (BDT mn)	Proportion of sales (%)	Amount (BDT mn)	Proportion of sales (%)	
Cost of Goods Sold	4,818.28	70.33	4,122.21	77.94	16.89
Marketing Expenses	523.74	7.64	414.38	7.83	26.39
Administrative Expenses	333.24	4.86	317.15	6.00	5.07

Administrative expenses

Amount in BDT mn	
2021	333.24
2020	317.15
% Change	5.07

Administrative expenses increased by 5.07% to BDT 333.24 mn in 2021 from BDT 317.15 mn was in 2020.

Marketing expenses

Amount in BDT mn	
2021	523.74
2020	414.38
% Change	26.39

Marketing expenses increased by 26.39% to BDT 523.74 mn in 2021 from BDT 414.38 mn was in 2020.

Financial expenses

Amount in BDT mn	
2021	10.39
2020	19.67
% Change	(47.18)

Interest expenses against loan decreased by BDT 5.44 mn and Interest expenses against lease liability decreased by BDT 2.18 mn foreign exchange loss increased by BDT 1.10 mn and bank charge decreased by BDT 2.76 mn in 2021 compared to last year.

BALANCE SHEET PERFORMANCE

Shareholders' fund:

Amount in BDT mn

Particulars	2021	2020	% change
Share capital	4,279.69	4,279.69	-
Share premium	1,473.65	1,473.65	-
Retained earnings	1,747.19	1,269.98	37.58
Shareholders' fund	7,500.53	7,023.32	6.79

Shareholders' fund increased by 6.79% to BDT 7,500.53 mn in 2021, from BDT 7,023.32 mn in 2020.

Non-current assets:

Fixed assets additions:

During the year 2021, the total additions to the fixed assets, including subsidiary companies, was BDT 172.04 mn. The major additions to the fixed assets were Purchase of Plant & machinery, building and office equipment etc.

Intangible assets:

Expenditures to acquire designs, developments, brand, trademarks and various licenses for manufacturing of ceramic tiles and sanitary ware treated as revenue expenditure in 2021.

Capital work-in-progress:

The Company invested BDT 17.71 mn in heavy equipment mainly in its Ceramics plant and machinery which is expected to be commissioned in the coming year.

Asset composition:

Particulars	2021		2020		Increase/ (decrease) (%)
	Amount (BDT mn)	Proportion of asset (%)	Amount (BDT mn)	Proportion of asset (%)	
Non-Current assets	3,336.72	23.82	3,671.47	29.34	(9.12)
Current assets	10,670.94	76.18	8,843.96	70.66	20.66
Total	14,007.66	100.00	12,515.43	100.00	11.92

Current assets:

Inventory:

Amount in BDT mn

Particulars	2021	2020	% change
Finished goods	569.07	424.18	34.16
Raw materials	1,312.34	562.10	133.47
Stores and consumables spares	843.22	869.01	(2.97)
Work-in-process	59.36	47.29	25.52
Goods-in-transit	205.81	124.41	65.43
Total Inventory	2,989.80	2,026.99	47.50

Inventory comprises finished goods of BDT 569.07 mn, raw materials of BDT 1,312.34 mn, stores and consumables spares of BDT 843.22 mn, work-in-process of BDT 59.36 mn and goods- in- transit of BDT 205.81 mn. The Company has a policy of maintaining adequate inventory of key inputs to ensure uninterrupted operations.

Trade and other receivables:

Amount in BDT mn

Particulars	2021	2020	% change
Trade receivable	1,220.40	997.28	22.37
Other receivables	6.60	11.52	(42.71)
Trade and other receivables	1,227.00	1,008.80	21.63

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

Cash and bank balance:

Amount in BDT mn

Particulars	2021	2020	% change
Cash in hand	2.61	5.90	(55.76)
Cash at bank	2,274.05	1,943.30	17.02
Total	2,276.66	1,949.20	16.80

Cash and bank balances include cash in hand of BDT 2.61 mn, balances in bank accounts of BDT 712.53 mn and fixed deposits of BDT 1, 561.51 mn. Liquid balances of cash and bank are necessary for the smooth functioning of the business.

Equity and liabilities:

Capital and reserves:

The equity capital comprised 427,968,701 equity shares of BDT 10 each. The market value of the share is BDT 44.40 (as on 31 December 2021, DSE) resulting in a market capitalization of BDT 19.00bn.

Non-current borrowings:

There is no non-current borrowings in this year.

Current borrowings:

Offshore financing is the only factor of current borrowings.

Particulars	2021	2020	% change
Current Liabilities	6,362.39	5,291.06	20.25

Current liabilities increased by 20.25% to BDT 6,362.39mn in 2021 from BDT 5,291.06 mn in 2020.

Analysis of Cash Flows:

Cash flow from operating activities:

Operating cash flow decreased by 52.56% to BDT 582.86 mn from BDT 1,228.66 mn in 2020 mainly due to increase in cash payment to suppliers and employees. Resulted net operating cash flow per share decreased to BDT 1.36 in 2021 from BDT 2.87 in 2020.

Cash flow from investing activities:

Net cash used in investing activities decreased by 39.95% to BDT 88.33 mn in 2021 from BDT 147.09 mn in 2020 due to less outflow of cash for acquisition of Property, Plant and equipment, more cash generated from interest income and cash generated from sale of fixed assets.

Cash flow from financing activities:

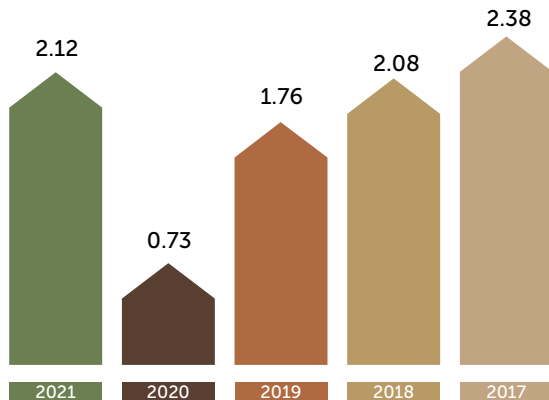
Net cash used in financing activities reduced by 73.53% to 167.23 mn in 2021 from BDT 631.89 mn in 2020 due to less payment of dividend BDT 168.27 and cash received from short term loan in access of year 2020 BDT 276.76 mn.

CORPORATE PERFORMANCE 2021

Definition: Earnings per share (EPS) is calculated as the Company's profit divided by the outstanding number of ordinary shares. This is the primary determinant of valuing our share price.

Performance

EPS - Restated (BDT)

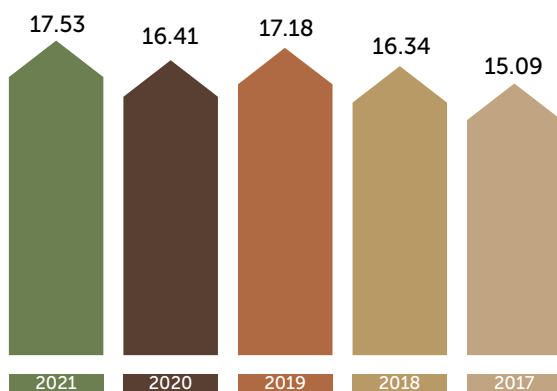


Observation: The reason of significant increase of EPS due to revised and responsive business strategy Implemented by the management. Cost of sales has improved, sales revenue has increased therefore EPS has improved.

Definition: Net asset value (NAV) per share represents the net value of an entity per share and is calculated as the total equity less non-controlling interest divided by the number of total outstanding shares.

Performance

NAV Per Share (BDT)

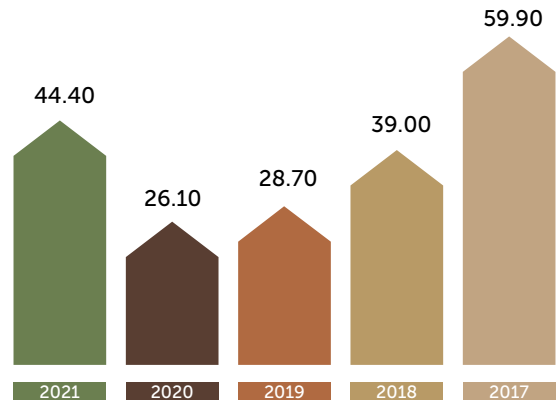


Observation: Equity has positive impacted due to increasing of retained earnings.

Definition: Market price of stock over the period. Market price of stock multiplied by outstanding number of ordinary shares determine the market capitalisation or the intrinsic value of the Company.

Performance

Stock Performance (BDT)

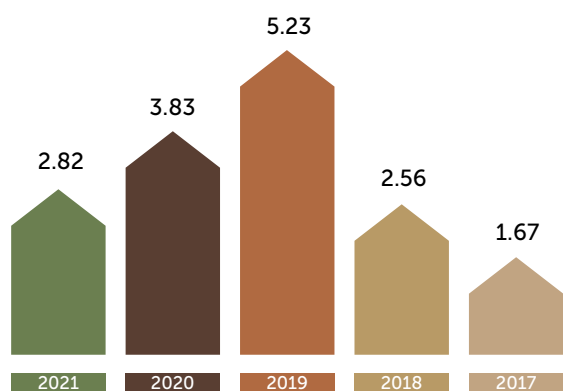


Observation: The Dhaka Stock Exchange (DSE), turned in a positive index has been announced in 2021 due to various macroeconomic factors, profitability increase of company & upgradation plan, thus impacting our stock price.

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

Performance

Dividend Yield (%)

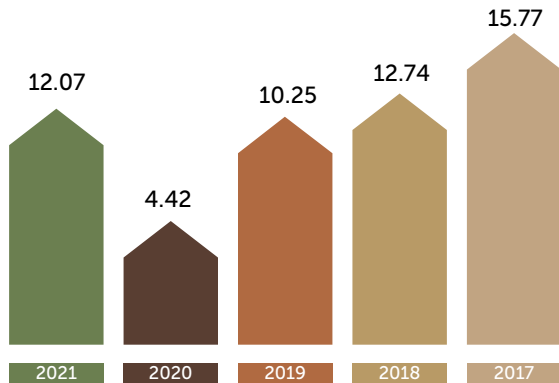


Observation: Board of Directors of the Company recommended dividend less than the profit earned during the year subject to approval of AGM. Current share price also increased due to various macroeconomic factors profitability increase & upgradation plan of company.

Definition: Return on shareholders' fund shows how much money is returned to the owners (shareholders) as a percentage of the money they have invested or retained in the company.

Performance

Return on Shareholders' Funds (%)

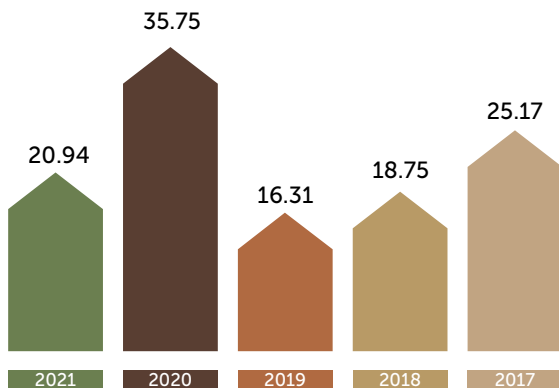


Observation: The increase in revenue and improvement of cost of sales due to enhanced control on cost compared to previous year and reduction of tax rate as per Finance Act 2021 all together increased return on shareholders fund.

Definition: The price earnings ratio (P/E ratio) is the ratio for valuing a Company by measuring its current share price relative to its earnings per share.

Performance

P/E Ratio (Times)

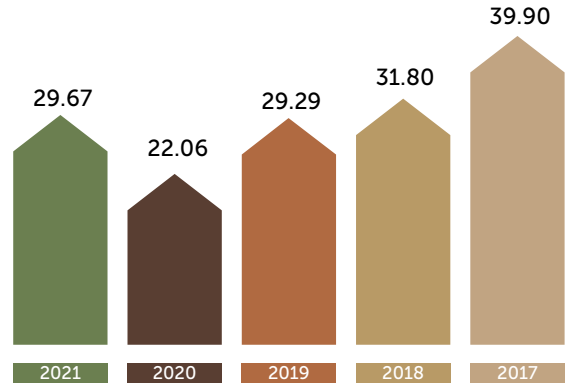


Observation: Due to increase of EPS, PE ratio has impacted in proportion.

Definition: The gross profit margin is calculated by taking revenue minus the COGS and dividing the difference by revenue. The gross margin result is typically multiplied by 100 to show the figure as a percentage.

Performance

Gross Profit Margin (%)

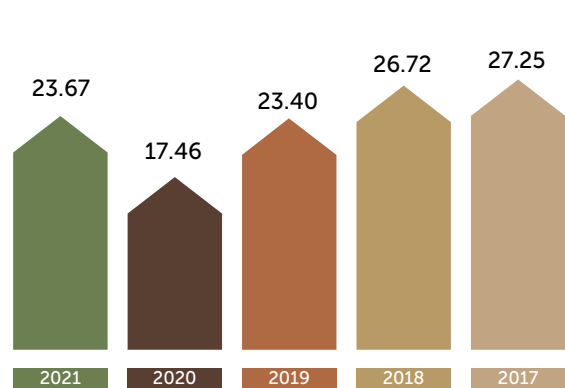


Observation: The increase in revenue and improvement of cost of sales due to enhanced control on cost compared to previous year and reduction of tax rate as per Finance Act 2021 impacted gross profit margin.

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

Performance

EBITDA (%)

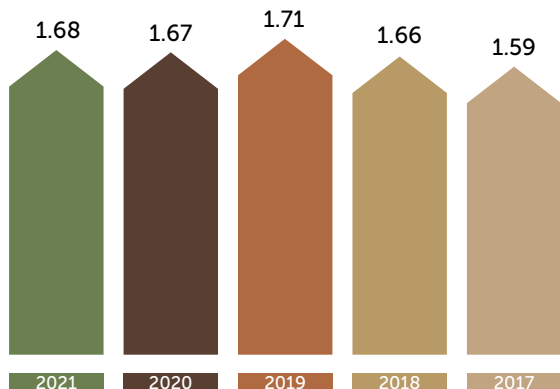


Observation: A higher gross margin caused a increase in all other margin parameters.

Definition: Current ratio measures the Company's ability to honour short-term obligations like debt payable or those due within one year. This is computed as current asset over current liability.

Performance

Current Ratio

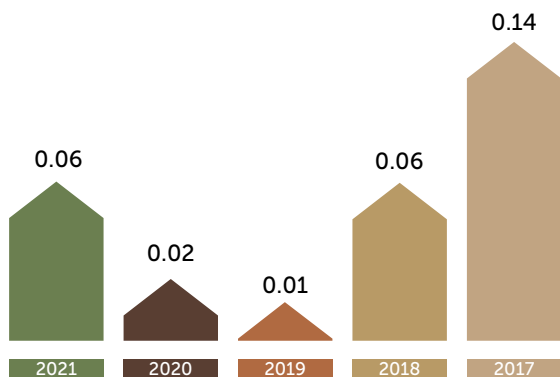


Observation: Current asset increased of the company mainly inventory, cash & bank balance increased. However, current liability increased marginally due to increase of short-term loan and income tax provision.

Definition: Debt equity (D/E) is calculated by dividing the company's total debt by shareholders' equity. It is measure of the extent of the company financing its operations through debt verses equity.

Performance

Debt Equity Ratio (Times)

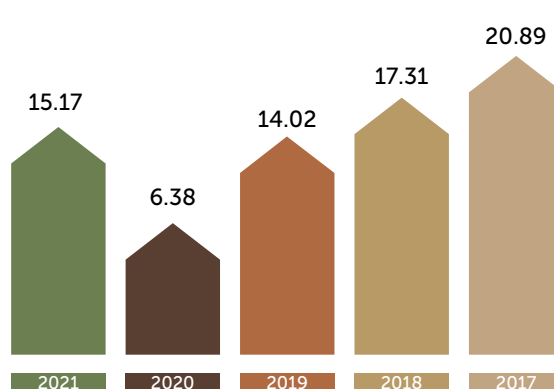


Observation: The Company's prudent debt management policies helps in the sustenance of optimum leverage.

Definition: Return on capital employed (ROCE) measures how efficiently a Company can generate profits from its capital employed by comparing net operating profit against capital employed.

Performance

ROCE (%)

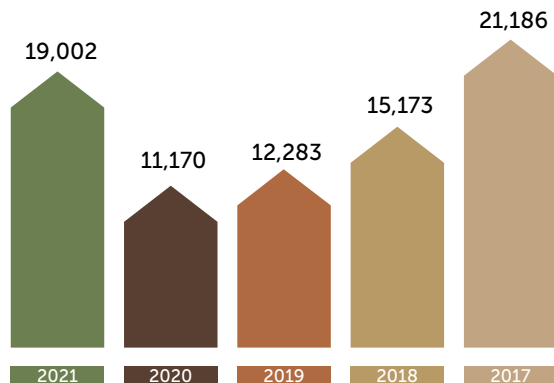


Observation: A higher gross profit margin has impacted all other margin parameter including return on capital employed.

Definition: Market capitalisation is the aggregate market value of a Company. It is computed based on the current market price (CMP) of its shares and the total number of outstanding shares.

Performance

Market Capitalization (BDT mn)



Observation: Two primary factor has influenced the higher market price. 1. Stock Exchange recorded positive higher index for better business sentiment and 2. Company perform better in addition modification plan announced. Which are reflecting market price.

REFLECTING ON THE MAJOR BUSINESS SEGMENTS

A. RAK Ceramics (Bangladesh) Limited

Tiles

Bangladesh's largest ceramics and gres porcelain tile company with a vast, vibrant and versatile library of designs, styles and sizes available pan-Bangladesh via a robust distribution network comprising company-owned exclusive showrooms and dealerships.

Key stats, 2021

BDT **4,934.77** mn

Revenue

32.9%

YoY revenue growth

BDT **1,405.14** mn

Gross profit

100.4%

YoY gross profit growth

Installed capacity

- 10.32 mn sqm. per year

Segment performance

- Revenue contribution in 2020: 71.0%
- Revenue contribution in 2021: 72.4%
- Gross profit contribution in 2020: 63.0%
- Gross profit contribution in 2021: 71.3%

Key highlights of the year

- Launched an exclusive super-showroom in the capital city (Dhaka), spread over a massive 10,000 sft
- Signed Mehidy Hasan Miraz, an allrounder in the Bangladesh national cricket team, to drive brand trust and recall
- Maintained marketing communication spends to augment consumer visibility
- Capitalised on the shift towards organised/branded tiles players

- Achieved significant reduction in finished goods inventory
- Made deeper inroads into the hinterlands to meet the emerging needs of non-metropolitan populations
- Plant capacity utilisation enhanced to 91.4% (2020: 63.4%), towards meeting growing demand
- Cumulative production stood at 9.42 mn sqm, 44.1% higher than the previous year

Innovation focus

The Company has pioneered a number of products that have received tremendous traction and consumer appreciation. Some of these include:

- Through-Body Veining: Porcelain tiles that are natural as marble
- RAK-Sanit: Antibacterial surface coverings for ensuring enhanced cleanliness and safety
- Luce: Translucent tiles for special spaces and environments
- High-Performance Tiles: Technical tiles with such attributes as anti-slip guard technology, etc

Major focus areas for 2022

- Focus on meeting economic-recovery led consumer demand
- Improve process efficiency and cost controls
- Protect market share in the face of rising competition

Sanitary ware

Bangladesh's largest and most preferred sanitary ware brand rooted in the brand attributes of aesthetics, functionality, usability and range, focused on fostering desirability and choice amongst customers, including homebuyers, interior designers and influencers.

Key stats, 2021

BDT **1,880.63** mn

Revenue

23.8%

YoY revenue growth

BDT **566.54** mn

Gross profit

37.3%

YoY gross profit growth

Installed capacity:

- 1.45 mn pcs. annually

Segment performance

- Revenue contribution in 2020: 29.0%
- Revenue contribution in 2021: 27.6%
- Gross profit contribution in 2020: 37.0%
- Gross profit contribution in 2021: 28.7%

Key highlights of the year

- Launched new eco-conscious products to cater to wider consumer preference, such as the need for water conservation and sustainable water use
- Focused on premiumisation, with consumers becoming inclined towards premium products showcasing design aesthetics, including rimless water closets and bidets
- Initiated a number of cost efficiency programmes across the shopfloor, especially centering around resource utilisation
- Continued to ensure raw material security through closer engagement with logistics partners, especially in the face of COVID-induced supply chain disruptions
- Marketing communication was anchored on product aesthetics, longevity and durability
- Capacity utilisation improved to 93.5%, as compared with 75.0% in the previous year
- Production stood at 1.36 mn pcs., 24.6% higher than the previous year, which comprised the peak of the pandemic that had impacted sales

Innovation focus

The Company has pioneered the bathroom and kitchen space through offering a wide variety of functional, aesthetic and high-performance products including bidets, water closets, washbasins, etc. Some of our brands include:

- RAK-Valet
- RAK-Des
- RAK-Urban
- RAK-Sahara
- RAK-Compaq

Major focus areas for 2022

- Sustain capacity utilisation and ensure waste elimination
- Harmonise processes further to ensure both product standardisation as well as superior craftsmanship
- Focus on portfolio enrichment through introduction of products that meet evolving consumer tastes

B. RAK Power Pvt. Ltd.

Group company engaged in power generation for securing the power needs of parent company, RAK Ceramics (Bangladesh).

Installed capacity

- 12 MW

Key highlights of the year

- Power plant capacity was available in excess of 90% of installed capacity
- Generated 51.01 mn kwh of power, vs. 41.47 mn kwh generated over the previous year

Major focus areas for 2022

- Continue to meet the enhanced power requirements of parent Company

C. RAK Security and Services (Pvt.) Ltd

Overview

Group company involved in providing security and other services to other companies in the Group as well as third-party customers.

Key highlights of the year

- Achieved revenue of BDT 73.86 mn in 2021, vs. BDT 100.10 mn in 2020
- While the COVID-19 pandemic did impact operations, industry and trade resumption after lockdown release helped achieve business stability

Major focus areas for 2022

- Expand manned guarding services
- Enhance revenue and profitability through expanding customer base, etc.

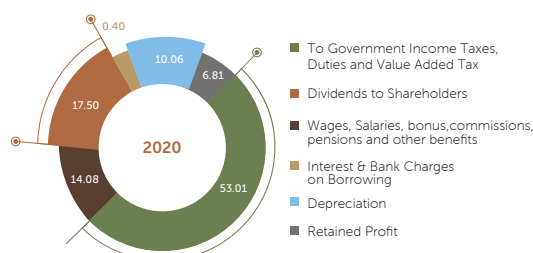
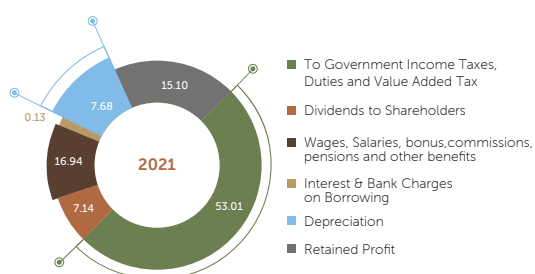
Segment reporting, 2021

(Amount in BDT mn)

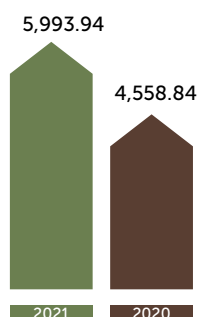
Particulars	RAK Ceramics (Bangladesh) (BDT mn)	RAK Power (BDT mn)	RAK Security (BDT mn)	Inter Company Elimination	Entity total
Sales	6,815.40	374.01	73.86	(412.13)	6,851.14
Gross profit	1,971.68	67.18	19.39	(25.39)	2,032.86
Profit before tax	1,118.39	56.85	1.35	(22.49)	1,154.10
Profit after tax	885.11	41.78	0.80	(22.49)	905.19

VALUE ADDED STATEMENT

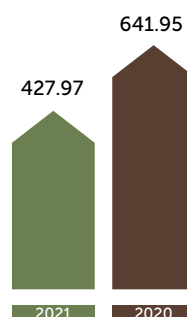
Particulars	31-Dec-2021		31-Dec-2020	
	Taka	%	Taka	%
Revenue	10,325,830,883		7,932,090,446	
Other Income	44,817,259		55,522,446	
Less : Paid to suppliers for materials and services	4,376,707,970		3,428,768,190	
Value Added	5,993,940,172	100	4,558,844,702	100
Distribution of Value Added				
To Government				
Income Taxes, Duties and Value Added Tax	3,177,439,253	53.01	2,332,054,206	51.15
To Suppliers of Capital				
Dividends to Shareholders	427,968,701	7.14	641,953,052	14.08
To Employees				
Wages, Salaries, bonus, commissions, pensions and other benefits	1,015,332,677	16.94	797,244,333	17.50
To Providers of Finance				
Interest & Bank Charges on Borrowing	7,811,989	0.13	18,194,519	0.40
Retained For Reinvestment & Future Growth				
Depreciation	460,201,665	7.68	458,745,141	10.06
Retained Profit	905,185,887	15.10	310,653,452	6.81
Total	5,993,940,172	100	4,558,844,703	100



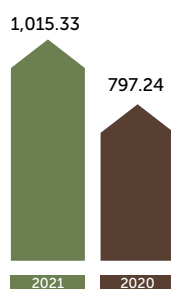
Value Added



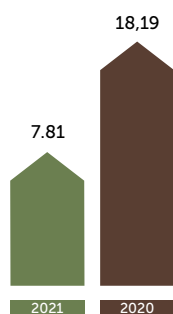
To Shareholders



To Employees



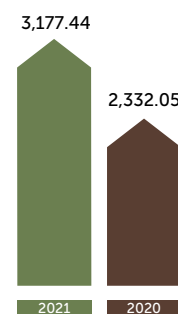
To Finance Provider



To Business



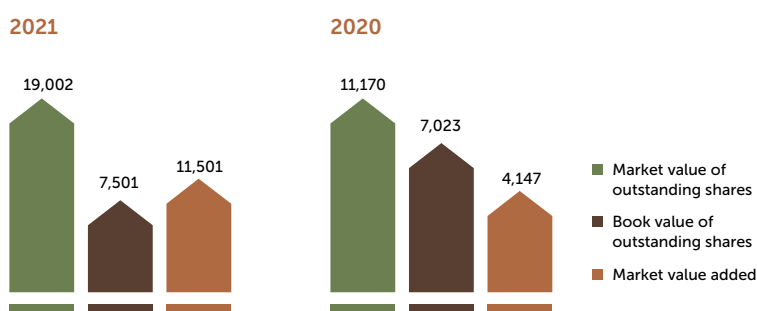
To Government



Market Value Added Statement:

Amount in BDT mn

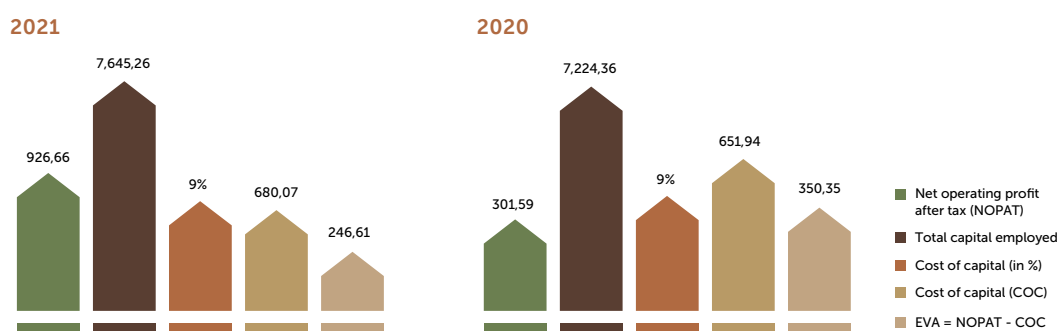
Particulars	2021	2020
Market value of outstanding shares	19,002	11,170
Book value of outstanding shares	7,501	7,023
Market value added	11,501	4,147



Economic value-added statement:

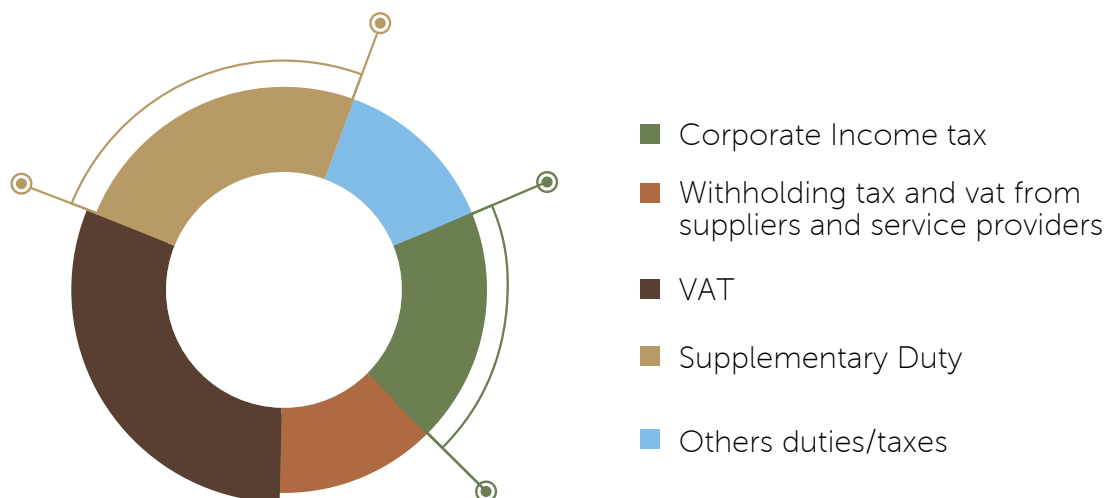
Amount in BDT mn

Particulars	2021	2020
Net operating profit after tax (NOPAT)	926,678,794	301,594,623
Total capital employed	7,645,263,332	7,224,364,792
Cost of capital (in %)	9%	9%
Cost of capital (COC)	680,073,700	651,944,050
EVA = NOPAT - COC	246,605,094	(350,349,428)



CONTRIBUTION TO NATIONAL EXCHEQUER 2021

Serial No.	Particulars	Total
1	Corporate Income tax	291,770,069.63
2	Withholding tax and vat from suppliers and service providers	270,371,241.20
3	VAT	1,343,383,476.00
4	Supplementary Duty	995,615,213.00
5	Others duties/taxes	276,299,253.10
Total Contribution to National Exchequer		3,177,439,252.93

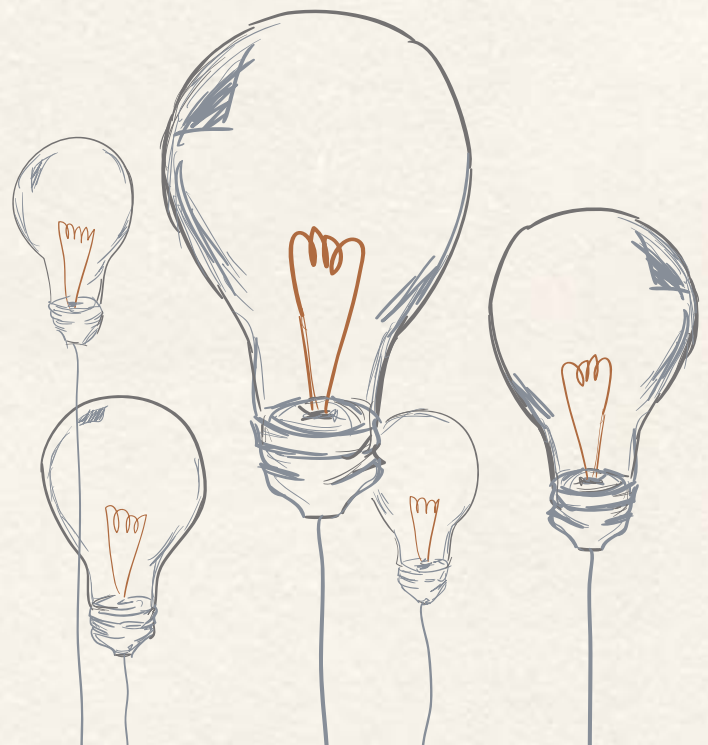


COMMITTED TO RESPONSIBLE STEWARDSHIP

Board's Report

At RAK Ceramics (Bangladesh), our Board members are the guardians of trust, and the perpetuation of this trust built with our stakeholders comprises their primary responsibility. Thus, the Board's Report as a significant part of this Annual Report is a furtherance of this trust and, in this spirit, articulates both the financial and non-financial information of the Company in a balanced, concise and comprehensible way. Such reporting offers a clear and succinct account of the steps we are taking to achieve our strategic vision, while balancing the expectations of all our stakeholders and building greater levels of trust with them.

Directors' report of RAK Ceramics (Bangladesh) Limited
Management discussion and analysis
Industry outlook and possible future developments
Audit committee report
Nomination and remuneration committee report
Corporate governance report
Dividend distribution policy
Corporate governance compliance certificate
Corporate governance compliance status
BAPLC certificate 2021



DIRECTOR'S REPORT OF RAK CERAMICS (BANGLADESH) LIMITED

Dear Shareholders,

Assalamu Alaikum!

The Board of Directors of RAK Ceramics (Bangladesh) Limited are pleased to present the Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2021, and the Auditor's Report thereon, for your valued consideration, approval and adoption.

Principle activities

RAK Ceramics (Bangladesh) is the country's largest and foremost tiles and sanitary-ware brand. The Company is engaged in the manufacture and sale of a wide range of ceramic tiles, bathroom sets and sanitary ware products. Over its two-decade journey, the Company has created industry-leading designs and patterns for wall and floor tiles and borders and corners, etc., which have been well-accepted by customers and have emerged as benchmarks in their own categories. Further, many of RAK Ceramics' models come in modular designs which open up ample choice for our customers, suiting their space requirements and budgets.

Industry outlook and possible future developments

Details about this section are discussed in the 'Industry outlook and possible future developments' report on page 129 and 'Management discussion and analysis' report on page 127 of this Annual Report.

Segment-wise performance

RAK Ceramics (Bangladesh) operates with an annual production capacity of 10.32 mn sqm of tiles and 1.45 mn pieces of sanitary-ware with over 43+ active designs, thus ensuring the widest range of products available in the industry. Details about segment-wise or product wise performance is disclosed in the 'Reflecting on the major business segments' report on page 112 of this Annual Report.

Financial results

The Company reported consolidated sales of BDT 6,851.14 mn in 2021, vs. BDT 5,288.92 mn reported in 2020 and consolidated gross profit of BDT 2,032.86 mn in 2021, against BDT 1,166.70 mn reported in 2020. The Company's consolidated net profit of BDT 905.19 mn in 2021 stood against BDT 310.65 mn achieved in 2020. Details of General review of our 2021 performance are discussed in the 'An update on our performance for the year 2021' on page 104 of this Annual Report

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

The Directors are pleased to report the financial results for the year 2021 and recommend the following appropriations:

(Amount in BDT mn)

Particulars	2021	2020
Profit before tax *	1,154.10	447.53
Less: Provision for tax	248.92	136.88
Profit after tax *	905.19	310.65
Add: Un-appropriated profit brought forward	1,269.98	1,601.28
Profit available for distribution	2,175.16	1,911.93
Less: Appropriation of dividend	427.97	641.95
Un-appropriated profit C/F	1,747.19	1,269.98

Profit after tax is exclusive of non-controlling interest. Key operating and financial data of the preceding five years is given in 'Annexure-1' on page 124 of this annual report.

Reserves and surplus

In 2021, retained earnings of the Company stood at BDT 1,747.19 mn, against BDT 1,269.98 mn in 2020.

Dividend

The Board of Directors is pleased to recommend dividend @ 12.50% in cash of the paid-up capital of the Company, representing an amount of BDT 534.96 mn for the year ended December 31, 2021. This dividend will be paid from out of profit of the Company for the year 2021 and from undistributed accumulated profits. The Company paid dividend @10% in cash of the paid up capital of the Company for the year 2020. No bonus shares or stock dividend has been declared as interim dividend.

Contribution to the national exchequer

RAK Ceramics (Bangladesh) is committed to timely disbursement of its direct and indirect tax obligations. During the year 2021, the Company, including its subsidiaries, contributed a total sum of BDT 3,177.44 mn to the national exchequer. Details about the contribution to the national exchequer during the year is discussed in the 'Contribution to national exchequer' section on page 118 of this Annual Report.

Extraordinary gain or loss

There were no extraordinary activities during the year 2021 affecting any extraordinary gain or loss.

Variance between quarterly and annual financial statements

There are significant variances in the financial results between quarterly and annual financial statements and from the last year's operating results. Due to the revised and responsive business strategy taken by the management, sales is increased by 29.54% from BDT 5,288.92 mn to BDT 6,851.14 mn. The Company registered improvement of cost of sales due to enhanced control on cost compared to previous year which is resulting in increase of earnings per share from BDT 0.73 to BDT 2.12. Reduction of tax rate by 2.5% as per Finance Act 2021 impacting profit after tax, eventually improving earnings per share. But, cash collection from the customers has not been increased in same proportion due to allowing additional credit term during the pandemic period which is impacting in net operating cash flow inversely. As a result, net operating cash flow per share has been reduced from BDT 2.87 to BDT 1.36.

Material change or change in the nature of business

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

Risk and concerns

Risk assessment and mitigation is an integral part of the Company. The Company has an appropriate and effective risk management framework which carries out risk identification and assessment and ensures that risk mitigation plans are in place. The Board of Directors regularly monitor, assess and identify potential risks and threats to profitability and sustainable growth. Details of risks and concerns, including internal and external risk factors are discussed in the 'Risk management and control' section on page 66 of this Annual Report.

Auditors

A. Qasem & Co. Chartered Accountants (a member firm of ECOVIS International), shall retire at the 23rd Annual General Meeting (AGM) and, being eligible, offer themselves for re-appointment. The Board also recommends their re-appointment for the year 2022. Remuneration of the auditor will be fixed by the shareholders at this AGM.

The statutory auditors of the Company have given reports on the financial statements of the Company for the year ended 31 December 2021, which forms part of the Annual Report. There is no qualification, reservation, adverse remark, comments, observations or disclaimer given by the statutory auditors in their reports.

Parent and subsidiary companies

RAK Ceramics PJSC, UAE (the Company), is the parent company of RAK Ceramics (Bangladesh). It is one of the largest ceramics' brands in the world, specialising in ceramic and gres porcelain wall and floor tiles and sanitary-ware. It has an annual production capacity of 110 mn sqm of tiles and 5 mn pcs of sanitary-ware at 16 state-of-the-art plants located all over the world, including Bangladesh. The Company serves clients in 150+ countries through its network of operational hubs in Europe, the Middle East and North Africa (MENA), Asia, North and South America and Australia. It is listed on the Abu Dhabi Securities Exchange in the United Arab Emirates and, as a Group, it has an annual turnover of around US\$1 billion.

RAK Ceramics (Bangladesh) has two subsidiaries: RAK Power Pvt. Ltd and RAK Security and Services (Pvt) Ltd, which are fully-owned subsidiaries of the Company. The principal activities and status of these subsidiaries are separately disclosed in the 'Reflecting on the major business segments' on page 112 of this Annual Report.

Related party transactions

Details on related parties with whom transactions have taken place and their relationship as identified and certified by the management is disclosed in the 'Related party disclosures under IAS-24' section on page 209 of this Annual Report.

Corporate social responsibility

The Company understands its responsibility towards social welfare and contributed an amount of BDT 3.49 mn during the year 2021. Details of the Company's CSR activities during the year is discussed in the 'Corporate social responsibilities' section on page 99 of this Annual Report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) accords the highest priority to its human resources and towards sustainable staff welfare. The Company believes that its employees are integral to its success. The Company is also committed to ensure a safe and healthy working environment for all. The Company currently has 2,063 full-time employees on its rolls and offers best-in-class compensation packages for employees to encourage professionalism, productivity, build talent and skills, enhance leadership capabilities and also maximise their own personal and professional potential.

The employees of the Company enjoy benefits of contributory Provident Fund, gratuity scheme and group life insurance, etc. Further, the Company has also established a "Workers Profit Participation Fund and Welfare Fund". In year 2021, the Company contributed 5% of its profit before tax (PBT) towards Workers' Profit Participation and Welfare Fund, amounting to BDT 55.92 mn.

Board of Directors

The Board of Directors of the Company comprise five members including an Independent Director. A brief resume of the directors, nature of his expertise in specific functional areas and name of companies in which the person also holds the directorship and the membership of the committees of the Board are indicated in the 'Directors' profile' on page 27 of this Annual Report.

Appointment/reappointment of Directors

In accordance with the articles 93, 94 and 95 of the Articles of Association of the Company, Mr. Abdallah Massaad will retire from his office as Director by rotation at the 23rd Annual General Meeting and, being eligible, offers himself for re-election in accordance with the terms of Article 96 of the Articles of Association of the Company.

The current tenure of Mr. SAK Ekramuzzaman, as the Managing Director of the Company expired on March 15, 2022 and is eligible for re-appointment for a further period not exceeding five years. The Board of Directors of the Company in its meeting held on 2nd February 2022, re-appointed Mr. SAK Ekramuzzaman as the Managing Director of the Company for a further period of 3 years subject to approval of the shareholders at the 23rd Annual General Meeting.

Barrister Faheemul Huq has resigned from the position of Independent Director of the Company. The Board of Directors of the Company appointed Mr. Mohammad Shafiul Azam as new Independent Director in the Board subject to consent of the BSEC and approval of the shareholders at the 23rd Annual General Meeting.

Remuneration of Directors including Independent Directors

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

Board of Directors' meetings and attendance

The Board of Directors of the Company met four times during the year 2021. The number of Board meetings held and the attendance of each Director during the year is disclosed in 'Annexure-2' on page 125 of this Annual Report.

Code of conduct

In compliance with the conditions of Corporate Governance Code, the Board has laid down a code of conduct for the Chairman of the Board and other Board

members of the Company and annual compliance of the code is recorded accordingly.

Pattern of shareholding

In accordance with the conditions of corporate governance, the shareholding pattern of the Company is disclosed in 'Annexure-3' on page 126 of this Annual Report.

Directors' statement on financial reporting

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

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

Management's discussion and analysis

In accordance with the conditions of Corporate Governance Code, 'Management discussion and analysis' has been duly signed by the Managing Director of the Company and is included on page 127 of this Annual Report.

Declaration by MD and CFO

In accordance with the conditions of Corporate Governance Code, a declaration on financial statements for the year ended December 31, 2021 duly

signed by the MD and CFO is included on page 159 of this Annual Report.

Credit Rating Report

The Credit Rating Information and Services Limited (CRISL) has assigned the following rating to "RAK Ceramics (Bangladesh) Limited" on 03.02.2022 in consideration of its audited financials up to 31st December, 2020, unaudited financials up to 30th September, 2021 and other relevant quantitative as well as qualitative information up to the date of rating declaration:

Long Term Rating= "AA+" (Double A Plus Indicating Higher Safety for Timely Repayment)

Short Term Rating= "ST-1" (Indicating Highest Certainty of Timely Repayment)

Outlook= "Stable"

A certificate on credit rating has been included on page 38 of this Annual Report

Corporate governance

To ensure that the spirit of governance is embraced with full accountability for inspiring confidence and trust of investors, regulators, financiers and other stakeholders, RAK Ceramics (Bangladesh) is committed to comply with all the requirements of Corporate Governance Code, 2018 of Bangladesh Securities and Exchange Commission. Details about corporate governance are discussed in the 'Corporate governance report' on page 138 of this Annual Report.

Reporting and compliance of corporate governance

The Company has complied with the conditions of the Corporate Governance Code, 2018 of the Bangladesh Securities and Exchange Commission dated June 03,

2018. Detailed status of compliance on corporate governance, along with the corporate governance compliance certificate, has been included on page 145 of this Annual Report.

Membership with BAPLC

RAK Ceramics (Bangladesh) has membership of the Bangladesh Association of Publicly Listed Companies (BAPLC). A certificate of BAPLC membership has been included on page 157 of this Annual Report.

Post balance sheet events

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

Appreciation

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

For and on behalf of the Board of Directors,



(Abdallah Massaad)
Chairman

February 02, 2022

ANNEXURE-1

Key operating and financial data of preceding five years

Amount in BDT

Particulars	2021	2020	2019	2018	2017
Sales	6,851,136,685	5,288,916,673	6,463,857,312	6,331,083,301	6,956,185,329
Cost of sales	4,818,277,683	4,122,212,640	4,556,112,666	4,317,689,669	4,251,220,093
Gross profit	2,032,859,002	1,166,704,033	1,907,744,646	2,013,393,632	2,704,965,236
Administration expenses	389,439,450	340,640,502	459,102,484	440,788,957	445,551,419
Marketing and selling expenses	523,744,007	414,376,760	455,996,281	411,359,546	778,347,786
Net profit before financial expenses	1,119,675,545	411,686,771	992,645,881	1,161,245,129	1,481,066,031
Financial expense	10,390,323	19,673,258	27,323,676	39,394,022	101,024,936
Other income*	44,817,259	55,522,446	79,082,208	104,074,247	34,558,774
Net profit before taxation	1,154,102,481	447,535,959	1,044,404,413	1,225,925,354	1,414,599,869
Income tax expenses	248,916,594	136,882,507	290,378,957	335,300,169	396,587,747
Non-controlling interest	204	121	247	422	423
Net profit after taxation	905,185,887	310,653,452	754,025,209	890,624,763	1,018,011,699

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

The number of Board meetings held and the attendance by each director during the year 2021

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	04	04
SAK Ekramuzzaman	Managing Director	04	04
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	04	04
Wassim Moukahhal (Nominee of RAK Ceramics PJSC, UAE)	Director	04	04
Barrister Faheemul Huq	Independent Director	04	04

Shareholding Pattern

The pattern of Shareholding as on 31 December 2021

a) Parent/Subsidiary companies and other related parties

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

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

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

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

Name	Status/Position	No. of Shares held
Md. Mizanur Rahman	VP Sales	Nil
Md. Mahbubul Haque	GM-SCM	Nil
Sk Rafiq Uddin	DGM-Finance & Accounts	Nil
Mohammed Shamsuddin	AGM Taxation	Nil
Srinivasa Rao Ummadisetti	Sr. Manager-production	Nil

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

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

* Mr. SAK Ekramuzzaman pledged 11,882,353 No. of shares out of his total holding of 16,895,824 No. of shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business and financial overview

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

Accounting policies and estimation for preparation of financial statements and changes there on

Accounting policies and estimation for the preparation of the Company's financial statements and changes there on are disclosed in "Note no. 3 of the "consolidated financial statements" on page 171 of this annual report.

Comparative analysis of financial performance and position of the Company

Comparative financial data of preceding five years are given below:

(Amount in BDT mn)

Particulars	2021	2020	2019	2018	2017
Sales	6,851.14	5,288.92	6,463.86	6,830.78	6,956.19
Gross Profit	2,032.86	1,166.70	1,907.74	2,514.98	2,704.97
Net Profit After Tax	905.19	310.65	754.03	890.62	1,018.01
Earnings Per Share (Absolute BDT)	2.12	0.73	1.76	2.08 (Restated)	2.38 (Restated)
Net Operating Cash Flow	582.86	1,228.66	1,585.22	567.62	1,835.93
Net Asset Value (NAV)	7,500.53	7,023.31	7,354.61	6,992.97	6,456.04
Net Asset Value Per Share	17.53	16.41	17.18	16.34 (Restated)	15.09 (Restated)

The detail of comparative analysis of the financial performance and position of the Company's operational results is discussed in the "An update on our performance for the year 2021" on page 104 of this annual report.

Financial performance vis-à-vis industry peers

a) Listed ceramics companies in Bangladesh comprise the following:

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

b) Financial scenario of ceramics companies in Bangladesh:

(Amount in BDT mn)

Particulars	For the year ended 31 December 2021	For the year ended 30 June 2021			
	RAK Ceramics (Bangladesh) Limited	Fu-Wang Ceramic Industry Limited	Monno Ceramic Industries Limited	Shinepukur Ceramics Limited	Standard Ceramic Industries Ltd.
Sales	6,851.14	767.12	706.77	1,393.55	325.34
Gross Profit	2,032.86	211.99	131.91	227.12	64.23
Net profit/Loss after tax	905.19	46.36	33.91	46.38	1.52
NOCF Per Share (Absolute BDT)	1.36	0.51	0.26	0.10	1.20
Net Asset Value per share (Absolute BDT)	17.53	11.70	57.37	30.63	9.72
Earnings per Share (Absolute BDT)	2.12	0.34	0.90	0.32	0.24

Economic scenario of Bangladesh and the globe

The global economic recovery is continuing, even as the pandemic resurges. The global economy is projected to grow 5.9 percent in 2021 and 4.9 percent in 2022. The downward revision for 2021 reflects a downgrade for advanced economies in part due to supply disruptions and for low-income developing countries, largely due to worsening pandemic dynamics. This is partially offset by stronger near-term prospects among some commodity-exporting emerging market and developing economies.

Bangladesh's economy has bounced back strongly and is in a much better position than several other economies. The World Bank estimates Bangladesh's real GDP growth at 6.4% in FY 2021-22 compared to last year's growth of at 3.5%, as the vaccine rollout accelerates, and economic activities continue to normalise. According to the BBS estimates, per capita national income reached USD 2,227 in FY21. While domestic savings stood at 24.12 percent of GDP, the country's gross investment stood at approximately 30 percent of GDP where the share of public and private investments were 8.67 percent and 21.25 percent, respectively.

Bangladesh, like other countries, faces the daunting challenge of fully recovering from the COVID-19 pandemic which has constrained economic activities and reversed some of the gains achieved in the last couple of years. Yet the Government's continuous efforts to keep up the food supply chain uninterrupted during COVID-19 period worked well and helped to keep the overall inflation under control. Bangladesh Bank's monetary policy has been growth supportive and aimed at preserving price stability and generating employment. For FY21, expansionary monetary policy has been adopted against the backdrop of COVID-19. Central Bank's credit policies and programs were directed to channeling adequate credit flows for productive purposes, especially to agriculture and SME sectors.

Risks and concerns

Details of risks and concerns facing the Company are discussed in detail in the "Risk management and control" on page 66 of this annual report.

Future outlook

Bangladesh's manufacturing sector performance in the setback of the COVID pandemic conveys a diverse range of positive signals as regards to TURNAROUND, REBOUND and RECOVERY of the economy. With the gradually declining intensity of the pandemic and simultaneous opening of various economic activities, Bangladesh's manufacturing and service sectors can be expected to enter the post-COVID recovery phase. Given the differences in the level of disruptions caused by the pandemic, and also different levels of opening up of local and global economies, the pace of recovery is likely to be different for different sectors of the Bangladesh economy. Fiscal and monetary policy support targeted at different sectors and enterprises is also likely to have a varied level of impacts and implications in view of the recovery process. Capturing those stimulus package real estate industry has been experiencing a reasonable positive performance compare to past, eventually ceramics industries is being benefited with upward growth.

Apart from, Bangladesh's continued infrastructure push and increasing purchasing power demand for real estate is likely to increase significantly moving forward. At RAK, we continuously evaluate the evolving trends and respond proactively to capitalize on the emerging opportunities.



(SAK Ekramuzzaman)

Managing Director

February 02, 2022

INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS

Global tile industry

Key production stats

16,093
million sqm

Global tiles production, 2020

1.7%

Growth in global tiles production, 2020

11,900
million sqm

Asia tiles production, 2020

74%

Asia's share in global tiles production, 2020

Key consumption stats

16,035
million sqm

Global tiles consumption, 2020

2.5%

Growth in global tiles consumption, 2020

11,400
million sqm

Asia tiles consumption, 2020

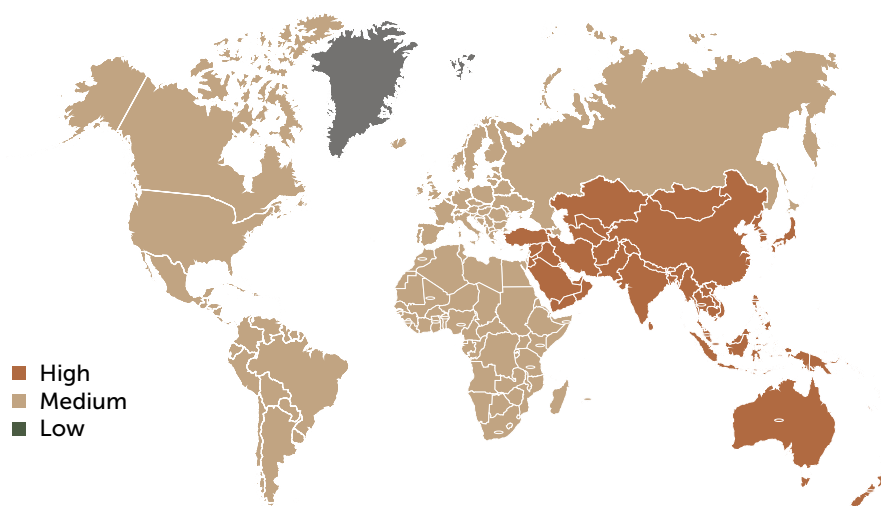
71%

Asia's share in global tiles consumption, 2020

Overview

The global ceramic tiles market is one of the leading variants of the flooring market. Ceramic tiles are multipurpose products that have varied applications across different geographies and end-user industries. There are several factors driving the growth in the market across the world. Most prominent amongst these are increasing construction activities supported by the growing need for housing. In developing economies, like those in the Middle East and Asia-Pacific, rapid urbanization and rise in disposable incomes also contribute significantly to the market dynamics. As per Mordor Intelligence, the ceramics tiles market accounts for about 80% of the non-resilient flooring market (floor cover products that do not flex under pressure and are made of organic hard surface flooring materials, such as ceramic and porcelain tiles). Ceramic tiles are widely applicable in residential and commercial buildings, owing to their durability and crack-resistant nature. Moreover, the protective coatings on ceramic tiles offer high water resistance, stain protection, and clean-up for the tile surface.

Ceramic Tiles Market- Growth Rate by Region (2020-2026)



The global ceramic tiles market was estimated at US\$ 207.7 billion in 2020 and is projected to grow at a CAGR of 6.5% between 2020 and 2025 to reach a global size of US\$ 285.1 billion. The global ceramic tiles market is being catalysed by population increase, rise in disposable incomes in developing countries, preference for larger homes, family nuclearisation, increased pride of interiors and rising investments in the residential, commercial and hospitality sectors. Furthermore, the COVID-19 pandemic has redefined the concept of a home for many people around the world and it is expected that home ownership and the need for larger and more spacious homes will drive the market for ceramic tiles.

The APAC (Asia Pacific) market was the other large driver of the global market growth for tiles, with China retaining its leadership as a manufacturer and consumer, followed by India. The APAC market growth is being catalysed by urbanisation, first-time home ownership, low mortgage financing rates, government support leading to interest rate subvention, and greater real estate affordability. The flooring segment accounted for the largest market share by value and is expected to retain its leadership over the foreseeable future. Ceramic tiles continue to be the preferred flooring choice due to their superior strength, water resistance, low maintenance costs and reliability and durability, amongst other factors.

Due to the ability to offer a clear and uniform look, ceramic wall tile sizes and shapes transformed from square-shaped to rectangle-shaped. The most popular tile size is 30 inches x 60 inches. This size is extensively used in the residential segment by virtue of installation versatility and ease in various layouts (lines, combined, staggered or modular). International players have also launched extra-large products for commercial spaces, like airports, offices, shopping malls, retail stores and

others. There is a preference for gloss vitrified tile variants too.

The global ceramic tiles market has witnessed a period of constant growth over the last 10 years. In 2020, world tile production rose to 16,093 million sqm, up 1.7% from the 15,827 million sqm produced in 2019. Production in Asia grew by 2.8% to 11,900 million sqm, equivalent to a massive 74% share of global production. This outcome was mainly due to an increase in volumes produced in China, India and Iran, which offset the contraction in Vietnam and Indonesia. The European continent produced a sum total of 1,856 million sqm (11.6% of world production).

In 2020, world tile consumption resumed its upward trend, climbing from 15,650 million sqm to 16,035 million sqm (+2.5%), although it remains at the lowest levels in the last 7 years. While on the one hand, the growth attests to the pent up demand that had emerged post the first global lockdown release in May 2020, still the challenges of the pandemic linger, reflecting low levels of overall consumption. This also indicates the challenges of the real estate markets.

However, hope is being pinned on recovery. In Asia, demand rose to 11,400 million sqm (+2.8%), equivalent to about 71% of global consumption. In Europe, consumption increased in both European Union (EU) countries (1,035 million sqm; +1.4%) and non-EU markets (563 million sqm; +11.3%).

Going forward, the residential real estate sector is expected to remain the fastest growing end-use sector, with a large number of Gen-Z entering the working age, and millennials seeking to buy their own homes. Besides, the sector is also being supported by governments on account of its economic multiplier effects, through tax breaks on mortgage finance and the fact that interest rates have

been at their lowest in years. The broader complement of growing disposable incomes, flat realty prices and low interest rates have created the foundation of long-term optimism for the tiles sector.

Top-5 tile manufacturing destinations

Country	2019 (million sqm)	2020 (million sqm)	% of world production, 2020
China	8,225	8,474	52.7
India	1,266	1,320	8.2
Brazil	909	840	5.2
Vietnam	560	534	3.3
Spain	510	488	3

Top-5 tile consuming nations

Country	2019 (million sqm)	2020 (million sqm)	% of world consumption, 2020
China	7,453	7,859	49.0
India	970	885	5.5
Brazil	802	829	5.2
Vietnam	467	400	2.5
Spain	413	357	2.2

Key sectoral trends

Product innovation

Inkjet printing: Over the past few years, the global ceramic tile industry has been influenced by the emergence of digital technology. Digital inkjet printing

technology has empowered tile manufacturers to create customised designs for customers. The inkjet technology delivers superior printing quality, speed and superior aesthetics (designing right into the edges of the tiles).

Dry pressed ceramics: Consumer preference has shifted from marble to ceramic tiles for a few good reasons: one, marble is more expensive than tiles and two, anti-skid tiles, designed to eliminate slippages, are finding increased application in kitchens, toilets and balconies.

'Green' construction: Ceramic tiles are anticipated to play a major role in green construction. Products like cool roof tiles reflect solar energy, which moderates the indoor temperature by as much as 10-20° Celsius, thus keeping the interior ambient temperatures cool and comfortable.

Asia-Pacific region dominating the global tiles industry

Asia-Pacific is the fastest-growing market and is expected to dominate the global ceramic tiles market. Rapid industrialization and urbanization and cost benefits comprise the prime reasons for the growth of the ceramic tiles market in the region. Additionally, government regulations and frameworks, such as tax benefits and incentives, have attracted capital to the sector in the Asia-Pacific. As the most populated countries, China and India have given rise to more building and construction industries. This provides an impetus to the market for ceramic tiles in the region. Further, fast developing countries, such as India, China, Japan, Bangladesh, Indonesia and Vietnam play a vital

Bangladesh tile industry

Key stats

8,959.01
BDT / cr

Total industry investments, 2020

427.75
BDT / cr

Foreign currency earnings through exports, 2020

200%

Production growth over the last 10 years

50,000+

Direct employment

20%

Female participation in the workforce

50+

Countries of exports

role in the ceramic tiles market in the Asia-Pacific region.

The ceramic tiles industry has been one of the flourishing manufacturing sectors of Bangladesh. Local demand for ceramic products continues to grow at pace, as the country experiences steady economic growth, urbanization and sustained demand for real estate. While the industry caters to about 85% of the local demand, it also comprises a major segment of the country's export basket, projected to be the third largest sector in terms of exports in the next five years.

Total investments made in the sector amounts to BDT 89,590 million, providing direct employment to over 50,000 people. The industry that took nascent steps in the year 1958 with only one small manufacturing unit has now mushroomed into a sector of about 66 local manufacturers (tiles, tableware and sanitary ware manufacturers) meeting a large part of the indigenous demand.

The domestic ceramics industry, a major backward linkage of the construction sector, has bounced back from the shocks of the COVID-19 pandemic. This reflects the structural strengths of the market that has enabled the recovery of the sector, including government thrust on affordable housing. Furthermore, rising disposable incomes, growing appetite for larger and more roomy homes, attractive mortgage rates and a young demographic population have all converged to ensure sustained buoyancy of the tiles and sanitary ware industry of the country.

Expanding construction sector aiding market growth

Demand for ceramic tiles is being driven by the expanding construction sector across Bangladesh. Commercial and residential construction is on an expansion path in the country, with the residential segment, which accounts for a greater share of the market, recording more transactions with both new home construction and replacement and renovation construction. The real estate sector of the country is witnessing a revival after the slowdown induced by the COVID-19 pandemic, and it is expected that the sector will witness a sharp bounce back, which is a positive for the domestic tiles sector.

Advanced ceramics: An emerging trend

The national ceramic industry has branched into a much wider array of applications, including advanced ceramics. The value-added facets of these ceramic products allow it to be utilized for multifarious applications, including energy conservation, water purification, electronic and biomedical applications. The global market for these products is experiencing high growth momentum, and is expected to reach a size of USD 141.53 billion by 2025. Bangladesh is well-poised to capture this high-value ceramics market.

Source: Markets and Markets, Globenews Wire, Mordor Intelligence, Ceramic World Review

Bangladesh's ceramics market, FY2019-20

Product	Number of industries	Investment/Project value (BDT cr)	Exports (BDT cr)	Domestic sales (BDT cr)	Market consumption (BDT cr)
Tableware	20	2,175.00	420.94	479.52	652.87
Tiles	30	5,235.31	1.42	3,855.66	4,601.46
Sanitary ware	18	1,548.70	5.39	860.64	1,305.61
Total	66	8,959.01	427.75	5,195.82	6,559.94

AUDIT COMMITTEE REPORT

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

Terms of reference

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

Composition

In accordance with the CG Code, 2018, the Audit Committee comprises three members, which include an Independent Director. The Chairperson of the Committee is an Independent Director. The Company Secretary is the Member Secretary of the Committee.

The current members of the Audit Committee include:

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

All members of the Audit Committee have rich business acumen, insights and are individuals with specialist skills, ethics and integrity, and are able to ensure compliance with financial, regulatory and corporate laws that support purposeful contribution to the business as well.

Roles and responsibilities

The roles and responsibilities of the Audit Committee are clearly defined in the Audit Committee Charter. The Audit Committee shall assist the Board in fulfilling its oversight responsibilities. To recognise the importance of oversight responsibilities of the Board with special emphasis on ensuring compliance with all applicable legislations and regulations, the core responsibilities of the Audit Committee, among others, are as follows:

- a. Oversee the financial reporting process;
- b. Monitor the choice of accounting policies and principles;
- c. Monitor internal audit and compliance processes to ensure that it is adequately resourced, including approval of the internal audit and compliance plan and review of the internal audit and compliance report;

- d. Oversee hiring and performance of external auditors;
- e. Hold meetings with external/statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;
- f. Review, along with the management, the annual financial statements before submission to the Board for approval;
- g. Review, along with the management, the quarterly and half-yearly financial statements before submission to the Board for approval;
- h. Review the adequacy of the internal audit function;
- i. Review the Management's Discussion and Analysis before disclosing it in the Annual Report;
- j. Review statements of all related party transactions submitted by the management;
- k. Review management letters or letters of internal control weakness issued by statutory auditors;
- l. Oversee the determination of audit fees based on the scope and magnitude, level of expertise and time required for effective audit, while also evaluating the performance of external auditors; and
- m. Perform other activities related to the Audit Committee Charter, as requested by the Board of Directors.

Committee meetings and attendance

During the year 2021, the Committee held 04 (four) meetings, complying with the requirement of at least one meeting to be held every quarter, in which the Committee reviewed issues relating to business operations, compliance and finance and accounts, among others. The Managing Director, Chief Financial Officer and Head of Internal Audit and Compliance (HIAC) were permanent invitees to the meeting. Relevant departmental heads and other members of the management also attended the meetings, as required. The proceedings of the meetings are properly recorded in minutes and regularly reported to the Board of Directors. The number of Audit Committee meetings held, and the attendance by each member during the year 2021, comprise the following:

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Barrister Faheemul Huq	Chairman	04	04
Wassim Moukahhal	Member	04	04
Pramod Kumar Chand	Member	04	04
Muhammad Shahidul Islam	Member Secretary	04	04

Internal control and risk management process

The Company, keeping the cognisance of its size and nature of the business, has developed and deployed robust internal controls by instituting a comprehensive documentation system for all its operational and financial functions. Its well-documented policies and guidelines ensure proper maintenance of accounting records, reliable financial reporting, adequate and timely regulatory compliance and accurate monitoring of the Company's operations.

Proper authorisation, recording and reporting of all transactions safeguard assets against its unauthorised use or disposition. The internal audit team conducts periodic reviews of the adequacy and adherence to the internal controls and discusses the observations with the management and the Audit Committee. The Company also conducts regular audits and monitoring of the internal controls by the internal audit team and undertakes suggested recommended measures to strengthen the system further.

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

Committee's report summary

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

- Reviewed the quarterly, half-yearly and yearly financial statements of the Company, and recommended to the Board for their adoption and approval;
- Reviewed the internal audit process and effectiveness of internal audit;
- Reviewed the findings of the internal audit team and its corrective actions;
- Reviewed if adequate internal control systems are in place to detect, correct and prevent fraud and errors on a timely basis;
- Reviewed if laws and regulations relating to business and internal policies, procedures and guidelines have been complied with;
- Reviewed if financial statements for the year ended December 31, 2021 contained full disclosures and if these were prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB);
- Reviewed if appropriate management information systems (MIS) are in place to facilitate the decision making process;
- Reviewed if existing risk management procedures are effective to capture and mitigate risk; and
- Reviewed if the state of compliance with corporate governance code and other regulations, as per the requirements of the Bangladesh Securities and Exchange Commission, were ensured.

Statutory auditor

The Audit Committee is satisfied through its own process of review that the statutory auditor of the Company is independent, as defined by the related act. The Audit Committee of the Board recommended the re-appointment of M/s A. Qasem & Co., Chartered Accountants, (a member firm of ECOVIS International), as the statutory auditors of the Company for the year 2022.

Internal audit

Internal audit is regarded as one of the four pillars of corporate governance. The Company has established a separate internal audit and compliance department to ensure that internal control and compliance is in place. On the other hand, the Audit Committee regularly monitors and reviews the reports generated by the internal audit and compliance department and takes appropriate corrective measures.

Quarterly financial statements as per the CG Code, 2018, the Audit Committee reviewed quarterly financial

statements of the Company and its subsidiaries and found that these statements reflected a true and fair view of the state of affairs of the companies.

Annual financial statements

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

Appreciation

The Audit Committee expresses its sincere acknowledgement to members of the Board, the

management and statutory and internal auditors for their continuous support and assistance in enabling it to discharge its duties and responsibilities effectively.



(Barrister Faheemul Huq)
Chairman

Audit Committee
February 02, 2022

NOMINATION AND REMUNERATION COMMITTEE REPORT

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

Terms of reference

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

Composition

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

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

Roles and responsibilities

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

1. NRC shall be independent and responsible or accountable to the Board and to shareholders
2. NRC shall oversee, among others, the following matters and make a report with recommendations to the Board:
 - a. Formulating the criteria for determining qualifications, positive attributes and independence of a Director, and recommending a policy to the Board relating to the remuneration of Directors and top-level executives, considering the following:

- i. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable Directors to steward the Company successfully;
- ii. The alignment of remuneration to performance is clear and meets appropriate performance benchmarks;
- iii. Remuneration to Directors and top-level executives involves a balance between fixed and incentive pay, reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- b. Devising a policy on the Board's diversity, taking into consideration age, gender, experience, ethnicity, educational background and nationality;
- c. Identifying persons who are qualified to become Directors and who may be appointed in top-level executive positions, in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
- d. Formulating the criteria for evaluation of performance of Independent Directors of the Board;
- e. Identifying the Company's needs for employees at different levels and determining their selection, transfer or replacement and promotion criteria;
- f. Developing, recommending and reviewing annually the Company's human resources and training policies; and
- g. Developing a succession plan for the Board and top-level executives, and regularly reviewing the plan.

Nomination policy

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

for such positions. However, if need be, the Managing Director may consult the Committee/Board for further directions/guidance.

Remuneration policy

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

Evaluation criteria

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

Activities of NRC

The NRC carried out the following activities during the year 2021:

- Reviewed the performance of top-level executives on the basis of individual KPIs.
- Reviewed the criteria for evaluation of performance of Independent Directors and the Board.
- Reviewed the Company's need for employees at different levels and determined their selection, transfer or replacement and promotion criteria.
- Reviewed human resources and training policies.
- Reviewed the salary at different levels of the Company.

- Reviewed the appointment/reappointment of Directors of the Company.

Committee meetings and attendance

During the year 2021, the NRC held three meeting, during the year. The proceedings of the meeting were recorded in proper minutes and reported to the Board of Directors. The number of NRC meetings held and the attendance by each member during the year 2021 is given below:

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Barrister Faheemul Huq	Chairman	03	03
Wassim Moukahhal	Member	03	03
Pramod Kumar Chand	Member	03	03
Muhammad Shahidul Islam	Member Secretary	03	03

Appreciation

The NRC expresses its sincere appreciation to the members of the Board and the management of the Company for their excellent support and cooperation extended in helping it discharge its duties and responsibilities effectively.



(Barrister Faheemul Huq)

Chairperson

Nomination and Remuneration Committee

February 02, 2022

CORPORATE GOVERNANCE REPORT

At RAK Ceramics (Bangladesh), we believe that good corporate governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics.

Being an industry leader for more than 20 years, gives us immense pride and at the same time puts onus on us to raise our own bar of governance. In keeping with this responsibility, we continuously review our Corporate Governance framework and practices. We believe that our good governance processes provide transparency with regards to corporate policies and strategies, while enabling us to refine our decision making process. This further strengthens internal control systems and helps in building positive relationships with all our stakeholders.

The Board of Directors of the Company is deeply engaged in developing and measuring the Company's long-term strategy, performance, culture and values. We believe that it adds a valuable and diverse set of external perspectives, while a robust, open debate about significant business issues brings an additional discipline and rigour to major decisions.

The Board is responsible and committed to embracing sound principles of corporate governance. Our governance framework ensures that we make timely disclosures and share detailed and timely information with respect to our financials and our performance, as well as disclosures related to our leadership and governance. We believe in transparency and commit ourselves to adhere to best practices in governance at all times. The Corporate Governance Philosophy of the Company is based on the following principles:

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

Board of Directors

At RAK Ceramics (Bangladesh), an active, well-informed and independent Board is necessary to ensure the highest standards of Corporate Governance in order to

bring objectivity and transparency in the Management. The Board of Directors is an effective intermediary between shareholders and the management. Directors are elected or appointed by shareholders at the Annual General Meeting (AGM) and they are accountable to our shareholders.

Composition of the Board

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

Board procedure

The Board embraces the practice of planning in advance in matters requiring discussions and decisions by the Board. The Board is appraised across all facets of the business by means of a presentation on production, sales, marketing, finance, major business segments/operations, among other matters, as per their demands and requirements. The Managing Director along with the Company Secretary, finalises the agenda papers for Board meetings, in consultation with concerned teams/stakeholders. The minutes of the proceedings of each Board meeting are maintained as per statutory provisions.

Committees of the Board

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

Audit Committee

The Audit Committee is a sub-committee of the Board and provides assistance in ensuring the perpetuation of strong monitoring systems across the organisation. The Committee comprises three members, which include an Independent Director. The Chairman of the Committee is an Independent Director of the Company. The Company Secretary is the Member Secretary of the Committee. The Audit Committee is responsible to the Board, and the duties and responsibilities of the Committee are clearly articulated in writing by the Board in the Audit Committee Charter. The Audit Committee reports to the:

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

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

Nomination and Remuneration Committee (NRC)

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

NRC of RAK Ceramics (Bangladesh) comprises three members, which include an Independent Director. The Chairperson of the Committee is an Independent Director of the Company. The Company Secretary is the Member Secretary of the Committee. NRC is independent, responsible and accountable to the Board and to shareholders. The NRC shall:

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

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

Chairman of the Board and Managing Director

The position of the Chairman of the Board and the Managing Director of RAK Ceramics (Bangladesh) is occupied by different individuals. The Board of Directors has clearly defined the respective roles and responsibilities of the Chairman and the Managing Director, in addition to their roles and responsibilities, as per the Articles of Association of the Company.

Chief Financial Officer

Sadhan Kumar Dey is the Chief Financial Officer of RAK Ceramics (Bangladesh). He is a qualified finance and management professional from the Chartered Institute of Management Accountant- UK and the Institute of Certified Management Accountant- Australia. He is an alumni of Harvard Business School, USA. He

possesses more than 20 years of industrial experience in construction companies in the manufacturing sector. As COO, he is responsible for entire business operations of the Company including its subsidiaries. He is also responsible for the finance and accounting activities of the Company as CFO.

Company Secretary

Muhammad Shahidul Islam is the Company Secretary of RAK Ceramics (Bangladesh) and has been appointed by the Board of Directors of the Company. He is a qualified Chartered Secretary and a fellow member of the Institute of Chartered Secretaries of Bangladesh (ICSB). His professional career spans more than 16 years in the realm of Company Secretariat, Corporate Affairs, Compliance, Initial Public Offer (IPO), Legal, Capital Market Operations and Internal Audit covering the manufacturing and insurance sectors. The Board of Directors have clearly defined the roles, responsibilities and duties of the Company Secretary.

Head of Internal Audit and Compliance

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

Statutory auditors

Statutory auditors are appointed by shareholders at the Annual General Meeting and also fix their remuneration thereof. A. Qasem & Co., Chartered Accountants (a member firm of ECOVIS International), was the statutory auditor of the Company for the year 2021. They conducted systematic examination of the books and records of the Company and ascertained, verified and reported upon the facts regarding the financial results of the Company. To ensure the highest levels of compliance with governance guidelines, the Company did not engage its statutory auditors to perform the following services:

- i. Appraisal or valuation services or fairness opinions;
- ii. Financial information systems design and implementation;
- iii. Book-keeping or other services related to the accounting records or financial statements;
- iv. Broker-dealer services;
- v. Actuarial services;
- vi. Internal audit services or special audit services;

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

A. Qasem & Co. Chartered Accountants declares that none of the partners or employees or any family members of any partners or employees of A. Qasem & Co. Chartered Accountants (a member firm of ECOVIS International) has taken any loan from RAK Ceramics (Bangladesh), nor have they any directorship/shares of RAK Ceramics (Bangladesh) during the tenure of the audit assignment.

Internal audit and control

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

Subsidiary company

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

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

Code of conduct

The Board of Directors of RAK Ceramics (Bangladesh) has formulated a coherent code of conduct for the Chairperson of the Board, other Board members, and Chief Executive Officer of the Company, and annual compliance to the code is recorded. As an organisation with a longstanding heritage, our values encompass integrity, self-determination and valuing our human resources. Our parent company has articulated the corporate values for the Company and has also stipulated a code of conduct for employees, ensuring that the latter maintains the highest integrity, promotes fair and accurate disclosures, and ensures financial reporting and compliance with all relevant laws and principles.

Transfer of unclaimed dividend to CMSF

In response of BSEC's Letter No. SEC/SRMIC/165-2020/part-1/202 dated 25 August 2021 and SEC/SRMIC/165-2020/part-1/166 dated 06 July 2021 and the CMSF Rules, we have transferred the unclaimed or undistributed or unsettled dividend for the year 2010 to 2017 in cash and stock to CMSF in due time

Dividend Distribution Policy

Dividend Distribution Policy is being adopted in compliance with the Directive of the Bangladesh Securities and Exchange Commission (BSEC) No. BSEC/CMRRCD/2021-386/03 dated 14 January 2021. The said policy is uploaded in the Company's website <https://www.rakceramics.com/bangladesh/en-bd/investor-relation/dividend/dividend-distribution-policy> as well as disclose in the page on 141 this annual report.

Compliances

RAK Ceramics (Bangladesh) is committed to comply with all requirements of the corporate governance code, as required by BSEC. The certificate on compliance of conditions of corporate governance code of the Company is provided on page 144 in this annual report.

Conclusion

RAK Ceramics (Bangladesh) ensured compliance with the highest standards of governance and unwavering adherence to the requirements of the ethical code of conduct through close and consistent monitoring. Further, through the code of ethics, all levels of staff were made aware of and encouraged to report through whistle-blowing any suspected wrongdoing.

DIVIDEND DISTRIBUTION POLICY

1. Purpose, Objectives and Scope

1.1. This policy is being adopted in compliance with the Directive of the Bangladesh Securities and Exchange Commission (BSEC) No. BSEC/CMRRCD/2021-386/03 dated 14 January 2021. The Directive requires to formulate a dividend distribution policy which shall be disclosed in the annual report and official website of the company.

1.2. The objective of this Policy is to ensure the optimum balance between the quantum of dividend declared and/or paid and amount of profits to be retained in the business for various investment and funding purposes. The Policy sets parameters to be considered by the Board of Directors of the Company for declaration of dividend including interim dividend from time to time. The Policy also sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or retention of profits, in the interest of providing transparency to the shareholders.

1.3. This Policy reflects the philosophy of the Company to maximize reward to its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy, to pay, subject to the business & economic circumstances and external & internal factors enlisted, which shall be consistent with the performance of the Company over the years.

2. Definitions

2.1. Unless repugnant to the context:

2.2 "Act" shall mean The Companies Act, 1994 including the Gazette Notification / Rules made thereunder, and as amended from time to time relating to the Act.

2.3. "Applicable Laws" shall mean the Companies Act, 1994 including the Gazette Notification / Rules made thereunder, as amended from time to time, and all other acts, rules, regulations, notifications, orders, circulars etc. of the Bangladesh Securities and Exchange Commission (BSEC), the Dhaka Stock Exchange Limited (DSE), the Chittagong Stock Exchange Limited (CSE) and such other act, rules or regulations which applicable to the Company.

2.4. "Company" shall mean RAK Ceramics (Bangladesh) Limited.

2.5. "Compliance Officer" shall mean the Compliance Officer of the Company appointed by the Board of Directors.

2.6. "Board" or "Board of Directors" shall mean Board of Directors of the Company.

2.7. "Dividend" shall mean Dividend as defined under the Companies Act, 1994.

2.8. "GCFO, MD, CEO" shall mean Group Chief Financial Officer, Managing Director and Chief Executive Officer of the Company.

2.9. "Policy or this Policy" shall mean the Dividend Distribution Policy.

2.10. "Subsidiary" shall mean Subsidiary of the Company as defined under the Companies Act, 1994.

2.11. Words and expressions used and not defined in this Policy but defined in Companies Act, 1994 or rules made thereunder or Bangladesh Securities and Exchange Commission rules shall have the meanings respectively assigned to them in those Acts, Rules and Regulations.

3. Parameters for declaration of dividend

The Board shall consider the following circumstances for declaration and payment of dividend.

3.1 Financial parameters

- a. Availability of profits;
- b. Financial feasibility of the Company;
- c. Favorable Debt Equity ratio;
- d. Debt interest coverage ratio;
- e. Liquidity position;
- f. Business expansions, acquisitions, etc.;
- g. Favorable state of the capital markets;
- h. Profit growth.

3.2 External factors

- a. Shareholders' expectations;
- b. Uncertain or recessionary economic and business conditions;
- c. Sectorial performance;
- d. Future uncertainties and industrial downturn;
- e. Government policy;
- f. Clientele effect;
- g. Risk effect.

3.3 Internal factors

- a. Growth rate of past earnings;
- b. Growth rate of predicted profits;
- c. Expansion and modernization of existing business;
- d. Investment in research and development;
- e. Working capital requirements;
- f. Mergers and Acquisitions;
- g. Investments in subsidiaries/Joint ventures/ associates;

3.4 Utilization of retained earnings

The decision of utilization of retained earnings of the Company shall be based on the following factors:

- a. Acquisition/Diversification of business;
- b. Long term strategic plan;
- c. High cost of debt;
- d. Market or product development/expansion plan;
- e. Increase in production capacity;
- f. Modernization Plan;

4. Target Dividend

RAK Ceramics (Bangladesh) Limited is committed to returning capital to shareholders via a sustainable dividend policy, aiming at a payout ratio in excess of 60% of consolidated net income subject to consideration of factors such as the business outlook, capital requirements for growth opportunities, expansion plans, optimal leverage levels and healthy cash reserves in addition to regulatory approvals.

5. Circumstances under which the shareholders may or may not expect dividend

5.1 Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;

5.2 Significantly higher working capital requirements adversely impacting free cash flow;

5.3 Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;

5.4 In the event of inadequacy of profits or whenever the Company has incurred losses.

The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

6. Procedure of Dividend Payout

6.1. The given below is a summary of the process of

declaration and payment of dividends, and is subject to applicable regulations.

6.2 In case of final dividends.

- a. The Chief Financial Officer in consultation with the GCFO, MD / CEO of the Company shall prepare a proposal note to the Board for recommending the percentage of dividend, if any and that proposal shall be reviewed by the Board, and shall be recommended for shareholders consideration and approval.
- b. The dividend as recommended by the Board shall be approved/declared by the shareholders at the annual general meeting of the Company.
- c. The payment of dividend shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date/book closure period as per the applicable law.

6.3 In case of interim dividend.

- a. Interim dividend, if any, shall be declared by the Board.
- b. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
- c. The payment of dividends shall be made within 30 days from the date of record date to the shareholders entitled to receive the dividend as per the applicable laws.
- d. In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the annual general meeting.

The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

7. Classes of Shares

The Company has issued only equity shares. There are no other class of shares issued or proposed to be issued by the Company. In case of issue of new class of shares in the future, the policy will be reviewed accordingly.

8. Applicability of the Policy

This policy is applicable on equity shares of the Company.

9. Compliance Responsibility

9.1. The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

9.2. Compliance of this Policy shall be the responsibility of the Chief Financial Officer and the Company Secretary of the Company who shall have the power

to ask for any information or clarifications from the management in this regard.

10. Review of the Policy

10.1. This Policy would be subject to revision/ amendment in accordance with the guidelines as may be issued by the National Board of Revenue, Bangladesh Securities and Exchange Commission or such other regulatory authority as may be authorized, from time to time, on the subject matter.

10.2. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.

10.3. Such amended Policy shall be periodically placed

before the Board for adoption immediately after such changes.

11. Publication of the Policy

This Policy, as approved by the Board, shall be disclosed in the annual report and official website of the company at www.rakceramics.com/bangladesh.

12. Disclaimer

This document does not solicit investments in the Company's securities. Nor is it an assurance of guaranteed returns (in any form), for investments in the Company's equity shares.

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Jasmin & Associates
Chartered Secretaries

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

We have examined the Compliance status to the Corporate Governance Code by RAK Ceramics (Bangladesh) Limited for the year ended on December 31, 2021. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.

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

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

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

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

For: Jasmin & Associates



Jasmin Akter, FCS
Chief Executive

Place : Dhaka

Dated : February 02, 2022

RAK Ceramics (Bangladesh) Limited

For the year ended 31st December 2021

Status of Compliance with the Corporate Governance Code

As per Condition No. 1 (5)(xxvii)

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

(Report under Condition No. 9)

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1	BOARD OF DIRECTORS:			
1(1)	Board's Size			
	The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty).	√		
1(2)	Independent Directors			
1(2)(a)	At least one fifth (1/5) of the total number of directors in the Company's Board shall be Independent Directors; any fraction shall be considered to the next integer or whole number for calculating number of independent director(s);	√		
1(2)(b)(i)	Who either does not hold share in the Company or holds less than one (1%) shares of the total paid up shares of the Company;	√		
1(2)(b)(ii)	Who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members also shall not hold above mentioned shares in the company;	√		
1(2)(b)(iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years;	√		
1(2)(b)(iv)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	√		Director of subsidiary Companies
1(2)(b)(v)	Who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	√		
1(2)(b)(vi)	Who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	√		
1(2)(b)(vii)	Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(2)(b)(viii)	Who shall not be an independent director in more than 5 (Five) listed companies;	√		
1(2)(b)(ix)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan any advance to a bank or a Non-Bank Financial Institution (NBFi); and	√		
1(2)(b)(x)	Who has not been convicted for a criminal offence involving moral turpitude.	√		
1(2)(c)	The Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM).	√		
1(2)(d)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	√		
1(2) (e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only:	√		
1(3)	Qualification of Independent Director (ID)			
1(3)(a)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws regulatory requirements and can make meaningful contribution to business;	√		
1(3)(b)(i)	Business Leader who is or was a promoter or director of an unlisted company having minimum paid-up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or	√		
1(3)(b)(ii)	Corporate Leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid-up capital of Tk. 100.00 million or of a listed company; or	√		
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or Law; or	√		
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law; or	√		
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;	√		
1(3) (c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	√		
1 (3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			No such matter

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(4)	Duality of chairperson of the Board of Directors and Managing Director of chief Executive Officer			
1(4) (a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√		
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√		
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	√		
1 (4)(d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√		
1 (4) (e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from nonexecutive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
1(5)	The Director's Report to Shareholders			
1(5)(i)	An Industry outlook and possible future developments in the industry;	√		
1(5)(ii)	The Segment-wise or product-wise performance;	√		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
1(5)(iv)	A Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		
1(5) (v)	A Discussion on continuity of any Extra-Ordinary activities and their implication (gain or loss);			No such matter
1(5) (vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;			No such matter
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.;			No such matter
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;	√		
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		
1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xii)	A Statement that proper books of account of the issuer Company have been maintained.	√		
1(5)(xiii)	A statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;	√		
1(5)(xiv)	A statement that International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;	√		
1(5)(xv)	A statement that the system of internal control is sound in design and has been effectively implemented and monitored;	√		
1(5)(xvi)	A statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√		
1(5)(xvii)	A statement that there are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed;			No such matter
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained;	√		
1(5)(xix)	Key operating and financial data of at least preceding 5 (five) years shall be summarized;	√		
1(5)(xx)	An explanation on the reasons If the issuer company has not declared dividend (cash or stock) for the year;			No such matter
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;	√		
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	√		
1(5)(xxiii)(a)	Parent or Subsidiary or Associated Companies and other related parties (name-wise details);	√		
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name wise details);	√		
1(5)(xxiii)(c)	Executives;	√		
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1(5)(xxiv)(a)	A brief resume of the director;	√		
1(5)(xxiv)(b)	Nature of his / her expertise in specific functional areas;	√		
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xxv) (a)	Accounting policies and estimation for preparation of financial statements;	√		
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	√		
1(5)(xxv)(c)	Comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	√		
1(5)(xxv)(d)	compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	√		
1(5)(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe;	√		
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company; and	√		
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	√		
1(5)(xxvi)	Declaration or certification by the MD and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A ; and	√		
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C .	√		
1(6)	Meetings of the Board of Directors; The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.	√		
1(7)	Code of Conduct for the Chairperson, other Board members and Chief Executive Officer			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;	√		
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
2	Governance of Board of Directors of Subsidiary Company.			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;	√		
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;	√		
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;	√		
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;	√		
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
3	Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS).			
3(1)	Appointment			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	√		
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√		
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√		
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√		
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	√		
3(2)	Requirement to attend Board of Directors' Meetings The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board: Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	√		
3(3)	Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
3(3)(a)	The MD or CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief:			

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3(3)(a)(i)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and	√		
3(3)(a)(ii)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	√		
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	√		
3(3) (c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		
4	Board of Directors' Committee:- For ensuring good governance in the company, the Board shall have at least following sub-committees:			
4 (i)	Audit Committee; and	√		
4(ii)	Nomination and Remuneration Committee	√		
5	AUDIT COMMITTEE:			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors;	√		
5(1)(b)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business;	√		
5(1) (c)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
5(2)	Constitution of the Audit Committee			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√		
5(2)(b)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the Company and shall include at least 1 (one) Independent Director;	√		
5(2) (c)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	√		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(2)(e)	The company secretary shall act as the secretary of the Committee;	√		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without independent director.	√		
5(3)	Chairman of the Audit Committee			
5(3)(a)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director;	√		
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
5(3) (c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM):	√		
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year;	√		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		
5(5)	Role of Audit Committee			
	The Audit Committee shall :-			
5(5)(a)	Oversee the financial reporting process;	√		
5(5)(b)	Monitor choice of accounting policies and principles;	√		
5(5) (c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√		
5(5)(d)	Oversee hiring and performance of external auditors;	√		
5 (5) (e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√		
5(5) (f)	Review along with the management, the annual financial statements before submission to the board for approval;	√		
(5)(5) (g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√		
5(5) (h)	Review the adequacy of internal audit function;	√		
5(5) (i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
5(5) (j)	Review statement of all related party transactions submitted by the management;	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(5) (k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	√		
5(5) (l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√		
5(5) (m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission:			No such matter
5(6)	Reporting of the Audit Committee			
5(6)(a)	Reporting to the Board of Directors			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board.	√		
5(6)(a)(ii)(a)	Report on conflicts of interests;			No such matter
5(6)(a)(ii)(b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process or in the financial statements;			No such matter
5(6)(a)(ii)(c)	Suspected infringement of laws, regulatory compliances including securities related laws, rules and regulations; and			No such matter
5(6)(a)(ii)(d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			No such matter
5(6)(b)	Reporting to the Authorities ;If the Audit Committee has reported to the Board about anything which has material impact on the financial condition and results of operation and has discussed with the Board and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.			No such matter
5(7)	Reporting to the Shareholders and General Investors ;Report on activities carried out by the Audit Committee, including any report made to the Board under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	√		
6	Nomination and Remuneration Committee (NRC):-			
6(1)	Responsibility to the Board of Directors			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;	√		
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;	√		

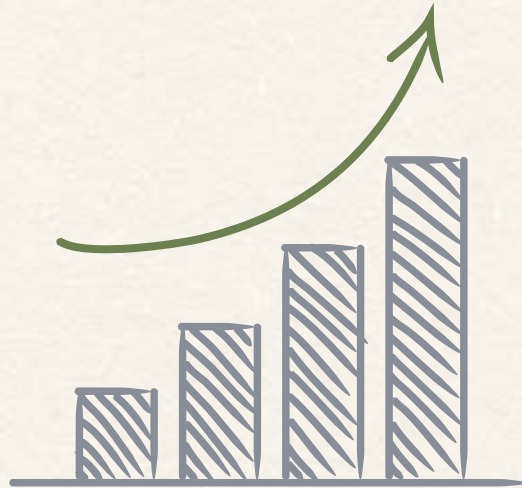
Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(1)(c)	The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).	√		
6(2)	Constitution of the NRC			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;	√		
6(2)(b)	All members of the Committee shall be non-executive directors;	√		
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;	√		
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;	√		
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;	√		
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;	√		
6(2)(g)	The company secretary shall act as the secretary of the Committee;	√		
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;	√		
6(2)(i)	No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director's fees or honorarium from the company.	√		
6(3)	Chairperson of the NRC			
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;	√		
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;	√		
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders;	√		
6(4)	Meeting of the NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;	√		
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;	√		
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(4) (d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.	√		
6(5)	Role of the NRC			
6(5) (a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;	√		
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;	√		
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and	√		
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;	√		
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;	√		
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;	√		
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;	√		
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and	√		
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies;	√		
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.	√		
7	External or Statutory Auditors.			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-			
7(1)(i)	Appraisal or valuation services or fairness opinions;	√		
7(1)(ii)	Financial information systems design and implementation;	√		
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements;	√		
7(1)(iv)	Broker-dealer services;	√		
7(1)(v)	Actuarial services;	√		
7(1)(vi)	Internal audit services or special audit services	√		

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
7(1)(vii)	any service that the Audit Committee determines;	√		
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	√		
7(1)(ix)	Any other service that creates conflict of interest.	√		
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company;	√		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√		
8	Maintaining a website by the Company:-			
8(1)	The company shall have an official website linked with the website of the stock exchange.	√		
8(2)	The company shall keep the website functional from the date of listing.	√		
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	√		
9	Reporting and Compliance of Corporate Governance.-			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.	√		
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the Annual General Meeting.	√		
9(3)	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors' report whether the company has complied with these conditions or not.	√		

BAPLC CERTIFICATE 2021





POSITIVE INPUTS LEADING TO POSITIVE OUTCOMES

Our audited financial statements

At RAK Ceramics (Bangladesh), we are committed to doing business upholding the highest standards of compliance and governance. As we focus on advancing in our journey through sound navigation, we are convinced that we will continue to strengthen our financial performance, further supplemented by more vigorous efforts in all-round business development. Stakeholder trust is an asset that is precious to us and hence our Directors, the apex leadership at the Company, are responsible for our financial statements that have been prepared in accordance with all the rules and regulations and have been audited by one of the top auditing firms of the country.

Declaration of MD and CFO regarding financial statements

Independent auditors' report and audited consolidated financial statements of RAK Ceramics (Bangladesh) Limited

Independent auditors' report and audited financial statements of RAK Ceramics (Bangladesh) Ltd.

Directors' report, Independent auditors' report and audited financial statements of RAK Power Pvt. Ltd.

Directors' report, Independent auditors' report and audited financial statements of RAK Security and Services (Pvt.) Ltd.

Statement pursuant to section 186(1)(e) of the Companies Act, 1994

Notice of the 23rd Annual General Meeting

DECLARATION OF MD AND CFO REGARDING FINANCIAL STATEMENTS

Date: February 02, 2022

The Board of Directors

RAK Ceramics (Bangladesh) Limited

Subject: Declaration on Financial Statement for the year ended 31 December 2021.

Dear Sirs,

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

1. The audited standalone and consolidated financial statements of RAK Ceramics (Bangladesh) Limited for the year ended on 31 December 2021 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
2. The estimates and judgements related to the financial statements were made on prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
3. The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
4. To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
5. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
6. The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern.

In this regard, we also certify that:-

- i. We have reviewed the audited standalone and consolidated financial statements for the year ended on 31 December 2021 and that to the best of our knowledge and belief:
 - a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. These statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- ii. There are, to the best of knowledge and belief, no transactions entered into by the Company during the period which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



SAK Ekramuzzaman
Managing Director



Sadhan Kumar Dey
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK CERAMICS (BANGLADESH) LIMITED

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of RAK Ceramics (Bangladesh) Limited (the Group) which comprise the consolidated statement of financial position as at 31 December 2021, 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 and other explanatory information.

In our opinion, the accompanying consolidated financial statements give true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2021, 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 Auditor's

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) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2021. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

SL	Key Audit Matter	How our audit addressed the key audit matter
1	<p>Revenue recognition (Refer to notes 3.15 and 25 to these Consolidated financial statements)</p> <p>The Group recognizes revenue when control of the goods is transferred to the customer at an amount that reflects the net consideration, which the Group expects to receive from customers. In determining the sales price, the Group considers the effect of commission, incentive, bonus and discounts (variable consideration).</p> <p>The terms of sales agreements, including the timing of transfer of control, based on the terms of relevant contract and nature of commission, incentive, bonus and discounts arrangements, create complexities that requires judgement in determining sales revenues.</p> <p>Considering the above factors and the risk associated with revenue recognition, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We read the Group's revenue recognition policy and assessed its compliance in terms of IFRS 15 'Revenue from contracts with customers'; Performed sample tests of individual sales transactions and traced to sales invoices, sales orders and other related documents. In respect of the samples selected, we tested recognition of revenue based on underlying sales invoices, sales orders and other related documents; We selected a sample of invoices on which rebates and discounts were given and obtained the rebates and discount schemes approved by the management. We noted the accounting of commission, incentive, bonus and discounts by the Group for the selected sample; Selected samples of sales transactions made pre and post year end, agreed the date of transfer of control for the selected sample by testing underlying documents including customers confirmation; and Assessed the relevant disclosures made within the consolidated financial statements.

SL	Key Audit Matter	How our audit addressed the key audit matter
2	Tax and regulatory matters (Refer to notes 3.22 and 43 to these Consolidated financial statements)	
	<p>The Group has several pending corporate tax assessments and legal proceedings with Government revenue authorities related to claims for tax, VAT and custom duty. The pending cases expose the Company to significant litigation and similar risks arising from many disputes and regulatory proceedings. Such matters are subject to many uncertainties, and the outcomes may not be appropriate to predict.</p> <p>These uncertainties inherently may affect the amount and timing of potential cash outflows with respect to tax provisions and contingent liabilities related to tax, VAT and custom duty.</p> <p>As listed entity, the Group also has to maintain compliance requirements of the Bangladesh Securities and Exchange Commission.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding, evaluated the design and tested operational effectiveness of the Group's key control on tax provision and contingencies. • We enquired to those charged with governance to obtain their view on the status of all significant litigations and regulatory matters; • We enquired of the Group's internal legal counsel for all significant litigations and regulatory matters and inspected internal notes and report. We also received formal confirmation from external counsel; • We assessed the methodologies on which provision and contingencies are based and recalculated the provision and tested the completeness and accuracy of the underlying information; and • We also assessed the disclosures on the Group's provisions and contingent liabilities.

SL	Key Audit Matter	How our audit addressed the key audit matter
3	Valuation of inventories (Refer to notes 3.9 and 9 to these Consolidated financial statements)	
	<p>The inventories of the Group are carried out at lower of cost and net realizable value (NRV). The risk of cost exceeding NRV has increased due to the pandemic situation caused by COVID19 having an adverse impact on local and global supply chain and market conditions. During the year the inventory of the Group is 28% of the total current assets.</p> <p>The determination of net realizable value of inventories is judgmental and complex, especially in the current uncertain market situations due to the pandemic.</p> <p>Considering the above factors and the risk associated with the determination of net realizable value of inventories, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation of key controls on inventories operating across the Group; • We assessed the management's process of determining the net realizable value of inventories and impact of pandemic on it; • We attended the stock counting physically and reconciled the count results with the inventories listings to test the accuracy and completeness; • We checked the ageing analysis of inventories and appropriateness of management's process of determination of probability of obsolescence for each group of inventories; • We reviewed the historical accuracy of provision on inventories and the level of inventories write-offs during the year; and • We also assessed the disclosures on the inventories as per IAS 2.

SL	Key Audit Matter	How our audit addressed the key audit matter
4	Credit risks and impairment on trade receivables (Refer to notes 3.14, 10 and 36.1(b) to these Consolidated financial statements)	
	<p>The amount of trade receivables covers 11% of total current assets. The pandemic situation has positioned many business organizations in the financial stress and as a result, the risks of being default in payment of debts by the stressed customers increases significantly.</p> <p>The significant amount of trade receivables of the Group is attributable to a single customer which is also a related party as disclosed in note-37 to the consolidated financial statements to the Group. Being the related party, there may be financial transactions that lack in the criteria of arm's length transaction.</p> <p>Significant amount of judgment is to be applied to determine the risk of default by the customers over the expected life of trade receivables which may have material impact on trade receivables and as a result, there is risk of error in determining the allowance for impairment on trade receivables.</p> <p>Considering the above factors and the risk associated with the determination of impairment allowance on trade receivables, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We tested the receivable balances compared those with the results obtained from external confirmations. • We inspected the arrangements, security documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables; • We enquired of the Group's internal legal counsel for all significant litigations and regulatory matters and inspected internal notes and report. We also received formal confirmation from external counsel; • We reviewed the calculation of impairment allowance on trade receivables as per IFRS 9; and • We also assessed the disclosures on the trade receivables as per IFRS 9.

Other information included in the Group's 31 December 2021 Annual Report

Other information consists of the information included in the Group's 31 December 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. We obtained Director's Report, Management Discussion and Analysis, five years financial information, and Corporate Governance report prior to the date of our auditor's report, and we expect to obtain the remaining reports of the Annual Report after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge

obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with IFRSs, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations 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.

In preparing the consolidated financial statements of the Group, 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 consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2020 was audited by

another auditor who expressed an unqualified opinion on those consolidated statements on 03 February 2021.

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:

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

A. Qasem & Co.

Chartered Accountants

RJSC Firm Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA

Partner

Enrolment Number: 0950

Dhaka, 02 February 2022

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 Taka	2020 Taka
Assets			
Property, plant and equipment	4	2,799,893,949	3,087,064,214
Investment property	5	503,234,165	503,456,083
Right-of-use assets	6	13,852,546	21,183,255
Intangible assets	7	2,025,755	3,132,357
Capital work-in-progress	8	17,713,837	56,636,694
Total non-current assets		3,336,720,252	3,671,472,603
Inventories	9	2,989,795,940	2,026,990,380
Trade and other receivables	10	1,227,006,049	1,008,800,248
Advances, deposits and prepayments	11	311,692,999	270,311,098
Advance income tax	12	3,865,788,064	3,588,659,675
Cash and cash equivalents	13	2,276,654,664	1,949,194,840
Total current assets		10,670,937,716	8,843,956,241
Total assets		14,007,657,968	12,515,428,844
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	1,747,192,779	1,269,975,797
Equity attributable to equity holders of the company		7,500,527,768	7,023,310,786
Non-controlling interests		1,418	1,314
Total equity		7,500,529,186	7,023,312,100
Liabilities			
Deferred tax liability	17	139,829,250	191,761,301
Lease liability	20	4,904,896	9,291,390
Total non-current liabilities		144,734,146	201,052,691
Borrowings	19	430,408,117	119,940,905
Lease liability	20	4,809,657	4,505,188
Trade and other payables	21	885,084,814	625,493,472
Unclaimed dividend payable	22	11,764,448	49,576,141
Accrued expenses	23	758,212,444	520,281,836
Provision for income tax	24	4,272,115,156	3,971,266,511
Total current liabilities		6,362,394,636	5,291,064,053
Total liabilities		6,507,128,782	5,492,116,744
Total equity and liabilities		14,007,657,968	12,515,428,844

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202

Motaleb

Mohammad Motaleb Hossain FCA
Partner

Enrolment Number: 0950

02 February 2022

Abdallah Massaad
Abdallah Massaad
Chairman

SAK Ekramuzzaman
SAK Ekramuzzaman
Managing Director

Pramod Kumar Chand
Pramod Kumar Chand
Director

Sadhan Kumar Dey
Sadhan Kumar Dey
Chief Financial Officer

Muhammad Shahidul Islam FCS
Muhammad Shahidul Islam FCS
Company Secretary

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

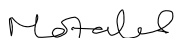
	Notes	2021 Taka	2020 Taka
Sales	25	6,851,136,685	5,288,916,673
Cost of sales	26	(4,818,277,683)	(4,122,212,640)
Gross profit		2,032,859,002	1,166,704,033
Other income	27	50	3,973,687
Administrative expenses	28	(333,244,125)	(317,146,536)
Impairment loss on trade receivables	28.1	(275,532)	(677,294)
Marketing and selling expenses	29	(523,744,007)	(414,376,760)
		(857,263,614)	(728,226,903)
Profit from operating activities		1,175,595,388	438,477,130
Finance income	30	44,817,209	51,548,759
Finance expenses	31	(10,390,323)	(19,673,258)
Net finance income		34,426,886	31,875,501
Profit before contribution to workers' profit participation and welfare fund		1,210,022,274	470,352,631
Contribution to workers' profit participation and welfare fund	32	(55,919,793)	(22,816,672)
Profit before income tax		1,154,102,481	447,535,959
Income tax expense			
Current tax	33	(300,848,645)	(137,014,355)
Deferred tax	17	51,932,051	131,848
		(248,916,594)	(136,882,507)
Profit for the year		905,185,887	310,653,452
Other comprehensive income		-	-
Total comprehensive income for the year		905,185,887	310,653,452
Profit attributable to:			
Equity holders of the company		905,185,683	310,653,331
Non-controlling interests		204	121
Profit after tax for the year		905,185,887	310,653,452
Basic earnings per share (Par value TK 10)	39	2.12	0.73

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA
Partner

Enrolment Number: 0950

02 February 2022


Abdallah Massaad
Chairman


SAK Ekramuzzaman
Managing Director


Pramod Kumar Chand
Director


Sadhan Kumar Dey
Chief Financial Officer


Muhammad Shahidul Islam FCS
Company Secretary

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company				Non-controlling interests Taka	Total equity Taka
	Share capital Taka	Share Premium Taka	Retained earnings Taka	Total Taka		
	Note-14	Note-15	Note-16			
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	4,279,687,010	1,473,647,979	1,269,975,797	7,023,310,786	1,314	7,023,312,100
Balance as at 01 January 2021	4,279,687,010	1,473,647,979	1,269,975,797	7,023,310,786	1,314	7,023,312,100
Total comprehensive income for 2021						
Profit for the year	-	-	905,185,683	905,185,683	204	905,185,887
Transactions with the shareholders						
Cash dividend (2020)	-	-	(427,968,701)	(427,968,701)	(100)	(427,968,801)
Balance as at 31 December 2021	4,279,687,010	1,473,647,979	1,747,192,779	7,500,527,768	1,418	7,500,529,186

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 2021

	2021 Taka	2020 Taka
Cash flows from operating activities		
Cash receipts from customers	6,627,974,761	5,105,194,886
Cash payments to suppliers and employees	(5,776,542,072)	(3,732,064,498)
Cash generated from operating activities	851,432,689	1,373,130,388
Interest received from bank deposits	8,553,389	10,130,980
Income tax paid (note 12)	(277,128,389)	(154,596,400)
Net cash (used in)/from operating activities (note 42)	582,857,689	1,228,664,968
Cash flows from investing activities		
Acquisition of property, plant and equipment	(132,428,540)	(231,242,745)
Sale of property, plant and equipment (note 5.3)	3,332,000	2,361,500
Interest received from FDR	40,649,943	38,673,987
Income from rental	570,000	5,325,653
Intangible assets	(450,000)	(492,890)
Insurance claim received	-	38,287,131
Dividend received	50	100
Net cash (used in)/from investing activities	(88,326,547)	(147,087,264)
Cash flows from financing activities		
Finance charges	(5,095,764)	(15,541,011)
Avail/(repayment) of short-term loan	310,467,212	30,707,987
Payment of lease liability	(6,074,925)	(13,010,335)
Dividend paid	(465,780,393)	(634,047,427)
Unclaimed share application refund	(748,800)	-
Adjustment related with non-controlling interest	(100)	(200)
Net cash (used in)/from financing activities	(167,232,770)	(631,890,986)
Effect of exchange rate changes in cash and cash equivalents	161,452	198,021
Net increase/(decrease) in cash and cash equivalents	327,459,824	449,884,739
Cash and cash equivalents as at 01 January	1,949,194,840	1,499,310,101
Cash and cash equivalents as at 31 December (Note 13)	2,276,654,664	1,949,194,840

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2021

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 (IFRSs), the Companies Act 1994 and the Securities and Exchange Rules 1987.

The title and format of these financial statements follow the requirements of IFRSs 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 IFRSs 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 02 February 2022.

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 and 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 24	Provision for income tax
Note 28.1	Impairment on trade receivables

2.5 Reporting period

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

2.6 Going concern

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

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 mid of April 2021 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 August 2021 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 IFRSs, 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 and 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 is 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 internal developed intangible assets capitalized during the year.

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 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 Group 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 Group 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 Group also makes equal contribution to the fund. These are administered by the Board of Trustees. The contributions are invested separately from the Group's assets.

Contribution to defined contribution plan is recognised as an expense when an employee has rendered services to the Group. 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 Group'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 Group 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 Group 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 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.

i. Classification – financial assets

IFRS 9 contains a 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).

ii. Impairment

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

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

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

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

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

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

iii. Hedging

IFRS 9 incorporates 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.

Impact of IFRS 9 shown in note no. 36.1 (b).

3.15 IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

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.

ii. Rendering of services

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

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

iii. Construction contracts

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

3.16 IFRS 16 Leases

Under the IFRS 16, leases will be brought onto Group's 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 IFRS 16 guidance has an increased focus on who controls the asset and may change which contracts are leases.

General impact of application of IFRS 16 Leases

IFRS 16 introduces 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 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 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.

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 requirements in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

3.17 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.

3.18 Foreign currency

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

3.19 Taxation

Income tax expenses represent 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 the Group as per Finance Act 2021.

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.

3.20 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.

3.21 Determination and presentation of operating segment

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

3.22 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.

3.23 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.

3.24 Events after the reporting period

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

3.25 Comparatives and reclassification

Comparative information have been disclosed in respect of 2020 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
2021

Particulars	C O S T				Rate (%)	D E P R E C I A T I O N				Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2021		Balance as at 01 Jan 2021	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2021	
Land	341,565,707	-	-	341,565,707	-	-	-	-	-	341,565,707
Factory building	1,038,033,128	977,754	-	1,039,010,882	5-20	48,770,512	-	537,116,690	537,116,690	501,894,192
Office and accommodation building	507,945,395	26,266,111	-	534,211,506	5	28,774,601	-	203,708,611	203,708,611	330,502,895
Plant and machinery	5,786,866,674	113,409,476	(62,007,839)	5,838,268,311	5-10	340,568,353	(58,338,508)	4,355,890,753	4,355,890,753	1,482,377,558
Mobile plant	142,301,896	10,921,834	(30,666,089)	122,557,641	10	4,912,074	(28,881,519)	84,900,028	84,900,028	37,657,613
Electrical installation	242,630,147	-	-	242,630,147	10-20	6,812,690	-	215,255,337	215,255,337	27,374,810
Gas pipeline	79,438,345	1,075,709	-	80,514,054	10-20	4,079,277	-	64,055,745	64,055,745	16,458,309
Furniture and fixtures	42,711,628	5,920,657	(4,581,813)	44,050,472	10	3,446,949	(3,533,656)	28,097,484	28,097,484	15,952,988
Office equipment	97,120,413	4,912,673	(49,319,238)	52,713,848	10-20	4,748,582	(49,212,545)	40,839,174	40,839,174	11,874,674
Communication equipment	13,757,325	903,004	(2,151,070)	12,509,259	10-20	1,963,875	(2,044,836)	8,369,622	8,369,622	4,139,637
Tools and appliances	19,177,097	717,952	(63,427)	19,831,622	10-20	1,444,556	(63,427)	14,977,934	14,977,934	4,853,688
Vehicles	84,511,240	6,246,226	-	90,757,466	10-20	6,285,208	-	65,515,588	65,515,588	25,241,878
Fire fighting equipment	3,631,012	-	-	3,631,012	20	-	-	3,631,012	3,631,012	-
Total	8,399,690,005	171,351,396	(148,789,476)	8,422,251,927		451,806,678	(142,074,492)	5,622,357,978	5,622,357,978	2,799,893,949

Particulars	C O S T			Rate (%)	D E P R E C I A T I O N				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal transfer during the year		Balance as at 31 Dec 2020	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2020	
Land	338,570,507	2,995,200	-		-	-	-	341,565,707	
Factory building	1,038,033,128	-	-	5-20	434,633,410	53,712,768	-	549,686,949	
Office and accommodation building*	200,864,019	100,062,037	207,019,337	5	119,708,362	17,174,934	38,050,714	333,011,384	
Plant and machinery	5,545,628,139	242,044,784	(806,250)	5-10	3,758,357,220	315,353,914	(50,225)	1,713,205,765	
Mobile plant	142,301,896	-	-	10	103,632,451	5,237,022	-	33,432,423	
Electrical installation	242,630,147	-	-	10-20	200,863,110	7,579,537	-	34,187,500	
Gas pipeline	79,438,345	-	-	10-20	56,251,363	3,725,105	-	19,461,877	
Furniture and fixtures	44,569,418	2,863,982	(4,721,772)	10	30,123,069	2,777,793	(4,716,673)	14,527,438	
Office equipment	119,827,598	4,093,113	(26,800,299)	10-20	93,068,558	19,010,249	26,775,670	11,817,276	
Communication equipment	18,105,282	188,931	(4,536,890)	10-20	10,640,101	2,347,334	(4,536,853)	5,306,742	
Tools and appliances	19,177,097	-	-	10-20	12,019,368	1,577,437	-	5,580,292	
Vehicles	91,062,462	-	(6,551,223)	10-20	58,616,737	6,771,205	(6,157,560)	25,280,859	
Fire fighting equipment	3,631,012	-	-	20	3,631,012	-	-	-	
Total	7,883,839,050	352,248,049	163,602,903		4,881,544,761	435,267,297	(4,186,267)	3,087,064,214	

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

5 Investment Property
2021

Particulars	COST			Rate	DEPRECIATION			Amount in Taka Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/Transfer during the year		Balance as at 01 Jan 2021	Charged during the year	Adjustment during the year	
Land ¹	500,571,750	-	-	-	-	-	-	500,571,750
Office building ²	4,432,737	-	-	5%	1,548,404	221,918	1,770,322	2,662,415
Total	505,004,487	-	-		1,548,404	221,918	1,770,322	503,234,165

2020

Particulars	COST			Rate	DEPRECIATION			Amount in Taka 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 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

1. The land 10 khata is situated besides the RAK Tower was acquired in March 2012. The same was classified as Property, plant and equipment upto 31 Dec 2016. However, presently the asset is under investment property as per IAS 40 considering undetermined future use.

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

2. A godown building is situated on the land. The same was classified as Property, plant and equipment upto 31 Dec 2016. However, presently the asset is under investment property as per IAS 40 considering undetermined future use.

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

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) . This property is also under operating lease culminating in undetermined future use upto 31 October 2020. Hence the same was classified under "Investment Property" under IAS 40 upto 31 October 2020.

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

The fair values of the property has been adopted as 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.

	2021 Taka	2020 Taka
5.1 Depreciation		
Property, plant and equipment (Note 4)	451,806,678	435,267,297
Investment Property (Note 5)	221,918	9,008,663
	452,028,596	444,275,960
5.2 Allocation of Depreciation		
Cost of sales (Note 26)	416,656,484	393,410,021
Administrative expenses (Note 5.2.1)	29,748,902	45,447,776
Marketing and selling expenses (Note 29)	5,623,210	5,418,163
	452,028,596	444,275,960
5.2.1 Allocation of Administrative Depreciation		
Depreciation on property, plant and equipment (Note 28)	29,526,984	36,439,113
Depreciation on investment property (Note 28)	221,918	9,008,663
	29,748,902	45,447,776
5.3 Disposal of property, plant and equipment		

2021

Particulars	Amount in Taka				
	Original cost Taka	Accumulated depreciation Taka	Book value Taka	Receipt against sales/ insurance Taka	Profit/(loss) on disposal Taka
Mobile plant	30,666,089	28,881,519	1,784,570	3,332,000	1,547,430
Office equipment	49,319,238	49,212,545	106,693	-	(106,693)
Furniture and fixture	4,581,813	3,533,656	1,048,156	-	(1,048,156)
Plant and machinery	62,007,839	58,338,508	3,669,331	-	(3,669,331)
Communication equipment	2,151,070	2,044,836	106,234	-	(106,234)
Tools and appliances	63,427	63,427	-	-	-
Total	148,789,476	142,074,492	6,714,984	3,332,000	(3,382,984)

2020

Particulars	Amount in Taka				
	Original cost Taka	Accumulated depreciation Taka	Book value Taka	Receipt against sales/ insurance Taka	Profit/(loss) on disposal 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 and fixture	4,721,772	4,716,673	5,099	131,500	126,401
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	1,179,452	2,361,500	1,182,046

6 Right-of-use assets
2021

Particulars	COST				DEPRECIATION				Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2021	Balance as at 01 Jan 2021	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2021	
	Display center	51,948,657	-	(7,358,189)	44,590,469	31,481,037	7,458,852	(7,471,444)	
Accommodation building	2,432,214	690,046	(1,728,411)	1,393,850	1,716,579	714,217	(1,767,470)	663,327	730,523
Office building	3,776,889	-	(3,776,889)	-	3,776,889	-	(3,776,889)	-	-
Total	58,157,760	690,046	(12,863,490)	45,984,319	36,974,505	8,173,069	(13,015,803)	32,131,773	13,852,546

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	Balance as at 01 Jan 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	31,138,351	7,302,906	(6,960,220)	
Accommodation building	3,300,136	699,246	(1,567,168)	2,432,214	1,812,180	1,394,608	(1,490,209)	1,716,579	715,635
Warehouse	32,707,529	-	(32,707,529)	-	5,723,818	4,906,129	(10,629,947)	-	-
Office building	3,776,889	-	-	3,776,889	2,911,352	865,537	-	3,776,889	-
Total	87,422,036	11,970,643	(41,234,917)	58,157,760	41,585,701	14,469,180	(19,080,376)	36,974,505	21,183,255

	2021 Taka	2020 Taka
6.1 Allocation of depreciation		
Administrative expenses (Note 28)	714,217	2,260,145
Marketing and Selling expenses (Note 29)	7,458,852	12,209,035
	8,173,069	14,469,180
6.2 Gain/(loss) on retirement of right-of-use assets		

2021

Particulars	Lease liability	Right-of-use assets	Gain/(loss)
Warehouse	-	-	-
Accommodation	-	-	-
Total	-	-	-

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)

1. The Group rented four display centers situated in Dhaka, Chittagong and Sylhet.
2. Accommodation Buildings rented for the use of transit employees.
3. The Group took a warehouse at pubail to store the finished goods to distribute in nearby area promptly. The Group felt that the warehouse was not required. Therefore, the Group cancelled the lease agreement on 30 September 2020.
4. Office Buildings have been rented for the use of official work.

7 Intangible assets
2021

Particulars	COST				AMORTIZATION				Amount in Taka Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2021	Balance as at 01 Jan 2021	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2021	
	License	22,692,876	-	-	22,692,876	22,091,943	289,857	-	
Computer software	11,614,380	450,000	-	12,064,380	9,082,956	1,266,745	-	10,349,701	1,714,679
Total	34,307,256	450,000	-	34,757,256	31,174,899	1,556,602	-	32,731,501	2,025,755

2020

Particulars	COST				AMORTIZATION				Amount in Taka 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	-	
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	-	31,174,899	3,132,357

	2021 Taka	2020 Taka
8 Capital Work-in-Progress		
Balance as at 1 January	56,636,694	177,641,997
Add: Addition during the year (note 8.1)	96,626,942	218,936,985
	153,263,636	396,578,982
Less: Transfer to property, plant and equipment and investment Property (note 8.2)	135,549,799	339,942,288
Balance as at 31 December	17,713,837	56,636,694
8.1 Addition during the year		
Building	24,938,333	8,013,141
Plant and machinery	61,065,396	210,559,447
Others	10,623,213	364,397
	96,626,942	218,936,985
8.2 Items transferred from capital work in progress to property, plant and equipment		
Building	27,243,865	100,062,037
Plant and machinery	97,667,721	238,863,795
Others	10,638,213	1,016,456
	135,549,799	339,942,288
9 Inventories		
Raw materials	1,330,068,854	606,226,281
Less : Provision for slow moving & obsolete inventories	17,729,507	20,246,533
Less: Write off for obsolete raw materials	-	23,875,000
	1,312,339,347	562,104,748
Stores and consumables spares and packing	896,238,370	899,836,155
Less: Write off for stores and spares	53,019,381	30,826,750
	843,218,989	869,009,405
Finished goods (net of net realizable value adjustment)	584,786,606	441,243,898
Less : Provision for slow moving & obsolete inventories	15,720,612	17,064,161
	569,065,994	424,179,737
Work-in-process	59,359,055	47,290,564
Goods-in-transit	205,812,555	124,405,926
	2,989,795,940	2,026,990,380
10 Trade and other receivables		
Trade receivables (Note 10.1)	1,220,402,229	997,281,663
	1,220,402,229	997,281,663
Accrued interest (Note 10.2)	6,554,976	10,941,100
Accrued rental income	-	570,000
Other receivable	48,844	7,485
	1,227,006,049	1,008,800,248

	2021 Taka	2020 Taka
10.1 Trade receivables		
Receivables from local sales	1,229,557,415	1,006,405,123
Receivables from export sales	-	779,903
	1,229,557,415	1,007,185,026
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	2,581,204	3,031,610
Related parties	6,573,982	6,871,753
	1,220,402,229	997,281,663
10.2 Accrued interest		
Interest accrued on Fixed Deposit Receipt	6,554,976	6,846,046
Interest accrued on Special Notice Deposit	-	4,095,054
	6,554,976	10,941,100
11 Advance, deposit and prepayments		
Advances:		
Employees	298,000	-
Purchase of land and others	10,017,270	2,369,670
Suppliers against materials and services	68,049,896	33,557,110
	78,365,166	35,926,780
Security and other deposits:		
Titas gas	69,752,450	69,752,450
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and Supplementary duty (Note-11.1)	2,191,784	7,417,931
Deposited with income tax authority	79,320,962	68,128,195
Deposited with VAT authority	58,361,240	58,361,240
Display center and others	2,372,000	2,449,000
Other deposits	1,494,626	1,494,626
	215,448,062	209,558,442
Prepayments:		
Insurance and others	17,879,771	24,825,876
	311,692,999	270,311,098
11.1 Supplementary duty and VAT		
Balance as at 1 January	7,417,931	1,833,191
Add: Treasury deposit for SD & VAT purpose	9,533,102	52,131,108
	16,951,033	53,964,298
Less: SD & VAT on sales	14,759,249	46,546,367
Balance as at 31 December	2,191,784	7,417,931

The above amount related to RAK Power Pvt. Ltd. and RAK Security and services (Pvt) Ltd.

	2021 Taka	2020 Taka
12 Advance income tax		
Balance as at 1 January	3,588,659,675	3,434,063,275
Add: Paid during the year	277,128,389	154,596,400
Balance as at 31 December (Note - 12.1)	3,865,788,064	3,588,659,675
12.1 Year wise closing balance		
Income year		
Year 2021	255,174,594	-
Year 2020	130,950,084	115,088,258
Year 2019	280,949,748	274,857,779
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
	3,865,788,064	3,588,659,675
13 Cash and cash equivalents		
Cash in hand	2,606,103	5,899,358
Cash at banks		
HSBC (current account -001-013432-011, 107580-011, 096015-011, 096007-011 BDT)	-	808,003
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	98,519,046	94,048,347
BRAC Bank Ltd. (current account - 1530201731248001 - BDT)	15,126,914	20,293,811
Citibank N.A. (current account - G0100001200262018 - BDT)	149,989	156,438
Dutch Bangla Bank Ltd. (current account -117-110-12733,117-110-4311,117.110.23474 BDT)	1,628,655	21,955,460
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	4,648,910	11,828,247
Standard Chartered Bank (Margin money account)	16,608,637	3,319,200
United Commercial Bank Ltd. (SND account - 0831301000000164 BDT)	31,825,028	26,109,945

	2021 Taka	2020 Taka
Eastern Bank Ltd. (SND account - 1131350237146 - BDT)	-	116,447,666
Eastern Bank Ltd. (SND account - 1131350237393 WH - BDT)	-	3,291
EXIM Bank (SND account - 01513100031877 - BDT)	-	706,355
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	54,866	55,211
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330, 117-120.2550 - BDT)	141,614,772	192,923,791
Dutch Bangla Bank Ltd. (SND account - 117-120-376 (WH)- BDT)	-	129,548
BRAC Bank Ltd. (SND - 1513101731248001 - BDT)	-	363,694
Prime Bank Ltd. (SND - 12531010022563 - BDT)	13,135,435	7,650,678
Eastern Bank Ltd. (CD account - 1132040363287, 1041060507936 - BDT)	587,252	457,046
Dhaka Bank Ltd (SND - 102.150.274- BDT))	27,682,861	36,019,530
Commercial Bank of Ceylon (CD-2817000776 - BDT.)	5,739	25,000
Dhaka Bank Ltd (CD - 204100000019318- BDT))	1,241,296	137,649
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	60,071,855	128,925,016
Commercial Bank of Ceylon (ERQ-1806012366 - USD.)	4,308,029	-
Meghna Bank Ltd. (SND 1112-135000000004 - BDT)	24,494,840	60,095,754
Midland Bank Ltd. (SND 0006-10700000015, 0006-10600000043 - BDT)	171,763,920	504,195
Eastern Bank Ltd. (SND account - 1041360507944 - BDT)	71,777,074	-
Eastern Bank Ltd. (Margin Money account)	4,681,650	10,426,965
Commercial Bank of Ceylon (Margin Money account)	53,212	-
	689,979,980	733,390,840
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	1,685,806	2,433,214
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
	5,885,512	6,632,920
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,848,356	2,606,551
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	1,112,266	2,190,689
SCB (SND - 02-6162940-02- BDT) - 2012	180,227	3,885,208
SCB (SND - 02-6162940-03- BDT) - 2013	337,376	16,951,065
SCB (SND - 02-6162940-04- BDT) - 2014	3,862	5,021,420
SCB (SND - 02-6162940-05- BDT) - 2015	44,581	3,743,396

	2021 Taka	2020 Taka
SCB (SND - 02-6162940-06- BDT) - 2016	11,317	4,222,208
SCB (SND - 02-6162940-07- BDT) - 2017	5,283	1,663,022
SCB (SND - 02-6162940-08- BDT) - 2018	1,925,267	1,933,758
SCB (SND - 02-6162940-09- BDT) - 2019	6,576,189	8,479,278
SCB (SND - 02-6162940-10- BDT) - 2020	3,630,950	-
	16,675,674	50,696,595
Investment in Fixed Deposit Receipt (FDR)		
HSBC	-	11,974,547
SCB	762,080	6,762,080
BRAC Bank Ltd.	50,000,000	250,000,000
Dutch Bangla Bank Ltd.	400,000,000	428,838,500
Eastern Bank Ltd.	505,745,315	150,000,000
Dhaka Bank Ltd.	550,000,000	250,000,000
Commercial bank of Ceylon	55,000,000	55,000,000
	1,561,507,395	1,152,575,127
	2,276,654,664	1,949,194,840

14 Share Capital

Authorised :

600,000,000 ordinary shares of Taka 10/- each **6,000,000,000** **6,000,000,000**

Issued, subscribed, called and paid up :

427,968,701 ordinary shares of Taka 10/- each **4,279,687,010** **4,279,687,010**

Percentage of shareholdings :

	2021		2020	
	%	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
	100.00	4,279,687,010	100.00	4,279,687,010

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

Shareholders' range	Number of shareholders		Number of shares	
	2021	2020	2021	2020
01-499 shares	16,571	19,020	4,007,328	4,669,870
500 to 5,000 shares	6,107	7,619	9,667,706	12,586,707
5001 to 10,000 shares	645	986	4,753,914	7,057,991
10,001 to 20,000 shares	351	501	5,125,053	7,062,682
20,001 to 30,000 shares	116	178	2,852,640	4,330,386
30,001 to 40,000 shares	64	70	2,260,040	2,399,501
40,001 to 50,000 shares	38	51	1,763,948	2,296,962
50,001 to 100,000 shares	73	97	5,366,610	6,817,326
100,001 to 1,000,000 shares	90	106	28,132,218	25,620,555
1,000,001 to 1,000,000,000 Shares	17	16	364,039,244	355,126,721
	24,072	28,644	427,968,701	427,968,701

15 Share premium

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

No. of shares	Share premium (per share)	2021 Taka	2020 Taka
10,000,000	30	300,000,000	300,000,000
34,510,000	38	1,311,380,000	1,311,380,000
		1,611,380,000	1,611,380,000
Less : Share issue expenses		137,732,021	137,732,021
		1,473,647,979	1,473,647,979

16 Retained earnings (Reserve and surplus)

Balance as on 1 January	1,269,975,797	1,601,275,518
Add : Profit during the year	905,185,683	310,653,331
	2,175,161,480	1,911,928,849
Less: Dividend for the year	(427,968,701)	(641,953,052)
Balance as on 31 December	1,747,192,779	1,269,975,797

Detail movement for Retained earnings (Reserve and surplus) shown in the statement of changes in equity.

	2021 Taka	2020 Taka
17 Deferred tax liabilities		
Balance as at 1 January	191,761,301	191,893,149
Less : Deferred tax (income)/expenses	(51,932,051)	(131,848)
Balance as at 31 December	139,829,250	191,761,301

	Carrying amount on the date of statement of financial position Taka	Tax base Taka	Taxable/ (deductible) temporary difference Taka
As at 31 December 2021			
Property, plant and equipment (Excluding land and others)	2,410,027,994	1,750,469,029	659,558,965
Trade receivables	1,226,424,016	1,235,579,202	(9,155,186)
Inventories	2,945,904,572	3,001,580,551	(55,675,979)
Right-of-use assets	13,852,546	-	13,852,546
Lease liability	(9,714,554)	-	(9,714,554)
Net taxable temporary difference			598,865,791
Deferred tax liability (applying applicable tax rate for individual company)			139,829,250
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 receivables	1,008,371,909	1,018,275,272	(9,903,363)
Inventories	1,964,552,190	2,024,804,059	(60,251,869)
Net taxable temporary difference			743,638,192
Deferred tax liability (applying applicable tax rate for individual company)			191,761,301

18 Employees benefits payable

	2021		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	67,435,963	38,368,823	105,804,785
	67,435,963	38,368,823	105,804,785
Less: Payments made to fund during the year	67,435,963	38,368,823	105,804,785
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 1,195,599 for the year 2021 has been adjusted with provision and payment.

	2020		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	61,365,334	35,510,412	96,875,746
	61,365,334	35,510,412	96,875,746
Less: Payments made to fund during the year	61,365,334	35,510,412	96,875,746
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 1,842,724 for the year 2020 has been adjusted with provision and payment.

19 Borrowings

Short-term borrowings	430,408,117	119,940,905
Balance as at 31 December	430,408,117	119,940,905

19.1 Borrowings by maturity

At 31 December 2021	< 1 year	1-2 years	2-5 years	Total
Short-term borrowings	430,408,117	-	-	430,408,117
	430,408,117	-	-	430,408,117

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

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 stock & book debts on a parri - passu basis with other lenders. 3) Demand promissory note.
	Short term loan	500,000,000	244,842,054	180/360 days from B/L date		
Eastern Bank Ltd.	Overdraft	30,000,000	-	Revolving	From company's own source	
	Short term loan	425,000,000	185,566,063	180/360 days from B/L date		
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	-	Revolving	From company's own source	
	Short term loan	90,000,000	-	180/360 days from B/L date		
Commercial Bank of Ceylon	Overdraft	35,000,000	-	Revolving	From company's own source	
	Short term loan	550,000,000	-	180/360 days from B/L date		

		2021 Taka	2020 Taka
20	Lease liability		
	Non-current:		
	Lease liability	9,714,554	13,796,578
	Less : Current portion of lease liability	4,809,657	4,505,188
		4,904,896	9,291,390
	Current:		
	Current portion of lease liability	4,809,657	4,505,188

31 December 2021

Lease liability schedule

Particulars	Balance as on 01 January 2021	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2021
Display center	13,054,447	113,255	5,291,767	1,083,249	4,208,518	8,959,184
Accommodation building	742,131	729,106	783,158	67,291	715,867	755,370
	13,796,578	842,361	6,074,925	1,150,540	4,924,385	9,714,554

31 December 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

21 Trade and other payables

Trade payables

Payable to local suppliers	185,069,082	127,943,341
Payable to foreign suppliers	306,722,614	199,107,788
Payable to service provider	68,742,282	45,527,314
Payable to C & F agent	49,038,384	34,072,045
	609,572,362	406,650,488

					2021 Taka	2020 Taka	
Other payables							
	Tax deducted at source				24,500,151	21,601,748	
	Tax deducted at source on remuneration (Note-23.1)				8,807,367	4,312,351	
	Tax deducted at source on incentive and bonus (Note-23)				4,603,182	-	
	VAT deducted at source				10,541,119	10,062,124	
	VAT and Supplementary duty payable (Note-21.1)				117,438,944	139,511,697	
	Unclaimed share application				20,061,956	20,810,756	
	Advance from customer against sales				9,745,981	9,524,924	
	Security deposit payable				2,018,224	3,470,342	
	Payable to employees				1,823,489	2,025,964	
	Payable to customer against claim				13,735,760	-	
	Provisional liabilities - material & services				62,236,279	7,523,078	
					275,512,452	218,842,984	
					885,084,814	625,493,472	
21.1	VAT and Supplementary duty (SD) payable						
	Opening Balance				139,511,697	103,722,054	
	Add: VAT and Supplementary duty on sales				2,324,239,441	1,702,174,335	
					2,463,751,139	1,805,896,389	
	Less: Treasury deposit for SD & VAT purpose				1,510,551,448	1,237,856,244	
	Rebate of input VAT				835,760,747	428,528,450	
					2,346,312,195	1,666,384,694	
	Balance as at 31 December				117,438,944	139,511,697	
22	Unclaimed Dividend Payable					11,764,448	49,576,141
Year	Dividend declared	TDS on dividend	Net dividend	Dividend distributed till 31 Dec 2021	Fund Transferred to CMSF	Undistributed fund (BDT) as on 31 Dec 2021	
2010	345,110,250	60,198,297	284,911,953	274,257,528	10,654,425	-	
2011	379,621,275	65,382,545	314,238,730	306,565,331	7,673,399	-	
2012	417,583,403	27,344,749	390,238,653	386,535,373	3,703,280	-	
2013	459,341,744	30,693,245	428,648,499	426,108,408	2,540,090	-	
2014	842,126,528	60,654,665	781,471,863	776,464,072	5,007,791	-	
2015	842,126,528	61,659,449	780,467,078	776,773,479	3,693,599	-	
2016	673,701,222	48,745,089	624,956,133	620,752,883	4,203,250	-	
2017	353,693,141	27,276,252	326,416,889	324,757,456	1,659,433	-	
2018	389,062,456	29,888,903	359,173,553	357,224,527	-	1,949,026	
2019	641,953,052	49,029,624	592,923,428	586,341,069	-	6,582,359	
2020	427,968,701	32,747,652	395,221,049	391,987,987	-	3,233,062	
	5,772,288,298	493,620,470	5,278,667,828	5,227,768,113	39,135,267	11,764,448	

	2021 Taka	2020 Taka
23 Accrued expenses		
Power and gas	42,359,243	39,137,439
Staff cost	132,239,271	110,868,915
Dealer's incentive and bonus	41,428,638	-
Audit fees	1,555,000	1,525,000
Professional charges	1,045,000	445,000
Interest on loans	2,440,939	875,254
Telephone	205,976	380,138
Freight bill	676,640	1,997,523
Business promotion and advertisement	19,209,107	11,220,000
Hiring heavy equipment	1,506,239	-
Managing Director's remuneration (Note 23.1)	26,422,103	10,062,153
Worker's profit participation and welfare fund (Note 23.2)	55,919,793	22,816,672
Royalty and technical know-how fees (Note 23.3)	407,974,519	317,433,528
Others	25,229,974	3,520,214
	758,212,444	520,281,836
23.1 Managing Director's remuneration		
Balance as at 1 January	10,062,153	35,910,357
Add: Payable to Managing Director for the year	35,229,470	14,374,504
	45,291,623	50,284,861
Less: Tax deducted at source during the year	8,807,367	4,312,351
Less: Paid to Managing Director during the year	10,062,153	35,910,357
Balance as at 31 December	26,422,103	10,062,153
23.2 Worker's profit participation and welfare fund		
Balance as at 1 January	22,816,672	52,965,129
Add: Contribution made to the fund during the year	55,919,793	22,816,672
	78,736,465	75,781,801
Less: Payment made from the fund during the year	22,816,672	52,965,129
Balance as at 31 December	55,919,793	22,816,672
23.3 Provision for royalty and technical know-how fees		
Balance as at 1 January	317,433,528	287,408,635
Add: Provision made during the year	90,540,991	30,521,994
	407,974,519	317,930,629
Less: Payment made during the year	-	497,101
Balance as at 31 December	407,974,519	317,433,528

	2021 Taka	2020 Taka
24 Provision for income Tax		
Balance as at 1 January	3,971,266,511	3,834,252,156
Add: Provision made during the year	300,848,645	137,014,355
Balance as at 31 December (Note 24.1)	4,272,115,156	3,971,266,511
24.1 Year wise provision for income Tax		
Income year		
Year 2021	300,848,645	-
Year 2020	137,014,355	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
	4,272,115,156	3,971,266,511
25 Sales		
Gross sales from Ceramics product	9,814,133,937	7,475,155,261
Gross sales from Power generation	430,107,240	345,738,925
Gross sales from Security service	81,589,706	111,196,260
	10,325,830,883	7,932,090,446
Less: Elimination	412,133,652	344,965,855
Supplementary Duty	995,615,214	724,808,552
VAT	1,343,383,475	1,033,562,911
Discount	5,910,710	2,269,354
Commission, incentive and bonus	717,651,147	537,567,101
Net sales	6,851,136,685	5,288,916,673

	2021 Taka	2020 Taka
26 Cost of sales		
Materials consumed:		
Opening inventory as at 1 January	562,104,748	797,865,060
Add: Purchase during the year	3,365,056,879	1,634,799,086
	3,927,161,627	2,432,664,146
Less: Closing inventory as at 31 December	1,312,339,347	562,104,748
	2,614,822,280	1,870,559,398
Manufacturing overhead:		
Direct labour (note 26.1)	649,384,487	542,850,770
Direct expenses:		
Power and gas	322,438,008	265,768,407
Repairs and indirect materials (note 26.2)	770,632,074	593,953,665
Depreciation on property, plant & equipment (note 5.2)	416,656,484	393,410,021
Royalty and technical know-how/assistance fees *	90,540,991	30,521,994
Other production overhead (note 26.3)	95,725,214	102,556,968
Provision for slow moving & obsolete inventories (note 9)**	(3,860,575)	119,214
Movement in stock	(138,061,280)	322,472,203
	4,818,277,683	4,122,212,640
26.1 Direct labour		
Salary and wages	422,077,810	362,310,156
Overtime	40,027,676	30,272,103
Bonus	63,647,147	41,497,207
Incentive	375,504	94,545
Temporary labour wages	61,431,115	51,850,892
Staff uniform expenses	848,136	1,676,197
Gratuity	27,209,389	24,872,362
Employer's contribution to provident fund	23,071,166	20,342,150
Leave encashment	7,706,607	7,012,364
Group life insurance	2,820,500	2,536,978
Compensation	169,437	385,816
	649,384,487	542,850,770
26.2 Repairs and indirect materials		
Stores, spares, repair & maintenance	412,961,053	309,980,341
Packing expenses	357,671,021	283,973,324
	770,632,074	593,953,665

	2021 Taka	2020 Taka
26.3 Other production overhead		
Tour and travel expenses	5,081,308	1,196,430
Demurrage	3,348,351	9,731,754
Insurance	23,463,569	27,645,254
Hiring charges and transportation	5,145,760	3,680,026
Write off for obsolete raw materials	-	23,875,000
Write off for stores and spares	53,019,381	30,826,750
Other expenses	5,666,845	5,601,754
	95,725,214	102,556,968
*Royalty has been calculated @8% on business profit as per Finance Act 2020.		
**The Group make provision on slow moving inventories (raw material and finished goods) at every year end and the provision upto 31 December 2020 was BDT. 37,310,694. Due to the improvement of ageing of inventories, the provision figure came to BDT. 33,450,119 at 31 December 2021. As a result, company reversed BDT. 3,860,575 in current year.		
27 Other income		
Dividend income	50	100
Miscellaneous income	-	91,541
Rental income	-	2,700,000
Profit on sale of fixed assets (note 5.3)	-	1,182,046
	50	3,973,687
28 Administrative expenses		
Staff cost (note 28.2)	184,940,010	167,950,696
Annual General Meeting expenses	1,500,500	907,281
Telephone and postage	7,495,489	6,596,109
Office repair and maintenance (note 28.3)	5,293,093	9,477,789
Registration and renewal	2,509,315	12,785,446
Security and guard expenses	268,809	233,976
Electricity, gas and water	6,981,039	7,601,779
Depreciation on property, plant & equipment (note 5.2.1)	29,526,984	36,439,113
Depreciation on investment property (note 5.2.1)	221,918	9,008,663
Depreciation on right of use assets (note 6.1)	714,217	2,260,145
Amortization (note 7)	1,556,602	3,855,577
Legal and professional fees	13,093,065	11,576,354
Vehicle repair and maintenance	11,894,753	10,752,427
Rent, rate and tax	4,444,213	3,376,837
Loss on right of use assets (note 6.2)	-	475,595
Loss on retirement of assets (note 5.3)	3,382,984	-
IT expenses	3,206,443	3,507,401

	2021 Taka	2020 Taka
General Service	5,713,979	9,112,748
Donation	3,487,111	1,918,924
Managing Director's remuneration (note 28.4)	35,229,470	14,374,504
Others	11,784,130	4,935,172
	333,244,125	317,146,536
28.1 Impairment loss on trade receivables		
Unrelated parties	189,138	285,764
Related parties	86,394	391,530
	275,532	677,294
New classification of financial assets shown in note 36.1(b) as per IFRS 9.		
28.2 Staff cost		
Salary and wages	126,714,394	124,470,564
Bonus	18,383,801	12,778,324
Incentive	1,225,194	25,349
Gratuity	7,584,905	7,524,558
Employer's contribution to provident fund	6,894,272	6,810,795
Leave encashment	2,163,674	2,240,943
Group life insurance	784,799	667,104
Canteen and conveyance expenses	11,434,091	6,343,715
Staff uniform expenses	3,184,395	649,666
Travelling expenses	1,686,538	2,381,591
Compensation	1,526,707	2,875,605
Medical expenses	1,305,449	725,554
Accommodation expenses	1,816,103	102,895
Other employee benefit	235,688	354,033
	184,940,010	167,950,696
Accommodation expenses include rent expenses for short term lease for BDT. 156,000 and related government levis wherever applicable. Details of the short term lease is shown in note 35 . No low value item exists at the reporting period.		
28.3 Office repair and maintenance		
Repair of office equipment	416,558	2,510,848
Office maintenance	4,876,535	6,966,941
	5,293,093	9,477,789
28.4 Managing Director's remuneration		
Provision made during the year	35,229,470	14,374,504
	35,229,470	14,374,504

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

	2021 Taka	2020 Taka
29 Marketing and selling expenses		
Staff cost (note 29.1)	89,858,917	67,695,097
Advertisement	12,294,710	13,582,495
Freight and transportation	300,626,263	267,693,797
Compensation to customers	22,280,195	3,623,491
Business promotion	62,672,470	30,697,584
Depreciation on property, plant & equipment (note 5.2)	5,623,210	5,418,163
Depreciation on right of use assets (note 6.1)	7,458,852	12,209,035
Showroom, office & house rent	1,549,622	850,355
Sample expenses	14,923,161	8,836,769
Tour, travel and others	6,456,607	3,769,974
	523,744,007	414,376,760
29.1 Staff cost		
Salary and wages	54,627,697	46,304,544
Bonus	7,607,299	5,115,016
Incentive	10,251,516	2,156,857
Gratuity	3,574,529	3,113,492
Employer's contribution to provident fund	3,154,744	2,608,360
Leave Encashment	1,060,630	930,590
Group life insurance	359,027	356,441
Conveyance and food expenses	9,092,963	7,001,311
Compensation	-	108,486
Staff uniform expenses	130,512	-
	89,858,917	67,695,097
29.2 Employees' contribution to provident fund		
Salary and wages under staff cost (note no. 26.1, 28.2 and 29.1) includes employee contribution to provident fund for BDT. 23,071,166, BDT. 6,894,272 and BDT. 3,154,744.		
30 Finance income		
Interest on bank account (SND)	8,553,389	10,130,980
Interest on fixed deposits	36,263,820	41,417,779
	44,817,209	51,548,759
31 Finance expenses		
Interest expenses against loan	4,553,264	9,990,999
Interest expenses against lease liability	1,150,540	3,332,837
Foreign exchange loss	2,578,334	1,478,740
Bank charges	2,108,185	4,870,682
	10,390,323	19,673,258

36.1 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	USD	Amounts in Taka	
	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020
Trade receivables				
Customer-Local	-	-	1,220,402,229	996,501,760
Customer-Export	-	9,235	-	779,903
	-	9,235	1,220,402,229	997,281,663
Other receivables				
Accrued Interest			6,554,976	10,941,100
Accrued rental income			-	570,000
Others			48,844	7,485
			6,603,820	11,518,584
Cash equivalents			2,274,048,561	1,943,295,482

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 2021.

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	555,874,855	553,293,651	2,581,204
Trade receivable-related	10.1	Loan & receivable	Amortized cost	673,682,560	667,108,578	6,573,982
Cash and cash equivalents	13	Loan & receivable	Amortized cost	2,274,048,561	2,274,048,561	-

- i The above table provides information ECLs till date. Impairment provision upto Dec 2020 was Tk. 9,903,363 and provision made during the year is Tk. 275,532. Out of the provision Tk. 9,903,363 upto Dec 2020, Taka 1,023,708 has been adjusted with trade receivable and provision on impairment loss.
- ii Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current year on transition to IFRS 9.
- iii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash and 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 2021	As at 31 Dec 2020
Not past due	1,149,687,410	939,289,385
0-90 days past due	34,881,457	42,546,485
91-180 days past due	27,869,771	7,633,293
181-365 days past due	5,342,346	3,364,944
over 365 days past due	2,621,245	4,447,556
	1,220,402,229	997,281,663

36.2 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 2021			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	885,084,814	885,084,814	885,084,814	-
Short term borrowing	430,408,117	430,408,117	430,408,117	-
	1,315,492,931	1,315,492,931	1,315,492,931	-

	As at 31 Dec 2020			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	625,493,472	625,493,472	625,493,472	-
Short term borrowing	119,940,905	119,940,905	119,940,905	-
	745,434,377	745,434,377	745,434,377	-

36.3 Market risk

ii) 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, 15% of export proceeds are crediting to export retention quota account and rest of the 85% 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 2021				As at 31 Dec 2020			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated assets								
Receivable from customers-Export	-	-	-	-	-	-	9,235	-
Cash at bank	-	-	105,562	-	-	-	139,238	-
	-	-	105,562	-	-	-	148,473	-

	As at 31 Dec 2021				As at 31 Dec 2020			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated liabilities								
Trade payables	60,550	249,274	2,840,637	322,266	-	198,261	1,387,121	572,772
Short term borrowings	-	-	5,013,490	-	-	-	1,411,900	-
Royalty & Technical Fees	-	-	4,752,178	-	-	-	3,736,710	-
	60,550	249,274	12,606,305	322,266	-	198,261	6,535,731	572,772
Net exposure	(60,550)	(249,274)	(12,500,743)	(322,266)	-	(198,261)	(6,387,258)	(572,772)

The Company has foreign exchange loss of Tk 2,578,334 during the year ended 31 Dec 2021 (31 Dec 2020: Exchange loss Tk 1,478,740).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2021 Taka	31 Dec 2020 Taka
AED	23.2942	23.0356
GBP	115.4990	114.6885
USD	85.3500	84.4500
EURO	97.0488	104.0430

ii) **Foreign exchange rate sensitivity analysis for foreign currency expenditures**

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

	As at 31 Dec 2021 Profit or (loss)		As at 31 Dec 2020 Profit or (loss)	
	Strengthening Taka	Weakening Taka	Strengthening Taka	Weakening Taka
At 31 December				
AED (3 percent movement)	(1,873)	1,764	-	-
GBP (3 percent movement)	(7,710)	7,260	(6,132)	5,775
USD (3 percent movement)	(386,621)	364,099	(197,544)	186,037
EURO (3 percent movement)	(9,967)	9,386	(17,715)	16,683

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.

Interest rate Profile

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

	Carrying amount	
	As at 31 Dec 2021 Taka	As at 31 Dec 2020 Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	1,561,507,395	1,152,575,127
Cash at banks	712,541,165	790,720,355
Financial liabilities		
Short term borrowing	430,408,117	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 2021		As at 31 Dec 2020	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
Financial assets				
Held to maturity assets				
Investment in FDR	1,561,507,395	1,561,507,395	1,152,575,127	1,152,575,127
Loans and receivables				
Trade receivables	1,220,402,229	1,220,402,229	997,281,663	997,281,663

	As at 31 Dec 2021		As at 31 Dec 2020	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
Other receivables	6,603,820	6,603,820	11,518,584	11,518,584
Cash equivalents	2,274,048,561	2,274,048,561	1,943,295,482	1,943,295,482
Financial liabilities				
Liabilities carried at amortised costs				
Trade and other payables	885,084,814	885,084,814	625,493,472	625,493,472
Short term borrowing	430,408,117	430,408,117	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 2021	31 Dec 2020
Investment in FDR (local currency/BDT)	1.50%-5.00%	1.95%-4.50%
Bank overdraft (local currency/BDT)	9%	9%
Short term bank loan (local currency/BDT)	9%	9%
Short term bank loan (foreign currency/USD)	Libor+2.00% -3.50%	Libor+2.75% -3.50%

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/ Guarantee status	Bad debts Status	Period	Amounts in Taka						
					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	374,006,296	10,956,522	-	75,592,623	-	20,499,900	
				Previous year	295,184,786	12,782,609	-	21,115,349	-	40,999,800	
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	36,349,893	-	-	5,897,332	-	1,980,000	
				Previous year	48,309,891	-	-	11,693,202	-	4,950,000	
RAK Ceramics PJSC, UAE	Parent	Unsecured	Nil	Current year	9,026,026	-	-	18,643,948	-	-	
				Previous year	7,789,789	-	-	19,247,093	-	-	
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	785,892,515	-	-	65,809,391	-	-	
				Previous year	424,280,078	-	-	16,073,113	-	-	
RAK Ceramics (India) Pvt. Ltd.	Fellow subsidiary	Secured	Nil	Current year	48,362	-	-	-	-	-	
				Previous year	585,136	-	-	-	-	-	
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	423,872	-	-	-	-	-	
				Previous year	164,529	2,700,000	570,000	39,059	-	-	
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	59,455,970	-	-	13,393,261	-	-	
				Previous year	59,354,094	-	-	9,987,018	-	-	
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	11,461,923	-	-	391,680	-	-	
				Previous year	10,104,303	-	-	746,231	-	-	
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	1,724,911	-	-	25,929	-	-	
				Previous year	381,373	-	-	-	-	-	
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	1,496,233	-	6,414	-	-	-	
				Previous year	6,414	-	-	-	-	-	
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	58,450,995	-	-	8,299,420	-	-	
				Previous year	11,750,342	-	-	56,532,946	-	-	
Mohammed Trading	Other related party	Secured by Guaranteed Cheque	Nil	Current year	-	2,409,828,278	673,567,276	-	-	-	
				Previous year	-	1,892,025,898	638,218,496	-	-	-	
S.A.K. Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current year	2,891,980	-	-	26,422,103	35,229,470	-	
				Previous year	2,529,300	-	-	10,062,153	14,374,504	-	
Sadhan Kumar Dey	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	-	9,023,824	-	
				Previous year	-	-	-	-	8,015,370	-	

37.1 RAK Ceramics (Bangladesh) Limited did not have any tangible assets sale or purchase with its related party amounting to 1% (one percent) or above of the tangible asset for the immediate preceding financial year.

To comply the BSEC notification no. BSEC/CMRRCD/2009-193/2/admin/103 dated February 05, 2020 shareholders of the company in its 22nd Annual General Meeting dated March 31,2021 approved an agenda to enter into contract for supply of goods and materials to Mohammed Trading (Owner of Mohammed Trading is Managing Director of RAK Ceramics (Bangladesh) Limited) amounting to 1% (One percent) or above of the revenue for the immediate financial year."

37.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 35,229,470.

During the year, Board meeting fees of Taka 300,000 was paid to the board members for attending the Board meetings.

38 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 and 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				
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	6,815,398,857	-	35,737,828	-	6,851,136,685
Revenue - inter segment	-	374,006,296	38,127,356	(412,133,652)	-
Total segment revenue	6,815,398,857	374,006,296	73,865,184	(412,133,652)	6,851,136,685
Cost of sales- external customer	(4,469,707,467)	(294,096,154)	(54,474,061)	-	(4,818,277,683)
Cost of sales- inter segment	(374,006,296)	(12,733,985)	-	386,740,281	-
Total segment cost of sales	(4,843,713,763)	(306,830,139)	(54,474,061)	386,740,281	(4,818,277,683)
Gross profit	1,971,685,094	67,176,157	19,391,123	-	2,032,859,002
Dividend income	22,479,900	20,000	50	(22,499,900)	50
Rental income	10,956,522	-	-	(10,956,522)	-
Financial income	44,346,321	433,270	37,618	-	44,817,209
Financial expenses	(10,043,466)	(321,120)	(25,737)	-	(10,390,323)
Depreciation	(423,400,707)	(28,421,541)	(206,348)	-	(452,028,596)

2021

	Business Segments				
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Other operating expenses	(497,627,800)	17,967,067	(17,844,021)	36,349,893	(461,154,860)
Segment profit before tax	1,118,395,864	56,853,833	1,352,685	-	1,154,102,481
Income tax expense	(280,200,490)	(20,204,964)	(443,191)	-	(300,848,645)
Deferred tax	46,912,243	5,129,307	(109,499)	-	51,932,051
Non -Controlling interest	-	204	0.04	-	204
Profit for the year					905,185,683

2020

	Business Segments				
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Entity total
	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	(3,798,847,720)	(240,322,745)	(83,042,175)	-	(4,122,212,640)
Cost of sales- inter segment	(320,397,758)	(13,563,396)	-	333,961,154	-
Total segment cost of sales	(4,119,245,478)	(253,886,141)	(83,042,175)	333,961,154	(4,122,212,640)
Gross profit	1,113,898,995	46,756,403	17,053,337	-	1,166,704,033
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	(321,952,205)	5,230,787	(17,116,806)	23,096,919	(310,741,304)
Segment profit before tax	456,333,445	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

	2021 Taka	2020 Taka
39 Calculation of Earnings per share (EPS)		
Calculation of earnings per share (EPS) is as under:		
(a) Profit attributable to equity holders of the Company	905,185,683	310,653,331
(b) No. of ordinary equity shares	427,968,701	427,968,701
(c) Weighted average no. of equity shares outstanding (Note 39.1)	427,968,701	427,968,701
Earnings per share (EPS) for the year (a÷c)	2.12	0.73
Diluted earnings per share for the year (a÷c)	2.12	0.73

39.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. The weighted average number of shares is calculated by assuming that the shares have always been in issue. This means that they have been issued at the start of the year presented as the comparative figures.

Outstanding shares	427,968,701	427,968,701
	427,968,701	427,968,701

39.2 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 the year.

39.3 Reason of deviation of earnings per share:

Due to the revised and responsive business strategy taken by the management, sales is increased by 29.54% from BDT. 5,288.92 mn to BDT. 6,851.14 mn. The company registered improvement of cost of sales due to enhanced control on cost compared to previous year which is resulting in increase of earnings per share from BDT. 0.73 to BDT. 2.12. Number of working days are also more in the year 2021 compare to 2020 because of COVID - 19 impact. Reduction of tax rate by 2.5% as per Finance Act 2021 impacting profit after tax, eventually improving earnings per share.

40 Calculation of Net assets value per share

(a) Net assets value (Note 14, 15 & 16)	7,500,527,768	7,023,310,786
(b) Weighted average no. of equity shares outstanding (Note 39.1)	427,968,701	427,968,701
Net assets value per share (a÷b)	17.53	16.41

41 Calculation of Net operating cash flow per share

(a) Net Cash flows from operating activities (Note 42)	582,857,689	1,228,664,968
(b) Weighted average no. of equity shares outstanding (Note 39.1)	427,968,701	427,968,701
Net operating cash flow per share (a÷b)	1.36	2.87

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

Due to the revised and responsive business strategy taken by the management, sales is increased by 29.54% from BDT. 5,288.92 mn to BDT. 6,851.14 mn. But, cash collection from the customers has not been increased in same proportion due to allowing additional credit term during the pandemic period which is impacting in net operating cash flow inversely. As a result, net operating cash flow per share has been reduced from BDT. 2.87 to BDT. 1.36.

	2021 Taka	2020 Taka
42 Reconciliation of operating cash flow:		
Cash flows from operating activities		
Profit before taxation	1,154,102,481	447,535,959
Adjustment for:		
Depreciation	460,201,666	458,745,140
Amortization	1,556,602	3,855,577
Loss on right of use assets	-	475,595
Advance rent adjustment	-	(6,293,495)
Loss on assets retirement	3,382,984	-
Foreign exchange loss	2,578,334	1,478,740
Finance expenses	7,811,989	18,194,518
Finance income	(44,817,209)	(51,548,759)
Other income	(50)	(3,882,147)
	1,584,816,796	868,561,128
Increase/decrease in trade and other receivables	(223,161,925)	(183,813,330)
Increase/decrease in inventories	(962,805,560)	758,639,862
Increase/decrease in trade and other payables	452,583,378	(70,257,266)
Cash generated from operating activities	851,432,689	1,373,130,388
Interest received from bank deposit	8,553,389	10,130,980
Income tax paid	(277,128,389)	(154,596,400)
Net cash (used in)/from operating activities	582,857,689	1,228,664,968

43 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 1,130,710,423 (31 Dec 2020: Tk 1,154,183,701). 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 424,808,058 (31 Dec 2020: Tk 455,609,557) and letter of guarantee of Tk 139,459,353 (31 Dec 2020: Tk 178,626,844).

The company issued one corporate guarantee value BDT. 70 mn (SCB) in favour of subsidiary company to avail loan from banks. Outstanding loan against the said corporate guarantee are nil at 31 December 2021. Therefore no credit loss allowances is expected.

44 Events after the reporting period

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on 02 February 2022, has unanimously recommended cash dividend @ 12.50% of the paid up capital of the Company for the year ended 31 December 2021 equivalent to BDT. 534,960,876.25 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 23rd Annual General Meeting of the Company which will be held on 31 March 2022.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK CERAMICS (BANGLADESH) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RAK Ceramics (Bangladesh) Limited (the Company) which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December 2021, and of its financial performance and its 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 Auditor's responsibilities for the audit of the financial statements

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

Key Audit Matters (KAM)

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements for the year ended 31 December 2021. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

SL	Key Audit Matter	How our audit addressed the key audit matter
1	Revenue recognition (Refer to note 3.16 and 26 to these Financial Statements) The Company recognizes revenue when control of the goods is transferred to the customer at an amount that reflects the net consideration which the Company expects to receive from customers. In determining the sales price, the Company considers the effect of commission, bonus, incentive and discount (variable consideration). The terms of sales agreements, including the timing of transfer of control, based on the terms of relevant contract and nature of commission, bonus, incentive and discount arrangements, create complexities that requires judgement in determining sales revenues. Considering the above factors and the risk associated with revenue recognition, we have determined the same to be a key audit matter.	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">• We read the Company's revenue recognition policy and assessed its compliance in terms of IFRS 15 'Revenue from contracts with customers';• Performed sample tests of individual sales transactions and traced to sales invoices, sales orders and other related documents. In respect of the samples selected, we tested recognition of revenue based on underlying sales invoices, sales orders and other related documents;• We selected a sample of invoices on which rebates and discounts were given and obtained the commission, bonus, and incentive and discount schemes approved by the management. We noted the accounting of rebates and discounts by the Company for the selected sample;• Selected samples of sales transactions made pre and post year end, agreed the date of transfer of control for the selected sample by testing underlying documents including customers confirmation; and• Assessed the relevant disclosures made within the financial statements.

SL	Key Audit Matter	How our audit addressed the key audit matter
2	Tax and regulatory matters (Refer to note 3.22 and 45 to these Financial Statements)	
	<p>The Company has several pending corporate tax assessments and legal proceedings with Government revenue authorities related to claims for tax, VAT and custom duty. The pending cases expose the Company to significant litigation and similar risks arising from many disputes and regulatory proceedings. Such matters are subject to many uncertainties, and the outcomes may not be appropriate to predict.</p> <p>These uncertainties inherently may affect the amount and timing of potential cash outflows with respect to tax provisions and contingent liabilities related to tax, VAT and custom duty.</p> <p>As listed entity, the Company also has to maintain compliance requirements of the Bangladesh Securities and Exchange Commission.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding, evaluated the design and tested operational effectiveness of the Company's key control on tax provision and contingencies. • We enquired to those charged with governance to obtain their view on the status of all significant litigations and regulatory matters; • We enquired of the Company's internal legal counsel for all significant litigations and regulatory matters and inspected internal notes and report. We also received formal confirmation from external counsel; • We assessed the methodologies on which provision and contingencies are based and recalculated the provision and tested the completeness and accuracy of the underlying information; and • We also assessed the disclosures on the Company's provisions and contingent liabilities.

SL	Key Audit Matter	How our audit addressed the key audit matter
3	Valuation of inventories (Refer to note 3.9 and 10 to these Financial Statements)	
	<p>The inventories of Company are carried out at lower of cost and net realizable value (NRV). The risk of cost exceeding NRV has increased due to the pandemic situation caused by COVID19 having an adverse impact on local and global supply chain and market conditions. During the year the inventories of RAK Ceramics (Bangladesh) Limited is 29% of the total current assets.</p> <p>The determination of net realizable value of inventories is judgmental and complex, especially in the current uncertain market situations due to the pandemic.</p> <p>Considering the above factors and the risk associated with the determination of net realizable value of inventories, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation of key controls on inventories operating across the Company; • We assessed the management's process of determining the net realizable value of inventories and impact of pandemic on it; • We attended the stock counting physically and reconciled the count results with the inventories listings to test the accuracy and completeness; • We checked the ageing analysis of inventories and appropriateness of management's process of determination of probability of obsolescence for each group of inventories; • We reviewed the historical accuracy of provision on inventories and the level of inventories write-offs during the year; and • We also assessed the disclosures on the inventories as per IAS 2.

SL	Key Audit Matter	How our audit addressed the key audit matter
4	Credit risks and impairment on trade receivables (Refer to note 3.15, 11 and 38.1(b) to these Financial Statements)	
	<p>The amount of trade receivables covers 12% of total current assets. The pandemic situation has positioned many business organizations in the financial stress and as a result, the risks of being default in payment of debts by the stressed customers increases significantly.</p> <p>The significant amount of trade receivables of the Company is attributable to a single customer which is also a related party as disclosed in note 39 to the financial statements to the Company. Being the related party, there may be financial transactions that lack in the criteria of arm's length transaction.</p> <p>Significant amount of judgment is to be applied to determine the risk of default by the customers over the expected life of trade receivables which may have material impact on trade receivables and as a result, there is risk of error in determining the allowance for impairment on trade receivables.</p> <p>Considering the above factors and the risk associated with the determination of impairment allowance on trade receivables, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We tested the receivable balances compared those with the results obtained from external confirmations. • We inspected the arrangements, security documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables; • We enquired of the Company's internal legal counsel for all significant litigations and regulatory matters and inspected internal notes and report. We also received formal confirmation from external counsel; • We reviewed the calculation of impairment allowance on trade receivables as per IFRS 9; and • We also assessed the disclosures on the trade receivables as per IFRS 9.

Other information included in the Company's 31 December 2021 Annual Report

Other information consists of the information included in the Company's 31 December 2021 Annual Report other than the financial statements and our auditor's report thereon. We obtained Director's Report, Management Discussion and Analysis, five years financial information, and Corporate Governance report prior to the date of our auditor's report, and we expect to obtain the remaining reports of the Annual Report after the date of our auditor's report. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we

conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with IFRSs, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The financial statements of the Company for the year ended 31 December 2020 was audited by another auditor who expressed an unqualified opinion on those statements on 03 February 2021.

Report on other legal and regulatory requirements

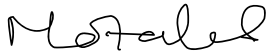
In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

- i. 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;
- ii. in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of these books;
- iii. the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- iv. the expenditure incurred was for the purposes of the Company's business.

A. Qasem & Co.

Chartered Accountants

RJSC Firm Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA

Partner

Enrolment Number: 0950

DVC: 2202070950AS604829

Dhaka, 02 February 2022

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 Taka	2020 Taka
Assets			
Property, plant and equipment	4	2,638,046,452	2,956,685,158
Investment property	5	503,234,165	503,456,083
Right-of-use assets	6	13,852,546	21,183,255
Intangible assets	7	1,578,221	3,132,358
Capital work-in-progress	8	17,713,837	3,777,569
Investment in subsidiaries	9	360,379,950	360,379,950
Total non-current assets		3,534,805,171	3,848,614,373
Inventories	10	2,945,904,573	1,964,552,190
Trade and other receivables	11	1,217,781,847	988,855,261
Advances, deposits and prepayments	12	276,903,416	229,920,846
Advance income tax	13	3,499,475,257	3,241,709,306
Cash and cash equivalents	14	2,199,873,444	1,904,369,238
Total current assets		10,139,938,537	8,329,406,841
Total assets		13,674,743,708	12,178,021,214
Equity			
Share capital	15	4,279,687,010	4,279,687,010
Share premium	16	1,473,647,979	1,473,647,979
Retained earnings	17	1,781,601,043	1,324,462,127
Total equity		7,534,936,032	7,077,797,116
Liabilities			
Deferred tax liability	18	119,491,463	166,403,706
Lease liability	21	4,904,896	9,291,390
Total non-current liabilities		124,396,359	175,695,096
Borrowings	20	430,408,117	119,940,905
Lease liability	21	4,809,657	4,505,188
Trade and other payables	22	958,449,064	640,988,412
Unclaimed dividend payable	23	11,764,448	49,576,141
Accrued expenses	24	710,571,739	490,310,554
Provision for income tax	25	3,899,408,292	3,619,207,802
Total current liabilities		6,015,411,317	4,924,529,002
Total liabilities		6,139,807,676	5,100,224,098
Total equity and liabilities		13,674,743,708	12,178,021,214

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202

Motaleb

Mohammad Motaleb Hossain FCA

Partner

Enrolment Number: 0950
DVC: 2202070950AS604829

02 February 2022

Abdallah
Abdallah Massaad
Chairman

Z.
SAK Ekramuzzaman
Managing Director

Pramod
Pramod Kumar Chand
Director

Sadhan Dey
Sadhan Kumar Dey
Chief Financial Officer

Muhammad
Muhammad Shahidul Islam FCS
Company Secretary

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 Taka	2020 Taka
Sales	26	6,815,398,857	5,233,144,472
Cost of sales	27	(4,843,713,763)	(4,119,245,478)
Gross profit		1,971,685,094	1,113,898,994
Other income	28	33,436,422	62,605,952
Administrative expenses	29	(344,431,754)	(316,798,031)
Marketing and selling expenses	30	(520,676,960)	(411,763,094)
		(831,672,292)	(665,955,173)
Profit from operating activities		1,140,012,802	447,943,821
Finance income	31	44,346,321	49,393,745
Finance expenses	32	(10,043,466)	(18,187,444)
Net finance income		34,302,855	31,206,301
Profit before contribution to workers' profit participation and welfare fund and income tax		1,174,315,657	479,150,122
Contribution to workers' profit participation and welfare fund		(55,919,793)	(22,816,672)
Profit before income tax		1,118,395,864	456,333,450
Income tax expense:			
Current tax	33	(280,200,490)	(122,316,309)
Deferred tax	18	46,912,243	(4,531,782)
		(233,288,247)	(126,848,091)
Profit for the year		885,107,617	329,485,359
Other comprehensive income for the year		-	-
Total comprehensive income for the year		885,107,617	329,485,359
Basic earnings per share (par value Tk 10)	41	2.07	0.77

The accompanying notes are an integral part of these financial statements

As per our report of same date

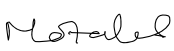
A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202


Abdallah Massaad
Chairman


SAK Ekramuzzaman
Managing Director


Pramod Kumar Chand
Director


Mohammad Motaleb FCA
Partner
Enrolment Number: 0950
DVC: 2202070950AS604829

02 February 2022


Sadhan Kumar Dey
Chief Financial Officer


Muhammad Shahidul Islam FCS
Company Secretary

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital Taka (Note 15)	Share premium Taka (Note 16)	Retained earnings Taka (Note 17)	Total Taka
Balance as at 1 January 2020	4,279,687,010	1,473,647,979	1,636,929,820	7,390,264,809
Total comprehensive income for 2020				
Profit for the year	-	-	329,485,359	329,485,359
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2019)	-	-	(641,953,052)	(641,953,052)
Balance as at 31 December 2020	4,279,687,010	1,473,647,979	1,324,462,127	7,077,797,116
Balance as at 1 January 2021	4,279,687,010	1,473,647,979	1,324,462,127	7,077,797,116
Total comprehensive income for 2021				
Profit for the year	-	-	885,107,617	885,107,617
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2020)	-	-	(427,968,701)	(427,968,701)
Balance as at 31 December 2021	4,279,687,010	1,473,647,979	1,781,601,043	7,534,936,032

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 Taka	2020 Taka
Cash flows from operating activities		
Cash receipts from customers	6,581,616,773	5,047,314,151
Cash payments to suppliers and employees	(5,822,224,908)	(3,775,409,759)
Cash generated from operating activities	759,391,865	1,271,904,392
Interest received from bank deposit	8,099,212	9,646,592
Income tax paid (note 13)	(257,765,951)	(135,128,287)
Net cash (used in)/from operating activities (note 44)	509,725,126	1,146,422,697
Cash flows from investing activities		
Acquisition of property, plant and equipment	(125,191,336)	(178,260,840)
Sale of property, plant and equipment (note 5.3)	3,332,000	2,323,500
Interest received from FDR	40,532,606	36,949,445
Income from rental	11,526,522	14,912,609
Intangible assets	-	(492,890)
Insurance claim received	-	38,287,131
Dividend received	22,479,900	45,949,800
Net cash (used in)/from investing activities	(47,320,308)	(40,331,245)
Cash flows from financing activities		
Finance charges	(4,925,158)	(14,412,127)
Avail/ (repayment) of short term borrowings	310,467,212	30,707,987
Payment of lease liability	(6,074,925)	(11,965,336)
Dividend paid	(465,780,393)	(634,047,427)
Unclaimed share application fund	(748,800)	-
Net cash (used in)/from financing activities	(167,062,064)	(629,716,903)
Effect of exchange rate changes in cash and cash equivalents	161,452	198,021
Net increase in cash and cash equivalents	295,504,206	476,572,570
Cash and cash equivalents as at 1 January	1,904,369,238	1,427,796,668
Cash and cash equivalents as at 31 December (Note 14)	2,199,873,444	1,904,369,238

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2021

1. Reporting entity

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

1.1 Nature of business

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

2. Basis of preparation

2.1 Statement of compliance

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

The title and format of these financial statements follow the requirements of IFRSs 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 IFRSs 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 02 February 2022.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

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

Note 4	Property, plant & equipment
Note 5	Investment Property
Note 6	Right-of-use assets
Note 18	Deferred tax liability
Note 19	Employees benefit payable
Note 21	Lease liability
Note 25	Provision for income tax

2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 December and is followed consistently. The comparative figures cover the period of one year from 1 January 2020 to 31 December 2020.

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 Mid of April 2021 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 August 2021 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 have been applied consistently to all periods presented in these financial statements, and have been applied consistently.

3.1 Property, plant and equipment

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

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

3.2 Depreciation on property, plant, equipment and investment property

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

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

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

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

3.3 Investment property

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

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

3.4 Depreciation on investment property

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

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

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

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

3.5 Intangible assets

Expenditure to acquire designs and trade marks for manufacture of ceramic tiles and sanitary ware as well as computer software is capitalised. This is being amortised equally within a period of two to three years depending upon the tenure of accrual of benefits.

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

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. No internal developed intangible assets capitalized during the year.

3.6 Capital work-in-progress

Capital work-in-progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not available for use. Capital work-in-progress is recorded at cost to the extent of expenditure incurred at the date of Statement of Financial Position. The amount of capital work-in-progress is transferred to appropriate asset category and depreciated when the asset is completed and commissioned.

3.7 Financial assets

a) Investment in subsidiaries

Investment in subsidiaries are recognised initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, investment in subsidiaries are measured at cost less impairment loss, if any.

b) Loans to subsidiaries & associate companies

Loans to subsidiaries & associate companies are recognised initially at fair value. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

c) Trade & other receivables

Trade & other receivables are recognised initially at fair value. Subsequent to initial recognition, trade & other receivables are measured at amortised cost using the effective interest method, less any bad impairment provision.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less which are available for use by the Company without any restriction. Bank overdraft that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

3.8 Financial liabilities

a) Trade & other payables

Trade & other payables are recognised initially at fair value. Subsequent to initial recognition, trade payables are stated at amortised cost using the effective interest method.

b) Borrowings

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

3.9 Inventories

Inventories on hand are valued at the lower of cost and net realisable value. For raw materials and consumable spare parts cost is determined on a weighted average cost basis. Work-in-process is stated at cost to complete of respective product. Cost comprises cost of raw materials, wages and other overheads up to the stage of completion. Finished products are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Materials in transit are valued at cost.

3.10 Impairment

Non-derivative financial assets

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

Non-financial assets

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

Calculation of recoverable amount

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

Recognition of impairment

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

Reversal of impairment

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

3.11 Share capital

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

3.12 Employee benefit schemes

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

Defined contribution plan (provident fund)

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

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

Defined benefit plan (gratuity fund)

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

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

Details of employees benefit schemes have been provided in note no. 19.

3.13 Workers' Profit Participation and Welfare Fund

The Company provides 5% of its net profit before tax after charging such expense as Workers' Profit Participation and Welfare Fund in accordance with "The Bangladesh Labour Act 2006 amended in 2018".

3.14 Provisions

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

3.15 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.

i. Classification – financial assets

IFRS 9 contains a 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).

ii. Impairment

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

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

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

iii. Impairment

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

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

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

iv. Hedging

IFRS 9 incorporates hedge accounting rules which intend to align hedge accounting with a company's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness.

Impact of IFRS 9 shown in note no 38.1 (b).

3.16 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

i. Sales of goods

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

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

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

ii. Rendering of services

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

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

iii. Construction contracts

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

3.17 IFRS 16 Leases

Under this IFRS 16 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 IFRS 16 guidance has an increased focus on who controls the asset and may change which contracts are leases.

General impact of application of IFRS 16 Leases

IFRS 16 introduces 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 requirements are described in notes to the financial statements. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

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

Impact of the new definition of a lease

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

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

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

Former finance leases

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

Impact on Lessor Accounting

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

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

3.18 Finance income and expenses

Finance income comprises interest income on funds invested in FDR and Short Notice Deposit (SND) accounts. Interest income is recognised on accrual basis.

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

3.19 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a publicly-traded company of the same industry. The tax rate 22.5% is used for the reporting period 2021 as per Finance Act 2021.

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.

3.20 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".

3.21 Earning per share

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

3.22 Contingencies

3.22.1 Contingent liability

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

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

3.22.2 Contingent asset

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

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.

3.23 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.

3.24 Duty drawback

Duty drawback paid on imported material for export sale is adjusted against VAT payable on domestic sale.

3.25 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.

3.26 Comparatives and reclassification

Comparative information have been disclosed in respect of 2020 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
2021

Particulars	C O S T				Rate (%)	D E P R E C I A T I O N				Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2021		Balance as at 01 Jan 2021	Charged during the year	Adj./Transfer during the year	Balance as at 31 Dec 2021	
Land	322,675,240	-	-	322,675,240	-	-	-	-	-	322,675,240
Factory building	1,018,459,997	977,754	-	1,019,437,751	5%	48,694,912	-	517,677,822	517,677,822	501,759,929
Office and accommodation building	507,945,393	26,266,111	-	534,211,504	5%	174,934,011	28,774,601	203,708,612	203,708,612	330,502,892
Plant and machinery	5,518,251,073	54,477,372	(62,007,839)	5,510,720,606	10%	3,912,491,549	313,235,730	(58,338,508)	4,167,388,771	1,343,331,835
Mobile plant	108,704,737	10,921,834	(30,666,089)	88,960,482	10%	75,320,031	4,890,614	(28,881,519)	51,329,126	37,631,356
Electrical installation	216,807,511	-	-	216,807,511	10%	182,666,681	6,766,022	-	189,432,703	27,374,808
Gas pipeline	59,347,562	-	-	59,347,562	10%	41,556,144	3,385,925	-	44,942,069	14,405,493
Furniture and fixtures	39,743,973	5,893,941	(4,581,813)	41,056,101	10%	26,040,539	3,289,346	(3,533,656)	25,796,229	15,259,872
Office equipment	93,410,490	4,850,873	(49,319,238)	48,942,125	10-20%	82,834,848	4,449,299	(49,212,545)	38,071,602	10,870,523
Communication equipment	13,632,536	903,004	(2,151,070)	12,384,470	10-20%	8,325,799	1,963,875	(2,044,836)	8,244,838	4,139,632
Tools and appliances	19,046,398	717,952	(63,427)	19,700,923	10%	13,468,091	1,443,256	(63,427)	14,847,920	4,853,003
Vehicles	79,820,982	6,246,226	-	86,067,208	10%	54,540,131	6,285,208	-	60,825,339	25,241,869
Total	7,997,845,892	111,255,067	(148,789,476)	7,960,311,483		5,041,160,734	423,178,789	(142,074,492)	5,322,265,031	2,638,046,452

2020

Particulars	C O S T				Rate (%)	D E P R E C I A T I O N				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2020		Balance as at 01 Jan 2020	Charged during the year	Adj./Transfer during the year	Balance as at 31 Dec 2020	
Land	319,680,040	2,995,200	-	322,675,240	-	-	-	-	322,675,240	
Factory building	1,018,459,997	-	-	1,018,459,997	5%	53,637,168	-	-	468,982,910	
Office and accommodation building*	200,864,019	100,062,037	207,019,337	507,945,393	5%	17,174,934	38,050,714	-	174,934,011	
Plant and machinery	5,277,012,539	242,044,784	(806,250)	5,518,251,073	10%	301,923,134	(50,225)	-	3,912,491,549	
Mobile plant	108,704,737	-	-	108,704,737	10%	5,201,295	-	-	75,320,031	
Electrical installation	216,807,511	-	-	216,807,511	10%	7,107,621	-	-	182,666,681	
Gas pipeline	59,347,562	-	-	59,347,562	10%	3,364,810	-	-	41,556,144	
Furniture and fixtures	41,643,341	2,777,404	(4,676,772)	39,743,973	10%	2,616,909	(4,676,688)	-	26,040,539	
Office equipment	116,111,876	4,056,913	(26,758,299)	93,410,490	10-20%	18,696,383	(26,758,152)	-	82,834,848	
Communication equipment	17,980,495	188,931	(4,536,890)	13,632,536	10-20%	2,347,334	(4,536,853)	-	8,325,799	
Tools and appliances	19,046,398	-	-	19,046,398	10%	1,576,139	-	-	13,468,091	
Vehicles	86,372,205	-	(6,551,223)	79,820,982	10%	6,771,205	(6,157,560)	-	54,540,131	
Total	7,482,030,723	352,125,269	163,689,903	7,997,845,892		420,416,932	(4,128,764)		5,041,160,734	
									2,956,685,158	

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

5 Investment Property
2021

Particulars	COST			Rate	DEPRECIATION			Amount in Taka Net book value as at 31 Dec 2021	
	Balance as at 01 Jan 2021	Addition during the year	Sale/Transfer during the year		Balance as at 31 Dec 2021	Charged during the year	Adj./Transfer during the year		Balance as at 31 Dec 2021
	Land ¹	500,571,750	-		-	500,571,750	-		-
Office building ²	4,432,737	-	-	4,432,737	221,918	-	1,770,322	2,662,415	
Total	505,004,487	-	-	505,004,487	221,918	-	1,770,322	503,234,165	

2020

Particulars	COST			Rate	DEPRECIATION			Amount in Taka 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	Adj./Transfer during the year		Balance as at 31 Dec 2020
	Land	500,571,750	-		-	500,571,750	-		-
Office building	211,452,074	-	(207,019,337)	4,432,737	9,008,663	(38,050,714)	1,548,404	2,884,333	
Total	712,023,824	-	(207,019,337)	505,004,487	9,008,663	(38,050,714)	1,548,404	503,456,083	

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 investment property as per IAS 40 considering undetermined future use.

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

A godown building is situated at above land. The same was classified as Property, plant & equipment till 31st Dec 2016. However, presently the asset is under investment property as per IAS 40 considering undetermined future use.

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

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). 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.

However, 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.

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.

	2021 Taka	2020 Taka
5.1 Depreciation		
Property, plant and equipment (Note 4)	423,178,789	420,416,932
Investment property (Note 5)	221,918	9,008,663
	423,400,707	429,425,595
5.2 Allocation of Depreciation		
Cost of sales (Note 27)	388,486,781	379,035,704
Administrative expenses (Note 5.2.1)	29,290,716	44,971,728
Marketing & selling expenses (Note 30)	5,623,210	5,418,163
	423,400,707	429,425,595
5.2.1 Allocation of Administrative Depreciation		
Depreciation on property, plant & equipment (Note 29)	29,068,798	35,963,065
Depreciation on investment property (Note 29)	221,918	9,008,663
	29,290,716	44,971,728

5.3 Disposal of property, plant and equipment 2021

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Mobile Plant	30,666,089	28,881,519	1,784,570	3,332,000	1,547,430
Office equipment	49,319,238	49,212,545	106,693	-	(106,693)
Furniture & fixture	4,581,813	3,533,656	1,048,156	-	(1,048,156)
Plant and machinery	62,007,839	58,338,508	3,669,331	-	(3,669,331)
Communication equipment	2,151,070	2,044,836	106,234	-	(106,234)
Tools and appliances	63,427	63,427	-	-	-
Total	148,789,476	142,074,492	6,714,984	3,332,000	(3,382,984)

2020

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Office Equipment	26,758,299	26,758,152	147	7,500	7,353
Vehicle	6,551,223	6,157,560	393,663	1,942,500	1,548,837
Furniture & fixture	4,676,772	4,676,688	85	118,500	118,415
Plant and machinery	806,250	50,225	756,025	255,000	(501,025)
Communication equipment	4,536,890	4,536,853	37	-	(37)
Total	43,329,434	42,179,478	1,149,956	2,323,500	1,173,543

Right-of-use assets
2021

Particulars	COST				DEPRECIATION				Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Retirement/ Adj. during the year	Balance as at 31 Dec 2021	Balance as at 01 Jan 2021	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2021	
Display center	51,948,658	-	(7,358,189)	44,590,469	31,481,038	7,458,852	(7,471,444)	31,468,446	13,122,023
Accommodation building	2,432,215	690,046	(1,728,411)	1,393,850	1,716,580	714,217	(1,767,470)	663,327	730,523
Total	54,380,872	690,046	(9,086,600)	45,984,319	33,197,617	8,173,069	(9,238,914)	32,131,773	13,852,546

2020

Particulars	COST				DEPRECIATION				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Retirement/ Adj. during the year	Balance as at 31 Dec 2020	Balance as at 01 Jan 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)	51,948,658	31,138,351	7,302,906	(6,960,220)	31,481,038	20,467,620
Accommodation building	3,300,136	699,246	(1,567,168)	2,432,215	1,812,180	1,394,608	(1,490,209)	1,716,580	715,635
Warehouse	32,707,529	-	(32,707,529)	-	5,723,818	4,906,129	(10,629,947)	-	-
Total	83,645,147	11,970,643	(41,234,917)	54,380,872	38,674,349	13,603,644	(19,080,376)	33,197,617	21,183,255

		2021 Taka	2020 Taka
6.1	Allocation of depreciation		
	Administrative expenses (Note 29)	714,217	1,394,608
	Marketing & selling expenses (Note 30)	7,458,852	12,209,035
		8,173,069	13,603,644
6.2	Gain/(loss) on retirement of right-of-use assets		

2021

Particulars	Lease liability	Right-of-use assets	Gain/(loss)
Warehouse	-	-	-
Accommodation	-	-	-
Total	-	-	-

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)

1. Company rented four display centers 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 felt that the warehouse was not required. Therefore, the company cancelled the lease agreement on 30 September 2020.

7 Intangible assets
2021

Particulars	COST				AMORTIZATION				Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2021	Balance as at 01 Jan 2021	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2021	
	License	22,692,876	-	-	22,692,876	22,091,943	289,857	-	
Computer Software	11,614,380	-	-	11,614,380	9,082,956	1,264,279	-	10,347,235	1,267,145
Total	34,307,256	-	-	34,307,256	31,174,898	1,554,136	-	32,729,035	1,578,221

2020

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	-	
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	3,855,577	-	31,174,898	3,132,358

	2021 Taka	2020 Taka
Finished goods (net of net realizable value adjustment)	584,786,606	441,243,898
Less: Provision for slow moving & obsolete inventories	15,720,612	17,064,161
	569,065,994	424,179,737
Work-in-process	59,359,055	47,290,564
Goods-in-transit	205,812,555	124,405,926
	2,945,904,573	1,964,552,190
11 Trade and other receivables		
Trade receivables (Note-11.1)	1,211,240,334	977,458,250
Accrued interest (Note-11.2)	6,541,513	10,827,011
Accrued rental income	-	570,000
	1,217,781,847	988,855,261
11.1 Trade receivables		
Receivable from dealers	1,220,027,333	985,465,346
Receivable from export sales	-	779,903
	1,220,027,333	986,245,249
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	2,328,301	2,328,301
Related parties	6,458,698	6,458,698
	1,211,240,334	977,458,250
11.2 Accrued interest		
Interest accrued on Fixed Deposit Receipt	6,541,513	6,731,957
Interest accrued on Special Notice Deposit	-	4,095,054
	6,541,513	10,827,011
12 Advance, deposits and prepayments		
Advances:		
Purchase of land and others	10,017,270	2,369,670
Suppliers against materials and services	67,823,896	33,221,610
	77,841,166	35,591,280
Security and other deposit:		
Titas gas	38,569,450	38,569,450
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
Deposited with income tax authority	79,320,962	68,128,195
Deposited with VAT authority	58,361,240	58,361,240
Display center and others	2,200,000	2,200,000
Other deposits	1,494,626	1,494,626
	181,901,278	170,708,511

	2021 Taka	2020 Taka
Prepayments:		
Insurance and others	17,160,972	23,621,055
	276,903,416	229,920,846
13 Advance Income Tax		
Balance as at 1 January	3,241,709,306	3,106,581,019
Add: Paid during the year	257,765,951	135,128,287
Balance as at 31 December (Note -13.1)	3,499,475,257	3,241,709,306
13.1 Year wise closing balance		
Income year		
Year 2021	237,801,978	-
Year 2020	115,584,117	95,620,144
Year 2019	254,675,621	254,675,621
Year 2018	270,464,119	270,464,119
Year 2017	295,460,648	295,460,648
Year 2016	242,216,508	242,216,508
Year 2015	138,288,579	138,288,579
Year 2014	253,701,667	253,701,667
Year 2013	352,440,807	352,440,807
Year 2012	301,027,378	301,027,378
Year 2011	322,755,413	322,755,413
Year 2010	263,692,205	263,692,205
Year 2009	218,086,876	218,086,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006 (Unadjusted balance)	23,087,333	23,087,333
	3,499,475,257	3,241,709,306
14 Cash and cash equivalents		
Cash in hand	1,978,833	5,456,303
Cash at banks		
HSBC (current account - 001-013432-011 - BDT)	-	41,946
Standard Chartered Bank (current account-01-6162940- 01-BDT)	98,441,841	93,976,268
BRAC Bank (current account - 1530301731248001 - BDT)	15,126,914	20,293,811
Citibank N.A. (current account - G010000200262018 - BDT)	149,989	156,438
Dutch Bangla Bank Ltd. (current account-117-110-12733 -BDT)	1,625,000	20,979,424
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	4,648,910	11,828,247
Standard Chartered Bank (Margin Money account)	13,289,437	-

	2021 Taka	2020 Taka
Unitted Commercial Bank Ltd.(SND account - 0831301000000164 BDT)	31,825,028	26,109,945
Eastern Bank Ltd. (SND account - 1131350237146 - BDT)	-	116,447,666
Eastern Bank Ltd. (SND account-1131350237393(WH)-BDT)	-	3,291
Dhaka Bank Ltd. (SND - 102.150.274- BDT))	27,682,861	36,019,530
EXIM Bank (SND account - 01513100031877 - BDT)	-	706,355
Dutch Bangla Bank Ltd. (SND account - 117-120-589 - BDT)	121,709,119	191,085,495
Dutch Bangla Bank Ltd.(SND account -117-120-376 (WH)-BDT)	-	129,548
BRAC Bank (STD - 1513101731248001 - BDT)	-	363,694
Prime Bank Ltd. (SND - 12531010022563 - BDT)	13,135,435	7,650,678
Commercial Bank of Ceylon (CD - 1817000776 - BDT)	5,739	25,000
Commercial Bank of Ceylon (SND - 2817000777 - BDT)	60,071,855	128,925,016
Commercial Bank of Ceylon (ERQ - 1806012366 - USD)	4,308,029	-
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	24,494,839	60,095,753
Midland Bank Ltd. (SND 0006-10600000043 - BDT)	126,242,828	-
Eastern Bank Ltd. (SND account - 1041360507944 - BDT)	71,777,074	
Eastern Bank Ltd. (Margin Money account)	-	5,745,315
Commercial Bank of Ceylon (Margin Money account)	53,212	
	614,588,110	720,583,420
IPO bank account		
Citibank N.A. (RAK-IPO Central Account-G010001200262022-BDT)	1,685,806	2,433,214
Citibank N.A. (RAK-IPO-NRB Subscription-G010000200262042-USD)	3,919,501	3,919,501
Citibank N.A. (RAK-IPO-NRB Subscription-G010000200262026-EURO)	153,606	153,606
Citibank N.A. (RAK-IPO-NRB Subscription-G010000200262034-GBP)	126,599	126,599
	5,885,512	6,632,920
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,848,356	2,606,551
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	1,112,266	2,190,689
SCB (SND - 02-6162940-02 - BDT) - 2012	180,227	3,885,208
SCB (SND - 02-6162940-03 - BDT) - 2013	337,376	16,951,065
SCB (SND - 02-6162940-04 - BDT) - 2014	3,862	5,021,420
SCB (SND - 02-6162940-05 - BDT) - 2015	44,581	3,743,396
SCB (SND - 02-6162940-06 - BDT) - 2016	11,317	4,222,208
SCB (SND - 02-6162940-07 - BDT) - 2017	5,283	1,663,022

	2021 Taka	2020 Taka
SCB (SND - 02-6162940-08 - BDT) - 2018	1,925,267	1,933,758
SCB (SND - 02-6162940-09 - BDT) - 2019	6,576,189	8,479,278
SCB (SND - 02-6162940-10 - BDT) - 2020	3,630,950	-
	16,675,674	50,696,595
Investment in Fixed Deposit Receipt (FDR)		
HSBC	-	10,000,000
SCB	-	6,000,000
BRAC Bank Ltd.	50,000,000	250,000,000
Dutch Bangla Bank Ltd.	400,000,000	400,000,000
Eastern Bank Ltd.	505,745,315	150,000,000
Dhaka Bank Ltd.	550,000,000	250,000,000
Commercial Bank of Ceylon	55,000,000	55,000,000
	1,560,745,315	1,121,000,000
	2,199,873,444	1,904,369,238

15 Share Capital

Authorised

600,000,000 ordinary shares of Tk 10 each

6,000,000,000 **6,000,000,000**

Issued, subscribed, called and paid up

4,279,687,010 **4,279,687,010**

427,968,701 ordinary shares of Tk 10 each

Percentage of shareholdings :

	2021		2020	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,915,864,310	68.13	2,915,864,310
SAK 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
	100.00	4,279,687,010	100.00	4,279,687,010

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

Classification of shareholders by range:

Shareholders' range	Number of shareholders		Number of shares	
	2021	2020	2021	2020
Less than 500 shares	16,571	19,020	4,007,328	4,669,870
501 to 5,000 shares	6,107	7,619	9,667,706	12,586,707
5001 to 10,000 shares	645	986	4,753,914	7,057,991
10,001 to 20,000 shares	351	501	5,125,053	7,062,682
20,001 to 30,000 shares	116	178	2,852,640	4,330,386
30,001 to 40,000 shares	64	70	2,260,040	2,399,501
40,001 to 50,000 shares	38	51	1,763,948	2,296,962
50,001 to 100,000 shares	73	97	5,366,610	6,817,326
100,001 to 1,000,000 shares	90	106	28,132,218	25,620,555
Over 1,000,000 shares	17	16	364,039,244	355,126,721
	24,072	28,644	427,968,701	427,968,701

16 Share premium

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

No. of shares	Share premium (per share)	2021 Taka	2020 Taka
10,000,000	30	300,000,000	300,000,000
34,510,000	38	1,311,380,000	1,311,380,000
		<u>1,611,380,000</u>	<u>1,611,380,000</u>
Less : Share issue expenses		<u>137,732,021</u>	<u>137,732,021</u>
		<u>1,473,647,979</u>	<u>1,473,647,979</u>

17 Retained earnings (Reserve and surplus)

Balance as on 01 January	1,324,462,127	1,636,929,820
Add : Profit during the year	885,107,617	329,485,359
	<u>2,209,569,744</u>	<u>1,966,415,179</u>
Less: Dividend declared during the year	(427,968,701)	(641,953,052)
Balance as at 31 December	<u>1,781,601,043</u>	<u>1,324,462,127</u>

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

	2021 Taka	2020 Taka
18 Deferred tax liabilities		
Balance as at 1 January	166,403,706	161,871,924
Deferred tax (income) / expenses	(46,912,243)	4,531,782
Balance as at 31 December	119,491,463	166,403,706

	Carrying amount on the date of statement of financial position Taka	Tax base Taka	Taxable/ (deductible) temporary difference Taka
As at 31 December 2021			
Property, plant and equipment (Excluding land and others)	2,267,070,975	1,675,672,819	591,398,156
Trade receivable	1,211,240,334	1,220,027,333	(8,786,999)
Inventory	2,945,904,573	3,001,580,552	(55,675,979)
Right of use assets	13,852,546	-	13,852,546
Lease liability	(9,714,554)	-	(9,714,554)
Net taxable temporary difference			531,073,170
Deferred tax liability (applying tax rate 22.50%)			119,491,463
As at 31 December 2020			
Property, plant and equipment (Excluding land and others)	2,574,837,178	1,840,183,487	734,653,691
Trade receivable	977,458,250	986,245,249	(8,786,999)
Inventory	1,964,552,190	2,024,804,059	(60,251,869)
Net taxable temporary difference			665,614,823
Deferred tax liability (applying tax rate 25.00%)			166,403,706

19 Employees benefits payable

	2021		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	62,547,336	34,850,641	97,397,977
	62,547,336	34,850,641	97,397,977
Less: Payments made to fund during the year	62,547,336	34,850,641	97,397,977
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 673,554 for the year 2021 has been adjusted with provision and payment.

	2020		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	56,325,573	31,873,108	88,198,681
	<u>56,325,573</u>	<u>31,873,108</u>	<u>88,198,681</u>
Less: Payments made to fund during the year	56,325,573	31,873,108	88,198,681
Balance as at 31 December	<u>-</u>	<u>-</u>	<u>-</u>

Forfeited amount of provident fund amounting to BDT. 1,252,370 for the year 2020 has been adjusted with provision and payment.

20 Borrowings

Short-term borrowings :

Short term borrowings - EBL	185,566,063	-
Short term borrowings - SCB	244,842,054	-
Short term borrowings - CBC	-	119,940,905
Balance as at 31 December	<u>430,408,117</u>	<u>119,940,905</u>

20.1 Borrowings by maturity

At 31 December 2021

	< 1 year	1-2 years	2-5 years	Total
Short-term borrowings	430,408,117	-	-	430,408,117
	<u>430,408,117</u>	<u>-</u>	<u>-</u>	<u>430,408,117</u>

At 31 December 2020

	< 1 year	1-2 years	2-5 years	Total
Short-term borrowings	119,940,905	-	-	119,940,905
	<u>119,940,905</u>	<u>-</u>	<u>-</u>	<u>119,940,905</u>

The company opted for off-shore financing from SCB, EBL & CBC on its outstanding import bills as deferred payment bills under the letter of credits.

20.2 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 stock & book debts on a parri - passu basis with other lenders. 3) Demand promissory note.
	Short term loan	500,000,000	244,842,054	180/360 days from B/L date		
Eastern Bank Ltd.	Overdraft	30,000,000	-	Revolving	From company's own source	
	Short term loan	425,000,000	185,566,063	180/360 days from B/L date		
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	-	Revolving	From company's own source	
	Short term loan	90,000,000	-	180/360 days from B/L date		
Commercial Bank of Ceylon	Overdraft	35,000,000	-	Revolving	From company's own source	
	Short term loan	550,000,000	-	180/360 days from B/L date		

	2021 Taka	2020 Taka
21 Lease liability		
Non-current:		
Lease liability	9,714,554	13,796,578
Less : Current portion of lease liability	4,809,657	4,505,188
	4,904,896	9,291,390
Current:		
Current portion of lease liability	4,809,657	4,505,188

31 December 2021

Lease liability schedule

Particulars	Balance as on 01 January 2021	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2021
Display center	13,054,447	113,255	5,291,767	1,083,249	4,208,518	8,959,184
Accommodation building	742,131	729,106	783,158	67,291	715,867	755,370
	13,796,578	842,361	6,074,925	1,150,540	4,924,385	9,714,554

31 December 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	-
	38,473,004	(16,001,798)	11,965,336	3,290,709	8,674,627	13,796,578

22 Trade and other payables

Trade payables

Payable to local suppliers	184,089,052	127,349,527
Payable to foreign suppliers	306,722,614	199,107,788
Payable to service provider	149,859,366	68,014,396
Payable to C & F agent and freight forwarder	49,038,384	34,072,045
	689,709,416	428,543,756

					2021 Taka	2020 Taka	
Other payables							
	Tax deducted at source				23,760,299	20,545,230	
	Tax deducted at source on remuneration (Note-24.1)				8,807,367	4,312,351	
	Tax deducted at source on incentive and bonus (Note-24)				4,603,182	-	
	VAT deducted at source				8,721,767	7,536,338	
	VAT and Supplementary duty payable (Note-22.1)				114,600,709	139,511,697	
	Unclaimed share application				20,061,956	20,810,756	
	Advance from customer against sales				8,771,248	8,561,650	
	Payable to customer against claim				13,735,760	-	
	Provisional liabilities - material & services				62,236,279	7,523,078	
	Payable to employees				1,823,489	2,025,964	
	Security deposit payable				1,617,592	1,617,592	
					268,739,648	212,444,656	
					958,449,064	640,988,412	
22.1	VAT and Supplementary duty (SD) payable						
	Opening Balance				139,511,697	101,875,164	
	Add: VAT and Supplementary duty on sales				2,275,173,224	1,702,174,335	
					2,414,684,921	1,804,049,499	
	Less:						
	Treasury deposit for SD & VAT purpose				1,494,362,171	1,236,009,353	
	Rebate of input VAT				805,722,041	428,528,450	
					2,300,084,212	1,664,537,803	
	Balance as at 31 December				114,600,709	139,511,697	
23	Unclaimed Dividend Payable					11,764,448	49,576,141
	Year	Dividend declared	TDS on dividend	Net dividend	Dividend distributed till 31 Dec 2021	Fund Transferred to CMSF	Undistributed fund (BDT) as on 31 Dec 2021
	2010	345,110,250	60,198,297	284,911,953	274,257,528	10,654,425	-
	2011	379,621,275	65,382,545	314,238,730	306,565,331	7,673,399	-
	2012	417,583,403	27,344,749	390,238,653	386,535,373	3,703,280	-
	2013	459,341,744	30,693,245	428,648,499	426,108,408	2,540,090	-
	2014	842,126,528	60,654,665	781,471,863	776,464,072	5,007,791	-
	2015	842,126,528	61,659,449	780,467,078	776,773,479	3,693,599	-
	2016	673,701,222	48,745,089	624,956,133	620,752,883	4,203,250	-
	2017	353,693,141	27,276,252	326,416,889	324,757,456	1,659,433	-
	2018	389,062,456	29,888,903	359,173,553	357,224,527	-	1,949,026
	2019	641,953,052	49,029,624	592,923,428	586,341,069	-	6,582,359
	2020	427,968,701	32,747,652	395,221,049	391,987,987	-	3,233,062
		5,772,288,298	493,620,470	5,278,667,828	5,227,768,113	39,135,267	11,764,448

	2021 Taka	2020 Taka
24 Accrued expenses		
Power and gas	24,694,006	24,522,822
Staff cost	124,259,370	99,210,463
Dealer's incentive and bonus	41,428,638	-
Audit fees	1,400,000	1,400,000
Professional charges	1,000,000	400,000
Interest on loan	2,440,939	875,254
Telephone	205,976	372,138
Labour bill	3,434,409	-
Freight bill	676,640	1,997,523
Business promotion and advertisement	19,209,107	11,220,000
Hiring heavy equipment	1,506,239	-
Managing Director's remuneration (Note-24.1)	26,422,103	10,062,153
Workers profit participation and welfare fund (Note-24.2)	55,919,793	22,816,672
Royalty and technical know-how fee (Note-24.3)	407,974,519	317,433,528
	710,571,739	490,310,554
24.1 Managing Director's remuneration		
Balance as at 1 January	10,062,153	35,910,357
Add: Payable to Managing Director for the year	35,229,470	14,374,504
	45,291,623	50,284,861
Less: Tax deducted at source during the year	8,807,367	4,312,351
Less: Paid to Managing Director during the year	10,062,153	35,910,357
Balance as at 31 December	26,422,103	10,062,153
24.2 Workers' Profit Participation and welfare Fund		
Balance as at 1 January	22,816,672	52,965,129
Add: Contribution made to the fund during the year	55,919,793	22,816,672
	78,736,465	75,781,801
Less: Payment made from the fund during the year	22,816,672	52,965,129
Balance as at 31 December	55,919,793	22,816,672
24.3 Royalty and technical know-how fee		
Balance as at 1 January	317,433,528	287,408,635
Add: Provision made during the year	90,540,991	30,521,994
	407,974,519	317,930,629
Less: Payment made during the year	-	497,101
Balance as at 31 December	407,974,519	317,433,528
25 Provision for income tax		
Balance as at 1 January	3,619,207,802	3,496,891,493
Add: Provision made during year	280,200,490	122,316,309
Balance as at 31 December (note 25.1)	3,899,408,292	3,619,207,802

		2021 Taka	2020 Taka
25.1	Year wise closing balance		
	Income year		
	Year 2021	280,200,490	-
	Year 2020	122,316,309	122,316,309
	Year 2019	269,804,714	269,804,714
	Year 2018	273,027,981	273,027,981
	Year 2017	297,112,555	297,112,555
	Year 2016	253,189,745	253,189,745
	Year 2015	274,419,022	274,419,022
	Year 2014	339,893,487	339,893,487
	Year 2013	318,166,647	318,166,647
	Year 2012	305,056,869	305,056,869
	Year 2011	323,149,311	323,149,311
	Year 2010	348,965,691	348,965,691
	Year 2009	266,823,984	266,823,984
	Year 2008	147,117,914	147,117,914
	Year 2007	80,163,573	80,163,573
		3,899,408,292	3,619,207,802

26 Sales

	Unit	2021		2020	
		QTY in million	In TAKA	QTY in million	In TAKA
Local					
Tiles	Sft	99.45	6,987,821,117	73.70	5,268,770,400
Decor/Border	Pcs	0.53	70,260,064	0.35	41,861,966
Sanitary ware	Pcs	1.33	2,737,454,436	1.09	2,144,389,549
			9,795,535,617		7,455,021,915
Less: Supplementary Duty			995,615,214		724,808,552
			8,799,920,403		6,730,213,363
Less: VAT			1,279,558,009		977,365,782
			7,520,362,394		5,752,847,581
Export					
Tiles	Sft	0.45	18,598,320	0.34	20,133,346
			7,538,960,714		5,772,980,927
Less: Discount			5,910,710		2,269,354
Less: Commission, incentive and bonus (note - 26.1)			717,651,147		537,567,101
			6,815,398,857		5,233,144,472
26.1 Commission, incentive and bonus					
Dealer's commission			144,671,931		111,915,106
Breakage commission			150,937,038		116,790,409
Incentive and bonus			422,042,178		308,861,586
			717,651,147		537,567,101

	2021 Taka	2020 Taka
27 Cost of sales		
Material consumed:		
Opening inventory as on 01 January	562,104,748	797,865,060
Add: Purchase during the year	3,201,561,143	1,504,265,473
Less: Closing inventory as on 31 December	1,312,339,347	562,104,748
	2,451,326,544	1,740,025,785
Factory overhead:		
Direct labour (note-27.1)	583,520,143	474,388,527
Direct expenses:		
Power and gas	691,535,673	555,223,159
Repairs and indirect materials (note-27.2)	696,314,441	519,427,562
Depreciation (note-5.2)	388,486,781	379,035,704
Royalty and technical know-how fees*	90,540,991	30,521,994
Other production overhead (note-27.3)	83,911,045	98,031,330
Provision for slow moving & obsolete inventories (note 10)**	(3,860,575)	119,214
Movement in stock	(138,061,280)	322,472,203
	4,843,713,763	4,119,245,478
27.1 Direct labour		
Salary & wages	375,459,016	316,710,928
Overtime	30,598,736	18,358,453
Bonus	59,755,267	37,517,069
Temporary labour wages	61,431,115	51,850,892
Gratuity	24,543,795	21,974,836
Employers contribution to provident fund	21,554,000	18,683,965
Leave encashment	7,484,164	6,756,044
Group life insurance	2,450,601	2,150,524
Compensation	169,437	385,816
Staff uniform expenses	74,012	-
	583,520,143	474,388,527
27.2 Repair and indirect materials		
Stores, spares, repair & maintenance	338,643,420	235,454,238
Packing expenses	357,671,021	283,973,324
	696,314,441	519,427,562
27.3 Other production overhead		
Tour and travel expenses	5,081,308	1,196,430
Demurrage	3,348,351	9,731,754
Insurance	22,094,199	25,540,511

	2021 Taka	2020 Taka
Write off for obsolete raw materials	-	23,875,000
Write off for stores and spares	45,308,123	30,826,750
Hiring charges and transportation	5,145,760	3,680,026
Other expenses	2,933,304	3,180,859
	83,911,045	98,031,330

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

**The company make provision on slow moving inventories (raw materials and finished goods) at every year end and the provision till 31 December 2020 was BDT. 37,310,694. Due to the improvement of ageing of inventories, the provision figure came at 31 December 2021 was BDT. 33,450,119. As a result, company reversed BDT. 3,860,575 in current year.

28	Other income		
	Dividend income	22,479,900	45,949,800
	Rental income	10,956,522	15,482,609
	Profit on sale of fixed assets (note - 5.3)	-	1,173,543
		33,436,422	62,605,952
29	Administrative expenses		
	Staff cost (note-29.1)	175,281,437	157,076,531
	Annual General Meeting expenses	1,464,500	897,431
	Telephone and postage	6,847,153	6,008,223
	Office repair and maintenance (note-29.2)	6,343,486	10,066,938
	Registration and renewal	2,347,340	12,668,330
	Security and guard expenses	17,225,581	15,529,650
	Electricity, gas and water	6,492,050	7,206,380
	Depreciation on property, plant & equipment (note - 5.2.1)	29,068,798	35,963,065
	Depreciation on investment property (note - 5.2.1)	221,918	9,008,663
	Depreciation on right of use assets (note - 6.1)	714,217	1,394,608
	Amortization (note-7)	1,554,136	3,855,577
	Legal and professional fees	12,481,015	11,364,529
	Vehicle repair and maintenance	11,214,559	10,057,998
	Rent rate and tax	1,626,096	1,802,228
	Loss on right of use assets (note : 6.2)	-	475,595
	IT expenses	3,206,443	3,507,401
	General service	14,650,971	9,112,748
	Loss on retirement of fixed assets (note - 5.3)	3,382,984	-
	Donation	3,487,111	1,918,924
	Others	11,592,489	4,508,708
	Managing Director's remuneration (note-29.3)	35,229,470	14,374,504
		344,431,754	316,798,031

	2021 Taka	2020 Taka
29.1 Staff cost		
Salary & wages	121,720,700	117,982,117
Bonus	16,969,782	11,516,376
Incentive	879,144	25,349
Gratuity	6,867,413	6,884,152
Employers contribution to provident fund	6,332,419	6,323,116
Leave encashment	2,126,938	2,135,956
Group life insurance	753,870	631,221
Canteen and conveyance expenses	10,738,052	5,548,936
Staff uniform expenses	2,605,967	-
Travelling expenses	1,638,893	2,325,254
Compensation	1,526,707	2,875,605
Medical expenses	1,305,449	725,554
Accommodation expenses	1,816,103	102,895
	175,281,437	157,076,531
Accommodation expenses includes rent expenses for short term lease for BDT.156,000 and related government levies wherever applicable. Details of the short term lease is shown in note no 36. No low value item exists at the reporting period.		
29.2 Office repair & maintenance		
Repairs office equipment	416,558	2,510,848
Office maintenance	5,926,928	7,556,090
	6,343,486	10,066,938
29.3 This represents provision made @ 3% of net profit before tax.		
30 Marketing & selling expenses		
Staff cost (note-30.1)	87,637,991	65,982,085
Advertisement	12,294,710	13,582,495
Freight and transportation	300,626,263	267,693,797
Compensation to customers	22,280,195	3,623,491
Business promotion	62,097,713	30,058,530
Depreciation on property, plant & equipment (note - 5.2)	5,623,210	5,418,163
Depreciation on right of use assets (note - 6.1)	7,458,852	12,209,035
Showroom, office & house rent	1,549,622	850,355
Sample expenses	14,923,161	8,836,769
Tour, travel and others	6,185,243	3,508,374
	520,676,960	411,763,094
30.1 Staff cost		
Salary & wages	52,837,659	44,918,044
Bonus	7,418,449	4,968,666

	2021 Taka	2020 Taka
Incentive	10,251,516	2,156,857
Gratuity	3,439,433	3,014,120
Employers contribution to provident fund	3,050,472	2,529,520
Leave encashment	1,060,630	930,590
Group life insurance	356,357	354,491
Compensation	-	108,486
Conveyance and food expenses	9,092,963	7,001,311
Staff uniform expenses	130,512	-
	87,637,991	65,982,085

30.2 Salary & wages under staff cost (note no. 27.1, 29.2 & 30.1) includes employee contribution to provident fund for BDT. 21,554,000, BDT. 6,332,419 & BDT. 3,050,472.

31 Finance income

Interest on bank account (SND)	8,099,212	9,646,592
Interest on Fixed deposits	36,247,109	39,747,153
	44,346,321	49,393,745

32 Finance expenses

Interest expenses against Loan	4,542,363	9,990,999
Interest expenses against lease liability	1,150,540	3,290,709
Bank charges	1,948,480	3,741,797
Foreign exchange loss	2,402,083	1,163,939
	10,043,466	18,187,444

33 Income tax expenses

Current year	280,200,490	122,316,309
	280,200,490	122,316,309

34 Reconciliation of effective tax rate

	2021		2020	
	%	Taka	%	Taka
Profit before tax		1,118,395,864		456,333,450
Current tax expenses	25.05%	280,200,490	26.80%	122,316,309
Deferred tax expenses/(income)	-4.19%	(46,912,243)	0.99%	4,531,782
Total tax expenses	20.86%	233,288,247	27.80%	126,848,091
Expected income tax using applicable tax rate	22.50%	251,639,069	25.00%	114,083,363
Tax on non-deductible expenses	2.55%	28,561,421	1.80%	8,232,945
Effective current tax	25.05%	280,200,490	26.80%	122,316,309
Effective deferred tax/(income)	-4.19%	(46,912,243)	0.99%	4,531,782
	20.86%	233,288,247	27.80%	126,848,091

		2021 Taka	2020 Taka
35	Transaction in foreign currency		
	CIF value of import:		
	Raw materials	2,396,540,016	1,078,897,150
	Spare parts	417,693,170	113,501,664
	Capital machinery	95,782,360	142,719,110
	Expenditure:		
	Royalty, consultancy & training fees	-	372,826
	Dividend	277,007,109	415,510,664
		3,187,022,655	1,751,001,413
	Earnings:		
	FOB value of exports	18,598,320	20,133,346
		18,598,320	20,133,346

36 Short term lease expenses

Nature of the lease	Lease term	Allocation	Rent Payment	Rent Payment
Rented accommodation	<1 year	Admin	156,000	156,000
Rented accommodation	<1 year	Marketing	-	142,500
			156,000	298,500

37 Quantitative details of opening stock, purchase/production, consumption/sales and closing stock of raw materials and finished goods (Refer to Note 27)

Quantity in million

Description	Unit	Opening stock	Purchase/ Production	Sale / Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials	KG				
Current year		127.67	230.80	284.37	74.10
Previous year		124.47	207.20	204.00	127.67
Finished goods					
Tiles:	Sft				
Ceramics/granite					
Current year		14.18	101.44	99.90	15.72
Previous year		17.93	70.37	74.12	14.18
Decor/border	Pcs				
Current year		0.11	0.53	0.53	0.11
Previous year		0.12	0.34	0.35	0.11
Sanitary ware:					
Sanitary items	Pcs				
Current year		0.13	1.36	1.33	0.16
Previous year		0.13	1.09	1.09	0.13

37.1 Production capacity and actual production are given below: (Refer to Note 27)

2021

Production	Unit	Installed Capacity (million) Annual	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Tiles	Sft	111.04	101.44	91%	(9.60)
Sanitary ware	Pcs	1.45	1.36	93%	(0.09)

2020

Production	Unit	Installed Capacity (million) Annual	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Tiles	Sft	111.04	70.37	63%	(40.67)
Sanitary ware	Pcs	1.45	1.09	75%	(0.36)

38 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

38.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivable is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables.

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

a) Exposure to credit risk

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

	USD	USD	Amounts in Taka	
	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020
Trade receivables				
Customer-Local	-	-	1,211,240,334	976,678,347
Customer-Export	-	9,235	-	779,903
	-	9,235	1,211,240,334	977,458,250
Other receivables				
Accrued rental income			-	570,000
Accrued Interest			6,541,513	10,827,011
			6,541,513	11,397,011
Cash equivalents			2,197,894,611	1,898,912,935

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 2021.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment loss (Refer note 11.1)
Trade receivable-unrelated	11.1	Loan & receivable	Amortized cost	546,460,057	544,131,756	2,328,301
Trade receivable-related	11.1	Loan & receivable	Amortized cost	673,567,276	667,108,578	6,458,698
Cash & cash equivalent	14	Loan & receivable	Amortized cost	2,197,894,611	2,197,894,611	-

- i The above table provides information ECLs till date. Impairment provision till Dec 2020 was Tk. 8,786,999.
- ii Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current year on transition to IFRS 9.
- iii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current year on transition to IFRS 9.
- iv Due to the improvement of receivable ageing compare to year 2020, no further impairment provision is required in the current year 2021.

C) The aging of trade receivables as at 31 December was:

	Amounts in Taka	
	As at 31 Dec 2021	As at 31 Dec 2020
Not past due	1,146,041,356	932,573,365
0-90 days past due	31,227,749	34,742,888
91-180 days past due	26,768,333	5,854,201
181-365 days past due	4,854,572	1,881,393
over 365 days past due	2,348,323	2,406,402
	1,211,240,334	977,458,250

38.2 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 2021			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Short term borrowing	430,408,117	430,408,117	430,408,117	-
Trade and other payables	958,449,064	958,449,064	958,449,064	-
	1,388,857,181	1,388,857,181	1,388,857,181	-

	As at 31 Dec 2020			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Short term borrowing	119,940,905	119,940,905	119,940,905	-
Trade and other payables	640,988,412	640,988,412	640,988,412	-
	760,929,317	760,929,317	760,929,317	-

38.3 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, 15% of export proceeds are crediting to export retention quota account and rest of the 85% 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 2021				As at 31 Dec 2020			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated assets								
Receivable from customers-Export	-	-	-	-	-	-	9,235	-
Cash at bank	-	-	105,562	-	-	-	139,238	-
	-	-	105,562	-	-	-	148,473	-

	As at 31 Dec 2021				As at 31 Dec 2020			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated liabilities								
Trade payables	60,550	249,274	2,840,637	322,266	-	198,261	1,362,803	572,772
Short term borrowings	-	-	5,013,490	-	-	-	1,411,900	-
Royalty & Technical Fees	-	-	4,752,178	-	-	-	3,736,710	-
	60,550	249,274	12,606,305	322,266	-	198,261	6,511,413	572,772
Net exposure	(60,550)	(249,274)	(12,500,743)	(322,266)	-	(198,261)	(6,362,940)	(572,772)

The Company has foreign exchange loss of Tk 2,402,083 during the year ended 31 December 2021 (31 December 2020: Exchange loss Tk 1,163,939).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2021 Taka	31 Dec 2020 Taka
AED	23.2942	23.0356
GBP	115.4990	114.6885
USD	85.3500	84.4500
EURO	97.0488	104.0430

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 Dec 2021 Profit or (loss)		As at 31 Dec 2020 Profit or (loss)	
	Strengthening Taka	Weakening Taka	Strengthening Taka	Weakening Taka
At 31 December				
AED (3 percent movement)	(1,873)	1,764	-	-
GBP (3 percent movement)	(7,710)	7,260	(6,132)	5,775
USD (3 percent movement)	(386,621)	364,099	(196,792)	185,328
EURO (3 percent movement)	(9,967)	9,386	(17,715)	16,683

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 2021 Taka	As at 31 Dec 2020 Taka
Fixed rate instruments		
Financial assets		
Financial assets		
Investment in FDR	1,560,745,315	1,121,000,000
Cash at banks	637,149,296	777,912,934
Financial liabilities		
Short term borrowing	430,408,117	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 2021		As at 31 Dec 2020	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
Financial assets				
Held to maturity assets				
Investment in FDR	1,560,745,315	1,560,745,315	1,121,000,000	1,121,000,000
Loans and receivables				
Trade receivables	1,211,240,334	1,211,240,334	977,458,250	977,458,250
Other receivables	6,541,513	6,541,513	11,397,011	11,397,011
Cash equivalents	2,197,894,611	2,197,894,611	1,898,912,935	1,898,912,935
Available for sale financial assets				

	As at 31 Dec 2021		As at 31 Dec 2020	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
Financial liabilities				
Liabilities carried at amortised costs				
Short term borrowing	430,408,117	430,408,117	119,940,905	119,940,905
Trade and other payables	958,449,064	958,449,064	640,988,412	640,988,412

Accounting classification and fair values as at 31 December 2021 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

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

	31 Dec 2021	31 Dec 2020
Investment in FDR (local currency/BDT)	1.50%-5.00%	2.50%-4.00%
Bank overdraft (local currency/BDT)	9.00%	9.00%
Short term bank loan (local currency/BDT)	9.00%	9.00%
Short term bank loan (foreign currency/USD)	Libor+2.00%-3.50%	Libor+2.75%-3.50%

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/ Guarantee status	Bad debts Status	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables/ Advance	Outstanding payable	Remuneration	Dividend Income	Amounts in Taka	
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	374,006,296	10,956,522	-	75,592,623	-	20,499,900		
				Previous year	295,184,786	12,782,609	-	21,115,349	-	40,999,800		
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	36,349,893	-	-	5,897,332	-	1,980,000		
				Previous year	48,309,891	-	-	11,693,202	-	4,950,000		
RAK Ceramics PJSC, UAE	Parent	Unsecured	Nil	Current year	9,026,026	-	-	18,643,948	-	-		
				Previous year	7,789,789	-	-	19,247,093	-	-		
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	785,892,515	-	-	65,809,391	-	-		
				Previous year	424,280,078	-	-	16,073,113	-	-		
RAK Ceramics (India) Pvt. Ltd.	Fellow subsidiary	Secured	Nil	Current year	48,362	-	-	-	-	-		
				Previous year	585,136	-	-	-	-	-		
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	423,872	-	-	-	-	-		
				Previous year	164,529	2,700,000	570,000	39,059	-	-		
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	59,455,970	-	-	13,393,261	-	-		
				Previous year	59,354,094	-	-	9,987,018	-	-		
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	11,461,923	-	-	391,680	-	-		
				Previous year	10,104,303	-	-	746,231	-	-		
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	1,724,911	-	-	25,929	-	-		
				Previous year	381,373	-	-	-	-	-		
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	1,496,233	-	6,414	-	-	-		
				Previous year	6,414	-	-	-	-	-		
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	58,450,995	-	-	8,299,420	-	-		
				Previous year	11,750,342	-	-	56,532,946	-	-		
Mohammed Trading	Other related party	Secured by Guaranteed Cheque	Nil	Current year	-	2,409,828,278	673,567,276	-	-	-		
				Previous year	-	1,892,025,898	638,218,496	-	-	-		
S.A.K. Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current year	2,891,980	-	-	26,422,103	35,229,470	-		
				Previous year	2,529,300	-	-	10,062,153	14,374,504	-		
Sadhan Kumar Dey	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	-	9,023,824	-		
				Previous year	-	-	-	-	8,015,370	-		

	2021 Taka	2020 Taka	
39.1	<p>RAK Ceramics (Bangladesh) Limited did not have any tangible assets sale or purchase with its related party amounting to 1% (one percent) or above of the tangible asset for the immediate preceding financial period. To comply the BSEC notification no. BSEC/CMRRCD/2009-193/2/admin/103 dated February 05, 2020 shareholders of the company in its 22nd Annual General Meeting dated March 31,2021 approved an agenda to enter into contract for supply of goods and materials to Mohammed Trading (Owner of Mohammed Trading is Managing Director of RAK Ceramics (Bangladesh) Limited) amounting to 1% (One percent) or above of the revenue for the immediate financial period."</p>		
39.2	<p>Paid to Directors</p> <p>During the year, provision was made as MD's remuneration for Taka. 35,229,470.</p> <p>During the year, Board meeting fees of Taka 300,000 was paid to the board members for attending the Board meetings.</p>		
40	<p>Number of employees</p> <p>The number of employees engaged for the year who received total remuneration of Taka 96,000 and above per annum at reporting date was as follows.</p>		
	Number of employees	1,752	1,563
	None of receiving below Taka 8,000 per month.		
41	<p>Calculation of Earnings per share (EPS)</p>		
	(a) Net Profit for the year	885,107,617	329,485,359
	(b) No. of ordinary equity shares	427,968,701	427,968,701
	(c) Weighted average no. of equity shares outstanding (Note 41.1)	427,968,701	427,968,701
	Earnings per share (EPS) for the year (a÷c)	2.07	0.77
	Diluted earnings per share for the year (a÷c)	2.07	0.77
41.1	<p>Weighted average number of ordinary shares</p> <p>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.</p>		
	Outstanding shares	427,968,701	427,968,701
		427,968,701	427,968,701
41.2	<p>Diluted earning per share</p> <p>No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year.</p>		
41.3	<p>Reason of deviation of earnings per share:</p> <p>Due to the revised and responsive business strategy taken by the management, sales is increased by 30.24% from BDT. 5,233.14 mn to BDT. 6,815.40 mn. The company registered improvement of cost of sales due to enhanced control on cost compared to previous year which is resulting in increase of earnings per share from BDT. 0.77 to BDT 2.07. Number of working days are also more in the year 2021 compare to 2020 because of COVID - 19 impact. Reduction of tax rate by 2.5% as per Finance Act 2021 impacting profit after tax, eventually, improving earnings per share.</p>		
42	<p>Calculation of Net assets value per share</p>		
	(a) Net assets value (Note 15, 16 & 17)	7,534,936,032	7,077,797,116
	(b) Weighted average no. of equity shares outstanding (Note 41.1)	427,968,701	427,968,701
	Net assets value per share (a÷b)	17.61	16.54
43	<p>Calculation of Net operating cash flow per share</p>		
	(a) Net Cash flows from operating activities (Note 44)	509,725,126	1,146,422,697
	(b) Weighted average no. of equity shares outstanding (Note 41.1)	427,968,701	427,968,701
	Net operating cash flow per share (a÷b)	1.19	2.68

	2021 Taka	2020 Taka
43.1 Reason of deviation of net operating cash flow per share:		
Due to the revised and responsive business strategy taken by the management, sales is increased by 30.24% from BDT. 5,233.14 mn to BDT. 6,815.40 mn. But, cash collection from the customers has not been increased in same proportion due to allowing additional credit term during the pandemic period which is impacting in net operating cash flow inversely. As a result, net operating cash flow per share has been reduced from BDT. 2.68 to BDT. 1.19.		
44 Reconciliation of operating cash flow:		
Cash flows from operating activities		
Profit before taxation	1,118,395,864	456,333,450
Adjustment for:		
Depreciation	431,573,776	443,029,238
Amortization	1,554,136	3,855,577
Loss on right of use assets	-	475,595
Loss on assets retirement	3,382,984	-
Advance rent adjustment	-	(6,293,495)
Foreign exchange loss	2,402,083	1,163,939
Finance expenses	7,641,383	17,023,505
Finance income	(44,346,321)	(49,393,745)
Other income	(33,436,422)	(62,605,952)
	<u>1,487,167,482</u>	<u>803,588,113</u>
Increase/decrease in trade and other receivable	(233,782,084)	(185,830,323)
Increase/decrease in inventories	(981,352,383)	751,509,614
Increase/decrease in trade and other payables	487,358,849	(97,363,014)
Cash generated from operating activities	<u>759,391,865</u>	<u>1,271,904,392</u>
Interest received from bank deposit	8,099,212	9,646,592
Income tax paid	(257,765,951)	(135,128,287)
Net cash (used in)/from operating activities	<u><u>509,725,126</u></u>	<u><u>1,146,422,697</u></u>
45 Contingent liabilities		
There are contingent liabilities on account of unresolved disputed corporate tax assessments, VAT claims and customs duty by the authority aggregating to Tk 1,130,710,423 (31 Dec 2020: Tk 1,154,183,701). 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 414,109,099 (31 Dec 2020: Tk 455,609,557) and letter of guarantee of Tk 81,702,853 (31 Dec 2020: Tk 77,629,444).		
The company issued one corporate guarantee value BDT. 70 mn (SCB) in favour of subsidiary company to avail loan from banks. Outstanding loan against the said corporate guarantee are nil at 31 December 2021. Therefore no credit loss allowances is expected.		
46 Events after the reporting period		
46.1 Declaration of dividend and date of Annual General Meeting (AGM)		
The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on 02 February 2022, has unanimously recommended cash dividend @ 12.50% of the paid up capital of the Company for the year ended 31 December 2021 equivalent to BDT. 534,960,876.25 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 23rd Annual General Meeting of the Company which will be held on 31 March 2022.		

DIRECTORS' REPORT OF RAK POWER PVT. LTD

Dear shareholders,

The Board of Directors of RAK Power Pvt. Ltd are pleased to present to this Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2021, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

Principal activities

The primary purpose of the company is to establish power generating plants and operate transmission and distribution systems to sell the generated electric power (output) to the parent Company, RAK Ceramics (Bangladesh) Limited, to authorised legal entities and/or to designated franchisees, including group companies, within the geographical boundary of Bangladesh. Over its journey of a decade, the company has continually evolved to stay attuned to the needs of customers and contribute meaningfully to the Group. The company remains focused on building sustainable value for all stakeholders, while upholding the values of the parent.

Performance of power generation

The power plant capacity was available in excess of 90% of installed capacity during the year 2021. Total generated power was transmitted to meet the requirements of the parent Company. Previously the available capacity of the plant was 9.5MW, out of the installed capacity of 10MW. Presently the power plant installed capacity is 12MW and available capacity is 11.5MW.

Operating results

The operating results of the Company for the year ended 2021 are as follows:

(Amount in BDT mn)

Particulars	2021	2020
Sales	374.01	300.64
Gross Profit	67.18	46.76
Net Profit After Tax	41.78	27.93
Earnings Per Share (Absolute BDT)	20.38	13.62
Net Operating Cash Flow Per Share (NOCFPS)	25.67	38.89
Net Asset Value (NAV)	290.26	268.98
Net Asset Value per share (Absolute BDT)	141.59	131.21

Dividend

The Board of Directors of RAK Power is pleased to recommend cash dividend @20% of the paid-up capital of the company for the year 2021. While recommending the dividend, the Board of Directors considered the operational performance, business results, assets as at that date, working capital requirements, and any potential future expansions. The company paid cash dividend @10% of paid-up capital for the year 2020.

Auditors

A. Qasem & Co. Chartered Accountants (a member firm of ECOVIS International), shall retire at the 17th Annual General Meeting and, being eligible, have offered themselves for reappointment. The Board also recommended their re-appointment for the year 2022. Remuneration of the Auditor will be fixed by the shareholders at the 17th Annual General Meeting.

Appointment of Managing Director

Engr. Md. Maqsoodul Karim reigned from the position of Managing Director as well as Director of the Company with effect from 1st of May 2022 and Mr. Vibhuti Bhushan appointed as a nominee director of RAK Ceramics (Bangladesh) Limited on the Board of RAK Power Pvt. Ltd. as well as the new Managing Director of the Company for a period of 3 (three) years with effect from 1st of May 2022.

Post Balance Sheet events

There were no material events or developments that have occurred after the Balance Sheet/reporting date, the non-disclosure of which could affect the ability of the users of these financial statements to make an appropriate evaluation.

Appreciation

The Board would like to take this opportunity to place on record its earnest appreciation to the Government authorities, shareholders, investors, bankers and employees of the company for their continuous commitment, cooperation, confidence and support in enabling the company to attain its objectives.

For and on behalf of the Board of Directors,



(Abdallah Massaad)
Chairman

February 02, 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK POWER PVT. LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RAK Power Pvt. Ltd. (the Company), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994 and other applicable laws and regulations.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirement that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence

obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950
DVC: 2202070950AS476642

Dhaka, 02 February 2022

Other Matters

The financial statements of the Company for the year ended 31 December 2020 was audited by another auditor who expressed an unqualified opinion on those statements on 03 February 2021.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- A. we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- B. in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- C. the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Rak Power Pvt. Ltd.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31-Dec-21 Taka	31-Dec-20 Taka
Assets			
Property, plant and equipment	4	153,391,622	121,716,834
Capital Work in Progress	5	-	52,859,125
Investment	7	287,500	287,500
Total non-current assets		153,679,122	174,863,459
Inventories	8	43,891,378	62,438,199
Trade and other receivables	9	75,654,930	22,014,677
Advances, deposits and prepayments	10	31,949,103	39,421,245
Advance income tax	11	342,899,335	326,143,285
Cash and cash equivalents	12	66,752,638	41,881,159
Total current assets		561,147,384	491,898,565
Total assets		714,826,506	666,762,024
Equity			
Share capital	13	205,000,000	205,000,000
Retained earnings	14	85,256,696	63,978,520
Total equity		290,256,696	268,978,520
Liabilities			
Deferred tax liability	15	20,591,106	25,720,413
Total non-current liabilities		20,591,106	25,720,413
Trade and other payables	18	6,820,934	16,383,728
Accrued expenses	19	41,815,063	20,541,620
Provision for income tax	20	355,342,707	335,137,743
Total current liabilities		403,978,704	372,063,091
Total liabilities		424,569,810	397,783,504
Total equity and liabilities		714,826,506	666,762,024

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950
DVC: 2202070950AS476642

02 February 2022



Md. Maqsudul Karim
Managing Director



SAK Ekramuzzaman
Director

Rak Power Pvt. Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME


For the year ended 31 December 2021

	Notes	31-Dec-21 Taka	31-Dec-20 Taka
Sales	21	374,006,296	300,642,544
Cost of sales	22	(306,830,139)	(253,886,141)
Gross profit		67,176,157	46,756,403
Other income	23	20,000	141,541
Administrative expenses	24	(10,454,474)	(9,403,626)
		(10,434,474)	(9,262,085)
Profit from operating activities		56,741,683	37,494,318
Finance income	25	433,270	2,105,101
Finance expenses	26	(321,120)	(1,429,694)
Net finance income/(expenses)		112,150	675,407
Profit before income tax		56,853,833	38,169,725
Income tax expense:			
Current tax	27	(20,204,964)	(14,698,046)
Deferred tax	15	5,129,307	4,454,486
		(15,075,657)	(10,243,560)
Profit for the year		41,778,176	27,926,165
Total comprehensive income for the year		41,778,176	27,926,165
Basic earnings per share (par value Tk 100)	34	20.38	13.62

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.
Chartered Accountants
RJSC Firm Registration No.: 2-PC7202


Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950
DVC: 2202070950AS476642


Md. Maqsudul Karim
Managing Director


SAK Ekramuzzaman
Director

02 February 2022

Rak Power Pvt. Ltd.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital Taka	Retained earnings Taka	Total Taka
	(Note 13)	(Note 14)	
Balance as at 01 January 2020	205,000,000	77,052,355	282,052,355
Total comprehensive income for 2020			
Profit for the year	-	27,926,165	27,926,165
Transactions with the shareholders			
Cash dividend (2019)	-	(41,000,000)	(41,000,000)
Balance as at 31 December 2020	205,000,000	63,978,520	268,978,520
Balance as at 01 January 2021	205,000,000	63,978,520	268,978,520
Total comprehensive income for 2020			
Profit for the year	-	41,778,176	41,778,176
Transactions with the shareholders			
Cash dividend (2020)	-	(20,500,000)	(20,500,000)
Balance as at 31 December 2021	205,000,000	85,256,696	290,256,696

The accompanying notes are an integral part of these financial statements

Rak Power Pvt. Ltd.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	31-Dec-21 Taka	31-Dec-20 Taka
Cash flows from operating activities		
Cash receipts from customers	320,265,417	350,168,123
Cash payments to suppliers and employees	(251,309,711)	(253,062,671)
Cash generated from operating activities	68,955,706	97,105,452
Interest received from bank deposit	416,559	434,475
Income tax paid(Note-11)	(16,756,050)	(17,816,011)
Net cash (used in)/from operating activities (Note-37)	52,616,215	79,723,916
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,237,204)	(52,897,703)
Interest received	117,337	1,724,542
Dividend received	20,000	50,000
Net cash (used in)/from investing activities	(7,099,867)	(51,123,161)
Cash flows from financing activities		
Finance charges	(144,869)	(1,098,930)
Payment of lease liability	-	(3,591,652)
Dividend paid	(20,500,000)	(41,000,000)
Net cash (used in)/from financing activities	(20,644,869)	(45,690,582)
Net increase/(decrease) in cash and cash equivalents	24,871,479	(17,089,827)
Cash and cash equivalents as at 1 January	41,881,159	58,970,986
Cash and cash equivalents as at 31 December (Note 12)	66,752,638	41,881,159

The accompanying notes are an integral part of these financial statements

Rak Power Pvt. Ltd.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2021

1. Reporting entity

"RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of BDT 1,000,000,000 divided into 10,000,000 ordinary shares of BDT 100 each. The paid up capital stands at BDT 205,000,000 as on 31 December 2021. The company has gone into commercial operation from 01 May 2009.

The registered office of the company is at RAK Tower (8th floor), Jashimuddin Avenue, Plot # 1/A, Sector # 3, Uttara Model Town, Dhaka-1230. The Power Plant is located at Vill : Dhanua, P.S: Sreepur, Dist : Gazipur."

1.1 Nature of business

The main objects of the company is to set-up power utilities, own and operate power-generating plants, transmission system and distribution system and to sell the generated electric power to any legal entity or any designated franchise area within Bangladesh, and generate electricity based on different available types of fuels such as gaseous, liquid and solid fuels, hydro potential and any other natural resources such as solar, wind, tidal and waste materials.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994 and other applicable laws and regulation.

The title and format of these financial statements follow the requirements of IFRS's 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 IFRSs titles and format give better presentation to the shareholders.

Authorization for issue

These financial statements have been authorized for issue by the Board of Directors of the company on 2 February 2022.

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 realizable 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 judgments

The preparation of these financial statements in conformity with IFRSs requires management to make judgments, 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 recognized 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 judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are stated in the following notes:

Note 4 Property, plant & equipment

Note 15 Deferred tax liability

Note 16 Employees benefit payable

Note 20 Provision for income tax

2.5 Reporting period

These financial statements cover period of 1 year from 1 January to 31 December and is followed consistently.

2.6 Going concern

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

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 mid of April 2021 which caused suspension of production in factory of the customer and the customer is now operating their plant with partial load and the partial closure requiring employees to work partially from home and at office. However, company is having minimum guarantee payment arrangement with its primary customer. Moreover, 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 August 2021 the company 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 have been applied consistently to all years presented in these financial statements and have been applied consistently.

3.1 Property, plant and equipment

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

An asset is derecognized 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 recognized as gain or loss from disposal of asset under other income in the statement of profit or loss and other comprehensive income.

3.2 Depreciation on property, plant, equipment and investment property

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

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

Category of property, plant and equipment	Rate (%)
Factory building	20
Plant and machinery:	
Main Genset	5
Auxiliary equipment	10
Electrical installation	20
Gas pipeline	20
Furniture and fixtures	10
Office equipment	20
Communication equipment	10
Tools and appliances	20
Fire fighting equipment	20
Vehicles	20

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

3.3 Financial assets

a) Investment (in share)

Investment in subsidiaries are recognized initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, investment in subsidiaries are measured at cost less impairment loss, if any.

b) Trade and other receivables

Trade & other receivables are recognized initially at fair value. Subsequent to initial recognition, trade & other receivables are measured at amortized cost using the effective interest method, less any bad debts provision.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less which are available for use by the Company without any restriction. Bank overdraft that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

3.3.1 Financial liabilities

The Company recognizes a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Non-derivative financial liabilities comprise trade & other payables, and interest bearing borrowings.

a) Trade and other payables

Trade & other payables are recognized initially at fair value. Subsequent to initial recognition, trade payables are stated at amortized cost using the effective interest method.

3.4 Inventories

Inventories on hand are valued at the lower of cost and net realizable value. For raw materials and consumable spare parts cost is determined on a weighted average cost basis. Work-in-process is stated at cost to complete of respective product. Cost comprises cost of raw materials, wages and other overheads up to the stage of completion. Finished products are stated at lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Raw materials in transit are valued at cost.

3.5 Employee benefit schemes

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

Defined contribution plan (provident fund)

Defined contribution plan is a post employment benefit plan under which the Company provides benefits to one or more employees. The recognized 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 recognized as an expense when an employee has rendered services to the Company. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

Defined benefit plan (gratuity fund)

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

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

Details of employees benefit schemes have been provided in note no. 16.

3.6 Finance income and expenses

Finance income comprises interest income on funds invested in FDR and Short Notice Deposit (SND) accounts. Interest income is recognized on accrual basis.

Finance expense comprises interest expense only on overdraft. All finance expenses are recognized in the statement of profit or loss and other comprehensive income.

3.7 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a private limited company of the same industry. The applicable tax rate is 30% for the reporting year as per Finance Act-2021.

Deferred tax:

Deferred tax has been recognized 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 recognized 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 utilized. 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 realized.

3.8 Foreign currency

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

3.9 Earning per share

The Company presents basic and diluted (when dilution is applicable) earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company with the weighted average number of ordinary shares outstanding during the 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.

3.10 Contingencies

3.10.1 Contingent liability

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

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

3.11 Statement of cash flows

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

3.12 Provisions

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

3.13 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognizing 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.

i. Classification – financial assets

IFRS 9 contains a 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 amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

ii. Impairment

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

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

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

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

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

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

iii. Hedging

IFRS 9 incorporates hedge accounting rules which intend to align hedge accounting with a company's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness.

Impact of IFRS 9 shown in note no 31.1 (b).

The company analyzed its financial assets and decided not to provide for impairment because the company is confident enough to recover its financial assets.

3.14 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

i. Sales of goods

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

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

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

ii. Rendering of services

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

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

iii. Construction contracts

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

3.15 IFRS 16 Leases

Under this IFRS 16 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 IFRS 16 guidance has an increased focus on who controls the asset and may change which contracts are leases.

General impact of application of IFRS 16 Leases

IFRS 16 introduces 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 requirements are described in notes to the financial statements. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The company has applied IFRS 16 using the modified retrospective approach.

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 year of time in exchange for consideration.

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

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

Former finance leases

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

Impact on Lessor Accounting

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

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

However, the company does not have any right-of-use assets and lease liability at reporting date because lease rent agreement falls under short-term lease. The tenure of rental agreement for generators is less than 12 months."

3.16 Events after the reporting date

Events after the reporting date that provide additional information about the Company's position at the reporting date are reflected in the financial statements. Material events after the reporting date that are not adjusting events are disclosed by way of note (Note-39).

3.17 Comparatives and reclassification

Comparative information have been disclosed in respect of 2020 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
31-Dec-21

Amount in Taka

Particulars	C O S T			D E P R E C I A T I O N					Net book value as at 31 Dec 2021	
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2021	Rate (%)	Balance as at 01 Jan 2021	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2021
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Factory building	19,573,131	-	-	19,573,131	20%	19,363,269	75,600	-	19,438,869	134,262
Plant and machinery										
Main Genset	268,615,599	58,932,104	-	327,547,703	5%	161,169,359	27,332,623	-	188,501,982	139,045,721
Auxiliary equipment	33,597,157	-	-	33,597,157	10%	33,549,442	21,460	-	33,570,902	26,255
Electrical installation	25,822,636	-	-	25,822,636	20%	25,775,967	46,668	-	25,822,635	1
Gas pipeline	20,090,783	1,075,709	-	21,166,492	20%	18,420,321	693,352	-	19,113,673	2,052,819
Furniture and fixtures	2,016,276	26,716	-	2,042,992	10%	1,593,794	86,023	-	1,679,817	363,175
Office equipment	1,880,221	61,800	-	1,942,021	20%	1,300,821	165,815	-	1,466,636	475,385
Communication equipment	124,786	-	-	124,786	10%	124,785	-	-	124,785	1
Tools and appliance	4,445	-	-	4,445	20%	4,444	-	-	4,444	1
Fire fighting equipment	3,631,012	-	-	3,631,012	20%	3,631,011	-	-	3,631,011	1
Vehicles	2,300,531	-	-	2,300,531	20%	2,300,530	-	-	2,300,530	1
Total	388,950,577	60,096,329	-	449,046,906		267,233,743	28,421,541	-	295,655,284	153,391,622

31-Dec-20

Amount in Taka

Particulars	C O S T			D E P R E C I A T I O N					Net book value as at 31 Dec 2021	
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2021	Rate (%)	Balance as at 01 Jan 2021	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2021
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Factory building	19,573,131	-	-	19,573,131	20%	19,287,669	75,600	-	19,363,269	209,862
Plant and machinery										
Main Genset	268,615,599	-	-	268,615,599	5%	147,738,579	13,430,780	-	161,169,359	107,446,240
Auxiliary equipment	33,597,157	-	-	33,597,157	10%	33,513,715	35,727	-	33,549,442	47,715
Electrical installation	25,822,636	-	-	25,822,636	20%	25,304,051	471,916	-	25,775,967	46,669
Gas pipeline	20,090,783	-	-	20,090,783	20%	18,060,026	360,295	-	18,420,321	1,670,462
Furniture and fixtures	2,002,698	13,578	-	2,016,276	10%	1,509,125	84,669	-	1,593,794	422,482
Office equipment	1,855,221	25,000	-	1,880,221	20%	1,125,396	175,425	-	1,300,821	579,400
Communication equipment	124,786	-	-	124,786	10%	124,785	-	-	124,785	1
Tools and appliance	4,445	-	-	4,445	20%	4,444	-	-	4,444	1
Fire fighting equipment	3,631,012	-	-	3,631,012	20%	3,631,011	-	-	3,631,011	1
Vehicles	2,300,531	-	-	2,300,531	20%	2,300,530	-	-	2,300,530	1
Total	388,911,999	38,578	-	388,950,577		252,599,331	14,634,412	-	267,233,743	121,716,834

	31-Dec-21 Taka	31-Dec-20 Taka
4.1 Depreciation charged on the basis of the purpose of use		
Cost of sales	28,169,703	14,374,318
Administrative expenses	251,838	260,094
	28,421,541	14,634,412
4.2 Disposal of property, plant and equipment		
No disposal of property, plant and equipment took place during the year.		
5 Capital Work-in-Progress		
Balance as at 1 January	52,859,125	-
Add: Addition during the year (Note 5.1)	7,148,688	52,859,125
	60,007,813	52,859,125
Less: Transfer to property, plant and equipment (Note 5.2)	60,007,813	-
Balance as at 31 December	-	52,859,125
5.1 Addition during the year		
Plant and equipment	6,087,979	52,844,125
Gas pipeline	1,060,709	15,000
	7,148,688	52,859,125
5.2 Items transferred from capital work in progress to property, plant and equipment		
Plant and equipment	58,932,104	-
Gas pipeline	1,075,709	-
	60,007,813	-

6 Right-of-use assets

31-Dec-21

Particulars	COST				AMORTIZATION				Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2021	Balance as at 01 Jan 2021	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2021	
Plant and machinery	-	-	-	-	-	-	-	-	-
Office building	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

31-Dec-20

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	
Plant and machinery	27,200,020	-	(27,200,020)	-	24,694,755	2,505,265	(27,200,020)	-	-
Office building	1,431,242	-	(1,431,242)	-	1,103,249	327,993	(1,431,242)	-	-
Total	28,631,262	-	(28,631,262)	-	25,798,004	2,833,258	(28,631,262)	-	-

	31-Dec-21 Taka	31-Dec-20 Taka
7 Investment		
Investment in associates		
Investment to RAK Security & Services Pvt. Ltd	287,500	287,500
	287,500	287,500
8 Inventories		
Stores, spares and consumables	51,602,636	62,438,199
Less: write off for obsolesce of spare parts	7,711,258	-
	43,891,378	62,438,199
9 Trade and other receivables		
Trade receivable		
Receivable from sales	75,592,623	21,893,103
	75,592,623	21,893,103
Other receivable		
Supplier against services	48,844	7,485
Interest accrued on FDR	13,463	114,089
	62,307	121,574
	75,654,930	22,014,677
10 Advance, deposits and prepayments		
Advances:		
Suppliers against VAT Software and spares	225,000	334,500
	225,000	334,500
Security and other deposit:		
Titas gas transmission & distribution co. ltd.	31,183,000	31,183,000
Value Added Tax (VAT) (Note-10.1)	-	7,034,727
Office Rent	-	77,000
	31,183,000	38,294,727
Prepayments:		
Insurance and others	541,103	792,018
	541,103	792,018
	31,949,103	39,421,245
10.1 Value Added Tax (VAT)		
Balance as at 1 January	7,034,727	-
Add: Input VAT credit and cash deposit	-	52,131,108
Less: VAT on sales	7,034,727	45,096,381
Balance as at 31 December	-	7,034,727
Payable VAT is shown in the note 18.1		

	31-Dec-21 Taka	31-Dec-20 Taka
11 Advance income tax		
Balance as at 1 January	326,143,285	308,327,274
Add: Paid during the year	16,756,050	17,816,011
Balance as at 31 December	342,899,335	326,143,285
11.1 Year wise advance income tax		
Income year		
year 2021	14,766,228	-
year 2020	13,713,864	11,724,042
year 2019	24,813,160	24,813,160
year 2018	41,898,983	41,898,983
year 2017	41,290,654	41,290,654
year 2016	44,944,216	44,944,216
year 2015	45,242,248	45,242,248
year 2014	37,992,335	37,992,335
year 2013	37,210,247	37,210,247
year 2012	33,236,075	33,236,075
year 2011	5,945,904	5,945,904
year 2010	1,840,421	1,840,421
year 2009	5,000	5,000
	342,899,335	326,143,285
12 Cash and cash equivalents		
Cash in hand	316,108	99,635
	316,108	99,635
Cash at banks		
HSBC (current account - 001-107580-011 - BDT)	-	766,057
Standard Chartered Bank (CD - 01-3767272-01 - BDT)	77,205	72,079
Dutch Bangla Bank Ltd. (CD 117 - 110 - 23474 - BDT)	1,655	2,000
Standard Chartered Bank (SND -02-3767272-01 - BDT)	54,866	55,211
Standard Chartered Bank (Margin Money account)	3,319,200	3,319,200
Dutch Bangla Bank Ltd. (SND account - 117-120-2550 - BDT)	11,431,530	348,959
MidLand Bank (SND Account 0006-1070000015 - BDT)	45,521,092	504,195
Eastern Bank Limited (CD Account-1132040363287)	587,252	457,046
Eastern Bank Limited (Margin Money account)	4,681,650	4,681,650
	65,674,450	10,206,397

	31-Dec-21 Taka	31-Dec-20 Taka
Investment in Fixed Deposit Receipt (FDR)		
HSBC	-	1,974,547
Standard Chartered Bank.	762,080	762,080
Dutch Bangla Bank Ltd.	-	28,838,500
	762,080	31,575,127
	66,752,638	41,881,159

13 Share Capital

Authorised

10,000,000 ordinary shares of Tk 100 each

1,000,000,000 **1,000,000,000**

Issued, subscribed, called and paid up

205,000,000 **205,000,000**

2,050,000 ordinary shares of Tk 100 each

Percentage of shareholdings :

	2021		2020	
	%	Taka	%	Taka
RAK Ceramics (Bangladesh) Limited.	99.9996	204,999,000	99.9996	204,999,000
RAK Security and Services (Pvt.) Ltd.	0.0002	500	0.0002	500
Engr. Md. Maqsubul Karim	0.0002	500	0.0002	500
	100.00	205,000,000	100.00	205,000,000

Classification of shareholders by range:

Shareholder's range

	Number of shareholders		Number of shares	
	2021	2020	2021	2020
Less than 500 shares	2	2	10	10
Over 500 shares	1	1	2,049,990	2,049,990
	3	3	2,050,000	2,050,000

14 Retained earnings

Balance as on 01 January	63,978,520	77,052,355
Add : Profit during the year	41,778,176	27,926,165
Less: Dividend declared during the year	(20,500,000)	(41,000,000)
Balance as on 31 December	85,256,696	63,978,520

Detail movement for retained earnings are shown in statement of changes in equity.

15 Deferred tax liabilities

	25,720,413	30,174,899
	(5,129,307)	(4,454,486)
	20,591,106	25,720,413

		31-Dec-21 Taka	31-Dec-20 Taka
	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2021			
Property, plant and equipment (Excluding land and others)	142,097,622	73,460,602	68,637,020
Net taxable temporary difference			68,637,020
Deferred tax liability (applying tax rate 30.00%)			20,591,106
As at 31 Dec 2020			
Property, plant and equipment (Excluding land and others)	110,422,834	31,283,101	79,139,733
Net taxable temporary difference			79,139,733
Deferred tax liability (applying tax rate 32.50%)			25,720,413

	31-Dec-21		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	1,320,560	826,443	2,147,003
	1,320,560	826,443	2,147,003
Less: Payments made to fund during the year	1,320,560	826,443	2,147,003
Balance as at 31 December	-	-	-

	31-Dec-20		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	1,248,239	781,495	2,029,734
	1,248,239	781,495	2,029,734
Less: Payments made to fund during the year	1,248,239	781,495	2,029,734
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 17,391 for the year 2020 has been adjusted with provision and payment.

		31-Dec-21 Taka	31-Dec-20 Taka
17	Lease liability	-	-
	Non- Current	-	-
	Lease Liability	-	-
	Less: Current portion of Lease liability	-	-
	Current	-	-
	Current portion of lease liability	-	-

Liability schedule 31 Dec 2021

Particulars	Balance as on 01 January 2021	Addition	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2021
Plant and Machinery	-	-	-	-	-	-
Office building	-	-	-	-	-	-
	-	-	-	-	-	-

31 December 2020

Liability schedule 31 Dec 2020

Particulars	Balance as on 01 January 2020	Addition	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2020
Plant and Machinery	3,195,652	-	3,195,652	-	3,195,652	-
Office building	380,036	-	396,000	15,964	380,036	-
	3,575,688	-	3,591,652	15,964	3,575,688	-

18 Trade and other payables

Trade payables

Payable to local suppliers	980,030	593,814
Payable to service provider	497,327	10,496,268
	1,477,357	11,090,082

Other payables

Tax deducted at source	686,852	991,518
VAT deducted at source	1,818,490	2,502,128
VAT payable (Note 18.1)	2,838,235	-

	31-Dec-21 Taka	31-Dec-20 Taka
Security deposit payable	-	1,800,000
	5,343,577	5,293,646
	6,820,934	16,383,728
18.1 VAT payable		
Balance as at 1 January	-	1,846,891
Add: VAT on sales	49,066,218	-
Total	49,066,218	1,846,891
Less: Treasury deposit for VAT purpose	16,189,276	1,846,891
Less: Input VAT credit	30,038,706	-
	2,838,235	-
Note: Debit balance VAT is shown in the note 10.1		
19 Accrued expenses		
Power and gas	17,649,487	14,602,267
Staff cost	2,580,737	5,841,353
Audit fees	85,000	70,000
Taxation matter	20,000	20,000
Operation and maintenance	21,479,839	-
Telephone and others	-	8,000
	41,815,063	20,541,620
20 Provision for income tax		
Balance as at 1 January	335,137,743	320,439,697
Add: Provision made for current year	20,204,964	14,698,046
Balance as at 31 December (note 20.1)	355,342,707	335,137,743
20.1 Year wise closing balance		
Income year		
year 2021	20,204,964	-
year 2020	14,698,046	14,698,046
year 2019	26,615,589	26,615,589
year 2018	42,125,554	42,125,554
year 2017	41,210,074	41,210,074
year 2016	45,393,782	45,393,782
year 2015	45,242,248	45,242,248
year 2014	37,992,335	37,992,335
year 2013	44,169,714	44,169,714

	31-Dec-21 Taka	31-Dec-20 Taka
year 2012	33,236,076	33,236,076
year 2011	3,535,904	3,535,904
year 2010	913,421	913,421
year 2009	5,000	5,000
	355,342,707	335,137,743

21 Sales

	31-Dec-21		31-Dec-20	
	Quantity in million kwh	Amount TAKA	Quantity in million kwh	Amount TAKA
Electricity	51.01	430,107,240	41.47	345,738,925
Less: VAT		56,100,944		45,096,381
		<u>374,006,296</u>		<u>300,642,544</u>

21.1 Quantitative details of opening stock, purchase, consumption and closing stock of raw materials and finished goods.

Quantity in million

Description	Unit	Opening stock	Purchase	Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials (natural gas)	cubic meter				
2021		-	13.37	13.37	-
2020		-	10.70	10.70	-
Finished goods					
Electricity	kwh				
2021		-	51.01	51.01	-
2020		-	41.47	41.47	-

21.2 Production capacity and actual production are given below:

Year	Product	Unit	Installed Capacity during the year (million)	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
2021	Electricity	kwh	85.63	51.01	60%	(34.62)
2020	Electricity	kwh	93.33	41.47	44%	(51.86)

	31-Dec-21 Taka	31-Dec-20 Taka
22 Cost of sales		
Cost of electricity generation		
Consumption of natural gas	163,495,736	130,533,613
Factory overhead:		
Direct labour (note-22.1)	11,614,988	10,647,769
Direct expenses:		
Lubricating oil	4,908,631	5,730,034
Repair and indirect materials (note-22.2)	75,160,571	75,099,679
Depreciation on property, plant and equipment (Note-4)	28,169,703	14,374,317
Depreciation on right-of-use assets (note-6)	-	2,505,265
Other production expenses (note 22.3)	23,480,510	14,995,464
	306,830,139	253,886,141
22.1 Direct labour		
Salary and wages	8,745,868	8,095,233
Bonus	1,044,744	886,856
Incentive	375,504	94,545
Gratuity	646,539	644,565
Employers contribution to provident fund	517,239	514,579
Leave encashment	222,443	256,320
Group life insurance	62,651	77,671
Special allowances	-	78,000
	11,614,988	10,647,769
22.2 Repair and indirect materials		
Operation and maintenance	67,722,047	60,006,573
Spare parts-Cat genset	5,860,901	14,188,776
Water and chemicals	1,333,874	783,080
Diesel	243,750	121,250
	75,160,571	75,099,679
22.3 Other production overhead		
Security and services	1,614,272	1,197,440
Insurance	1,369,370	2,104,743
Rent, rates and taxes	12,600,000	11,504,348
Write off for obsolesce of spare parts	7,711,258	-
Other expenses	185,610	188,933
	23,480,510	14,995,464

	31-Dec-21 Taka	31-Dec-20 Taka
	Rent, rates and taxes includes rental expenses for short term lease for BDT. 12,600,000 and related government levies wherever applicable. Details of the short term lease is shown in note no. 30.	
23 Other income		
Dividend income	20,000	50,000
Misc. Income	-	91,541
	20,000	141,541
24 Administrative expenses		
Staff cost (note-24.1)	8,024,224	7,331,722
Telephone and postage	184,424	146,928
Office repair and maintenance	43,528	51,214
Registration and renewal	161,975	117,116
Security and guard expenses	162,678	147,888
Electricity, gas and water	162,700	130,910
Depreciation on property, plant and equipment (Note-4.1)	251,838	260,094
Depreciation on right-of-use assets (Note-6)	-	327,995
Legal and professional fees	503,250	117,450
Vehicle repair and maintenance	354,084	393,368
Rent, rate and tax	520,000	125,830
Meeting expenses	36,000	9,850
Others	49,773	243,261
	10,454,474	9,403,626
24.1 Staff cost		
Salary and wages	6,039,741	5,633,083
Bonus	641,670	534,063
Performance bonus	346,050	-
Gratuity	179,904	136,930
Employers contribution to provident fund	143,041	92,149
Leave encashment	36,736	104,987
Group life insurance	21,783	14,912
Staff welfare expenses	34,120	104,000
Other employee benefit	235,688	354,033
Travelling expenses	47,645	56,337
Special allowances	-	20,000
Fooding expenses	297,846	281,228
	8,024,224	7,331,722

		31-Dec-21 Taka	31-Dec-20 Taka
25	Finance income		
	Interest on bank account (SND)	416,559	434,475
	Interest on FDR	16,711	1,670,626
		433,270	2,105,101
26	Finance expenses		
	Interest expenses	10,901	-
	Interest on lease liability	-	15,964
	Bank charges	133,967	1,098,930
	Exchange loss	176,251	314,800
		321,120	1,429,694
27	Income tax expenses		
	Income tax expense	20,204,964	14,698,046
		20,204,964	14,698,046

28 Reconciliation of effective tax rate

	31-Dec-21		31-Dec-20	
	%	Taka	%	Taka
Profit before tax		56,853,833		38,169,725
Current tax expenses	35.54%	20,204,964	38.51%	14,698,046
Deferred tax expenses	-9.02%	(5,129,307)	-11.67%	(4,454,486)
Total tax expenses	26.52%	15,075,657	26.84%	10,243,560
Expected income tax using applicable tax rate	30.00%	17,056,150	32.50%	12,405,161
Tax on non-deductible expenses	5.54%	3,148,814	6.01%	2,292,885
Effective current tax	35.54%	20,204,964	38.51%	14,698,046
Effective deferred tax	-9.02%	(5,129,307)	-11.67%	(4,454,486)
	26.52%	15,075,657	26.84%	10,243,560

29 Transaction in foreign currency

CIF value of import:

Spare parts & Capital Items	4,820,418	74,721,319
	4,820,418	74,721,319

30 Short term lease expenses

Particulars	Lease term	Rent Tk./ MW per month	Capacity per generator	Number of generator	Rental/ Taka
Caterpillar Generator	<1 year	175,000	1.0 MW	3	6,300,000
MWM Generator	<1 year	262,500	1.5 MW	2	6,300,000
					12,600,000

31 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

31.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables.

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

a) Exposure to credit risk

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

	Amount in Taka	
	As at 31 December	
	2021	2020
Trade receivables	75,592,623	21,893,103
Customer-Local	75,592,623	21,893,103
Other receivables	13,463	114,089
Accrued Interest	48,844	7,485
Other Receivable	62,307	121,574
Cash equivalents	66,436,530	41,781,524
	66,436,530	41,781,524

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 2021.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment loss (Refer note 11.1)
Trade receivable-related	9	Loan & receivable	Amortized cost	75,592,623	75,592,623	-
Cash and cash equivalent	12	Loan & receivable	Amortized cost	66,752,638	66,752,638	-

- i Trade and other receivables and due from related parties are classified at amortised cost. The Company's receivables is with internal customer and therefore, no impairment provision on those receivables are required.
- ii Cash and cash equivalents are classified at amortised cost.
- iii Management is confident to recover all of its recoverable and cash and cash equivalent. Therefore, no impairment provision is required.

c) Ageing of receivables

	Amount in Taka	
	As at 31 December	
	2021	2020
Not past due	75,592,623	21,893,103

31.2 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 2021			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	6,820,934	6,820,934	6,820,934	-
	6,820,934	6,820,934	6,820,934	-

	As at 31 Dec 2021			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	16,383,728	16,383,728	16,383,728	-
	16,383,728	16,383,728	16,383,728	-

31.3 Market risk

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

a) Currency risk

The Company is exposed to currency risk on certain purchase of spare parts. Majority of the company's foreign currency purchase are denominated in EURO.

i) Exposure to currency risk

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

	31-Dec-21	31-Dec-20
	EUR	EUR
Foreign currency denominated liabilities		
Trade payables	-	24,318
	-	24,318
Net exposure	-	(24,318)

	31-Dec-21	31-Dec-20
	Taka	Taka
The Company has foreign exchange loss or (gain)	176,251	314,800
	176,251	314,800

The following significant exchange rates have been applied:

	Exchange rate as at	
	31-Dec-21	31-Dec-20
EURO	99.0037	104.0430

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

A strengthening or weakening of the Taka, as indicated below, against EUR at 31 December 2021 would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31-Dec-21		As at 31-Dec-20	
	Profit or (loss) Amount		Profit or (loss) Amount	
	Strengthening	Weakening	Strengthening	Weakening
EURO (3 percent movement)	-	-	752	(708)

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as it has neither floating interest rate bearing financial liabilities nor entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Interest rate profile

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

	Carrying amount as at	
	Amount in Taka	
	31-Dec-21	31-Dec-20
Fixed rate instruments		
Financial assets		
Investment in FDR	762,080	31,575,127
Cash at banks	65,674,450	10,206,397

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

	Amount in Taka		Amount in Taka	
	As at 31-Dec-21		As at 31-Dec-20	
	Carrying amount	Fair value	Carrying amount	Fair value
Held to maturity assets				
Investment in FDR	762,080	762,080	31,575,127	31,575,127
Loans and receivables				
Trade receivables	75,592,623	75,592,623	21,893,103	21,893,103
Other receivables	62,307	62,307	121,574	121,574
Cash equivalents	66,436,530	66,436,530	41,781,524	41,781,524
Available for sales financial assets				
Liabilities carried at amortised cost				
Trade and other payables	6,820,934	6,820,934	16,383,728	16,383,728

Accounting classification and fair value as at 31 December 2021 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

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

	31-Dec-21	31-Dec-20
Investment in FDR		
Investment in FDR	2.00%-3.00%	1.95%-4.50%

32 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/ Guarantee status	Bad debts Status	Year	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Dividend Payment	Dividend Income	Amounts in Taka	
RAK Ceramics (Bangladesh) Limited	Parent Company	Unsecured	Nil	Current	10,956,522	374,006,296	75,592,623	-	-	20,499,900	-		
				Previous	12,782,609	295,184,786	21,115,349	-	-	40,999,800	-		
RAK Security & Services Pvt. Ltd	Fellow Subsidiary	Unsecured	Nil	Current	1,777,463	-	-	124,456	-	50	20,000		
				Previous	1,471,178	-	-	174,798	-	100	50,000		
Julphar Bangladesh Ltd.	Other related party	Partial Secured	Nil	Current	-	-	-	-	-	-	-		
				Previous	-	5,457,758	777,754	-	-	-	-	-	
Md. Maqsudul Karim	Key Management Personnel	Unsecured	Nil	Current	-	-	-	-	3,928,187	50	-		
				Previous	-	-	-	-	-	3,905,063	100	-	

32.1 Paid to Directors

During the year, Board meeting fees of Taka 36,000 was paid to the Directors.

		31-Dec-21 Taka	31-Dec-20 Taka
33	Number of employees		
	The number of employees engaged for the year who received total remuneration of Taka 96,000 and above per annum at reporting date was as follows;		
		Person	Person
	Number of employees	20	19
	None of receiving below Taka 8,000 per month.		
34	Calculation of Earnings per share (EPS)	31-Dec-21	31-Dec-20
		Taka	Taka
	(a) Net Profit for the year	41,778,176	27,926,165
	(b) No. of ordinary equity shares	2,050,000	2,050,000
	(c) Weighted average no. of equity shares outstanding (Note 34.1)	2,050,000	2,050,000
	Earnings per share (EPS) for the year (a÷c)	20.38	13.62
	Diluted earnings per share for the year (a÷c)	20.38	13.62
34.1	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.		
		31-Dec-21	31-Dec-20
	Outstanding shares	2,050,000	2,050,000
		2,050,000	2,050,000
34.2	Diluted earning per share		
	No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during these years.		
34.3	Reason of deviation of earnings per share:		
	Reason for increasing of EPS due to increase of power supply in 2021. In the year 2020 power supply was lesser because of COVID-19 Pandemic and countrywide lockdown.		
35	Calculation of Net assets value per share		
	(a) Net assets value (Note 13 & 14)	290,256,696	268,978,520
	(b) Weighted average no. of equity shares outstanding (Note 34.1)	2,050,000	2,050,000
	Net assets value per share (a÷b)	141.59	131.21
36	Calculation of Net operating cash flow per share		
	(a) Net Cash flows from operating activities (Note 37)	52,616,215	79,723,916
	(b) Weighted average no. of equity shares outstanding (Note 34.1)	2,050,000	2,050,000
	Net operating cash flow per share (a÷b)	25.67	38.89
36.1	Reason of deviation of net operating cash flow per share:		
	Net operating cash flow per share reduced because of less collection of receivable and cash expenses increase for higher production		

	31-Dec-21 Taka	31-Dec-20 Taka
37 Reconciliation of operating cash flow:		
Cash flows from operating activities		
Profit before taxation	56,853,833	38,169,725
Adjustment for:		
Depreciation & Amortization	28,421,541	17,467,670
Foreign exchange loss	176,251	314,800
Finance expenses	321,120	1,429,694
Finance income	(533,896)	(2,159,017)
Other income	(20,000)	(141,541)
Operating profit before working capital changes	85,218,849	55,081,331
Increase/(decrease) in trade and other receivable	(46,268,737)	49,434,038
Increase/(decrease) in inventories	18,546,821	7,130,238
Increase/(decrease) in trade and other payables	11,458,773	(14,540,155)
Cash generated from operating activities	68,955,706	97,105,452
Interest received from bank deposit	416,559	434,475
Income tax paid	(16,756,050)	(17,816,011)
Net cash (used in)/from operating activities	52,616,215	79,723,916

38 Contingent liabilities

There is contingent liability in respect of letter of guarantee of Tk 57,756,500, Letter of Credit 10,698,959 (Letter of Guarantee Tk 100,997,400 in 2020).

39 Events after the reporting year

39.1 Declaration of dividend and date of annual General Meeting (AGM)

The Board of Directors of RAK Power Pvt. Ltd. in its meeting held on 02 February 2022, has unanimously recommended cash dividend @ 20% of the paid up Capital of the company for the year ended 31 December 2021 equivalent to BDT 41,000,000 to be distributed as cash dividend amongst shareholders. These dividends are subject to final approval by the shareholders at the forthcoming Annual General Meeting (AGM) of the Company which will be held on 31 March 2022.

DIRECTORS' REPORT OF RAK SECURITY AND SERVICES (PVT.) LTD.

Dear shareholders,

The Board of Directors of RAK Security and Services (Pvt.) Ltd is pleased to present this Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2021, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

Principal activities

The principal activities of the company comprises the business of security guarding and facilities management that include cleaning services; termite, pest control and fumigation services; fire security services; and setting-up manpower technical training institutes for developing skilled workers for various fields, including construction and other public works. We also provide pre-employment background verification and immigration and visa documentation verification services, among others.

Review of business

The company reported revenue of BDT 73.86 mn in 2021, against BDT 100.09 mn in 2020. The decline was primarily due to income from labour services declining by 40.35%, as compared to 2020. The Company's net profit after tax stood at BDT 0.80 mn, against BDT (0.07) mn in 2020.

Operating results

The operating results of the company for the year ended 2021 are as follows:

(Amount in BDT mn)

Particulars	2021	2020
Sales	73.86	100.09
Gross profit	19.39	17.05
Net profit after tax	0.80	(0.07)
Earnings Per Share (Absolute BDT)	80.00	(6.79)
Net Operating Cash Flow Per Share (NOCFPS)	955.98	(383.49)
Net Asset Value (NAV)	30.72	31.92
Net Asset Value per share (Absolute BDT)	3,071.79	3,191.79

Dividend

The Board of Directors of RAK Security and Services is pleased to recommend cash dividend @500% of the paid-up capital of the company for the year 2021. While recommending the dividend, the Board has considered the operational performance, business results, assets as at that date, and working capital requirements for the future. The Company paid cash dividend @200% of paid-up capital for the year 2020.

Auditors

M/s. A. Qasem & Co. Chartered Accountants (a member firm of ECOVIS International), shall retire at the 15th Annual General Meeting and, being eligible, have offered themselves for reappointment. The Board also recommended their re-appointment for the year 2022. Remuneration of the Auditor will be fixed by the shareholders at the 15th Annual General Meeting.

Post Balance Sheet events

There were no material events or developments that have occurred after the balance sheet/reporting date, the non-disclosure of which could affect the ability of the users of these financial statements to make an appropriate evaluation.

Appreciation

The Board would like to take this opportunity to place on record its heartfelt appreciation to the Government authorities, shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in enabling the company to attain its objectives.

For and on behalf of the Board of Directors,



(Abdallah Massaad)
Chairman

February 02, 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK SECURITY AND SERVICES (PVT) LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RAK Security and Services (Pvt) Ltd. (the Company), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994 and other applicable laws and regulations.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirement that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to

continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

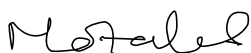
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance

A. Qasem & Co.

Chartered Accountants

RJSC Firm Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA

Partner

Enrolment Number: 0950

DVC: 2202070950AS124131

Dhaka, 02 February 2022

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.

Other Matters

The financial statements of the Company for the year ended 31 December 2020 was audited by another auditor who expressed an unqualified opinion on those statements on 03 February 2021.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- A. we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- B. in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- C. the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

RAK Security and Services (Pvt) Ltd.
STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31-Dec-21 Taka	31-Dec-20 Taka
Assets			
Property, plant and equipment	4	3,168,617	3,374,965
Intangible assets	5	447,534	-
Investment	7	1,275	1,275
Deferred tax asset	8	253,319	362,818
Total non-current assets		3,870,745	3,739,058
Trade and other receivables	9	15,183,682	30,913,660
Advance, deposit and prepayment	10	2,840,480	969,007
Advance income tax	11	23,413,472	20,807,084
Cash and cash equivalents	12	10,028,581	2,944,443
Total current assets		51,466,215	55,634,194
Total Assets		55,336,960	59,373,252
Equity			
Share capital	13	1,000,000	1,000,000
Retained earnings		29,717,937	30,917,942
Total equity		30,717,937	31,917,942
Liabilities			
Trade & other payables	14	1,429,227	1,104,682
Provision for expenses	16	5,825,640	9,429,663
Provision for income tax	17	17,364,156	16,920,965
Total current liability		24,619,023	27,455,310
Total equity and liabilities		55,336,960	59,373,252

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
 RJSC Firm Registration No.: 2-PC7202

Motaleb

Mohammad Motaleb Hossain FCA

Partner
 Enrolment Number: 0950
 DVC: 2202070950AS124131

Chand

Pramod Kumar Chand
 Managing Director

Z.

SAK Ekramuzzaman
 Director

02 February 2022

RAK CERAMICS (BANGLADESH) LIMITED

RAK Security and Services (Pvt) Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	31-Dec-21 Taka	31-Dec-20 Taka
Sales	19	73,865,184	100,095,512
Cost of service	20	(54,474,061)	(83,042,175)
Gross profit		19,391,123	17,053,337
Other income	21	50	8,603
Administrative expenses	22	(14,707,790)	(14,041,800)
Impairment loss on trade receivable	22.1	(275,532)	(677,294)
Marketing expenses	23	(3,067,047)	(2,613,666)
		(18,050,319)	(17,324,157)
Profit/(Loss) from operating activities		1,340,804	(270,820)
Finance income	24	37,618	49,914
Finance expenses	25	(25,737)	(56,119)
Net finance income/(expenses)		11,881	(6,205)
Profit/(Loss) before income tax		1,352,685	(277,025)
Income tax	26	(443,191)	-
Deferred tax	8	(109,499)	209,144
		(552,690)	209,144
Profit/(Loss) for the year		799,995	(67,881)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		799,995	(67,881)
Basic earnings per share (par value Tk 100)	31	80.00	(6.79)

The accompanying notes are an integral part of these financial statements

As per our report of same date

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202

Motaleb

Mohammad Motaleb Hossain FCA

Partner
Enrolment Number: 0950
DVC: 2202070950AS124131

Chand

Pramod Kumar Chand
Managing Director

SAK

SAK Ekramuzzaman
Director

02 February 2022

RAK Security and Services (Pvt) Ltd.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital Taka	Retained Earnings Taka	Total Taka
	(Note 13)		
Balance as at 01 January 2020	1,000,000	35,985,823	36,985,823
Total comprehensive income for 2020			
Profit for the year	-	(67,881)	(67,881)
Other comprehensive income	-	-	-
Transaction with the shareholders			
Cash dividend (2019)	-	(5,000,000)	(5,000,000)
Balance as at 31 December 2020	1,000,000	30,917,942	31,917,942
Balance as at 01 January 2021	1,000,000	30,917,942	31,917,942
Total comprehensive income for 2021			
Profit for the year	-	799,995	799,995
Other comprehensive income	-	-	-
Transaction with the shareholders			
Cash dividend (2020)	-	(2,000,000)	(2,000,000)
Balance as at 31 December 2021	1,000,000	29,717,937	30,717,937

The accompanying notes are an integral part of these financial statements

RAK Security and Services (Pvt) Ltd.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	31-Dec-21 Taka	31-Dec-20 Taka
Cash flow from operating activities		
Cash received from customer and others	89,595,162	95,386,871
Cash paid to suppliers and employees	(77,466,567)	(97,619,631)
Cash generated from operating activities	12,128,595	(2,232,759)
Interest received from Bank	37,618	49,914
Payment of corporate income tax (Note-11)	(2,606,388)	(1,652,103)
Net cash (used in)/from operating activities	9,559,826	(3,834,949)
Cash flow from investing activities		
Acquisition of fixed assets (Note-4)	-	(84,200)
Acquisition of intangible assets (Note-5)	(450,000)	-
Dividend received	50	100
Net cash (used in)/from investing activities	(449,950)	(84,100)
Cash flow from financing activities		
Finance charge	(25,737)	(29,955)
Payment of lease liability	-	(649,000)
Dividend payment	(2,000,000)	(5,000,000)
Net cash (used in)/from financing activities	(2,025,737)	(5,678,955)
Net increase/(decrease) in cash and cash equivalents	7,084,138	(9,598,004)
Cash and cash equivalents as at 01 January	2,944,443	12,542,447
Cash and cash equivalents as at 31 December	10,028,581	2,944,443

The accompanying notes are an integral part of these financial statements

RAK Security and Services (Pvt) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 31 December 2021

1. Introduction

RAK Security and Services (Pvt) Ltd. is a Private Company Limited by shares incorporated in Bangladesh on 21 December 2006 under the Companies Act XVIII of 1994. The registered office of the company is situated at RAK Tower (8th Floor), Plot No. 1/A, Jasimuddin Avenue, Sector No. 03, Uttara, Dhaka 1230.

1.1 Nature of Business

The main objects of the company is to carry on the business of security guarding, cleaning services, termite and pest control services, fumigation services and setting up manpower technical training establishments for creation of skilled workers in various fields of construction and public works. Pre-employment background verification and immigration & Visa documents verification services, fire safety services etc.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the Companies Act 1994 and other applicable laws and regulations.

The title and format of these financial statements follow the requirements of IFRSs 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 IFRSs titles and format give better presentation to the shareholders.

Authorisation for issue

These financial statements have been authorized for issue by the Board of Directors of the Company on 2 February 2022.

2.2 Basis of measurement

These financial statements have been prepared on historical cost basis.

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 judgments

The preparation of these financial statements in conformity with IFRSs requires management to make judgments, 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 recognized 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 judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are stated in the following notes:

Note 4	Property, plant and equipment
Note 8	Deferred tax asset/liability
Note 17	Provision for income tax
Note 18	Employees benefit payable

2.5 Reporting period

The financial statements cover period of one year from 1 January to 31 December and is followed consistently.

2.6 Going concern

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

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 mid of April 2021 which caused suspension of production in factory of the customer and closure of physical office requiring employees to work from home. However, security business is no more impacted because customer require security of its assets during the lockdown period. Moreover, 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 August 2021 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

3.1 Property, plant and equipment (PPE)

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

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

Category	Rate
Furniture & fixtures	10%
Tools & appliances	20%
Vehicles	20%
Office Equipment	10%

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

3.2 Intangible assets

Expenditure to acquire computer software (VAT) is capitalised. This is being amortised equally within a period of five years depending upon the tenure of accrual of benefits.

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

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. No internal developed intangible assets capitalized during the year.

3.3 Advances, deposits and prepayments

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads.

Deposits are measured at payment value.

Pre-payments are initially measured at cost. After initial recognition, pre-payments are carried at cost less charges to Statement of Profit or Loss and other Comprehensive Income.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at bank which are available for use by the Company without any restriction. There is an insignificant risk of changes in value of these current assets.

3.5 Employees' benefit schemes

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

Defined Contribution Plan (Provident Fund)

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

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

Defined Benefit Plan (Gratuity Fund)

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

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

3.6 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.

i. Classification – financial assets

IFRS 9 contains a 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).

ii. Impairment

IFRS 9 introduces 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-month ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs which result from all possible default events over the expected life of a financial instrument.

ii. Impairment

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

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

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

ii. Hedging

IFRS 9 incorporates hedge accounting rules which intend to align hedge accounting with a company's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness.

Impact of IFRS 9 shown in note no 28.1 (b).

3.7 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

i. Sales of goods

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

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

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

ii. Rendering of services

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

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

3.8 IFRS 16 Leases

Under this IFRS 16 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 IFRS 16 guidance has an increased focus on who controls the asset and may change which contracts are leases.

General impact of application of IFRS 16 Leases

IFRS 16 introduces 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 requirements are described in notes to the financial statements. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

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

Impact of the new definition of a lease

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

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

Impact on Lessee Accounting

Former operating leases

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

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

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

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

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

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

Former finance leases

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

Impact on Lessor Accounting

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

However, company does not have any right of use assets and lease liability at reporting period because the agreement falls under short-term lease.

3.9 Provision for taxation

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

Corporate tax

Corporate income tax provision made at the rate of 30% on profit before tax or 0.6% of revenue whichever is higher as per section 82c(4) of ITO 1984 and Finance Act-2021.

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 difference 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.

3.10 Earnings per share (EPS)

The Company calculates Earning per Share (EPS) in accordance with IAS 33: Earning per Share, which has been shown on the face of Statement of Profit or Loss and Other Comprehensive Income, and the computation of EPS is stated in related note.

3.10.1 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.

3.10.2 Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

4 Property, plant and equipment
31-Dec-2021

Amount in Taka

Particulars	C O S T			D E P R E C I A T I O N				Net book value as at 31 Dec 2021		
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2021	Rate (%)	Balance as at 01 Jan 2021	Charged during the year		Adjustment during the year	Balance as at 31 Dec 2021
Land	2,309,220	-	-	2,309,220		-	-	-	-	2,309,220
Furniture & fixtures	951,379	-	-	951,379	10%	549,855	71,580	-	621,435	329,944
Office equipment	1,829,700	-	-	1,829,700	10%	1,167,467	133,468	-	1,300,935	528,765
Tools & appliances	126,255	-	-	126,255	20%	124,270	1,300	-	125,570	685
Vehicles	2,389,725	-	-	2,389,725	20%	2,389,722	-	-	2,389,722	3
Total	7,606,279	-	-	7,606,279		4,231,314	206,348	-	4,437,662	3,168,617

31-Dec-2020

Amount in Taka

Particulars	C O S T			D E P R E C I A T I O N				Net book value as at 31 Dec 2020		
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2020	Rate (%)	Balance as at 01 Jan 2020	Charged during the year		Adjustment during the year	Balance as at 31 Dec 2020
Land	2,309,220	-	-	2,309,220		-	-	-	-	2,309,220
Furniture & fixtures	923,379	73,000	45,000	951,379	10%	513,625	76,215	39,985	549,855	401,524
Office equipment	1,860,500	11,200	42,000	1,829,700	10%	1,046,544	138,441	17,518	1,167,467	662,233
Tools & appliances	126,255	-	-	126,255	20%	122,972	1,298	-	124,270	1,985
Vehicles	2,389,725	-	-	2,389,725	20%	2,389,722	-	-	2,389,722	3
Total	7,609,079	84,200	87,000	7,606,279		4,072,863	215,954	57,503	4,231,314	3,374,965

4.1 Disposal of fixed assets

Name of Assets	Cost	Depreciation Charged	Cost after Dep.	Sale Price	Gain/ (Loss)
Furniture & fixtures	45,000	39,985	5,015	13,000	7,985
Office equipments	42,000	17,518	24,482	25,000	518
Total:	87,000	57,503	29,497	38,000	8,503

5 Intangible assets
31-Dec-2021

Particulars	COST			AMORTIZATION			Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Balance as at 31 Dec 2021	Balance as at 01 Jan 2021	Amortized during the year	Balance as at 31 Dec 2021	
	Computer Software (VAT)	-	450,000	450,000	-	2,466	
Total	-	450,000	450,000	-	2,466	2,466	447,534

6 Right-of-use assets
31-Dec-2021

Particulars	C O S T				DEPRECIATION			Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2021	Balance as at 01 Jan 2021	Charged during the year	Adjustment during the year	
	Office building	-	-	-	-	-	-	
Total	-	-	-	-	-	-	-	-

The Company does not have any right-of-use assets and lease liability at reporting period because the agreement falls under short-term lease.

31-Dec-2020

Particulars	C O S T				DEPRECIATION			Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2020	Balance as at 01 Jan 2020	Charged during the year	Adjustment during the year	
	Office building	2,345,647	-	2,345,647	4,691,294	1,808,103	537,544	
Total	2,345,647	-	2,345,647	4,691,294	1,808,103	537,544	2,345,647	4,691,294

	31 Dec 2021 Taka	31 Dec 2020 Taka
7. Investment		
Investment in RAK Power Pvt. Ltd.	1,275	1,275
	1,275	1,275
8. Deferred tax asset		
	362,818	153,674
	(109,499)	209,144
	253,319	362,818
	Carrying amount on the date of statement of financial position	Taxable/ (deductible) temporary difference
	Taka	Taka
As at 31 December 2021		
Property, plant & equipment (excluding land)	859,397	(476,211)
Trade receivables	15,183,682	(368,187)
		(844,398)
As at 31 December 2020		
Trade receivables	30,913,660	(1,116,363)
		(1,116,363)
Deferred tax liability (applying tax rate 25.00%)		(362,818)
9. Trade and other Receivables		
Trade receivables	15,551,869	32,030,023
	15,551,869	32,030,023
Less: Provision of impairment loss on trade receivable:		
Related parties	115,284	413,055
Unrelated parties	252,903	703,308
	15,183,682	30,913,660
10. Advance, deposit and prepayment		
Imprest to employee	298,000	-
Advance to suppliers	1,000	1,000
Security deposit	172,000	172,000

	31 Dec 2021 Taka	31 Dec 2020 Taka
VAT deposit	2,191,784	383,204
Insurance and others	177,696	412,803
	2,840,480	969,007
11. Advance income tax		
Balance as at 01 January	20,807,084	19,154,981
Add: Paid during the year	2,606,388	1,652,103
	23,413,472	20,807,084
Balance as at 31 December	23,413,472	20,807,084
11.1 Year wise closing balance		
Year - 2021	2,299,603	-
Year - 2020	1,452,103	1,452,103
Year - 2019	1,386,968	1,386,968
Year - 2018	1,975,180	1,975,180
Year - 2017	7,767,254	7,767,254
Year - 2016	4,215,121	4,215,121
Year - 2015	3,736,458	3,736,458
Advance-Tax Appeal	580,785	274,000
	23,413,472	20,807,084
12. Cash and cash equivalents		
Cash in hand	311,162	343,421
Cash at banks		
DBBL (current account 117.110.4311)	2,000	974,036
DBBL (SND account 117.120.311)	8,474,122	1,489,337
Dhaka Bank Ltd. (current account 204.100.19318)	1,241,296	137,649
	10,028,581	2,944,443
13. Share capital		
Authorized capital:		
1,000,000 Ordinary shares of Tk. 100 each	100,000,000	100,000,000
Issued, subscribed, called and paid up capital:		
10,000 Ordinary shares of Tk. 100 each	1,000,000	1,000,000

			31 Dec 2021 Taka	31 Dec 2020 Taka
Particulars of share-holdings are as follows:				
Name of shareholders:	No. of shares	Value per share		
RAK Ceramics (Bangladesh) Ltd.	9,900	100	990,000	990,000
RAK Power Pvt. Ltd	100	100	10,000	10,000
Total	10,000		1,000,000	1,000,000
14. Trade and other payables				
Advance from customers			974,732	963,274
Payable to employee			400,632	52,750
Tax deducted at source			53,000	65,000
VAT deducted at source			862	23,658
			1,429,227	1,104,682
15. Lease Liability				
Non- Current				
Lease Liability			-	-
Less: Current portion of lease liability			-	-
			-	-
Current				
Current portion of lease liability			-	-

Liability schedule 2021

Particulars	Balance as on 01 January 2021	Addition	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2021
Office building		-	-	-	-	-
	-	-	-	-	-	-

Office building agreement started from December 01, 2016 for four years and ended on 30 November 2020. The agreement renewed further for one year falls under short term lease.

31 December 2020

Liability schedule 2020

Particulars	Balance as on 01 January 2020	Addition	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2020
Office building	622,836	-	649,000	26,164	622,836	-
	622,836	-	649,000	26,164	622,836	-

	31 Dec 2021 Taka	31 Dec 2020 Taka
16. Provision for expenses		
Staff cost	5,399,164	5,817,099
Audit fees	70,000	55,000
Legal and professional charges	25,000	25,000
Utilities bill	15,750	12,350
Temporary labour	315,726	3,520,214
	5,825,640	9,429,663
17. Provision for income tax		
Balance as at 01 January	16,920,965	16,920,965
Add: Provision made during the year	443,191	-
Balance as at 31 December	17,364,156	16,920,965
17.1 Year wise closing balance		
Year 2021	443,191	-
Year 2018	1,202,131	1,202,131
Year 2017	7,767,254	7,767,254
Year 2016	4,215,122	4,215,122
Year 2015	3,736,458	3,736,458
	17,364,156	16,920,965
18. Employees' benefit payable		

	31 December 2021		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 01 January	-	-	-
Add: Provision made during the year	3,568,067	2,691,739	6,259,806
	3,568,067	2,691,739	6,259,806
Less: Payment made during the year	3,568,067	2,691,739	6,259,806
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 522,045 for the year 2021 has been adjusted with provision and payment.

	31 December 2020		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 01 January	-	-	-
Add: Provision made during the year	3,791,522	2,855,809	6,647,331
	3,791,522	2,855,809	6,647,331
Less: Payment made during the year	3,791,522	2,855,809	6,647,331
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 555,570 for the year 2020 has been adjusted with provision and payment.

	31 Dec 2021 Taka	31 Dec 2020 Taka
19. Sales		
Gross receipts from services	81,589,706	109,548,801
Less: Value added tax (VAT)	7,724,522	9,453,289
	73,865,184	100,095,512
20. Cost of service		
Direct wages (Note-20.1)	51,845,419	79,645,712
Security Training expenses (Note-20.2)	185,705	208,415
Other direct expenses (Note-20.3)	800,019	1,467,782
Verification expenses (Note-20.4)	1,642,918	1,720,266
	54,474,061	83,042,175
20.1 Direct wages		
Salary and wages	36,243,113	60,933,430
Overtime	9,428,940	11,913,650
Bonus	2,847,136	3,093,282
Employer's contribution to provident fund	999,927	1,143,606
Gratuity	2,019,055	2,252,961
Group Life Insurance	307,248	308,783
	51,845,419	79,645,712
20.2 Security training expenses		
Staff welfare	185,705	208,415
	185,705	208,415
20.3 Other direct expenses		
Uniform expenses	588,419	1,467,782
Gardening expenses	211,600	-
	800,019	1,467,782
20.4 Verification expenses		
Staff cost	979,072	1,064,007
Special service allowance	650,741	641,530
Mobile bill	13,105	14,729
	1,642,918	1,720,266
21. Other income		
Dividend income	50	100
Gain on sale of assets	-	8,503
	50	8,603

	31 Dec 2021 Taka	31 Dec 2020 Taka
22. Administrative expenses		
Staff cost (22.2)	10,126,410	9,667,134
Rent, rates and taxes	2,298,117	1,448,779
Telephone and postage	463,912	440,958
Repair and maintenance	707,470	888,303
Electricity, gas and water	326,289	264,489
Depreciation	206,348	215,954
Amortization	2,466	-
Depreciation on right of use assets	-	537,544
Vehicle repair & maintenance	326,110	301,061
Legal and professional fees	108,800	94,375
Other expenses	115,418	183,203
Training expenses	26,450	-
	14,707,790	14,041,800
<p>Rent, rates and taxes includes rent expenses for short term lease for BDT. 1,430,236 and related government levies wherever applicable. Details of the short term lease is shown in note no 27. No low value item exists at the reporting year.</p>		
22.1 Impairment loss on trade receivable		
Related parties	86,394	391,530
Unrelated parties	189,138	285,764
	275,532	677,294
<p>*New classification of financial assets shown in note 28.1(b).</p>		
22.2 Staff cost		
Salary	7,446,014	6,960,055
Bonus	772,349	727,885
Staff welfare	544,308	545,666
Employer's contribution to provident fund	418,812	395,530
Gratuity	537,588	503,476
Conveyance	398,193	513,551
Group Life Insurance	9,146	20,971
	10,126,410	9,667,134
23. Marketing expenses		
Staff cost (23.1)	2,220,926	1,713,012
Conveyance	260,531	251,926
Telephone and Telex Expenses	10,833	9,674
Promotional expenses	574,757	639,054
	3,067,047	2,613,666

			31 Dec 2021 Taka	31 Dec 2020 Taka	
23.1	Staff cost				
	Salary		1,790,038	1,386,500	
	Bonus		188,850	146,350	
	Employer's contribution to provident fund		104,272	78,840	
	Gratuity fund		135,096	99,372	
	Group Life Insurance		2,670	1,950	
			2,220,926	1,713,012	
24.	Finance income				
	Interest on bank account (SND)		37,618	49,914	
			37,618	49,914	
25.	Financial expenses				
	Interest expenses against lease liability		-	26,164	
	Bank charges		25,737	29,955	
			25,737	56,119	
26.	Income tax				
	Current year		443,191	-	
			443,191	-	
27.	Short term lease expenses				
	Nature of the lease	Lease term	Allocation	Rent payment	Rent payment
	Rented accommodation	<1 year	Admin	1,430,236	1,120,100
				1,430,236	1,120,100

28 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

28.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables.

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

a) **Exposure to credit risk**

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

	USD		Amounts in Taka	
	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020
Trade receivables				
Customer-Local	-	-	15,183,682	30,913,660
	-	-	15,183,682	30,913,660
	-	-	-	-
Cash and cash equivalents	-	-	10,028,581	2,944,443

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 2021.

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 & other receivable-related	9	Loan & receivable	Amortized cost	6,414,004	6,298,720	115,284
Trade & other receivable-unrelated	9	Loan & receivable	Amortized cost	9,137,865	8,884,962	252,903
Cash & cash equivalent	12	Loan & receivable	Amortized cost	10,028,581	10,028,581	

- i The above table provides information ECLs upto 31 December 2021. Impairment provision upto 31 Dec 2020 was Tk. 1,116,363 and provision made during the year is Tk. 275,532. Out of the provision Tk. 1,116,363 upto 31 Dec 2020, Tk. 1,023,708 has been adjusted with trade receivables and provision on impairment loss.
- ii Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current year on transition to IFRS 9.
- iii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current year on transition to IFRS 9. Impairment loss allowance has not been considered on bank balance because business is confident to recover the full amount from the bank.

c) Aging of receivables

	Amount in Taka	
	As at Dec 31	As at Dec 31
	2021	2020
The aging of trade receivables:		
Current (not due)	7,047,958	14,932,518
Overdue by 0 - 90 days	6,273,591	10,237,722
Overdue by 91 - 180 days	1,101,438	2,218,715
Overdue by 180 - 365 days	487,774	1,483,551
More than 365 days	272,922	2,041,154
	15,183,682	30,913,660

28.2 Liquidity risk

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

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

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

	As at December 31, 2021			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	1,429,227	1,429,227	1,429,227	-
	1,429,227	1,429,227	1,429,227	-

	As at December 31, 2020			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	1,104,682	1,104,682	1,104,682	-
	1,104,682	1,104,682	1,104,682	-

29. **Related party disclosure under IAS-24**

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

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	year	Purchase / Service	Sales of goods / Services	Outstanding Receivables	Amounts in Taka	
								Dividend income	
RAK Ceramics (Bangladesh) Limited	Parent Company	Unsecured	Nil	Current year	-	36,349,893	5,897,332	-	-
RAK Power Pvt. Ltd.	Fellow Subsidiary	Unsecured	Nil	Previous year	-	48,309,891	11,693,202	-	-
M/S Ekramuzzaman	Other related party	Unsecured	Nil	Current year	-	1,777,463	124,456	50	50
Mohammed Trading	Other related party	Unsecured	Nil	Previous year	-	1,471,178	174,798	100	100
Kansai Nerolac Paints (BD) Ltd.	Other related Party	Unsecured	Nil	Current year	-	320,498	-	-	-
SAK Consumer Products Ltd.	Other related Party	Unsecured	Nil	Previous year	-	1,281,993	352,548	-	-
Rakeen Development Pvt. Limited	Other related party	Unsecured	Nil	Current year	-	1,080,000	167,587	-	-
Star Ceramics Pvt. Limited	Other related party	Unsecured	Nil	Previous year	-	1,258,927	295,046	-	-
Star Porcelain Pvt. Limited	Other related party	Unsecured	Nil	Current year	-	7,004,218	1,588,152	-	-
Kea Printing and Packaging Ind.	Other related party	Unsecured	Nil	Previous year	-	6,945,812	2,048,276	-	-
				Current year	-	2,001,582	1,047,412	-	-
				Previous year	-	2,006,911	1,336,760	-	-
				Current year	-	2,779,658	255,647	-	-
				Previous year	-	14,140,934	4,044,395	-	-
				Current year	-	390,000	454,845	-	-
				Previous year	-	426,207	454,845	-	-
				Current year	-	-	-	-	-
				Previous year	-	5,110	2,574,675	-	-
				Current year	-	801,138	280,428	-	-
				Previous year	-	1,174,385	323,400	-	-

29.1 **Paid to Directors**

During the year, Board meeting fees of Taka 1,800 was paid to the board members for attending the Board meetings.

	31-Dec-21 Taka	31-Dec-20 Taka
30. Number of employees		
The number of employees engaged for the year who received total remuneration of Taka 96,000 and above per annum at reporting date was as follows.		
	31 Dec 2021	31 Dec 2020
Number of employees	291	339
None of receiving below Taka 8,000 per month.		
	31 Dec 2021	31 Dec 2020
	Taka	Taka
31. Calculation of earnings per share (EPS)		
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders		
(a) Profit/(Loss) for the year	799,995	(67,881)
(b) No. of ordinary equity shares	10,000	10,000
(c) Weighted average no. of equity shares outstanding (Note 31.1)	10,000	10,000
Earnings per share (EPS) for the year (a/c)	80.00	(6.79)
Diluted earnings per share for the year (a/c)	80.00	(6.79)
31.1 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.		
	31 Dec 2021	31 Dec 2020
Outstanding shares	10,000	10,000
	10,000	10,000
31.2 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 year.		
31.3 Reason of deviation of earnings per share:		
Cost of service has been reduced due to enhanced control by the management resulted in increase in earning per share.		
32 Calculation of Net assets value per share		
(a) Net assets value	30,717,937	31,917,942
(b) Weighted average no. of ordinary shares (Note 31.1)	10,000	10,000
Net assets value per share	3,071.79	3,191.79

	31-Dec-21 Taka	31-Dec-20 Taka
33 Calculation of Net operating cash flow per share		
(a) Net cash flows from operating activities	9,559,826	(3,834,949)
(b) Weighted average no. of ordinary shares (Note 31.1)	10,000	10,000
Net operating cash flow per share (a/b)	955.98	(383.49)

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

The company registered improvement in cash inflows from customers due to enhanced control on customer credit as compared to previous year, which resulted in a accretion of net operating cash flow per share.

34 Events after the reporting date

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

The Board of Directors of RAK Security and Services (Pvt) Ltd, at its meeting held on February 02, 2022, has unanimously recommended cash dividend @ 500% of the paid up capital of the company for the year ended on 31 December 2021 equivalent to BDT. 5,000,000 to be distributed as cash dividend among shareholders. The dividend is subject to final approval by the shareholders at the forthcoming Annual General Meeting (AGM) of the Company which will be held on 31 March 2022.

STATEMENT PURSUANT TO SECTION 186(1)(E) OF THE COMPANIES ACT 1994

Name of the subsidiary	RAK Power Pvt. Ltd.	R.A.K. Security and Services (Pvt.) Ltd.
Name of the holding company	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited
Holding Company's interest	2,049,990 ordinary shares of Tk.100 each fully paid up	9,900 ordinary shares of Tk.100 each fully paid up
Extent of holding	99.99%	99.00%
The 'financial year' of the subsidiary company ended on	December 31, 2021	December 31, 2021
Net aggregate amount of the subsidiary company's profits/ (losses) dealt with in the holding company's accounts	Taka 567.75 mn	Taka 19.00 mn
For the subsidiary's aforesaid financial year	Taka 20.50 mn	Taka 2.00 mn
For the previous financial years since it became subsidiary	Taka 547.25 mn	Taka 17.00 mn
Net aggregate amount of the subsidiary company's profits/ (losses) not dealt with in the holding company's accounts	Taka 119.00	Nil
For the subsidiary's aforesaid financial year	Nil	Nil
For the previous financial years since it became subsidiary	Taka 119.00	Nil
Changes, if any, in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company	No such changes	No such changes
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	No material changes	No material changes

GLOSSARY

- **Accounts payable** - Accounts payable represents incurred expenses the company expects to pay within one year. It is recorded as part of current liabilities on the balance sheet.
- **Accounts receivable** - Accounts receivable represents uncollected revenues the company expects to receive within one year. It is recorded as part of current assets on the balance sheet.
- **Accrual accounting system** - Under this system, revenues are recorded when earned and expenses are recorded when incurred. Therefore, earned revenues may include sales on credit for which you have yet to receive cash and expenses may include bills that you have not yet paid. This method is used when preparing the income statement and balance sheet.
- **Accumulated depreciation**- The cumulative depreciation of an asset to the date of the current financial year.
- **Accumulated profits**- The amount of past years profit not paid in dividends. Sometimes referred to as retained profit. In contrast, losses from previous years not absorbed by past years profit are accumulated losses.
- **Annual report**- A report published yearly by all publicly- held companies that details the financial condition of the company and includes the balance sheet, income statement, cash flow statement, and other relevant information.
- **Asset revaluation**- The application of an accounting policy choice, whereby the monetary measure of the asset is the amount for which it could be exchanged between knowledgeable, willing parties in an arms- length transaction.
- **Assets** - The value of everything a company uses to conduct business, such as cash, equipment, land, inventories, office equipment, and money owed to the company by customers and clients.
- **Assets Items** of value which the company can trade or use in its business.
- **Balance sheet**- A financial statement that gives a snapshot of a company's financial situation at a particular point in time and lists its different assets, liabilities, and owners' equity.
- **Cash basis of accounting**- A method of accounting where only actual cash inflows and cash outflows are recorded, i.e. when payment is received or made. This method is used when preparing the cash flow statement.
- **Cash flow statement**- A financial statement that records a company's actual cash inflows and cash outflows over a defined period of time. It includes three sections: operating cash flow, investing cash flow, and financing cash flow.
- **Contingent liabilities**- A potential liability dependent on uncertain future events which are beyond the control of the company.
- **Contributed capital**- Money invested in a company by its owners/shareholders. Reported as part of owners' equity on the balance sheet.
- **Corporate social responsibility report**- A report on how the company manages its business processes to produce an overall positive impact
- **Cost of goods sold**- Also known as Cost of Sales, this represents all the expenses directly related to the making and storing of a company's goods, such as raw materials, warehousing, and direct labor costs. Doesn't exist for service companies.
- **Cost of sales**- Also known as Cost of Goods Sold, this represents all the expenses directly related to the making and storing of a company's goods, such as raw materials, warehousing, and direct labor costs. Doesn't exist for service companies.
- **Current assets**- Assets the company plans to convert to cash, sell, or use during the coming year, including cash, accounts receivable, and inventory on hand.
- **Current assets**- Cash and cash equivalents and assets which are expected to be turned into cash in the next year.
- **Current liabilities** - Amounts which the company is obliged to pay to others in the next year.
- **Depreciation** - A method used to account for the diminishing value of an asset over the time it is used and to match profit with the expenses it took to generate that profit. Registered as a non-cash expense.
- **Direct method**- A method of arriving at net operating cash flow by adjusting each item on the income statement from the accrual basis of accounting to the cash basis of accounting.
- **DSE listing rules** - Listing rules govern the admission of companies to the official list of listed companies, quotation of their shares, suspension of those shares from quotation and removal of companies from the official list. The listing rules also govern disclosure and some aspects of a listed company's conduct.

- **EBIT (Earnings before interest and taxes)-** Amount calculated by subtracting cost of goods sold and operating expenses from revenue on the income statement. Also called operating earnings.
- **Emphasis of matter-** A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report.
- **Employee benefits** - Represent benefits offered to employees of the company and can include short-term (e.g. salaries and wages), long-term (e.g. long service leave), post-employment benefits (retirement benefits) and termination benefits.
- **Equity** - Total assets less total liabilities; includes share capital, reserves and accumulated profit Expenses, the costs of deriving revenue.
- **Expenses** - Different costs, such as cost of goods sold, operating expenses, and interest expense, incurred during the normal operation of a business.
- **Financing cash flow-** Cash received or paid from borrowing money or paying back investors, creditors, and shareholders. The third part of calculating net cash flow on the cash flow statement.
- **Fixed assets-** Assets that the company does not plan to turn into cash within one year or that would take longer than one year to convert, including property, plants, machinery, and patents.
- **Gross profit-** An item included on the income statement of production companies, calculated by deducting cost of goods sold from revenues/ sales generated from those goods. It is used as a rough estimate of the company's profitability.
- **Income statement-** A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the profit-and-loss statement, or P&L statement.
- **Income tax-** Tax levied by the government for income and part of the expenses deducted from revenues when arriving at net income on the income statement.
- **Indirect method-** A method of arriving at net operating cash flow by adjusting the net income on the income statement for non-cash revenues and expenses. Also called the reconciliation method.
- **Interest expense-** Represents all interest paid by the company for loans it incurred and is part of the expenses deducted from revenues in the process of arriving at net income on the income statement.
- **Investing cash flow-** Cash used for investing in long- term assets, such as equipment or equity securities, and cash received from the sale of such investments. The second part of calculating net cash flow on the cash flow statement.
- **Investor relations-** The section on a company's website under which you can find the company's financial statements.
- **Key management personnel** Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that company.
- **Liabilities** - Debts a company owes to its creditors and lenders. Liabilities Amounts which the company is obliged to pay to others.
- **Liquidity** - The ease with which assets and liabilities may be converted into cash.
- **Listed company-** A company which is publicly listed on a securities exchange like the Dhaka Stock Exchange.
- **Long-term liabilities-** The flip side of fixed assets, this represents money the company needs to pay back in one or more years. It includes long-term bank loans, mortgages, and bonds.
- **Modified opinion** - The auditor may issue a modified opinion, being a qualified opinion, an adverse opinion or a disclaimer of opinion.
- **Net loss-** The bottom line of the income statement. The negative profit (loss) left after all expenses have been deducted from revenues. If expenses are smaller than revenues then we will refer to it as net profit.
- **Net profit-** The bottom line of the income statement. The profit left after all expenses have been deducted from revenues. If expenses are larger than revenues, then we refer to it as net loss.
- **Operating cash flow-** The first section of the cash flow statement, which includes cash generated by and required for the daily operations of a business.
- **Operating earnings-** earnings left after subtracting the cost of goods sold and operating expenses from a company's revenues on the income statement. Also called EBIT (Earnings Before Interest and Taxes).
- **Operating expenses-** All costs incurred in operating the business that are not directly related to the production and storage of a company's goods. They include administrative salaries, research and development expenses, rents, and marketing costs. These cost are included in the expense section of the income statement.

- **Owners' equity-** Owners' equity equals all assets minus all liabilities and represents the part of the company owned by its shareholders. It generally includes contributed capital and retained earnings.
- **P&L statement** - A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the income statement or the profit-and-loss statement.
- **Profit margin-** An indicator of profitability. It is calculated by dividing the company's net income by its revenue for the same period. The higher the margin the more profitable a company is.
- Profit Surplus of revenues and other income over expenses.
- **Profit-and-loss statement-** A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the income statement or the P&L statement.
- **Remuneration of directors** or executives will typically include all or some of cash salary, shares or share options, superannuation, annual and long service leave.
- **Reporting period** - The period that the financial statements cover. This will typically be one year (e.g. the year ended 31st December 20XX) but can be shorter or longer in certain circumstances.
- **Reserves surpluses** arising from (for example) revaluations of certain assets.
- **Retained earnings-** Money reinvested into the company after all dividends are paid. Reported as part of owners' equity on the balance sheet.
- **Revenue earnings** arising in the ordinary activities of the company. Fees from the rendering of services are examples of revenue, as is revenue from the sale of goods.
- **Revenues-** Money generated by the company by selling its products or services to customers, before deducting any expenses. It includes only revenues associated with the company's main operations and is sometimes referred to as sales.
- **SEC-** Securities and Exchange Commission, a Bangladesh Governmental agency established by the Act to enforce all federal securities laws and protect investors from fraud in the securities markets.
- **Share option** - A contract that gives the holder of the option the right, but not the obligation, to subscribe to the company's shares at a fixed or determinable price for a specified period of time.
- **Share-** based payment arrangement - An arrangement between the company and another party (including an employee) that entitles the other party, on satisfying any conditions specific to the arrangement, to shares or share options of the company, or cash or other assets of the company that are based on the price of those shares or share options.
- **Sustainability report-** A report that provides information about the company's performance towards the goal of sustainable development.

NOTICE OF THE 23RD ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting (AGM) of RAK Ceramics (Bangladesh) Limited will be held on Thursday, March 31, 2022 at 11:00 am (Bangladesh Time). Pursuant to the Bangladesh Securities and Exchange Commission's Order No. SEC/SRMIC/94-231/91 dated 31 March 2021, the AGM will be held virtually by using digital platform through the following link <https://tinyurl.com/rakagm2022> to transact the following businesses:

AGENDA

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31 December 2021, together with the reports of the Auditor and the Directors.
2. To declare dividend for the year ended 31 December 2021.
3. To elect/re-elect Director(s) of the Company.
4. To re-appoint the Managing Director of the Company.
5. To appoint Independent Director of the Company.
6. To appoint the Statutory Auditors of the Company for the year 2022 and fix their remuneration.
7. To appoint the Chartered Secretary in Practice (Compliance Auditors) of the Company for the year 2022 for compliance certification on corporate governance and fix their remuneration.
8. To approve of entering into contract for sale or purchase of goods and materials with Mohammed Trading amounting to 10% (ten percent) or above of the revenue for the immediate preceding financial year.



Dhaka, Bangladesh
Date: March 09, 2022

By order of the Board of Directors

Sd/-

(Muhammad Shahidul Islam FCS)
Company Secretary

Notes:

1. The shareholders whose name appeared in the Share/Depository Register as on the 'Record Date' (i.e. February 24, 2022), are eligible to participate in the 23rd AGM and receive the dividend.
2. The Board unanimously recommended dividend @ 12.50% in cash of the paid up capital of the Company for the year 2021.
3. In order to comply with the BSEC notification No. BSEC/CMRRCD/2009-193/10/Admin/118 dated March 22, 2021; the Board of Directors has recommended to enter into contract for sale or purchase of goods and materials with Mohammed Trading [Owner is Managing Director of RAK Ceramics (Bangladesh) Limited] amounting to 10% (ten percent) or above of the revenue for the immediate preceding financial year subject to approval of the shareholders.
4. A shareholder entitled to attend and vote at the AGM may appoint a proxy to attend and vote in his/her behalf (such a proxy shall be a shareholder of the Company). The Proxy Form, duly filled, signed and stamped of BDT 20 must be sent through email to the Company at sharedepartment.bgd@rakceramics.com not later than 48 hours before the time fixed for the meeting.
5. Shareholders are requested to submit through mail to the Company at sharedepartment.bgd@rakceramics.com on or before March 24, 2022, their written option to receive dividend in the form available in Company's website www.rakceramics.com/bangladesh If the shareholder fails to submit such option within the stipulated time, the dividend will be paid off as deemed appropriate by the Company.
6. The concern stock broker, merchant banker and portfolio manager are requested to submit through mail to the Company at sharedepartment.bgd@rakceramics.com on or before March 24, 2022; the statement along with detail of their margin client or customer who has debit balance or margin loan, who are entitled to receive cash dividend of the Company for the year ended December 31, 2021. The statement should include shareholder's name, BO ID number, client-wise shareholding position, gross dividend receivable, applicable tax rate, net dividend receivable etc. along with the Consolidated Customers' Bank Account number, routing number and contact person.
7. The shareholders will be able to submit their questions/comments and vote electronically 24 hours before commencement of the AGM and during the AGM. For logging in to the system, the shareholders need to put their 16 digit Beneficial Owner (BO) ID number and other credential as proof of their identity by visiting the link <https://tinyurl.com/rakagm2022>
8. Shareholders are requested to log in to the system prior to the meeting start time of 11:00 am (Bangladesh Time) on 31 March 2022. The webcast will start at 10.45 am on March 31, 2022. Please contact +8801730058055 and +8801730055355 for any technical difficulties in accessing the virtual meeting.
9. Detail log in process has been sent through email to respective shareholder's mail ID available in their BO Account maintained with the Depository. The detailed procedures to participate in the virtual meeting along with link are also available in the Company's website www.rakceramics.com/bangladesh



RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Option for Receiving Dividend

I/We

.....of.....

being a shareholder of RAK Ceramics (Bangladesh) Limited, do hereby exercise my/our option to receive dividend in the following manner [please tick (√) in the applicable box]:

- a) In the form of Dividend Warrant
- b) Through online transfer to my/our bank account recorded with the Company

Information of the Shareholder (s):

BO ID No.

Mobile number:

.....
Signature Verified by

.....
Signature of the Shareholder (s)

.....
Authorized Signatory of the Company

Notes:

1. The form, duly completed, must be deposited at the Registered Office of the Company on or before March 28, 2022.
2. Signature of the shareholder(s) must be in accordance with the specimen signature recorded with the Company.
3. Number of shares, bank account details and address shall be considered final as provided by CDBL on record date, i.e. February 24, 2022.
4. Applicable service charge, if any, shall be borne by the shareholder(s) in case of payment of dividend through online transfer to the shareholder(s) bank account, as per BSEC notification.

Notes

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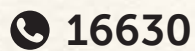
Notes

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