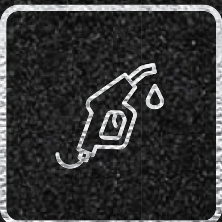


CHALLENGES AND PROGRESS



ANNUAL REPORT 2022

**RAK**  
CERAMICS





---

It is said that complexity tests the true mettle of a company. At RAK Ceramics (Bangladesh), the year 2022 was one of complexity where we had to confront myriad challenges, including steep gas price hikes, foreign currency volatility, supply chain disruptions, and inflation-driven surge in production costs.

**Yet, our longstanding presence in the business, robust ability to adapt to the challenges and foster agile and responsive business strategies enabled us to withstand the trials and tribulations and build a deep groundswell of strength and resilience.**

So while the year was fraught with challenges, it was also a period that gave us the opportunity to transform and secure a better tomorrow!

**“ADVERSITY IS PREPARATION FOR GREATNESS.”**

ANDY ANDREWS

# CONTENTS



## WHO WE ARE

1.	Cover Story	01
2.	Corporate information	06
3.	Chairman's Report	07
4.	Business Update	09
5.	Understanding our business	10
6.	How we have organised ourselves for value delivery	13



## RAK LEADERSHIP

1.	Business profile	18
2.	Vision and Mission	24
3.	Our core values and code of conduct	27
4.	Directors' profile	29
5.	Management team	32
6.	Investment Fundamentals	36
7.	Awards & Accolades	38
8.	Credit rating reports	44



## ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

### RAK SUSTAINABILITY REPORT

1.	Our Sustainability Strategy	50
2.	Corporate Social Responsibility	57
3.	Our obligation to environment and society	61

### RAK INTEGRATED REPORTING

1.	About our integrated report	66
2.	Pan Bangladesh presence	70

### VALUE CREATION THROUGH SIX CAPITALS

1.	Impacting our Capitals	74
2.	Financial Capital	75
3.	Manufacturing Capital	76
4.	Intellectual Capital	77
5.	Human Capital	78
6.	Natural Capital	79
7.	Social & Relationship Capital	80
8.	How we create value using six capitals	82

### STRATEGY

1.	Strategic business objectives	85
2.	Strategic planning process	86
3.	Our Integrated Value Chain	87
4.	Building Momentum in Values-Based Growth	89
5.	How we serve our customers	90
6.	Risk Management and Control	91

7.	Crisis Response	95
8.	Our Opportunity Landscape	97
9.	External Environment	100

#### SHAREHOLDERS AND MATERIALITY

1.	Materiality and shareholders management	101
----	---	-----



#### RAK PERFORMANCE

1.	Financial Performance 2022	108
2.	Reflecting on the major business segments	115
3.	Value-added statement, Economic value added, Market value added statement	119
4.	Contribution to National Exchequer	121



#### RAK GOVERNANCE

1.	Directors' report of RAK Ceramics (Bangladesh) Limited	124
2.	Management discussion and analysis	131
3.	Industry outlook and possible future developments	134
4.	Audit committee report	138
5.	Nomination and remuneration committee report	141
6.	Corporate governance report	143
7.	Dividend distribution policy	146
8.	Corporate governance compliance certificate	150
9.	Corporate governance compliance status	151
10.	BAPLC certificate 2022	163



#### RAK FINANCIALS

1.	Declaration by MD and CFO regarding financial statements	166
2.	Independent auditors' report and audited consolidated financial statements of RAK Ceramics (Bangladesh) Limited	167
3.	Independent auditors' report and audited financial statements of RAK Ceramics (Bangladesh) Limited	221
4.	Directors' report, Independent auditors' report and audited financial statements of RAK Power Pvt. Ltd	275
5.	Directors' report, Independent auditors' report and audited financial statements of RAK Security and Services (Pvt.) Ltd	308
6.	Statement pursuant to section 186(1)(e) of the Companies Act, 1994	336
7.	Notice of the 23rd Annual General Meeting	352



#### CHECKLIST

1.	Annual report review checklist	337
2.	Integrated reporting checklist	340
3.	ICAB Corporate governance checklist	346







# WHOM WE ARE

## BUILDING THE BLOCKS FOR A PROGRESSIVE TOMORROW

*Purpose, Passion, Pride. These are the words that have defined the identity and character of RAK Ceramics (Bangladesh)!*

RAK Ceramics (Bangladesh) is the leading ceramics tiles and sanitaryware company of the country. The Company has attained this exalted position through constant effort and consistent endeavours in building a world-class organization that thrives in spite of challenges and builds a purposeful organisation that is built to last. Over our longstanding experience in the industry and the business, we have successfully weathered many challenging economic cycles and have only come out stronger on the other side. In fact, we have always believed that challenges and their responses define a company and this is what defines our legacy and identity.



# CORPORATE INFORMATION

## Board of Directors

### Chairperson

Abdallah Massaad

### Managing Director

SAK Ekramuzzaman

### Directors

Wassim Moukahhal  
Pramod Kumar Chand

### Independent Director

Mohd. Shafiul Azam

### Chief Operating Officer and Chief Financial Officer

Sadhan Kumar Dey

### Company Secretary

Muhammad Shahidul Islam FCS

## Audit Committee

### Chairperson

Mohd. Shafiul Azam

### Members

Wassim Moukahhal  
Pramod Kumar Chand

### Member Secretary

Muhammad Shahidul Islam FCS

### Head of Internal Audit and Compliance

Mohammad Samsul Arefin FCMA

## Nomination and Remuneration Committee

### Chairperson

Mohd. Shafiul Azam

### 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

Eastern Bank Limited

Commercial Bank of Ceylon PLC

Dutch-Bangla Bank Ltd.

## Legal Advisor

Barrister Margub Kabir

## Website

[www.rakceramics.com/bangladesh](http://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 REPORT

STEERED BY CONSTANCY OF PURPOSE AND COGENCY OF VISION



Held strong by our purpose, vision and strategy, we have demonstrated exceptional resilience in 2022 to create value for all stakeholders, especially the nation, amid these challenging times. I am especially pleased that despite the external turbulence, we have been able to foster a cohesive team that has unshakeable belief in the future of the nation and the company, and whose shared optimism is a source of strength. Together as a tight-knit unit, we remain focused on accomplishing our goals and delivering on our strategy.

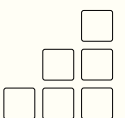
Abdallah Massaad  
Chairman

---

## Dear Valued Shareholders,

In 2022, Bangladesh continued to endure the challenges brought about by the COVID-19 pandemic and the war in Europe. This period of disruption was a watershed moment in the histories of both Bangladesh and RAK Ceramics (Bangladesh). As the nation's largest interior surface products and bathroom fittings company, our story will always be deeply intertwined with the country and its people.

This continues to give us purpose and underpins our commitment to making sure that Bangladesh will always be ahead, especially in a fast- changing world. Seeing Bangladesh's progress also gives us a source of assurance that though the challenging times are transient, our focus on value creation for the country, customer, consumer and company needs to be enduring, perpetual and permanent.





In a country filled with a multitude of players, our business is committed to differentiation through providing our nouvelle, modern-day customers with a tremendous choice of lifestyle surface solutions and interior bathroom fittings that embody sophistication, range, innovation, elegance, functionality, value and a distinctive global appeal. While our product range and diversity sparks imagination, our service and fulfillment ensures delight. The RAK brand personifies aspirations and we have a wide range of customers across the economic ladder from young couples to seniors. Through ensuring relevance we enhance the sense of value with respect to affordability and accessibility while also showing solidarity with our most important stakeholder- our customer.

Despite the difficult external environment that persisted throughout the year 2022, RAK Ceramics (Bangladesh) maintained a stable financial position thanks to rational fiscal stewardship. We continuously strive to maximise sustainable shareholder value and based on the company's performance, the Board has recommended cash dividend @ 10% of the paid up capital, total pay-out of BDT 427.97 mn for 2022. The company together with its subsidiaries also deposited a sum of BDT 3,383.46 mn to the national treasury in 2022, reflecting public value creation. We have prioritised tax compliance and are proud of our role as an institutional intermediary collecting public funds as tax and other statutory payments for public welfare contribution.

The focus of our strategy is to strengthen our core value proposition across all products and consumer segments. The value creation plan has always been centred on our purpose of bringing together the best operating technologies with the most skilled workers and craftspeople to create a bespoke, custom-built range of products that mirror international trends and styles customised to local tastes and preferences.

Undoubtedly, our team is our most valuable asset and as the company transforms to becoming more resilient and sustainable for value creation, we are investing in our staff to broaden our overall talent within the company. Our culture and values are constantly adapting to keep pace with our transformation and the entire company is embracing an innovative and customer-first mindset. With these pillars in place, we are well placed to create new and innovative products for our customers while creating a strong degree of separation from competitors.

We truly recognise the increasing importance of sustainability across the environmental, social and governance (ESG) aspects of the business. We will

continue to strive to be an employer of choice, to give back to the society, to support communities and the nation and to conduct our business with ethics and integrity.

Going forward, we will continue to focus on winning in the consumer space by accelerating our core business and offering our customers new and more market-aligned value propositions and the company has decided to invest of BDT 9,025 mn for increase the tiles production capacity. Further, enthused by the traction in our bathroom fittings business and the need to diversify our offering, the company has received Board approval for investment of about BDT 950 mn in a new faucet manufacturing facility with an estimated capacity of 1,500 pcs per day.

We are proud to have built one of the strongest household brand names in Bangladesh with a talented and diverse team. These two elements are our most valuable levers, driving our competitive edge and laying the foundation for future growth.

In closing this letter, I would like to acknowledge the wisdom, guidance and invaluable contribution of the Board. To our shareholders, thank you for your continued confidence in us as we execute our strategy to take the company forward. We are confident that our growth strategy will keep us competitive and relevant in an increasingly competitive market, which augurs well for the maximisation of shareholder and stakeholder value. Our customers continue to support us and we are humbled by their trust and loyalty.

Our employees are our most valuable asset, and we see this every day as they engage with our customers, keep the operations running and work towards delivering our brand purpose. On behalf of the Board, I would like to thank each and every one of them for their dedication, hard work and enthusiasm. Thanks to our business partners also who share our ambitions of being the most preferred choice of our customers and maintain our lead in the market.

With best wishes,



**Abdallah Massaad**  
Chairman

# BUSINESS UPDATE

Delivering excellence in a difficult year

By all accounts, the year 2022 was an exceptionally challenging period with all-round complexities comprising a sluggish economic environment, consumer down trading inflation-driven input cost surge, currency devaluation pushing up import costs, and shortages in natural gas supply and inadequate gas pressure. However, we re-focused on adaptability and innovation to build organisational resilience, continued with sales momentum and met our financial obligations. In short, we remained resolute in the face of the challenges.

During the year under report, the Company leveraged its core strengths and capabilities to not only sustain normal sales growth, but also identify pockets for developing new sales opportunities. We also focused on cost efficiency with renewed vigour, identifying every expense line and exploring ways to minimise it through negotiations, better trade terms, etc. We sought to adjust the cost structure with sales growth trends which was a significant contributor to the company turning in a profit during the year.

In line with the industry trend, we also gradually passed on some of the price hikes to the customers to maintain business momentum and ensure positive performance by keeping the decline in margins and profit to the minimum.

Consolidated sales expanded YoY by 8.8% to BDT 7,453.47 mn in 2022, which signifies an accomplishment in the face of a difficult sales environment. Consolidated income growth was supported by both volumes growth and calibrated price increases. Further, notwithstanding the natural gas shortage and reduced pipeline gas pressure, we were broadly able to maintain production integrity.

Despite our best efforts, the cumulative impact of the escalation in the costs of natural gas and other inputs impacted our consolidated gross profit which declined, although marginally, by 3.1% to BDT 1,969.92 mn during the year. This containment in decline is also a respectable achievement as input cost pressures were very material during the year. Pressure on the consolidated gross profit

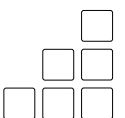
also cascaded down the net earnings level, with net profit declining by about a quarter to BDT 671.59 mn.

Despite the adversity, the Board after due consideration on business performance and the need to fulfill investor expectations announced 10% cash dividend for 2022. Creating value in the hands of shareholders is an integral focus area of the company and is an outcome of the way we manage our business. Going forward, we will continue to manage operations with a deeper sense of agility, flexibility and resiliency to remain on the path of sustainable value for all our stakeholders.

Over the last few years, the company has gradually emphasised on a retail-focused business model, an asset-light and capital-light model for expansion, becoming a much stronger retail brand in the domestic market with leadership in key product categories.

RAK is a prominent and amongst the top-selling brand in all regions, including rural, semi-urban and metropolitan areas and we will continue to build on our presence and visibility in all corners and amongst all population segments of the country.

Going forward, our strategic growth blueprint, operational efficiencies, financial prudence and geographical and product expansion are some of the key levers that will aid the company in margins and profit recovery. Further, our new growth initiative comprising the proposed establishment of new tiles plant and plant for bathroom fittings entailing an investment of BDT 9,025 mn and BDT 950 mn respectively, will emerge as a contributor to our revenues and profits in the future.





# UNDERSTANDING OUR BUSINESS

At RAK Ceramics (Bangladesh), we cater to the aspirational lifestyle needs of the modern-day consumer for best-in-class products, conceived and designed to transform their homes and workspaces through new-age surface and bathroom solutions. We offer bespoke products for every space—right from surface solutions for flooring and walls, to bath sets, to sanitaryware and fittings.

## CONVERTING OPPORTUNITY INTO SUSTAINABLE BUSINESS VALUE

At our Company, our purpose percolates right down to our foundations and how we create value for our shareholders and other stakeholders.

Through our value-adding business operations, we deliver products and solutions while creating positive impacts via our six capitals and preparing the foundations for future growth. Among the most significant external forces affecting our business model are those that we try to utilise to create long-term opportunity and value.

### THESE FORCES ARE:



Rapid urbanisation prospects under a policy framework that supports the housing and real estate markets



Significant under-penetration in home ownership with a number of households living in kuccha houses



Major scope in driving per capita tiles and SW consumption



Significant demand for own homes as a safe shelter amid and post the COVID-19 pandemic

## OUR VALUE-CREATION THRUSTS

At RAK Ceramics (Bangladesh), our key value creation thrusts enable us to propel the business on the path of sustainable growth.

### The key thrust levers are:

#### 1. Strong leadership enabling responsible stewardship

Our Board of Directors and senior executives are committed to high standards of honesty and integrity, and they set the tone at the top by showing how to lead. They and our co-workers follow the law and the highest standards of behaviour, as well as the organisation's Code of Conduct, our values, and what we expect from them. We foster applied governance principles from making decisions to planning, putting plans into action, and getting things done.

#### 2. Rule of law

Our unitary Board is in charge of delivering long-term value by keeping an eye on how the organisation's business is run, questioning and approving strategic plans put forward by the management, and keeping surveillance on how these plans are put into action in light of the capitals available, the approved risk framework, the scope of opportunities, and the regulatory environment. The rule of law is given due importance at all times and in all decisions.

### 3. Growth strategy

Our strategy focuses on growth opportunities that can help our customers and takes into account things that are important for our long-term success. Risk and return are driven by our strategic plan, which is accomplished within the limits of our well-defined risk appetite. Also, our strategy for allocating risk and capital is a key part of how we plan and carry out our plans as a whole and is an essential component of our growth strategy.

### 4. Rewards and recognition

Our success depends on how well we can meet the needs of our employees. In this case, our reward philosophy takes into account our growth strategy, our entrepreneurial spirit, and how we manage risk, as well

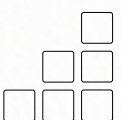
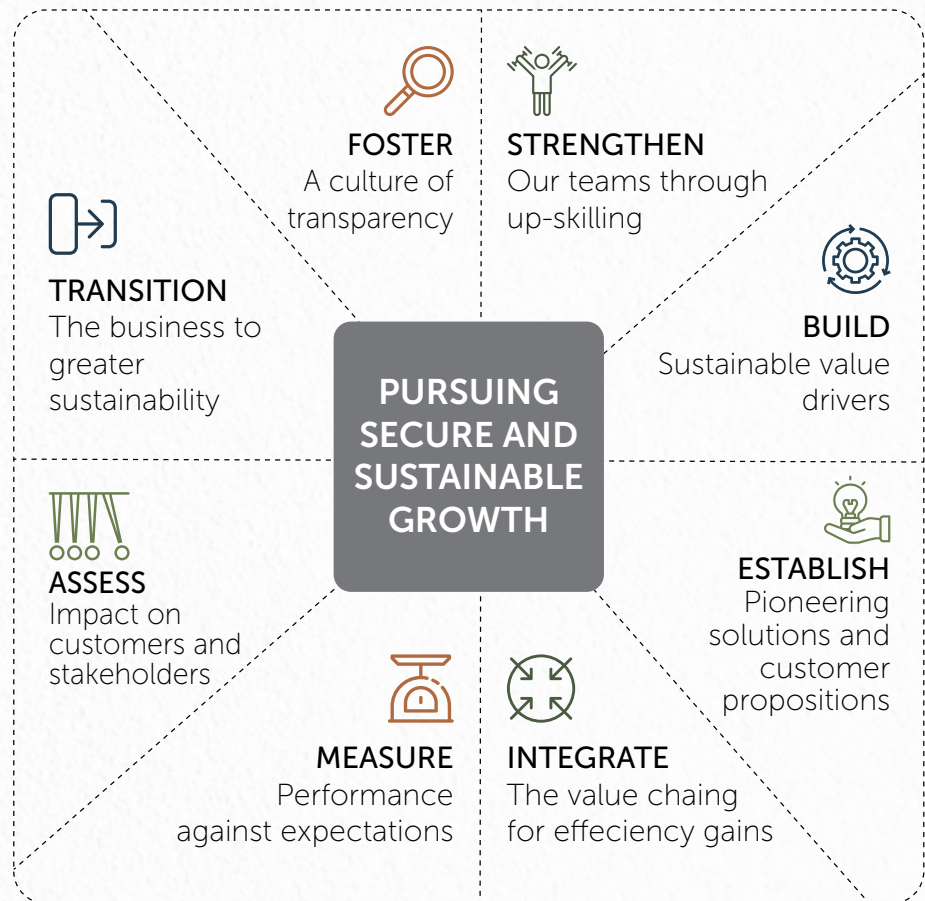
as how well our employees perform based on their key performance indicators (KPIs). Importantly, the main goal of this philosophy is to guide our people in delivering our strategy of creating long-term value for all our stakeholders in a responsible manner.

### 5. Embracing DEI tenets

Our people are our true asset. Their efforts, hard work, commitment and loyalty are key to our company's continued success. With a view to diversify and broad-base our workforce, we embrace best practices in DEI that is diversity, equality and inclusion and ensure the fact that our workforce reflects the heterogeneity of the customers and markets we serve. We also provide our people equal opportunity at the workplace to succeed and progress in their professional careers.

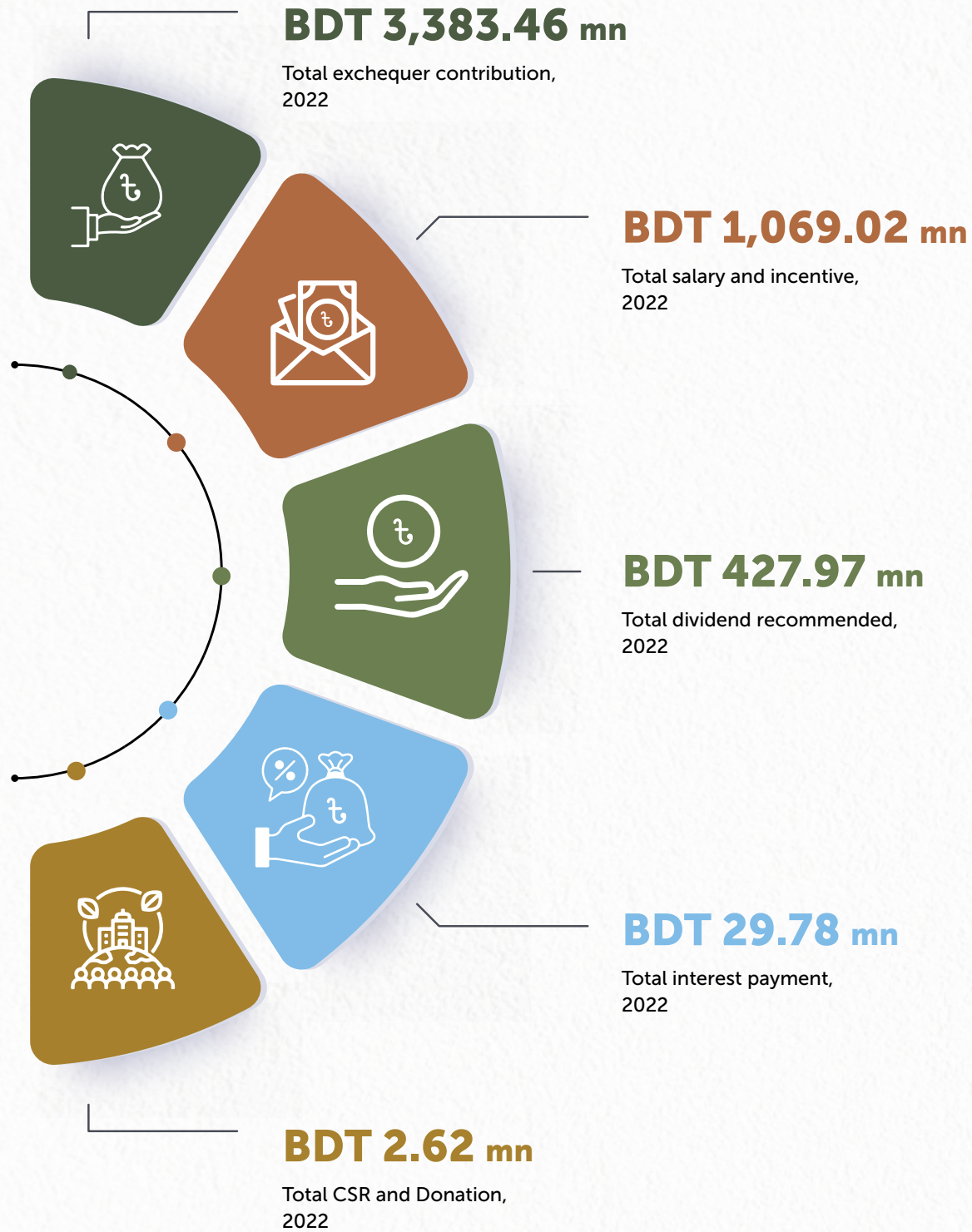
## OUR GROWTH ENABLERS

We assist individuals, companies and the society in achieving sustainable progress. The Company's strategic emphasis areas were formulated based on a comprehensive understanding of the growth dynamics in Bangladesh across products, markets and consumption points





HOW OUR OPPORTUNITIES, GROWTH ENABLERS AND KEY THRUSTS HAVE HELPED CREATE VALUE

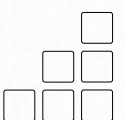
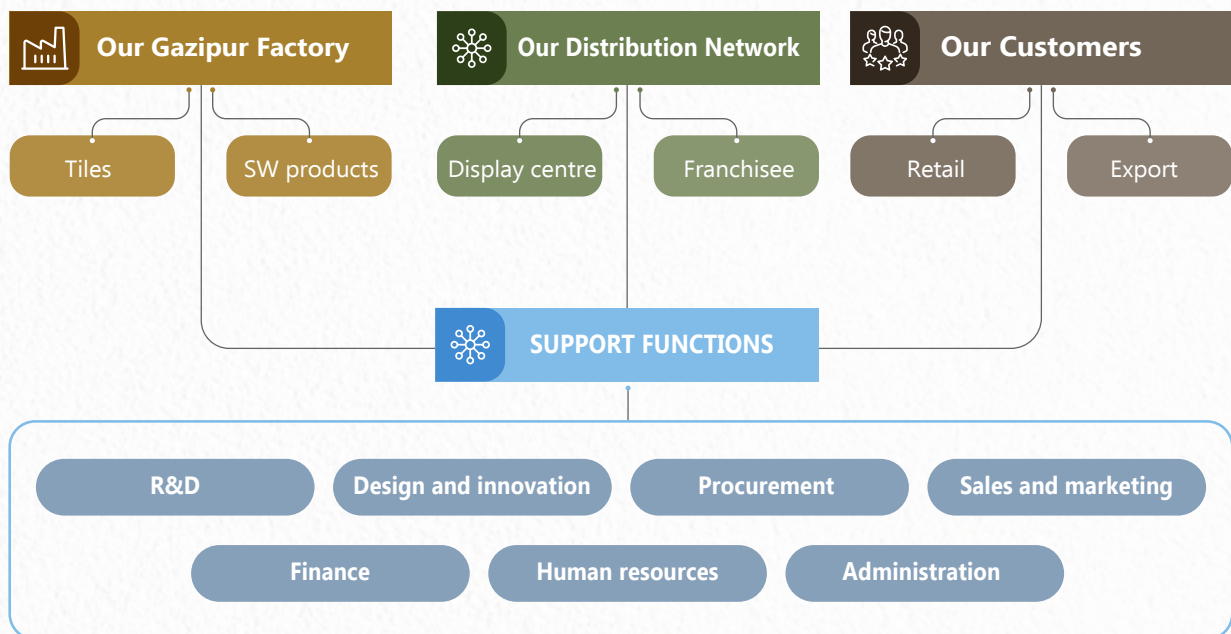




# HOW WE HAVE ORGANISED OURSELVES FOR VALUE DELIVERY

At RAK Ceramics (Bangladesh), we have developed a seamless structure that enables a smooth flow of manufactured products to the market through our wide-ranging distribution channels. Through such an organised approach we are able to address our material matters and create sustainable value for our stakeholders.

## OUR ORGANISATIONAL FLOW



We create customer value through manufacturing a wide range of products that suit their diverse needs and expectations:

## TILES

### Floor Tiles:

- Gres Porcellanato
- Salt & Pepper
- Glaze Rustic
- High Tech Porcelain
- Glaze Polish
- Double Charge
- Hard Rock
- Terrazzo
- Industrial Floor

### Wall Tiles:

- Ceramics Red Body
- Ceramics White Body

## SANITARYWARE

- Washbasin
- Toilet Seat & Cover
- Water Closet
- Wall Hung Toilet
- Pedestal Washbasin

Through our organised and integrated operations we support materiality, that is the key expectations of our shareholders and others. These include:



Creating strong competitive differentiators



Dividend track record



Providing robust customer value



Strengthening customer propositions



Embracing product innovation



Ensuring cost discipline

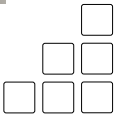


Focusing on workforce transformation



Adopting best-in-class governance and compliance practices











# RAK LEADERSHIP

## RESPONSIBLE BUSINESS STEWARDSHIP FOR A BRIGHTER TOMORROW

*Guts, Gumption, Glory. These are the words that have defined the Leadership of RAK Ceramics (Bangladesh)!*

At RAK Ceramics (Bangladesh), our leadership has always risen to the challenges to demonstrate the true mettle of the Company. It has belief that no challenge is too difficult to surmount through collective effort and resolute execution. While pulling together as 'one Company, one team', RAK's leadership and senior management have exhibited time and again the quality of its management stewardship, the determination in its actions, and the relentless focus on delivery of goals, all for ensuring that the Company sustains its pole position in a competitive ceramics market and continues on its journey of sustainable value generation for all stakeholders.

# BUSINESS PROFILE

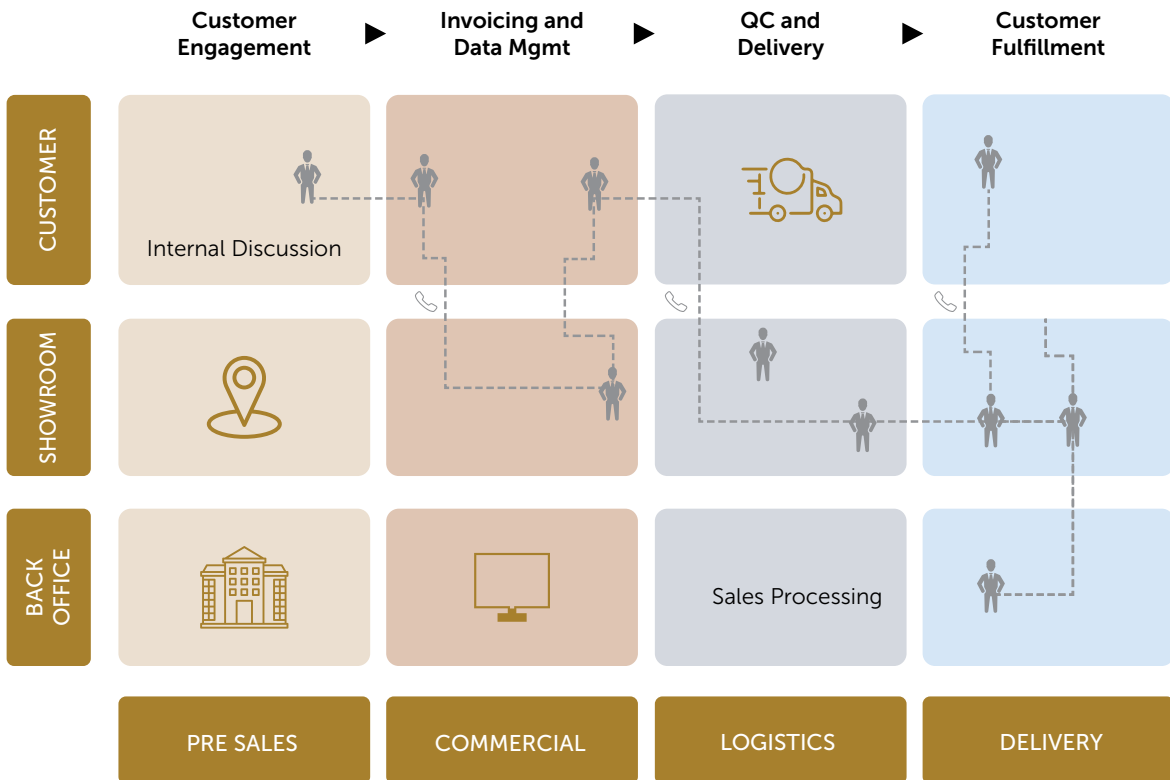
RAK Ceramics (Bangladesh) is a growth-focused consumer company and a strategic entity of UAE-based RAK Ceramics PJSC. The Company is the leading ceramics brand in Bangladesh!

RAK Ceramics (Bangladesh) is the nation’s largest stock market-listed ceramics’ brand specialising in ceramic and gres porcelain wall and floor tiles, bathroom sets and fittings, and all types of sanitaryware. The company is a part of RAK Ceramics PJSC, among the largest ceramics brand in the world.

## EMBELLISHING BEAUTIFUL SPACES SINCE 1998

Established as a UAE-Bangladesh joint venture company in 1998, RAK Ceramics (Bangladesh) today is a leading new-age luxury surfaces and bathroom solutions company headquartered in Dhaka with a modern factory establishment in Gazipur. Over the years, RAK Ceramics has grown into a multi-product entity, engaged in the business of creating distinctive spaces that make a difference to homes and offices.

### RAK Ceramics’ Customer Experience Journey





## ACCOMPLISHING MARKET DISTINCTION

At RAK Ceramics (Bangladesh), we have leveraged our in-depth expertise and understanding of interior building materials over the years to diversify our product streams and evolve as a brand of choice providing integrated solutions under one umbrella. Our product portfolio is crafted to give a new meaning to joy, luxury and fulfillment.

We manufacture and market a wide range of products, including floor tiles, wall tiles, glazed vitrified tiles, polished vitrified tiles, double charge tiles, gres porcellanato, sanitaryware and bathroom sets and fittings.

Our portfolio is the strongest and broadest in the ceramics industry of Bangladesh. Our products cater to a range of both aspirational and sophisticated tastes, giving us an undisputed ability to wow our customers across all purchase occasions. Our portfolio construct is such that it comprises strategic brands from across designs, styles, sizes and price-points, thus suiting every taste, desire, aspiration and imagination.

Our robust operational excellence standards means that we continually provide superior customer value propositions which has become key in our ability to sustain market leadership. Our major operational focus areas comprise cost and manufacturing efficiency, technical upskilling, optimum capacity utilisation, wastage reduction, and compliance with respect to emissions and other norms. Securing key resource inputs is also a critical part of our operational realm.

As part of our focus on winning in the marketplace, we produce and sell an unparalleled portfolio of ceramics' brands relevant to every customer, consumer and occasion. Our route-to-market is second to none across our operational regions since it includes a wide range of consumer channels – from own large lifestyle formats to dealerships – visited by more customers than any competitor. At the close of the year 2022, we had

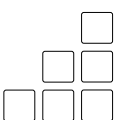
amongst the largest dealership network of 120 dealers spread around the country and 04 own exclusive display centers.

Customer service and excellence is critical for our business and we are devoted to helping our dealership grow their businesses, which in turn helps grow ours. We share sales-oriented business insights, ensure timely delivery, and provide varied support through sharing updates on advertising and brand campaigns, installation of in-store POPs and danglers, etc.

Our financial management strategy is guided by prudence, conservatism and sound judgement. While cost discipline and expense management is a prioritised focus area, we also ensure balance sheet strength to support funding for any long-term growth opportunity. We are also acutely focused on improving our financial, risk and credit profile, which is evident in our satisfactory credit ratings: "AA+" long-term rating indicating higher safety for meeting credit obligations and "ST-1" short-term rating reflecting highest certainty of timely repayment. These have been assigned by CRISL, one of the top credit rating agencies of Bangladesh.

We are committed to improving on our social and relationship capital and we accomplish this through our multi-stakeholder focus. This is enshrined in our emphasis on creating value for all stakeholders, making a strong contribution to the development of the societies in which we operate through employment and our wider supply chain support, as well as through community outreach projects which have long been a core way of doing business for us.

We operate in a way that preserves our environment, integrating sustainability into our decision-making and taking decisive actions that have a positive impact on communities.



# 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**

---

**PREMIJA**  
SERIES  
ARTISTRY WITH SUSTAINABILITY

---

**Hard Rock**  
COLLECTIONS

---

ELEGANT   
SLAB

---

ROCKER  
SERIES

---

WOOD  ART  
COLLECTION  
Gres Porcellanato

---

High Tech  Porcelain

---

**COMBI**  
*wc*

---

**Single Piece**  
*wc*

**Wall Hung**  
*wc*

# OUR PATH-BREAKING SANITARY WARE MODELS



RAK HARMONY WALL HANG



RAK-CLOUD COUNTER TOP  
WASHBASIN(GLOSSY)



SENSATION WB COUNTER



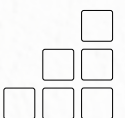
KARLA DELUXE WC



RAK RESORT



LIWA WATER CLOSET





# OUR ICONIC TILES MODELS

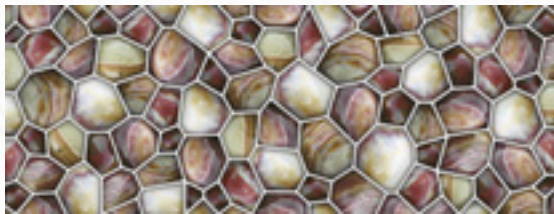
## PREMIJA SERIES



7002 HL WD



7004 DHL



7003 DSHELL



7009 HL BR

## SUGER SERIES



6603 SUGER HLBLUE



6602 SUGER HLBR



6604 SUGER HLIV



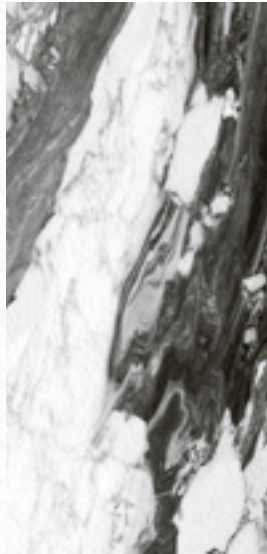
6601 SUGER HL GREY



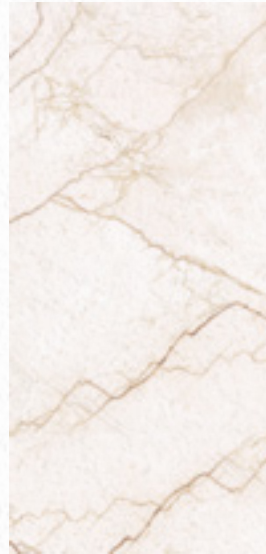
# SLAB



IMPERIAL SILK  
(DIAMOND GLAZE)



ELEGANT SLAB  
1201-F3



ELEGANT SLAB  
1202-F2

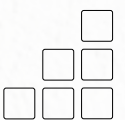


ELEGANT SLAB  
1206



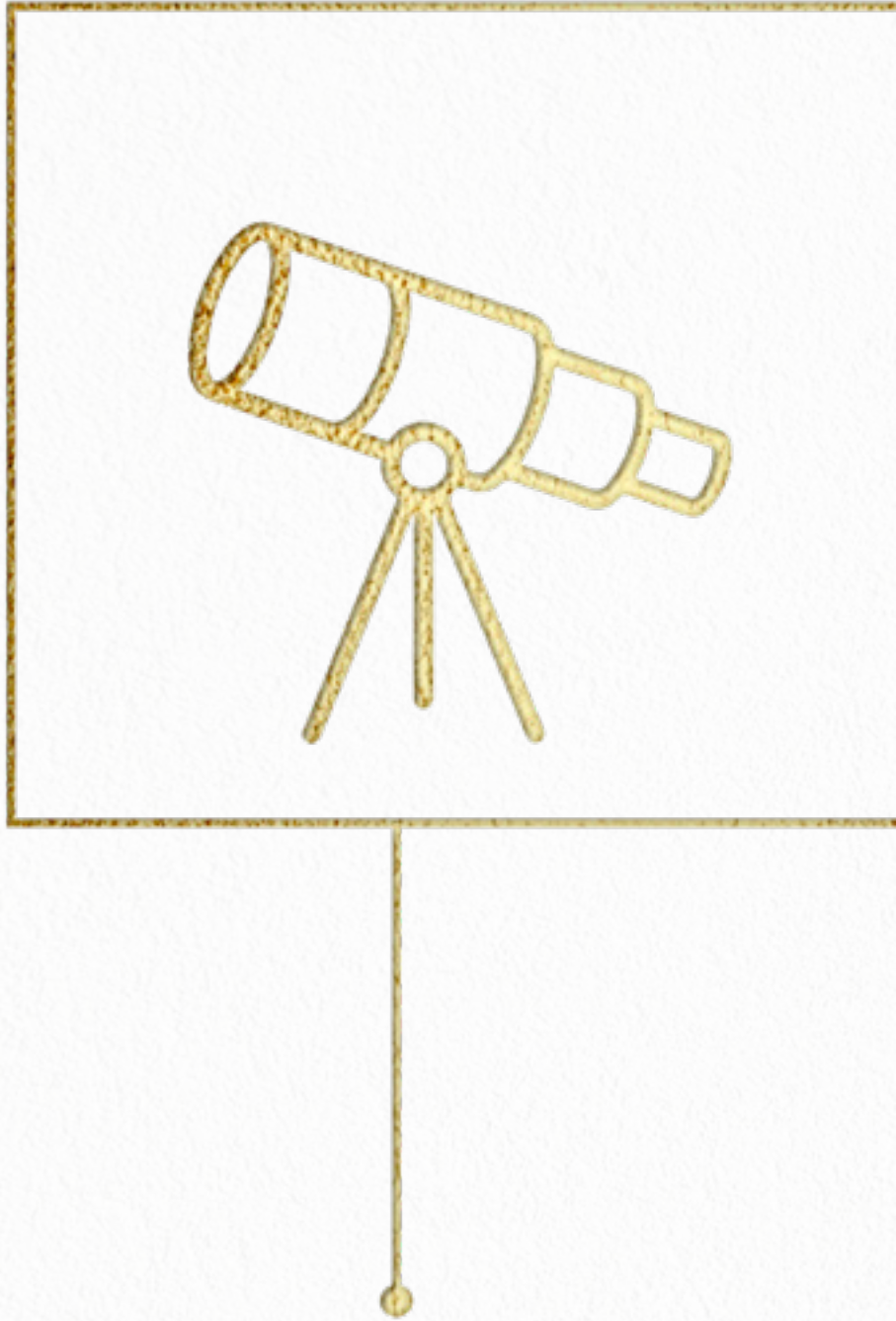
ELEGANT SLAB JNZ NBL

ELEGANT SLAB JNZ GY





VISION

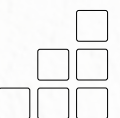
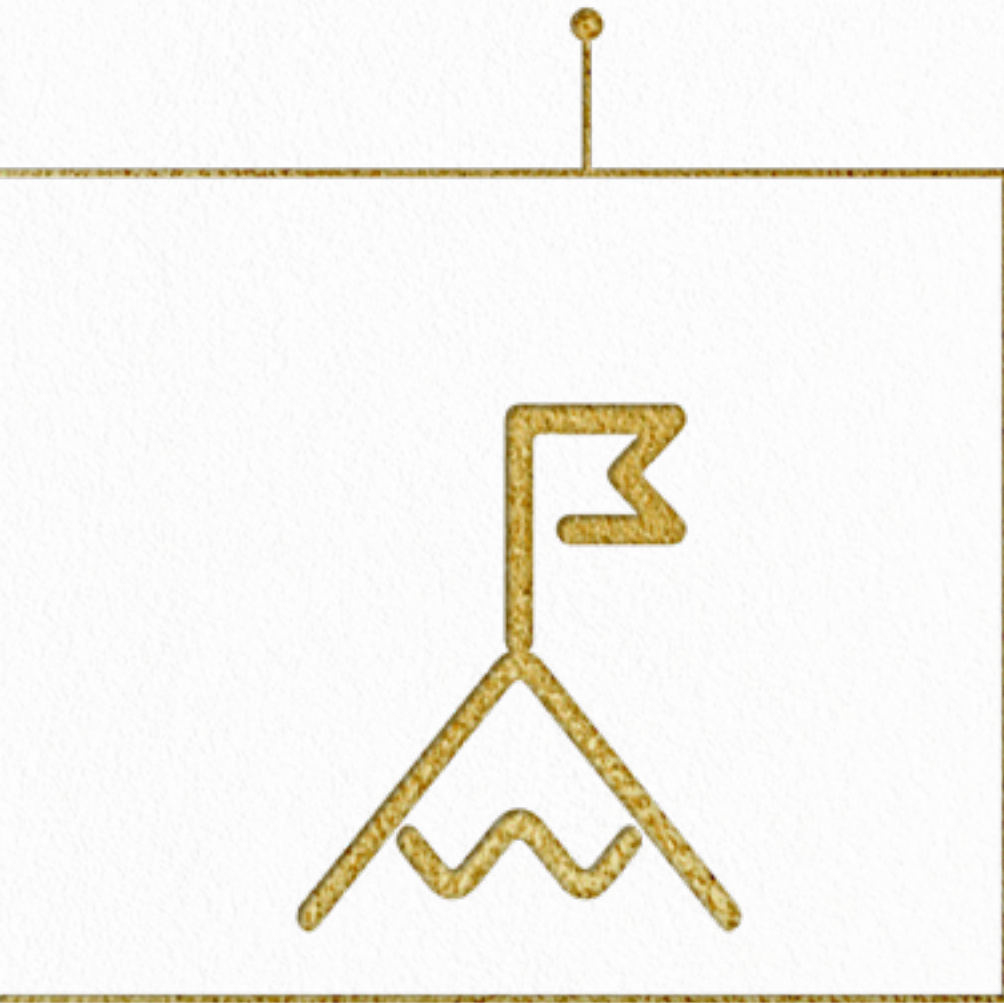


Our vision is to be the world's leading ceramics lifestyle solutions provider.



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

# MISSION







# OUR CORE VALUES AND CODE OF CONDUCT

Our long-term success is inextricably linked to the success of our customers and business partners, as well as our ability to delight them with the products they love. We are devoted to offering our clients with the best home interior solutions, including ceramic tiles and bathroom fittings such as sanitaryware, etc., that improve their sense of pride and joy.

The goal of the Company's Board of Directors is to set the tone from the top by assuring the highest standards of corporate governance, while promulgating ethics and values in the implementation of our long-term strategy and in the day-to-day operations. For us, ethics is more than simply a written statement; it is a part of our daily lives.

Our internal policies and processes, which have held the company in good stead right since its inception, are adequately documented and broadcasted in accordance with the framework applicable to Bangladesh-listed firms. Our Board is responsible for ensuring the highest levels of applied governance, accountability, and risk management.

We have also deeply entrenched a values-based framework throughout our organization to assure that our staff and co-workers always act consistently and

make the right decisions, in accordance with our larger operating and best practices philosophy. The sense of compliance and conformance runs deep in our organisation and is enshrined in both our core values and code of conduct.

RAK Ceramics (Bangladesh) is a responsible corporate with an established and transparent policy structure for information disclosure, anti-corruption and anti-bribery, as required by the relevant legislation. Such norms have supported the company in its endeavour to build trust-based and mutually-beneficial partnerships with its customers, employees, shareholders, regulators and other stakeholders at large.

Our Code of Conduct and Ethics and Code of Conduct for Prevention of Insider Trading are an extension of our values and reflect our unwavering commitment to ethical business practices. The Board is responsible and committed to upholding sound principles of governance and compliance fulfillment. It also accomplishes a crucial role in overseeing how the leadership and management team serves the short and long-term interests of shareholders and other stakeholders via a diligent supervisory approach that lays emphasis on ownership and accountability.



## Customer relations

It is an established policy of the company to develop and nurture fair, sustainable and mutually-beneficial relationships with customers. Employees are expected to respect customers and their needs and contribute to satisfying these needs in an efficient and effective manner such that the interests of the company and its shareholders remain secured and uncompromised in any way.



## 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:



Responsibility



Accountability



Integrity



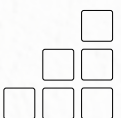
Efficiency



Impartiality



Discretion







### Compliance with statutory rules and regulations

Employees are expected to be aware of and conduct themselves in accordance with all the applicable laws, rules and regulations of the country, and make best efforts not to willingly breach any provision of such laws. They shall ensure compliance with various legal/regulatory requirements, as applicable, in business conduct, and also endeavour that before any directions are given or decisions taken, relevant legal/regulatory requirements and norms are taken into cognisance. The Board and the senior management aim to elevate adherence to laws and regulations as an everyday practice commonly observed and held fast by all.

As a company transparent in all its dealings, any transaction falling under the definition of related party transactions (RPTs), as per the provisions of the law and as detailed in the Related Party Transaction Policy of the company entered into by employees, is disclosed on a timely basis to the Board or any committee thereof.



### Corporate commitment

Staff members on the rolls of the company are expected to be in the full-time employment of the company. This implies that employees on the rolls of the company cannot work for any other employer unless specifically permitted, directed or approved by the company. Employees will not take personal advantage of any business opportunity that they discover during the course of their employment unless the company expressly waives off its interest in pursuing such an opportunity.



### Environmental governance and compliance

Employees are expected to be aware of the company's commitment to contribute to sustainable business development with respect to environmental issues and requirements, and its Environmental Policy statements issued from time-to-time.

Employees are also expected to have knowledge of, monitor and adhere strictly to Bangladesh's applicable laws, rules, regulations and guidelines related to the environment that impact the company's operations and business, including adherence to environmental standards commended for industrial companies. This is essential to secure and preserve our license to operate.

# 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. Abdallah 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

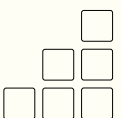
Ceramics' global interests. He supported the Chairman and CEO with strategic planning and expansion initiatives enabling the company to reach the milestone of 1 billion square metres of global sales since it began. He was also responsible for implementing corporate governance regulations and overseeing 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, his most recent achievement is being named 2022 Manufacturing Leader of the Year by CEO Today Middle East Awards, and as Top 10 CEO in the Industrial and Logistics category awarded by CEO Conference and Awards. 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.

Mr. Massaad also 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.

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 this Company. He is also a member of the Audit Committee and the Nomination and Remuneration Committee of RAK Ceramics (Bangladesh) Limited.

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

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





**Wassim Moukahhal**  
Director

Mr. Wassim Moukahhal is a Director of RAK Ceramics (Bangladesh) Limited and RAK Security and Services (Pvt.) Ltd., which is subsidiary of this 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.

Mr. Moukahhal has more than 17 years of experience in private equity investments and is currently a Managing Director of Samena Capital Investments Limited in Dubai, focusing on investments within the MENA region. He is also a member of the Board of Directors of Anghami and a member of the Investment Committee of the Samena Special Situations Funds.

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

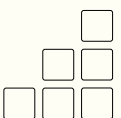
Mr. Moukahhal holds an MBA from the Wharton School at the University of Pennsylvania and a Bachelor's degree in Economics & Finance from McGill University.



**Mohd. Shafiul Azam**  
Independent Director

Mr. Mohd. Shafiul Azam 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 (NRC) of RAK Ceramics (Bangladesh) Limited.

Mr. Azam, completed his LL.B (Hon's) and LL.M from the University of Dhaka. He has also completed training on Judicial Adjudication of Terrorism Cases from Ceeli Institute, Prague, Czech Republic, Strengthening Subordinates Judiciary Management Training at Western Sydney University, Australia and India. He also has completed different in-service training in Judicial Administration Training Center, Bangladesh. He is retired from his service as a Senior District & Sessions Judge. He has over 29 years of professional experience in the legal field as a judge and 06 years as a lawyer. He is a career judge and has vast experiences on Civil and Criminal and Company Disputes on Bangladesh perspective.



# 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 25 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.



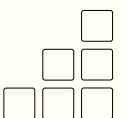
**Muhammad Shahidul Islam**  
Company Secretary

Mr. Muhammad Shahidul Islam is the Company Secretary of the Company since 2010. His professional career spans over 18 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. He has more than 17 years of professional experience in the field of Finance, Supply Chain and Internal Audit in different multinational companies. Mr. Arefin is a qualified Cost and Management Accountant and fellow member of ICMAB. He is also a CGMA and associate member of 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. 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. Mahbubul Haque**

GM-SCM

Mr. Mahbubul 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. Mahbubul 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

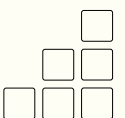
Mr. Srinivas S.V.K.P. is Deputy General Manager, responsible for the production and operation of tiles division. He has joined in the Company in the 2020 with 25 years of experience in tiles manufacturing, more than 18 years working with RAK Group of Companies. Mr. Srinivas. is a qualified graduate in Ceramics from Indian Institute of Ceramics Kolkata, and Ceramics Engineering from GICT, India.



### **Adireddy Pasunoori**

Sr. Production Manager-SWD

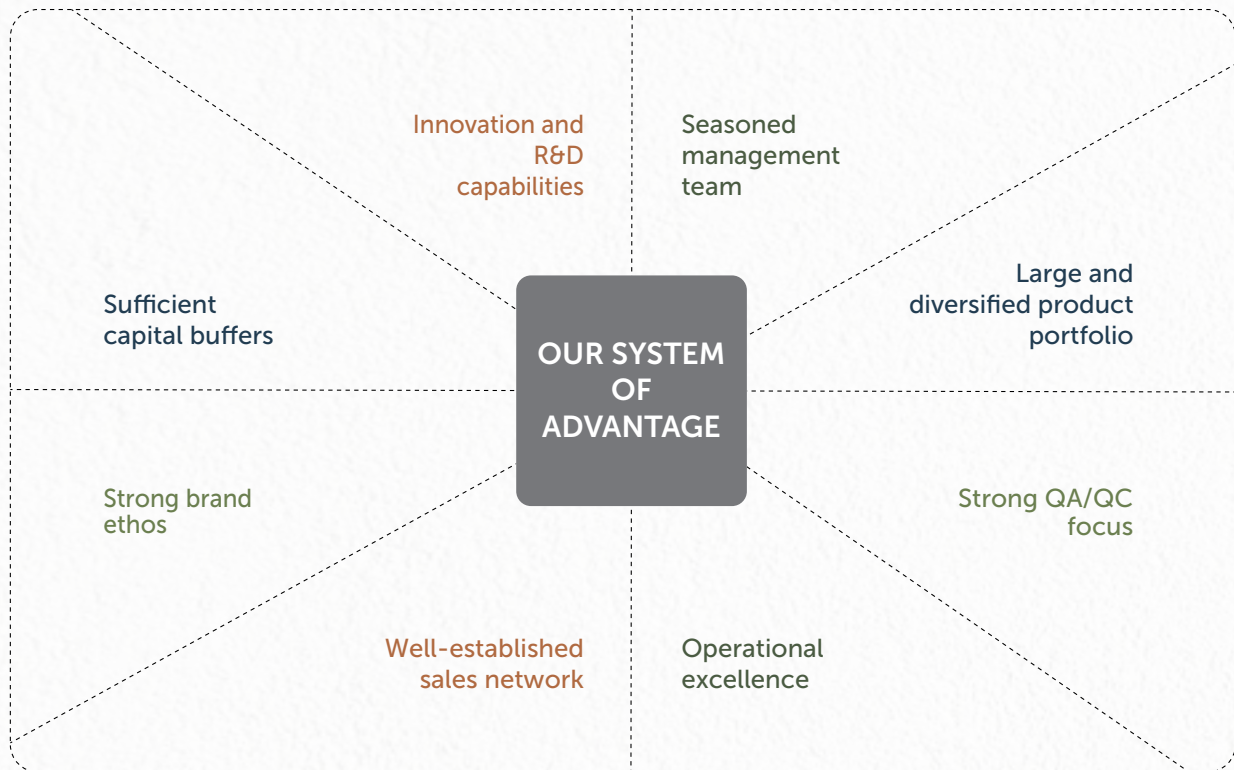
Mr. Adireddy Pasunoori is the Senior Production Manager responsible for the production and operation of Sanitary ware division. He has joined in the Company in 2019 with a 31 years' experience in Sanitary ware production and more than 12 years' with RAK Group of companies. Mr. Adireddy Pasunoori is a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



# INVESTMENT FUNDAMENTALS

Creating a stronger and unique moats amidst tougher challenges

Our extensive and diversified product portfolio, resilient market position and bottomless knowledge of shifting customer preferences have enabled us to expand our business to all corners of Bangladesh with a strong sales and delivery footprint that is supported by robust manufacturing infrastructure.



## BOLSTERING OUR INVESTMENT FUNDAMENTALS

At RAK Ceramics (Bangladesh), we are always working to improve ourselves to be the agent of change in the hopes, aspirations and desires of our customers. We are always developing new ways to innovate across our portfolio and improve our systems and procedures to provide our customers with a superior sales experience.

### Sustainability

At RAK Ceramics (Bangladesh), our key competencies that include internal R&D knowledge, strong product design experience, deep manufacturing and craftsmanship skills, a well-established quality assurance system and expansive marketing and distribution footprint have allowed us to be a major lifestyle transformation

partner of our customers. This aside, our robust brand equity, strong retail clientele and prestigious institutional customers exemplify the enduring foundation of our business that has enabled us to sustain our position and reputation as a pioneering sector-leading organisation of Bangladesh.



## Innovations

Our strategic initiatives in providing our customers with innovative products and solutions that improve their quality of life centers on the principle of constant change and improvement. Our innovative prowess can be seen in the wide range of products we offer, which spans product types, styles, designs and price points to cater to the varying requirements and preferences of our customers. This is propelled by our competent and qualified in-house R&D teams. In addition, our in-house quality control and quality assurance (QA/QC) department, backed by key global certifications in quality systems, ensures high level of quality control and assurance. We are committed to stringent adherence to global quality benchmarks in all our products and ensure the same through design-focused innovations.

Our robust innovation capabilities is reflected in the launch of more than 500 new products over the past 5 years, which have received a strong response from the market.

## World class quality

With quality at the front and centre of our product strategy, our robust operational assets and manufacturing infrastructure enable us to meet our goals of product value, affordability and range. Thus, our multi-purpose facilities allow strong operational flexibility that facilitate the manufacture of a diverse variety of tiles and SW products. This apart, our globally-renowned SACMI technology aid in the manufacture of world-class ceramics products in a manner that meet the market's cost and quality expectations while enabling us to ensure sustainable operations and profit. Further, all our facilities are supplemented by vital utilities, such as water, power, effluent treatment plant, etc.

## Channel partners affiliation

We believe our dealer relationships are fundamental to our growth expectations. We endeavour to fulfill the needs of our network through providing better trade, pricing and delivery terms. Our dealership is aided by our sales and marketing team that liaises with our dealers on a regular basis for customer inputs, market demands, design improvements and new product development. The team also helps in improving RAK brand positioning vis-à-vis competition. At the close of 2022, we had a total of 120 dealers out of which 20% comprised exclusive dealers. Company-owned company-operated (COCO) network comprised 04 outlets at the close of the year. The avge. size of a COCO outlet is 4,000 sq. ft.

## Building out our ESG principles

Environmental, Social, and Governance (ESG) are the three important pillars that must be built for any corporation to have sustained success over the long term. In this day and age, it is of the utmost importance

and a responsibility for every corporation to align its interests with those of its stakeholders.

RAK Ceramics (Bangladesh) was once only a modest business with a few employees, but now it has expanded to a team who have been instrumental in taking the company to being the largest ceramics tiles and SW company of Bangladesh and an industry pioneer in decorative surfaces and bathroom sets and fittings. The company places a high value on its talent pool and makes concerted efforts to keep its top employees by presenting them with adequate opportunity for professional advancement backed by industry-leading compensation.

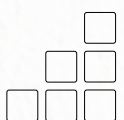
The human resources' primary areas of concentration are assuring high levels of productivity, employee satisfaction, motivation and a high percentage of staff retention. Over the course of its journey, the company has undergone several transformations in order to adapt to the shifting economic landscape, while at the same time firmly establishing its essential principles.

At our company, intellectual capital is regarded as one of the primary resources that the company must have in order to assure the continuation and expansion of its commercial operations. We make an ongoing effort to safeguard the environment by reducing any negative effects that our operations have on it and demonstrating our dedication to doing so. We have the firm conviction that Environment, Health, and Safety (EHS) are fundamental and primary foundations for the long-term growth of our company and a key lever of our investment thesis.

In addition, we have devised policies and procedures that push our environmental, health and safety compliance beyond the mere requirements of the regulatory bodies. The Company's manufacturing facility has been designed to conserve energy and operates using natural gas, rather than the other much more polluting alternatives.

Our dedication to quality and the environment is steadfast, as evidenced by the fact that our production facilities meet the requirements of ISO and other global standards. In keeping with the spirit of our company's commitment to social and environmental responsibility, we direct a significant portion of our attention and effort towards the preservation of ecological systems. We have accomplished our current objectives of minimising water and energy consumption and minimising waste, and we are currently working on a number of projects to further reduce our key resources through greater operational efficiency.

Thus we believe that embracing and further building our ESG principles and ensuring accountability of the highest standards will enable us to remain on the path of sustainable value creation as we prepare our business for resiliency and adaptability in the face of future opportunities and challenges.



# 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.

2010



2011



2012







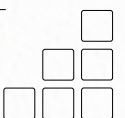
2015



2016



2017





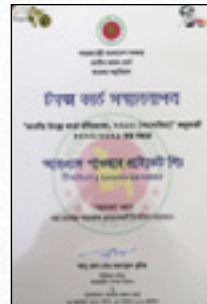
2018

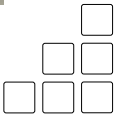


2019



2020

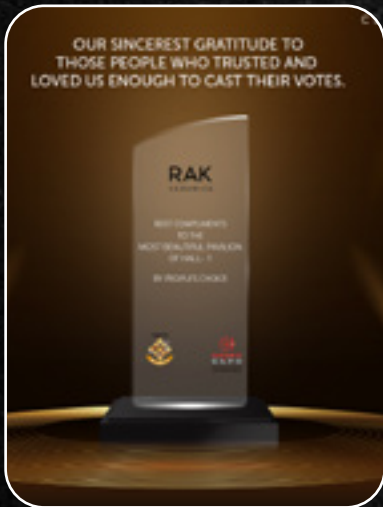








TecnAwards 2022



Ceramic Expo Award 2022





**Gold Award**  
9th ICSB National Award 2021 for Corporate Governance Excellence



**Silver Award**  
ICMAB Best Corporate Award 2021



# CREDIT RATING

2022

# AA+

CREDIT RATING REPORT - RATIONALE



First ISO 9001 : 2015 Certified Credit Rating Company in Bangladesh Operating Since 1995  
*Setting global standard at national level*

**CRISL/CER/1039/22**

### RAK CERAMICS (BANGLADESH) LIMITED RATING SPECIFICS

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

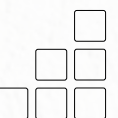


Md. Asif Huj  
Chief Rating Officer

Sudhakar Menon (T14, 4th & 5th Floor)  
47/A, Sayembarpasha, Dhaka-1000, Bangladesh  
Tel: 88-02-931 9791-3, Fax: 88-02-931 0595  
E-mail: info@crislbd.com



# DEALERS ENGAGEMENT PROGRAMS 2022





# EMPLOYEES ENGAGEMENT PROGRAMS 2022



Celebration of 24<sup>th</sup> anniversary of RAK Ceramics (Bangladesh) Limited



RAK Inter Departmental Cricket Tournament



Female Sports





Celebration of Ever Highest Sales



Pitha Uthshob



Celebration of Business Expansion



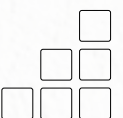
Iftar Mahfil



Celebration of Happy Dewali



Celebration of Independence Day











# ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

## CONTRIBUTING TO SOCIETAL VALUE FOR A SHINIER TOMORROW

*Work, Welfare, Wellbeing. These are the words that have defined the citizenship focus of RAK Ceramics (Bangladesh)!*

At RAK Ceramics (Bangladesh), we have constantly worked hard to ensure the dispersion of value outward of our factory gates to the communities that live around our vicinities and within the broader society. Our focus on service is not just rooted in being a positive force for good but also in being an organization the truly cares for the society. In this realm, our several social and community-based activities and interventions have been directed to ensure upliftment of backward communities as well as building local capacity. For us, CSR is more than social responsibility; it is a mindset that makes us believe that true value is value created for the society.

# OUR SUSTAINABILITY STRATEGY

## Our obligation to the environment and society under the UN SDGs

### Overview

At RAK Ceramics (Bangladesh), our ability to remain sustainably sound as a performer 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 14 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 #6 Clean Water and Sanitation – Contribute by ensuring the Hygiene in workplace which is one of our top priorities and to accommodate this we installed water purifier in multiple locations and maintain advanced sanitation process.

SDG #7 Affordable and Clean Energy – Contribute by caring our environment promoting the practice of recycling and using renewable energy



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 #10 Reduced Inequalities - Contribute making up our workforce fostering the principle of diversification and inclusion

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

SDG #14 Life Below Water – Contribute treating waste water by ETP plant before we discharge.

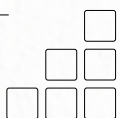
SDG #15 Life on Land – Contribute by curtailing carbon emission, waste management, recycling and using renewable energy.

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.

## Our best practices in environmental management



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

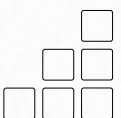
Without our people, our environmental practices hold no ground. Thus, we adopt an open and honest approach to employee communications, with regular updates disseminated from the senior management across the business and operations of the Group. The Board and executive committee also make visits to our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




# OUR SUSTAINABILITY SUPPORT

Sustainability is a vital part of our long-term decision-making, and we are striving to be an industry leader. RAK Ceramics (Bangladesh) is committed to reducing its energy consumption and emissions throughout its manufacturing process.

Energy Efficiency	Water Conservation	Solid Waste Management
<ul style="list-style-type: none"> <li>To promote effective and responsible management of energy consumption</li> <li>High-efficiency burners are utilized in all kilns to reduce energy consumption</li> <li>Waste heat from the kilns are recovered and fed into Green Tile drier.</li> <li>Established Several Inverter Projects for the reduction of Eclectic Energy.</li> </ul>	<ul style="list-style-type: none"> <li>Water consumption regularly measured by flow meter.</li> <li>Ensure optimize use of water.</li> <li>Recycling &amp; Reuse: Operates 2 units of Effluent Treatment Plants (ETP) to recycle and re-use (Per day 600 m<sup>3</sup>) the wastewater generated from the factories</li> <li>Water Conservation Awareness Program</li> </ul>	<ul style="list-style-type: none"> <li>Implement programs to minimize the disposal of waste materials into the environment by adopting continuous improvement in waste segregation scheme.</li> </ul>
 	 	 

## ETP water Quality test report (by Department of Environment)

  
 গণপ্রজাতন্ত্রী বাংলাদেশ সরকার  
 পরিবেশ অধিদপ্তর  
 ঢাকা পল্লবখানার কার্যালয়  
 পরিবেশ ভবন, ই/১৬, আগারগাঁও, ঢাকা ১২০৭  
[www.doe.gov.bd](http://www.doe.gov.bd)

স্মারক নং- ২২.০২.০০০০.১১১.০৪৮.১০০২.১১.১৪৪৯      তারিখ- ০৯-১১-২০২২

প্রসঙ্গ: বায়োগ্যাস পরিষ্কার, আর এ কে সিআইএস (বাংলাদেশ) লি., দুদুয়া, শ্রীপুর, গাজীপুর।

স্থান: দুদুয়া, শ্রীপুর, গাজীপুর -এ অবস্থিত আর এ কে সিআইএস (বাংলাদেশ) লি., থেকে সংগৃহীত তরল বর্জ্য নমুনার বিশ্লেষণ ফলাফল।


সূত্র: জলসমীক্ষা আইনের অধীনে -১৪-০১-১১, ১১-০৮-১১, ১১-০৮-১০২২


সংগৃহীত তরল বর্জ্য নমুনার বিশ্লেষণ ফলাফল নিম্নলিখিত:


Location	Sampling Date	Lab code	pH	DO mg/L	BOD mg/L	COD mg/L	TDS mg/L	TSS mg/L	Remarks
Inlet of ETP	2022-10-03	O-01	8.17	0.0	96	288	347	317	
Outlet of ETP	2022-10-03	N-86	6.88	5.0	05	15	342	37	
As per ECR 1997 Bangladesh Standard for Waste Water from Industrial Units, discharging to inland surface Water.			6-9	4.5-8.0	50	200	2100	150	


সি: ৯: বিধি ৫৯(১) ০১:


পরিবেশিক তরলবর্জ্যের বিশ্লেষণ ফলাফল সনদ প্রায়মিত্তিক পরিবেশ সংরক্ষণ বিধিমালা ১৯৯৭ অনুসারে প্রযোজ্য মানসমূহের মধ্যে আছে।

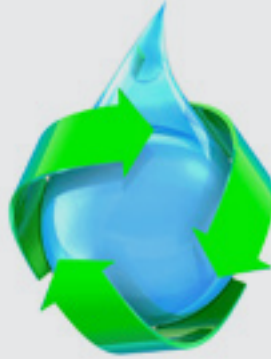
  
**Rakibul Hasan**  
 সিনিয়র পরিবেশিক

  
 মো: নাজিমুল হোসেন  
 পরিবেশিক

  
 শাহাদাৎ হোসেন  
 উপ-পরিবেশিক

  
 ড. সু. সোহাগে আলী  
 পরিবেশিক





**RAK Ceramics (Bangladesh)**  
 Reuse treated water:  
**6 lac liters/day**

## Ambient Air Quality test report (by Department of Environment)


The latest result of ambient Air quality of RAK Ceramics (Bangladesh)

SPM = 164  $\mu\text{g}/\text{m}^3$

SO<sub>2</sub> = 22  $\mu\text{g}/\text{m}^3$

NO<sub>2</sub> = 24  $\mu\text{g}/\text{m}^3$





গণপ্রজাতন্ত্রী বাংলাদেশ সরকার  
পরিবেশ অধিদপ্তর  
ঢাকা গবেষণাপার কার্যালয়  
পরিবেশ ভবন, ই/১৬, আগারগাঁও, ঢাকা ১২০৭  
www.doe.gov.bd

সদ্যক্রমিক নং: ২২.০২.০০০০.১১১.০০৮.১০০২.২২.১৪২২ তারিখ: ১০-০১-২০২২

প্রাপক: ব্যবস্থাপনা পরিচালক, আর এ কে নিরামিকন লিমিটেড, ধনুয়া, শ্রীপুর, গাজীপুর।

বিষয়: ধনুয়া, শ্রীপুর, গাজীপুর -এ অবস্থিত আর এ কে নিরামিকন লিমিটেড, থেকে সংশ্লিষ্ট পরিবেষ্টক বায়ু নমুনার বিশ্লেষণ ফলাফল।


সূত্র: অনলাইন আবেদনের তারিখ -২৪-০৩-২২, ২১-০৮-২০২২

সংশ্লিষ্ট পরিবেষ্টক বায়ু নমুনার বিশ্লেষণ ফলাফল নিম্নরূপ:


Location	Sampling Date	SPM $\mu\text{g}/\text{M}^3$	SO <sub>2</sub> $\mu\text{g}/\text{m}^3$	NO <sub>2</sub> $\mu\text{g}/\text{m}^3$	Remarks
North side & 10m from production	2022-10-03	164	22	24	Weather was rainy/sunny Wind direction was from south to north
As per ECR'1997 ( Amendment 2005), Standard Limit of Ambient Air.		200	365	100	

বাংলাদেশ পরিবেশ সংরক্ষণ বিধিমালা, ১৯৯৭ (সংশোধিত ২০০৫) অনুযায়ী, সকল প্যারামিটার এর মান গ্রহণযোগ্য মানমাত্রার মধ্যে আছে।


বায়ুদূষণ (নিয়ন্ত্রণ) বিধিমালা, ২০২২ এর পূর্বের আবেদন এবং পরিবেশগত ঝুঁকিপূর্ণ উল্লিখিত শর্তের ক্ষেত্রে পূর্ববর্তী বিধিমালা অনুযায়ী ফলাফল প্রেরণ করা হলো।




মোঃ ওশাদ আল  
তুনিয়ার কর্মকর্তা




ফারহানা রহমান  
চিনিয়ার কর্মকর্তা



শাহেদা বেগম  
উপপরিচালক



ড. ম. সোহাব আলি  
পরিচালক



Received No Objection Certificate for Ground Water Abstraction from the Water Resources Planning Organization (WARPO) under the Ministry of Water Resources as per Bangladesh Water Act, 2013 and Water Rules, 2018.

### Water balance data of RAK Ceramics (Bangladesh)

Technical Information	RKB-1	RKB-2	Sanitary Ware
Water Extraction Targets (Cusec)	.124 Cusec	.148 cusec	0.36 Cusec
Water Extraction Method	Deep tube well (Submersible Pump)	Deep tub well (Submersible Pump)	Deep tube well (Submersible Pump)
The power of motor used (hp)	3HP (2 pumps)	7.5HP (2 Pumps)	3HP (4 pumps)
Depth of Tube Well (Feet)	300'	240'	240'
The diameter of the pipe used in the tube well 2" (Inches)		3"	2"
The amount of water extracted/Day (m3/day)	300 m3/day	360m3/day	450 m3/day
Description of water source	Groundwater	Groundwater.	Groundwater.
Description of the place of abandoned or discharged water	ETP (Effluent treatment Plant)	ETP (Effluent treatment Plant)	ETP (Effluent treatment Plant)
Description of nearest tube well (Location, Types, Distance, hp, Cusec)	Outside of production floor, Deep tube well (Submersible Pump) and 200 meter, 3hp, 0.36 cusec	Outside of production floor, Deep tube well (Submersible Pump),175m, 3 HP, .036 Cusec	Outside of production floor, Deep tube well (Submersible Pump) and 200 meter, 3hp 0.124 cusec





# CORPORATE SOCIAL RESPONSIBILITY

## Citizenship action at RAK

The capacity of RAK Ceramics (Bangladesh) to continue to be profitable and relevant is directly correlated to the long-term health and wellbeing of both the clients we serve and the natural environment in which we carry out our business.

With this in mind, we continue to be led by our time-tested sustainability and citizenship action framework, which enables us to identify areas of deficit in society and plug these with the most optimal solutions for lasting benefit. The framework reflects our commitment to contribute to global and national sustainability objectives in accordance with the United Nations’ Sustainable Development Goals (UN SDGs), as described in the chapter on “Our Environment and Social Obligations in SDGs Alignment”.

Our framework corresponds not just with the Sustainable Development Goals but also with our strategic goals and core values. These objectives serve as the cornerstone of an improved and more sustainable future for essential realms that take ESG factors into consideration. We are concentrating on the fundamental levers that are pertinent to our business priorities and activities as part of our citizenship methodology.

This is done with the intention of maximizing our contribution to the society as part of our effort to foster an inclusive and equitable world. In order to establish how we can most effectively contribute to the accomplishment of our objectives, we evaluate each impact area and the indicators that are associated with it. This has enabled us to distill and prioritize our action areas that help positively influence many of our stakeholders.

## Our sustainability agenda

 <p><b>Optimise Energy Consumption through Savings Programs</b></p>	 <p><b>Safe, Clean and Hygienic Workplaces to Promote Good Health</b></p>	 <p><b>Responsible Water Stewardship and Consumption</b></p>	 <p><b>Minimisation of Travel to Save Carbon Footprint and using VC where possible</b></p>
 <p><b>Serve our Customers for them to be able to meet their Housing Aspirations</b></p>	 <p><b>Ensure Equality, Empowerment and Enablement for all Employees</b></p>	 <p><b>Lower our Carbon Footprint through Smart Carbon Saving Initiatives</b></p>	 <p><b>Safety and Security and Mandated Use of PPEs</b></p>

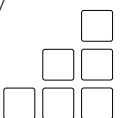
## Our mission in sustainability

- ▶ Ensure a multi-stakeholder approach to shared value
- ▶ Nurture values-based programs and initiatives
- ▶ Creating a lasting impact on society that is irreversible and good for a large population segment
- ▶ Encourage our people in volunteering for contributing to societal causes

At RAK Ceramics (Bangladesh), a key part of our program for sustainable operational excellence is making sure we take care of the environment and the ecology. We are committed to minimising our carbon footprint and doing what we can to help stop climate change. Our

manufacturing process is energy intensive and so we know it is important to run our business in a way that is responsible and good for the environment. We are always striving to replace old equipment and machinery with new technology. This makes sure that our production methods use less energy and helps us reach our operational excellence goals.

Also, we conduct periodic energy and emission audits and assessments so that we can take the right steps to reduce our impact on the environment and make our operations less carbon intensive. Further, we are looking into ways to track emissions and reduce them across our entire supply



chain. A big part of our plan for sustainable manufacturing is to keep the environment green and clean by focusing on emissions, climate change and water use. We have set goals in each area and are always keeping an eye on surveillance and monitoring. We want to get to a point in the future where we have created net-zero water use and carbon emissions by controlling pollution as much as possible. We are also following an innovation-led path to sustainable production that will lead to a step-change our sustainability mission.

We deploy technologies that are good for the environment across our plants. We improve the way people live in local communities, minimise greenhouse gas emissions and ensure zero-harm. Using the best methods for managing the environment, we harness resources wisely and find alternatives that are better for the environment in our value chain comprising manufacturing, distribution and end consumption.

Since our license to operate is directly tied to environmental permits and authorizations, our operations are reviewed and audited each year to make sure they are legal. Hence, because environmental management is an important part of how we run our business, we are committed to using the most up-to-date methods for environmental sustainability in all parts of our supply chain, including product design, sourcing, operations and customer service. We are committed to the idea of a circular economy, which means that we endeavour to get rid of all of our waste or enhance our waste recycling efforts. As a key step toward continuous operations transformation, our manufacturing assets and facilities use green practices and are equipped with such features and functions as:

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

### Promoting ecofriendly and ecologically sound practices

Our manufacturing facilities are outfitted with high-efficiency burners that are utilized in all heaters to maximise

energy usage. In addition, the effectiveness of our other fuel-burning equipment, such as generators, kilns, spray dryers and horizontal and vertical dryers, among others, is optimized by professionals, ensuring lower energy consumption and substantial energy savings.

In addition, waste heat from the tunnel kiln is channeled to the pre-dryer part of the sanitaryware facility in order to facilitate energy reuse. Additionally, the company has modern effluent treatment facilities (ETPs) to recover and utilize factory waste water. In addition, our personnel receive intensive training on water and energy conservation, which helps prevent the waste of valuable resources like as water, power, and paper.

### Water stewardship

Our comprehensive water management approach aligns with the company's mission to ensure sustainable water usage and utilization. We evaluate water saving measures from all points of our value chain and encourage our employees to make water conservation a regular habit and practice on the shop floor. The cornerstones of our sophisticated water management program is rooted on water stewardship that ensures that water use is assessed and monitored on a regular basis to minimize waste.

In addition, we analyze patterns to swiftly discover leaks and fix damages as they occur, while also assuring maintenance to avoid any potential leaks or water losses. We further conduct frequent preventative maintenance of equipment and other gear so as to ensure that water is used effectively and without waste.

### Natural resource conservation

Conservation of natural resources and pollution control is central to our efforts in sustainability.

In an effort to reduce the loss of natural minerals, we have mastered the art of fusing and melding as many as 5–9 distinct types of natural minerals from a variety of nations. This approach maximizes the utilization of natural minerals, minimizes waste, and reduces the formation of particle pollutants.

Our priority is to also improve indoor air quality and establishing a healthy work environment. As an expert in interior infrastructure, we advocate for building fit-outs that conform to a healthier indoor environment and air quality, and promotes healthy and high-energy workplaces based on the principles of sustainability. In addition, since the commencement of the COVID-19 outbreak, we have prioritised air filtration and sanitization.

Further, sufficient solid waste management is achieved through adopting proper waste segregation and recycling programs, which include:



- ▶ Segregating hazardous and non-hazardous waste
- ▶ Controlling litter and unpleasant odors
- ▶ Conducting routine inspection 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, etc.
  - ▶ Blue garbage bins that enable the collection of metals, machine parts and other such fitments that have a small commercial value
  - ▶ Black garbage bins that provide for contaminated items, expired chemicals and waste that may be hazardous

## Energy efficiency and environmental governance

With energy-intensive processes, we prioritise the installation of efficient systems that enable us to optimise energy consumption per unit of output, which not only helps us maintain stability in energy consumption but also allows us to meet our environmental responsibilities. In addition, we utilize ventilated facade systems that assist maintain optimum ambient temperatures. In addition, natural illumination helps us avoid the usage of artificial lighting wherever feasible.

During the year under review that witnessed the accentuation of natural gas challenges we initiated a number of energy efficiency initiatives with a view to optimise the energy consumption and ensure sustainable production.

Our management routinely reviews material environmental concerns on a continuous basis. Additionally, a specifically established forum evaluates critical issues and disseminates industry best practices throughout the organization. We are concurrently creating an innovative approach to responsible procurement and plan to diversify our sourcing base as part of our improved environmental governance standards so that we can not only manage quality and pricing, but also explore working with environmentally conscious and socially responsible suppliers.

## Our sustainability manifesto within the framework of our people

Our environmental efforts would be insignificant without our people. Thus, we pursue an open and honest approach to employee interactions, with our senior management providing regular updates throughout the company's businesses and activities. In addition to visiting our locations and engaging with the staff, the executive

committee also holds town-halls and virtual meetings. This apart, greater frequency of communications and engagement include updates on the company's financial performance, its operating environment, and other major operational changes.

In furtherance of our goal to treat our workers with respect, fairness, and decency, as part of our initiatives in human rights, and to better manage their expectations, we have provided the following benefits/facilities:

- ▶ Life insurance: All workers are sufficiently protected by a comprehensive life insurance policy in the event of unforeseen circumstances
- ▶ Provident Fund and Gratuity: The business maintains a Contributory Provident Fund and an authorized Gratuity plan for all workers
- ▶ Workers' Profit Participation Fund: In accordance with the Bangladesh Labour Act of 2006, the company maintains a Workers' Profit Participation Fund (WPPF)
- ▶ Employee Welfare Fund: The Company's Employee Welfare Fund provides financial assistance to employees and their immediate family members for emergency medical and educational expenses, etc.

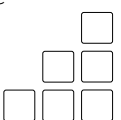
## Fostering a workplace that is lively and enhances joy and engagement

At RAK Ceramics (Bangladesh), we recognize that our company's success is contingent upon our ability to attract and retain the best people. Thus, our human capital strategy attempts to increase the company's sustained competitive edge by attracting and retaining smart, independent thinkers who are focused, tenacious, resilient, energetic, and, most importantly, driven to produce ethical performance and outcomes.

Given the fundamental alterations in a dynamic operating environment with key talent shortages, these characteristics are a prerequisite to maintain our firm, nimble and responsive strategy to existing conditions, and to distinguish us as an employee-focused organization in a competitive environment.

In addition, we are putting a focus on workforce futurization, which enables our staff to develop the required skillsets for the future and so remain current. As a people-driven company, we are also committed to advancing work-life balance, especially in the wake of the pandemic, by encouraging and enabling more people to advance in their professional and personal lives, as well as by encouraging them to participate in volunteer activities and pursue their side passions.

Furthermore, we are also aiming to cultivate talent, increase workforce diversity, enhance employee



engagement, foster innovation, promote accessibility and inclusion initiatives, and enhance the exchange of best practices across the extended company. We are committed to ensuring the safety of all our employees, contractors, and others associated with our operations through our "Zero Harm" policy, which aims to reduce the number of on-site injuries through 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 still more work to be done to attain the Company's ultimate aim of a Zero Harm workplace, and we are continuing to make progress in this arena.

Our business is devoted to consistently enhancing its environmental stewardship across its value chain, sourcing of raw materials and operation of production processes with minimal environmental effects. We have a comprehensive environmental framework in place for this aim. Our manufacturing processes utilize natural resources (minerals, energy, and water) and, as a result, we work diligently to guarantee that our operations are conducted responsibly and sustainably.

We intend to protect natural resources by minimising emissions, discharges and wastes. Our operational and environmental team conducts frequent environmental impact assessment studies to ensure that the necessary measures are in place to prevent and mitigate such consequences. We have also implemented an efficient trash segregation and recycling program to reduce waste dumping into landfill and hence contributing to the goal of "Life on Land".

## Citizenship in motion

We have always believed that institutional contributions to society may have the greatest influence on the largest number of recipients in the shortest possible time. This has proven to be a successful strategy for overcoming poverty, inequality, and imbalance, particularly in an unequal society.

As a responsible public-facing community member, we believe in impact investment, assess our citizenship efforts, and focus on leaving a lasting mark on society. In 2022, we provided BDT 2.62 mn as CSR and Donation contributions in our core emphasis areas of health care and medical treatment, education, and social and cultural activities.

In our extensive engagement with society, we not only advance the SDGs (Sustainability Development Goals), but also enhance our social and relationship capital and forge stronger ties with our key stakeholder groups, which include community members, supply chain partners and consumers. Moreover, our business strategies and activities take into cognisance environmental, social, and governance (ESG) impacts, including our impact on the environment, and ensure that adequate anti-bribery/anti-corruption procedures are in place to ensure that the Company contributes to the greater good of all its stakeholders without compromising on its corporate objectives.

As a result, RAK Ceramics (Bangladesh) continues to propagate the ideas of sustainability and values-based organisational intermediation into its business goals and strategy in an effort to become the most consumer-facing brand in the Bangladeshi interior infrastructure sector.



# OUR OBLIGATION TO ENVIRONMENT AND SOCIETY TOWARDS UN SDGS

## Overview

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

We are delighted to report that we have continued to achieve progress through our CSR activities in 2022, making progress in all strategic pillars and staying true to our commitment of improving the quality of people's lives around our beneficiary communities and pursuing the growth of our businesses through responsible and sustainable innovation.

## Green environmental practices

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

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

## Green production facilities

Our production facilities are equipped with high-efficiency burners that are utilised in all heaters to reduce energy consumption. The efficiency of fuel burning equipment, such as generators, kilns, spray dryers and

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

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

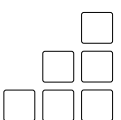
## Water conservation

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

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

## Indoor air quality and its effect on office interiors

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



## Solid waste management

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

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

## Energy-efficient systems

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

## Ventilated facade system

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

## Environmental governance and compliance

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

## Our people are at the heart of our business

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

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

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

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

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

## Our focus on creating a happier workplace

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

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

## Our products and their impact on the environment

RAK Ceramics is a founding member of the Emirates Green Building Council that supports the development of sustainable buildings in the UAE. As part of its commitment to focus on 'green building' products, it has launched several exciting and innovative products



that contribute to creating a greener and cleaner environment. The UAE Ministry of Environment and Water (MOEW) has awarded the Company the prestigious 'Environmental Performance Certificate' (EPC) in recognition of its successful efforts to comply with environmental protection standards and regulations. The Company is proud of its many performance material products, which provide excellent quality and value and actively support our customers in responsibly reducing their environmental footprint.

### Our impact on the UN SDGs

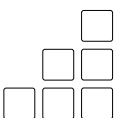
In September 2015, 193 UN member-states adopted the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs) as the primary framework to shift the world in the direction of a more prosperous, equitable and sustainable future.

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

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

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

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









# RAK INTEGRATED REPORTING

## SUSTAINING OUR REPORTAGE FOR ADVANCING TOMORROW

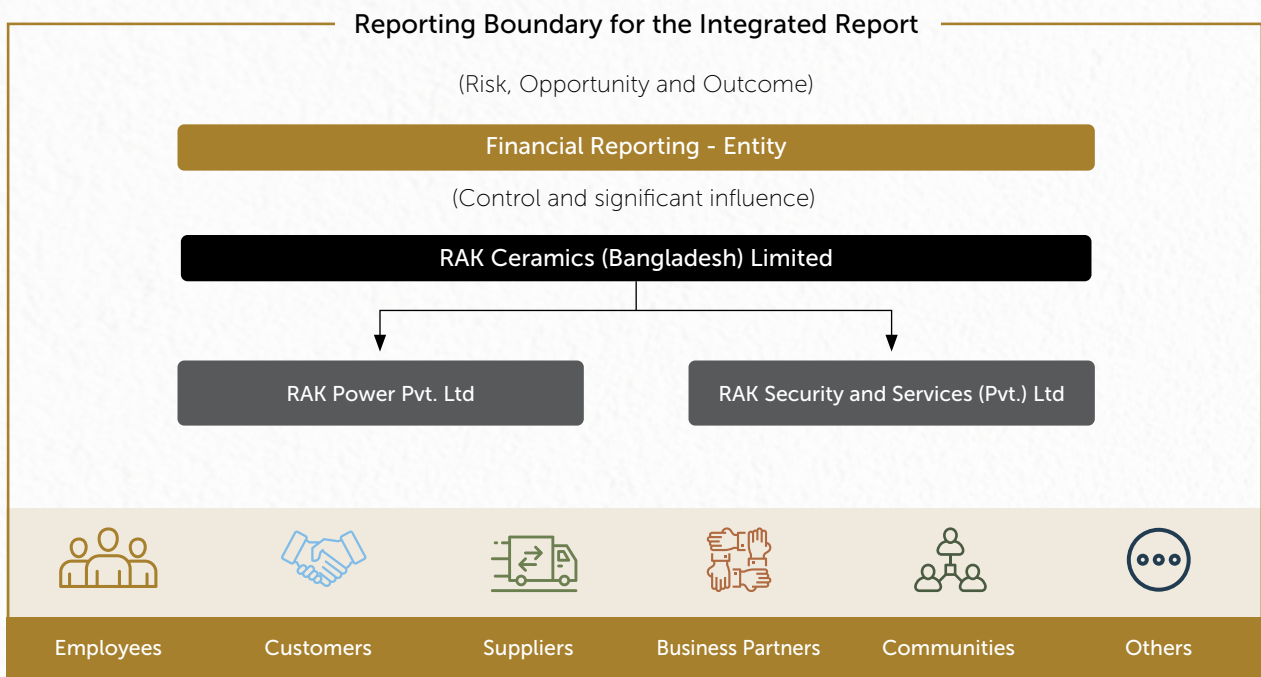
*Tenacity. Transparency. Trustworthy. These are the words that have defined the integrated reporting standards of RAK Ceramics (Bangladesh)!*

At RAK Ceramics (Bangladesh), our tenacity in business performance has always reflected in the transparent and trust-based reporting that has now become the touchstone of our award-winning integrated and financial reporting practice. We align our performance narrative and analysis to best-in-class frameworks such as the Integrated <IR> Reporting standards that not only guide us in financial and non-financial disclosure but also ensure that our reportage is comprehensive, adequate and based on integrity and openness that we believe serves the best interests of our shareholders and readers in appraising the long-term prospects of the Company.

# ABOUT OUR INTEGRATED REPORT

Introducing to RAK Ceramics (Bangladesh) Limited’s Integrated Annual Report 2022. This report outlines our efforts in creating value for our business and our stakeholders through the efficient management of our six capitals and deployment of key resources during the year. Our end goal is to create sustainable and impactful outcomes that aid our value creation journey.

## INTEGRATED REPORT TO OUR PRIMARY STAKEHOLDERS



### REPORT PROFILE

This Integrated Annual Report 2022 has been prepared to showcase both the financial and non-financial performance of RAK Ceramics (Bangladesh) and two of its subsidiaries, essentially providing a clear and concise account of the steps taken to achieve the Company’s strategic vision by navigating through the challenging times, while balancing the value expectations of all stakeholders.

In the interest of consistency and in line with global best practices, the Company has continued to maintain the Integrated Reporting <IR> format, with all key sections shown in the 2021 report included in the 2022 version as well. This demonstrates our focus on transparent investor communication and information disclosure for regulatory purposes aligned to global reporting standards.

All previous integrated reports, including the most recent one for the financial year 2022 can be viewed or downloaded from the corporate website: [www.rakceramics.com/bangladesh](http://www.rakceramics.com/bangladesh)





## SCOPE AND BOUNDARY

This report spans the period 1st January 2022 to 31st December 2022 and comprehensively covers the Company's core business activities for this period. The core business activities included in the report comprise the manufacturing and marketing of ceramic tiles and sanitary ware products, the mainstream businesses of the Company.

Information in this regard has been obtained through insights and evidence aggregated and synthesized from the corporate/senior management of respective business units and other senior leaders. Other internal sources of information and relevant external research reports have been used too with attribution to prepare this report.



## REPORTING PRINCIPLES

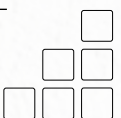
The financial and statutory data is presented in this Integrated Annual Report in compliance with the following frameworks:

<b>Integrated Reporting</b>	<b>Sustainability Reporting</b>	<b>Financial Reporting</b>
<p><b>International Integrated</b></p> <ul style="list-style-type: none"> <li>▶ Reporting &lt;IR&gt; Framework of the International Integrated Reporting Council (IIRC)</li> </ul>	<p><b>United Nations Sustainable</b></p> <ul style="list-style-type: none"> <li>▶ Development Goals (SDGs)</li> </ul>	<p><b>The Companies Act, 1994</b></p> <p><b>Regulatory requirements</b></p> <ul style="list-style-type: none"> <li>▶ BSEC</li> <li>▶ DSE</li> <li>▶ CSE and</li> <li>▶ Other applicable rules</li> </ul> <p><b>International Financial Reporting Standards (IFRS)</b></p>

## MATERIALITY

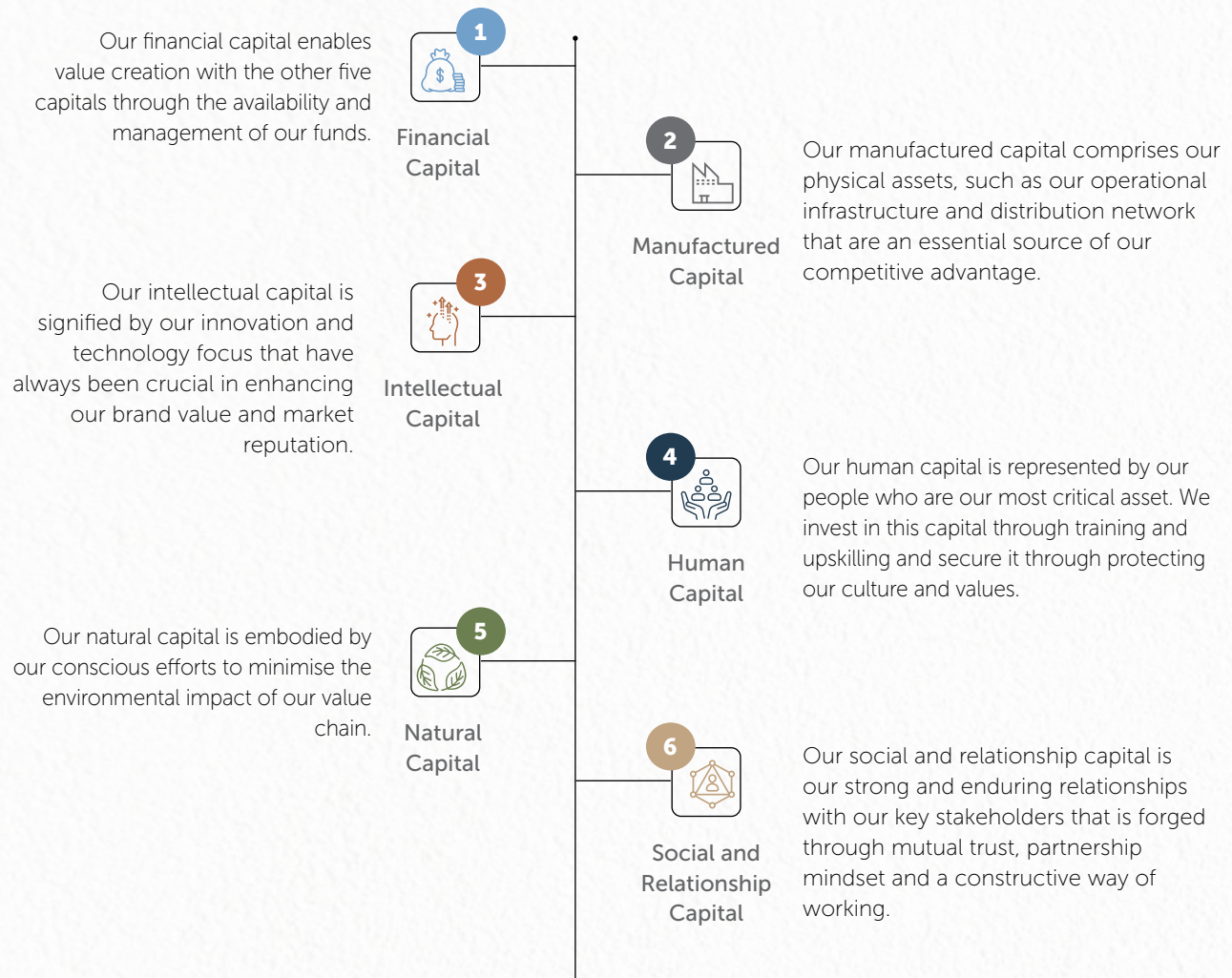
The materiality determination process is viewed as a critical business tool that facilitates integrated thinking which incorporates the input from employees and other stakeholders. Premised on this, the principle of materiality has been applied when assessing what information is to be included in this Integrated Report. Accordingly, this report focuses particularly on those matters, opportunities and challenges that have a material impact on RAK Ceramics (Bangladesh) and its ability to be a sustainable business that delivers consistent value to its stakeholders over the short, medium and long-term. A new material topic (operational sustainment) was identified in 2022 and incorporated into the report content. The rationale for this decision and other relevant information is provided elsewhere in this Integrated Report.

### Key material matters of RAK Ceramics (Bangladesh)



## SIX CAPITALS

RAK Ceramics (Bangladesh)'s relevance as Bangladesh's largest listed interior surface and bathroom fittings Company is contingent on its ability to mobilise capital (inputs) to generate value - outputs for the Company and outcomes for stakeholders. To demonstrate how this is achieved, this report contains a section detailing how the Company uses the various forms of capitals to achieve its performance expectations and objectives over time and within the context of stakeholder expectations.



RAK CERAMICS (BANGLADESH) IS COMMITTED TO MEETING THE SDGS!



**SUSTAINABLE DEVELOPMENT GOALS**





## THE TRIANGLE ASSURANCE

Our Audit and Compliance Committee oversees and monitors internal control systems to ensure that appropriate and effective systems of internal control are maintained in order to detect, analyze and manage risk and offer reasonable assurance to our shareholders and stakeholders. We use a assurance methodology to ensure assurance from the management as well as internal and external assurance providers.

Internal audit is in charge of monitoring and evaluating the process, while external audit teams address important controls and accounting issues throughout their audits. Other degrees of external assurance are achieved on an as-needed basis. Furthermore, the management has examined the content of this Integrated Annual Report 2022 and has found it satisfactory for release in terms of depiction and accuracy.

### **Triangle Assurance Model of RAK Ceramics (Bangladesh)**



A. Qasem & Co., Chartered Accountants (a member of Ecovis, a renowned international auditing and consulting entity), the Company's Independent Auditor, has provided assurance on the annual financial statements, and corporate governance certification is assured by M/s Jasmin & Associates, Chartered Secretaries.



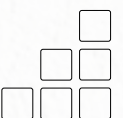
## FORWARD LOOKING STATEMENTS

The report contains, where applicable, plans for the future. These statements reflect the Company's position and beliefs as at the time of drafting of this report. However, since the Company operates in a dynamic environment where uncertainties or new developments could cause actual results or actions to differ from those stated in these forward-looking statements, such comments should not be construed as a guarantee of results or of the course of action that will be taken.



## AVAILABILITY OF THE ANNUAL REPORT

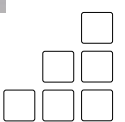
The Annual Report of the Company is sent to all shareholders through email in due course of time whose email address is available with us as per CDBL record on record date and copy of the same is also made available on the website of the Company: <http://www.rakceramics.com/bangladesh>. In case of non-receipt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















# VALUE CREATION THROUGH SIX CAPITALS

## STRENGTHENING OUR FUNDAMENTALS FOR AN OPTIMISTIC TOMORROW

*Resolve, Resiliency, Rationality. These are the words that have defined the value generation emphasis of RAK Ceramics (Bangladesh)!*

At RAK Ceramics (Bangladesh), we have a constancy of purpose and clarity of vision that has enabled us to successfully navigate the business through challenging times. We have built the centrepiece of our strategy on consistent value creation and this is at the front and centre of all our decisions and actions. We have always pursued what is right for our shareholders and stakeholders and one of the factors that has contributed to this cause is our determination to serve our customers with the best quality products at accessible price points, and characterised by a range that is unavailable anywhere in the market.

# IMPACTING OUR CAPITALS

Our six capitals through which we create value for our organisation and stakeholders constitute the resources and relationships of our business. While the inputs are integral to our operations, the outputs help measure our value delivery. The capitals are inter-related, and balancing these capitals is an essential dimension of the company's decision-making process. We take strategic action to augment each capital towards the desired outcomes while balancing trade-offs, and the performance of our capitals in 2022 is narrated in the following pages.

## DASHBOARD VIEW OF OUR 6 CAPITALS

At our Company, our purpose percolates right down to our foundations and how we create value for our shareholders and other stakeholders through impacting and deriving value out of our 6 capitals.







# FINANCIAL CAPITAL

## What is our Financial Capital?

Income from our core business and other income that ensures a sustainable flow of funds for meeting our expenses and enabling the continuous development of existing and future product categories.



### Key inputs

- BDT 7,637.15 mn  
network
- BDT 1,275.77 mn  
cash and cash equivalents



### Outcomes

- BDT 3,357.47 mn  
reserves and surplus
- BDT 427.97 mn  
cash dividend recommended for 2022



## OVERVIEW

Prudent and forward-looking financial strategies are key to the sustainability and long-term viability of the company. Further, an appropriate risk-reward balance is a key determinant of value creation.

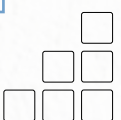
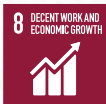
At RAK Ceramics (Bangladesh), being in business since the past several decades, we have built deep understanding of the ceramics consumer market that enables us to make the most judicious use of our operational and distribution infrastructure and our human resources to offer best-fit wall and floor tiles and SW and bathroom solutions to our clients. This contributes positively to our Financial Capital and enables us to maintain our commitment to long-term shareholder value creation.

Despite the challenging business environment prevalent during the year, the Board recommended a 10% cash dividend for the year 2022, which is a testament to our strong financial and business stewardship.

## Actions taken to enhance outcomes

- ▶ Maintained a healthy and diversified product mix by launching products at the right price-points to cater to market preferences
- ▶ Ensured strong cost discipline and expense management
- ▶ Adopted strategic phase-wise price increases to offset cost pressures to some extent
- ▶ Developed robust marketing campaigns to sustain sales momentum, thus creating differentiation in a highly competitive environment and maintaining price leadership
- ▶ Maintained a healthy balance sheet through effective capital, cash flow and cost management principles
- ▶ Ensured that the confidence of our debt providers remains intact in our business and long-term outlook, while also ensuring sufficiency in funding lines
- ▶ Unutilised working capital limits from banks stood at 82.70% at the close of the year, indicating room for liquidity drawdown, if needed
- ▶ Lined up investment of about BDT 9,025 mn for the setting up of a greenfield tiles manufacturing capacity at Gazipur
- ▶ Also lined up investment of BDT 950 mn for the establishment of a 1,500 pcs per day faucet manufacturing facility at Gazipur

## SDGs supported:

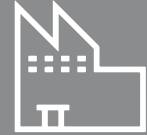




# MANUFACTURED CAPITAL

## What is our Manufactured Capital?

Our manufacturing assets, distribution infrastructure as well as our other income-generating assets that allow us to drive sustainable revenue and profit generation.



### Key inputs



10.32 mn sqm  
installed tiles capacity



1.45 mn pcs  
installed SW capacity



### Outcomes



9.19 mn sqm  
tiles production, 2022



1.34 mn pcs  
SW production, 2022



## OVERVIEW

We operate one of the largest manufacturing establishments in the ceramics industry of Bangladesh, using the world-renowned SACMI technology for ceramics production.



## MAJOR HIGHLIGHT OF THE YEAR

Achieved strong production levels with satisfactory capacity utilisation of 89.1% for tiles and 92.1% for SW despite repeated natural gas shortages.

## Actions taken to enhance outcomes

- ▶ Conducted a comprehensive assessment of new product plans amidst challenging market conditions
- ▶ Reviewed operational excellence standards and value engineering strategy to unlock greater efficiency from our plants and equipment
- ▶ Ensured a balanced approach with regards to manufacturing of various products, enabling premiumisation and enabling us to better service market demand
- ▶ Successfully commercialized around more than 150 new products during the year under both tiles and SW

## SDGs supported:



\* SW = Sanitaryware





# INTELLECTUAL CAPITAL

## What is our Intellectual Capital?

The knowledge, insights, processes, technologies and practices embedded in our operations nurture our capacity for innovation, which is key to maintaining our competitive edge.



### Key inputs

- 140 years  
collective Board experience
- 191 years  
collective senior management experience



### Outcomes

- 24 years  
track record
- 13 years  
as a stock market listed entity
- Reflecting longstanding endurance in a competitive business.



## OVERVIEW

Intellectual Capital is manifest in our excellent customer outcomes, which are in turn a product of the specialist technical work done by our people. This work includes the manufacturing strategies, models and processes and its implementation that define the focus we place on operational and craftsmanship excellence. Focus areas of our Intellectual Capital include investment in and development of technology, methodologies, data-driven insights, etc.



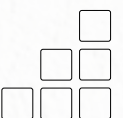
## MAJOR HIGHLIGHT OF THE YEAR

Focused on improving our network resilience with a view to not just derive greater value, but also prepare the business foundations for future growth.

## Actions taken to enhance outcomes

- ▶ Conducted ongoing research to understand evolving customer behaviour and expectations as key inputs in product design and decision-making
- ▶ Enhanced marketing and 3D room visualizer experience, which emerged crucial in facilitating customer decisions
- ▶ Conducted vendor eco-efficiency programs to raise awareness on and ensure compliance with environmental standards and practices

## SDGs supported:





# HUMAN CAPITAL

## What is our Human Capital?

Our people's expertise and capabilities drive our vision and mission, deliver strategic priorities, and enable us to achieve positive business outcomes.



### Key inputs

1,748

total headcount

4,708

total trainees

73

learning and development programs conducted 2022



### Outcomes

8,117

total training man hours

295

total training hours 2022



## OVERVIEW

We are a "people business" and our employees are our ambassadors who are instrumental in delivering exceptional customer service and value. As a result of the global pandemic, especially the previous years have proven to be a testing time and yet our employees demonstrated commitment in adapting to the challenges. The crisis also allowed us to identify key talented individuals and potential leaders.

Our employees are our Human Capital. Most of them are professionally-qualified and contribute a wealth of insights and experience to our expertise and integrity. We invest significant Financial Capital in building our Human Capital by attracting and retaining our high-calibre employees. They are passionate and committed to quality and excellence, which is key to creating and maintaining confidence in our product value propositions.



## MAJOR HIGHLIGHT OF THE YEAR

Strengthened the social contract with our employees and ensured no pandemic-related retrenchment

## Actions taken to enhance outcomes

- ▶ Enhanced employee connect and engagement through virtual one-to-one and check-in sessions
- ▶ Extended support facilities as well as financial assistance to those in need
- ▶ Largely kept remuneration structures intact, thus providing assurance and financial relief amid the major pandemic challenges
- ▶ Emphasised on diversity, inclusion and women empowerment
- ▶ Organised many upskilling and learning and training opportunities for career advancement

## SDGs supported:







# NATURAL CAPITAL

## What is our Natural Capital?

The natural resources used for our business activities comprise a key part of our Natural Capital. Their preservation and responsible use is a prioritised focus area.



### Key inputs

Focus on responsible use of paper, water and other natural resources with care and obligation



### Outcomes

- Responsible emissions curtailment across our project site through modern equipment
- Focus on natural resource use optimisation
- Targets for reducing our water and energy use



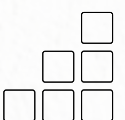
## MAJOR HIGHLIGHT OF THE YEAR

Continued to align with UAE-based RAK Group's vision in scope 1 and 2 emissions reduction, waste recycling, and substitution of non-biodegradable materials with recyclable resources.

## Actions taken to enhance outcomes

- ▶ We manufacture products in a way such that we are able to minimise our environmental impact
- ▶ All our future investment projects undergo environmental impact studies and comply with relevant environmental legislations
- ▶ We continue to explore feasible solutions to reduce our carbon footprint
- ▶ We continue to educate our workmen about the importance of resource preservation and acknowledge good behaviour in this regard

## SDGs supported:





# SOCIAL AND RELATIONSHIP CAPITAL

## What is our Social and Relationship Capital?

Our Social and Relationship Capital comprises our impact on our stakeholders and our ability to drive value for them. We adopt a shared prosperity approach in all our stakeholder dealings.



### Key inputs

- High-impact, need-based community development programs
- Ongoing engagement with various stakeholder groups
- Employee volunteerism for charitable work



### Outcomes

BDT 2.62 mn  
contribution to CSR & Donation 2022



## OVERVIEW

We recognise the impact of our business actions on our stakeholders and thus seek to ensure that in our creation of sustainable stakeholder value, we are including their inputs in our strategy development and implementation. As a ceramics manufacturing entity, our presence in communities has an immediate impact and we take a shared destiny approach to the communities in which we operate by participating in activities that support and sustain those communities.

Our corporate social responsibility (CSR) programs focus on developing a long-lasting impact. Furthermore, through local employment and procurement opportunities we also support the micro-economies in the areas in which we operate.



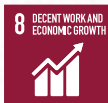
## MAJOR HIGHLIGHT OF THE YEAR

Adopted high-impact projects for ensuring a deeper social impact.

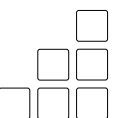
## Actions taken to enhance outcomes

- ▶ Remained proactive and swift in organising and contributing to COVID-19 relief at the peak of the pandemic and during its aftershocks
- ▶ Offered substantive contribution as donations to pressing causes
- ▶ Effected substantial contribution to local communities for support to the marginalised sections of the community

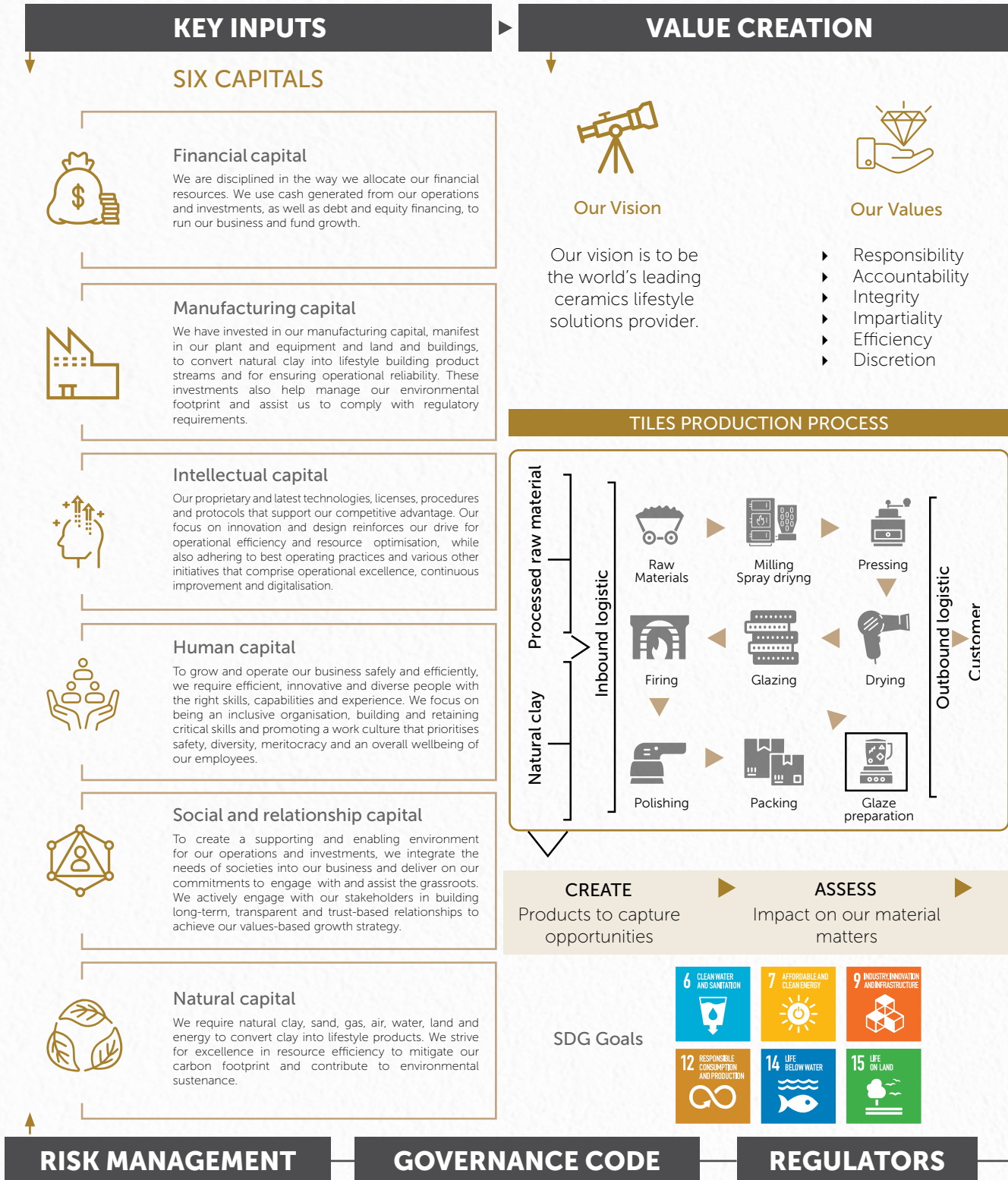
## SDGs supported:







# HOW WE CREATE VALUE USING SIX CAPITALS





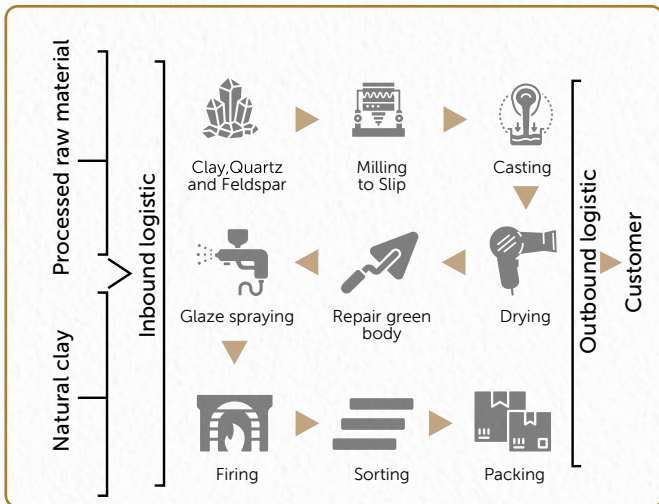
## PROCESS



### Our strategic objectives

- ▶ Optimize Return through Growth and Dividend (RSO01)
- ▶ Focused Strategic Segment (RSO02)
- ▶ Leadership in Ceramics Technology (RSO03)
- ▶ Industry leadership in Cost Efficiency (RSO04)

### SANITARY WARE PRODUCTION PROCESS



### EVALUATE

Impact on our strategic objectives

### ALLOCATE

Resources to optimize value based growth

SDG Goals



**ENGAGED EMPLOYEES**

**SAFE WORKPLACE**

## OUTPUT



TILES

**10.32 MILLION**

SQUARE METER

- ▶ Red Body and White Body
- ▶ Gres White Body Tiles
- ▶ Porcelain Tiles

SANITARY WARE

**1.45 MILLION**

PIECES

- ▶ Rimless Wcs
- ▶ Water Closet
- ▶ Washbasins
- ▶ Accessories

## OUTCOME

Turnover

BDT 7,453.47 mn

Profit before tax

BDT 889.65 mn

Market capitalization

BDT 18,359.86 mn

Value added

BDT 6,140.35 mn

To employees

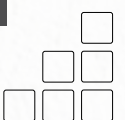
BDT 1,069.02 mn

To government

BDT 3,303.46 mn

To investor

BDT 427.97 mn



# RAK CERAMICS PRODUCTION FACILITIES





# STRATEGIC BUSINESS OBJECTIVES

In our effort to become the most innovative and top-of-mind recall ceramics firm in Bangladesh, we want to be future-ready structurally, financially and culturally with a view to enlarge our presence and advance our lead.

## Objectives of our business strategies

Our business plan is formulated with the company's short- and long-term emphasis areas in mind. To meet the ever-changing demands of our consumers, we take an integrated approach to strategy. Annually, the Corporate Headquarters conducts a strategy review and planning session, which enables effective assessment, evaluation and appraisal of our strategy and future direction.

We also need to do business within external elements that are largely outside of our control, such as unanticipated market instability, advancement in ceramics technology, adverse competitor move, sudden regulatory norms, among others. These external influences are also taken into account during risk identification and strategy plan formulation.

While during the previous year of assessment (2021), our key strategic objectives were anchored on cost efficiency, category leadership, strategic segment focus and optimised returns, in the current year of evaluation (2022) while each of the previous strategic objectives hold, the scenario presented during the year was completely different, more broadly being characterised by the need to reinforce our ability to survive the current challenges and ensure sustainable progress over the long-term. Thus, all our tactical decisions were adopted in the context of refocusing on the business foundations with a view to position the business to thrive in the next growth cycle.

In this context, our key strategic business objectives comprised the following:

1. Secure production integrity despite natural gas shortages
2. Regain pricing power despite price increases and

relatively muted consumer environment

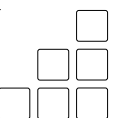
3. Improve upon our customer value proposition with a view to continuously remain adaptable to the evolving customer budgets and expectations
4. Further focus on cost rationalisation and re-negotiation of key supplier contracts
5. Create stronger levels of engagement with our dealership in the face of driving sales momentum and offtake from around the country as well as ensure focused attention being accorded to our brands at the retail level
6. Optimise our production and ensure operational excellence to meet our production targets and achieve greater cost competitiveness

We have always held the belief that margin expansion is more of an outcome of efficiency enhancement drives than price increases. Thus, while a strong focus of the year was on focused efforts being directed to optimise our cost structure, the trade-off here was that we also had to ensure a revision in product prices with a view to somewhat negate the sharp increase in key raw material costs triggered by high inflation.

It is to the credit of these strategic objectives that while we met our consolidated revenue growth expectations of 2022, we were also able to contain the decline in our gross profit and net profit that would have slipped considerably had we not adopted and worked diligently on our strategic objectives.

Furthermore, being true to the objectives that were chalked out at the start of the year, the Board of Directors of the company were also able to recommend a dividend (10% cash) for the year, despite the challenges.

How we strengthened our working in 2022 through our SBOs:



# STRATEGY PLANNING PROCESS

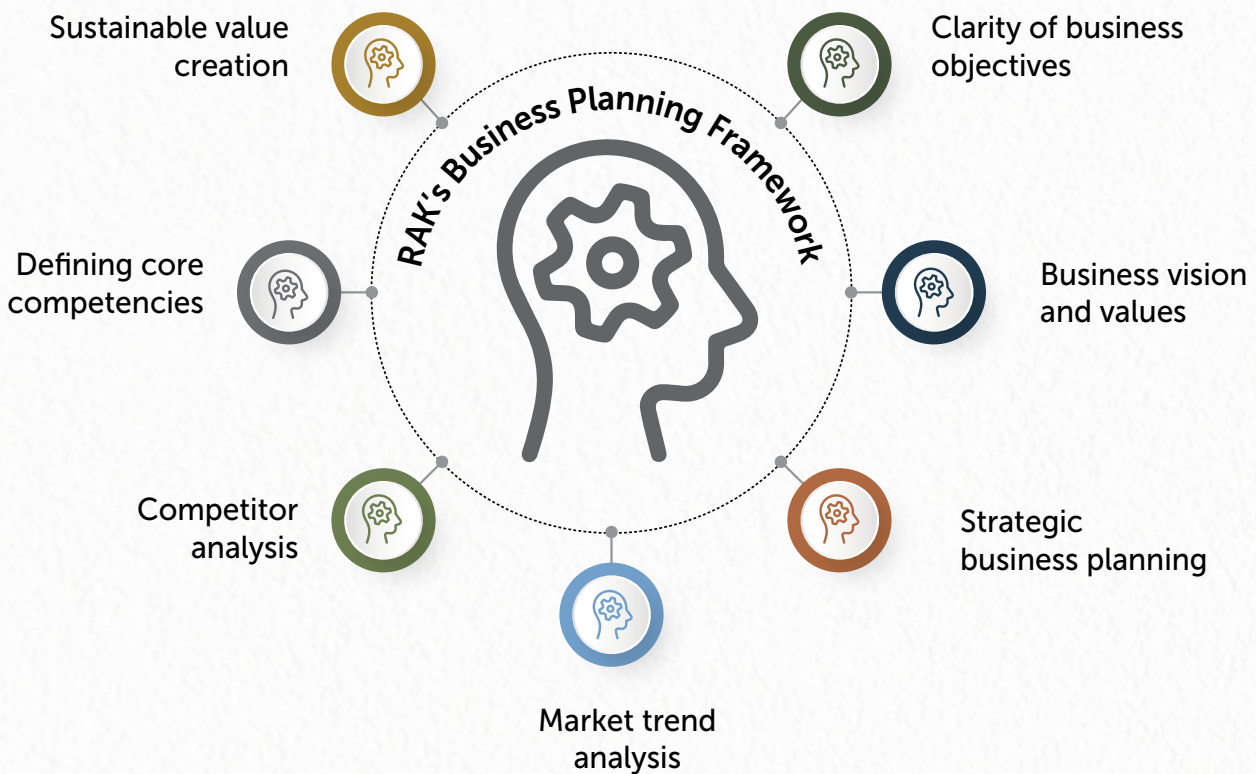
## Our strategy planning framework

Developing a future strategy for a firm is a challenging, yet crucial endeavour. In this context, our company's strategy specifies its targeted market position and major competitive advantages at the level of both market offerings and resources.

Our robust business foundations and dedicated efforts to realise our vision, mission and values are supported by our endeavour to maintain our business lead through bolstering our strategic business objectives.

The origin of our strategic business objectives in our strategy planning process that enables us to not just

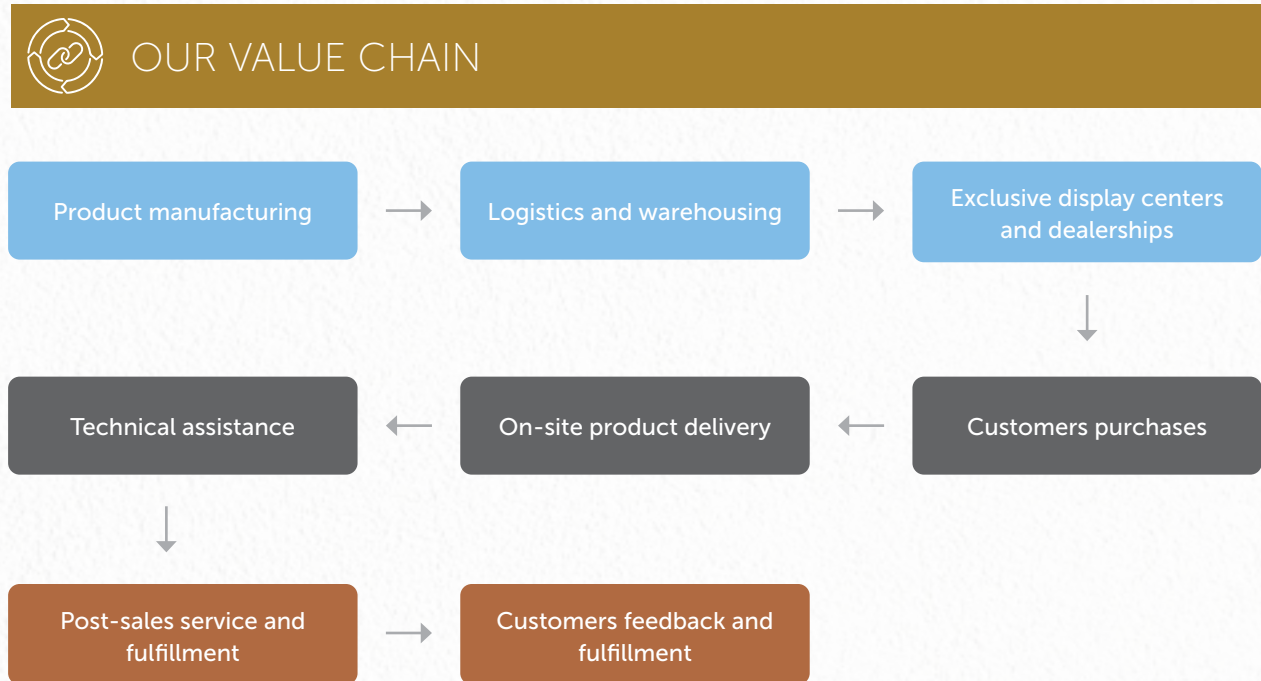
take a holistic view of our operating environment and formulate a sound strategy that is adaptable and agile, but also ensure that we remain focused on implementing and delivering on this strategy. Another important element that our strategy planning process takes into cognisance is the current capacity of the organisation against the capacity that is required if the firm were to achieve its future growth targets. Considering this incipient gap, the company works towards progressively filling it with a view to achieve future targets and ambitions. RAK Ceramics (Bangladesh)'s business planning process is given below:





# OUR INTEGRATED VALUE CHAIN

Our emphasis on value creation is expressed in our ability to integrate the various parts of our business model and deliver products seamlessly, from our manufacturing factory to our dealership. Customer engagement is another important facet of our value chain and we focus on catering to the expectations and needs of this important stakeholder constituent.



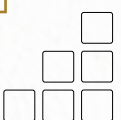
## OUR KEY PRODUCT LINES

### TILES

RAK Ceramics' has been at the forefront of introducing game-changing technological advances through pioneering product innovation. Digital printing, double-charged, roll feeding and other cutting-edge techniques are just some of the methods used at the company's manufacturing facility to develop high-quality products. Some of the other key technologies employed include granitech, technoslate, twin press, dry glazing and waterjet. Focusing on value-added, larger tiles in a niche market allows us to meet both, customers' needs and expand our market share. Raw materials supply exploration and development and worldwide procurement are essential features that enable us to sustain a high level of value chain performance.

### SW AND BATH SETS

Incorporating cutting-edge rimless technology amongst other product innovation, RAK Ceramics' R&D team has developed a large catalogue of products with finely honed specialisation and high-caliber designs to satisfy customers. Keeping our customers at the heart of our product strategy, we are focusing on value-added products, such as water-efficient closets, etc., that meet the expectations of our clients. Furthermore, continuous innovation in raw materials and processes enable us to sustain value chain performance even in a highly competitive environment.





## OUR COMPETITIVE DIFFERENTIATORS



### OUR GLOBAL PRESENCE

Being affiliated with our global Headquarter in Ras-Al-Khaimah (RAK), UAE, we expanded our distribution network in more than 150 countries with diversified solutions that are accepted by customers to meet up their ceramics need.



### ACTIVE INDUSTRY STEWARDSHIP

Ongoing approach to reinforce our role as the leader of ceramics products in Bangladesh.



### INTEGRATED DEVELOPMENT

Effectively design and develop products that meet and exceed buyer expectations.



### STRONG FINANCIAL DISCIPLINE

Strong and continuous focus on balance sheet strengthening, cost optimisation and margins management.



### SUSTAINABLE TALENT MANAGEMENT

Focus on effective people management to groom talent and optimise efficiency across our operations.



### RESPONSIBLE PROCUREMENT

Focus on sustainable resource procurement that meet quality/compliance standards.



### DIGITAL INNOVATION

Use of digitalisation and technology as well as innovation that improve customer experience, broaden sales channels and enable expense optimisation.



### MULTI-STAKEHOLDER APPROACH

Enhancement of our policies and operating procedures to meet compliance requirements and the expectations of our customers, employees, shareholders, society and regulatory bodies.



### CORPORATE SUSTAINABILITY

Strengthen efforts on the governance of sustainability practices across the value chain through prudent implementation of sustainability strategies.



# BUILDING MOMENTUM IN VALUES-BASED GROWTH

The fundamental goal that we have established for ourselves here at RAK Ceramics (Bangladesh) is to become the most cost-effective and competitively priced maker of ceramic tiles and sanitaryware in the industry.

## Accelerating towards our growth potential

RAK Ceramics needs to strengthen its market leadership by defining a set of strategic objectives in order to respond to challenges, such as improving productivity, maintaining cost competitiveness and being innovative in a fast-changing and challenging business environment. Some of these challenges include improving productivity, maintaining cost competitiveness and being innovative. RAK Ceramics has also established a set of essential competencies, which is referred to as its strategic enablers, in order to achieve these goals.

These strategic enablers assist the achievement of our strategic objectives. We have honed our emphasis to better capitalise on our core competencies while simultaneously incorporating increasing levels of discipline into our approach to resource management and capital allocation. This has allowed us to optimise our strategy in order to generate sustainable value for all our stakeholders. The foundation of our values-based approach is to maximise the impact of our competitive advantage in the ceramics sector and build our pioneering lead in the industry.

In the context of realising our potential, we work on our strategic enablers that facilitate sustainable value creation. These enablers need to be appraised in the context of our strategic objectives and the current volatile environment, and are as follows:

### Enabler 1: Enhanced risk surveillance

This is a crucial enabler for our business, especially in the current times as a heightened sense of risk has impacted our financial profile to some extent. Some of the key levers that we deploy include the following:

- ▶ Focus on securing natural gas as key electricity input
- ▶ Emphasis on cost-effective and on-schedule availability of raw material resources
- ▶ Energised and engaged sales team
- ▶ Pricing power in a subdued market
- ▶ Employee retention
- ▶ Balance sheet strengthening
- ▶ Planning for the future

### Enabler 2: Building increased business adaptability

This is a vital enabler for us to ensure that our business successfully goes through this downturn and comes out

on the other side in a position of greater strength. Towards this extent, business adaptability and agility are key factors that will help the business prepare for the future and we undertook the following actions in this regard:

- ▶ Strategic price increases
- ▶ Portfolio transformation towards premium products
- ▶ Augmented focus on sales, marketing and order booking
- ▶ Strong levels of post-sales service
- ▶ Creating a stronger retail footprint

### Enabler 3: Balance sheet reinforcement

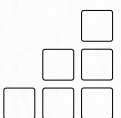
Prudent and judicious financial planning is fundamental for seeing through the challenges and achieving sustainable progress. Thus, during the year 2022 we focused on strengthening our balance sheet with a view to reinforce the foundations for future growth:

- ▶ Ensured improved capital allocation
- ▶ Facilitated stronger cash and surplus management
- ▶ Discharged interest payment obligations on time
- ▶ Maintained our credit profile
- ▶ Focus remained on pre/repayment of long-term loans

### Enabler 4: Ensuring future growth

A downturn or downcycle should not force a company to hold back or postpone its capex or investment plans. This is our belief as we know that we need to be ready for the upcycle and not be caught unawares. Towards this extent, we continued to assess our strategic roadmap for growth with the following points:

- ▶ We have announced the establishment of a new plant for faucets
- ▶ This plant will entail an investment of BDT 950 mn
- ▶ Projected capacity is expected to be 1,500 pieces per day
- ▶ The greenfield facility will further help us reinforce our lead and position as Bangladesh's largest ceramics tiles and bathroom fittings company



# HOW WE SERVE OUR CUSTOMERS

Our customers are at the heart of our business. Satisfying their needs, expectations and desires is a key facet of how we serve them and this is our primary aim.



## FOCUSED ON CUSTOMER DELIGHT!



### OUR TOUCH-POINTS

- Large display centers
- Exclusive showrooms
- Franchisee outlets
- Digital access through our website

Right from when the customer walks into our showroom...



### OUR IN-STORE EXPERIENCE

- Knowledgeable staff
- Comfortable air-conditioned premises
- Premium signature collection
- Vast product display
- Room visualizer
- Ample parking available

To how our staff greets her and engages with her in making the right choice...



### OUR DELIVERY SERVICE

- Exhaustive pin-codes serviced
- Multi-locational delivery
- Express (same-day) delivery
- Safe and secure packaging
- Self-pickup option

To providing worry-free, on-time delivery services in a safe and secure manner...



### OUR ON-SITE SUPPORT

- Custom solutions
- Mock-up and HD printing
- Site visits
- On-site consultancy

To offering on-site consultancy in terms of technical and other modalities...



### OUR POST-SALES ENGAGEMENT

- Customer satisfaction survey
- Defect-free guarantee
- Assured replacement
- Tax-compliant invoicing

To ensuring post-sales customer satisfaction survey on customer experience and delight!

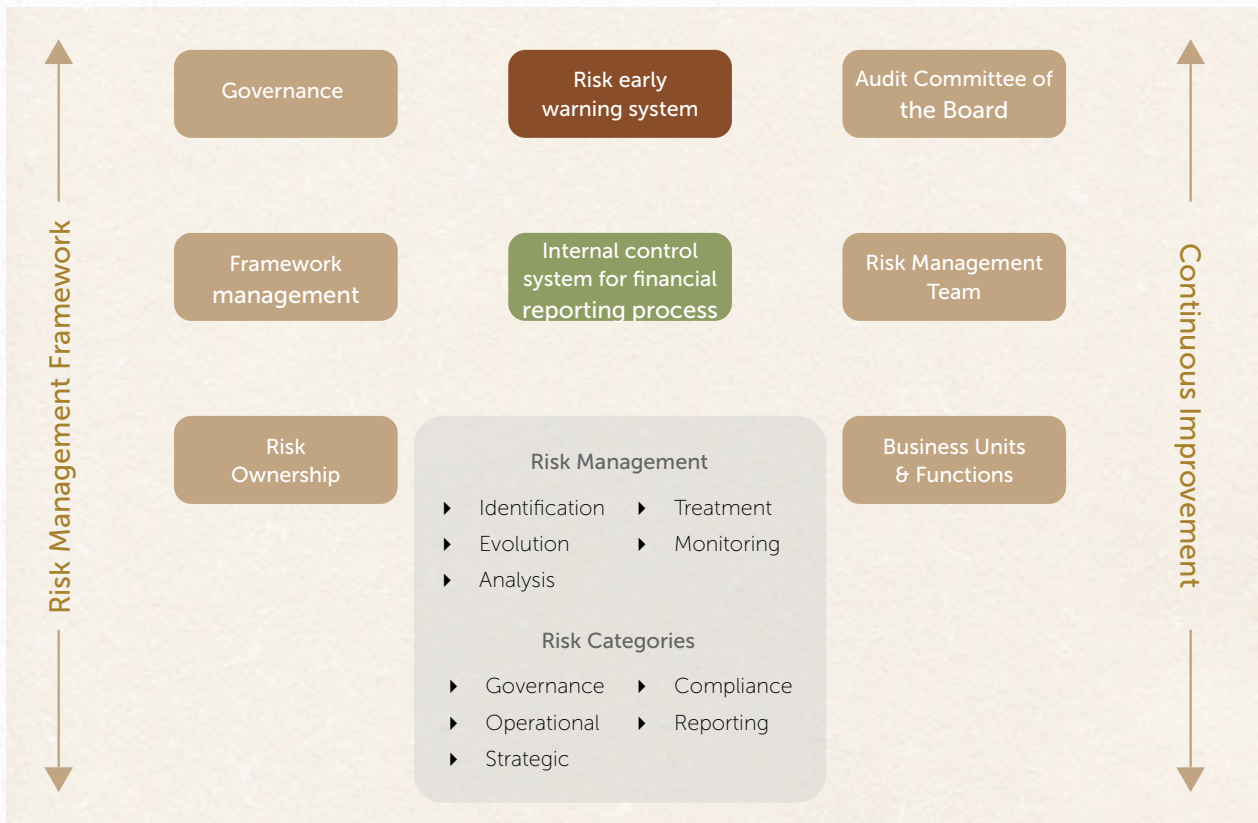


# RISK MANAGEMENT AND CONTROL

## 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

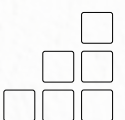
There is a formal ongoing process to identify, assess, and analyze the risks incorporating them into the risk register for further specifying and control the intensity of risks and those of a potentially significant nature are included in our risk documentation practices.

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:



## INDUSTRY-SPECIFIC RISKS

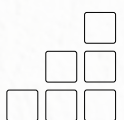
Risk description	Business process	Impact factors	Mitigation measures
Slump in the real estate market/Significant decline in property prices	Business development	<ul style="list-style-type: none"> <li>▶ Reduction in property prices</li> <li>▶ Impact on demand for real estate</li> </ul>	<ul style="list-style-type: none"> <li>▶ Ability to adapt to changing circumstances and market conditions</li> <li>▶ Large, diversified and de-risked product portfolio</li> <li>▶ Efforts to enhance customer engagement</li> <li>▶ Potential decline in realty prices is a positive as customers are usually left with a higher surplus for interiors</li> </ul>
Declining affordability as a result of increase in loan interest rates, withdrawal of tax benefits and decrease in availability of home loans	Business development	<ul style="list-style-type: none"> <li>▶ Decreased demand for properties</li> </ul>	<ul style="list-style-type: none"> <li>▶ Bangladesh is a market with huge housing shortage</li> <li>▶ There exists perpetual government support to the housing sector, especially low cost housing</li> <li>▶ Current prevailing mortgage rates support prospective buyer's desire for home ownership</li> </ul>

## COMPANY-SPECIFIC RISKS

Risk description	Business process	Impact factors	Mitigation measures
Sub-standard product quality due to weak quality of raw materials, loose in-process checks, among others	Operational execution	<ul style="list-style-type: none"> <li>▶ Impact on reputation</li> <li>▶ Defects liability risk</li> </ul>	<ul style="list-style-type: none"> <li>▶ Strong in-house QA/QC team</li> <li>▶ Use of quality checklists</li> <li>▶ Arrangements to ensure material and service quality standards at all times and across our operations</li> </ul>
Loss due to theft, accidents at site, defects, among others	Operational execution	<ul style="list-style-type: none"> <li>▶ Financial loss</li> <li>▶ Impact on reputation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Adequate insurance policies</li> <li>▶ Security guards arrangement</li> <li>▶ Separate stores management team</li> <li>▶ Rotation of stores personnel</li> <li>▶ Internal Audit</li> </ul>
Inability to adopt/adapt to new technologies	Operational execution	<ul style="list-style-type: none"> <li>▶ Impact on product quality</li> <li>▶ Impact on margins</li> </ul>	<ul style="list-style-type: none"> <li>▶ Key Management Personnel (KMP) understands and is abreast of the latest technology</li> <li>▶ SACMI technology that we use is a gold-standard in ceramics technology</li> </ul>
Accidents on the shopfloor due to non-adherence to safety procedures, non-enforcement of safety procedures	Operational execution	<ul style="list-style-type: none"> <li>▶ Impact on reputation</li> <li>▶ Compensation costs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Safety officers</li> <li>▶ Safety programmes organised across the shopfloor</li> <li>▶ Insurance policy</li> <li>▶ Internal audits</li> </ul>



Risk description	Business process	Impact factors	Mitigation measures
Inability to attract and retain employees as a result of increased opportunities in the market, higher salaries offered by competition and employee dissatisfaction	Human resources	<ul style="list-style-type: none"> <li>▶ Loss of expertise and continuity</li> <li>▶ Higher recruitment and training costs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Largest company with desire for continuous growth, thus offering better opportunities</li> <li>▶ Defined appraisal system to provide career guidance and feedback</li> <li>▶ Compensation benchmarking</li> <li>▶ Adoption of best industry practices</li> <li>▶ Employee grievances mechanism</li> <li>▶ Skill development programmes across sites and offices</li> </ul>
Loss of key management personnel	Human resources	<ul style="list-style-type: none"> <li>▶ Loss of experience/ expertise</li> <li>▶ Loss of key relationships</li> </ul>	<ul style="list-style-type: none"> <li>▶ Adequate systems and structure for smooth transition</li> <li>▶ Introduction of succession plan for Key Managerial Personnel</li> <li>▶ Strong focus on retention of desirable talent</li> </ul>
Inadequate systems security due to absence of secure network, safe system usage mechanisms, inadequate access controls to ERP, among others	Information technology	<ul style="list-style-type: none"> <li>▶ Loss/pilferage of confidential data</li> </ul>	<ul style="list-style-type: none"> <li>▶ Strong IT stewardship standards</li> <li>▶ Secure connectivity systems to address data integrity</li> <li>▶ Strengthening existing controls in ERP</li> <li>▶ Strong employee awareness programs on software use and safety</li> </ul>
Inadequate systems security triggering any cybersecurity issues	Information technology	<ul style="list-style-type: none"> <li>▶ Loss/pilferage of confidential data</li> </ul>	<ul style="list-style-type: none"> <li>▶ Redundant firewalls are in place to secure the network from both internal and external threats</li> <li>▶ Defence mechanism against unauthorised connections, potential attacks, etc.</li> </ul>
Non-compliance with requirements of labour laws and other relevant rules and regulations due to inadequate knowledge of requirements, absence of a mechanism to obtain assurance, etc.	Compliance	<ul style="list-style-type: none"> <li>▶ Fines or penalties imposed for non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>▶ In-house expertise on relevant regulations</li> <li>▶ Periodic monitoring of checklists of VAT, Company's Act and Income Tax, etc.</li> <li>▶ Systems and controls for tax compliance</li> <li>▶ Robust internal audit</li> <li>▶ Dedicated focus on compliance with labour laws</li> <li>▶ Periodical internal training</li> </ul>



Risk description	Business process	Impact factors	Mitigation measures
Reduced margins due to significant escalation in material, labour costs, etc., especially induced by inflation	Operational execution and sales and marketing	<ul style="list-style-type: none"> <li>▶ Reduced margins</li> </ul>	<ul style="list-style-type: none"> <li>▶ Selling strategy focused on portfolio premiumisation</li> <li>▶ Strategic price increases</li> <li>▶ Implementation of technology to enhance operational efficiency</li> <li>▶ Dedicated business planning</li> </ul>
Inability to anticipate and respond to consumer requirements due to inadequate market research and analysis	Business development and sales and marketing	<ul style="list-style-type: none"> <li>▶ Lower demand for products</li> </ul>	<ul style="list-style-type: none"> <li>▶ Extensive market research</li> <li>▶ Support from our UAE-based JV partner through insights on global trends, styles, etc.</li> <li>▶ Analysis of buying patterns</li> </ul>
Inability to obtain financing/financing on favourable terms due to credit profile downgrade, liquidity crunch, etc.	Finance	<ul style="list-style-type: none"> <li>▶ Higher financing costs</li> <li>▶ Mismatch in cash flow</li> </ul>	<ul style="list-style-type: none"> <li>▶ Maintain optimum net debt-equity ratio</li> <li>▶ Regular review of financing obligations with proactive course correction</li> <li>▶ Strong negotiations with consortium for optimising cost of debt</li> </ul>
Risk of capturing and/or reporting incorrect/inaccurate financial information	Financial reporting	<ul style="list-style-type: none"> <li>▶ Incorrect financial reporting</li> </ul>	<ul style="list-style-type: none"> <li>▶ Centralisation of accounting system, procurement, payments</li> <li>▶ Audit of controls</li> <li>▶ Strong internal/external audit program</li> <li>▶ Periodic consultation with audit firms</li> </ul>

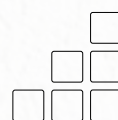


# CRISIS RESPONSE

At RAK Ceramics (Bangladesh), we are no strangers to challenges. Having weathered economic cycles, market turbulences, competition intensity, and the COVID-19 pandemic over our longstanding existence in the industry, we have been toughened by our resolve to achieve performance against all odds and remain on the path of sustainable value creation for all our stakeholders.

Our crisis response is given below.

Key developments	Our response
<p><b>Natural gas shortages</b></p> <p>The key challenge during the year 2022 was not only natural gas shortages but also insufficient pressure in the gas pipeline, thereby affecting the quality of the electricity input.</p> <p>Furthermore, the cost of natural gas also increased by a sharp 11.96% during the course of the year which had an impact in terms of increasing our overall input costs.</p>	<ul style="list-style-type: none"> <li>▶ Strategic production planning</li> <li>▶ Prioritised focus on energy savings</li> <li>▶ Implementation of new operational designs</li> <li>▶ Formulation of suitable operational strategies</li> <li>▶ Focused efforts on energy optimisation</li> <li>▶ Exploration of relevant alternative fuels</li> <li>▶ Greater thrust on liaison with regulators for solving the challenges</li> </ul>
<p><b>High inflation</b></p> <p>Inflation is a real business challenge that is facing the company and many other industries today.</p> <p>Inflation impact has been most felt in the interior building products industry that is heavily dependent on raw materials and transportation, both of which have endured substantial cost increases.</p> <p>In fact, the severity of inflation was such in Bangladesh that it led to public unrest as prices of most essential commodities increased significantly during the year.</p>	<ul style="list-style-type: none"> <li>▶ Announced strategic price increases in phases, thus ensuring better price absorption by the market</li> <li>▶ Laid significant emphasis on efficiency maximisation to better withstand inflationary pressures in key raw material inputs</li> <li>▶ Focused on better cost control and expense optimisation</li> <li>▶ Leveraged initiatives to address legacy costs</li> <li>▶ Focused on converting fixed costs into variable costs by as much extent as possible</li> <li>▶ Monitored with enhanced vigilance basic energy and feedstock prices and other macroeconomic indicators to understand broader pricing trends and take key business decisions accordingly</li> </ul>



Key developments	Our response
<p style="text-align: center;"><b>Sluggishness in post COVID recovery</b></p> <p>The post COVID economic recovery that had gathered pace especially during the first half of the year 2022 lost steam with demand saturation and satiation.</p> <p>This phenomena was witnessed in Bangladesh and elsewhere in the world as the era of easy money due to loose monetary policies took a sharp reversal as policy rates were tightened, which triggered an increase in interest rates that sucked out liquidity.</p> <p>There was price pressure on the average consumer too due to inflation and other economic factors.</p>	<ul style="list-style-type: none"> <li>▶ Built on our market leadership position and hence remained as the company of choice and preferred partner for a large segment of customers</li> <li>▶ Re-focused on enhancing customer value propositions to meet their unique requirements amid the economic challenges</li> <li>▶ Continued to bring the full catalogue of products to our customers, thus providing them with ample choice and enabling them to make more informed decisions</li> <li>▶ Focused on high footfall conversions through more engaged selling, thus ensuring that we display as many products as possible</li> </ul>
<p style="text-align: center;"><b>Currency devaluation challenges</b></p> <p>The BDT witnessed substantial depreciation against the USD similar to other foreign currencies. Capital outflows from Bangladesh and the rest of the world into the US spawned these challenges.</p> <p>Further, the central bank placed restrictions on LCs and also placed a temporary ban on import of all deemed non-essential items for preserving foreign exchange reserves.</p> <p>In addition, sharp rise in fuel expenses and supply chain dislocations also increased shipping and logistics costs.</p>	<ul style="list-style-type: none"> <li>▶ Focused on diversifying our supplier base</li> <li>▶ Increasingly looked to substitute imports with appropriate local sourcing</li> <li>▶ Leveraged JV partner's global procurement strengths</li> </ul>
<p style="text-align: center;"><b>Employee related challenges</b></p> <p>The Great Resignation witnessed amidst the pandemic as seen all over the world created a huge talent shortage and many companies even today are still struggling to fill positions. Talent mobility is generally high in Bangladesh too as people look for better career choices and options.</p> <p>In this sense, it became imperative for companies to protect their human and intellectual capital through a more active and sensitive emphasis on major value drivers that are key to attract and retain employees.</p>	<ul style="list-style-type: none"> <li>▶ Focused on strengthening our employee value propositions</li> <li>▶ Laid emphasis on aligning compensation to best-in-class industry standards</li> <li>▶ Enhanced employee rewards and recognitions (R&amp;R)</li> <li>▶ Deepened bonds with our employees and ensured a constant and open dialogue</li> <li>▶ Empowered our HR to take more employee-centric decisions and also come forward to play a bigger role in people retention</li> <li>▶ These activities enable us to report relatively low employee turnover levels, thus enabling us to preserve and enrich our human and intellectual capitals</li> </ul>



# OUR OPPORTUNITY LANDSCAPE

## OVERVIEW

The ceramics industry has been one of the fast expanding manufacturing sectors of Bangladesh. Local demand for ceramic products continues to rise as the country experiences steady economic growth and urbanisation. Not only does the industry cater to around 85% of the local demand, but also serves a major portion of the export market with the aim of progressing towards being the third largest export-oriented sector in the country in the next few years.

As per the latest data available, total investment into the ceramics sector amounted to over BDT 86,160 million and more than 50,000 people have been directly engaged in this sector, thus positioning it as one of the largest employment creators of the country. In addition, the sector employees both skilled as well as semi-skilled workers.

The industry that took its nascent steps in 1958 with only one small manufacturing unit now comprises of 50+ local manufacturers in operation and about 10-15 are being planned for new establishment. This exhibits the potential of the ceramics market in Bangladesh that has attracted a large number of players in this segment committed to make dedicated investment to not only satisfy local demand but also serve demanding international markets.

According to data by BIDA (Bangladesh Investment Development Authority), the global market for ceramic products is predicted to be worth US\$ 407.72 billion by 2025. The key drivers of this market growth are basically emergence of various applications of advanced ceramics. For example, use of advanced ceramics in 3D printing technology, etc. Further, digital and 3D tiles are also a major driver of the industry both globally well as in Bangladesh.

Some of the key facets of the national ceramics industry are given below:



Bangladesh ceramics products are exported and well-accepted in 50+ countries worldwide



The industry achieves as much as 65% value-addition in ceramics product manufacturing



The country caters to 96% of tableware, 77% of tiles and 89% of sanitaryware demand through local production

Some of the key levers of growth comprise the following:



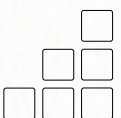
### RAPID URBANISATION WITH A GROWING MIDDLE CLASS

Bangladesh has been experiencing steady economic growth and urbanization with several population groups moving into the higher income bracket. With improved standards of living and urban lifestyles, there is a clear future opportunity for growth in the ceramics sector.



### DUTY-FREE MARKET ACCESS

Bangladesh has duty and quota-free access to 52 countries (Generalized System of Preferences) covering the European Union, the United Kingdom, Japan, Canada, Russia and Australia, amongst others. This facility enhances the export competitiveness of ceramics products from Bangladesh and giving it additional markets to serve.





## COMPETITIVE WORKFORCE

---

Bangladesh has comparative advantage over other Asian countries and China by offering abundant and low-cost workforce to its manufacturing industry. The relatively lower labour cost available for local production will continue to place the Bangladeshi ceramics industry in a stronger position.



## CHINA+1 STRATEGY

---

With major pandemic driven uncertainty in China, a large number of global manufacturing and other firms that have significant business interests in China are now diversifying their supply chain to include other countries as a further means to de-risk operations. Bangladesh is placed favourably in this regard through its many structural advantages, including lower costs.



## MANUFACTURING OF ADVANCED CERAMICS

---

Bangladesh is exploring to tap into the promising and high value-added segment of advanced ceramics that are used for energy conservation, water purification, electronic and biomedical applications, etc. The global market for this segment is projected to touch US\$ 140 billion by 2025, registering an annual growth rate of 10%.



## PRODUCTION WITH ENERGY-EFFICIENT TECHNOLOGY

---

The ceramics industry is energy-consuming and given their limited access to a diversified base of feedstock, local producers have been looking for transitioning into more energy efficient production with less CO2 emission. Foreign investors are also being roped in to contribute to making local production more energy-efficient by introducing energy-saving equipment or technology, through partnership with local industries, etc. This area became all the more important in the year 2022 on account of significant natural gas shortages in the country and in adequate pressure in natural gas pipelines thereby affecting industrial output, especially for the ceramics players



## GOVERNMENT INCENTIVES

---

As per BIDA, the current export policy by the Ministry of Commerce recognises ceramics sector as a special development sector with export potential. Thus, an array of tax exemptions are made available for industrial investments, such as import duty exemption on capital machinery, partial tax exemption from exports, no duty imposition on export of goods, bonded warehousing facility, export subsidy/cash incentive on export value, etc.



Thus, in a nutshell the ceramics industry of Bangladesh is an opportunity-filled arena as reflected below:



### REALTY GROWTH

---

The Bangladeshi ceramic tiles and SW market is driven by the expanding residential and commercial property segments.



### HOUSING SHORTAGE

---

As per IFC estimates, about 80 percent of people living in Bangladesh's cities live in rented properties. Furthermore, Bangladesh's cities are growing at a rapid clip and housing is in short supply. Over the last two decades its urban population has grown from 31 million in 2000 to 65 million+ in 2020. And IFC estimates that about 250,000 new houses will have to be built every year to overcome existing shortages and meet future demands.



### DEVELOPING MORTGAGE MARKET

---

The size of the overall housing loan portfolio in Bangladesh remains relatively small at only about BDT 838 billion, which is only about 7 percent of the total financial sector loans in the country, as per the IFC. Bangladesh's mortgage penetration rate is low even by South Asian standards. It stands at 3 percent, compared to 4.9 percent for the South Asian region and 8.9 percent in emerging markets. Thus, there is significant room for growth in the development of Bangladesh's mortgage market that will help drive greater home ownership through affordability etc., thus propelling demand for ceramic tiles and SW products.



### HOME PRIDE

---

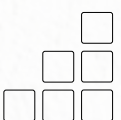
Amid the pandemic, people have realised the importance of an own home for multi-purpose activities and as a safe place. Thus, rising desire for own home and home pride will catalyse tiles and SW offtake in the future.



### WORK FROM HOME

---

Work from home (WFH) is widening the market for larger and better homes as well as alternative lodging locations. This is bound to enhance the demand for tiles and SW products.



# EXTERNAL ENVIRONMENT

## OVERVIEW

The extraneous industry environment, which is characterised by volatility and uncertainty as a result of several factors, such as high inflation, significant shortages of natural gas, steeply priced raw material resources, local currency devaluation, and supply chain disruptions continue to have an influence on our capacity to build long-term stakeholder and shareholder value.

In order to stay on the path of continual value creation, we identify and strategically exploit prevalent opportunities, while detecting and minimizing risks that could have a disruptive effect on our operations. So while the ceramics industry is facing a number of prevalent challenges today, the mid to long-term path appears bright and one of optimism due to Bangladesh's several intrinsic strengths, such as low per capita ceramics consumption, rising rate of urbanization, greater aspirations paired with higher disposable income, huge housing shortage, etc.

In addition, at the company, we conduct continuous materiality assessments that help us fulfill the evolving demands and expectations of our customers and serve the market with diligence and responsibility.

The present external environment, despite showing signs of recovery in the first half of the year, exhibited an economic meltdown during the latter half largely triggered by the war between Russia and Ukraine that caused basic commodity prices, such as those of food grain, fuel and fertilizer to soar and also polarised the world causing an additional level of geopolitical uncertainty.

However, Bangladesh is an economic bright spot amidst the global challenges with the country expected to continue its economic growth momentum and expected to achieve between 6-7% GDP growth in the current fiscal year.

Some of the key challenges of the year 2022 have been disclosed hereunder:

Currency pair	2022 start	2022 end
BDT/USD	85.85	102.00

As reflected above, the BDT has depreciated by 18.81% during the course of the year 2022, which is significant devaluation in an annual period in recent history.

Total ceramics factories (2022 end)	Expected ceramics factories
50+	15+

As reflected above, the competitive intensity in Bangladesh's ceramics industry is not only intense but the intensity is set to amplify with almost 30% new entrants expected over the near to mid-term.

Feedstock	2022 start	2022 end
Natural gas	10.70	11.98

As reflected above, the substantial increase of natural gas price by 11.96% triggered a substantial increase in procurement costs and cost of operations for ceramics players.



# MATERIALITY AND STAKEHOLDERS' MANAGEMENT

## INTEGRATED STAKEHOLDER MANAGEMENT

At RAK Ceramics (Bangladesh), we adopt a people-focused and stakeholder-inclusive approach to value creation. This indicates that stakeholder participation is embedded into each phase of our value generation process.

In a year marked by unpredictability owing to the European conflict and other big issues that affected the entire globe and Bangladesh, we have prioritised strengthening our involvement and collaboration in order to establish mutual sustainability and value protection.

Relationships are crucial to who we are and what we wish to accomplish. To assess the value we create for our stakeholders, we have established goals for each of our major stakeholders and monitor delivery

on those objectives, using financial and non-financial measures, value creation indicators, and the quality of our relationships.

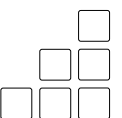
## IDENTIFYING OUR IMPORTANT STAKEHOLDERS

We are devoted to comprehending the needs and expectations of each stakeholder and then incorporating the pertinent information into our decision-making to ensure sustained value generation. We aggregate our significant stakeholders according to their extent or frequency of influence and engagement and our impact on them. On the basis of this comprehensive evaluation, we prioritise these relationships, and while we engage with all of our stakeholders, we have selected our key stakeholders as those with whom we need to work, consult and involve on a regular frequency and, as a result, we have created objectives for each.

<p><b>Stakeholders who we collaborate with:</b></p> <ul style="list-style-type: none"> <li>• Employees</li> <li>• Investors and debt providers</li> <li>• Suppliers</li> <li>• Communities</li> </ul>	<p><b>Stakeholders who we involve:</b></p> <ul style="list-style-type: none"> <li>• Customers/public</li> <li>• Government</li> <li>• Strategic JV partner</li> </ul>
<p><b>Stakeholders who we consult:</b></p> <ul style="list-style-type: none"> <li>• Industry associations</li> <li>• Media</li> </ul>	

## KEY STAKEHOLDER GOALS

Employees	▶	Employee value proposition
Investors/debt providers	▶	Dividend/Value appreciation
Business partners	▶	Business growth and shared insights
Communities	▶	Sustainable citizenship actions
Customers	▶	Stable market practices
Government	▶	Regulatory alignment and tax contribution
Strategic JV partner	▶	Impact-driven commercial success
Industry bodies	▶	Responsible liaison with authorities
Media	▶	Accurate and timely material disclosures



## EMPLOYEES

### Engagement strategy:

- Reinforce employee value propositions
- Drive business initiatives to ensure delivery on strategy, brand promise and our vision and values
- Engage employees to improve relationships

### Why we engage:

- Employee satisfaction is vital to a growth-oriented workforce
- Our employees are fundamental to growing the business

### Our strategic responses:

- Well-defined employee propositions
- Upskilling and workforce transformation
- Benchmarked remuneration practices
- Strong rewards and recognition
- Fostering an inclusive, diverse and meritocratic culture

## INVESTORS/DEBT PROVIDERS

### Engagement strategy:

- Communicate our value proposition
- Demonstrate consistent delivery on our strategy through top-class financial reporting
- Engage to understand issues and communicate how these have been resolved

### Why we engage:

- Grow trust-based relationships
- Strengthens access to cost-effective capital

### Our strategic responses:

- We remain committed to our philosophy of transparent communication and integrity-based engagement
- Communicate our transformation and growth strategy
- Share our long-term focus and strategic plans through our annual report, which is our major award-winning public-facing document

## BUSINESS PARTNERS

### Engagement strategy:

- Communicate our strengths and competitive differentiators
- Discussions include matters relating to strategy, business updates and other operational matters

### Why we engage:

- Our suppliers are our valued partners
- It is vital that our dealers and others conduct themselves in a manner that is consistent with our brand promise and corporate values

### Our strategic responses:

- Implementation of best practices for better control and governance
- Streamlined payment processes
- Supplier development initiatives



## COMMUNITIES

### Engagement strategy:

- Assure that our social responsibility actions are based on care, empathy and sensitivity
- Strong and proactive communication and engagement with communities

### Why we engage:

- Understand our citizenship impacts and outcomes
- Ensure that we extend institutional support to achieve our long-term value sustenance goals through engagement

### Our strategic responses:

- We conduct holistic community support activities focused on making a grassroots societal impact
- We support the larger economic goals of employment creation, tax contribution, local business development, etc.

## CUSTOMERS

### Engagement strategy:

- Our customers are fundamental to our business and we meet all their expectations
- Continued engagement is necessary to build long-term relationships

### Why we engage:

- Customer sustainability is at the forefront of our strategy
- By assisting our customers and understanding their needs, we develop best product-market fit solutions and services
- We attract the modern-day customers through catalogue range and other value propositions

### Our strategic responses:

- We engage in consultations with our customers regularly to understand their tastes and choices
- We review our customer experience journey across all touch-points to enhance their association with us

## GOVERNMENT

### Engagement strategy:

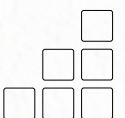
- Communicate our key initiatives as and when they materialise
- Align with regulations in the spirit of transparency and openness

### Why we engage:

- We work together with our regulators, embracing the spirit of collaboration for collective industry and national benefit

### Our strategic responses:

- Engage in ongoing discussions with customers on regulations, etc.
- Ensure an uncompromised stance on regulations



# TRAININGS & DEVELOPMENT ACTIVITIES 2022



Training on Change Management



Training on Problem Solving and Decision Making



Leadership and Business Communication  
Training



MOU Signing for tiles fitters training between  
RAK & HBRI



Training on Finance for Non-finance



RAK Business Values and Code of Conduct





Power BI Training



Safety Week Celebration



On the Job Training



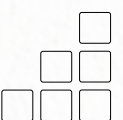
Fire Safety Training



IT Security Awareness



Eye Test Campaign



SKY  
LOUNGE







# RAK PERFORMANCE

## RESPONDING TO THE EXPECTATIONS AND NEEDS OF STAKEHOLDERS FOR A SECURE TOMORROW

*Endurance, Ethics, Enhancement. These are the words that have defined the performance criteria of RAK Ceramics (Bangladesh)!*

At RAK Ceramics (Bangladesh), delivering on our business strategy and accomplishing the short, medium and long-term expectations of our shareholders and other stakeholders is of paramount importance to us. We believe that holistic performance is a vital parameter by which we evaluate our business and this encompasses the 3Ps of People and Planet in pursuit of sustainable Profit. Our employees are committed to the ideals of meeting the value expectations of all our stakeholders under the 3P framework. They execute on our plans based on versatile value creation that also includes working for a greener and cleaner environment.

# FINANCIAL PERFORMANCE 2022

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Sales	7,453.47	6,851.14	8.79

Sales increased by 8.79 % to BDT 7,453.47 in 2022 from 6,851.14 mn in 2021.

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Gross Profit	1,969.92	2,032.86	(3.10)

Gross profit decreased by 3.10 % to BDT 1,969.92 mn in 2022 from BDT 2,032.86 mn in 2021.

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
PAT	671.59	905.19	(25.81)

Profit after tax decreased by 25.81% to BDT 671.59 mn in 2022 from BDT 905.19 mn in 2021.

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
EBTDA	1,369.11	1,621.56	(15.6)

EBITDA decreased by 15.6% to BDT 1,369.11 mn in 2022 from BDT 1,621.56 mn in 2021.

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
EPS (Absolute BDT)	1.57	2.12	(25.94)

EPS decreased by 25.94% to BDT 1.57 in 2022 from BDT 2.12 per share in 2021.

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 increased by 8.79% 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 contributions to the consolidated topline.

## Ceramics:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Revenue	7,411.92	6,815.40	8.75

Revenues increased by 8.75% to BDT 7,411.92 mn in 2022 from BDT 6,815.40 mn in 2021.

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
PAT	691.34	885.12	(21.89)

Profit after tax decrease by 21.89 % to BDT 691.34 mn in 2022 from BDT 885.12 mn in 2021.

## Power:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Revenue	368.39	374.01	(1.50)

Particulars	Y-22	Y-21	Change %
PAT	24.08	41.78	(42.36)

Profit after tax decrease by 42.36% to BDT 24.08 mn in 2022 from BDT 41.78 mn in 2021, with decrease in sales to the extent of 1.50% to BDT 368.39 mn in 2022 from BDT 374.01 mn in 2021.



## Security:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Revenue	87.73	73.87	18.76

Particulars	Y-22	Y-21	Change %
PAT	2.17	0.80	171.25

Profit after tax increased by 171.25% to BDT 2.17 mn in 2022 from BDT 0.80 mn in 2021 with increase in sales to BDT 87.73 mn in 2022 from BDT 73.86 mn in 2021.

## Operating profit:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Operating Profit	995.09	1,175.60	(15.35)

Net operating profit decreased by 15.35% to BDT 995.09 mn in 2022 from BDT 1,175.60 mn in 2021.

## Operating expenses:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Operating expenses	6,455.45	5,675.27	13.75

The Company's operating expenses (operating, marketing and administrative) increased by 13.75% to BDT 6,455.45 mn in 2022 from BDT 5,675.27 mn in 2021.

## Operating cost matrix:

Amount in BDT mn

Particulars	2022		2021		Increase/ (Decrease) (%)
	Amount	Proportion	Amount	Proportion	
	(BDT mn)	of sales (%)	(BDT mn)	of sales (%)	
Cost of Goods Sold	5,483.54	73.57	4,818.28	70.33	3.57
Marketing Expenses	623.92	8.37	523.74	7.64	0.73
Administrative Expenses	347.98	4.67	333.24	4.86	(0.19)

## Administrative expenses:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Administrative expenses	347.98	333.24	4.42

Administrative expenses increased by 4.42% to BDT 347.98 mn in 2022 from BDT 333.24 mn was in 2021.

## Marketing expenses:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Marketing expenses	623.92	523.74	19.13

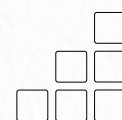
Marketing expenses increased by 19.13% to BDT 623.92 mn in 2022 from BDT 523.74 mn was in 2021 mainly due to increase in advertisement, branding, showroom rent, traveling expenses and freight and transportation expenses.

## Financial expenses:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Financial expenses	109.27	10.39	951.68

Interest expenses against loan increased by BDT 20.70 mn and Foreign exchange loss increased BDT 76.91mn.



# BALANCE SHEET PERFORMANCE

## Shareholders' fund:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Share capital	4,279.69	4,279.69	-
Share premium	1,473.65	1,473.65	-
Retained earnings	1,883.82	1,747.19	7.82
Shareholders' fund	7,637.15	7,500.53	1.82

Shareholders' fund increased by 1.82% to BDT 7,637.15 mn in 2022, from BDT 7,500.53 mn in 2021.

## Non-current assets:

### Fixed assets additions:

During the year 2022, the total additions to the fixed assets, including subsidiary companies, was BDT 907.91 mn. The major additions to the fixed assets were Purchase of land 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 2022.

### Capital work-in-progress:

The Company invested BDT 155.71 mn in heavy equipment (P&M) mainly in its Ceramics plant, which is expected to be commissioned in the coming year.

## Asset composition:

Amount in BDT mn

Particulars	2022		2021		Increase/ (Decrease) (%)
	Amount (BDT mn)	Proportion of assets (%)	Amount (BDT mn)	Proportion of assets (%)	
Non-Current assets	3,947.64	27.13	3,336.72	23.82	18.31
Current assets	10,604.27	72.87	10,670.94	76.18	(0.62)
<b>Total</b>	<b>14,551.91</b>	<b>100.00</b>	<b>14,007.66</b>	<b>100.00</b>	<b>3.89</b>

## Current assets:

### Inventory:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Finished goods	577.74	569.06	1.53
Raw materials	1,589.02	1,312.34	21.08
Stores and consumables spares	1,053.96	843.22	24.99
Work-in-process	72.29	59.36	21.78
Goods-in-transit	111.56	205.81	(45.79)
Total Inventory	3,404.57	2,989.79	13.87

Inventory comprises finished goods of BDT 577.74 mn, raw materials of BDT 1,589.02 mn, stores and consumables spares of BDT 1,053.96 mn, work-in-process of BDT 72.29 mn and goods- in- transit of BDT 111.56 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	Y-22	Y-21	Change %
Trade receivable	1,523.48	1,220.40	24.83
Other receivables	1.09	6.60	(83.48)
Trade and other receivables	1,524.57	1,227.00	24.25

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	Y-22	Y-21	Change %
Cash in hand	4.94	2.61	89.27
Cash at bank	1,270.83	2,274.04	(22.13)
<b>Total</b>	<b>1,275.77</b>	<b>2,276.65</b>	<b>44.12</b>

Cash and bank balances include cash in hand of BDT 4.94 mn, balances in bank accounts of BDT 653.69 mn and fixed deposits of BDT 617.14 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 42.90 (as on 31 December 2022, DSE) resulting in a market capitalization of BDT 18,359.86 mn.

### Non-current borrowings:

There is no non-current borrowings in this year.

### Current borrowings:

Offshore financing is the only factor of current borrowings.

## Current Liabilities:

Amount in BDT mn

Particulars	Y-22	Y-21	Change %
Current Liabilities	6,793.54	6,362.39	6.78

Current liabilities increased by 6.78% to BDT 6,793.54mn in 2022 from BDT 6,362.39 mn in 2021.

## Analysis of Cash Flows:

### Cash flow from operating activities:

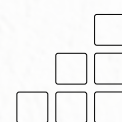
Operating cash flow increased by 6.27% to BDT 619.42 mn in 2022 from BDT 582.86 mn in 2021. Resulted net operating cash flow per share increased to BDT 1.45 in 2022 from BDT 1.36 in 2021.

### Cash flow from investing activities:

Net cash used in investing activities increased by BDT 910.34 mn to BDT 998.67 mn in 2022 from BDT 88.33 mn in 2021 due to acquisition of property, plant and equipment.

### Cash flow from financing activities:

Net cash used in financing activities increased by BDT 455.61 mn to BDT 622.84 mn in 2022 from BDT 167.23 mn in 2021 due to repayment of short-term loan, increase in dividend payment and financial charges.

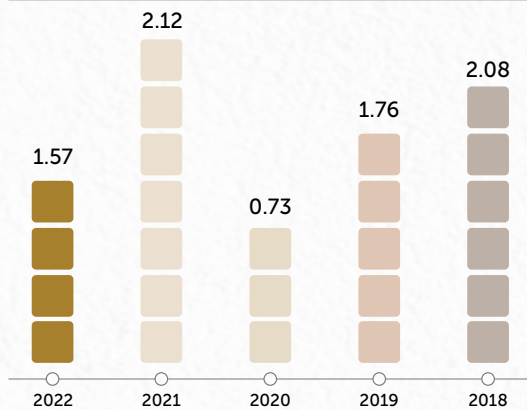


# CORPORATE PERFORMANCE 2022

**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)

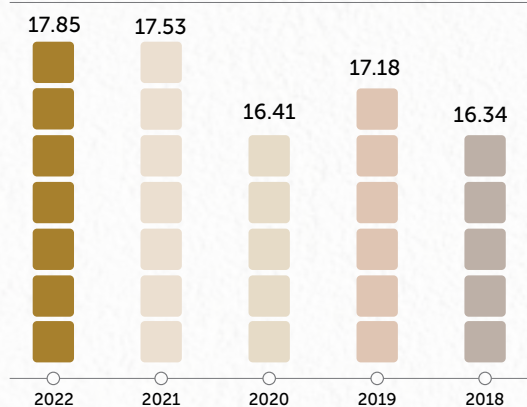


**Observation:** The downturn of EPS in current year is due to earning less profit.

**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)

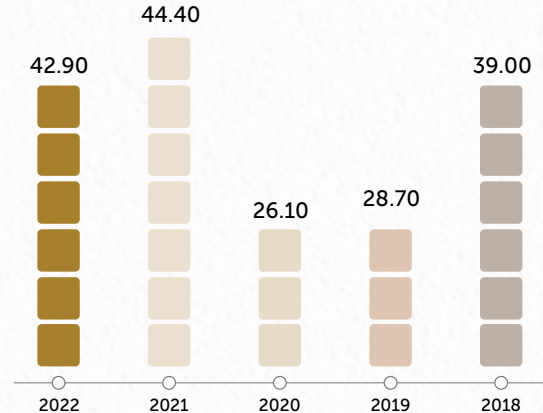


**Observation:** Equity has positive impacted due to increasing of retained earnings.

**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)

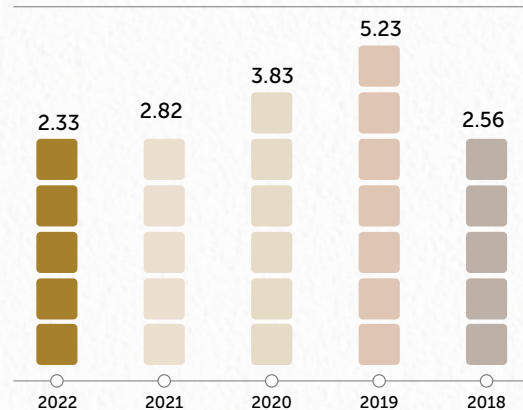


**Observation:** The stock performance has been changed due to various macroeconomic factors, company performance and mandatory floor price maintained by the stock exchanges.

**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 (%)



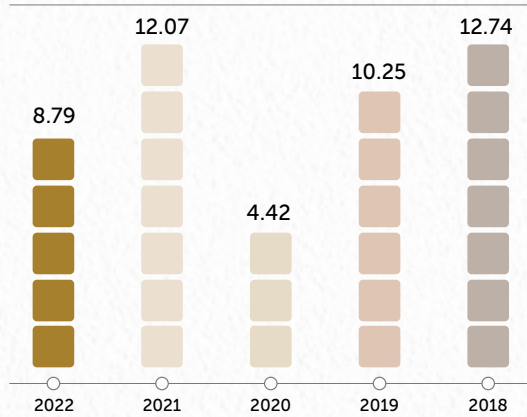
**Observation:** Board of Directors of the Company recommended dividend less than last year that declined the dividend yield slightly.



**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 (%)

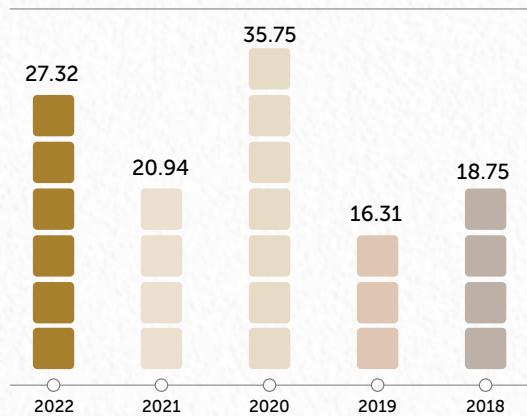


**Observation:** The return of shareholders' fund decreased because of declining PAT in current year.

**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)

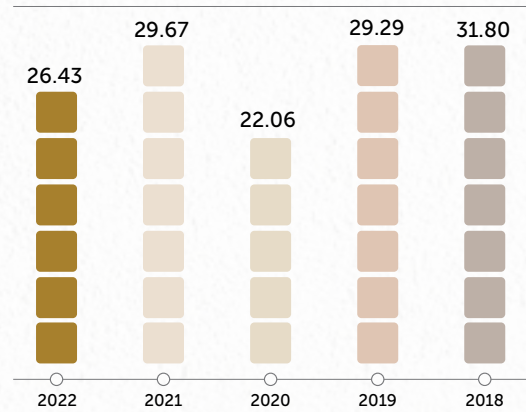


**Observation:** Due to decrease of EPS, PE ratio has impacted in proportion.

**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 (%)

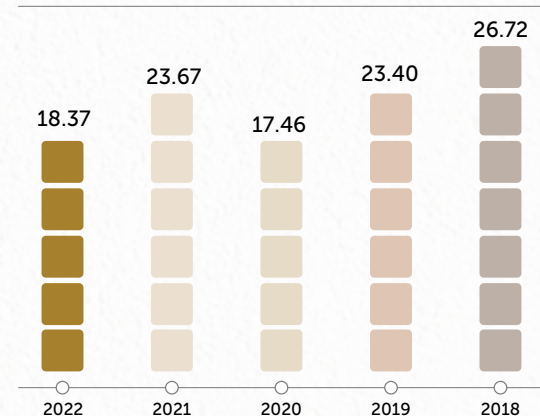


**Observation:** Gross profit margin is decreased due to increase in Gas Price, significant volatility of foreign currency market, disruption of global supply chain etc.

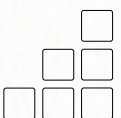
**Definition:** Earnings before depreciation, interest, tax and amortisation is a measure of the Company's overall financial performance. EBITDA margins provide investors a snapshot of short-term operational efficiency.

### Performance

#### EBITDA (%)



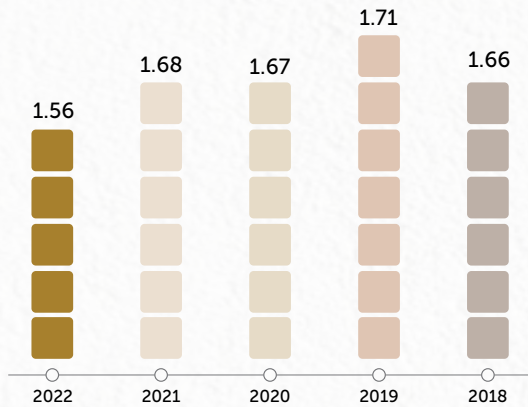
**Observation:** A lower gross margin caused a decrease in all other margin parameters.



**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

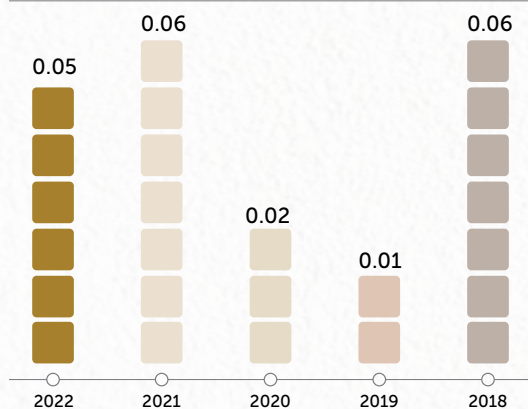


**Observation:** Current liability increase due to increase of trade and other payables, accrue expenses and provision for income tax. However, current assets remain almost same compare to last year.

**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)

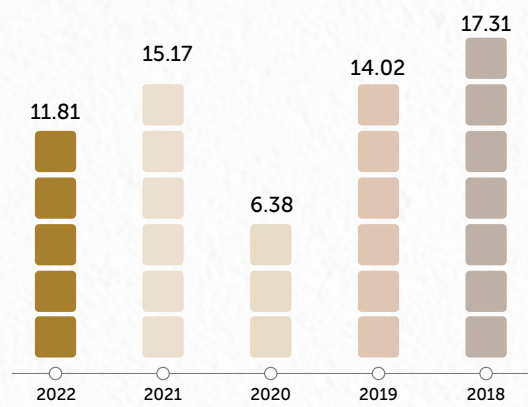


**Observation:** Debt Equity Ratio is reduced due to reduction of short term loan.

**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 (%)

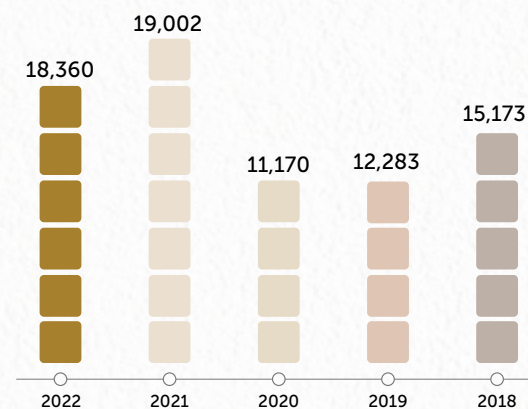


**Observation:** A lower gross profit margin has impacted all other margin parameter including return on capital employed.

**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:** Market price of shares has influence the market capitalization adversely.



# 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, 2022

Revenue <b>BDT 5,446.23 mn</b>	Revenue Growth <b>10.36%</b>
Gross Profit <b>BDT 1,441.66 mn</b>	Gross Profit Growth <b>2.60%</b>

Installed capacity

**10.32 mn sqm per year**

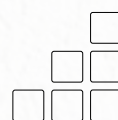
### Segment performance

<b>73.48%</b> Revenue contribution in 2022	<b>72.41%</b> Revenue contribution in 2021	<b>74.09%</b> Gross profit contribution in 2022	<b>71.27%</b> Gross profit contribution in 2021
---	---	--	--



### Key highlights of the year

- ▶ 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 stood at 89.1% (2021 91.4%)
- ▶ Cumulative production stood at 9.19 mn sqm, -2.46% lower 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



## Roadmap, 2023

- ▶ Enhance capacity utilisation as per demand recovery and optimise fixed costs
- ▶ Focus on enhancing process efficiency and cost controls
- ▶ Explore rural markets for diversifying sales beyond major metropolitan areas



## 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, 2022

Revenue <b>BDT 1,965.69 mn</b>	Revenue Growth <b>4.52%</b>
Gross Profit <b>BDT 504.15 mn</b>	Gross Profit Growth <b>11.01%</b>

Installed capacity	<b>1.45 mn pcs per year</b>
--------------------	-----------------------------

## Segment performance

<b>26.52%</b> Revenue contribution in 2022	<b>27.59%</b> Revenue contribution in 2021	<b>25.91%</b> Gross profit contribution in 2022	<b>28.73%</b> Gross profit contribution in 2021
---	---	--	--





## 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
- ▶ Marketing communication was anchored on product aesthetics, longevity and durability
- ▶ Capacity sanitary ware utilisation to 92.1%, as compared with 92.8% in the previous year
- ▶ Production stood at 1.34 mn pcs, -1.79% 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

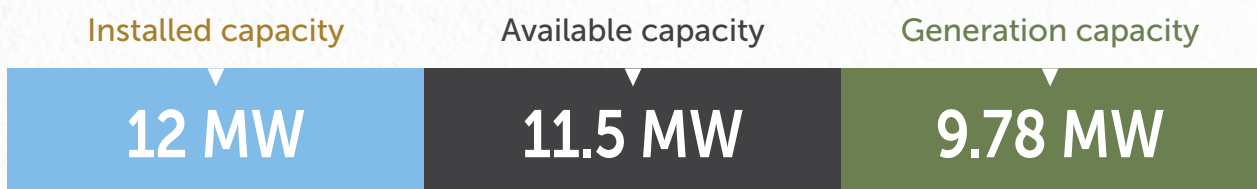
- ▶ Sustain capacity utilization and ensure waste elimination
- ▶ Harmonise processes further to ensure both product standardization as well as superior craftsmanship
- ▶ Focus on portfolio enrichment through introduction of products that meet evolving consumer tastes



## Roadmap, 2023

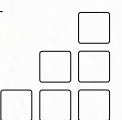
- ▶ Enhance capacity utilisation as per demand recovery and optimise fixed costs
- ▶ Focus on enhancing process efficiency and cost controls
- ▶ Explore rural markets for diversifying sales beyond major metropolitan areas

## B) RAK Power Pvt. Ltd.



## Highlights, 2022

- ▶ Power plant was run with 56% of generation capacity during the year 2022
- ▶ Significant proportion of generated power was primarily to meet captive requirements of the parent company, RAK Ceramics (Bangladesh) Limited



## C) RAK Security and Services (Pvt.) Ltd



### Overview

The Company is in the business of providing security and other services to Group companies as well as third party customers.



### Highlights, 2022

The Company reported revenue of **BDT 87.73 mn** in 2022 vs. **BDT 73.86 mn** in 2021



### Roadmap, 2023

- ▶ Expand customer base in the country by leveraging experience
- ▶ Focus on profitability recovery/restoration

## Segment reporting, 2022

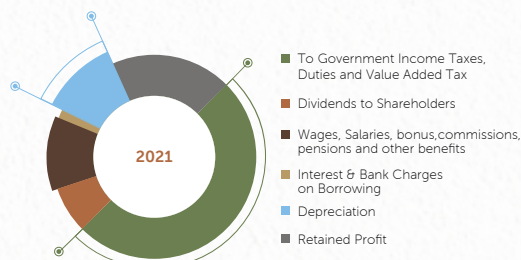
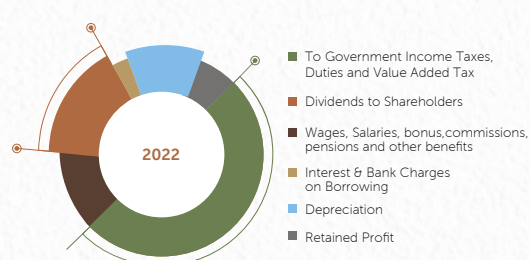
(Amount in BDT mn)

Particulars	RAK Ceramics (Taka mn)	RAK Power (Taka mn)	RAK Security (Taka mn)	Adjustment	Entity Total
Sales	7,411.92	368.39	87.73	(414.57)	7,453.47
Gross Profit	1,945.81	40.29	23.00	(39.19)	1,969.91
Profit before Tax	901.58	30.84	3.23	(46.00)	889.65
Profit after Tax	691.34	24.08	2.17	(46.00)	671.59

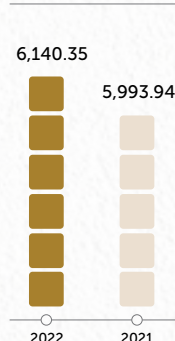


# VALUE ADDED STATEMENT

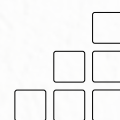
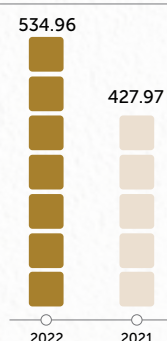
Particulars	31-Dec-2022		31-Dec-2021	
	Taka	%	Taka	%
Revenue	11,149,631,676		10,325,830,883	
Other Income	48,912,314		44,817,259	
Less : Paid to suppliers for materials and services	5,058,189,885		4,376,707,970	
<b>Value Added</b>	<b>6,140,354,105</b>	<b>100</b>	<b>5,993,940,172</b>	<b>100</b>
<b>Distribution of Value Added</b>				
<b>To Government</b>				
Income Taxes, Duties and Value Added Tax	3,383,462,358	55.10	3,177,439,253	53.01
<b>To Suppliers of Capital</b>				
Dividends to Shareholders	534,960,876	8.71	427,968,701	7.14
<b>To Employess</b>				
Wages, Salaries, bonus, commissions, pensions and other benefits	1,069,022,752	17.41	1,015,332,677	16.94
<b>To Providers of Finance</b>				
Interest & Bank Charges on Borrowing	29,784,625	0.49	7,811,989	0.13
<b>Retained For Reinvestment &amp; Future Growth</b>				
Depreciation	451,537,879	7.35	460,201,665	7.68
Retained Profit	671,585,615	10.94	905,185,887	15.10
<b>Total</b>	<b>6,140,354,105</b>	<b>100</b>	<b>5,993,940,172</b>	<b>100</b>



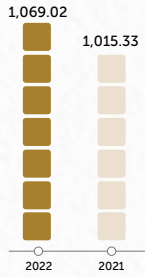
**Value Added**



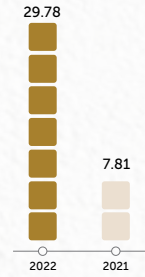
**To Shareholders**



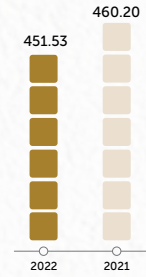
### To Employees



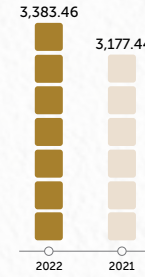
### To Finance Provider



### To Business



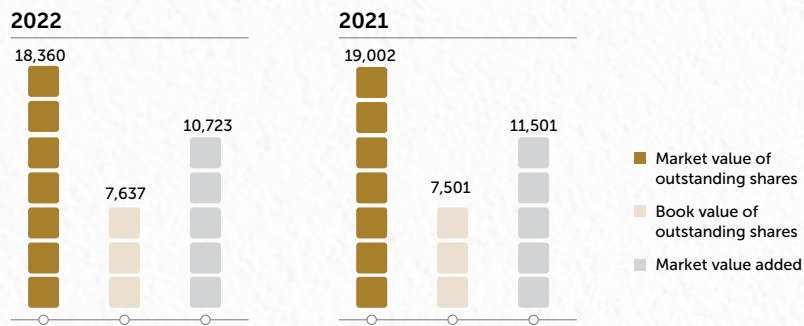
### To Government



## Market Value Added Statement

Amount in BDT mn

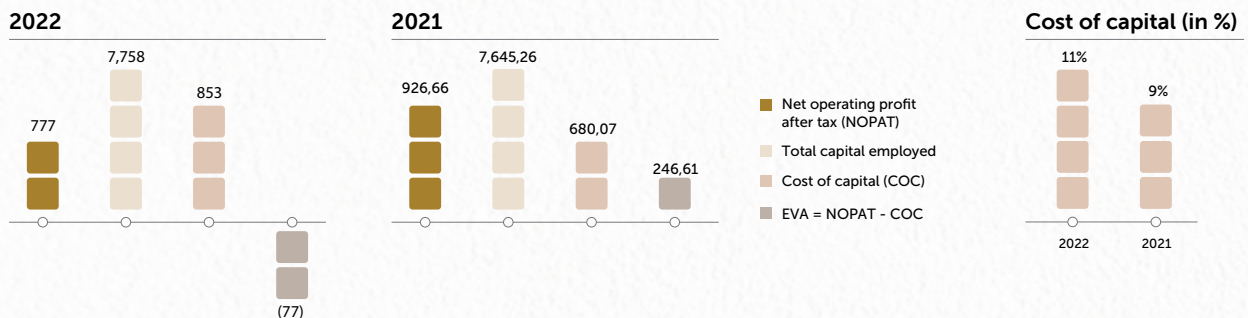
Particulars	2022	2021
Market value of outstanding shares	18,360	19,002
Book value of outstanding shares	7,637	7,501
Market value added	10,723	11,501



## Economic Value Added Statement

Amount in BDT mn

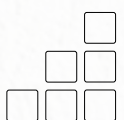
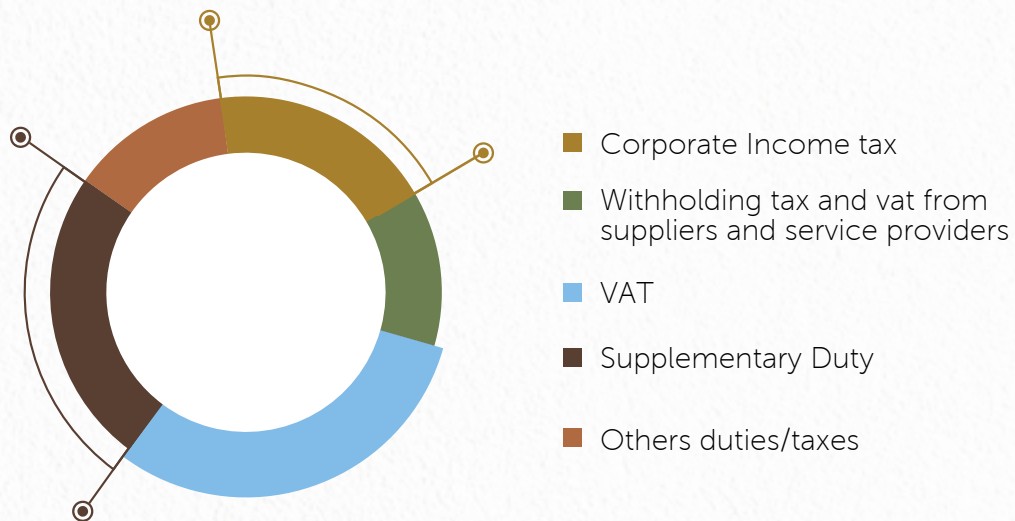
Particulars	2022	2021
Net operating profit after tax (NOPAT)	776,504,550	926,678,794
Total capital employed	7,758,368,030	7,645,263,332
Cost of capital (in %)	11%	9%
Cost of capital (COC)	853,420,483	680,073,700
EVA = NOPAT - COC	(76,915,933)	246,605,094





# CONTRIBUTION TO NATIONAL EXCHEQUER 2022

Serial No.	Particulars	Total
1	Corporate Income tax	233,687,511.22
2	Withholding tax and vat from suppliers and service providers	313,422,247.14
3	VAT	1,453,214,278.00
4	Supplementary Duty	1,068,911,395.00
5	Others duties/taxes	314,226,926.40
<b>Total Contribution to National Exchequer</b>		<b>3,383,462,357.76</b>











# RAK GOVERNANCE

## MAINTAINING COMPLIANCE AND CONFORMANCE FOR AN ASSURED TOMORROW

*Authenticity, Affirmation, Applicability. These are the words that have defined the applied governance standards of RAK Ceramics (Bangladesh)!*

At RAK Ceramics (Bangladesh), our contention has always been our focus on ensuring organisational governance to uphold the highest standards of trust and faith reposed by our esteemed members in the organisation. We have prioritised meeting their expectations and our focus is pivoted on alignment to all rules and regulations, compliance and conformance, and assisting our regulators in any matter that enhances the reputation and credibility of our industry. This starts with us and we believe that the underlying focus for us is to maintain pristine corporate governance standards that is the key value driver of our Company.

# 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 2022, and the Auditor's Report thereon, for your valued consideration, approval and adoption.

The Directors' report has been prepared in compliance with Section 184 of the Companies Act 1994, the Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission, Listing Regulations of Dhaka and Chittagong Stock Exchanges and all others applicable provisions.

## Principle activities

RAK Ceramics (Bangladesh) is the country's leading 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 134 and 'Management discussion and analysis' report on page 131 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 46+ 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 'Segment wise performance' report on page 115 of this Annual Report.

## Financial results

The Company reported consolidated sales of BDT 7,453.47 mn in 2022 vs. BDT 6,851.14 mn reported in 2021 and consolidated gross profit of BDT 1,969.92 mn in 2022 against BDT 2,032.86 mn reported in 2021. The Company's consolidated net profit stood at BDT 671.59 mn in 2022 against BDT 905.19 mn achieved in 2021.

Details of operational results are discussed in the 'General review of our 2022 performance' on page 108 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 2022 and recommend the following appropriations:

(Amount in BDT mn)

Particulars	2022	2021
Profit before tax	889.65	1,154.10
Less: Provision for tax	218.06	248.92
Profit after tax *	671.59	905.18
Add: Un-appropriated profit brought forward	1,747.19	1,269.98
Profit available for distribution	2,418.78	2,175.16
Less: Appropriation of dividend	534.96	427.97
Un-appropriated profit C/F	1,883.82	1,747.19

\*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 128 of this annual report.

## Reserves and surplus

In 2022, retained earnings of the Company stood at BDT 1,883.82 mn, against BDT 1,747.19 mn in 2021.



## Dividend

The Board of Directors is pleased to recommend dividend @ 10.00% in cash of the paid-up capital of the Company, representing an amount of BDT 427.97 mn for the year ended December 31, 2022. This dividend will be paid from out of profit of the company for the year 2022 and from undistributed accumulated profits. The Company paid dividend @12.50% in cash of the paid up capital of the Company for the year 2021. No bonus shares or stock dividend has been declared as interim dividend.

In compliance of BSEC's Letter No. SEC/SRMIC/165-2020/part-1/202 date 25 August 2021 and SEC/SRMIC/165/part-1/166 dated 06 July 2021 and the CMSF Rules, the Company transferred the unclaimed or undistributed or unsettled dividend for the year 2010 to 2018 in cash and stock to CMSF in due time. The summary of the transferred dividend are disclosed in Annexure-4 on page 149 of this annual report.

## Contribution to the national exchequer

RAK Ceramics (Bangladesh) is committed to timely disbursement of its direct and indirect tax obligations. During the year 2022, the Company, including its subsidiaries, contributed a total sum of BDT 3,383.46 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 121 of this Annual Report.

## Extraordinary gain or loss

There were no extraordinary activities during the year 2022 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 are increased by 8.79% from BDT 6,851.14 mn in 2021 BDT 7,453.47 mn, even though earning per share is decreased from BDT 2.12 to BDT 1.57 due to increase in gas price, significant volatile of foreign currency market, disruption of global supply chain caused increase of all input raw material price and shipping freight. In addition, disruption of production due to inadequate pressure of supplied gas from mid of August 2022 and sometimes no gas resulting increase of production cost compare to previous year. Therefore, gross profit margin has reduced from 29.67% to 26.43% and sales volume is not achieved as expected in the year 2022 due to the shortage of production.

## 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 91 of this Annual Report.

## Auditors and audit report

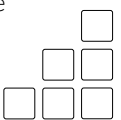
A. Qasem & Co. Chartered Accountants (a member firm of ECOVIS International), shall retire at the 24th Annual General Meeting (AGM) and, being eligible, offer themselves for re-appointment. The Board also recommends their re-appointment for the year 2023. Remuneration of the auditor will be fixed by 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 2022, which forms part of the Annual Report. There is no qualification, reservation, adverse remark, comments, observations or disclaimer given by the statutory auditors in their reports.

## Parent and subsidiary companies

RAK Ceramics PJSC, UAE (the Company), is the parent company of RAK Ceramics (Bangladesh). It is one of the largest ceramics' brands in the world, specializing in ceramic and gres porcelain wall and floor tiles and sanitary-ware. It has an annual production capacity of 123 mn sqm of tiles and 5 mn pcs of sanitary ware per year at its 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 'Segment wise performance' on page 115 of this Annual Report.

## Related party transactions

Details of related parties with whom transactions have taken place and their relationship as identified and certified by the management is disclosed in the 'Related party disclosures under IAS-24' on page 216 of this Annual Report.

## Corporate social responsibility

The Company understands its responsibility towards social welfare and contributed an amount of BDT 2.62 mn during the year 2022. Details of the Company's CSR activities during the year is discussed in the 'Corporate social responsibilities' section on page 57 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 1748 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 the year 2022, the Company contributed 5% of its profit before tax (PBT) towards Workers' Profit Participation and Welfare Fund, amounting to BDT 45.08 mn.

## Board of Directors

The Board of Directors of the Company comprise five members including an Independent Director. Names and profiles, including the nature of expertise in specific functional areas of the Directors of the Company are indicated in the 'Directors' profile' on page 29 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. Wassim Moukahhal will retire from his office as Director by

rotation at the 24th Annual General Meeting and, being eligible, offers himself for re-election in accordance with the terms of Article 96 of the Articles of Association of the Company.

## Remuneration of Directors, including Independent Directors

The Company did not pay any remuneration to any Director, including Independent 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 six times during the year 2022. The number of Board meetings held and the attendance of each Director during the year is disclosed in 'Annexure-2' on page 129 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 130 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 131 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, 2022 duly signed by the MD and CFO is included on page 166 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 financial up to 31st December 2020, unaudited financials up to 30th September 2021, and others 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 of credit rating has been included on page 44 of this Annual Report.

### Corporate governance

RAK Ceramics (Bangladesh) is committed to comply with all the requirements of Corporate Governance Code, 2018 of Bangladesh Securities and Exchange

Commission to ensure the spirit of governance with full accountability for inspiring confidence and trust of investors, regulators, financiers and other stakeholders. Details about corporate governance are discussed in the 'Corporate governance report' on page 143 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 151 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 163 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.

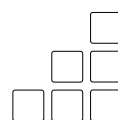
For and on behalf of the Board of Directors,



**(Abdallah Massaad)**

Chairman

Date: January 25, 2023



## Key operating and financial data of preceding five years

Amount in BDT

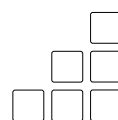
Particulars	2022	2021	2020	2019	2018
<b>Sales</b>	<b>7,453,465,494</b>	<b>6,851,136,685</b>	<b>5,288,916,673</b>	<b>6,463,857,312</b>	<b>6,331,083,301</b>
Cost of sales	5,483,544,470	4,818,277,683	4,122,212,640	4,556,112,666	4,317,689,669
<b>Gross profit</b>	<b>1,969,921,024</b>	<b>2,032,859,002</b>	<b>1,166,704,033</b>	<b>1,907,744,646</b>	<b>2,013,393,632</b>
Administration expenses	395,990,271	389,439,450	340,640,502	459,102,484	440,788,957
Marketing and selling expenses	623,919,697	523,744,007	414,376,760	455,996,281	411,359,546
<b>Net profit before financial expenses</b>	<b>950,011,056</b>	<b>1,119,675,545</b>	<b>411,686,771</b>	<b>992,645,881</b>	<b>1,161,245,129</b>
Financial expense	109,274,503	10,390,323	19,673,258	27,323,676	39,394,022
Other income*	48,912,314	44,817,259	55,522,446	79,082,208	104,074,247
<b>Net profit before taxation</b>	<b>889,648,868</b>	<b>1,154,102,481</b>	<b>447,535,959</b>	<b>1,044,404,413</b>	<b>1,225,925,354</b>
Income tax expenses	218,063,252	248,916,594	136,882,507	290,378,957	335,300,169
Non-controlling interest	118	204	121	247	422
<b>Net profit after taxation</b>	<b>671,585,616</b>	<b>905,185,887</b>	<b>310,653,452</b>	<b>754,025,209</b>	<b>890,624,763</b>

\*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 2022**

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	07	07
SAK Ekramuzzaman	Managing Director	07	05
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	07	07
Wassim Moukahhal (Nominee of RAK Ceramics PJSC, UAE)	Director	07	06
Mohd. Shafiu Azam	Independent Director	07	05



## Shareholding Pattern

The pattern of Shareholding as on 31 December 2022

### a) Parent/Subsidiary companies and other related parties

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

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

Name	Status/Position	No. of Shares held
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	16
SAK Ekramuzzaman	Managing Director	16,895,824
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	Nil
Wassim Moukahhal (Nominee of RAK Ceramics PJSC, UAE)	Director	Nil
Mohd. Shafiu Azam	Independent Director	Nil
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



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Business and financial overview

RAK Ceramics (Bangladesh) Limited 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 178 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)

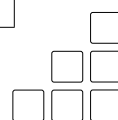
Particulars	2022	2021	2020	2019	2018
Sales	7,453.47	6,851.14	5,288.92	6,463.86	6,830.78
Gross Profit	1,969.92	2,032.86	1,166.70	1,907.74	2,514.98
Net Profit After Tax	671.59	905.19	310.65	754.03	890.62
Earnings Per Share (Absolute BDT)	1.57	2.12	0.73	1.76	2.08 (Restated)
Net Operating Cash Flow	619.42	582.86	1,228.66	1,585.22	567.62
Net Asset Value (NAV)	7637.15	7,500.53	7,023.31	7,354.61	6,992.97
Net Asset Value Per Share	17.85	17.53	16.41	17.18	16.34 (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 2022" on page 108 of this annual report.

## Financial performance vis-à-vis industry peers

Listed ceramics companies in Bangladesh comprise the following:

Sl. No.	Name	Product Category	Market Category	Year of listing on DSE	Year of listing on CSE	Year end
01	RAK Ceramics (Bangladesh) Limited	Tiles and sanitary ware	A	2010	2010	December 31st
02	Fu-Wang Ceramic Industry Limited	Tiles	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



Financial scenario of ceramics companies in Bangladesh:

(Amount in BDT mn)

Particulars	For the year ended 31 December-2022	For the year ended 30 June 2022			
	RAK Ceramics (Bangladesh) Limited	Fu-Wang Ceramic Industry Limited	Monno Ceramic Industries Limited	Shinepukur Ceramics Limited	Standard Ceramic Industries Ltd.
Sales	7,453.47	842.56	904.12	1722.74	311.32
Gross Profit	1,969.92	228.88	178.08	289.34	41.28
Net profit/Loss after tax	671.59	31.47	38.93	57.98	(19.32)
NOCF Per Share (Absolute BDT)	1.45	(3.27)	2.03	1.00	(0.94)
Net Asset Value per share (Absolute BDT)	17.85	11.78	83.01	31.53	6.66
Earnings per Share (Absolute BDT)	1.57	0.23	1.03	0.39	(2.99)

## Economic scenario of Bangladesh and the globe

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints, while multilateral cooperation is necessary for fast-tracking the green energy transition and preventing fragmentation.

Bangladesh has a strong track record of growth and development, even in times of elevated global uncertainty. According to the Bangladesh Bureau of Statistics (BBS) per capita income increased by US\$ 233 to US\$ 2,824 during FY22. Bangladesh GDP growth forecast to 6.1% for FY22-23, which was 6.4% in Fy 2021-2022 as per world bank estimates.

The year 2022 was a milestone in the development of Bangladesh's infrastructure, Padma bridge & Dhaka residents got their first chance to use the metro rail when a section from Uttara to Agargaon inaugurated in 2022, and the 'Karnaphuli tunnel', which aims to increase connectivity throughout the country, is to be inaugurated soon.

Bangladesh bank credit policies and programs were directed to channeling adequate credit flows for productive purpose, especially to women enterprise, agriculture and SME sector.

The invasion of Ukraine by Russia this year has plunged the global economy once again into chaos. It has particularly affected the energy sector as oil and gas prices are rising exponentially due to sanctions against Russia. Uninterrupted natural gas supply is vital for the ceramics industry. Additionally, the ceramics industry of Bangladesh is under further



stress and facing major challenges due to the global recession and inflation and the higher cost of imported raw materials. However, we want to keep an optimistic outlook on our business as every crisis leads to opportunity.

## Risks and concerns

Details of risks and concerns facing the Company are discussed in detail in the "Risk management and control" on page 91 of this annual report.

## Future outlook

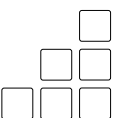
In today's transforming world, new aspirations and demands are being fostered by the corresponding shift in lifestyles. At RAK Ceramics (Bangladesh), we are focused on seizing the opportunities and challenges to continue on the path of sustainable progress and value creation for all our stakeholders.



**(SAK Ekramuzzaman)**

Managing Director

Date : January 25, 2023



# INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS

## GLOBAL INDUSTRY



### OVERVIEW

The growth of the building & construction industry where ceramics is extensively used in tiles, sanitary ware is expected to drive the market over the coming years. In recent times, indoor home décor techniques and methods have changed worldwide, thereby impacting the application of ceramics in building & construction. The sanitary ware such as toilet bowls, sinks, bathtubs, and shower trays are included in bathroom fixtures.



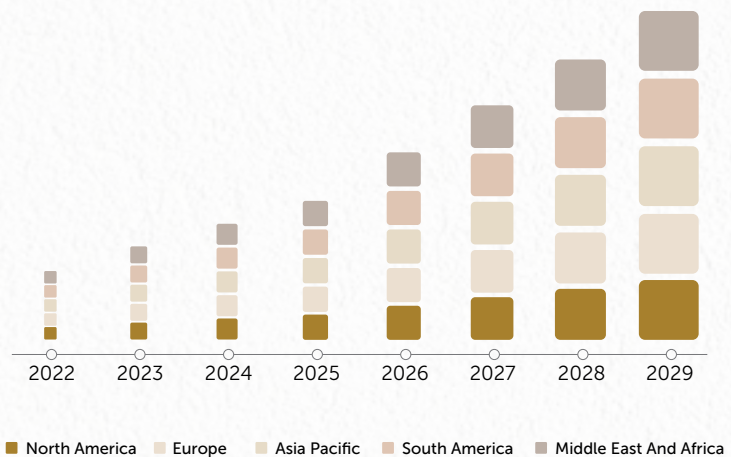
### GLOBAL MARKET REPORT

Global ceramics market size was \$117.99 billion in 2022 and expected to \$129.56 billion in 2023 at a compound annual growth rate (CAGR) of 9.8%. The Russia-Ukraine war disrupted the chances of global economic recovery from the COVID-19 pandemic, at least in the short term. The war between these two countries has led to economic sanctions on multiple countries, a surge in commodity prices, and supply chain disruptions, causing inflation across goods and services and affecting many markets across the globe. The ceramics market size is expected to grow to \$190.78 billion in 2027 at a CAGR of 10.2%.

## MARKET ANALYSIS AND SIZE

Global Ceramics Market was valued at USD 70.66 billion in 2021 and is expected to reach USD 118.9 billion by 2029, registering a CAGR of 6.72% during the forecast period of 2022-2029.

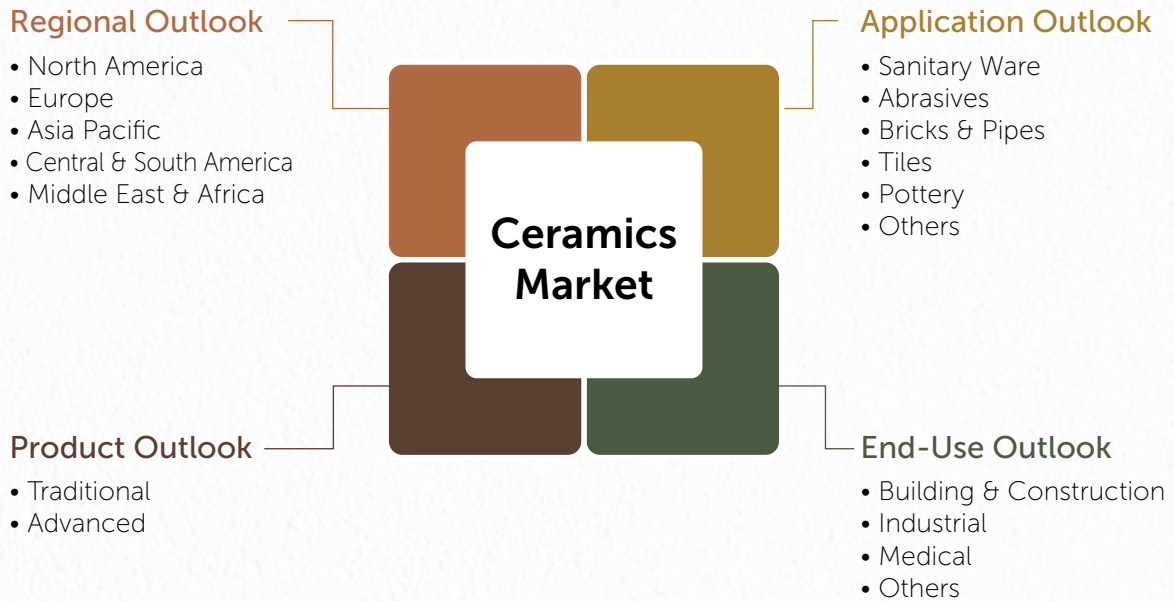
### Global Ceramics Market is Expected to Account for USD 118.9 Billion by 2029





## GLOBAL CERAMICS MARKET SEGMENTATION

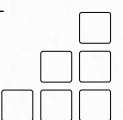
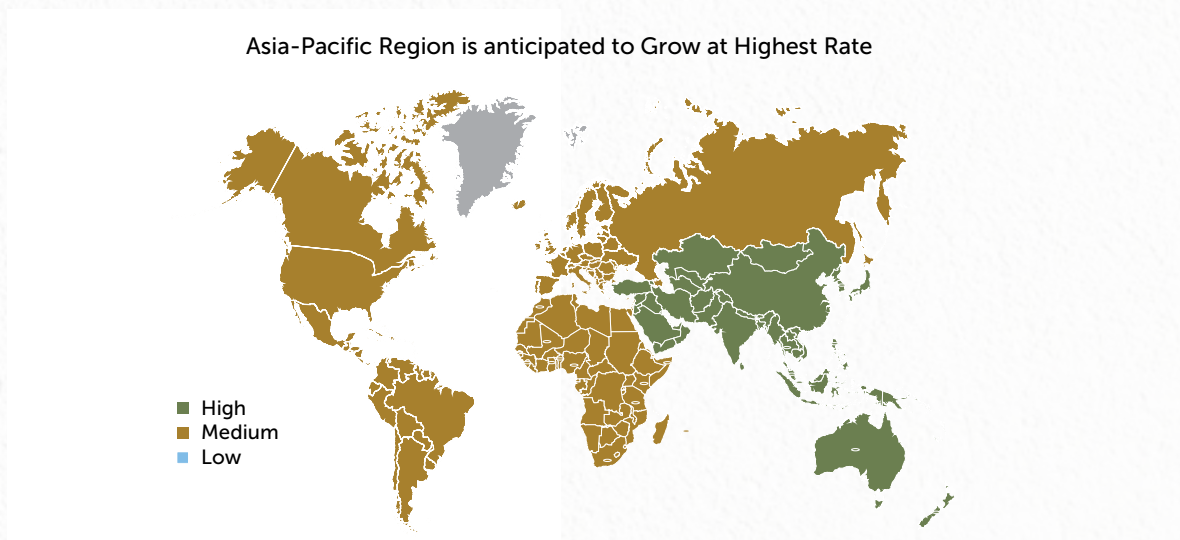
This report forecasts revenue growth at the global, regional, and country levels and provides an analysis of the latest industry trends and opportunities in each of the sub-segments from 2017 to 2030.



## ASIA-PACIFIC REGION CERAMICS INDUSTRY

Asia-Pacific was the largest region in the ceramics market in 2022. The regions covered in the ceramics market report are Asia-Pacific, Western Europe, Eastern Europe, North America, South America, the Middle East, and Africa.

The countries covered in the ceramics market report are Australia, Brazil, China, France, Germany, India, Indonesia, Japan, Russia, South Korea, UK, USA.





## BANGLADESH INDUSTRY

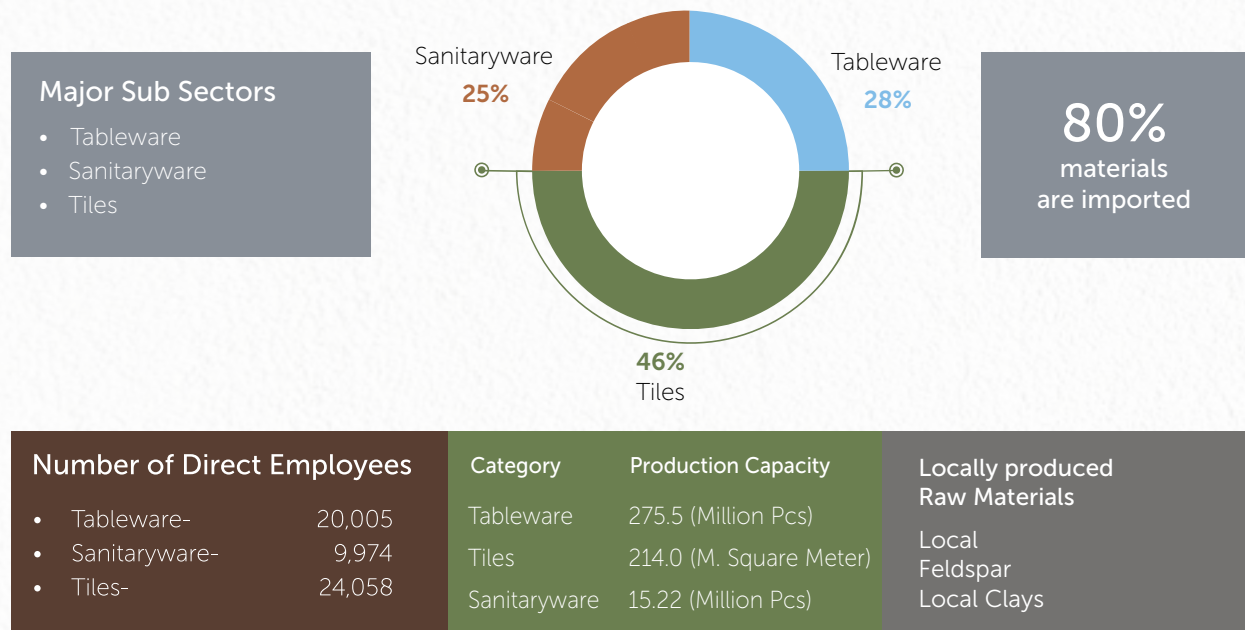
The ceramics industry is a booming manufacturing sector in Bangladesh. Over the years the industry has flourished immensely. While it caters to 85 percent of the local demand it also exports quality ceramic products to international markets. The growth trend is an indication of the industry's potential to be one of the top foreign exchange earners of the country.

It is also has been one of the country's fastest-growing manufacturing industries with a total market value of over 6,000 crores. On average in the last three years, domestic sales increasing by 20% per year, export sales increasing by 26% per year, and total production capacity increasing by around 200% in the five years.

Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA) stated that the demand for the ceramic products has gone up by 22 per cent in the last five years. The amount of total investment in the sector currently stands at \$1.58 billion. A total of 71 companies invested BDT 15,356.50 crore in FY2021-22 in Bangladesh. Of them, 20 tableware companies invested BDT 3,174.25 crore, 33 tiles companies BDT 10,151.86 crore and 18 sanitary ware companies invested BDT 2,030.39 core.




According to sources, there are around 70 ceramic factories (tableware, tiles and sanitary ware) in the country with a domestic and foreign investment of about BDT 13,500 crore. Every year, this sector exports products worth about BDT 400 crore and generates government revenue of about BDT 3,000 crore. The industry also pays an annual gas bill of about BDT 1,200 crore.

### Overview of Ceramic Industry in Bangladesh





## Bangladesh Market size

Product Name	Investment 2021-2022	Local Market Consumption 2021-2022	Market share 2021-2021
 <b>Tableware</b>	3174.25 Crore BDT	590.37 Crore BDT	98.73% Local 1.27% Foreign
 <b>Tiles</b>	10,151.86 Crore BDT	6,205.09 Crore BDT	86.21% Local 13.79% Foreign
 <b>Sanitaryware</b>	2,023.39 Crore BDT	1,043.28 Crore BDT	86.11% Local 13.89% Foreign

Export Earning: 45.31 Million US\$ (2021-22)

Production growth: 200% (Last 10 years)

Value addition: 65%

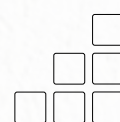
Export Target: US\$ 01 Billion by 2025



## Prospects of the Industry

The industry might be benefited from rising incomes, rapid urbanization, and duty-free access to some international markets. There is still much to be done to address the problems this industry is facing, such as uninterrupted power and gas supplies, which are essential to continue competing in global markets. If Bangladesh's ceramics sector can get over the obstacles, it has every chance to develop and increase its contribution to the nation's foreign exchange earnings.

The concerns for Bangladesh ceramic industry are the increase in gas prices, while might affect future foreign investments. That means if in the future there is a shortage or no natural gas available for industries, we will have to import gas to run our factories. That will certainly affect the cost of production and then the ceramic export sector might face severe difficulties.



# AUDIT COMMITTEE REPORT

It is our immense pleasure to present the Report of Audit Committee for the year 2022. 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:

- ▶ Mohd. Shafiul Azam, 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 2022, 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 2022, comprise the following:



Name of directors	Position	Number of meetings held during 2022	Number of meetings attended
Mohd. Shafiqul Azam *	Chairman	04	03
Wassim Moukahhal	Member	04	04
Pramod Kumar Chand	Member	04	04
Muhammad Shahidul Islam	Member Secretary	04	04

\*Appointed after first meeting of Audit Committee of 2022

### 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:

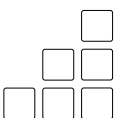
- ▶ Reviewed the quarterly, half-yearly and yearly financial statements of the Company, and recommended to the Board for their adoption and approval;
- ▶ Reviewed the internal audit process and effectiveness of internal audit;
- ▶ Reviewed the findings of the internal audit team and its corrective actions;
- ▶ 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, 2022 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 2023.

### 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.



**(Mohd. Shafiu Azam )**

Chairman

Audit Committee

Date: January 25, 2023



# NOMINATION AND REMUNERATION COMMITTEE REPORT

It is our immense pleasure to present the Report of Nomination and Remuneration committee for the fiscal year 2022. 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:

- ▶ Mohd. Shafiul Azam, 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:

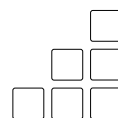
1. NRC shall be independent and responsible or accountable to the Board and to shareholders
2. NRC shall oversee, among others, the following matters and make a report with recommendations to the Board:
  - a. Formulating the criteria for determining

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 2022:

- ▶ 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 2022, the NRC held two meeting, complying with the requirement of at least one meeting to be held 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 2022 is given below:

Name of directors	Position	Number of meetings held during 2022	Number of meetings attended
Mohd. Shafiul Azam *	Chairman	02	01
Wassim Moukahhal	Member	02	02
Pramod Kumar Chand	Member	02	02
Muhammad Shahidul Islam	Member Secretary	02	02

\*Appointed after first meeting of NRC of 2022.

### 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.

*Mohd. Shafiul Azam*

**(Mohd. Shafiul Azam)**

Chairperson

Nomination and Remuneration Committee

Date: January 25, 2023



# 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

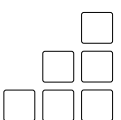
The Board embraces the practice of planning in advance in matters requiring discussions and decisions by the Board. The Board is appraised across all facets of the business by means of a presentation on production, sales, marketing, finance, major business segments/operations, among other matters, as 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 Chairman 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 Operating Officer and Chief Financial Officer

Sadhan Kumar Dey is the Chief Operating Officer and 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 25 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 18 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 2022. 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 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.

### 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 146 on this annual report.

### Transfer of Unclaimed dividend to CMSF

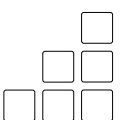
In response BSEC's Letter No. SEC/SRMIC/165-2020/part-1/202 date 25 August 2021 and SEC/SRMIC/165/part-1/166 dated 06 July 2021 and the CMSF Rules, the Company transferred the unclaimed or undistributed or unsettled dividend for the year 2010 to 2018 in cash and stock to CMSF in due time. The summary of the transferred dividend are disclosed in Annexure-4 on page 149 of 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 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.

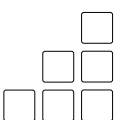
The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

## 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](http://www.rakceramics.com/bangladesh).

## 12. Disclaimer

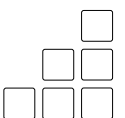
This document does not solicit investments in the Company's securities. Nor is it an assurance of guaranteed returns (in any form), for investments in the Company's equity shares.



The summary of unclaimed or undistributed or unsettled dividend in cash, transferred to Capital Market Stabilization Fund (CMSF) are as follows:

Amount in BDT

Year	Gross Dividend Amount	TDS on Dividend	Net Dividend Amount	Dividend Distributed	Fund Transferred to CMSF
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	357,227,075	1,946,478



# 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, 2022. 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**  
Chartered Secretaries



Jasmin Akter, FCS  
Chief Executive

Place : Dhaka  
Dated : January 25, 2023



## RAK Ceramics (Bangladesh) Limited

For the year ended 31st December 2022

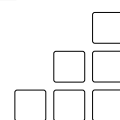
### STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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:

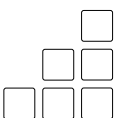
#### (Report under Condition No. 9)

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
<b>1</b>	<b>BOARD OF DIRECTORS:</b>			
<b>1(1)</b>	<b>Board's Size</b>			
	The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty).	√		
<b>1(2)</b>	<b>Independent Directors</b>			
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;	√		
<b>1(3)</b>	<b>Qualification of Independent Director (ID)</b>			
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);	√		

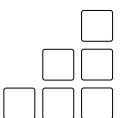
Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1 (3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			No such matter
<b>1(4)</b>	<b>Duality of chairperson of the Board of Directors and Managing Director of chief Executive Officer</b>			
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.	√		
<b>1(5)</b>	<b>The Director's Report to Shareholders</b>			
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;	√		





Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	√		
1(5)(xii)	A Statement that proper books of 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;	√		

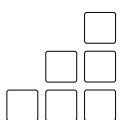
Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board;	√		
1(5)(xxv) (a)	Accounting policies and estimation for preparation of financial statements;	√		
1(5)(xxv)(b)	Changes in accounting policies and 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.	√		
<b>1(7)</b>	<b>Code of Conduct for the Chairperson, other Board members and Chief Executive Officer</b>			
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;	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
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.	√		
<b>2</b>	<b>Governance of Board of Directors of Subsidiary Company.</b>			
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.	√		
<b>3</b>	<b>Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS).</b>			
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).	√		

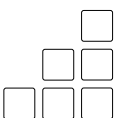


Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
3(2)	<b>Requirement to attend Board of Directors' Meetings</b> The MD or CEO, CS, CFO and HIAC of the company shall attend the meetings of the Board: Provided that the CS, CFO and/or the HIAC shall not attend such part of a meeting of the Board which involves consideration of an agenda item relating to their personal matters.	√		
3(3)	<b>Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
3(3)(a)	<b>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:</b>			
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	<b>Board of Directors' Committee:- For ensuring good governance in the company, the Board shall have at least following sub-committees:</b>			
4 (i)	Audit Committee; and	√		
4(ii)	Nomination and Remuneration Committee	√		
5	<b>AUDIT COMMITTEE:</b>			
5(1)	<b>Responsibility to the Board of Directors</b>			
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;	√		



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(2) (c )	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	√		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√		
5(2)( e)	The company secretary shall act as the secretary of the Committee;	√		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without independent director.	√		
<b>5(3)</b>	<b>Chairman of the Audit Committee</b>			
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.	√		
<b>5(5)</b>	<b>Role of Audit Committee</b>			
	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;	√		

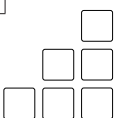
Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
5(5) (f )	Review along with the management, the annual financial statements before submission to the board for approval;	√		
(5)(5) (g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√		
5(5) (h)	Review the adequacy of internal audit function;	√		
5(5) (i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
5(5) (j)	Review statement of all related party transactions submitted by the management;	√		
5(5) (k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	√		
5(5) (l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√		
5(5) (m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission:			No such matter
<b>5(6)</b>	<b>Reporting of the Audit Committee</b>			
<b>5(6)(a)</b>	<b>Reporting to the Board of Directors</b>			
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)	<b>Reporting to the Authorities;</b> 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)	<b>Reporting to the Shareholders and General Investors;</b> 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.	√		





Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
<b>6</b>	<b>Nomination and Remuneration Committee (NRC):-</b>			
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;	√		
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;	√		

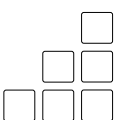
Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
6(4)	Meeting of the NRC			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;	√		
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;	√		
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2) (h);	√		
6(4) ( d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.	√		
6(5)	Role of the NRC			
6(5) ( a )	NRC shall be independent and responsible or accountable to the Board and to the shareholders;	√		
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;	√		
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and	√		
6(5)(b)(i)(c )	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;	√		
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;	√		
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;	√		
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;	√		
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and	√		
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies;	√		
6(5)( c )	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.	√		
<b>7</b>	<b>External or Statutory Auditors.</b>			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-			



Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
7(1)(i)	Appraisal or valuation services or fairness opinions;	√		
7(1)(ii)	Financial information systems design and implementation;	√		
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements;	√		
7(1)(iv)	Broker-dealer services;	√		
7(1)(v)	Actuarial services;	√		
7(1)(vi)	Internal audit services or special audit services	√		
7(1)(vii)	any service that the Audit Committee determines;	√		
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	√		
7(1)(ix)	Any other service that creates conflict of interest.	√		
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company:	√		
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√		
<b>8</b>	<b>Maintaining a website by the Company:-</b>			
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).	√		
<b>9</b>	<b>Reporting and Compliance of Corporate Governance.-</b>			
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 2022









# RAK FINANCIALS

## FORTIFYING OUR FUNDAMENTALS FOR A CONFIDENT TOMORROW

*Accuracy, Assurance, Accountability. These are the words that have defined the audit and accounting standards of RAK Ceramics (Bangladesh)!*

At RAK Ceramics (Bangladesh), our first priority has always been implementing accounting rules and policies that meet the compliance standards of both national regulations and international norms. We are committed to regular internal and external audits that helps bolster our internal controls and safeguards our business. We are laser-focused on adhering to all applicable laws and regulations and appoint distinguished audit firms that support our audit expectations. They help in our endeavour to foster a business environment that places ethics and integrity on the highest pedestal. Being compliant at all times is not just a good thing to do, but is a key consequential imperative of our business.



# RAK CERAMICS (BANGLADESH) LIMITED DECLARATION BY MD AND CFO

Date: January 25, 2023

The Board of Directors

RAK Ceramics (Bangladesh) Limited

**Subject: Declaration on Financial Statement for the year ended 31 December 2022.**

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 2022 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 2022 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 2022, 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 2022, 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

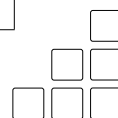
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's

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 2022. 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><b>Revenue recognition (Refer to notes 3.15 and 25 to these Consolidated financial statements)</b></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> <ol style="list-style-type: none"> <li>1. We read the Group's revenue recognition policy and assessed its compliance in terms of IFRS 15 'Revenue from contracts with customers';</li> <li>2. 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;</li> <li>3. 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;</li> <li>4. 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</li> <li>5. Assessed the relevant disclosures made within the consolidated financial statements.</li> </ol>



SL	Key Audit Matter	How our audit addressed the key audit matter
<b>2</b>	<b>Tax and regulatory matters (Refer to notes 3.22 and 43 to these Consolidated financial statements )</b>	
	<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> <ol style="list-style-type: none"> <li>1. We obtained an understanding, evaluated the design and tested operational effectiveness of the Group's key control on tax provision and contingencies.</li> <li>2. We enquired to those charged with governance to obtain their view on the status of all significant litigations and regulatory matters;</li> <li>3. 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;</li> <li>4. 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</li> <li>5. We also assessed the disclosures on the Group's provisions and contingent liabilities.</li> </ol>

SL	Key Audit Matter	How our audit addressed the key audit matter
<b>3</b>	<b>Credit risks and impairment on trade receivables (Refer to notes 3.10, 3.14 and 36.1(b) to these Consolidated financial statements)</b>	
	<p>The amount of trade receivables covers 14% (2021: 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> <ol style="list-style-type: none"> <li>1. We tested the receivable balances compared those with the results obtained from external confirmations.</li> <li>2. We inspected the arrangements, security documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables;</li> <li>3. 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;</li> <li>4. We reviewed the calculation of impairment allowance on trade receivables as per IFRS 9; and</li> <li>5. We also assessed the disclosures on the trade receivables as per IFRS 9.</li> </ol>



SL	Key Audit Matter	How our audit addressed the key audit matter
4	<b>Property, plant and equipment (Refer to notes 3.5 and 4 to these consolidated financial statements).</b>	
	<p>The property, plant and equipment balance comprises 22% (2021: 20%) of total assets. This amounts to BDT 3,263 million (2021: BDT 2,800 million) as shown in note 4.</p> <p>Judgement is exercised in determining the useful lives and when assessing whether there are any indicators of impairment exist and when performing impairment assessments where indicators have been identified.</p> <p>Based on the value of the property, plant and equipment as well as the judgements involved in determining useful lives, this has been identified as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>1. Obtained the useful lives and confirmed that this was reviewed and considered in the year under review;</li> <li>2. We have reviewed the judgments and methodology applied by management including the nature of underlying costs capitalized, determination of realizable value of the assets retired from active use, technical assessment conducted in assessing the useful life of assets;</li> <li>3. Assessed whether indicators of impairment existed at 31 December 2022 based on our knowledge of the business and the industry; and</li> <li>4. Assessed the relevant disclosures made within the financial statements.</li> </ol>

### Other information included in the Group's 31 December 2022 Annual Report

Other information consists of the information included in the Group's 31 December 2022 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

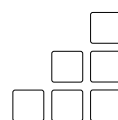
is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 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.

## 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

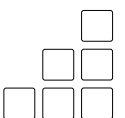


**Mohammad Motaleb Hossain FCA**

Partner

Enrolment Number: 0950

25 January 2023





## RAK Ceramics (Bangladesh) Ltd.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 Taka	2021 Taka
<b>Assets</b>			
Property, plant and equipment	4	3,263,124,297	2,799,893,949
Investment property	5	503,012,247	503,234,165
Right-of-use assets	6	25,127,649	13,852,546
Intangible assets	7	675,942	2,025,755
Capital work-in-progress	8	155,705,038	17,713,837
<b>Total non-current assets</b>		<b>3,947,645,173</b>	<b>3,336,720,252</b>
Inventories	9	3,404,569,828	2,989,795,940
Trade and other receivables	10	1,524,574,050	1,227,006,049
Advances, deposits and prepayments	11	299,208,628	311,692,999
Advance income tax	12	4,100,140,671	3,865,788,064
Cash and cash equivalents	13	1,275,774,291	2,276,654,664
<b>Total current assets</b>		<b>10,604,267,468</b>	<b>10,670,937,716</b>
<b>Total assets</b>		<b>14,551,912,641</b>	<b>14,007,657,968</b>
<b>Equity</b>			
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	1,883,817,400	1,747,192,779
<b>Equity attributable to equity holders of the company</b>		<b>7,637,152,389</b>	<b>7,500,527,768</b>
<b>Non-controlling interests</b>		<b>1,336</b>	<b>1,418</b>
<b>Total equity</b>		<b>7,637,153,725</b>	<b>7,500,529,186</b>
<b>Liabilities</b>			
Deferred tax liability	17	108,058,703	139,829,250
Lease liability	20	13,155,601	4,904,896
<b>Total non-current liabilities</b>		<b>121,214,304</b>	<b>144,734,146</b>
Borrowings	19	372,805,793	430,408,117
Lease liability	20	5,427,646	4,809,657
Trade and other payables	21	1,048,213,664	885,084,814
Unclaimed dividend payable	22	11,901,967	11,764,448
Accrued expenses	23	833,246,587	758,212,444
Provision for income tax	24	4,521,948,955	4,272,115,156
<b>Total current liabilities</b>		<b>6,793,544,612</b>	<b>6,362,394,636</b>
<b>Total liabilities</b>		<b>6,914,758,916</b>	<b>6,507,128,782</b>
<b>Total equity and liabilities</b>		<b>14,551,912,641</b>	<b>14,007,657,968</b>

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

Dated, 25 January 2023

*Abdallah Massaad*  
**Abdallah Massaad**  
Chairman

*SAK Ekramuzzaman*  
**SAK Ekramuzzaman**  
Managing Director

*Pramod Kumar Chand*  
**Pramod Kumar Chand**  
Director

*Sadhan Dey*  
**Sadhan Kumar Dey**  
Chief Financial Officer

*Muhammad Shahidul Islam*  
**Muhammad Shahidul Islam FCS**  
Company Secretary

## RAK Ceramics (Bangladesh) Ltd.

### CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 Taka	2021 Taka
Sales	25	7,453,465,494	6,851,136,685
Cost of sales	26	(5,483,544,470)	(4,818,277,683)
<b>Gross profit</b>		<b>1,969,921,024</b>	<b>2,032,859,002</b>
Other income	27	100	50
Administrative expenses	28	(347,982,610)	(333,244,125)
Impairment loss on trade receivables	28.1	(2,928,652)	(275,532)
Marketing and selling expenses	29	(623,919,697)	(523,744,007)
		(974,830,859)	(857,263,614)
<b>Profit from operating activities</b>		<b>995,090,165</b>	<b>1,175,595,388</b>
Finance income	30	48,912,214	44,817,209
Finance expenses	31	(109,274,503)	(10,390,323)
Net finance income		(60,362,289)	34,426,886
<b>Profit before contribution to worker's profit participation and welfare fund</b>		<b>934,727,876</b>	<b>1,210,022,274</b>
Contribution to workers' profit participation and welfare fund	32	(45,079,009)	(55,919,793)
<b>Profit before income tax</b>		<b>889,648,867</b>	<b>1,154,102,481</b>
<b>Income tax expense</b>			
Current tax	33	(249,833,799)	(300,848,645)
Deferred tax	17	31,770,547	51,932,051
		(218,063,252)	(248,916,594)
<b>Profit for the year</b>		<b>671,585,615</b>	<b>905,185,887</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>671,585,615</b>	<b>905,185,887</b>
<b>Profit attributable to:</b>			
Equity holders of the company		671,585,497	905,185,683
Non-controlling interests		118	204
<b>Profit after tax for the year</b>		<b>671,585,615</b>	<b>905,185,887</b>
<b>Basic earnings per share (Par value BDT 10)</b>	39	<b>1.57</b>	<b>2.12</b>

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

Dated, 25 January 2023

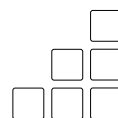
*Abdallah Massaad*  
**Abdallah Massaad**  
Chairman

*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 STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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			
<b>Balance as at 01 January 2021</b>	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)
<b>Balance as at 31 December 2021</b>	<b>4,279,687,010</b>	<b>1,473,647,979</b>	<b>1,747,192,779</b>	<b>7,500,527,768</b>	<b>1,418</b>	<b>7,500,529,186</b>
<b>Balance as at 01 January 2022</b>	4,279,687,010	1,473,647,979	1,747,192,779	7,500,527,768	1,418	7,500,529,186
Total comprehensive income for 2022						
Profit for the year	-	-	671,585,497	671,585,497	118	671,585,615
Transactions with the shareholders:						
Cash dividend (2021)	-	-	(534,960,876)	(534,960,876)	(200)	(534,961,076)
<b>Balance as at 31 December 2022</b>	<b>4,279,687,010</b>	<b>1,473,647,979</b>	<b>1,883,817,400</b>	<b>7,637,152,389</b>	<b>1,336</b>	<b>7,637,153,725</b>

The accompanying notes are an integral part of these financial statements



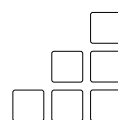
## RAK Ceramics (Bangladesh) Ltd.

### CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 Taka	2021 Taka
<b>Cash flows from operating activities</b>		
Cash receipts from customers	7,150,436,892	6,627,974,761
Cash payments to suppliers and employees	(6,304,309,331)	(5,776,542,072)
<b>Cash generated from operating activities</b>	846,127,561	851,432,689
Interest received from bank deposits	7,642,696	8,553,389
Income tax paid (note - 12)	(234,352,607)	(277,128,389)
<b>Net cash (used in)/from operating activities (note-42)</b>	619,417,650	582,857,689
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(1,045,896,573)	(132,428,540)
Sale of property, plant and equipment (note-5.3)	497,560	3,332,000
Interest received from FDR	46,730,120	40,649,943
Income from rental	-	570,000
Intangible assets	-	(450,000)
Dividend received	100	50
<b>Net cash (used in)/from investing activities</b>	(998,668,793)	(88,326,547)
<b>Cash flows from financing activities</b>		
Finance charges	(23,303,829)	(5,095,764)
Avail/(repayment) of short-term loan	(57,602,324)	310,467,212
Payment of lease liability	(7,110,461)	(6,074,925)
Dividend paid	(534,823,358)	(465,780,393)
Unclaimed share application refund	-	(748,800)
Adjustment related with non-controlling interest	(200)	(100)
<b>Net cash (used in)/from financing activities</b>	(622,840,172)	(167,232,770)
Effect of exchange rate changes in cash and cash equivalents	1,210,942	161,452
<b>Net increase/(decrease) in cash and cash equivalents</b>	(1,000,880,373)	327,459,824
<b>Cash and cash equivalents as at 01 January</b>	2,276,654,664	1,949,194,840
<b>Cash and cash equivalents as at 31 December (Note 13)</b>	<b>1,275,774,291</b>	<b>2,276,654,664</b>

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 2022

#### 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 25 January 2023.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentational currency

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

### 2.4 Use of estimates and judgements

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

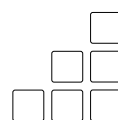
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

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

Note 4	Property, plant & equipment
Note 5	Investment property
Note 6	Right-of-use assets
Note 17	Deferred tax liability
Note 18	Employees benefit payable
Note 20	Lease liability
Note 24	Provision for income tax
Note 28.1	Impairment on trade receivable

### 2.5 Reporting period

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





## 2.6 Going concern

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

## 3 Significant accounting policies

The accounting policies set out below, which comply with 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 & other payables

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

### b) Borrowings

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

## 3.4 Share capital

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

## 3.5 Property, plant and equipment

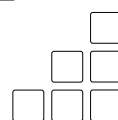
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment. Maintenance, renewals and betterments that enhance the economic useful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

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

### 3.5.1 Depreciation on property, plant and equipment

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

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



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

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

### 3.6 Investment property

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

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

#### 3.6.1 Depreciation on investment property

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

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

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

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



### 3.7 Capital work-in-progress

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

### 3.8 Intangible assets

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

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

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

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. No 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

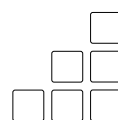
The carrying amount of the non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. For intangible assets that have indefinite lives, recoverable 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 Company provides 5% of its net profit before tax after charging such expense as WPPF in accordance with "The Bangladesh Labour Act 2006 amended in 2018".

### 3.13 Provisions

Provisions are recognised on the reporting date if, as a result of past events, the 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.

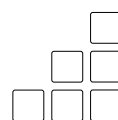
Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the group is unable to make a reasonable estimate of return, revenue is expected to 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 this IFRS 16, 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 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 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 period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous period. Provisions for corporate income tax is made following the rate applicable for companies as per Finance Act 2022.

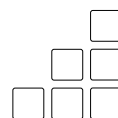
#### Deferred tax:

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 2021 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.

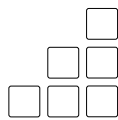
To facilitate comparison, certain relevant balances pertaining to the previous year have been rearranged/ reclassified whenever considered necessary to confirm to current year's presentation.



4 Property, plant and equipment  
2022

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 2022	
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal transfer during the year		Balance as at 01 Jan 2022	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2022
Land*	341,565,707	691,701,310	-	1,033,267,017	-	-	-	1,033,267,017	
Factory building	1,039,010,882	6,260,687	-	1,045,271,569	48,819,390	-	585,936,080	459,335,489	
Office and accommodation building	534,211,506	8,684,209	(82,121)	542,813,594	29,112,653	-	232,821,264	309,992,330	
Plant and machinery	5,838,268,311	156,574,890	(1,512,451)	5,993,330,750	325,245,589	(123,487)	4,681,012,855	1,312,317,895	
Mobile plant	122,557,641	16,270,864	82,121	138,910,626	7,841,674	-	92,741,702	46,168,924	
Electrical installation	242,630,147	-	-	242,630,147	6,433,656	-	221,688,993	20,941,154	
Gas pipeline	80,514,054	-	-	80,514,054	4,058,162	-	68,113,907	12,400,147	
Furniture and fixtures	44,050,472	4,474,835	(372,578)	48,152,729	4,787,817	(372,567)	32,512,734	15,639,995	
Office equipment	52,713,848	11,352,166	(357,220)	63,708,794	6,282,016	(357,214)	46,763,976	16,944,818	
Communication equipment	12,509,259	4,056,926	-	16,566,185	2,420,254	-	10,789,876	5,776,309	
Tools and appliances	19,831,622	-	(5,246,399)	14,585,223	1,267,390	(4,972,142)	11,273,182	3,312,041	
Vehicles	90,757,466	8,529,485	(3,098,911)	96,188,040	6,036,138	(2,391,864)	69,159,862	27,028,178	
Fire fighting equipment	3,631,012	-	-	3,631,012	-	-	3,631,012	-	
<b>Total</b>	<b>8,422,251,927</b>	<b>907,905,372</b>	<b>(10,587,559)</b>	<b>9,319,569,740</b>	<b>442,304,739</b>	<b>(8,217,274)</b>	<b>6,056,445,443</b>	<b>3,263,124,297</b>	

\*Addition of land includes BDT: 677,182,210 for the purchase of 33.05 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja from Mr. SAK Ekramuzzaman [Managing Director of RAK Ceramics (Bangladesh) Limited] and others as approved in EGM dated August 4, 2022. The land was proposed to be utilized for greenfield expansion of another tiles plant and new faucets plant.



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 01 Jan 2021	Charged during the year	Adjustment during the year	
Land	341,565,707	-	-		-	-	-	341,565,707
Factory building	1,038,033,128	977,754	-	5-20	488,346,178	48,770,512	537,116,690	501,894,192
Office and accommodation building	507,945,395	26,266,111	-	5	174,934,010	28,774,601	203,708,611	330,502,895
Plant and machinery	5,786,866,674	113,409,476	(62,007,839)	5-10	4,073,660,908	340,568,353	4,355,890,753	1,482,377,558
Mobile plant	142,301,896	10,921,834	(30,666,089)	10	108,869,473	4,912,074	84,900,028	37,657,613
Electrical installation	242,630,147	-	-	10-20	208,442,647	6,812,690	215,255,337	27,374,810
Gas pipeline	79,438,345	1,075,709	-	10-20	59,976,468	4,079,277	64,055,745	16,458,309
Furniture and fixtures	42,711,628	5,920,657	(4,581,813)	10	28,184,191	3,446,949	28,097,484	15,952,988
Office equipment	97,120,413	4,912,673	(49,319,238)	10-20	85,303,137	4,748,582	40,839,174	11,874,674
Communication equipment	13,757,325	903,004	(2,151,070)	10-20	8,450,583	1,963,875	8,369,622	4,139,637
Tools and appliances	19,177,097	717,952	(63,427)	10-20	13,596,805	1,444,556	14,977,934	4,853,688
Vehicles	84,511,240	6,246,226	-	10-20	59,230,380	6,285,208	65,515,588	25,241,878
Fire fighting equipment	3,631,012	-	-	20	3,631,012	-	3,631,012	-
<b>Total</b>	<b>8,399,690,005</b>	<b>171,351,396</b>	<b>(148,789,476)</b>		<b>5,312,625,791</b>	<b>451,806,678</b>	<b>5,622,357,978</b>	<b>2,799,893,949</b>

## 5 Investment Property

2022

Particulars	COST			Rate	DEPRECIATION			Amount in Taka
	Balance as at 01 Jan 2022	Addition during the year	Sale/Transfer during the year		Balance as at 01 Jan 2022	Charged during the year	Adjustment during the year	
Land <sup>1</sup>	500,571,750	-	-	-	-	-	-	500,571,750
Office building <sup>2</sup>	4,432,737	-	-	5%	1,770,322	221,918	1,992,240	2,440,497
<b>Total</b>	<b>505,004,487</b>	<b>-</b>	<b>-</b>		<b>1,770,322</b>	<b>221,918</b>	<b>1,992,240</b>	<b>503,012,247</b>

2021

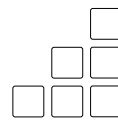
Particulars	COST			Rate	DEPRECIATION			Amount in Taka
	Balance as at 01 Jan 2021	Addition during the year	Sale/Transfer during the year		Balance as at 01 Jan 2021	Charged during the year	Adjustment during the year	
Land <sup>1</sup>	500,571,750	-	-	-	-	-	-	500,571,750
Office building <sup>2</sup>	4,432,737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

1. The land 10 khata is situated besides the RAK Tower was acquired in March 2012 and 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 at above land and 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.





	2022 Taka	2021 Taka
<b>5.1 Depreciation</b>		
Property, plant and equipment (Note 4)	442,304,739	451,806,678
Investment Property (Note 5)	221,918	221,918
	<b>442,526,657</b>	<b>452,028,596</b>
<b>5.2 Allocation of Depreciation</b>		
Cost of sales (Note 26)	404,399,955	416,656,484
Administrative expenses (Note 5.2.1)	31,297,603	29,748,902
Marketing & selling expenses (Note 29)	6,829,099	5,623,210
	<b>442,526,657</b>	<b>452,028,596</b>
<b>5.2.1 Allocation of Administrative Depreciation</b>		
Depreciation on property, plant & equipment (Note 28)	31,075,685	29,526,984
Depreciation on investment property (Note 28)	221,918	221,918
	<b>31,297,603</b>	<b>29,748,902</b>
<b>5.3 Disposal of property, plant and equipment</b>		

## 2022

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Office equipment	357,220	357,214	6	4,000	3,994
Furniture & fixture	372,578	372,567	11	18,560	18,549
Plant and machinery	1,512,451	123,487	1,388,964	-	(1,388,964)
Vehicles	3,098,911	2,391,864	707,047	475,000	(232,047)
Tools and appliances	5,246,399	4,972,142	274,257	-	(274,257)
<b>Total</b>	<b>10,587,559</b>	<b>8,217,274</b>	<b>2,370,285</b>	<b>497,560</b>	<b>(1,872,725)</b>

## 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 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	-	-	-
<b>Total</b>	<b>148,789,476</b>	<b>142,074,492</b>	<b>6,714,984</b>	<b>3,332,000</b>	<b>(3,382,984)</b>

6 Right-of-use assets  
2022

Particulars	COST			DEPRECIATION			Amount in Taka Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal during the year	Balance as at 01 Jan 2022	Charged during the year	Adjustment during the year	
	Balance as at 31 Dec 2022			Balance as at 31 Dec 2022			
Display center	44,590,469	17,601,130	(13,913,368)	31,468,446	8,215,417	(13,913,368)	22,507,736
Accommodation building	1,393,850	805,053	(727,523)	663,327	730,522	(727,523)	805,054
Warehouse	-	1,880,142	-	-	65,283	-	1,814,859
<b>Total</b>	<b>45,984,319</b>	<b>20,286,325</b>	<b>(14,640,891)</b>	<b>32,131,773</b>	<b>9,011,222</b>	<b>(14,640,891)</b>	<b>25,127,649</b>

2021

Particulars	COST			DEPRECIATION			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 01 Jan 2021	Charged during the year	Adjustment during the year	
	Balance as at 31 Dec 2021			Balance as at 31 Dec 2021			
Display center	51,948,657	-	(7,358,189)	31,481,037	7,458,852	(7,471,444)	13,122,023
Accommodation building	2,432,214	690,046	(1,728,411)	1,716,579	714,217	(1,767,470)	730,523
Office building	3,776,889	-	(3,776,889)	3,776,889	-	(3,776,889)	-
<b>Total</b>	<b>58,157,760</b>	<b>690,046</b>	<b>(12,863,490)</b>	<b>36,974,505</b>	<b>8,173,069</b>	<b>(13,015,803)</b>	<b>13,852,546</b>

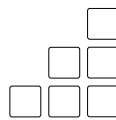
6.1 Allocation of depreciation

Administrative expenses (Note 28)

Marketing & Selling expenses (Note 29)

	2022 Taka	2021 Taka
	730,522	714,217
	8,280,700	7,458,852
	<b>9,011,222</b>	<b>8,173,069</b>

1. Company rented four display center's situated in Dhaka, Chattogram, Sylhet and Mymensingh.
2. Accommodation building was rented for the use of transit employees.
3. Office building was rented for the use of official work.
4. Warehouse was rented to store finished goods.



7 Intangible assets  
2022

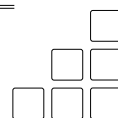
Particulars	COST				AMORTIZATION				Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2022	Balance as at 01 Jan 2022	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2022	
License	22,692,876	-	-	22,692,876	22,381,800	205,707	-	22,587,507	105,369
Computer Software	12,064,380	-	-	12,064,380	10,349,701	1,144,106	-	11,493,807	570,573
<b>Total</b>	<b>34,757,256</b>	<b>-</b>	<b>-</b>	<b>34,757,256</b>	<b>32,731,501</b>	<b>1,349,813</b>	<b>-</b>	<b>34,081,314</b>	<b>675,942</b>

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	-	22,381,800	311,076
Computer software	11,614,380	450,000	-	12,064,380	9,082,956	1,266,745	-	10,349,701	1,714,679
<b>Total</b>	<b>34,307,256</b>	<b>450,000</b>	<b>-</b>	<b>34,757,256</b>	<b>31,174,899</b>	<b>1,556,602</b>	<b>-</b>	<b>32,731,501</b>	<b>2,025,755</b>



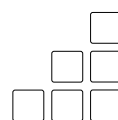
	2022 Taka	2021 Taka
<b>8 Capital Work-in-Progress</b>		
Balance as at 1 January	17,713,837	56,636,694
Add: Addition during the year (note 8.1)	306,335,970	96,626,942
	324,049,807	153,263,636
Less: Transfer to property, plant & equipment during the year (note 8.2)	168,344,769	135,549,799
Balance as at 31 December	<b>155,705,038</b>	<b>17,713,837</b>
<b>8.1 Addition during the year</b>		
Building	15,264,180	24,938,333
Plant & machinery	273,363,820	61,065,396
Others	17,707,970	10,623,213
	<b>306,335,970</b>	<b>96,626,942</b>
<b>8.2 Items transferred from capital work in progress to property, plant &amp; equipment</b>		
Building	14,944,895	27,243,865
Plant & machinery	138,247,010	97,667,721
Others	15,152,864	10,638,213
	<b>168,344,769</b>	<b>135,549,799</b>
<b>9 Inventories</b>		
Raw materials	1,616,409,488	1,330,068,854
Less : Provision for slow moving & obsolete inventories	27,390,319	17,729,507
	1,589,019,169	1,312,339,347
Stores and consumables spares and packing	1,099,615,246	896,238,370
Less: Write off for stores and spares	45,658,898	53,019,381
	1,053,956,348	843,218,989
Finished goods (net of net realizable value adjustment) *	587,936,012	584,786,606
Less : Provision for slow moving & obsolete inventories	10,193,909	15,720,612
	577,742,103	569,065,994
Work-in-process	72,294,867	59,359,055
Goods-in-transit	111,557,341	205,812,555
	<b>3,404,569,828</b>	<b>2,989,795,940</b>
	*Finished goods exclude provision of net realizable value BDT. 25,977,522.	
<b>10 Trade and other receivables</b>		
Trade receivables (Note 10.1)	1,523,479,675	1,220,402,229
	1,523,479,675	1,220,402,229
Accrued interest (Note 10.2)	1,094,375	6,554,976
Other receivable	-	48,844
	<b>1,524,574,050</b>	<b>1,227,006,049</b>



	2022 Taka	2021 Taka
<b>10.1 Trade receivables</b>		
Receivables from local sales	1,535,563,513	1,229,557,415
	1,535,563,513	1,229,557,415
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	6,039,333	2,581,204
Related parties	6,044,505	6,573,982
	<b>1,523,479,675</b>	<b>1,220,402,229</b>
<b>10.2 Accrued interest</b>		
Interest accrued on Fixed Deposit Receipt	1,094,375	6,554,976
	<b>1,094,375</b>	<b>6,554,976</b>
<b>11 Advance, deposit and prepayments</b>		
Advances:		
Employees	354,500	298,000
Purchase of land and others	18,037,873	10,017,270
Suppliers against materials and services	60,283,423	68,049,896
	78,675,796	78,365,166
Security and other deposits:		
Titas gas	71,833,050	69,752,450
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and Supplementary duty (Note-11.1)	2,123,789	2,191,784
Deposited with income tax authority	79,320,962	79,320,962
Deposited with VAT authority	34,345,289	58,361,240
Display center and others	1,312,000	2,372,000
Other deposits	1,494,626	1,494,626
	192,384,716	215,448,062
Prepayments:		
Showroom, warehouse and office rent	15,774,000	-
Insurance and others	12,374,116	17,879,771
	28,148,116	17,879,771
	<b>299,208,628</b>	<b>311,692,999</b>
<b>11.1 Supplementary duty &amp; VAT</b>		
Balance as at 1 January	2,191,784	7,417,931
Add: Treasury deposit for SD & VAT purpose	9,170,717	9,533,102
	11,362,501	16,951,033
Less: SD & VAT on sales	9,238,712	14,759,249
Balance as at 31 December	<b>2,123,789</b>	<b>2,191,784</b>

The above amount represents RAK Security and services (Pvt) Ltd.

	2022 Taka	2021 Taka
<b>12 Advance Income Tax</b>		
Balance as at 1 January	3,865,788,064	3,588,659,675
Add: Paid during the year	234,352,607	277,128,389
Balance as at 31 December (Note - 12.1)	<b>4,100,140,671</b>	<b>3,865,788,064</b>
<b>12.1 Payment for the year</b>		
<b>Income year</b>		
Year 2022	215,539,721	-
Year 2021	273,987,480	255,174,594
Year 2020	130,950,084	130,950,084
Year 2019	280,949,748	280,949,748
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
	<b>4,100,140,671</b>	<b>3,865,788,064</b>
<b>13 Cash and cash equivalents</b>		
Cash in hand	4,940,100	2,606,103
Cash at banks		
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	48,008,704	98,519,046
BRAC Bank Ltd. (current account - 1530201731248001 - BDT)	7,029,098	15,126,914
Citibank N.A. (current account - G0100001200262018 - BDT)	143,529	149,989
Dutch Bangla Bank Ltd. (current account -117-110-12733,117-110-4311,117.110.23474 BDT)	2,224,092	1,628,655





	2022 Taka	2021 Taka
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	1,305,563	4,648,910
Standard Chartered Bank (Margin money account)	11,369,665	16,608,637
United Commercial Bank Ltd. (SND account - 0831301000000164 BDT)	19,582,657	31,825,028
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	376,147	54,866
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	64,575,111	141,614,772
Prime Bank Ltd. (SND - 2125316004690 - BDT)	5,163,335	13,135,435
Eastern Bank Ltd. (CD account - 1132040363287, 1041060507936 - BDT)	1,187,158	587,252
Dhaka Bank Ltd (SND - 102.150.274- BDT))	12,724,019	27,682,861
Commercial Bank of Ceylon (CD-2817000776 - BDT.)	-	5,739
Dhaka Bank Ltd (CD - 204100000019318- BDT))	337,606	1,241,296
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	36,099,416	60,071,855
Commercial Bank of Ceylon (ERQ-1806012366 - USD.)	1,167,570	4,308,029
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	18,037,173	24,494,840
Midland Bank Ltd. (SND 0006-10700000015, 0006-10600000043 - BDT)	323,664,743	171,763,920
Eastern Bank Ltd. (SND account - 1041360507944 - BDT)	76,971,089	71,777,074
Eastern Bank Ltd. (Margin Money account)	685,732	4,681,650
Commercial Bank of Ceylon (Margin Money account)	331,882	53,212
	630,984,289	689,979,980
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	1,686,673	1,685,806
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
	5,886,379	5,885,512
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,832,666	2,848,356
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	1,096,576	1,112,266
SCB (SND - 02-6162940-02- BDT) - 2012	176,153	180,227
SCB (SND - 02-6162940-03- BDT) - 2013	321,365	337,376
SCB (SND - 02-6162940-04- BDT) - 2014	-	3,862
SCB (SND - 02-6162940-05- BDT) - 2015	40,449	44,581
SCB (SND - 02-6162940-06- BDT) - 2016	7,170	11,317

	2022 Taka	2021 Taka
SCB (SND - 02-6162940-07- BDT) - 2017	1,133	5,283
SCB (SND - 02-6162940-08- BDT) - 2018	-	1,925,267
SCB (SND - 02-6162940-09- BDT) - 2019	6,099,271	6,576,189
SCB (SND - 02-6162940-10- BDT) - 2020	3,179,172	3,630,950
SCB (SND - 02-6162940-11- BDT) - 2021	3,070,463	-
	<b>16,824,418</b>	<b>16,675,674</b>
Investment in Fixed Deposit Receipt (FDR)		
SCB	-	762,080
BRAC Bank Ltd.	-	50,000,000
Dutch Bangla Bank Ltd.	-	400,000,000
Eastern Bank Ltd.	262,139,105	505,745,315
Dhaka Bank Ltd.	300,000,000	550,000,000
Commercial bank of Ceylon	55,000,000	55,000,000
	<b>617,139,105</b>	<b>1,561,507,395</b>
	<b>1,275,774,291</b>	<b>2,276,654,664</b>

#### 14 Share Capital

##### Authorised :

600,000,000 ordinary shares of Taka 10/- each	<b>6,000,000,000</b>	<b>6,000,000,000</b>
---	----------------------	----------------------

##### Issued, subscribed, called and paid up :

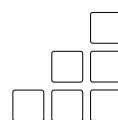
427,968,701 ordinary shares of Taka 10/- each	<b>4,279,687,010</b>	<b>4,279,687,010</b>
---	----------------------	----------------------

##### Percentage of shareholdings :

	2022		2021	
	%	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
Other Sponsors	0.00	1,660	0.00	1,660
General Public	27.92	1,194,862,800	27.92	1,194,862,800
	<b>100.00</b>	<b>4,279,687,010</b>	<b>100.00</b>	<b>4,279,687,010</b>

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.

Mr. SAK Ekramuzzaman pledged 14,670,215 no of shares out of his total holding of 16,895,824 no of shares.



### Classification of shareholders by holding

Shareholders' range	Number of shareholders		Number of shares	
	2022	2021	2022	2021
01-499 shares	17,249	16,571	4,042,747	4,007,328
500 to 5,000 shares	8,179	6,107	13,158,647	9,667,706
5001 to 10,000 shares	926	645	7,005,165	4,753,914
10,001 to 20,000 shares	486	351	7,117,059	5,125,053
20,001 to 30,000 shares	154	116	3,901,900	2,852,640
30,001 to 40,000 shares	76	64	2,717,389	2,260,040
40,001 to 50,000 shares	65	38	3,061,080	1,763,948
50,001 to 100,000 shares	98	73	6,955,385	5,366,610
100,001 to 1,000,000 shares	81	90	24,464,289	28,132,218
1,000,001 to 1,000,000,000 Shares	15	17	355,545,040	364,039,244
	<b>27,329</b>	<b>24,072</b>	<b>427,968,701</b>	<b>427,968,701</b>

### 15 Share premium

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

No. of shares	Share premium (per share)	2022 Taka	2021 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
		<b>1,473,647,979</b>	<b>1,473,647,979</b>

### 16 Retained earnings (Reserve and surplus)

Balance as on 1 January	1,747,192,779	1,269,975,797
Add : Profit during the year	671,585,497	905,185,683
	2,418,778,276	2,175,161,480
Less: Dividend declared during the year	(534,960,876)	(427,968,701)
Balance as on 31 December	<b>1,883,817,400</b>	<b>1,747,192,779</b>

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



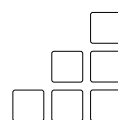
	2022 Taka	2021 Taka
<b>17 Deferred tax liabilities</b>		
Balance as at 1 January	139,829,250	191,761,301
Less : Deferred tax (income)/expenses	(31,770,547)	(51,932,051)
Balance as at 31 December	<b>108,058,703</b>	<b>139,829,250</b>

	Carrying amount on the date of statement of financial position Taka	Tax base Taka	Taxable/ (deductible) temporary difference Taka
<b>As at 31 December 2022</b>			
Property, plant and equipment (Excluding land and others)	2,191,768,732	1,654,353,913	537,414,819
Trade receivable	1,532,613,442	1,544,697,280	(12,083,838)
Inventories	3,349,411,095	3,412,972,845	(63,561,750)
Right of use assets	25,127,649	-	25,127,649
Lease liability	(18,583,247)	-	(18,583,247)
Net taxable temporary difference			<b>468,313,633</b>
Deferred tax liability (applying applicable tax rate for individual company)			<b>108,058,703</b>
<b>As at 31 December 2021</b>			
Property, plant and equipment (Excluding land and others)	2,410,027,994	1,750,469,029	659,558,965
Trade receivable	1,226,424,016	1,235,579,202	(9,155,186)
Inventories	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			<b>598,865,791</b>
Deferred tax liability (applying applicable tax rate for individual company)			<b>139,829,250</b>

**18 Employees benefits payable**

	2022		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	75,861,432	28,029,345	103,890,777
	75,861,432	28,029,345	103,890,777
Less: Payments made to fund during the year	75,861,432	28,029,345	103,890,777
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 833,466 for the year 2022 has been adjusted with provision and payment.



	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.

## 19 Borrowings

Short-term borrowings	372,805,793	430,408,117
Balance as at 31 December	<b>372,805,793</b>	<b>430,408,117</b>

### 19.1 Borrowings by maturity

At 31 December 2022	< 1 year	1-2 years	2-5 years	Total
Short-term borrowings	372,805,793	-	-	372,805,793
	<b>372,805,793</b>	-	-	<b>372,805,793</b>

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

### 19.2 Facilities details (Funded)

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft	50,000,000	-	Revolving	From company's own source		
	Short term loan	500,000,000	57,859,449	180/360 days from B/L date			
Eastern Bank Ltd.	Long term loan*	450,000,000	-	5 years with 1 year moratorium period	From company's own source	1) Corporate guarantee, 2) Hypothecation over stock & book debts on a parri - passu basis with other lenders.	1) Specific charge over plant, machinery and equipment of BMRE projects.
	Overdraft	30,000,000	-	Revolving			
Dutch Bangla Bank Ltd.	Short term loan	425,000,000	235,015,937	180/360 days from B/L date	From company's own source	3) Demand promissory note.	
	Overdraft	25,000,000	-	Revolving			
Commercial Bank of Ceylon	Short term loan	90,000,000	-	180/360 days from B/L date	From company's own source		
	Overdraft	35,000,000	-	Revolving			
	Short term loan	550,000,000	79,930,407	180/360 days from B/L date	From company's own source		

20 **Lease liability**

**Non-current:**

Lease liability

Less : Current portion of lease liability

**Current:**

Current portion of lease liability

2022 Taka	2021 Taka
18,583,247	9,714,554
5,427,646	4,809,657
<b>13,155,601</b>	<b>4,904,896</b>
<b>5,427,646</b>	<b>4,809,657</b>

**31 December 2022**

**Lease liability schedule**

Particulars	Balance as on 01 January 2022	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2022
Display center	8,959,184	11,971,130	6,203,091	1,169,941	5,033,149	15,897,164
Accommodation Building	755,370	805,053	802,105	75,893	726,213	834,211
Warehouse	-	1,880,142	105,265	76,995	28,270	1,851,871
	<b>9,714,554</b>	<b>14,656,325</b>	<b>7,110,461</b>	<b>1,322,829</b>	<b>5,787,632</b>	<b>18,583,247</b>

**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
	<b>13,796,578</b>	<b>842,361</b>	<b>6,074,925</b>	<b>1,150,540</b>	<b>4,924,385</b>	<b>9,714,554</b>

21 **Trade and other payables**

**Trade payables**

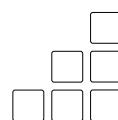
Payable to local suppliers

Payable to foreign suppliers

Payable to service provider

Payable to C & F agent

144,065,549	185,069,082
222,739,944	306,722,614
71,856,030	68,742,282
62,174,471	49,038,384
<b>500,835,994</b>	<b>609,572,362</b>





	2022 Taka	2021 Taka				
<b>Other payables</b>						
Tax deducted at source	18,039,481	24,500,151				
Tax deducted at source on remuneration (Note-23.1)	7,099,944	8,807,367				
Tax deducted at source on incentive and bonus (Note-23)	7,263,075	4,603,182				
VAT deducted at source	8,445,799	10,541,119				
VAT and Supplementary duty payable (Note-21.1)	115,766,477	117,438,944				
Unclaimed share application	20,061,956	20,061,956				
Advance from customer against sales	7,663,680	9,745,981				
Security deposit payable	2,075,814	2,018,224				
Payable to employees	1,534,726	1,823,489				
Payable to customer against claim	16,656,209	13,735,760				
Provisional liabilities - material & services	44,632,834	62,236,279				
Payable against purchase of land (Note - 37)	298,137,675	-				
	<b>547,377,670</b>	<b>275,512,452</b>				
	<b>1,048,213,664</b>	<b>885,084,814</b>				
<b>21.1 VAT and Supplementary duty (SD) payable</b>						
Opening Balance	117,438,944	139,511,697				
Add: VAT and Supplementary duty on sales	2,512,675,861	2,324,239,441				
Other payable	211,101	-				
	<b>2,630,325,905</b>	<b>2,463,751,139</b>				
Less: Treasury deposit for SD & VAT purpose	1,633,832,497	1,510,551,448				
Rebate of input VAT	880,726,931	835,760,747				
	2,514,559,428	2,346,312,194				
<b>Balance as at 31 December</b>	<b>115,766,477</b>	<b>117,438,944</b>				
<b>22 Unclaimed Dividend Payable</b>	<b>11,901,967</b>	<b>11,764,448</b>				
Year	Dividend declared	TDS on dividend	Net dividend	Dividend distributed till 31 Dec 2022	Fund Transferred to CMSF	Undistributed fund (BDT) as on 31 Dec 2022
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	357,227,075	1,946,478	-
2019	641,953,052	49,029,624	592,923,428	586,814,480	-	6,108,948
2020	427,968,701	32,747,652	395,221,049	392,398,879	-	2,822,171
2021	534,960,876	39,123,334	495,837,543	492,866,695	-	2,970,848
	<b>6,307,249,174</b>	<b>532,743,804</b>	<b>5,774,505,371</b>	<b>5,721,521,659</b>	<b>41,081,745</b>	<b>11,901,967</b>

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
	<b>5,772,288,298</b>	<b>493,620,470</b>	<b>5,278,667,828</b>	<b>5,227,768,113</b>	<b>39,135,267</b>	<b>11,764,448</b>

## 23

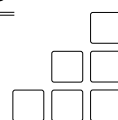
### Accrued expenses

	2022 Taka	2021 Taka
Power and gas	45,724,712	42,359,243
Staff cost	116,913,361	132,239,271
Dealer's incentive and bonus	65,367,671	41,428,638
Audit fees	1,840,000	1,555,000
Professional charges	460,497	1,045,000
Interest on loans	7,598,906	2,440,939
Telephone	236,848	205,976
Freight bill	1,750,586	676,640
Business promotion and advertisement	32,591,430	19,209,107
Hiring heavy equipment	1,660,994	1,506,239
Managing Director's remuneration (Note 23.1)	21,299,832	26,422,103
Worker's profit participation and welfare fund (Note 23.2)	45,079,009	55,919,793
Royalty and technical know-how fees (Note 23.3)	478,068,907	407,974,519
Others	14,653,834	25,229,974
	<b>833,246,587</b>	<b>758,212,444</b>

### 23.1

#### Managing Director's remuneration

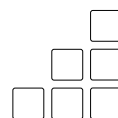
Balance as at 1 January	26,422,103	10,062,153
Add: Payable to Managing Director for the year	28,399,776	35,229,470
	54,821,879	45,291,623
Less: Tax deducted at source during the year (Note 21)	7,099,944	8,807,367
Less: Paid to Managing Director during the year	26,422,103	10,062,153
Balance as at 31 December	<b>21,299,832</b>	<b>26,422,103</b>



	2022 Taka	2021 Taka
<b>23.2 Worker's profit participation and welfare fund</b>		
Balance as at 1 January	55,919,793	22,816,672
Add: Contribution made to the fund during the year	45,079,009	55,919,793
	100,998,802	78,736,465
Less: Payment made from the fund during the year	55,919,793	22,816,672
<b>Balance as at 31 December</b>	<b>45,079,009</b>	<b>55,919,793</b>
<b>23.3 Provision for royalty and technical know-how fees</b>		
Balance as at 1 January	407,974,519	317,433,528
Add: Provision made during the year	70,094,388	90,540,991
<b>Balance as at 31 December</b>	<b>478,068,907</b>	<b>407,974,519</b>
<b>24 Provision for income Tax</b>		
Balance as at 1 January	4,272,115,156	3,971,266,511
Add: Provision made during the year	249,833,799	300,848,645
<b>Balance as at 31 December (Note 24.1)</b>	<b>4,521,948,955</b>	<b>4,272,115,156</b>
<b>24.1 Provision for income Tax</b>		
<b>Income year</b>		
Year 2022	249,833,799	-
Year 2021	300,848,645	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
	<b>4,521,948,955</b>	<b>4,272,115,156</b>



	2022 Taka	2021 Taka
<b>25 Sales</b>		
Gross sales from Ceramics product	10,629,010,173	9,814,133,937
Gross sales from Power generation	423,653,680	430,107,240
Gross sales from Security service	96,967,823	81,589,706
	11,149,631,676	10,325,830,883
Less: Elimination	414,579,652	412,133,652
Supplementary Duty	1,068,911,395	995,615,214
VAT	1,453,214,279	1,343,383,475
Discount	13,455,579	5,910,710
Commission, incentive and bonus	746,005,277	717,651,147
<b>Net sales</b>	<b>7,453,465,494</b>	<b>6,851,136,685</b>
<b>26 Cost of sales</b>		
Materials consumed:		
Opening inventory as at 1 January	1,312,339,347	562,104,748
Add: Purchase during the year	3,339,339,803	3,365,056,879
	4,651,679,150	3,927,161,627
Less: Closing inventory as at 31 December	1,589,019,169	1,312,339,347
	3,062,659,981	2,614,822,280
Manufacturing overhead:		
Direct labour (note 26.1)	681,862,234	649,384,487
Direct expenses:		
Power and gas	359,835,413	322,438,008
Repairs and indirect materials (note 26.2)	826,456,415	770,632,074
Depreciation on property, plant & equipment (note 5.2)	404,399,955	416,656,484
Royalty and technical know-how/assistance fees *	70,094,388	90,540,991
Other production overhead (note 26.3)	93,246,628	95,725,214
Provision for slow moving & obsolete inventories (note 9)	4,134,109	(3,860,575)
Movement in stock	(19,144,653)	(138,061,280)
	<b>5,483,544,470</b>	<b>4,818,277,683</b>
<b>26.1 Direct labour</b>		
Salary & wages	470,246,000	422,077,810
Overtime	41,862,228	40,027,676
Bonus	44,273,390	63,647,147
Incentive	42,498	375,504
Temporary labour wages	63,830,005	61,431,115



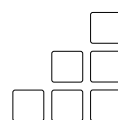
	2022 Taka	2021 Taka
Staff uniform, safety and welfare expenses	1,380,726	848,136
Gratuity	19,630,212	27,209,389
Employer's contribution to provident fund	25,673,570	23,071,166
Leave encashment	12,029,754	7,706,607
Group life insurance	2,472,578	2,820,500
Compensation	421,273	169,437
	681,862,234	649,384,487
<b>26.2 Repairs and indirect materials</b>		
Stores, spares, repair & maintenance	405,154,135	412,961,053
Packing expenses	421,302,280	357,671,021
	826,456,415	770,632,074
<b>26.3 Other production overhead</b>		
Tour and travel expenses	2,566,673	5,081,308
Demurrage	8,349,282	3,348,351
Insurance	25,652,960	23,463,569
Hiring charges and transportation	7,423,206	5,145,760
Write off for stores and spares	45,658,898	53,019,381
Other expenses	3,595,609	5,666,845
	93,246,628	95,725,214
	*Royalty has been calculated 8% on business profit as per Finance Act 2020.	
<b>27 Other income</b>		
Dividend income	100	50
	<b>100</b>	<b>50</b>
<b>28 Administrative expenses</b>		
Staff cost (note 28.2)	193,947,545	184,940,010
Annual General Meeting expenses	1,941,291	1,500,500
Telephone and postage	10,742,187	7,495,489
Office repair and maintenance (note 28.3)	6,447,904	5,293,093
Registration and renewal	1,342,050	2,509,315
Security and guard expenses	210,764	268,809
Electricity, gas and water	5,897,032	6,981,039
Depreciation on property, plant & equipment (note 5.2.1)	31,075,685	29,526,984
Depreciation on investment property (note 5.2.1)	221,918	221,918
Depreciation on right of use assets (note 6.1)	730,522	714,217
Amortization (note 7)	1,349,813	1,556,602

	2022 Taka	2021 Taka
Legal and professional fees	15,410,904	13,093,065
Vehicle repair and maintenance	17,525,520	11,894,753
Rent, rate and tax	4,304,999	4,444,213
Loss on retirement of assets (note 5.3)	1,872,725	3,382,984
IT expenses	4,629,673	3,206,443
General Service	4,962,745	5,713,979
Donation	2,620,836	3,487,111
Managing Director's remuneration (note 28.4)	28,399,776	35,229,470
Others	14,348,721	11,784,130
	<b>347,982,610</b>	<b>333,244,125</b>
<b>28.1 Impairment loss on trade receivables</b>		
Unrelated parties	3,458,129	189,138
Related parties	(529,477)	86,394
	<b>2,928,652</b>	<b>275,532</b>

New classification of financial assets shown in note 36.1(b) as per IFRS 9.

<b>28.2 Staff cost</b>		
Salary & wages	138,625,187	126,714,394
Bonus	12,531,984	18,383,801
Incentive	777,101	1,225,194
Gratuity	4,196,428	7,584,905
Employer's contribution to provident fund	7,703,860	6,894,272
Leave encashment	4,233,691	2,163,674
Group life insurance	791,147	784,799
Canteen and conveyance expenses	17,603,010	11,434,091
Staff uniform, safety and welfare expenses	3,590,935	3,184,395
Travelling expenses	2,214,271	1,686,538
Compensation	246,184	1,526,707
Medical expenses	462,296	1,305,449
Accommodation expenses	971,451	1,816,103
Other employee benefit	-	235,688
	<b>193,947,545</b>	<b>184,940,010</b>

Accommodation expenses includes 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.



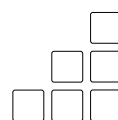


	2022 Taka	2021 Taka
<b>28.3 Office repair &amp; maintenance</b>		
Repairs office equipment	1,558,993	416,558
Office maintenance	4,888,911	4,876,535
	<b>6,447,904</b>	<b>5,293,093</b>
<b>28.4 Managing Director's remuneration</b>		
Provision made during the year	28,399,776	35,229,470
	<b>28,399,776</b>	<b>35,229,470</b>

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

<b>29 Marketing &amp; selling expenses</b>		
Staff cost (note 29.1)	119,734,188	89,858,917
Advertisement	47,539,985	12,294,710
Freight and transportation	328,668,292	300,626,263
Compensation to customers	9,386,717	22,280,195
Business promotion	67,785,066	62,672,470
Depreciation on property, plant & equipment (note 5.2)	6,829,099	5,623,210
Depreciation on right of use assets (note 6.1)	8,280,700	7,458,852
Showroom, office & house rent	1,271,536	1,549,622
Sample expenses	20,080,439	14,923,161
Tour, travel and others	14,343,675	6,456,607
	<b>623,919,697</b>	<b>523,744,007</b>
<b>29.1 Staff cost</b>		
Salary & wages	69,285,302	54,627,697
Bonus	6,216,799	7,607,299
Incentive	13,556,819	10,251,516
Gratuity	4,202,702	3,574,529
Employer's contribution to provident fund	4,136,553	3,154,744
Leave Encashment	1,186,678	1,060,630
Group life insurance	394,162	359,027
Conveyance & food expenses	11,492,718	9,092,963
Staff uniform, safety and welfare expenses	9,262,455	130,512
	<b>119,734,188</b>	<b>89,858,917</b>

	2022 Taka	2021 Taka
<b>29.2 Employees' contribution to provident fund</b>		
Salary & wages under staff cost (note no. 26.1, 28.2 & 29.1) includes employee contribution to provident fund for BDT. 25,673,570, BDT. 7,703,860 & BDT. 4,136,553.		
<b>30 Finance income</b>		
Interest on bank account (SND)	7,642,696	8,553,389
Interest on fixed deposits	41,269,518	36,263,820
	<b>48,912,214</b>	<b>44,817,209</b>
<b>31 Finance expenses</b>		
Interest expenses against loan	25,253,694	4,553,264
Interest expenses against lease liability	1,322,829	1,150,540
Foreign exchange loss	79,489,878	2,578,334
Bank charges	3,208,102	2,108,185
	<b>109,274,503</b>	<b>10,390,323</b>
<b>32 Contribution to worker's profit participation and welfare fund</b>		
Provision made during the year	45,079,009	55,919,793
	<b>45,079,009</b>	<b>55,919,793</b>
<b>33 Income tax expenses</b>		
Accounting profit (PBT as per individual company)	935,648,667	1,176,602,382
Add: Inadmissible depreciation allowance for separate consideration:		
Accounting Depreciation of Fixed Assets	442,526,657	452,028,596
	1,378,175,324	1,628,630,978
Add: Inadmissible expenses / allowances as per ITO, 1984:		
Business promotion expenses	13,737,385	13,027,044
Royalty expenses	270,752	48,662
Sample expenses	9,754,600	4,945,668
Amortization expenses	1,259,813	1,554,136
Depreciation on Right of Use Assets (ROUA)	9,011,222	8,173,069
Interest on lease liability	1,322,829	1,150,540
Provision for slow moving inventories	4,134,109	-
NRV Provision on inventories	3,751,662	-
	43,242,372	28,899,119
	1,421,417,696	1,657,530,097
Deduct: Tax base depreciation of Fixed Assets (as per 3rd Schedule of ITO,1984):	(307,779,495)	(329,374,048)



	2022 Taka	2021 Taka
Admissible expenses as per ITO,1984:		
Rent expenses	(12,127,538)	(11,600,296)
Deduct: Dividend income	(45,949,800)	(22,479,900)
<b>Taxable profit</b>	<b>1,147,460,464</b>	<b>1,339,035,653</b>
Applicable tax rate for individual company		
On Business income	As per applicable tax rate for individual company	
On Dividend income	20%	20%
Tax expenses as per applicable tax rate for individual company :		
Business income	240,633,819	296,348,655
Dividend income	9,199,980	4,499,980
<b>Current Tax Liability</b>	<b>249,833,799</b>	<b>300,848,645</b>

#### 34 Reconciliation of effective tax rate

	%	2022 Taka	%	2021 Taka
Profit before tax		889,648,867		1,154,102,481
Current tax expenses	28.08%	249,833,799	26.07%	300,848,645
Deferred tax expenses	-3.57%	(31,770,547)	-4.50%	(51,932,051)
<b>Total tax expenses</b>	<b>24.51%</b>	<b>218,063,252</b>	<b>21.57%</b>	<b>248,916,594</b>
Expected income tax using applicable tax rate for individual company	23.86%	212,305,075	23.28%	268,695,218
Tax on non-deductible expenses	4.2%	37,528,724	2.8%	32,153,427
Effective current tax	28.08%	249,833,799	26.07%	300,848,645
Effective deferred tax	-3.57%	(31,770,547)	-4.50%	(51,932,051)
	<b>24.51%</b>	<b>218,063,252</b>	<b>21.57%</b>	<b>248,916,594</b>

#### 35 Short term lease expenses

Nature of the lease	Lease Term	Allocation	2022	2021
			Rent Payment	Rent Payment
Rented accommodation	< 1 year	Admin	156,000	156,000
			<b>156,000</b>	<b>156,000</b>



## 36 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

### 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

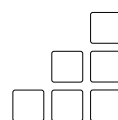
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	USD		Amounts in Taka	
	As at 31 Dec 2022	As at 31 Dec 2021	As at 31 Dec 2022	As at 31 Dec 2021
Trade receivables	-	-	1,523,479,675	1,220,402,229
Customer-Local	-	-	<b>1,523,479,675</b>	<b>1,220,402,229</b>
Other receivables				
Accrued Interest			1,094,375	6,554,976
Others			-	48,844
			<b>1,094,375</b>	<b>6,603,820</b>
Cash equivalents			<b>1,270,834,191</b>	<b>2,274,048,561</b>

#### 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 2022.

Financial assets	Note	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9	Impairment loss (Refer note 10.1)
Trade receivable-unrelated	10.1	Loan & receivable	Amortized cost	641,704,385	635,665,052	6,039,333
Trade receivable-related	10.1	Loan & receivable	Amortized cost	893,859,127	887,814,622	6,044,505
Cash & cash equivalent	13	Loan & receivable	Amortized cost	1,270,834,191	1,270,834,191	-



- i The above table provides information ECLs till date. Impairment provision till Dec 2021 was Tk. 9,155,186 and provision made during the year is Tk. 2,928,652.
- 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.
- iv Impairment loss allowance has not been considered on other receivables and bank balances because business is confident to recover the full amount from the party.

**c) Ageing of receivables**

The ageing of trade receivables as at 31 December was:

	Amounts in Taka	
	As at 31 Dec 2022	As at 31 Dec 2021
Not past due	1,328,198,931	1,149,687,410
0-90 days past due	119,056,142	34,881,457
91-180 days past due	43,494,110	27,869,771
181-365 days past due	29,094,918	5,342,346
over 365 days past due	3,635,574	2,621,245
	<b>1,523,479,675</b>	<b>1,220,402,229</b>

**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 2022			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	1,048,213,664	1,048,213,664	1,048,213,664	-
Short term borrowing	372,805,793	372,805,793	372,805,793	-
	<b>1,421,019,457</b>	<b>1,421,019,457</b>	<b>1,421,019,457</b>	-

	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	-
	<b>1,315,492,931</b>	<b>1,315,492,931</b>	<b>1,315,492,931</b>	-

### 36.3 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):

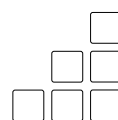
	As at 31 Dec 2022				As at 31 Dec 2021			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
<b>Foreign currency denominated assets</b>								
Cash at bank	-	-	24,486	-	-	-	105,562	-
	-	-	<b>24,486</b>	-	-	-	<b>105,562</b>	-

	As at 31 Dec 2022				As at 31 Dec 2021			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
<b>Foreign currency denominated liabilities</b>								
Trade payables	4,442	238,847	1,124,326	699,445	60,550	249,274	2,840,637	322,266
Short term borrowings	-	-	3,463,724	158,080	-	-	5,013,490	-
Royalty & Technical Fees	-	-	4,659,391	-	-	-	4,752,178	-
	4,442	238,847	9,247,441	857,525	60,550	249,274	12,606,305	322,266
<b>Net exposure</b>	<b>(4,442)</b>	<b>(238,847)</b>	<b>(9,222,955)</b>	<b>(857,525)</b>	<b>(60,550)</b>	<b>(249,274)</b>	<b>(12,500,743)</b>	<b>(322,266)</b>

The Company has foreign exchange loss of Tk 79,489,878 during the year ended 31 Dec 2022 (31 Dec 2021: Exchange gain Tk 2,578,334).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2022	31 Dec 2021
	Taka	Taka
AED	27.7608	23.2942
GBP	123.8037	115.4990
USD	101.8017	85.3500
EURO	108.6137	97.0488





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 2022 Profit or (loss)		As at 31 Dec 2021 Profit or (loss)	
	Strengthening Taka	Weakening Taka	Strengthening Taka	Weakening Taka
<b>At 31 Dec</b>				
AED (3 percent movement)	(137)	129	(1,873)	1,764
GBP (3 percent movement)	(7,387)	6,957	(7,710)	7,260
USD (3 percent movement)	(285,246)	268,630	(386,621)	364,099
EURO (3 percent movement)	(26,521)	24,976	(9,967)	9,386

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 2022 Taka	As at 31 Dec 2021 Taka
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Investment in FDR	617,139,105	1,561,507,395
Cash at banks	653,695,085	712,541,165
<b>Financial liabilities</b>		
Short term borrowing	372,805,793	430,408,117

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

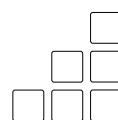
	As at 31 Dec 2022		As at 31 Dec 2021	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
<b>Financial assets</b>				
<b>Held to maturity assets</b>				
Investment in FDR	617,139,105	617,139,105	1,561,507,395	1,561,507,395

	As at 31 Dec 2022		As at 31 Dec 2021	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
<b>Loans and receivables</b>				
Trade receivables	1,523,479,675	1,523,479,675	1,220,402,229	1,220,402,229
Other receivables	1,094,375	1,094,375	6,603,820	6,603,820
Cash equivalents	1,270,834,191	1,270,834,191	2,274,048,561	2,274,048,561
<b>Financial liabilities</b>				
<b>Liabilities carried at amortised costs</b>				
Trade and other payables	1,048,213,664	1,048,213,664	885,084,814	885,084,814
Short term borrowing	372,805,793	372,805,793	430,408,117	430,408,117

Interest rates used for determining amortised cost

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

	31 Dec 2022	31 Dec 2021
Investment in FDR (local currency/BDT)	1.50%-6.75%	1.50%-5.00%
Bank overdraft (local currency/BDT)	9%	9%
Short term bank loan (local currency/BDT)	9%	9%
Short term bank loan (foreign currency/USD)	SOFR+2.00%-3.50%	LIBOR+2.00%-3.50%



37 **Related party disclosures under IAS-24**

List of related parties with whom transactions have been 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	
											Current year	Previous year
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	368,394,504	5,008,696	-	68,037,289	-	40,999,800	-	-
				Previous year	374,006,296	10,956,522	-	75,592,623	-	20,499,900	-	-
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	44,189,683	-	-	9,009,969	-	4,950,000	-	-
				Previous year	36,349,893	-	-	5,897,332	-	1,980,000	-	-
RAK Ceramics PJSC, UAE	Parent	Unsecured	Nil	Current year	4,313,568	-	-	24,198,217	-	-	-	-
				Previous year	9,026,026	-	-	18,643,948	-	-	-	-
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	659,475,040	-	-	-	-	-	-	-
				Previous year	785,892,515	-	-	65,809,391	-	-	-	-
RAK Ceramics (India) Pvt. Ltd.	Fellow subsidiary	Secured	Nil	Current year	706,935	-	-	-	-	-	-	-
				Previous year	48,362	-	-	-	-	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	14,250	-	-	-	-	-	-	-
				Previous year	423,872	-	-	-	-	-	-	-
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	106,789,265	-	-	14,733,285	-	-	-	-
				Previous year	59,455,970	-	-	13,393,261	-	-	-	-
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	13,087,923	-	-	944,528	-	-	-	-
				Previous year	11,461,923	-	-	391,680	-	-	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	1,581,556	-	-	-	-	-	-	-
				Previous year	1,724,911	-	-	25,929	-	-	-	-
Masram Agro Ltd.(*)	Other related party	Unsecured	Nil	Current year	209,743,750	-	-	209,743,750	-	-	-	-
				Previous year	-	-	-	-	-	-	-	-
Speedway International Pvt. Ltd	Other related party	Unsecured	Nil	Current year	29,621,260	-	-	9,278,768	-	-	-	-
				Previous year	6,553,328	-	-	5,787,631	-	-	-	-
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	-	-	-	6,414	-	-	-	-
				Previous year	1,496,233	-	-	6,414	-	-	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	7,843,174	-	-	-	-	-	-	-
				Previous year	58,450,995	-	-	8,299,420	-	-	-	-
Mohammed Trading	Other related party	Secured by Guaranteed Cheque	Nil	Current year	-	2,842,370,556	893,742,803	-	-	-	-	-
				Previous year	-	2,409,828,278	673,567,276	-	-	-	-	-
S.A.K. Ekramuzzaman (**)	Key Management Personnel	Unsecured	Nil	Current year	406,035,342	-	-	109,693,757	28,399,776	-	-	-
				Previous year	2,891,980	-	-	26,422,103	35,229,470	-	-	-
Sadhan Kumar Dey	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	-	9,690,207	-	-	-
				Previous year	-	-	-	-	9,023,824	-	-	-



\* Transaction represents purchase of 11.32 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 209,743,750 excluding registration and other expenses from Masram Agro Ltd. as approved by the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. The land registered in the name of the Company dated August 14, 2022 but no payment has been made until 31 December 2022. Therefore, said amount is showing as payable against purchase of land (Note-21).

\*\* Purchase includes 21.73 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 402,090,100 excluding registration and other expenses from S.A.K Ekramuzzaman as approved by the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. Out of total payable BDT. 402,090,100 an amount of BDT. 313,696,175 has been paid to Mr. S.A.K. Ekramuzzaman and balance BDT. 88,393,925 is showing as payable against purchase of land (Note -21).

**37.1** The Group has decided to purchase of 33.91 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 627.34 million excluding registration and other expenses from Mr. SAK Ekramuzzaman [Managing Director of RAK Ceramics (Bangladesh) Limited] and others in its Board of Directors meeting dated June 13, 2022 and subsequent approval of the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. Out of total 33.91 acres of land 33.05 acres has been registered in the name of the Company and balance 0.86 acres of land is under process of registration. The land was proposed to be utilized for greenfield expansion of tiles plant with an additional production capacity of 15,000 sqm of tiles per day, has been decided in the Board of Directors meeting as mentioned above. The total cost of the project was estimated BDT. 9,025 Million.

The Group has also decided to establish a new faucets plant with production capacity of 1,500 pcs per day on the above land in the Board of Directors meeting held on July 20, 2022. The total cost of the project estimated BDT. 950 Million.

To comply the BSEC notification no. BSEC/CMRRCD/2009-193/10/Admin/118 dated March 22, 2021 shareholders of the company in its 23rd Annual General Meeting dated March 31, 2022 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) equivalent to 10% (Ten 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. 28,399,776.

During the year, Board meeting fees of Taka 750,000 was paid to the board members for attending the Board meetings.

### 38 Segment reporting

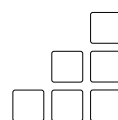
The company has three reportable segments which offer different products and services and are managed separately because they require different technology and marketing strategies. The following summary describes the operations of each segment:

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

**Power:** To 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	7,411,921,531	-	41,543,963	-	7,453,465,494
Revenue - inter segment	-	368,394,504	46,185,148	(414,579,652)	-
Total segment revenue	7,411,921,531	368,394,504	87,729,111	(414,579,652)	7,453,465,494



## 2022

	Business Segments				
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Cost of sales- external customer	(5,097,718,230)	(321,097,366)	(64,728,873)	-	(5,483,544,470)
Cost of sales- inter segment	(368,394,504)	(7,004,161)	-	375,398,665	-
Total segment cost of sales	(5,466,112,734)	(328,101,527)	(64,728,873)	375,398,665	(5,483,544,470)
Gross profit	1,945,808,797	40,292,977	23,000,238	-	1,969,921,024
Dividend income	45,949,800	50,000	100	(45,999,800)	100
Rental income	5,008,696	-	-	(5,008,696)	-
Financial income	47,920,629	957,025	34,561	-	48,912,215
Financial expenses	(108,789,150)	(458,736)	(26,618)	-	(109,274,503)
Depreciation	(413,916,131)	(28,416,724)	(193,802)	-	(442,526,657)
Other operating expenses	(620,402,456)	18,415,896	(19,586,435)	44,189,683	(577,383,312)
Segment profit before tax	901,580,185	30,840,438	3,228,044	-	889,648,667
Income tax expense	(236,522,849)	(12,325,560)	(985,390)	-	(249,833,799)
Deferred tax	26,283,573	5,564,115	(77,142)	-	31,770,546
Profit for the year					<b>671,585,615</b>

## 2021

	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)
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
Profit for the year					<b>905,185,887</b>

	2022 Taka	2021 Taka
<b>39 Calculation of Earnings per share (EPS)</b>		
Calculation of earnings per share (EPS) is as under:		
(a) Profit attributable to equity holders of the Company	671,585,497	905,185,683
(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)	1.57	2.12
Diluted earnings per share for the year (a÷c)	1.57	2.12

**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.

	2022 Taka	2021 Taka
Outstanding shares	427,968,701	427,968,701
	<b>427,968,701</b>	<b>427,968,701</b>

**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 are increased by 8.79% from BDT. 6,851.14 MN to BDT. 7,453.47 MN, even though earning per share is decreased from BDT. 2.12 to 1.57 due to increase in gas price, significant volatile of foreign currency market, disruption of global supply chain caused increase of all input raw material price and shipping freight. In addition, disruption of production due to inadequate pressure of supplied gas from mid of August 2022 and sometimes no gas resulting increase of production cost compare to previous year. Therefore, gross profit margin has been reduced from 29.67% to 26.43% and sales volume is not achieved as expected in the year 2022 due to the shortage of production.

**40 Calculation of Net assets value per share**

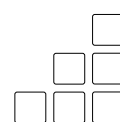
(a) Net assets value (Note 14, 15 & 16)	7,637,152,389	7,500,527,768
(b) Weighted average no. of equity shares outstanding (Note 39.1)	427,968,701	427,968,701
Net assets value per share (a÷b)	17.85	17.53

**41 Calculation of Net operating cash flow per share**

(a) Net Cash flows from operating activities (Note 42)	619,417,650	582,857,689
(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)	1.45	1.36

**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 are increased by 8.79% from BDT. 6,851.14 MN to BDT. 7,453.47 MN and registered improvement in cash flows from customers but income tax payment has been reduced due to the reduction of profit before tax in the current year as compared to last year which caused an increase in net operating cash flow per share from BDT 1.36 to BDT. 1.45.





	2022 Taka	2021 Taka
<b>42 Reconciliation of operating cash flow:</b>		
<b>Cash flows from operating activities</b>		
Profit before taxation	889,648,867	1,154,102,481
Adjustment for:		
Depreciation	451,537,879	460,201,666
Amortization	1,349,813	1,556,602
Advance rent adjustment	(5,630,000)	-
Loss on assets retirement	1,872,725	3,382,984
Foreign exchange loss	79,489,878	2,578,334
Finance expenses	29,784,625	7,811,989
Finance income	(48,912,214)	(44,817,209)
Other income	(100)	(50)
	1,399,141,474	1,584,816,796
Increase/decrease in trade and other receivables	(303,028,603)	(223,161,925)
Increase/decrease in inventories	(414,773,888)	(962,805,560)
Increase/decrease in trade and other payables	164,788,577	452,583,378
<b>Cash generated from operating activities</b>	846,127,561	851,432,689
Interest received from bank deposit	7,642,696	8,553,389
Income tax paid	(234,352,607)	(277,128,389)
<b>Net cash (used in)/from operating activities</b>	619,417,650	582,857,689

#### 43 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 545,206,680 (31 Dec 2021: Tk 1,130,710,423). 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 330,070,678 (31 Dec 2021: Tk 424,808,058) and letter of guarantee of Tk 145,690,514 (31 Dec 2021: Tk 139,459,353).

The company issued one corporate guarantee value BDT. 70 Million (SCB) in favour of subsidiary company to avail loan from banks. Outstanding loan against the said corporate guarantee are nil at 31 December 2022. 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) Ltd, in its meeting held on 25 January 2023, has unanimously recommended cash dividend @ 10% of the paid capital of the company for the year ended 31 December 2022 equivalent to BDT 427,968,701 to be distributed as cash dividend among shareholders, which is more than 30% of the current year profit. The dividend is subject to final approval by the shareholders at the forthcoming 24th Annual General Meeting (AGM) of the company which will be held on 30 March 2023.

# 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 2022, 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 2022, 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

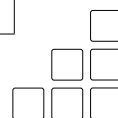
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's

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 2022. 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	<b>Revenue recognition (Refer to note 3.16 and 26 to these Financial Statements)</b>	
	<p>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).</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, bonus, incentive and discount 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> <ol style="list-style-type: none"> <li>1. We read the Company's revenue recognition policy and assessed its compliance in terms of IFRS 15 'Revenue from contracts with customers';</li> <li>2. 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;</li> <li>3. 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;</li> <li>4. 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</li> <li>5. Assessed the relevant disclosures made within the financial statements.</li> </ol>



SL	Key Audit Matter	How our audit addressed the key audit matter
2	<b>Tax and regulatory matters (Refer to note 3.22 and 45 to these Financial Statements)</b>	
	<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> <ol style="list-style-type: none"> <li>1. We obtained an understanding, evaluated the design and tested operational effectiveness of the Company's key control on tax provision and contingencies.</li> <li>2. We enquired to those charged with governance to obtain their view on the status of all significant litigations and regulatory matters;</li> <li>3. 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;</li> <li>4. 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</li> <li>5. We also assessed the disclosures on the Company's provisions and contingent liabilities.</li> </ol>

SL	Key Audit Matter	How our audit addressed the key audit matter
3	<b>Credit risks and impairment on trade receivables (Refer to note 3.10, 3.15 and 38.1(b) to these Financial Statements)</b>	
	<p>The amount of trade receivables covers 15% (2021:11%) 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 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> <ol style="list-style-type: none"> <li>1. We tested the receivable balances compared those with the results obtained from external confirmations.</li> <li>2. We inspected the arrangements, security documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables;</li> <li>3. 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;</li> <li>4. We reviewed the calculation of impairment allowance on trade receivables as per IFRS 9; and</li> <li>5. We also assessed the disclosures on the trade receivables as per IFRS 9.</li> </ol>



SL	Key Audit Matter	How our audit addressed the key audit matter
4	<b>Property, plant and equipment (Refer to notes 3.1 and 4 to these financial statements).</b>	
	<p>The property, plant and equipment balance comprises 22% (2021: 19%) of total assets. This amounts to BDT 3,129 million (2021: BDT 2,638 million) as shown in note 4.</p> <p>Judgement is exercised in determining the useful lives and when assessing whether there are any indicators of impairment exist and when performing impairment assessments where indicators have been identified.</p> <p>Based on the value of the property, plant and equipment as well as the judgements involved in determining useful lives, this has been identified as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>1. Obtained the useful lives and confirmed that this was reviewed and considered in the year under review;</li> <li>2. We have reviewed the judgments and methodology applied by management including the nature of underlying costs capitalized, determination of realizable value of the assets retired from active use, technical assessment conducted in assessing the useful life of assets;</li> <li>3. Assessed whether indicators of impairment existed at 31 December 2022 based on our knowledge of the business and the industry; and</li> <li>4. Assessed the relevant disclosures made within the financial statements.</li> </ol>

## Other information included in the Company's 31 December 2022 Annual Report

Other information consists of the information included in the Company's 31 December 2022 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

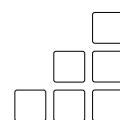
fair presentation of the financial statements of the Company in accordance with IFRSs, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements 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.

## 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: 2301260950AS789603

25 January 2023

## RAK Ceramics (Bangladesh) Ltd.

### STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 Taka	2021 Taka
<b>Assets</b>			
Property, plant and equipment	4	3,129,340,729	2,638,046,452
Investment property	5	503,012,247	503,234,165
Right-of-use assets	6	25,127,649	13,852,546
Intangible assets	7	318,408	1,578,221
Capital work-in-progress	8	155,705,038	17,713,837
Investment in subsidiaries	9	360,379,950	360,379,950
<b>Total non-current assets</b>		<b>4,173,884,021</b>	<b>3,534,805,171</b>
Inventories	10	3,349,411,095	2,945,904,573
Trade and other receivables	11	1,514,282,434	1,217,781,847
Advances, deposits and prepayments	12	262,364,051	276,903,416
Advance income tax	13	3,718,480,370	3,499,475,257
Cash and cash equivalents	14	1,215,933,702	2,199,873,444
<b>Total current assets</b>		<b>10,060,471,652</b>	<b>10,139,938,537</b>
<b>Total assets</b>		<b>14,234,355,673</b>	<b>13,674,743,708</b>
<b>Equity</b>			
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	1,937,981,076	1,781,601,043
<b>Total equity</b>		<b>7,691,316,065</b>	<b>7,534,936,032</b>
<b>Liabilities</b>			
Deferred tax liability	18	93,207,890	119,491,463
Lease liability	21	13,155,601	4,904,896
<b>Total non-current liabilities</b>		<b>106,363,491</b>	<b>124,396,359</b>
Borrowings	20	372,805,792	430,408,117
Lease liability	21	5,427,646	4,809,657
Trade and other payables	22	1,119,162,787	958,449,064
Unclaimed dividend payable	23	11,901,967	11,764,448
Accrued expenses	24	791,446,785	710,571,739
Provision for income tax	25	4,135,931,140	3,899,408,292
<b>Total current liabilities</b>		<b>6,436,676,117</b>	<b>6,015,411,317</b>
<b>Total liabilities</b>		<b>6,543,039,608</b>	<b>6,139,807,676</b>
<b>Total equity and liabilities</b>		<b>14,234,355,673</b>	<b>13,674,743,708</b>

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: 2301260950AS789603

25 January 2023

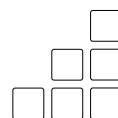
*Abdallah Massaad*  
**Abdallah Massaad**  
Chairman

*SAK Ekramuzzaman*  
**SAK Ekramuzzaman**  
Managing Director

*Pramod Kumar Chand*  
**Pramod Kumar Chand**  
Director

*Sadhan Dey*  
**Sadhan Kumar Dey**  
Chief Financial Officer

*Muhammad Shahidul Islam*  
**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 2022

	Notes	2022 Taka	2021 Taka
Sales	26	7,411,921,531	6,815,398,857
Cost of sales	27	(5,466,112,734)	(4,843,713,763)
<b>Gross profit</b>		<b>1,945,808,797</b>	<b>1,971,685,094</b>
Other income	28	50,958,496	33,436,422
Administrative expenses	29	(366,112,105)	(344,431,754)
Impairment loss on trade receivables	29.1	(2,926,052)	-
Marketing and selling expenses	30	(620,201,420)	(520,676,960)
		(938,281,081)	(831,672,292)
<b>Profit from operating activities</b>		<b>1,007,527,716</b>	<b>1,140,012,802</b>
Finance income	31	47,920,629	44,346,321
Finance expenses	32	(108,789,151)	(10,043,466)
<b>Net finance income</b>		<b>(60,868,522)</b>	<b>34,302,855</b>
<b>Profit before contribution to workers' profit participation and welfare fund and income tax</b>		<b>946,659,194</b>	<b>1,174,315,657</b>
Contribution to workers' profit participation and welfare fund		(45,079,009)	(55,919,793)
<b>Profit before income tax</b>		<b>901,580,185</b>	<b>1,118,395,864</b>
<b>Income tax expense:</b>			
Current tax	33	(236,522,849)	(280,200,490)
Deferred tax	18	26,283,573	46,912,243
		(210,239,276)	(233,288,247)
<b>Profit for the year</b>		<b>691,340,909</b>	<b>885,107,617</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>691,340,909</b>	<b>885,107,617</b>
<b>Basic earnings per share (par value Tk 10)</b>	41	<b>1.62</b>	<b>2.07</b>

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: 2301260950AS789603

25 January 2023

*Abdallah Massaad*  
**Abdallah Massaad**  
Chairman

*SAK Ekramuzzaman*  
**SAK Ekramuzzaman**  
Managing Director

*Pramod Kumar Chand*  
**Pramod Kumar Chand**  
Director

*Sadhan Dey*  
**Sadhan Kumar Dey**  
Chief Financial Officer

*Muhammad Shahidul Islam FCS*  
**Muhammad Shahidul Islam FCS**  
Company Secretary

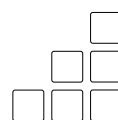
## RAK Ceramics (Bangladesh) Ltd.

### STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital Taka (Note 15)	Share premium Taka (Note 16)	Retained earnings Taka (Note 17)	Total Taka
<b>Balance as at 1 January 2021</b>	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)
<b>Balance as at 31 December 2021</b>	<b>4,279,687,010</b>	<b>1,473,647,979</b>	<b>1,781,601,043</b>	<b>7,534,936,032</b>
<b>Balance as at 1 January 2022</b>	4,279,687,010	1,473,647,979	1,781,601,043	7,534,936,032
Total comprehensive income for 2022				
Profit for the year	-	-	691,340,909	691,340,909
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2021)	-	-	(534,960,876)	(534,960,876)
<b>Balance as at 31 December 2022</b>	<b>4,279,687,010</b>	<b>1,473,647,979</b>	<b>1,937,981,076</b>	<b>7,691,316,065</b>

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 2022

	2022 Taka	2021 Taka
<b>Cash flows from operating activities</b>		
Cash receipts from customers	7,109,900,493	6,581,616,773
Cash payments to suppliers and employees	(6,313,116,062)	(5,822,224,908)
<b>Cash generated from operating activities</b>	796,784,431	759,391,865
Interest received from bank deposit	6,726,677	8,099,212
Income tax paid (note 13)	(219,005,113)	(257,765,951)
<b>Net cash (used in)/from operating activities (note 44)</b>	584,505,995	509,725,126
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(1,045,349,958)	(125,191,336)
Sale of property, plant and equipment (Note 5.3)	375,000	3,332,000
Interest received from FDR	46,714,403	40,532,606
Income from rental	5,008,696	11,526,522
Dividend received	45,949,800	22,479,900
<b>Net cash (used in)/from investing activities</b>	(947,302,059)	(47,320,308)
<b>Cash flows from financing activities</b>		
Finance charges	(22,818,476)	(4,925,158)
Avail/ (repayment) of short term borrowings	(57,602,325)	310,467,212
Payment of lease liability	(7,110,461)	(6,074,925)
Dividend paid	(534,823,358)	(465,780,393)
Unclaimed share application fund	-	(748,800)
<b>Net cash (used in)/from financing activities</b>	(622,354,620)	(167,062,064)
Effect of exchange rate changes in cash and cash equivalents	1,210,942	161,452
<b>Net increase/(decrease) in cash and cash equivalents</b>	(983,939,742)	295,504,206
<b>Cash and cash equivalents as at 1 January</b>	2,199,873,444	1,904,369,238
<b>Cash and cash equivalents as at 31 December (Note 14)</b>	<b>1,215,933,702</b>	<b>2,199,873,444</b>

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 2022

#### 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 25 January 2023.

##### 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.

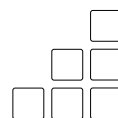
##### 2.3 Functional and presentational currency

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 each year and is followed consistently.

## 2.6 Going concern

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

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently.

### 3.1 Property, plant and equipment

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

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

### 3.2 Depreciation on property, plant, equipment and investment property

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

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

---

Category of property, plant and equipment	Rate (%)
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

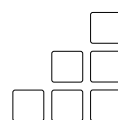
Land is not depreciated as it deemed to have an infinite life.

### 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.

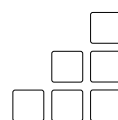
### **Defined contribution plan (provident fund)**

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.

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.



### 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 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.

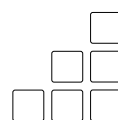
## 3.17 IFRS 16 Leases

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 year as per Finance Act 2022.

#### 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

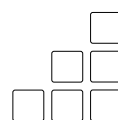
#### 3.22.1 Contingent liability

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 2021 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.

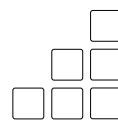
To facilitate comparison, certain relevant balances pertaining to the previous year have been rearranged/ reclassified whenever considered necessary to confirm to current year's presentation.

#### 4 Property, plant and equipment

2022

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 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2022		Balance as at 01 Jan 2022	Charged during the year	Adj./Transfer during the year	Balance as at 31 Dec 2022	
	Amount in Taka	Amount in Taka	Amount in Taka	Amount in Taka		Amount in Taka	Amount in Taka	Amount in Taka	Amount in Taka	
Land*	322,675,240	691,701,310	-	1,014,376,550	-	-	-	-	1,014,376,550	
Factory building	1,019,437,751	6,260,687	-	1,025,698,438	5%	48,743,790	-	566,421,612	459,276,826	
Office and accommodation building	534,211,504	8,684,209	(82,121)	542,813,592	5%	29,112,653	-	232,821,265	309,992,327	
Plant and machinery	5,510,720,606	156,574,890	(1,512,451)	5,665,783,045	10%	4,167,388,771	(123,487)	4,465,178,250	1,200,604,795	
Mobile plant	88,960,482	16,270,864	82,121	105,313,467	10%	51,329,126	-	59,152,192	46,161,275	
Electrical installation	216,807,511	-	-	216,807,511	10%	189,432,703	6,433,656	195,866,359	20,941,152	
Gas pipeline	59,347,562	-	-	59,347,562	10%	44,942,069	3,364,810	48,306,879	11,040,683	
Furniture and fixtures	41,056,101	4,331,575	-	45,387,676	10%	25,796,229	4,627,762	30,423,991	14,963,685	
Office equipment	48,942,125	10,958,271	-	59,900,396	10-20%	38,071,602	5,953,034	44,024,636	15,875,760	
Communication equipment	12,384,470	4,056,926	-	16,441,396	10-20%	8,244,838	2,420,254	10,665,092	5,776,304	
Tools and appliances	19,700,923	-	(5,246,399)	14,454,524	10%	14,847,920	1,266,712	(4,972,142)	3,312,034	
Vehicles	86,067,208	8,520,025	(2,900,837)	91,686,396	10%	60,825,339	6,035,510	(2,193,791)	27,019,338	
<b>Total</b>	<b>7,960,311,483</b>	<b>907,358,757</b>	<b>(9,659,687)</b>	<b>8,858,010,553</b>		<b>5,322,265,031</b>	<b>413,694,213</b>	<b>(7,289,420)</b>	<b>5,728,669,824</b>	<b>3,129,340,729</b>

\*Addition of land includes BDT: 677,182,210 for the purchase of 33.05 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja from Mr. SAK Ekramuzzaman [Managing Director of RAK Ceramics (Bangladesh) Limited] and others as approved in EGM dated August 4, 2022. The land was proposed to be utilized for greenfield expansion of another tiles plant and new faucets plant.



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		Charged during the year	Adj./Transfer during the year	Balance as at 31 Dec 2021		
									Amount in Taka	
Land	322,675,240	-	-	322,675,240	-	-	-	322,675,240		
Factory building	1,018,459,997	977,754	-	1,019,437,751	48,694,912	-	517,677,822	501,759,929		
Office and accommodation building	507,945,393	26,266,111	-	534,211,504	28,774,601	-	203,708,612	330,502,892		
Plant and machinery	5,518,251,073	54,477,372	(62,007,839)	5,510,720,606	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	4,890,614	(28,881,519)	51,329,126	37,631,356		
Electrical installation	216,807,511	-	-	216,807,511	6,766,022	-	189,432,703	27,374,808		
Gas pipeline	59,347,562	-	-	59,347,562	3,385,925	-	44,942,069	14,405,493		
Furniture and fixtures	39,743,973	5,893,941	(4,581,813)	41,056,101	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	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	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	1,443,256	(63,427)	14,847,920	4,853,003		
Vehicles	79,820,982	6,246,226	-	86,067,208	6,285,208	-	60,825,339	25,241,869		
<b>Total</b>	<b>7,997,845,892</b>	<b>111,255,067</b>	<b>(148,789,476)</b>	<b>7,960,311,483</b>	<b>423,178,789</b>	<b>(142,074,492)</b>	<b>5,322,265,031</b>	<b>2,638,046,452</b>		



5 Investment Property  
2022

Particulars	COST			Rate	DEPRECIATION			Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/Transfer during the year		Balance as at 01 Jan 2022	Charged during the year	Adj./Transfer during the year	
Land <sup>1</sup>	500,571,750	-	-	-	-	-	-	500,571,750
Office building <sup>2</sup>	4,432,737	-	-	5%	1,770,322	221,918	-	2,440,497
<b>Total</b>	<b>505,004,487</b>	<b>-</b>	<b>-</b>		<b>1,770,322</b>	<b>221,918</b>	<b>-</b>	<b>503,012,247</b>

2021

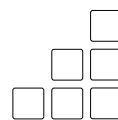
Particulars	COST			Rate	DEPRECIATION			Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/Transfer during the year		Balance as at 01 Jan 2021	Charged during the year	Adj./Transfer during the year	
Land	500,571,750	-	-	-	-	-	-	500,571,750
Office building	4,432,737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

1. The land 10 khata is situated besides the RAK Tower was acquired in March 2012 and 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 at above land and 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.



	2022 Taka	2021 Taka
<b>5.1 Depreciation</b>		
Property, plant and equipment (Note 4)	413,694,213	423,178,789
Investment property (Note 5)	221,918	221,918
	<b>413,916,131</b>	<b>423,400,707</b>
<b>5.2 Allocation of Depreciation</b>		
Cost of sales (Note 27)	376,279,773	388,486,781
Administrative expenses (Note 5.2.1)	30,807,259	29,290,717
Marketing & selling expenses (Note 30)	6,829,099	5,623,210
	<b>413,916,131</b>	<b>423,400,707</b>
<b>5.2.1 Allocation of Administrative Depreciation</b>		
Depreciation on property, plant & equipment (Note 29)	30,585,341	29,068,798
Depreciation on investment property (Note 29)	221,918	221,918
	<b>30,807,259</b>	<b>29,290,716</b>

### 5.3 Disposal of property, plant and equipment 2022

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against insurance claim/sale	Profit/(loss) on disposal
	Taka	Taka	Taka		Taka
Plant and machinery	1,512,451	123,487	1,388,964	-	(1,388,964)
Vehicles	2,900,837	2,193,791	707,046	375,000	(332,046)
Tools and appliances	5,246,399	4,972,142	274,257	-	(274,257)
<b>Total</b>	<b>9,659,687</b>	<b>7,289,420</b>	<b>2,370,267</b>	<b>375,000</b>	<b>(1,995,267)</b>

### 2021

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against insurance claim/sale	Profit/(loss) on disposal
	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	-	-	-
<b>Total</b>	<b>148,789,476</b>	<b>142,074,492</b>	<b>6,714,985</b>	<b>3,332,000</b>	<b>(3,382,984)</b>

6 Right-of-use assets

2022

Particulars	COST			DEPRECIATION			Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Retirement/ Adj. during the year	Balance as at 01 Jan 2022	Charged during the year	Adjustment during the year	
Display center	44,590,469	17,601,130	(13,913,368)	31,468,446	8,215,417	(13,913,368)	25,770,495
Accommodation Building	1,393,850	805,053	(727,523)	663,327	730,522	(727,523)	666,326
Warehouse	-	1,880,142	-	-	65,283	-	65,283
<b>Total</b>	<b>45,984,319</b>	<b>20,286,325</b>	<b>(14,640,891)</b>	<b>32,131,773</b>	<b>9,011,222</b>	<b>(14,640,891)</b>	<b>26,502,104</b>

2021

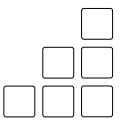
Particulars	COST			DEPRECIATION			Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Retirement/ Adj. during the year	Balance as at 01 Jan 2021	Charged during the year	Adjustment during the year	
Display center	51,948,658	-	(7,358,189)	31,481,038	7,458,852	(7,471,444)	31,468,446
Accommodation building	2,432,215	690,046	(1,728,411)	1,716,580	714,217	(1,767,470)	663,327
<b>Total</b>	<b>54,380,872</b>	<b>690,046</b>	<b>(9,086,600)</b>	<b>33,197,617</b>	<b>8,173,069</b>	<b>(9,238,914)</b>	<b>32,131,773</b>

6.1 Allocation of depreciation

Administrative expenses (Note 29)  
Marketing & selling expenses (Note 30)

	2022 Taka	2021 Taka
	730,522	714,217
	8,280,700	7,458,852
	<b>9,011,222</b>	<b>8,173,069</b>

1. Company rented four display centers situated in Dhaka, Chattogram, Sylhet and Mymensingh.
2. Accommodation Buildings was rented for the use of transit employees.
3. Warehouse was rented to store finished goods.





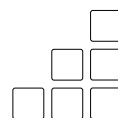
7 Intangible assets  
2022

Particulars	COST				AMORTIZATION				Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2022	Balance as at 01 Jan 2022	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2022	
	License	22,692,876	-	-	22,692,876	22,381,800	205,707	-	
Computer Software	11,614,380	-	-	11,614,380	10,347,235	1,054,106	-	11,401,341	213,039
<b>Total</b>	<b>34,307,256</b>	<b>-</b>	<b>-</b>	<b>34,307,256</b>	<b>32,729,035</b>	<b>1,259,813</b>	<b>-</b>	<b>33,988,848</b>	<b>318,408</b>

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
<b>Total</b>	<b>34,307,256</b>	<b>-</b>	<b>-</b>	<b>34,307,256</b>	<b>31,174,898</b>	<b>1,554,136</b>	<b>-</b>	<b>32,729,035</b>	<b>1,578,221</b>

	2022 Taka	2021 Taka			
<b>8 Capital Work-in-Progress</b>					
Balance as at 1 January	17,713,837	3,777,569			
Add: Addition during the year (Note-8.1)	306,335,970	89,478,254			
	324,049,807	93,255,823			
Less: Transfer to property, plant & equipment during the year (Note-8.2)	168,344,769	75,541,986			
Balance as at 31 December	<b>155,705,038</b>	<b>17,713,837</b>			
<b>8.1 Addition during the year</b>					
Building	15,264,180	24,938,333			
Plant and machinery	273,363,820	54,977,417			
Others	17,707,970	9,562,504			
	<b>306,335,970</b>	<b>89,478,254</b>			
<b>8.2 Items transferred from capital work in progress to property, plant &amp; equipment</b>					
Building	14,944,895	27,243,865			
Plant and machinery	138,247,010	38,735,617			
Others	15,152,864	9,562,504			
	<b>168,344,769</b>	<b>75,541,986</b>			
<b>9 Investment in subsidiaries (Note-9.1)</b>					
RAK Power Pvt. Ltd	341,629,950	341,629,950			
RAK Security & Services Pvt. Ltd	18,750,000	18,750,000			
	<b>360,379,950</b>	<b>360,379,950</b>			
<b>9.1 Details of investments in subsidiaries</b>					
Name of subsidiaries	Nature of business	% of holding	Investment/ Taka	Investment/ Taka	
RAK Power Pvt. Ltd	Electricity generation	99.99	341,629,950	341,629,950	
RAK Security & Services Pvt. Ltd	Security services provider	99.00	18,750,000	18,750,000	
<b>10 Inventories</b>					
Raw materials			1,616,409,488	1,330,068,854	
Less: Provision for slow moving & obsolete inventories			27,390,319	17,729,507	
			1,589,019,169	1,312,339,347	
Stores, consumables spares and packing			1,044,456,513	844,635,745	
Less: Write off for stores and spares			45,658,898	45,308,123	
			998,797,615	799,327,622	



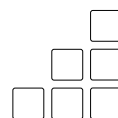
	2022 Taka	2021 Taka
Finished goods (net of net realizable value adjustment)*	587,936,012	584,786,606
Less: Provision for slow moving & obsolete inventories	10,193,909	15,720,612
	577,742,103	569,065,994
Work-in-process	72,294,867	59,359,055
Goods-in-transit	111,557,341	205,812,555
	<b>3,349,411,095</b>	<b>2,945,904,573</b>

\*Finished goods exclude provision of net realizable value BDT. 25,977,522.

<b>11 Trade and other receivables</b>		
Trade receivables (Note-11.1)	1,513,261,372	1,211,240,334
Accrued interest (Note-11.2)	1,021,062	6,541,513
	<b>1,514,282,434</b>	<b>1,217,781,847</b>
<b>11.1 Trade receivables</b>		
Receivable from dealers	1,524,974,423	1,220,027,333
	1,524,974,423	1,220,027,333
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	5,784,870	2,328,301
Related parties	5,928,181	6,458,698
	<b>1,513,261,372</b>	<b>1,211,240,334</b>
<b>11.2 Accrued Interest</b>		
Interest accrued on Fixed deposit receipt	1,021,062	6,541,513
	1,021,062	6,541,513
<b>12 Advance, deposits and prepayments</b>		
Advances:		
Purchase of land and others	18,037,873	10,017,270
Suppliers against materials and services	60,055,423	67,823,896
	78,093,296	77,841,166
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	79,320,962
Deposited with VAT authority	34,345,289	58,361,240
Display center and others	1,140,000	2,200,000
Other deposits	1,494,626	1,494,626
	156,825,327	181,901,278



	2022 Taka	2021 Taka
Prepayments:		
Showroom, warehouse and office rent	15,774,000	-
Insurance and others	11,671,428	17,160,972
	27,445,428	17,160,972
	<b>262,364,051</b>	<b>276,903,416</b>
<b>13 Advance Income Tax</b>		
Balance as at 1 January	3,499,475,257	3,241,709,306
Add: Paid during the year	219,005,113	257,765,951
Balance as at 31 December (Note -13.1)	<b>3,718,480,370</b>	<b>3,499,475,257</b>
<b>13.1 Year wise closing balance</b>		
<b>Income year</b>		
Year 2022	204,005,112	-
Year 2021	252,801,979	237,801,978
Year 2020	115,584,117	115,584,117
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
	<b>3,718,480,370</b>	<b>3,499,475,257</b>
<b>14 Cash and cash equivalents</b>		
Cash in hand	4,292,943	1,978,833
Cash at banks		
Standard Chartered Bank (current account - 01-6162940-01 - BDT)	47,958,692	98,441,841
BRAC Bank (current account - 1530201731248001 - BDT)	7,029,098	15,126,914
Citibank N.A. (current account - G010000200262018 - BDT)	143,529	149,989



	2022 Taka	2021 Taka
Dutch Bangla Bank Ltd. (current account - 117 - 110 - 12733 - BDT)	2,117,282	1,625,000
Eastern Bank Ltd. (Current account - 1041060507936)	500,000	-
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	1,305,563	4,648,910
Standard Chartered Bank (Margin Money account)	8,050,465	13,289,437
United Commercial Bank Ltd. (SND account - 0831301000000164 BDT)	19,582,657	31,825,028
Dhaka Bank Ltd. (SND - 102.150.274- BDT)	12,724,019	27,682,861
Dutch Bangla Bank Ltd. (SND account - 117-120-589 - BDT)	58,784,345	121,709,119
Prime Bank Ltd. (SND - 2125316004690 - BDT)	5,163,335	13,135,435
Commercial Bank of Ceylon (CD - 1817000776 - BDT)	-	5,739
Commercial Bank of Ceylon (SND - 2817000777 - BDT)	36,099,416	60,071,855
Commercial Bank of Ceylon (ERQ - 1806012366 - USD)	1,167,570	4,308,029
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	18,037,172	24,494,839
Midland Bank Ltd. (SND 0006-1060000043 - BDT)	281,532,801	126,242,828
Eastern Bank Ltd. (SND account - 1041360507944 - BDT)	76,971,089	71,777,074
Eastern Bank Ltd. (Margin Money account)	685,732	-
Commercial Bank of Ceylon (Margin Money account)	331,882	53,212
	578,184,647	614,588,110
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	1,686,673	1,685,806
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
	5,886,379	5,885,512
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,832,666	2,848,356
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	1,096,576	1,112,266
SCB (SND - 02-6162940-02 - BDT) - 2012	176,153	180,227
SCB (SND - 02-6162940-03 - BDT) - 2013	321,365	337,376
SCB (SND - 02-6162940-04 - BDT) - 2014	-	3,862
SCB (SND - 02-6162940-05 - BDT) - 2015	40,449	44,581

	2022 Taka	2021 Taka
SCB (SND - 02-6162940-06 - BDT) - 2016	7,170	11,317
SCB (SND - 02-6162940-07 - BDT) - 2017	1,133	5,283
SCB (SND - 02-6162940-08 - BDT) - 2018	-	1,925,267
SCB (SND - 02-6162940-09 - BDT) - 2019	6,099,271	6,576,189
SCB (SND - 02-6162940-10 - BDT) - 2020	3,179,172	3,630,950
SCB (SND - 02-6162940-11 - BDT) - 2021	3,070,463	-
	16,824,418	16,675,674
Investment in Fixed Deposit Receipt (FDR)		
BRAC Bank Ltd.	-	50,000,000
Dutch Bangla Bank Ltd.	-	400,000,000
Eastern Bank Ltd.	255,745,315	505,745,315
Dhaka Bank Ltd.	300,000,000	550,000,000
Commercial Bank of Ceylon	55,000,000	55,000,000
	610,745,315	1,560,745,315
	<b>1,215,933,702</b>	<b>2,199,873,444</b>

## 15 Share Capital

### Authorised

600,000,000 ordinary shares of Tk 10 each

### Issued, subscribed, called and paid up

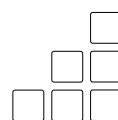
427,968,701 ordinary shares of Tk 10 each

### Percentage of shareholding:

	2022		2021	
	%	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
Other Sponsors	0.00	1,660	0.00	1,660
General Public	27.92	1,194,862,800	27.92	1,194,862,800
	<b>100.00</b>	<b>4,279,687,010</b>	<b>100.00</b>	<b>4,279,687,010</b>

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.

Mr. SAK Ekramuzzaman pledged 14,670,215 no of shares out of his total holding of 16,895,824 no of shares.





### Classification of shareholders by range:

Shareholders' range	Number of shareholders		Number of shares	
	2022	2021	2022	2021
Less than 500 shares	17,249	16,571	4,042,747	4,007,328
501 to 5,000 shares	8,179	6,107	13,158,647	9,667,706
5001 to 10,000 shares	926	645	7,005,165	4,753,914
10,001 to 20,000 shares	486	351	7,117,059	5,125,053
20,001 to 30,000 shares	154	116	3,901,900	2,852,640
30,001 to 40,000 shares	76	64	2,717,389	2,260,040
40,001 to 50,000 shares	65	38	3,061,080	1,763,948
50,001 to 100,000 shares	98	73	6,955,385	5,366,610
100,001 to 1,000,000 shares	81	90	24,464,289	28,132,218
Over 1,000,000 shares	15	17	355,545,040	364,039,244
	<b>27,329</b>	<b>24,072</b>	<b>427,968,701</b>	<b>427,968,701</b>

### 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
		1,611,380,000	1,611,380,000
Less : Share issue expenses		137,732,021	137,732,021
		<b>1,473,647,979</b>	<b>1,473,647,979</b>

### 17 Retained earnings (Reserve and surplus)

Balance as on 01 January	1,781,601,043	1,324,462,127
Add : Profit during the year	691,340,909	885,107,617
	2,472,941,952	2,209,569,744
Less: Dividend declared during the year	(534,960,876)	(427,968,701)
Balance as at 31 December	<b>1,937,981,076</b>	<b>1,781,601,043</b>

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

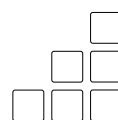
	2022 Taka	2021 Taka
<b>18 Deferred tax liabilities</b>		
Balance as at 1 January	119,491,463	166,403,706
Deferred tax (income) / expenses	(26,283,573)	(46,912,243)
Balance as at 31 December	<b>93,207,890</b>	<b>119,491,463</b>

	Carrying amount on the date of statement of financial position Taka	Tax base Taka	Taxable/ (deductible) temporary difference Taka
<b>As at 31 December 2022</b>			
Property, plant and equipment (Excluding land and others)	2,076,875,642	1,593,887,954	482,987,688
Trade receivable	1,513,261,372	1,524,974,423	(11,713,051)
Inventories	3,349,411,095	3,412,972,845	(63,561,750)
Right of use assets	25,127,649	-	25,127,649
Lease liability	(18,583,247)	-	(18,583,247)
Net taxable temporary difference			<b>414,257,289</b>
Deferred tax liability (applying tax rate 22.50%)			<b>93,207,890</b>
<b>As at 31 December 2021</b>			
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)
Inventories	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			<b>531,073,170</b>
Deferred tax liability (applying tax rate 22.50%)			<b>119,491,463</b>

**19 Employees benefits payable**

	2022		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	70,497,430	25,740,087	96,237,517
	70,497,430	25,740,087	96,237,517
Less: Payments made to fund during the year	70,497,430	25,740,087	96,237,517
Balance as at 31 December	-	-	-

Forfeited amount of provident fund amounting to BDT. 333,962 for the year 2022 has been adjusted with provision and payment.



	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
	<u>62,547,336</u>	<u>34,850,641</u>	<u>97,397,977</u>
Less: Payments made to fund during the year	62,547,336	34,850,641	97,397,977
Balance as at 31 December	<u>-</u>	<u>-</u>	<u>-</u>

Forfeited amount of provident fund amounting to BDT. 673,554 for the year 2021 has been adjusted with provision and payment.

## 20 Borrowings

Short-term borrowings :

Short term borrowings - EBL	235,015,937	185,566,063
Short term borrowings - SCB	57,859,449	244,842,054
Short term borrowings - CBC	79,930,407	-
Balance as at 31 December	<b>372,805,792</b>	<b>430,408,117</b>

### 20.1 Borrowings by maturity

At 31 December 2022	< 1 year	1-2 years	2-5 years	Total
Short-term borrowings	372,805,792	-	-	372,805,792
	<b>372,805,792</b>	<b>-</b>	<b>-</b>	<b>372,805,792</b>

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

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	Security - LTL
SCB	Overdraft	50,000,000	-	Revolving	From		
	Short term loan	500,000,000	57,859,449	180/360 days from B/L date	company's own source		
Eastern Bank Ltd.	Long term loan*	450,000,000	-	5 years with 1 year moratorium period		1) Hypothecation over stock & book debts on a parri - passu basis with other lenders.	1) Specific charge over plant, machinery and
	Overdraft	25,000,000	-	Revolving	From		equipment of BMRE projects.
Dutch Bangla Bank Ltd.	Short term loan	425,000,000	235,015,937	180/360 days from B/L date	company's own source		
	Overdraft	25,000,000	-	Revolving	From	2) Demand promissory note.	
Commercial Bank of Ceylon	Short term loan	90,000,000	-	180/360 days from B/L date	company's own source		
	Overdraft	35,000,000	-	Revolving	From		
	Short term loan	550,000,000	79,930,407	180/360 days from B/L date	company's own source		

\* The long term loan facility limit approved in Board of Directors meetings dated July 20, 2022 to be utilized for the BMRE project of tiles plant

		2022 Taka	2021 Taka
<b>21</b>	<b>Lease liability</b>		
	<b>Non-current:</b>		
	Lease liability	18,583,247	9,714,554
	Less : Current portion of lease liability	5,427,646	4,809,657
		<b>13,155,601</b>	<b>4,904,896</b>
	<b>Current:</b>		
	Current portion of lease liability	<b>5,427,646</b>	<b>4,809,657</b>

#### Lease liability schedule

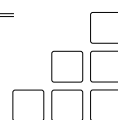
##### 2022

Particulars	Balance as on 01 January 2022	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2022
Display center	8,959,184	11,971,130	6,203,091	1,169,941	5,033,150	15,897,164
Accommodation Building	755,370	805,053	802,105	75,893	726,212	834,211
Warehouse	-	1,880,142	105,265	76,995	28,270	1,851,872
	<b>9,714,554</b>	<b>14,656,325</b>	<b>7,110,461</b>	<b>1,322,829</b>	<b>5,787,632</b>	<b>18,583,247</b>

##### 2021

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
	<b>13,796,578</b>	<b>842,361</b>	<b>6,074,925</b>	<b>1,150,540</b>	<b>4,924,385</b>	<b>9,714,554</b>

		2022 Taka	2021 Taka
<b>22</b>	<b>Trade and other payables</b>		
	<b>Trade payables</b>		
	Payable to local suppliers	143,348,263	184,089,052
	Payable to foreign suppliers	222,739,944	306,722,614
	Payable to service provider	146,640,164	149,859,366
	Payable to C & F agent and freight forwarder	62,174,471	49,038,384
		<b>574,902,842</b>	<b>689,709,416</b>





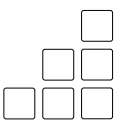
	2022 Taka	2021 Taka
<b>Other payables</b>		
Tax deducted at source	17,794,613	23,760,299
Tax deducted at source on remuneration (Note-24.1)	7,099,944	8,807,367
Tax deducted at source on incentive and bonus (Note-24)	7,263,075	4,603,182
VAT deducted at source	7,332,998	8,721,767
VAT and Supplementary duty payable (Note-22.1)	115,446,800	114,600,709
Unclaimed share application	20,061,956	20,061,956
Advance from customer against sales	6,681,523	8,771,248
Payable to customer against claim	16,656,209	13,735,760
Provisional liabilities - material & services	44,632,834	62,236,279
Payable to employees	1,534,726	1,823,489
Security deposit payable	1,617,592	1,617,592
Payable against purchase of land (Note : 39)	298,137,675	-
	544,259,945	268,739,648
	<b>1,119,162,787</b>	<b>958,449,064</b>
<b>22.1 VAT and Supplementary duty (SD) payable</b>		
Opening Balance	114,600,709	139,511,697
Add: VAT and Supplementary duty on sales	2,457,416,685	2,275,173,224
Other payable	211,101	-
	2,572,228,495	2,414,684,921
Less:		
Treasury deposit for SD & VAT purpose	1,616,519,480	1,494,362,171
Rebate of input VAT	840,262,214	805,722,041
	2,456,781,694	2,300,084,212
<b>Balance as at 31 December</b>	<b>115,446,800</b>	<b>114,600,709</b>

## Unclaimed Dividend Payable

2022 Taka	2021 Taka
<b>11,901,967</b>	<b>11,764,448</b>

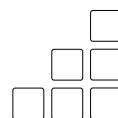
Year	Dividend declared	TDS on dividend	Net dividend	Dividend distributed till 31 Dec 2022	Fund Transferred to CMSF	Undistributed fund (BDT) as on 31 Dec 2022
2010	345,110,250	60,198,297	284,911,953	274,257,528	10,654,425	-
2011	379,621,275	65,382,545	314,238,730	306,565,331	7,673,399	-
2012	417,583,403	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	357,227,075	1,946,478	-
2019	641,953,052	49,029,624	592,923,428	586,814,480	-	6,108,948
2020	427,968,701	32,747,652	395,221,049	392,398,879	-	2,822,171
2021	534,960,876	39,123,334	495,837,543	492,866,695	-	2,970,848
	<b>6,307,249,174</b>	<b>532,743,804</b>	<b>5,774,505,371</b>	<b>5,721,521,659</b>	<b>41,081,745</b>	<b>11,901,967</b>

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
	<b>5,772,288,298</b>	<b>493,620,470</b>	<b>5,278,667,828</b>	<b>5,227,768,113</b>	<b>39,135,267</b>	<b>11,764,448</b>



	2022 Taka	2021 Taka
<b>24 Accrued expenses</b>		
Power and gas	25,438,435	24,694,006
Staff cost	107,945,701	124,259,370
Dealer's incentive and bonus	65,367,671	41,428,638
Audit fees	1,600,000	1,400,000
Professional charges	399,997	1,000,000
Interest on loan	7,598,906	2,440,939
Telephone	236,848	205,976
Labour bill	2,333,469	3,434,409
Freight bill	1,750,586	676,640
Business promotion and advertisement	32,591,430	19,209,107
Hiring heavy equipment	1,660,994	1,506,239
Others	75,000	-
Managing Director's remuneration (Note-24.1)	21,299,832	26,422,103
Workers profit participation and welfare fund (Note-24.2)	45,079,009	55,919,793
Royalty and technical know-how fee (Note-24.3)	478,068,907	407,974,519
	<b>791,446,785</b>	<b>710,571,739</b>
<b>24.1 Managing Director's remuneration</b>		
Balance as at 1 January	26,422,103	10,062,153
Add: Payable to Managing Director for the year	28,399,776	35,229,470
	54,821,879	45,291,623
Less: Tax deducted at source during the year	7,099,944	8,807,367
Less: Paid to Managing Director during the year	26,422,103	10,062,153
Balance as at 31 December	<b>21,299,832</b>	<b>26,422,103</b>
<b>24.2 Workers' Profit Participation and welfare Fund</b>		
Balance as at 1 January	55,919,793	22,816,672
Add: Contribution made to the fund during the year	45,079,009	55,919,793

	2022 Taka	2021 Taka
	100,998,802	78,736,465
Less: Payment made from the fund during the year	55,919,793	22,816,672
Balance as at 31 December	<b>45,079,009</b>	<b>55,919,793</b>
<b>24.3 Royalty and technical know-how fee</b>		
Balance as at 1 January	407,974,519	317,433,528
Add: Provision made during the year	70,094,388	90,540,991
	478,068,907	407,974,519
Balance as at 31 December	<b>478,068,907</b>	<b>407,974,519</b>
<b>25 Provision for income tax</b>		
Balance as at 1 January	3,899,408,292	3,619,207,802
Add: Provision made during year	236,522,849	280,200,490
Balance as at 31 December (note 25.1)	<b>4,135,931,140</b>	<b>3,899,408,292</b>
<b>25.1 Year wise closing balance</b>		
<b>Income year</b>		
Year 2022	236,522,849	-
Year 2021	280,200,490	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





	2022 Taka	2021 Taka
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	<b>4,135,931,140</b>	<b>3,899,408,292</b>

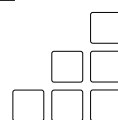
## 26 Sales

	Unit	2022		2021	
		QTY in million	In Taka	QTY in million	In Taka
Local					
Tiles	Sft	101.66	7,774,143,554	99.45	6,987,821,117
Decor/Border	Pcs	0.54	85,982,392	0.53	70,260,064
Sanitary ware	Pcs	1.29	2,763,014,412	1.33	2,737,454,436
			10,623,140,358		9,795,535,617
Less: Supplementary Duty			1,068,911,395		995,615,214
			9,554,228,963		8,799,920,403
Less: VAT			1,388,716,391		1,279,558,009
			8,165,512,572		7,520,362,394
Export					
Tiles	Sft	0.09	5,869,815	0.45	18,598,320
			8,171,382,387		7,538,960,714
Less: Discount			13,455,579		5,910,710
Less: Commission, incentive and bonus (note - 26.1)			746,005,277		717,651,147
			<b>7,411,921,531</b>		<b>6,815,398,857</b>

### 26.1 Commission, incentive and bonus

Dealer's commission	147,306,026	144,671,931
Breakage commission	156,925,639	150,937,038
Incentive and bonus	441,773,612	422,042,178
	<b>746,005,277</b>	<b>717,651,147</b>

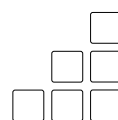
	2022 Taka	2021 Taka
<b>27 Cost of sales</b>		
Material consumed:		
Opening inventory as on 01 January	1,312,339,347	562,104,748
Add: Purchase during the year	3,116,657,647	3,201,561,143
Less: Closing inventory as on 31 December	1,589,019,169	1,312,339,347
	<b>2,839,977,825</b>	<b>2,451,326,544</b>
Factory overhead:		
Direct labour (note-27.1)	606,764,396	583,520,143
Direct expenses:		
Power and gas	721,046,812	691,535,673
Repairs and indirect materials (note-27.2)	776,963,089	696,314,441
Depreciation (note-5.2)	376,279,773	388,486,781
Royalty and technical know-how fees*	70,094,388	90,540,991
Other production overhead (note-27.3)	89,996,995	83,911,045
Provision for slow moving & obsolete inventories (note 10)	4,134,109	(3,860,575)
Movement in stock	(19,144,653)	(138,061,280)
	<b>5,466,112,734</b>	<b>4,843,713,763</b>
<b>27.1 Direct labour</b>		
Salary & wages	415,670,749	375,459,016
Overtime	31,273,040	30,598,736
Bonus	40,205,900	59,755,267
Temporary labour wages	63,830,005	61,431,115
Gratuity	17,909,034	24,543,795
Employers contribution to provident fund	23,974,351	21,554,000
Leave encashment	11,384,121	7,484,164
Group life insurance	2,095,923	2,450,601
Compensation	421,273	169,437
Staff uniform, safety and welfare expenses	-	74,012
	<b>606,764,396</b>	<b>583,520,143</b>
<b>27.2 Repair and indirect materials</b>		
Stores, spares, repair & maintenance	355,660,809	338,643,420
Packing expenses	421,302,280	357,671,021
	<b>776,963,089</b>	<b>696,314,441</b>



	2022 Taka	2021 Taka
<b>27.3 Other production overhead</b>		
Tour and travel expenses	2,566,673	5,081,308
Demurrage	8,349,282	3,348,351
Insurance	24,584,557	22,094,199
Write off for stores and spares	45,658,898	45,308,123
Hiring charges and transportation	7,423,206	5,145,760
Other expenses	1,414,379	2,933,304
	<b>89,996,995</b>	<b>83,911,045</b>
*Royalty has been calculated 8% on business profit as per Finance Act 2020		
<b>28 Other income</b>		
Dividend income	45,949,800	22,479,900
Rental income	5,008,696	10,956,522
	<b>50,958,496</b>	<b>33,436,422</b>
<b>29 Administrative expenses</b>		
Staff cost (note-29.2)	186,832,438	175,281,437
Annual General Meeting expenses	1,881,291	1,464,500
Telephone and postage	10,128,179	6,847,153
Office repair and maintenance (note-29.3)	7,298,986	6,343,486
Registration and renewal	1,117,145	2,347,340
Security and guard expenses	21,269,098	17,225,581
Electricity, gas and water	5,395,828	6,492,050
Depreciation on property, plant & equipment (note - 5.2.1)	30,585,341	29,068,798
Depreciation on investment property (note - 5.2.1)	221,918	221,918
Depreciation on right of use assets (note - 6.1)	730,522	714,217
Amortization (note-7)	1,259,813	1,554,136
Legal and professional fees	14,445,644	12,481,015
Vehicle repair and maintenance	16,650,364	11,214,559
Rent rate and tax	1,435,688	1,626,096
IT expenses	4,629,673	3,206,443
General service	15,303,154	14,650,971
Loss on retirement of fixed assets (note - 5.3)	1,995,267	3,382,984
Donation	2,620,836	3,487,111
Others	13,911,144	11,592,489
Managing Director's remuneration (note-29.4)	28,399,776	35,229,470
	<b>366,112,105</b>	<b>344,431,754</b>

New classification of financial assets shown in note 38.1(b).

	2022 Taka	2021 Taka
<b>29.1 Impairment loss of trade receivable</b>		
Unrelated parties	3,456,569	-
Related parties	(530,517)	-
	<b>2,926,052</b>	<b>-</b>
<b>29.2 Staff cost</b>		
Salary & wages	135,591,955	121,720,700
Bonus	11,285,849	16,969,782
Incentive	777,101	879,144
Gratuity	3,722,346	6,867,413
Employers contribution to provident fund	7,083,150	6,332,419
Leave encashment	4,014,630	2,126,938
Group life insurance	750,678	753,870
Canteen and conveyance expenses	16,747,047	10,738,052
Staff uniform, safety and welfare expenses	3,022,618	2,605,967
Travelling expenses	2,157,133	1,638,893
Compensation	246,184	1,526,707
Medical expenses	462,296	1,305,449
Accommodation expenses	971,451	1,816,103
	<b>186,832,438</b>	<b>175,281,437</b>
<b>29.3 Office repair &amp; maintenance</b>		
Repairs office equipment	1,558,993	416,558
Office maintenance	5,739,993	5,926,928
	<b>7,298,986</b>	<b>6,343,486</b>
<b>29.4 This represents provision made @ 3% of net profit before tax.</b>		
<b>30 Marketing &amp; selling expenses</b>		
Staff cost (note-30.1)	117,376,723	87,637,991
Advertisement	47,527,985	12,294,710
Freight and transportation	328,668,292	300,626,263
Compensation to customers	9,386,717	22,280,195
Business promotion	66,882,436	62,097,713
Depreciation on property, plant & equipment (note - 5.2)	6,829,099	5,623,210
Depreciation on right of use assets (note - 6.1)	8,280,700	7,458,852
Showroom, office & house rent	1,271,536	1,549,622
Sample expenses	20,080,439	14,923,161
Tour, travel and others	13,897,493	6,185,243
	<b>620,201,420</b>	<b>520,676,960</b>





	2022 Taka	2021 Taka
<b>30.1 Staff cost</b>		
Salary & wages	67,327,971	52,837,659
Bonus	6,026,299	7,418,449
Incentive	13,556,819	10,251,516
Gratuity	4,108,706	3,439,433
Employers contribution to provident fund	4,024,233	3,050,472
Leave encashment	1,186,678	1,060,630
Group life insurance	390,844	356,357
Conveyance and food expenses	11,492,718	9,092,963
Staff uniform, safety and welfare expenses	9,262,455	130,512
	<b>117,376,723</b>	<b>87,637,991</b>

Salary & wages under staff cost (note no. 27.1, 29.2 & 30.1) includes employee contribution to provident fund for BDT. 23,974,351, BDT. 7,083,150 & BDT. 4,024,233.

<b>31 Finance income</b>		
Interest on bank account (SND)	6,726,677	8,099,212
Interest on Fixed deposits	41,193,952	36,247,109
	<b>47,920,629</b>	<b>44,346,321</b>
<b>32 Finance expenses</b>		
Interest expenses against Loan	25,253,627	4,542,363
Interest expenses against lease liability	1,322,829	1,150,540
Bank charges	2,722,817	1,948,480
Foreign exchange loss	79,489,878	2,402,083
	<b>108,789,151</b>	<b>10,043,466</b>
<b>33 Income tax expenses</b>		
Accounting profit (PBT as per Statement of Profit & Loss)	901,580,185	1,118,395,864
Add: Inadmissible depreciation allowance for separate consideration:		
Accounting Depreciation of Fixed Assets	413,916,131	423,400,707
	1,315,496,316	1,541,796,571
Add: Inadmissible expenses / allowances as per ITO, 1984:		
Business promotion expenses	13,737,385	13,027,044
Royalty expenses	270,752	48,662
Sample expenses	9,754,600	4,945,668
Amortization expenses	1,259,813	1,554,136
Depreciation on Right of Use Assets (ROUA)	9,011,222	8,173,069
Interest on lease liability	1,322,829	1,150,540
Provision for slow moving inventories	4,134,109	-
NRV Provision on inventories	3,751,662	-
Impairment loss on trade receivable	2,926,052	-
	46,168,424	28,899,119
	1,361,664,740	1,570,695,690

	2022 Taka	2021 Taka
Deduct: Tax base depreciation of Fixed Assets (as per 3rd Schedule of ITO,1984):	(293,219,009)	(311,262,116)
Admissible expenses as per ITO,1984:		
Rent expenses	(12,127,538)	(11,600,296)
Deduct: Dividend income	(45,949,800)	(22,479,900)
<b>Taxable profit</b>	<b>1,010,368,393</b>	<b>1,225,353,378</b>
Applicable tax rate		
On Business income	22.50%	22.50%
On Dividend income	20.00%	20.00%
Tax expenses:		
Business income	227,332,889	275,704,510
Dividend income	9,189,960	4,495,980
<b>Current Tax Liability</b>	<b>236,522,849</b>	<b>280,200,490</b>

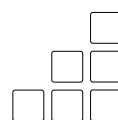
#### 34 Reconciliation of effective tax rate

	2022		2021	
	%	Taka	%	Taka
Profit before tax		901,580,185		1,118,395,864
Current tax expenses	26.23%	236,522,849	25.05%	280,200,490
Deferred tax expenses/(income)	-2.92%	(26,283,573)	-4.19%	(46,912,243)
<b>Total tax expenses</b>	<b>23.32%</b>	<b>210,239,275</b>	<b>20.86%</b>	<b>233,288,247</b>
Expected income tax using applicable tax rate	22.50%	202,855,542	22.50%	251,639,069
Tax on non-deductible expenses	3.73%	33,667,307	2.55%	28,561,421
Effective current tax	26.23%	236,522,849	25.05%	280,200,490
Effective deferred tax/(income)	-2.92%	(26,283,573)	-4.19%	(46,912,243)
	<b>23.32%</b>	<b>210,239,275</b>	<b>20.86%</b>	<b>233,288,247</b>

#### 35 Transaction in foreign currency

CI F value of import:

Raw materials	2,360,752,502	2,396,540,016
Spare parts	616,715,529	417,693,170
Capital machinery	425,044,093	95,782,360



	2022 Taka	2021 Taka
<b>Expenditure:</b>		
Dividend	346,258,887	277,007,109
	<b>3,748,771,011</b>	<b>3,187,022,656</b>
<b>Earnings:</b>		
FOB value of exports	5,869,815	18,598,320
	<b>5,869,815</b>	<b>18,598,320</b>

### 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
			<b>156,000</b>	<b>156,000</b>

### 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
<b>Raw materials</b>	KG				
Current year		74.10	277.90	283.91	68.08
Previous year		127.67	230.80	284.37	74.10
<b>Finished goods</b>					
<b>Tiles:</b>	Sft				
<b>Ceramics/granite</b>					
Current year		15.72	98.94	101.75	12.92
Previous year		14.18	101.44	99.90	15.72
<b>Decor/border</b>	Pcs				
Current year		0.11	0.55	0.54	0.13
Previous year		0.11	0.53	0.53	0.11
<b>Sanitary ware:</b>					
Sanitary items	Pcs				
Current year		0.16	1.34	1.29	0.21
Previous year		0.13	1.36	1.33	0.16

### 37.1 Production capacity and actual production are given below: (Refer to Note 27)

2022

Production	Unit	Installed Capacity (million) Annual	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Tiles	Sft	111.04	98.94	89%	(12.10)
Sanitary ware	Pcs	1.45	1.34	92%	(0.11)

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)

### 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

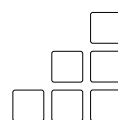
Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and other receivables.

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 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 2022	As at 31 Dec 2021	As at 31 Dec 2022	As at 31 Dec 2021
<b>Trade receivables</b>				
Customer-Local	-	-	1,513,261,372	1,211,240,334
	-	-	<b>1,513,261,372</b>	<b>1,211,240,334</b>
<b>Other receivables</b>				
Accrued Interest			1,021,062	6,541,513
			<b>1,021,062</b>	<b>6,541,513</b>
<b>Cash equivalents</b>			<b>1,211,640,758</b>	<b>2,197,894,611</b>

**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 2022.

Financial assets	Note	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9	Impairment loss (Refer note-11.1)
Trade receivable-unrelated	11.1	Loan & receivable	Amortized cost	631,231,619	625,446,749	5,784,870
Trade receivable-related	11.1	Loan & receivable	Amortized cost	893,742,803	887,814,622	5,928,181
Cash & cash equivalent	14	Loan & receivable	Amortized cost	1,211,640,758	1,211,640,758	-

- i The above table provides information ECLs till date. Impairment provision till Dec 2021 was Tk. 8,786,999 and provision made during the year is Tk. 2,926,052.
- 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.
- iv Impairment loss allowance has not been considered on other receivables and bank balances because business is confident to recover the full amount from the party.

### C) Ageing of receivables

The aging of trade receivables as at 31 Dec was:

	Amounts in Taka	
	As at 31 Dec 2022	As at 31 Dec 2021
Not past due	1,324,343,837	1,146,041,356
0-90 days past due	114,938,597	31,227,749
91-180 days past due	41,737,456	26,768,333
181-365 days past due	28,832,733	4,854,572
over 365 days past due	3,408,748	2,348,323
	<b>1,513,261,372</b>	<b>1,211,240,334</b>

### 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.

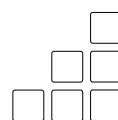
The following are the contractual maturities of financial liabilities of the Company:

	As at 31 Dec 2022			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Short term borrowing	372,805,792	372,805,792	372,805,792	-
Trade and other payables	1,119,162,787	1,119,162,787	1,119,162,787	-
	<b>1,491,968,579</b>	<b>1,491,968,579</b>	<b>1,491,968,579</b>	<b>-</b>

	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	-
	<b>1,388,857,181</b>	<b>1,388,857,181</b>	<b>1,388,857,181</b>	<b>-</b>

### 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 2022				As at 31 Dec 2021			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
<b>Foreign currency denominated assets</b>								
Cash at bank	-	-	24,486	-	-	-	105,562	-
	-	-	<b>24,486</b>	-	-	-	<b>105,562</b>	-
	As at 31 Dec 2022				As at 31 Dec 2021			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
<b>Foreign currency denominated liabilities</b>								
Trade and other payables	4,442	238,847	1,124,326	699,445	60,550	249,274	2,840,637	322,266
Short term borrowings (foreign)	-	-	3,463,724	158,080	-	-	5,013,490	-
Royalty & Technical Fees	-	-	4,659,391	-	-	-	4,752,178	-
	4,442	238,847	9,247,441	857,525	60,550	249,274	12,606,305	322,266
<b>Net exposure</b>	<b>(4,442)</b>	<b>(238,847)</b>	<b>(9,222,955)</b>	<b>(857,525)</b>	<b>(60,550)</b>	<b>(249,274)</b>	<b>(12,500,743)</b>	<b>(322,266)</b>

The Company has foreign exchange loss of Tk 79,489,878 during the year ended 31 Dec 2022 (31 Dec 2021: Exchange loss Tk 2,402,083).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2022 Taka	31 Dec 2021 Taka
AED	27.7608	23.2942
GBP	123.8037	115.4990
USD	101.8017	85.3500
EURO	108.6137	97.0488

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 2022 Profit or (loss)		As at 31 Dec 2021 Profit or (loss)	
	Strengthening Taka	Weakening Taka	Strengthening Taka	Weakening Taka
<b>At 31 Dec</b>				
AED (3 percent movement)	(137)	129	(1,873)	1,764
GBP (3 percent movement)	(7,387)	6,957	(7,710)	7,260
USD (3 percent movement)	(285,246)	268,630	(386,621)	364,099
EURO (3 percent movement)	(26,521)	24,976	(9,967)	9,386

**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.

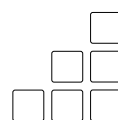
**Profile**

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

	Carrying amount	
	As at 31 Dec 2022 Taka	As at 31 Dec 2021 Taka
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Investment in FDR	610,745,315	1,560,745,315
Cash at banks	600,895,443	637,149,295
<b>Financial liabilities</b>		
Short term borrowing	372,805,792	430,408,117

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 2022		As at 31 Dec 2021	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
<b>Financial assets</b>				
<b>Held to maturity assets</b>				
Investment in FDR	610,745,315	610,745,315	1,560,745,315	1,560,745,315
<b>Loans and receivables</b>				
Trade receivables	1,513,261,372	1,513,261,372	1,211,240,334	1,211,240,334
Other receivables	1,021,062	1,021,062	6,541,513	6,541,513
Cash equivalents	1,211,640,758	1,211,640,758	2,197,894,611	2,197,894,611





	As at 31 Dec 2022		As at 31 Dec 2021	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
<b>Available for sale financial assets</b>				
<b>Financial liabilities</b>				
<b>Liabilities carried at amortised costs</b>				
Short term borrowing	372,805,792	372,805,792	430,408,117	430,408,117
Trade and other payables	1,119,162,787	1,119,162,787	958,449,064	958,449,064

Accounting classification and fair values as at 31 Dec 2022 in respect of the separate financial statements does not vary significantly from the consolidated one.

#### Interest rates used for determining amortised cost

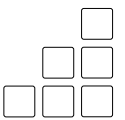
The interest rates used to discount estimated cash flows, when applicable were as follows:

	31 Dec 2022	31 Dec 2021
Investment in FDR (local currency/BDT)	1.50%-6.75%	1.50%-5.00%
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)	SOFR+2.00%-3.50%	LIBOR+2.00%-3.50%

### 39 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	368,394,504	5,008,696	-	68,037,289	-	40,999,800		
				Previous year	374,006,296	10,956,522	-	75,592,623	-	20,499,900		
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	44,189,683	-	-	9,009,969	-	4,950,000		
				Previous year	36,349,893	-	-	5,897,332	-	1,980,000		
RAK Ceramics PJSC, UAE	Parent	Unsecured	Nil	Current year	4,313,568	-	-	24,198,217	-	-		
				Previous year	9,026,026	-	-	18,643,948	-	-		
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	659,475,040	-	-	-	-	-		
				Previous year	785,892,515	-	-	65,809,391	-	-		
RAK Ceramics (India) Pvt. Ltd.	Fellow subsidiary	Secured	Nil	Current year	706,935	-	-	-	-	-		
				Previous year	48,362	-	-	-	-	-		
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	14,250	-	-	-	-	-		
				Previous year	423,872	-	-	-	-	-		
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	106,789,265	-	-	14,733,285	-	-		
				Previous year	59,455,970	-	-	13,393,261	-	-		
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	13,087,923	-	-	944,528	-	-		
				Previous year	11,461,923	-	-	391,680	-	-		
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	1,581,556	-	-	-	-	-		
				Previous year	1,724,911	-	-	25,929	-	-		
Masram Agro Ltd.(*)	Other related party	Unsecured	Nil	Current year	209,743,750	-	-	209,743,750	-	-		
				Previous year	-	-	-	-	-	-		
Speedway International Pvt. Ltd	Other related party	Unsecured	Nil	Current year	29,621,260	-	-	9,278,768	-	-		
				Previous year	6,553,328	-	-	5,787,631	-	-		
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	-	-	-	6,414	-	-		
				Previous year	1,496,233	-	-	6,414	-	-		
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	7,843,174	-	-	-	-	-		
				Previous year	58,450,995	-	-	8,299,420	-	-		
Mohammed Trading	Other related party	Secured by Guaranteed Cheque	Nil	Current year	-	2,842,370,536	893,742,803	-	-	-		
				Previous year	-	2,409,828,278	673,567,276	-	-	-		
S.A.K. Ekramuzzaman (**)	Key Management Personnel	Unsecured	Nil	Current year	406,035,342	-	-	109,693,757	28,399,776	-		
				Previous year	2,891,980	-	-	26,422,103	35,229,470	-		
Sadhan Kumar Dey	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	-	9,690,207	-		
				Previous year	-	-	-	-	9,023,824	-		



\* Transaction represents purchase of 11.32 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 209,743,750 excluding registration and other expenses from Masram Agro Ltd. as approved by the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. The land registered in the name of the Company dated August 14, 2022 but no payment has been made until 31 December 2022. Therefore, said amount showing as payable against purchase of land (Note-22)

\*\* Purchase includes 21.73 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 402,090,100 excluding registration and other expenses from S.A.K Ekramuzzaman as approved by the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. Out of Total payable BDT. 402,090,100 an amount of BDT. 313,696,175 has been paid to Mr. S.A.K. Ekramuzzaman and balance BDT. 88,393,925 showing as payable against purchase of land (Note -22).

**39.1** The company has decided to purchase of 33.91 acres of land at Bhutulia, Gazipur under Dhanua and Gazipur Mouja at a total cost of BDT. 627.34 million excluding registration and other expenses from Mr. SAK Ekramuzzaman [Managing Director of RAK Ceramics (Bangladesh) Limited] and others in its Board of Directors meeting dated June 13, 2022 and subsequent approval of the shareholders of the company in Extra Ordinary General Meeting held on August 4, 2022. Out of total 33.91 acres of land 33.05 acres has been registered in the name of the Company and balance 0.86 acres of land is under process of registration. The land was proposed to be utilized for greenfield expansion of tiles plant with an additional production capacity of 15,000 sqm of tiles per day, has been decided in the Board of Directors meeting as mentioned above. The total cost of the project was estimated BDT. 9,025 Million.

Out of 33.91 acres of land , 33.05 acres of land purchased by the company dated August 14, 2022.

The company has also decided to establish a new faucets plant with production capacity of 1,500 pcs per day on the above land in the Board of Directors meeting held on July 20, 2022. The total cost of the project was estimated BDT. 950 Million.

To comply the BSEC notification no. BSEC/CMRRCD/2009-193/10/Admin/118 dated March 22, 2021 shareholders of the company in its 23rd Annual General Meeting dated March 31,2022 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) equivalent to 10% (Ten percent) or above of the revenue for the immediate financial year."

**39.2 Paid to Directors**

During the year, provision was made as MD's remuneration for Taka. 28,399,776.

During the year, Board meeting fees of Taka 750,000 was paid to the board members for attending the Board meetings.

**40 Number of employees**

The number of employees engaged for the period who received total remuneration of Taka 96,000 and above per annum at reporting date was as follows.

	2022	2021
Number of employees	1,748	1,752
None of receiving below Taka 8,000 per month.		

**41 Calculation of Earnings per share (EPS)**

	2022	2021
	Taka	Taka
(a) Net Profit for the year	691,340,909	885,107,617
(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

	2022 Taka	2021 Taka
Earnings per share (EPS) for the year (a÷c)	1.62	2.07
Diluted earnings per share for the year (a÷c)	1.62	2.07

#### 41.1 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.

	2022	2021
Outstanding shares	427,968,701	427,968,701
	<b>427,968,701</b>	<b>427,968,701</b>

#### 41.2 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.

#### 41.3 Reason of deviation of earnings per share:

Due to the revised and responsive business strategy taken by the management, sales are increased by 8.75% from BDT. 6,815.40 MN to BDT. 7,411.92 MN even though earning per share is decreased from BDT. 2.07 to 1.62 due to increase in gas price, significant volatile of foreign currency market, disruption of global supply chain caused increase of all input raw material price and shipping freight. In addition, disruption of production due to inadequate pressure of supplied gas from mid of August 2022 and sometimes no gas resulting increase of production cost compare to previous year. Therefore, gross profit margin has been reduced from 28.93% to 26.25% and sales volume not achieved as expected in the year 2022 due to the shortage of production.

#### 42 Calculation of Net assets value per share

(a) Net assets value (Note 15, 16 & 17)	7,691,316,065	7,534,936,032
(b) Weighted average no. of equity shares outstanding (Note 41.1)	427,968,701	427,968,701
Net assets value per share (a÷b)	17.97	17.61

#### 43 Calculation of Net operating cash flow per share

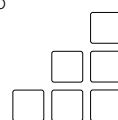
(a) Net Cash flows from operating activities (Note 44)	584,505,995	509,725,126
(b) Weighted average no. of equity shares outstanding (Note 41.1)	427,968,701	427,968,701
Net operating cash flow per share (a÷b)	1.37	1.19

#### 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 are increased by 8.75% from BDT. 6,815.40 MN to BDT. 7,411.92 MN and registered improvement in cash flows from customers as well as income tax payment has been reduced due to the reduction of profit before tax in the current year as compared to last year which caused an increase net operating cash flow per share from BDT 1.19 to BDT. 1.37.

#### 44 Reconciliation of operating cash flow:

	2022 Taka	2021 Taka
Cash flows from operating activities		
Profit before taxation	901,580,185	1,118,395,864
Adjustment for:		
Depreciation	422,927,353	431,573,776





	2022 Taka	2021 Taka
Amortization	1,259,813	1,554,136
Loss on assets retirement	1,995,267	3,382,984
Advance rent adjustment	(5,630,000)	-
Foreign exchange loss	79,489,878	2,402,083
Finance expenses	29,299,272	7,641,383
Finance income	(47,920,629)	(44,346,321)
Other income	(50,958,496)	(33,436,422)
	1,332,042,643	1,487,167,481
Increase/decrease in trade and other receivable	(302,021,038)	(233,782,084)
Increase/decrease in inventories	(403,506,522)	(981,352,383)
Increase/decrease in trade and other payables	170,269,346	487,358,849
<b>Cash generated from operating activities</b>	<b>796,784,431</b>	<b>759,391,865</b>
Interest received from bank deposit	6,726,677	8,099,212
Income tax paid	(219,005,113)	(257,765,951)
<b>Net cash (used in)/from operating activities</b>	<b>584,505,995</b>	<b>509,725,126</b>

#### 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 545,206,680 (31 Dec 2021: Tk 1,130,710,423. 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 297,080,297 (31 Dec 2021: Tk 414,109,099) and letter of guarantee of Tk 81,752,614 (31 Dec 2021: Tk 81,702,853).

The company issued one corporate guarantee value BDT. 70 Million (SCB) in favour of subsidiary company to avail loan from banks. Outstanding loan against the said corporate guarantee are nil at 31 Dec 2022. 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) Ltd, in its meeting held on 25 January 2023, has unanimously recommended cash dividend @ 10% of the paid capital of the company for the year ended 31 December 2022 equivalent to BDT 427,968,701 to be distributed as cash dividend among shareholders, which is more than 30% of the current year profit. The dividend is subject to final approval by the shareholders at the forthcoming 24th Annual General Meeting (AGM) of the company which will be held on 30 March 2023.

# 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 2022, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

The Directors' report has been prepared in compliance with Section 184 of the Companies Act, 1994.

## 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 authorized 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 2022. 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 2022 are as follows:

(Amount in BDT mn)  
(Absolute BDT)

Particulars	2022	2021
Sales	368.39	374.01
Gross Profit	40.29	67.18
Net Profit After Tax	24.08	41.78
Earnings Per Share (Absolute BDT)	11.75	20.38
Net Operating Cash Flow Per Share (NOCFPS) (Absolute BDT)	14.95	25.67
Net Asset Value (NAV)	273.34	290.26
Net Asset Value per share (Absolute BDT)	133.33	141.59

## Reserves and Surplus

In 2022, retained earnings of the Company stood at BDT 68.34 mn against BDT 85.26 mn in 2021.

## Dividend

The Board of Directors of RAK Power Pvt. Ltd. has recommend no dividend for the year 2022 considering the forthcoming Capital Expenditure. The company paid cash dividend @20% of paid-up capital for the year 2021.

## Auditors and audit report

A. Qasem & Co. Chartered Accountants (a member firm of ECOVIS International), shall retire at the 18th Annual General Meeting and, being eligible, have offered themselves for reappointment. The Board also recommended their re-appointment for the year 2023. Remuneration of the Auditor will be fixed by the shareholders at the 18th Annual General Meeting.

The statutory auditors of the Company have given reports on the financial statements for the year ended 31 December 2022. There is no qualification, reservation, adverse remarks, comments, observations or disclaimer given by the statutory auditors in their reports.

## 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.

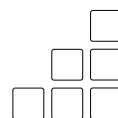
For and on behalf of the Board of Directors,



(Abdallah Massaad)

Chairman

Date: January 25, 2023



# 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 2022, 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 2022, 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 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. 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.

## 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.

### A. Qasem & Co.

Chartered Accountants

RJSC Firm Registration No.: 2-PC7202



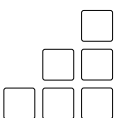
**Mohammad Motaleb Hossain FCA**

Partner

Enrolment Number: 0950

DVC: 2301260950AS738302

25 January 2023





# RAK Power Pvt. Ltd.

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

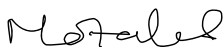
	Notes	31-Dec-22 Taka	31-Dec-21 Taka
<b>Assets</b>			
Property, plant and equipment	4	125,490,812	153,391,622
Investment	5	287,500	287,500
<b>Total non-current assets</b>		<b>125,778,312</b>	<b>153,679,122</b>
Inventories	6	55,158,742	43,891,378
Trade and other receivables	7	68,110,602	75,654,930
Advances, deposits and prepayments	8	33,990,760	31,949,103
Advance income tax	9	355,939,990	342,899,335
Cash and cash equivalents	10	55,493,426	66,752,638
<b>Total current assets</b>		<b>568,693,520</b>	<b>561,147,384</b>
<b>Total assets</b>		<b>694,471,832</b>	<b>714,826,506</b>
<b>Equity</b>			
Share capital	11	205,000,000	205,000,000
Retained earnings	12	68,335,689	85,256,696
<b>Total equity</b>		<b>273,335,689</b>	<b>290,256,696</b>
<b>Liabilities</b>			
Deferred tax liability	13	15,026,991	20,591,106
<b>Total non-current liabilities</b>		<b>15,026,991</b>	<b>20,591,106</b>
Trade and other payables	15	4,705,437	6,820,934
Accrued expenses	16	33,735,448	41,815,063
Provision for income tax	17	367,668,267	355,342,707
<b>Total current liabilities</b>		<b>406,109,152</b>	<b>403,978,704</b>
<b>Total liabilities</b>		<b>421,136,143</b>	<b>424,569,810</b>
<b>Total equity and liabilities</b>		<b>694,471,832</b>	<b>714,826,506</b>

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: 2301260950AS738302



**Vibhuti Bhushan**  
Managing Director



**SAK Ekramuzzaman**  
Director

25 January 2023

## RAK Power Pvt. Ltd.

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	31-Dec-22 Taka	31-Dec-21 Taka
Sales	18	368,394,504	374,006,296
Cost of sales	19	(328,101,527)	(306,830,139)
<b>Gross profit</b>		<b>40,292,977</b>	<b>67,176,157</b>
Other income	20	149,999	20,000
Administrative expenses	21	(10,100,827)	(10,454,474)
		(9,950,828)	(10,434,474)
<b>Profit from operating activities</b>		<b>30,342,149</b>	<b>56,741,683</b>
Finance income	22	957,025	433,270
Finance expenses	23	(458,736)	(321,120)
<b>Net finance income/(expenses)</b>		<b>498,289</b>	<b>112,150</b>
<b>Profit before income tax</b>		<b>30,840,438</b>	<b>56,853,833</b>
<b>Income tax expense:</b>			
Current tax	24	(12,325,560)	(20,204,964)
Deferred tax	13	5,564,115	5,129,307
		(6,761,445)	(15,075,657)
<b>Profit for the year</b>		<b>24,078,993</b>	<b>41,778,176</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>24,078,993</b>	<b>41,778,176</b>
<b>Basic earnings per share (par value Tk 100)</b>	30	<b>11.75</b>	<b>20.38</b>

The accompanying notes are an integral part of these financial statements

As per our report of same date

#### A. GASEM & CO.

CHARTERED ACCOUNTANTS  
RJSC FIRM REGISTRATION NO.: 2-PC7202



**Mohammad Motaleb Hossain FCA**

Partner

Enrolment Number: 0950

DVC: 2301260950AS738302

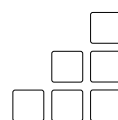


**Vibhuti Bhushan**  
Managing Director



**SAK Ekramuzzaman**  
Director

25 January 2023



## RAK Power Pvt. Ltd.

### STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital Taka	Retained earnings Taka	Total Taka
	(Note 11)	(Note 12)	
<b>Balance as at 01 January 2022</b>	205,000,000	85,256,696	290,256,696
Total comprehensive income for 2022			
Profit for the year	-	24,078,993	24,078,993
Transactions with the shareholders			
Cash dividend (2021)	-	(41,000,000)	(41,000,000)
<b>Balance as at 31 December 2022</b>	<b>205,000,000</b>	<b>68,335,689</b>	<b>273,335,689</b>
<b>Balance as at 01 January 2021</b>	205,000,000	63,978,520	268,978,520
Total comprehensive income for 2021			
Profit for the year	-	41,778,176	41,778,176
Transactions with the shareholders			
Cash dividend (2020)	-	(20,500,000)	(20,500,000)
<b>Balance as at 31 December 2021</b>	<b>205,000,000</b>	<b>85,256,696</b>	<b>290,256,696</b>

The accompanying notes are an integral part of these financial statements

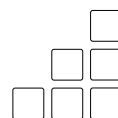
## RAK Power Pvt. Ltd.

### STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	31-Dec-22 Taka	31-Dec-21 Taka
<b>Cash flows from operating activities</b>		
Cash receipts from customers	376,098,681	320,265,417
Cash payments to suppliers and employees	(333,289,762)	(251,309,711)
<b>Cash generated from operating activities</b>	<b>42,808,919</b>	<b>68,955,706</b>
Interest received from bank deposit	881,459	416,559
Income tax paid (Note-9)	(13,040,655)	(16,756,050)
<b>Net cash (used in)/from operating activities (Note-33)</b>	<b>30,649,723</b>	<b>52,616,215</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(515,915)	(7,237,204)
Interest received	15,716	117,337
Dividend received	50,000	20,000
<b>Net cash (used in)/from investing activities</b>	<b>(450,199)</b>	<b>(7,099,867)</b>
<b>Cash flows from financing activities</b>		
Finance charges	(458,736)	(144,869)
Dividend paid	(41,000,000)	(20,500,000)
<b>Net cash (used in)/from financing activities</b>	<b>(41,458,736)</b>	<b>(20,644,869)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(11,259,212)</b>	<b>24,871,479</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>66,752,638</b>	<b>41,881,159</b>
<b>Cash and cash equivalents as at 31 December (Note 10)</b>	<b>55,493,426</b>	<b>66,752,638</b>

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 2022

### 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 2022. 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 25 January 2023.

#### 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 13	Deferred tax liability
Note 14	Employees benefit payable
Note 17	Provision for income tax

## 2.5 Reporting year

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

## 2.6 Going concern

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

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements and have been applied consistently.

### 3.1 Property, plant and equipment

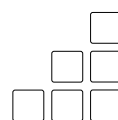
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment. Maintenance, renewals and betterments that enhance the economic useful 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. 14.

### 3.6 Finance income and expenses

Finance income comprises interest income on funds invested in Term Deposit (TD) 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

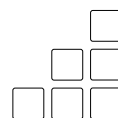
Income tax expenses represents current tax and deferred tax. Income tax expense is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

#### 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 27.5% for the reporting year as per Finance Act-2022 for the year 2022, income tax rate was 30% for the year ended 31 December 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 27.1 (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.

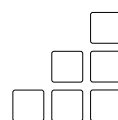
Revenue will be recognized for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the company is unable to make a reasonable estimate of return, revenue is expected 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

The Company assessed the impact of IFRS 16 and 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 and non-cancellable lease year of office space is less than 12 month..

#### 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.

#### 3.17 Comparatives and reclassification

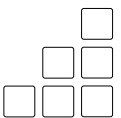
Comparative information have been disclosed in respect of 2021 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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-22

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 2022	
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2022	Rate	Balance as at 01 Jan 2022	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2022
Land	11294000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Factory building	19573131	-	-	19,573,131	20%	19,438,869	75,600	-	19,514,469	58,662
Plant and machinery										
Main Genset	327,547,703	-	-	327,547,703	5%	188,501,982	27,332,623	-	215,834,605	111,713,098
Auxiliary equipment	33,597,157	-	-	33,597,157	10%	33,570,902	18,608	-	33,589,510	7,647
Electrical installation	25,822,636	-	-	25,822,636	20%	25,822,635	-	-	25,822,635	1
Gas pipeline	21,166,492	-	-	21,166,492	20%	19,113,673	693,352	-	19,807,025	1,359,467
Furniture and fixtures	2,042,992	130,060	303,318	1,869,734	10%	1,679,817	90,255	303,318	1,466,754	402,980
Office equipment	1,942,021	376,395	110,100	2,208,316	20%	1,466,636	205,658	110,100	1,562,194	646,122
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	9,460	198,074	2,111,917	20%	2,300,530	628	198,073	2,103,085	8,832
<b>Total</b>	<b>418,179,775</b>	<b>515,915</b>	<b>611,492</b>	<b>448,951,329</b>		<b>295,655,284</b>	<b>28,416,724</b>	<b>611,491</b>	<b>323,460,517</b>	<b>125,490,812</b>





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
<b>Total</b>	<b>388,950,577</b>	<b>60,096,329</b>	<b>-</b>	<b>449,046,906</b>		<b>267,233,743</b>	<b>28,421,541</b>	<b>-</b>	<b>295,655,284</b>	<b>153,391,622</b>

	31-Dec-22 Taka	31-Dec-21 Taka
<b>4.1 Depreciation charged on the basis of the purpose of use</b>		
Cost of sales	28,120,183	28,169,703
Administrative expenses	296,541	251,838
	<b>28,416,724</b>	<b>28,421,541</b>

#### 4.2 Disposal of property, plant and equipment

2022

Amount in Taka

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against Sale	Profit /(loss) on disposal
Furniture & Fixture	303,318	303,318	-	-	-
Vehicle	198,074	198,073	1	100,000	99,999
Office Equipment	110,100	110,100	-	-	-
<b>Total</b>	<b>611,492</b>	<b>611,491</b>	<b>1</b>	<b>100,000</b>	<b>99,999</b>

2021

Amount in Taka

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against Sale	Profit /(loss) on disposal
No Disposal	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

No disposal of property, plant and equipment took place during the year.

#### 5 Investment

Investment to RAK Security & Services Pvt. Ltd	287,500	287,500
	287,500	287,500
	<b>287,500</b>	<b>287,500</b>

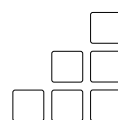
#### 6 Inventories

Stores, spares and consumables	55,158,742	51,602,636
Less: write off for obsolesce of spare parts	-	7,711,258
	<b>55,158,742</b>	<b>43,891,378</b>

#### 7 Trade and other receivables

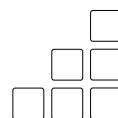
##### Trade receivable

Receivable from sales	68,037,289	75,592,623
	<b>68,037,289</b>	<b>75,592,623</b>



	31-Dec-22 Taka	31-Dec-21 Taka
<b>Other receivable</b>		
Supplier against services	-	48,844
Interest accrued on FDR	73,313	13,463
	73,313	62,307
	<b>68,110,602</b>	<b>75,654,930</b>
<b>8 Advance, deposits and prepayments</b>		
Advances:		
Suppliers against VAT Software	225,000	225,000
	<b>225,000</b>	<b>225,000</b>
Security and other deposit:		
Titans gas transmission & distribution co. ltd.	33,263,600	31,183,000
Prepayments:		
Insurance and others	502,160	541,103
	502,160	541,103
	<b>33,990,760</b>	<b>31,949,103</b>
<b>9 Advance income tax</b>		
Balance as at 1 January	342,899,335	326,143,285
Add: Paid during the year	13,040,655	16,756,050
Balance as at 31 December	<b>355,939,990</b>	<b>342,899,335</b>
<b>9.1 Year wise advance income tax</b>		
<b>Income year</b>		
year 2022	9,227,770	-
year 2021	18,579,113	14,766,228
year 2020	13,713,864	13,713,864
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

	31-Dec-22 Taka	31-Dec-21 Taka
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
	<b>355,939,990</b>	<b>342,899,335</b>
<b>10 Cash and cash equivalents</b>		
Cash in hand	97,093	316,108
	97,093	316,108
Cash at banks		
Standard Chartered Bank (CD - 01-3767272-01 - BDT)	50,012	77,205
Dutch Bangla Bank Ltd. (CD 117 - 110 - 23474 - BDT)	1,310	1,655
Standard Chartered Bank (SND -02-3767272-01 - BDT)	376,147	54,866
Standard Chartered Bank (Margin Money account)	3,319,200	3,319,200
Dutch Bangla Bank Ltd. (SND account - 117-120-2550 - BDT)	2,436,774	11,431,530
Midland Bank (SND Account 0006-1070000015 - BDT)	42,131,942	45,521,092
Eastern Bank Limited (CD Account-1132040363287)	687,158	587,252
Eastern Bank Limited (Margin Money account)	-	4,681,650
	49,002,543	65,674,450
Investment in Term Deposits (TD)		
Eastern Bank Ltd.	6,393,790	-
Standard Chartered Bank.	-	762,080
	6,393,790	762,080
	<b>55,493,426</b>	<b>66,752,638</b>
<b>11 Share Capital</b>		
<b>Authorised</b>		
10,000,000 ordinary shares of Tk 100 each	<b>1,000,000,000</b>	<b>1,000,000,000</b>
Issued, subscribed, called and paid up	<b>205,000,000</b>	<b>205,000,000</b>
2,050,000 ordinary shares of Tk 100 each		





Percentage of shareholdings :

	31-Dec-22		31-Dec-21	
	%	Taka	%	Taka
RAK Ceramics (Bangladesh) Limited	99.9995	204,999,000	99.9996	204,999,000
RAK Security and Services (Pvt.) Ltd.	0.0005	1,000	0.0002	500
Engr. Md. Maqsdul Karim	-	-	0.0002	500
	<b>100.0000</b>	<b>205,000,000</b>	<b>100.0000</b>	<b>205,000,000</b>

Classification of shareholders by range:

Shareholder's range

	Number of shareholders		Number of shares	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Less than 500 shares	1	2	10	10
Over 500 shares	1	1	2,049,990	2,049,990
	<b>2</b>	<b>3</b>	<b>2,050,000</b>	<b>2,050,000</b>

12 Retained earnings

Balance as on 01 January	85,256,696	63,978,520
Add : Profit during the year	24,078,993	41,778,176
Less: Dividend declared during the year	(41,000,000)	(20,500,000)
Balance as at 31 December	<b>68,335,689</b>	<b>85,256,696</b>

Detail movement for retained earnings are shown in statement of changes in equity.

13 Deferred tax liabilities

Balance as at 1 January	20,591,106	25,720,413
Deferred tax (income) / expenses	(5,564,115)	(5,129,307)
Balance as at 31 December	<b>15,026,991</b>	<b>20,591,106</b>

	Carrying amount	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
<b>As at 31 December 2022</b>			
Property, plant and equipment (Excluding land and others)	114,196,812	59,553,210	54,643,602
Net taxable temporary difference			<b>54,643,602</b>
Deferred tax liability (applying tax rate 27.50%)			<b>15,026,991</b>

	Carrying amount	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
<b>As at 31 December 2021</b>			
Property, plant and equipment (Excluding land and others)	142,097,622	73,460,602	68,637,020
Net taxable temporary difference			<b>68,637,020</b>
Deferred tax liability (applying tax rate 30.00%)			<b>20,591,106</b>

#### 14 Employees benefits payable

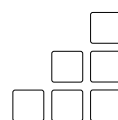
	31-Dec-22		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	1,429,750	622,170	2,051,920
	1,429,750	622,170	2,051,920
Less: Payments made to fund during the year	1,429,750	622,170	2,051,920
Balance as at 31 December	-	-	-

	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	-	-	-

#### 15 Trade and other payables

##### Trade payables

	31-Dec-22 Taka	31-Dec-21 Taka
Payable to local suppliers	717,286	980,030
Payable to service provider	2,386,921	497,327
	<b>3,104,207</b>	<b>1,477,357</b>



	31-Dec-22 Taka	31-Dec-21 Taka
<b>Other payables</b>		
Tax deducted at source	184,868	686,852
VAT deducted at source	1,096,685	1,818,490
VAT payable (Note 15.1)	319,677	2,838,235
	1,601,230	5,343,577
	<b>4,705,437</b>	<b>6,820,934</b>
<b>15.1 VAT payable</b>		
Balance as at 1 January	2,838,235	-
Add: VAT on sales	55,259,176	49,066,218
	58,097,411	49,066,218
Less: Treasury deposit for VAT purpose	17,313,017	16,189,276
Less: Input VAT credit	40,464,717	30,038,706
Balance as at 31 December	<b>319,677</b>	<b>2,838,235</b>
<b>16 Accrued expenses</b>		
Power and gas	20,272,477	17,649,487
Staff cost	2,604,282	2,580,737
Audit fees	130,000	85,000
Taxation matter	35,500	20,000
Operation and maintenance	10,693,189	21,479,839
	<b>33,735,448</b>	<b>41,815,063</b>
<b>17 Provision for income tax</b>		
Balance as at 1 January	355,342,707	335,137,743
Add: Provision made for the year	12,325,560	20,204,964
Balance as at 31 December (note 17.1)	<b>367,668,267</b>	<b>355,342,707</b>
<b>17.1 Year wise closing balance</b>		
<b>Income year</b>		
year 2022	12,325,560	-
year 2021	20,204,964	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

	31-Dec-22 Taka	31-Dec-21 Taka
year 2014	37,992,335	37,992,335
year 2013	44,169,714	44,169,714
year 2012	33,236,076	33,236,076
year 2011	3,535,904	3,535,904
year 2010	913,421	913,421
year 2009	5,000	5,000
	<b>367,668,267</b>	<b>355,342,707</b>

## 18 Sales

	31-Dec-22		31-Dec-21	
	Quantity in million kwh	Amount Taka	Quantity in million kwh	Amount Taka
Local	48.34	423,653,680	51.01	430,107,240
Electricity		55,259,176		56,100,944
Less: VAT		368,394,504		374,006,296

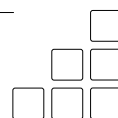
### 18.1 Quantitative details of opening stock, purchase, consumption and closing stock of raw materials and finished goods.

Raw Materials	UOM	Natural Gas consumption quantity in million cubic meter	
		31-Dec-22	31-Dec-21
Opening stock	MN cubic meter	-	-
Purchase	MN cubic meter	14.69	13.37
Consumption	MN cubic meter	14.69	13.37
Closing stock	MN cubic meter	-	-

Finish Goods (Electricity)	UOM	Electricity Generation and sales in million Kilo Watt Hour (KWH)	
		31-Dec-22	31-Dec-21
Opening stock	MN KWH	-	-
Production / Generation	MN KWH	48.34	51.01
Consumption	MN KWH	48.34	51.01
Closing stock	MN KWH	-	-

### 18.2

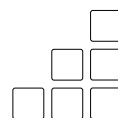
Capacity vs. Utilization	UOM	Production capacity and actual production (Electricity, KWH & Percentages)	
		31-Dec-22	31-Dec-21
Installed/ Generation Capacity	Million KWH	85.63	85.63
Utilisation	Million KWH	48.34	51.01
% of Utilisation	%	56%	60%
Over/(Under) Utilization	Million KWH	(37.29)	(34.62)
Over/(Under) Utilization (%)	%	-44%	-40%





	31-Dec-22 Taka	31-Dec-21 Taka
<b>19 Cost of sales</b>		
Cost of electricity generation		
Consumption of natural gas	222,682,155	163,495,736
Factory overhead:		
Direct labour (note-19.1)	11,372,803	11,614,988
Direct expenses:		
Lubricating oil	7,183,105	4,908,631
Repair and indirect materials (note-19.2)	50,451,384	75,160,571
Depreciation on property, plant and equipment (Note-4.1)	28,120,183	28,169,703
Other production expenses (note 19.3)	8,291,896	23,480,510
	<b>328,101,527</b>	<b>306,830,139</b>
<b>19.1 Direct labour</b>		
Salary and wages	8,779,774	8,745,868
Bonus	857,962	1,044,744
Incentive	42,498	375,504
Gratuity	458,521	646,539
Employers contribution to provident fund	526,778	517,239
Leave encashment	645,633	222,443
Group life insurance	61,637	62,651
	<b>11,372,803</b>	<b>11,614,988</b>
<b>19.2 Repair and indirect materials</b>		
Operation and maintenance	44,191,125	67,722,047
Spare parts-Cat genset	4,999,987	5,860,901
Water and chemicals	1,169,272	1,333,874
Diesel	91,000	243,750
	<b>50,451,384</b>	<b>75,160,571</b>
<b>19.3 Other production overhead</b>		
Security and services	1,333,599	1,614,272
Insurance	1,068,403	1,369,370
Rent, rates and taxes	5,760,000	12,600,000
Write off for obsolesce of spare parts	-	7,711,258
Other expenses	129,894	185,610
	<b>8,291,896</b>	<b>23,480,510</b>

	31-Dec-22 Taka	31-Dec-21 Taka
	Rent, rates and taxes includes rental expenses for short term lease for BDT. 5,008,696 excluding VAT and related government levies wherever applicable. Details of the short term lease is shown in note no. 26.	
<b>20 Other income</b>		
Dividend income	50,000	20,000
Profit on sale of fixed assets	99,999	-
	<b>149,999</b>	<b>20,000</b>
<b>21 Administrative expenses</b>		
Staff cost (note-21.1)	7,154,355	8,024,224
Telephone and postage	249,835	184,424
Office repair and maintenance	99,602	43,528
Registration and renewal	224,905	161,975
Security and guard expenses	178,944	162,678
Electricity, gas and water	164,823	162,700
Depreciation on property, plant and equipment (Note-4.1)	296,542	251,838
Legal and professional fees	445,010	503,250
Vehicle repair and maintenance	407,076	354,084
Rent, rate and tax	518,400	520,000
Meeting expenses	60,000	36,000
Others	301,335	49,773
	<b>10,100,827</b>	<b>10,454,474</b>
<b>21.1 Staff cost</b>		
Salary and wages	5,442,185	6,039,741
Bonus	516,721	641,670
Performance bonus	-	346,050
Gratuity	163,647	179,904
Employers contribution to provident fund	188,098	143,041
Leave encashment	219,061	36,736
Group life insurance	33,862	21,783
Staff welfare expenses	41,600	34,120



	31-Dec-22 Taka	31-Dec-21 Taka
Other employee benefit	-	235,688
Travelling expenses	57,138	47,645
Special allowances	100,000	-
Fooding expenses	392,043	297,846
	<b>7,154,355</b>	<b>8,024,224</b>
<b>22 Finance income</b>		
Interest on Short Notice Deposit (SND)	881,459	416,559
Interest on Term Deposit (TD)	75,567	16,711
	<b>957,025</b>	<b>433,270</b>
<b>23 Finance expenses</b>		
Interest expenses	68	10,901
Bank charges	458,668	133,967
Exchange loss	-	176,252
	<b>458,736</b>	<b>321,120</b>
<b>24 Income tax expenses</b>		
Accounting profit (PBT as per Statement of Profit or Loss)	30,840,438	56,853,833
Add: Accounting Depreciation of Fixed Assets	28,416,724	28,421,541
	59,257,162	85,275,374
Less: Tax base depreciation (as per 3rd Schedule of ITO,1984):	14,423,307	17,918,828
Less: Dividend income	50,000	20,000
<b>Taxable profit</b>	<b>44,783,855</b>	<b>67,336,546</b>
Applicable tax rate		
On Business income	27.50%	30.00%
On Dividend income	20.00%	20.00%
Tax expenses:		
Business income	12,315,560	20,200,964
Dividend income	10,000	4,000
<b>Current tax liability</b>	<b>12,325,560</b>	<b>20,204,964</b>

24.1 Reconciliation of effective tax rate

	31-Dec-22		31-Dec-21	
	%	Taka	%	Taka
Profit before tax		30,840,438		56,853,833
Current tax expenses	39.97%	12,325,560	35.54%	20,204,964
Deferred tax expenses	-18.04%	(5,564,115)	-9.02%	(5,129,307)
<b>Total tax expenses</b>	<b>21.92%</b>	<b>6,761,445</b>	<b>26.52%</b>	<b>15,075,657</b>
Applicable tax rate	27.50%	8,481,120	30.00%	17,056,150
Tax on non-deductible expenses	12.47%	3,844,440	5.54%	3,148,814
Effective current tax	39.97%	12,325,560	35.54%	20,204,964
Effective deferred tax	-18.04%	(5,564,115)	-9.02%	(5,129,307)
	<b>21.92%</b>	<b>6,761,445</b>	<b>26.52%</b>	<b>15,075,657</b>

25 Transaction in foreign currency

CIF value of import:

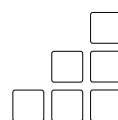
Spare parts	21,309,055	4,820,418
	<b>21,309,055</b>	<b>4,820,418</b>

26 Short term lease expenses

				31-Dec-22	
Particulars	Lease term	Rent Tk./ MW per month	Capacity per generator	Number of generator	Rental/ Taka
Caterpillar Generator	<1 year	69,565	1.0 MW	3	2,504,348
MWM Generator	<1 year	104,348	1.5 MW	2	2,504,348
					<b>5,008,696</b>

Short term lease expenses

				31-Dec-21	
Particulars	Lease term	Rent Tk./ MW per month	Capacity per generator	Number of generator	Rental/ Taka
Caterpillar Generator	<1 year	69,565	1.0 MW	3	5,478,261
MWM Generator	<1 year	104,348	1.5 MW	2	5,478,261
					<b>10,956,522</b>





## 27 Financial risk management

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

- ▶ Credit risk
- ▶ Liquidity risk
- ▶ Market risk

### 27.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables.

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

#### 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	
	31 Dec 2022	31 Dec 2021
Trade receivables	68,037,289	75,592,623
Customer-Local	68,037,289	75,592,623
Other receivables	73,313	13,463
Accrued Interest	-	48,844
Other Receivable	73,313	62,307
	55,396,333	66,436,530
Cash equivalents	55,396,333	66,436,530

#### 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 2022.

Financial assets	Note	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9	Impairment
Trade and other receivable	8	Loan & receivable	Amortized cost	68,110,602	68,110,602	-
Cash and cash equivalent	11	Loan & receivable	Amortized cost	55,493,426	55,493,426	-

- 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	
	2022	2021
Not past due	68,037,289	75,592,623

**27.2 Liquidity risk**

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

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

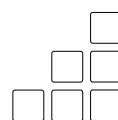
The following are the contractual maturities of financial liabilities of the Company:

	As at 31 Dec 2022			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	4,705,437	4,705,437	4,705,437	-
	<b>4,705,437</b>	<b>4,705,437</b>	<b>4,705,437</b>	<b>-</b>

	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	-
	<b>6,820,934</b>	<b>6,820,934</b>	<b>6,820,934</b>	<b>-</b>

**27.3 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) **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:

	Amount in Taka	
	31-Dec-22	31-Dec-21
<b>Fixed rate instruments</b>		
Financial assets		
Investment in FDR	6,393,790	762,080
Cash at banks	49,002,543	65,674,450

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-22		As at 31-Dec-21	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Held to maturity assets</b>				
Investment in FDR	6,393,790	6,393,790	762,080	762,080
<b>Loans and receivables</b>				
Trade receivables	68,037,289	68,037,289	75,592,623	75,592,623
Other receivables	73,313	73,313	62,307	62,307
Cash equivalents	55,396,333	55,396,333	66,436,530	66,436,530
<b>Available for sales financial assets</b>				
<b>Liabilities carried at amortised cost</b>				
Trade and other payables	4,705,437	4,705,437	6,820,934	6,820,934

Accounting classification and fair value as at 31 December 2022 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-22	31-Dec-21
Investment in FDR	2.50%-6.35%	2.00%-3.00%

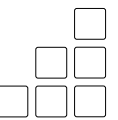
## 28 Related party disclosures under IAS-24

List of related parties with whom transactions have been 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	Dividend Payment	Dividend Income	Amounts in Taka	
RAK Ceramics (Bangladesh) Limited	Parent Company	Unsecured	Nil	Current	5,008,696	368,394,504	68,037,289	-	40,999,800	-		
				Previous	10,956,522	374,006,296	75,592,623	-	20,499,900	-		
RAK Security & Services Pvt. Ltd	Fellow Subsidiary	Unsecured	Nil	Current	1,995,465	-	-	123,797	100	50,000		
				Previous	1,777,463	-	-	124,456	50	20,000		

### 28.1 Paid to Directors

During the year, Board meeting fee of Taka 60,000 was paid to the Directors.





## 29 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	21	20
None of receiving below Taka 8,000 per month.		

## 30 Calculation of Earnings per share (EPS)

	31-Dec-22 Taka	31-Dec-21 Taka
(a) Net Profit for the year	24,078,993	41,778,176
(b) No. of ordinary equity shares	2,050,000	2,050,000
(c) Weighted average no. of equity shares outstanding (Note 30.1)	2,050,000	2,050,000
<b>Earnings per share (EPS) for the year (a÷c)</b>	<b>11.75</b>	<b>20.38</b>
<b>Diluted earnings per share for the year (a÷c)</b>	<b>11.75</b>	<b>20.38</b>

### 30.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

	31-Dec-22 Taka	31-Dec-21 Taka
Outstanding shares	2,050,000	2,050,000
	<b>2,050,000</b>	<b>2,050,000</b>

### 30.2 Diluted earning per share

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during these years.

### 30.3 Reason of deviation of earnings per share:

Reason for decreasing of EPS due to gas price hike & also low gas pressure causes per KWH gas consumption higher in 2022.

## 31 Calculation of Net assets value per share

(a) Net assets value (Note 11 & 12)	273,335,689	290,256,696
(b) Weighted average no. of equity shares outstanding (Note 30.1)	2,050,000	2,050,000
<b>Net assets value per share (a÷b)</b>	<b>133.33</b>	<b>141.59</b>

## 32 Calculation of Net operating cash flow per share

(a) Net Cash flows from operating activities (Note 33)	30,649,723	52,616,215
(b) Weighted average no. of equity shares outstanding (Note 30.1)	2,050,000	2,050,000
<b>Net operating cash flow per share (a÷b)</b>	<b>14.95</b>	<b>25.67</b>

### 32.1 Reason of deviation of net operating cash flow per share:

Net operating cash flow per share decreased because of increase of gas price and resulted payment also increased for the same.

### 33 Reconciliation of operating cash flow:

	31-Dec-22 Taka	31-Dec-21 Taka
<b>Cash flows from operating activities</b>		
Profit before taxation	30,840,438	56,853,833
Adjustment for:		
Depreciation & Amortization	28,416,724	28,421,541
Foreign exchange loss	-	176,251
Finance expenses	458,736	321,120
Finance income	(957,025)	(533,896)
Other income	(149,999)	(20,000)
<b>Operating profit before working capital changes</b>	<b>58,608,874</b>	<b>85,218,849</b>
Increase/decrease in trade and other receivable	5,562,521	(46,268,737)
Increase/decrease in inventories	(11,267,364)	18,546,821
Increase/decrease in trade and other payables	(10,095,112)	11,458,773
<b>Cash generated from operating activities</b>	<b>42,808,919</b>	<b>68,955,706</b>
Interest received from bank deposit	881,459	416,559
Income tax paid	(13,040,655)	(16,756,050)
<b>Net cash (used in)/from operating activities</b>	<b>30,649,723</b>	<b>52,616,215</b>

### 34 Contingent liabilities

There is also contingent liability in respect of outstanding letters of credit of Tk 32,990,381 (31 Dec 2021: Tk 10,698,959) and letter of guarantee of Tk 63,937,900 (31 Dec 2021: Tk 57,756,500).

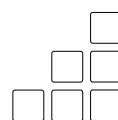
### 35 Events after the reporting period

#### 35.1 Declaration of dividend and date of Annual General Meeting (AGM)

The Board of Directors of RAK Power Pvt. Ltd. has decided in its meeting held on 25 January 2023 not to recommend any dividend for the year ended 31 December 2022 considering the forthcoming Capital Expenditure. The Board of Director fixed the date of Annual General Meeting (AGM) on 30 March 2023.

#### 35.2 Others

No material events occurred after the period of financial statements, non-disclosure of which could affect the ability of the users of these financial statements to make appropriate evaluation.



# 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 2022, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

The Directors' report has been prepared in compliance with Section 184 of the Companies Act 1994.

## 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. The company also provide pre-employment background verification and immigration and visa documentation verification services, among others.

## Review of business

The company reported revenue of BDT 87.73. mn in 2022, against BDT 73.86 mn in 2021. Due to the revised and responsive business strategy taken by the management, income from labour services increasing by 18.78%, as compared to 2021. The Company's net profit after tax stood at BDT 2.65 mn, against BDT 0.80 mn in 2021.

## Operating results

The operating results of the company for the year ended 2022 are as follows:

(Amount in BDT mn)

Particulars	2022	2021
Sales	87.73	73.86
Gross profit	23.00	19.39
Net profit after tax	2.65	0.80
Earnings Per Share (Absolute BDT)	216.66	80.00
Net Operating Cash Flow Per Share (NOCFPS)	(62.42)	95.98
Net Asset Value (NAV)	27.88	30.72
Net Asset Value per share (Absolute BDT)	2,788.34	3,071.79

## Reserves and Surplus

In 2022, retained earnings of the Company stood at BDT 26.88 mn against BDT 29.72 mn in 2021.

## Dividend

The Board of Directors of RAK Security and Services is pleased to recommend cash dividend @200% of the paid-up capital of the company for the year 2022. 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 @500% of paid-up capital for the year 2021.

## Auditors and audit report

M/s. A. Qasem & Co. Chartered Accountants (a member firm of ECOVIS International), shall retire at the 16th Annual General Meeting and, being eligible, have offered themselves for reappointment. The Board also recommended their re-appointment for the year 2023. Remuneration of the Auditor will be fixed by the shareholders at the 16th Annual General Meeting.

The statutory auditors of the Company have given reports on the financial statements for the year ended 31 December 2022. There is no qualification, reservation, adverse remarks, comments, observations or disclaimer given by the statutory auditors in their reports.

## 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

Date: January 25, 2023

# 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 2022, 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 2022, 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.

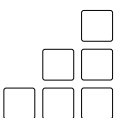
Those charged with governance are responsible for overseeing the Company's financial reporting process.

### 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.

### 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.

#### A. Qasem & Co.

Chartered Accountants

RJSC Firm Registration No.: 2-PC7202



#### Mohammad Motaleb Hossain FCA

Partner

Enrolment Number: 0950

DVC: 2301260950AS124154

25 January 2023

**RAK Security and Services (Pvt) Ltd.**  
**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

	Notes	31-Dec-22 Taka	31-Dec-21 Taka
<b>Assets</b>			
Property, plant and equipment	4	3,005,498	3,168,617
Intangible assets	5	357,534	447,534
Investment	6	1,275	1,275
Deferred tax asset	7	176,177	253,319
<b>Total non-current assets</b>		<b>3,540,484</b>	<b>3,870,745</b>
Trade and other receivables	8	19,352,070	15,183,682
Advance, deposit and prepayment	9	2,853,817	2,840,480
Advance income tax	10	25,720,311	23,413,472
Cash and cash equivalents	11	4,347,161	10,028,581
<b>Total current assets</b>		<b>52,273,359</b>	<b>51,466,215</b>
<b>Total Assets</b>		<b>55,813,843</b>	<b>55,336,960</b>
<b>Equity</b>			
Share capital	12	1,000,000	1,000,000
Retained earnings		26,883,448	29,717,937
<b>Total equity</b>		<b>27,883,448</b>	<b>30,717,937</b>
<b>Liabilities</b>			
Trade & other payables	13	1,516,495	1,429,227
Provision for expenses	14	8,064,354	5,825,640
Provision for income tax	15	18,349,546	17,364,156
<b>Total current liability</b>		<b>27,930,395</b>	<b>24,619,023</b>
<b>Total equity and liabilities</b>		<b>55,813,843</b>	<b>55,336,960</b>

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: 2301260950AS124154

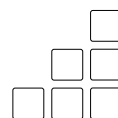
*Chand*

**Pramod Kumar Chand**  
 Managing Director

*SAK*

**SAK Ekramuzzaman**  
 Director

25 January 2023



## RAK Security and Services (Pvt) Ltd.

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

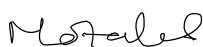
	Notes	31-Dec-22 Taka	31-Dec-21 Taka
Sales	17	87,729,111	73,865,184
Cost of service	18	(64,728,873)	(54,474,061)
<b>Gross profit</b>		<b>23,000,238</b>	<b>19,391,123</b>
Other income	19	22,643	50
Administrative expenses	20	(16,081,903)	(14,707,790)
Impairment loss on trade receivable	20.1	(2,600)	(275,532)
Marketing expenses	21	(3,718,277)	(3,067,047)
		(19,780,137)	(18,050,319)
<b>Profit from operating activities</b>		<b>3,220,101</b>	<b>1,340,804</b>
Finance income	22	34,561	37,618
Finance expenses	23	(26,618)	(25,737)
Net finance income/(expenses)		7,943	11,881
<b>Profit before income tax</b>		<b>3,228,044</b>	<b>1,352,685</b>
Income tax	24	(985,390)	(443,191)
Deferred tax	7	(77,142)	(109,499)
		(1,062,532)	(552,690)
<b>Profit for the year</b>		<b>2,165,511</b>	<b>799,995</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>2,165,511</b>	<b>799,995</b>
<b>Basic earnings per share (par value Tk 100)</b>	29	<b>216.55</b>	<b>80.00</b>

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: 2301260950AS124154



**Pramod Kumar Chand**  
Managing Director



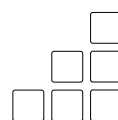
**SAK Ekramuzzaman**  
Director

**RAK Security and Services (Pvt) Ltd.**  
**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2022

	Share capital Taka (Note 12)	Retained Earnings Taka	Total Taka
<b>Balance as at 01 January 2022</b>	1,000,000	29,717,937	30,717,937
Total comprehensive income for 2022			
Profit for the year	-	2,165,511	2,165,511
Other comprehensive income	-	-	-
Transaction with the shareholders			
Cash dividend (2021)	-	(5,000,000)	(5,000,000)
<b>Balance as at 31 December 2022</b>	<b>1,000,000</b>	<b>26,883,448</b>	<b>27,883,448</b>
<b>Balance as at 01 January 2021</b>	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)
<b>Balance as at 31 December 2021</b>	<b>1,000,000</b>	<b>29,717,937</b>	<b>30,717,937</b>

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 2022

	31-Dec-22 Taka	31-Dec-21 Taka
<b>Cash flow from operating activities</b>		
Cash received from customer and others	83,583,283	89,595,162
Cash paid to suppliers and employees	(81,935,206)	(77,466,567)
<b>Cash generated from operating activities</b>	<b>1,648,078</b>	<b>12,128,595</b>
Interest received from Bank	34,561	37,618
Payment of corporate income tax (Note-10)	(2,306,839)	(2,606,388)
<b>Net cash (used in)/from operating activities</b>	<b>(624,200)</b>	<b>9,559,826</b>
<b>Cash flow from investing activities</b>		
Acquisition of fixed assets (Note-4)	(30,700)	-
Acquisition of intangible assets (Note-5)	-	(450,000)
Dividend received	100	50
<b>Net cash (used in)/from investing activities</b>	<b>(30,600)</b>	<b>(449,950)</b>
<b>Cash flow from financing activities</b>		
Finance charge	(26,618)	(25,737)
Dividend payment	(5,000,000)	(2,000,000)
<b>Net cash (used in)/from financing activities</b>	<b>(5,026,618)</b>	<b>(2,025,737)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(5,681,420)</b>	<b>7,084,139</b>
<b>Cash and cash equivalents as at 01 January</b>	<b>10,028,581</b>	<b>2,944,443</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>4,347,161</b>	<b>10,028,581</b>

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 2022

### 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 25 January 2023.

#### 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.

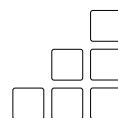
#### 2.4 Use of estimates and judgments

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 7	Deferred tax asset/liability
Note 15	Provision for income tax
Note 16	Employees benefit payable



## 2.5 Reporting period

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

## 2.6 Going concern

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

## 3. Significant accounting policies

### 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.

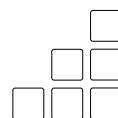
Under IFRS 9, loss allowances will be measured on either of the following bases:

- ▶ 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 26.1 (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.

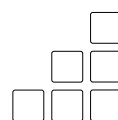
However, company does not have any right of use assets and lease liability at reporting period because the agreement falls under short-term lease.

## **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-2022.



### **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 period's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current period's presentation.

### **3.11 Comparatives and reclassification**

Comparative information have been disclosed in respect of 2021 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-2022

Amount in Taka

Particulars	C O S T			Balance as at 31 Dec 2022	Rate	D E P R E C I A T I O N				Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Sale/disposal transfer during the year			Balance as at 01 Jan 2022	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2022	
Land	2,309,220	-	-	2,309,220		-	-	-	-	2,309,220
Furniture and fixtures	951,379	13,200	69,260	895,319	10%	69,800	69,249	621,435	621,986	273,333
Office equipment	1,829,700	17,500	247,120	1,600,080	10%	123,324	247,114	1,300,935	1,177,145	422,935
Tools and appliances	126,255	-	-	126,255	20%	678	-	125,570	126,248	7
Vehicles	2,389,725	-	-	2,389,725	20%	-	-	2,389,722	2,389,722	3
<b>Total</b>	<b>7,606,279</b>	<b>30,700</b>	<b>316,380</b>	<b>7,320,599</b>		<b>193,802</b>	<b>316,363</b>	<b>4,437,662</b>	<b>4,315,101</b>	<b>3,005,498</b>

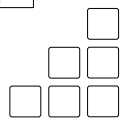
4.1 Disposal of fixed assets

Name of Assets	Cost	Depreciation Charged	Cost after Dep.	Sale Price	Gain/ (Loss)
Furniture and fixtures	69,260	69,249	11	18,560	18,549
Office equipment	247,120	247,114	6	4,000	3,994
<b>Total:</b>	<b>316,380</b>	<b>316,363</b>	<b>17</b>	<b>22,560</b>	<b>22,543</b>

31-Dec-2021

Amount in Taka

Particulars	C O S T			Balance as at 31 Dec 2021	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 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 and fixtures	951,379	-	-	951,379	10%	71,580	-	549,855	621,435	329,944
Office equipment	1,829,700	-	-	1,829,700	10%	133,468	-	1,167,467	1,300,935	528,765
Tools and appliances	126,255	-	-	126,255	20%	1,300	-	124,270	125,570	685
Vehicles	2,389,725	-	-	2,389,725	20%	-	-	2,389,722	2,389,722	3
<b>Total</b>	<b>7,606,279</b>	<b>-</b>	<b>-</b>	<b>7,606,279</b>		<b>206,348</b>	<b>-</b>	<b>4,231,314</b>	<b>4,437,662</b>	<b>3,168,617</b>





5 Intangible assets  
31-Dec-2022

Amount in Taka

Particulars	COST			AMORTIZATION			Net book value as at 31 Dec 2022
	Balance as at 01 Jan 2022	Addition during the year	Balance as at 31 Dec 2022	Balance as at 01 Jan 2022	Amortized during the year	Balance as at 31 Dec 2022	
Computer Software (VAT)	450,000	-	450,000	2,466	90,000	92,466	357,534
<b>Total</b>	<b>450,000</b>	<b>-</b>	<b>450,000</b>	<b>2,466</b>	<b>90,000</b>	<b>92,466</b>	<b>357,534</b>

31-Dec-2021

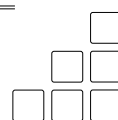
Amount in Taka

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	2,466	447,534
<b>Total</b>	<b>-</b>	<b>450,000</b>	<b>450,000</b>	<b>-</b>	<b>2,466</b>	<b>2,466</b>	<b>447,534</b>

	31 Dec 2022 Taka	31 Dec 2021 Taka
<b>6. Investment</b>		
Investment in RAK Power Pvt. Ltd.	1,275	1,275
	<b>1,275</b>	<b>1,275</b>
<b>7. Deferred tax asset</b>		
Balance as at 1 January	253,319	362,818
Deferred tax income/(expenses)	(77,142)	(109,499)
Balance as at 31 December	<b>176,177</b>	<b>253,319</b>

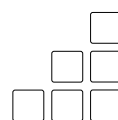
	Carrying amount on the date of statement of financial position Taka	Tax base Taka	Taxable/ (deductible) temporary difference Taka
<b>As at 31 December 2022</b>			
Property, plant & equipment (excluding land)	696,278	912,749	(216,471)
Trade receivables	19,352,070	19,722,857	(370,787)
			<b>(587,258)</b>
Deferred tax asset (applying tax rate 30.00%)			<b>(176,177)</b>
<b>As at 31 December 2021</b>			
Property, plant & equipment (excluding land)	859,397	1,335,608	(476,211)
Trade receivables	15,183,682	15,551,869	(368,187)
			<b>(844,398)</b>
Deferred tax asset (applying tax rate 30.00%)			<b>(253,319)</b>

<b>8. Trade and other Receivables</b>		
Trade receivables	19,722,857	15,551,869
	<b>19,722,857</b>	<b>15,551,869</b>
Less: Provision of impairment loss on trade receivable:		
Related parties	116,324	115,284
Unrelated parties	254,463	252,903
	<b>19,352,070</b>	<b>15,183,682</b>



	31 Dec 2022 Taka	31 Dec 2021 Taka
<b>9. Advance, deposit and prepayment</b>		
Imprest to employee	354,500	298,000
Advance to suppliers	3,000	1,000
Security deposit	172,000	172,000
VAT deposit	2,123,789	2,191,784
Insurance and others	200,528	177,696
	<b>2,853,817</b>	<b>2,840,480</b>
<b>10. Advance income tax</b>		
Balance as at 01 January	23,413,472	20,807,084
Add: Paid during the year	2,306,839	2,606,388
Balance as at 31 December	<b>25,720,311</b>	<b>23,413,472</b>
<b>10.1 Year wise closing balance</b>		
Year - 2022	2,306,839	-
Year - 2021	2,299,603	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	580,785
	<b>25,720,311</b>	<b>23,413,472</b>
<b>11. Cash and cash equivalents</b>		
Cash in hand	550,064	311,162
Cash at banks		
DBBL (current account 117.110.4311)	105,500	2,000
DBBL (SND account 117.120.311)	3,353,991	8,474,122
Dhaka Bank Ltd. (current account 204.100.19318)	337,606	1,241,296
	<b>4,347,161</b>	<b>10,028,581</b>
<b>12. Share capital</b>		
<b>Authorized capital:</b>		
1,000,000 Ordinary shares of Tk. 100 each	<b>100,000,000</b>	<b>100,000,000</b>
<b>Issued, subscribed, called and paid up capital:</b>		
10,000 Ordinary shares of Tk. 100 each	<b>1,000,000</b>	<b>1,000,000</b>

			31 Dec 2022 Taka	31 Dec 2021 Taka
<b>Particulars of share-holdings are as follows:</b>				
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
<b>Total</b>	<b>10,000</b>		<b>1,000,000</b>	<b>1,000,000</b>
<b>13. Trade and other payables</b>				
Advance from customers			982,157	974,732
Payable to employee			458,222	400,632
Tax deducted at source			60,000	53,000
VAT deducted at source			16,116	862
			<b>1,516,495</b>	<b>1,429,227</b>
<b>14. Provision for expenses</b>				
Staff cost			6,363,378	5,399,164
Audit fees			110,000	70,000
Legal and professional charges			25,000	25,000
Utilities bill			13,800	15,750
Temporary labour			1,552,176	315,726
			<b>8,064,354</b>	<b>5,825,640</b>
<b>15. Provision for income tax</b>				
Balance as at 01 January			17,364,156	16,920,965
Add. Provision made during the year			985,390	443,191
Balance as at 31 December			<b>18,349,546</b>	<b>17,364,156</b>
<b>15.1 Year wise closing balance</b>				
Year 2022			985,390	-
Year 2021			443,191	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
			<b>18,349,546</b>	<b>17,364,156</b>





16. Employees' benefit payable

	31 December 2022		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 01 January	-	-	-
Add: Provision made during the year	3,934,252	1,667,088	5,601,340
	3,934,252	1,667,088	5,601,340
Less: Payment made during the year	3,934,252	1,667,088	5,601,340
Balance as at 31 December	-	-	-

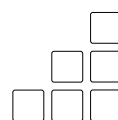
Forfeited amount of provident fund amounting to BDT. 499,506 for the year 2022 has been adjusted with provision and payment.

	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 Dec 2022 Taka	31 Dec 2021 Taka
<b>17. Sales</b>		
Gross receipts from services	96,967,823	81,589,706
Less: Value added tax (VAT)	9,238,712	7,724,522
	<b>87,729,111</b>	<b>73,865,184</b>
<b>18. Cost of service</b>		
Direct wages (Note-18.1)	60,146,922	51,845,419
Security Training expenses (Note-18.2)	257,140	185,705
Other direct expenses (Note-18.3)	2,095,686	800,019
Verification expenses (Note-18.4)	2,229,125	1,642,918
	<b>64,728,873</b>	<b>54,474,061</b>

	31 Dec 2022 Taka	31 Dec 2021 Taka
<b>18.1 Direct wages</b>		
Salary and wages	43,598,090	36,243,113
Overtime	10,589,188	9,428,940
Bonus	3,209,528	2,847,136
Employer's contribution to provident fund	1,172,441	999,927
Gratuity	1,262,657	2,019,055
Group Life Insurance	315,018	307,248
	<b>60,146,922</b>	<b>51,845,419</b>
<b>18.2 Security training expenses</b>		
Staff welfare	257,140	185,705
	<b>257,140</b>	<b>185,705</b>
<b>18.3 Other direct expenses</b>		
Uniform expenses	1,123,586	588,419
Gardening expenses	972,100	211,600
	<b>2,095,686</b>	<b>800,019</b>
<b>18.4 Verification expenses</b>		
Staff cost	1,019,152	979,072
Special service allowance	1,178,235	650,741
Mobile bill	31,738	13,105
	<b>2,229,125</b>	<b>1,642,918</b>
<b>19. Other income</b>		
Dividend income	100	50
Gain on sale of assets	22,543	-
	<b>22,643</b>	<b>50</b>
<b>20. Administrative expenses</b>		
Staff cost (20.2)	10,485,333	10,126,410
Rent, rates and taxes	2,350,911	2,298,117
Telephone and postage	364,173	463,912
Repair and maintenance	1,136,731	707,470
Electricity, gas and water	336,381	326,289
Depreciation	193,802	206,348
Amortization	90,000	2,466.00



	31 Dec 2022 Taka	31 Dec 2021 Taka
Vehicle repair & maintenance	468,080	326,110
Legal and professional fees	520,250	108,800
Other expenses	136,242	115,418
Training expenses	-	26,450
	<b>16,081,903</b>	<b>14,707,790</b>

Rent, rates and taxes includes rent expenses for short term lease for BDT. 1467,710 and related government levies wherever applicable. Details of the short term lease is shown in note no 25. No low value item exists at the reporting year.

#### 20.1 Impairment loss on trade receivable

Related parties	1,040	86,394
Unrelated parties	1,560	189,138
	<b>2,600</b>	<b>275,532</b>

New classification of financial assets shown in note 26.1(b).

#### 20.2 Staff cost

Salary	8,015,628	7,446,014
Bonus	729,414	772,349
Staff welfare	526,717	544,308
Employer's contribution to provident fund	432,612	418,812
Gratuity	310,435	537,588
Conveyance	463,920	398,193
Group Life Insurance	6,607	9,146
	<b>10,485,333</b>	<b>10,126,410</b>

#### 21. Marketing expenses

Staff cost (21.1)	2,357,465	2,220,926
Conveyance	429,661	260,531
Telephone and Telex Expenses	16,521	10,833
Promotional expenses	902,630	574,757
Advertisement	12,000	-
	<b>3,718,277</b>	<b>3,067,047</b>

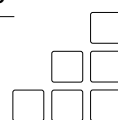
#### 21.1 Staff cost

Salary	1,957,331	1,790,038
Bonus	190,500	188,850
Employer's contribution to provident fund	112,320	104,272

	31 Dec 2022 Taka	31 Dec 2021 Taka
Gratuity fund	93,996	135,096
Group Life Insurance	3,318	2,670
	<b>2,357,465</b>	<b>2,220,926</b>
<b>22. Finance income</b>		
Interest on bank account (SND)	34,561	37,618
	<b>34,561</b>	<b>37,618</b>
<b>23. Financial expenses</b>		
Bank charges	26,618	25,737
	<b>26,618</b>	<b>25,737</b>
<b>24. Income tax expenses</b>		
Accounting profit	3,228,044	1,352,685
Add: Depreciation for accounting purpose	193,802	206,348
	<b>3,421,846</b>	<b>1,559,033</b>
Less: Depreciation for tax purpose	137,179	193,104
<b>Taxable profit</b>	<b>3,284,667</b>	<b>1,365,929</b>
Less: Dividend income	100	50
<b>Taxable profit after depreciation and dividend income</b>	<b>3,284,567</b>	<b>1,365,879</b>
Tax calculation @ 30% on business income	985,370	443,181
Tax calculation @ 20% on dividend income	20	10
<b>Toal tax payable as per current tax rate</b>	<b>985,390</b>	<b>443,191</b>

#### 24.1 Reconciliation of effective tax rate

	31 December 2022		31 December 2021	
	%	Taka	%	Taka
Profit before tax		3,228,044		1,352,685
Current tax expenses	31%	985,390	33%	443,191
Deferred tax expenses	2%	77,142	8%	109,499
<b>Total tax expenses</b>	<b>33%</b>	<b>1,062,532</b>	<b>41%</b>	<b>552,690</b>
Expected income tax using applicable tax rate	30%	968,413	30%	405,806
Tax on non-deductible expenses	1%	16,977	3%	37,385
Effective current tax	31%	985,390	33%	443,191
Effective deferred tax	2%	77,142	8%	109,499
	<b>33%</b>	<b>1,062,532</b>	<b>41%</b>	<b>552,690</b>





## 25. Short term lease expenses

Nature of the lease	Lease term	Allocation	Rent payment	Rent payment
Rented accommodation	<1 year	Admin	1,467,710	1,430,236
			<b>1,467,710</b>	<b>1,430,236</b>

## 26 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

### 26.1 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		Amount in Taka	
	As at Dec 31 2022	As at Dec 31 2021	As at Dec 31 2022	As at Dec 31 2021
<b>Trade receivables</b>				
Customer-Local	-	-	19,352,070	15,183,682
	-	-	<b>19,352,070</b>	<b>15,183,682</b>
	-	-	-	-
Cash and cash equivalents	-	-	<b>4,347,161</b>	<b>10,028,581</b>

**b) Impact of IFRS 9**

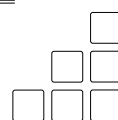
The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2022.

Financial assets	Note	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9	Impairment
Trade & other receivable-related	9	Loan & receivable	Amortized cost	9,635,509	9,519,185	116,324
Trade & other receivable-unrelated	9	Loan & receivable	Amortized cost	10,087,348	9,832,885	254,463
Cash & cash equivalent	12	Loan & receivable	Amortized cost	4,347,161	4,347,161	

- i The above table provides information ECLs upto 31 December 2022. Impairment provision upto 31 Dec 2021 was Tk. 368,187 and provision made during the year is Tk. 2,600.
- 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
	2022	2021
The aging of trade receivables:		
Current (not due)	8,477,072	7,047,958
Overdue by 0 - 90 days	8,629,334	6,273,591
Overdue by 91 - 180 days	1,756,654	1,101,438
Overdue by 180 - 365 days	262,185	487,774
More than 365 days	226,826	272,922
	<b>19,352,070</b>	<b>15,183,682</b>



## 26.2 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, 2022				
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Trade and other payables	1,516,495	1,516,495	1,516,495	-
	<b>1,516,495</b>	<b>1,516,495</b>	<b>1,516,495</b>	<b>-</b>

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	-
	<b>1,429,227</b>	<b>1,429,227</b>	<b>1,429,227</b>	<b>-</b>

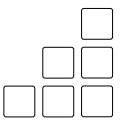
27. **Related party disclosure under IAS-24**

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	-	44,189,683	9,009,969	-	-
RAK Power Pvt. Ltd.	Fellow Subsidiary	Unsecured	Nil	Previous year	-	36,349,893	5,897,332	-	-
Mohammed Trading	Other related party	Unsecured	Nil	Current year	-	1,995,465	123,797	100	50
Kansai Nerolac Paints (BD) Ltd.	Other related Party	Unsecured	Nil	Previous year	-	1,777,463	124,456	-	-
SAK Consumer Products Ltd.	Other related Party	Unsecured	Nil	Current year	-	1,080,000	99,000	-	-
Rakeen Development Pvt. Limited	Other related party	Unsecured	Nil	Previous year	-	1,080,000	167,587	-	-
Star Ceramics Pvt. Limited	Other related party	Unsecured	Nil	Current year	-	8,743,279	1,701,062	-	-
Kea Printing and Packaging Ind.	Other related party	Unsecured	Nil	Previous year	-	7,004,218	1,588,152	-	-
				Current year	-	2,125,331	970,586	-	-
				Previous year	-	2,001,582	1,047,412	-	-
				Current year	-	30,000	218,147	-	-
				Previous year	-	2,779,658	255,647	-	-
				Current year	-	390,000	250,995	-	-
				Previous year	-	390,000	454,845	-	-
				Current year	-	763,593	420,420	-	-
				Previous year	-	801,138	280,428	-	-

27.1 **Paid to Directors**

During the year, Board meeting fees of Taka 4,800 was paid to the board members for attending the Board meetings.





## 28. 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 2022	31 Dec 2021
Number of employees	307	291

None of receiving below Taka 8,000 per month.

## 29. 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

(b) No. of ordinary equity shares

(c) Weighted average no. of equity shares outstanding (Note 29.1)

Earnings per share (EPS) for the year (a/c)

Diluted earnings per share for the year (a/c)

	31 Dec 2022	31 Dec 2021
	Taka	Taka
(a) Profit/(Loss) for the year	2,165,511	799,995
(b) No. of ordinary equity shares	10,000	10,000
(c) Weighted average no. of equity shares outstanding (Note 29.1)	10,000	10,000
Earnings per share (EPS) for the year (a/c)	216.55	80.00
Diluted earnings per share for the year (a/c)	216.55	80.00

### 29.1 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 2022	31 Dec 2021
Outstanding shares	10,000	10,000
	10,000	10,000

### 29.2 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.

### 29.3 Reason of deviation of earnings per share:

Though there was increase in the revenue of the company as compared to previous year, which resulted increase of earning per share for the year.

## 30 Calculation of Net assets value per share

(a) Net assets value

(b) Weighted average no. of ordinary shares (Note 29.1)

Net assets value per share

(a) Net assets value	27,883,448	30,717,937
(b) Weighted average no. of ordinary shares (Note 29.1)	10,000	10,000
Net assets value per share	2,788.34	3,071.79

### 31 Calculation of Net operating cash flow per share

(a) Net cash flows from operating activities	(624,200)	9,559,825
(b) Weighted average no. of ordinary shares (Note 29.1)	10,000	10,000
Net operating cash flow per share (a/b)	(62.42)	955.98

#### 31.1 Reason of deviation of net operating cash flow per share:

Though there was decrease in collection from customers as compared to previous year and the operating costs was higher, which resulted in a reduction of net operating cash flow per share.

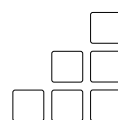
### 32 Reconciliation of operating cash flow:

	31 Dec 2022	31 Dec 2021
	Taka	Taka
<b>Cash flows from operating activities</b>		
Profit before taxation	3,228,044	1,352,685
adjustment for:		
Depreciation & Amortization	283,802	208,814
Finance expenses	26,618	25,737
Finance income	(34,561)	(37,618)
Other income	(22,643)	(50)
<b>Operating profit before working capital changes</b>	<b>3,481,260</b>	<b>1,549,568</b>
Increase/decrease in trade and other receivable	(4,168,388)	15,729,978
Increase/decrease in trade and other payable	2,335,206	(5,150,951)
<b>Cash generated from operating activities</b>	<b>1,648,078</b>	<b>12,128,595</b>
Interest received from bank deposit	34,561	37,618
Income tax paid	(2,306,839)	(2,606,387)
<b>Net cash (used in)/from operating activities</b>	<b>(624,200)</b>	<b>9,559,825</b>

### 33 Events after the reporting date

#### 33.1 Declaration of dividend and date of Annual General Meeting (AGM)

The Board of Directors of RAK Security and Services (Pvt) Ltd., in its meeting held on January 25, 2023, has unanimously recommended cash dividend @ 200% of the paid up capital of the company for the year ended 31 December 2022 equivalent to BDT. 20,00,000 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 30 March 2023.

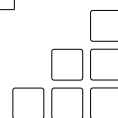


# STATEMENT PURSUANT TO SECTION 186(1)(E) OF THE COMPANIES ACT 1994

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, 2022	December 31, 2022
Net aggregate amount of the subsidiary company's profits/ (losses) dealt with in the holding company's accounts	Taka 608.75 mn	Taka 24.00 mn
For the subsidiary's aforesaid financial year	Taka 41.00 mn	Taka 5.00 mn
For the previous financial years since it became subsidiary	Taka 567.75 mn	Taka 19.00 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

# ANNUAL REPORT REVIEW CHECKLIST 2022

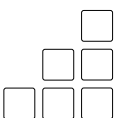
SL No.	Particulars	Page No
1	<b>Corporate Objectives, Values &amp; Structure</b>	
	Vision and Mission	24, 25
	Overall strategic objectives	85
	Core values and code of conduct/ethical principles	27
	Profile of the Company	18
	Director's profiles and their representation on Board of other companies & Organization Chart	29
2	<b>Management Report/ Commentary and analysis including Director's Report / Chairman's Review/ CEO's Review etc</b>	
	Description of the performance of the various activities / products / segments of the company and its group companies during the period under review. (Weightage to be given for pictorial / graphical / tabular presentations used for this purpose)	115, 124
	A brief summary of the Business and other Risks facing the organization and steps taken to effectively manage such risks	91, 131
	A general review of the future prospects/outlook.	134
	Information on how the company contributed to its responsibilities towards the staff (including health & safety)	78
	Information on company's contribution to the national exchequer & to the economy	121
3	<b>Sustainability Reporting</b>	
	Social Responsibility Initiatives ( CSR)	57
	Environmental & Social Obligations	61, 100
	Integrated Reporting	66
4	<b>Appropriateness of Disclosure of Accounting policies and General Disclosure</b>	
	Disclosure of adequate and properly worded accounting policies relevant to assets, liabilities, Income and expenditure in line with best reporting standards	178
	Any Specific accounting policies	178
	Impairment of Assets	181
	Changes in accounting policies/Changes in accounting estimates	178
	Accounting Policy on subsidiaries	178
5	<b>Segment Information</b>	
	Comprehensive segment related information bifurcating Segment revenue, segment results and segment capital employed	115, 217
	Availability of information regarding different segments and units of the entity as well as nonsegmental entities/units	115, 217
	Segment analysis	115, 217





SL No.	Particulars	Page No
	Segment Revenue	115, 217
	Segment Results	115, 217
	Turnover	115, 217
	Operating profit	115, 217
	Carrying amount of Net Segment assets	115, 217
<b>6</b>	<b>Financial Statements (Including Formats</b>	
	Comprehensive related party disclosures	271
	Disclosures of Remuneration & Facilities provided to Directors & CEO	275, 306
	Statement of Financial Position / Balance Sheet and relevant schedules	278, 108, 172, 225
	Income Statement / Profit and Loss Account and relevant schedules	173, 226, 279, 312
	Statement of Changes in Equity / Reserves & Surplus Schedule	174, 227, 280, 313
	Disclosure of Types of Share Capital	197, 249, 324
	Statement of Cash Flow	175, 128, 281
	Consolidated Financial Statement (CFS)	172
	Extent of compliance with the core IAS/IFRS or equivalent National Standards	177
	Disclosures / Contents of Notes to Accounts	176
<b>7</b>	<b>Information about Corporate Governance</b>	
	Board Of Directors, Chairman And CEO	29, 143
	Audit Committee (Composition, role, meetings, attendance, etc) Internal Control & Risk Management	91, 138
	Ethics And Compliance	27
	Remuneration and other Committees of Board	143
	Human Capital	78
	Communication To Shareholders & Stakeholders	101
	- Information available on website	66, 69
	Management Review And Responsibility	143
	Any others investor friendly information	
<b>8</b>	<b>Risk Management &amp; Control Environment</b>	
	Description of the Risk Management Framework	91
	Risk Mitigation Methodology	91, 92
	Disclosure of Risk Reporting	91

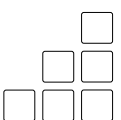
SL No.	Particulars	Page No
9	<b>Stakeholders Information</b>	
	Distribution of shareholding (Number of shares as well as category wise, e.g Promoter group, FII etc)	130
	Shares held by Directors/Executives and relatives of Directors/Executives	130
10	<b>Graphical/ Pictorial Data</b>	
	Earnings per Share	112
	Stock Performance	112
	Operating Performance (Income Statement) (2.5 Marks)	108
	Total Revenue	108
	Operating profit	108
	Profit Before Tax	108
	Profit after Tax	108
	EPS	112
11	<b>Statement of Financial Position (Balance Sheet)</b>	
	Shareholders Fund	110
	Property Plant & Equipment	169, 172, 179
	Net Current Assets	172
	Long Term Liabilities/Current Liabilities	172
12	<b>Profitability/Dividends/ Performance and Liquidity Ratios</b>	
	Gross Profit Ratio	113
	Earning before interest, Depreciation and Tax	113
	Price earning ratio	113
	Current Ratios	114
	Debt Equity Ratio	114
	Return on Capital Employed	114
13	<b>Statement of Value Added and Its Distribution</b>	
	Government as Taxes	119
	Shareholders as dividend	119
	Employees as bonus/remuneration	119
	Retained by the entity	119
	Market share information of the Company's product/services	120
	Economic value added	120
14	<b>Additional Disclosures</b>	
	Human Resource Accounting	78
	Value Creation Process	82
	Business Model	13, 18



# INTEGRATED REPORTING CHECKLIST 2022

Sl. No	Particulars	Page No.
1.0		
1.1	<b>Organisational overview and external environment</b>	
	An integrated report should disclose the main activities of the organisation and the environment of which it operates.	66, 67
	An integrated report should identify the organisation's mission and vision, and provides essential context by identifying matters such as:	24, 25
	The organisation's: culture, ethics and values	24, 25
	ownership and operating structure including size of the organisation, location of its operations)	
	principal activities and markets	24, 25
	competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry)	13, 18
	position within the Our Value Creation Process	82
	Key quantitative information	
	e.g. The number of employees, revenue and number of countries in which the organisation operates highlighting, in particular, significant changes from prior periods	78
	Significant factors affecting the external environment and the organisation's response (include aspects of the legal, commercial, social, environmental and political context that affect the organisation's ability to create value in the short, medium or long term)	100
	Eg:	
	The legitimate needs and interests of key stakeholders	101, 90
	Macro and micro economic conditions, such as economic stability, globalization, and industry trends	134
	Market forces, such as the relative strengths and weaknesses of competitors and customer demand	7, 10, 13, 86
	The speed and effect of technological change	14
	Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems	
	Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached	
	The legislative and regulatory environment in which the organisation operates	100
	The political environment in countries where the organisation operates and other countries that may affect the ability of the organisation to implement its strategy	

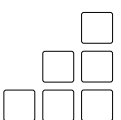
Sl. No	Particulars	Page No.
<b>1.2</b>	<b>Governance</b>	
	An integrated report should show how does the organisation's governance structure support its ability to create value in the short, medium and long term.	4, 10, 86
	An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:	82
	The organisation's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure	29, 30
	•Mandatory and voluntary code of corporate governance adopted by the Company	27, 143
	•Code of ethical conduct adopted by the Company in relation to ethical business	27
	Specific processes used to make strategic decisions and to establish and monitor the culture of the organisation, including its attitude to risk and mechanisms for addressing integrity and ethical issues	27
	Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organisation and its approach to risk management	91
	How the organisation's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders	27, 101
	Whether the organisation is implementing governance practices that exceed legal requirements/ Key Policies	143
	The responsibility those charged with governance take for promoting and enabling innovation	
	How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organisation's use of and effects on the capitals.	82
<b>1.3</b>	<b>Stakeholder Identification/ relationships</b>	
	An integrated report should identify its key stakeholders and provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interest.	66, 67
	Stakeholders are the groups or individuals that can reasonably be expected to be significantly affected by an organisation's business activities, outputs or outcomes or whose actions can reasonably be expected to significantly affect the ability of the organisation to create value	
	An entity may disclose the following in their integrated reports in respect of stakeholder relationships:	66, 101
	How the company has identified its stakeholders	66, 101
	Stakeholder engagement methodology	66, 101
	Identification of material matters of stateholders	66, 101
	How the Company has applied such matters.	66, 18
	How the stakeholders are engaged in assessing impacts, implications and outlook unrespects of Company's business model.	101
	Capitals	





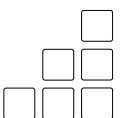
Sl. No	Particulars	Page No.
	An integrated report needs to provide insight about the resources and the relationships used and affected by the organisation, which are referred to collectively as the capitals and how the organisation interacts with the capitals to create value over the short, medium and long term	66, 94
	An integrated report need to identify the various forms of capitals which are essential for the success of its business operations.	82
	Eg:	
	Financial Capital -The pool of funds that is available to the organisation for use in the production of goods or provsion of services	75
	Manufacturing Capital -Manufactured physical objects that are available to the organisation for use in the production of goods and provision of services	76
	Intellectual Capital -Organisational Knowledge based intangibles	77
	Human Capital -People's competencises, capabilities and experience, and their motovations to innovate.	78
	Social and Relationship Capital -The institutions and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective wellbeing	66, 80
	Natural Capital -All renewable and non-renewable environmental resources and processes that provide goods and services that support the past, current and future prosperity of the organisation.	79
	Note: However an entity can do its own classification of capitals based on its business activities. An entity needs to ensure that it does not overlook a capital that it uses or affects	
<b>1.4</b>	<b>Business Model</b>	
	An integrated report should describe the organisation's business mode	10, 11, 85, 90
	An integrated report need to describe the business model, including key:	10, 11, 85, 90
	Inputs	82, 83
	Business activities	82, 83
	Outputs	82, 83
	Outcomes	82, 83
	Features that can enhance the effectiveness and readability of the description of the business model include:	82, 83
	Explicit identification of the key elements of the business model	10, 11, 85
	A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organisation	
	Narrative flow that is logical given the particular circumstances of the organisation	
	Identification of critical stakeholder and other (e.g., raw material) dependencies and important factors affecting the external environment	100
	•Connection to information covered by other Content Elements, such as strategy, risks and opportunities, and performance (including KPIs and financial considerations, like cost containment and revenues).	
	Inputs	82

Sl. No	Particulars	Page No.
	An integrated report shows how key inputs relate to the capitals on which the organisation depends, or that provide a source of differentiation for the organisation, to the extent they are material to understanding the robustness and resilience of the business model.	82, 83
	Business activities	
	An integrated report describes key business activities. This can include:	
	How the organisation differentiates itself in the market place (e.g., through product differentiation, market segmentation, delivery channels and marketing)	
	How the organisation approaches the need to innovate	
	How the business model has been designed to adapt to change.	10, 11, 85
	When material, an integrated report discusses the contribution made to the organisation's long term success by initiatives such as process improvement, employee training and relationships management	78
	Outputs	
	An integrated report identifies an organisation's key products and services. There might be other outputs, such as by-products and waste (including emissions), that need to be discussed within the business model disclosure depending on their materiality.	63
	Outcomes	
	An integrated report describes key outcomes, including:	
	Both internal outcomes (e.g., employee morale, organisational reputation, revenue and cash flows) and external outcomes (e.g., customer satisfaction, tax payments, brand loyalty, and social and environmental effects)	121
	Both positive outcomes (i.e., those that result in a net increase in the capitals and thereby create value) and negative outcomes (i.e., those that result in a net decrease in the capitals and thereby diminish value).	121
<b>1.5</b>	<b>Performance</b>	
	An integrated report needs to explain the extent to which the organisation has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?	66, 83
	An integrated report should contain qualitative and quantitative information about performance that may include matters such as:	66-68
	Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them	91-93
	The organisation's effects (both positive and negative) on the capitals, including material effects on capitals up and down the Our Value Creation Process	27, 82
	The state of key stakeholder relationships and how the organisation has responded to key stakeholders' legitimate needs and interests	101
	The linkages between past and current performance, and between current performance and the organisation's outlook.	



Sl. No	Particulars	Page No.
	KPIs that combine financial measures with other components (e.g., the ratio of greenhouse gas emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g., expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use).	
	Include instances where regulations have a significant effect on performance (e.g., a constraint on revenues as a result of regulatory rate setting) or the organisation's non-compliance with laws or regulations may significantly affect its operations.	
<b>1.6</b>	<b>Risks, opportunities and internal controls</b>	
	An integrated report should explain what are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them? and effectiveness of the system of internal controls	91-95
	This can include identifying:	
	The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two.	91-95
	The organisation's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.	91-95
	The specific steps being taken to mitigate or manage key risks (e.g: Risk Management Framework, Risk Management review process and reporting structure) or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs.	91-95
	Risk Management Report (Which includes details about risk, root cause, potential impact, response to risk, risk rating)	91-95
	Response on the effectiveness of the internal controls and the board's responsibility for the disclosures on internal controls to safeguard stakeholder interest.	91-95
<b>1.7</b>	<b>Strategy and Resource Allocation</b>	
	An integrated report should describe its strategic direction (Where does the organisation want to go and how does it intend to get there)	10, 11, 13, 86
	An integrated report needs to identify:	
	The organisation's short, medium and long term strategic objectives	
	The strategies it has in place, or intends to implement, to achieve those strategic objectives	
	How the entity has positioned in the wider market.	
	How the long term strategies relate to current business model.	
	The resource allocation plans it has to implement its strategy	
	How it will measure achievements and target outcomes for the short, medium and long term.	
	This can include describing:	
	The linkage between the organisation's strategy and resource allocation plans, and the information covered by other Content Elements, including how its strategy and resource allocation plans:	

Sl. No	Particulars	Page No.
	relate to the organisation's business model, and what changes to that business model might be necessary to implement chosen strategies to provide an understanding of the organisation's ability to adapt to change	10, 11, 13, 18
	are influenced by/respond to the external environment and the identified risks and opportunities affect the capitals, and the risk management arrangements related to those capitals	82, 91, 100
	What differentiates the organisation to give it competitive advantage and enable it to create value, such as:	74, 82
	the role of innovation	
	how the organisation develops and exploits intellectual capital	77
	the extent to which environmental and social considerations have been embedded into the organisation's strategy to give it a competitive advantage	
	Key features and findings of stakeholder engagement that were used in formulating its strategy and resource allocation plans.	101
<b>1.8</b>	<b>Outlook</b>	
	An integrated report should explain what challenges and uncertainties is the organisation likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?	66, 67, 85, 96
	The organisation's expectations about the external environment the organisation is likely to face in the short, medium and long term	100
	The external environment, and risks and opportunities, with an analysis of how these could affect the achievement of strategic objectives	85, 100
	The availability, quality and affordability of capitals the organisation uses or affects (e.g., the continued availability of skilled labour or natural resources), including how key relationships are managed and why they are important to the organisation's ability to create value over time.	66
<b>1.9</b>	<b>Basis of preparation and presentation</b>	
	A summary of the significant frameworks and methods used to quantify or evaluate material matters	91
	(e.g., the applicable financial reporting standards used for compiling financial information, a company-defined formula for measuring customer satisfaction, or an industry based framework for evaluating risks).	
<b>2.0</b>	<b>Responsibility for an integrated report</b>	
	An acknowledgement of their responsibility to ensure the integrity of the integrated report	91
	An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report	91
	Their opinion or conclusion about whether the integrated report is presented in accordance with the Framework	91

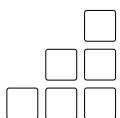




# ICAB CORPORATE GOVERNANCE CHECKLIST 2022

Particular	Page No.
<b>1. BOARD OF DIRECTORS, CHAIRMAN AND CEO</b>	
1.1 Company's policy on appointment of directors disclosed.	143
1.2 Adequate representation of non executive directors i.e. one third of the board, subject to a minimum of two	138
1.3 At least one independent director on the board and disclosure / affirmation of the board on such director's independence.	143
1.4 Chairman to be independent of CEO	143
1.5 Responsibilities of the Chairman of the Board appropriately defined and disclosed. Disclosure of independence of Non Executive Directors	143
1.6 Existence of a scheme for annual appraisal of the boards performance and disclosure of the same.	141, 143
1.7 Disclosure of policy on annual evaluation of the CEO by the Board.	141, 143
1.8 Disclosure of policy on training (including details of the continuing training program) of directors and type and nature of training courses organized for directors during the year Existence of a scheme for annual appraisal of the boards performance	143
1.9 At least one director having thorough knowledge and expertise in finance and accounting to provide guidance in the matters applicable to accounting and auditing standards to ensure reliable financial reporting.	138, 143
1.10 Disclosure of number of meetings of the board and participation of each director (at least 4 meetings are required to be held)	129
1.11 Directors issue a report on compliance with best practices on Corporate Governance that is reviewed by the external auditors	166
<b>2. VISION / MISSION AND STRATEGY</b>	
2.1 Company's vision / mission statements are approved by the board and disclosed in the annual report.	24, 25
2.2 Identification of business objectives and areas of business focus disclosed	85
2.3 General description of strategies to achieve the company's business objectives	85
<b>3. AUDIT COMMITTEES</b>	
3.1 Appointment and Composition	138
3.1.1 Whether the Audit Committee Chairman is an independent Non – Executive Director and Professionally Qualified	138
3.1.2 Whether it has specific terms of reference and whether it is empowered to investigate / question employees and retain external counsel	138
3.1.3 More than two thirds of the members are to be Non Executive Directors	138

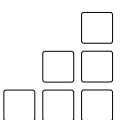
Particular	Page No.
3.14 All members of the audit committee to be suitably qualified and at least one member to have expert knowledge of finance and accounting.	138
3.1.5 Head of internal audit to have direct access to audit committee	138
3.1.6 The committee to meet at least four times a year and the number of meetings and attendance by individual members disclosed in the annual report.	138
3.2 Objectives & Activities	
3.2.2 Statement on Audit Committee's review to ensure that internal controls are well conceived properly administered and satisfactorily monitored	138, 143
3.2.3 Statement to indicate audit committees role in ensuring compliance with Laws, Regulations and timely settlements of Statutory dues	143
3.2.4 Statement of Audit committee involvement in the review of the external audit function	143, 138
*Ensure effective coordination of external audit function	138
*Ensure independence of external auditors	138, 143
*To review the external auditors findings in order to be satisfied that appropriate action is being taken	138, 143
*Review and approve any non-audit work assigned to the external auditor and ensure that such such work does not compromise the independence of the external auditors.	138, 143
*Recommend external auditor for appointment/ reappointment	138, 143
3.2.5 Statement on Audit committee involvement in selection of appropriate accounting policies that are in line will applicable accounting standards and annual review.	138, 143
3.2.6 Statement of Audit Committee involvement in the review and recommend to the board of directors, annual and interim financial releases	138, 143
3.2.7 Reliability of the management information used for such computation	138, 143
<b>4. INTERNAL CONTROL &amp; RISK MANAGEMENT</b>	
4.1 Statement of Director's responsibility to establish appropriate system of internal control	143
4.2 Narrative description of key features of the internal control system and the manner in which the system is monitored by the Board, Audit Committee or Senior Management.	143
4.3 Statement that the Director's have reviewed the adequacy of the system of internal controls	124, 143, 138
4.4 Disclosure of the identification of risks the company is exposed to both internally & externally	91
4.5 Disclosure of the strategies adopted to manage and mitigate the risks	91, 92,93
<b>5. ETHICS AND COMPLIANCE</b>	
5.1 Disclosure of statement of ethics and values, covering basic principles such as integrity, conflict of interest, compliance with laws and regulations etc.	27
5.2 Dissemination / communication of the statement of ethics & business practices to all directors and employees and their acknowledgement of the same	27
5.3 Board's statement on its commitment to establishing high level of ethics and compliance within the organization	27



Particular	Page No.
<b>6. REMUNERATION COMMITTEE</b>	
6.1 Disclosure of the charter (role and responsibilities) of the committee	141, 143
6.2 Disclosure of the composition of the committee (majority of the committee should be non-executive directors, but should also include some executive directors)	141, 143
6.3 Disclosure of key policies with regard to remuneration of directors, senior management and employees	141
6.4 Disclosure of number of meetings and work performed	141
6.5 Disclosure of Remuneration of directors, chairman, chief executive and senior executives.	256
<b>7. HUMAN CAPITAL</b>	
7.1 Disclosure of general description of the policies and practices codified and adopted by the company with respect to Human Resource Development and Management, including succession planning, merit based recruitment, performance appraisal system, promotion and reward and motivation, training and development, grievance management and counseling.	78
7.2 Organizational Chart	
<b>8. COMMUNICATION TO SHAREHOLDERS &amp; STAKEHOLDERS</b>	
8.1 Disclosure of the Company's policy / strategy to facilitate effective communication with shareholders and other stake holders	101
8.2 Disclosure of company's policy on ensuring participation of shareholders in the Annual General Meeting and providing reasonable opportunity for the shareholder participation in the AGM.	143
<b>9. ENVIRONMENTAL AND SOCIAL OBLIGATIONS</b>	
9.1 Disclosure of general description of the company's policies and practices relating to social and environmental responsibility of the entity	57
9.2 Disclosure of specific activities undertaken by the entity in pursuance of these policies and practices	50

# GLOSSARY

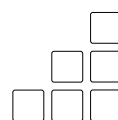
- ▶ **Accounts payable** - Accounts payable represents incurred expenses the company expects to pay within one year. It is recorded as part of current liabilities on the balance sheet.
- ▶ **Accounts receivable** - Accounts receivable represents uncollected revenues the company expects to receive within one year. It is recorded as part of current assets on the balance sheet.
- ▶ **Accrual accounting system** - Under this system, revenues are recorded when earned and expenses are recorded when incurred. Therefore, earned revenues may include sales on credit for which you have yet to receive cash and expenses may include bills that you have not yet paid. This method is used when preparing the income statement and balance sheet.
- ▶ **Accumulated depreciation**- The cumulative depreciation of an asset to the date of the current financial year.
- ▶ **Accumulated profits**- The amount of past years profit not paid in dividends. Sometimes referred to as retained profit. In contrast, losses from previous years not absorbed by past years profit are accumulated losses.
- ▶ **Annual report**- A report published yearly by all publicly-held companies that details the financial condition of the company and includes the balance sheet, income statement, cash flow statement, and other relevant information.
- ▶ **Asset revaluation**- The application of an accounting policy choice, whereby the monetary measure of the asset is the amount for which it could be exchanged between knowledgeable, willing parties in an arms-length transaction.
- ▶ **Assets** - The value of everything a company uses to conduct business, such as cash, equipment, land, inventories, office equipment, and money owed to the company by customers and clients.
- ▶ **Assets Items** of value which the company can trade or use in its business.
- ▶ **Balance sheet**- A financial statement that gives a snapshot of a company's financial situation at a particular point in time and lists its different assets, liabilities, and owners' equity.
- ▶ **Cash basis of accounting**- A method of accounting where only actual cash inflows and cash outflows are recorded, i.e. when payment is received or made. This method is used when preparing the cash flow statement.
- ▶ **Cash flow statement**- A financial statement that records a company's actual cash inflows and cash outflows over a defined period of time. It includes three sections: operating cash flow, investing cash flow, and financing cash flow.
- ▶ **Contingent liabilities**- A potential liability dependent on uncertain future events which are beyond the control of the company.
- ▶ **Contributed capital**- Money invested in a company by its owners/shareholders. Reported as part of owners' equity on the balance sheet.
- ▶ **Corporate social responsibility report**- A report on how the company manages its business processes to produce an overall positive impact
- ▶ **Cost of goods sold**- Also known as Cost of Sales, this represents all the expenses directly related to the making and storing of a company's goods, such as raw materials, warehousing, and direct labor costs. Doesn't exist for service companies.
- ▶ **Cost of sales**- Also known as Cost of Goods Sold, this represents all the expenses directly related to the making and storing of a company's goods, such as raw materials, warehousing, and direct labor costs. Doesn't exist for service companies.
- ▶ **Current assets**- Assets the company plans to convert to cash, sell, or use during the coming year, including cash, accounts receivable, and inventory on hand.
- ▶ **Current assets**- Cash and cash equivalents and assets which are expected to be turned into cash in the next year.
- ▶ **Current liabilities** - Amounts which the company is obliged to pay to others in the next year.
- ▶ **Depreciation** - A method used to account for the diminishing value of an asset over the time it is used and to match profit with the expenses it took to generate that profit. Registered as a non-cash expense.
- ▶ **Direct method**- A method of arriving at net operating cash flow by adjusting each item on the income statement from the accrual basis of accounting to the cash basis of accounting.
- ▶ **DSE listing rules** - Listing rules govern the admission of companies to the official list of listed companies, quotation of their shares, suspension of those shares from quotation and removal of companies from the official list. The listing rules also govern disclosure and some aspects of a listed company's conduct.





- ▶ **EBIT (Earnings before interest and taxes)**- Amount calculated by subtracting cost of goods sold and operating expenses from revenue on the income statement. Also called operating earnings.
- ▶ **Emphasis of matter**- A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report.
- ▶ **Employee benefits** - Represent benefits offered to employees of the company and can include short-term (e.g. salaries and wages), long-term (e.g. long service leave), post-employment benefits (retirement benefits) and termination benefits.
- ▶ **Equity** - Total assets less total liabilities; includes share capital, reserves and accumulated profit Expenses, the costs of deriving revenue.
- ▶ **Expenses** - Different costs, such as cost of goods sold, operating expenses, and interest expense, incurred during the normal operation of a business.
- ▶ **Financing cash flow**- Cash received or paid from borrowing money or paying back investors, creditors, and shareholders. The third part of calculating net cash flow on the cash flow statement.
- ▶ **Fixed assets**- Assets that the company does not plan to turn into cash within one year or that would take longer than one year to convert, including property, plants, machinery, and patents.
- ▶ **Gross profit**- An item included on the income statement of production companies, calculated by deducting cost of goods sold from revenues/sales generated from those goods. It is used as a rough estimate of the company's profitability.
- ▶ **Income statement**- A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the profit-and-loss statement, or P&L statement.
- ▶ **Income tax**- Tax levied by the government for income and part of the expenses deducted from revenues when arriving at net income on the income statement.
- ▶ **Indirect method**- A method of arriving at net operating cash flow by adjusting the net income on the income statement for non-cash revenues and expenses. Also called the reconciliation method.
- ▶ **Interest expense**- Represents all interest paid by the company for loans it incurred and is part of the expenses deducted from revenues in the process of arriving at net income on the income statement.
- ▶ **Investing cash flow**- Cash used for investing in long- term assets, such as equipment or equity securities, and cash received from the sale of such investments. The second part of calculating net cash flow on the cash flow statement.
- ▶ **Investor relations**- The section on a company's website under which you can find the company's financial statements.
- ▶ **Key management personnel** Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that company.
- ▶ **Liabilities** - Debts a company owes to its creditors and lenders. Liabilities Amounts which the company is obliged to pay to others.
- ▶ **Liquidity** - The ease with which assets and liabilities may be converted into cash.
- ▶ **Listed company**- A company which is publicly listed on a securities exchange like the Dhaka Stock Exchange.
- ▶ **Long-term liabilities**- The flip side of fixed assets, this represents money the company needs to pay back in one or more years. It includes long-term bank loans, mortgages, and bonds.
- ▶ **Modified opinion** - The auditor may issue a modified opinion, being a qualified opinion, an adverse opinion or a disclaimer of opinion.
- ▶ **Net loss**- The bottom line of the income statement. The negative profit (loss) left after all expenses have been deducted from revenues. If expenses are smaller than revenues than we will refer to it as net profit.
- ▶ **Net profit**- The bottom line of the income statement. The profit left after all expenses have been deducted from revenues. If expenses are larger than revenues, then we refer to it as net loss.
- ▶ **Operating cash flow**- The first section of the cash flow statement, which includes cash generated by and required for the daily operations of a business.
- ▶ **Operating earnings**- earnings left after subtracting the cost of goods sold and operating expenses from a company's revenues on the income statement. Also called EBIT (Earnings Before Interest and Taxes).
- ▶ **Operating expenses**- All costs incurred in operating the business that are not directly related to the production and storage of a company's goods. They include administrative salaries, research and development expenses, rents, and marketing costs. These cost are included in the expense section of the income statement.

- ▶ **Owners' equity-** Owners' equity equals all assets minus all liabilities and represents the part of the company owned by its shareholders. It generally includes contributed capital and retained earnings.
- ▶ **P&L statement** - A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the income statement or the profit-and-loss statement.
- ▶ **Profit margin-** An indicator of profitability. It is calculated by dividing the company's net income by its revenue for the same period. The higher the margin the more profitable a company is.
- ▶ Profit Surplus of revenues and other income over expenses.
- ▶ **Profit-and-loss statement-** A financial statement that specifies the financial results of a business over a defined period of time and lists the revenue, expenses, and net income of the business. Also referred to as the income statement or the P&L statement.
- ▶ **Remuneration of directors** or executives will typically include all or some of cash salary, shares or share options, superannuation, annual and long service leave.
- ▶ **Reporting period** - The period that the financial statements cover. This will typically be one year (e.g. the year ended 31st December 20XX) but can be shorter or longer in certain circumstances.
- ▶ **Reserves surpluses** arising from (for example) revaluations of certain assets.
- ▶ **Retained earnings-** Money reinvested into the company after all dividends are paid. Reported as part of owners' equity on the balance sheet.
- ▶ **Revenue earnings** arising in the ordinary activities of the company. Fees from the rendering of services are examples of revenue, as is revenue from the sale of goods.
- ▶ **Revenues-** Money generated by the company by selling its products or services to customers, before deducting any expenses. It includes only revenues associated with the company's main operations and is sometimes referred to as sales.
- ▶ **SEC-** Securities and Exchange Commission, a Bangladesh Governmental agency established by the Act to enforce all federal securities laws and protect investors from fraud in the securities markets.
- ▶ **Share option** - A contract that gives the holder of the option the right, but not the obligation, to subscribe to the company's shares at a fixed or determinable price for a specified period of time.
- ▶ **Share-** based payment arrangement - An arrangement between the company and another party (including an employee) that entitles the other party, on satisfying any conditions specific to the arrangement, to shares or share options of the company, or cash or other assets of the company that are based on the price of those shares or share options.
- ▶ **Sustainability report-** A report that provides information about the company's performance towards the goal of sustainable development.



# NOTICE OF THE 24<sup>th</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting (AGM) of RAK Ceramics (Bangladesh) Limited will be held on Thursday, March 30, 2023 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://agmbd.live/rak2023> 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 2022, together with the reports of the Auditor and the Directors.
2. To declare dividend for the year ended 31 December 2022.
3. To elect/re-elect Director(s) of the Company.
4. To appoint the Statutory Auditors of the Company for the year 2023 and fix their remuneration.
5. To appoint the Chartered Secretary in Practice (Compliance Auditors) of the Company for the year 2023 for compliance certification on corporate governance and fix their remuneration.
6. 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 07, 2023

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 16, 2023), are eligible to participate in the 24th AGM and receive the dividend.
2. The Board unanimously recommended dividend @ 10% in cash of the paid up capital of the Company for the year 2022.
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](mailto: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](mailto:sharedepartment.bgd@rakceramics.com) on or before March 22, 2023, their written option to receive dividend in the form available in Company's website [www.rakceramics.com/bangladesh](http://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](mailto:sharedepartment.bgd@rakceramics.com) on or before March 22, 2023; 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, 2022. 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://agmbd.live/rak2023>
8. Shareholders are requested to log in to the system prior to the meeting start time of 11:00 am (Bangladesh Time) on 30 March 2023. The webcast will start at 10.45 am on March 30, 2023. 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](http://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 27, 2023.
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 16, 2023.
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

---

A series of horizontal dotted lines for writing notes, spanning the width of the page below the 'Notes' header.

Notes

---

A series of horizontal dotted lines for writing notes.



RAKCERAMICS.COM



SCAN TO DOWNLOAD  
RAK CERAMICS  
ANDROID APP  
TO BROWSE ALL TILES  
AND SANITARY WARE

 **16630**

RAK CERAMICS CARELINE

**RAK**  
CERAMICS

ampersand [www.ampersand.com.bd](http://www.ampersand.com.bd)