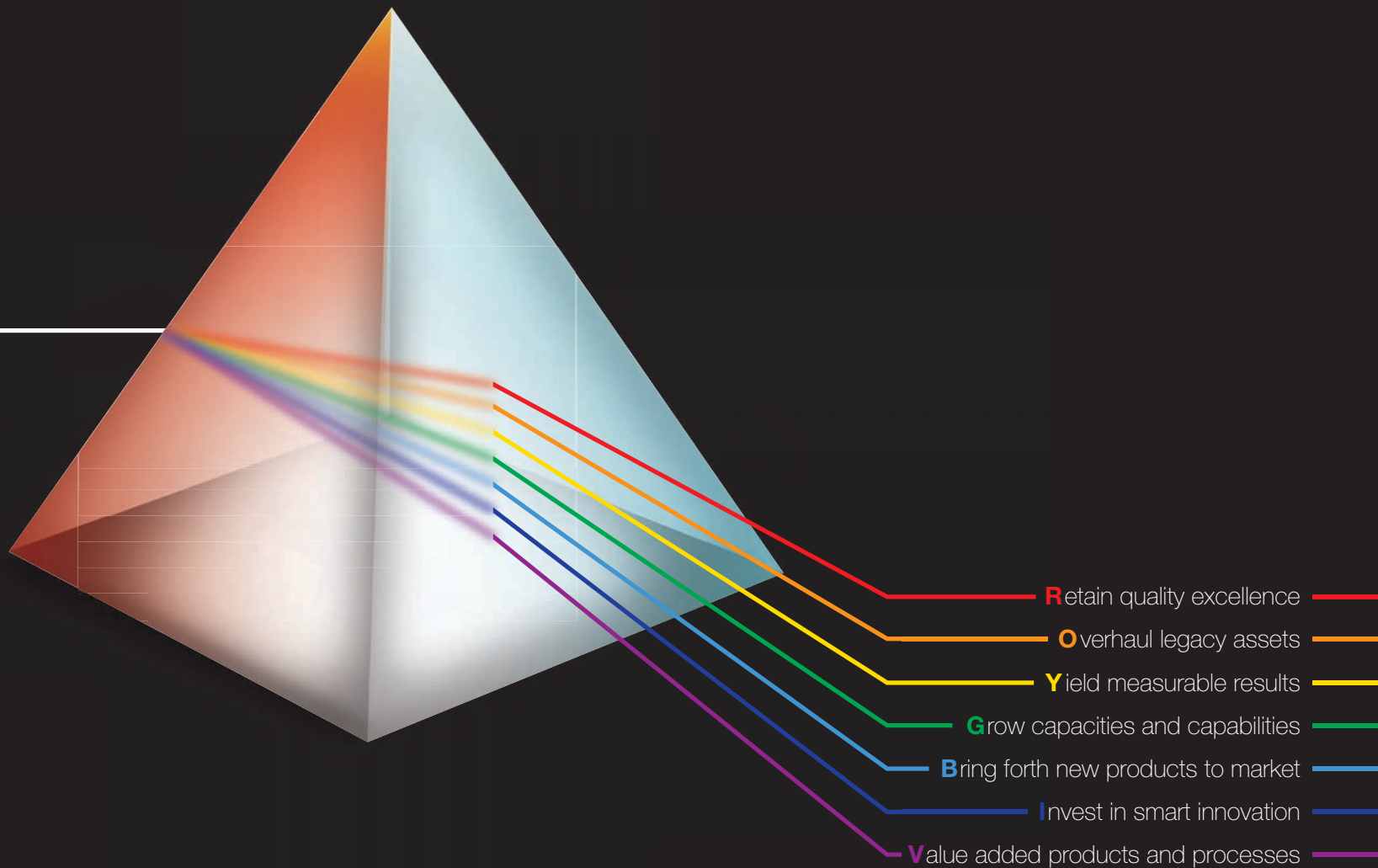
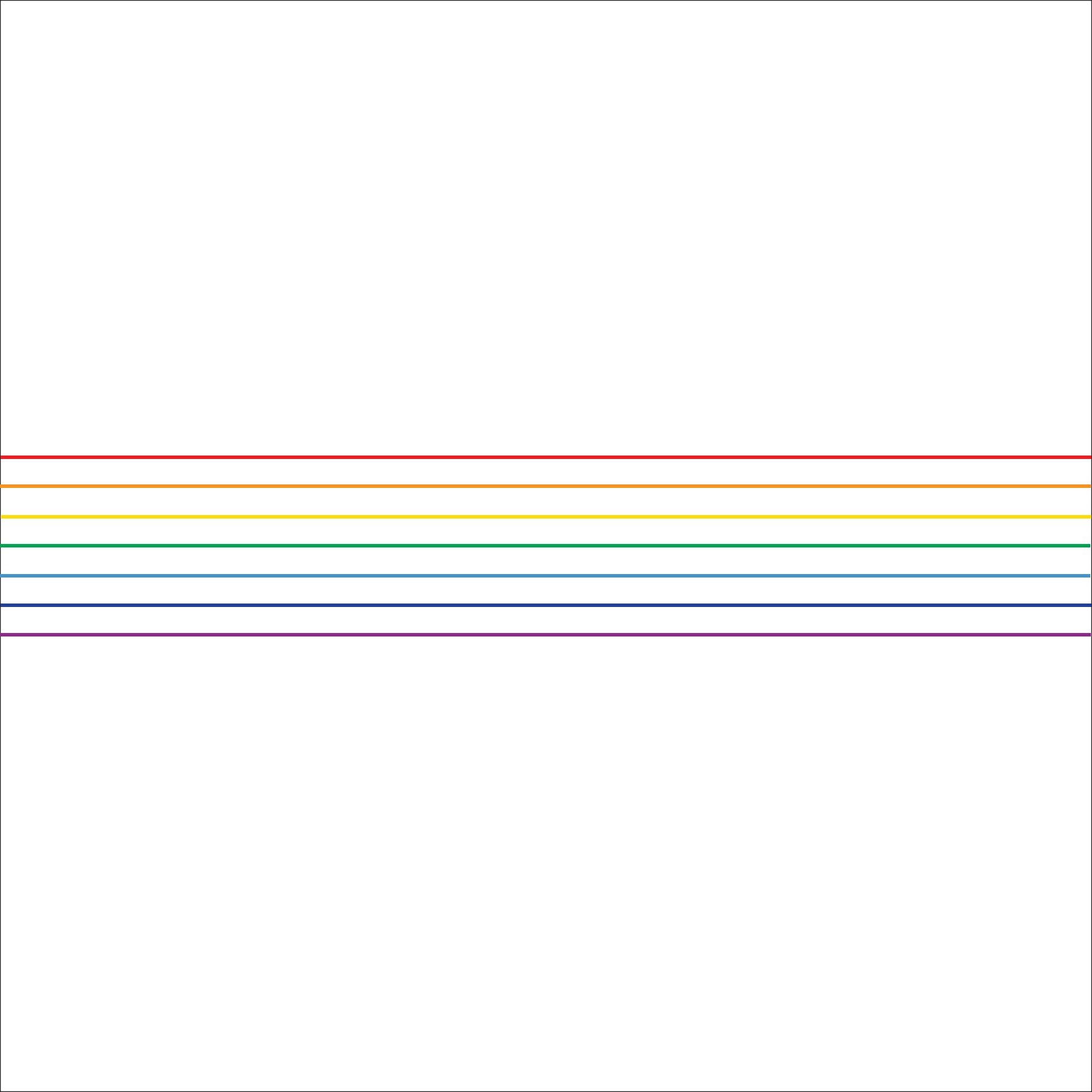


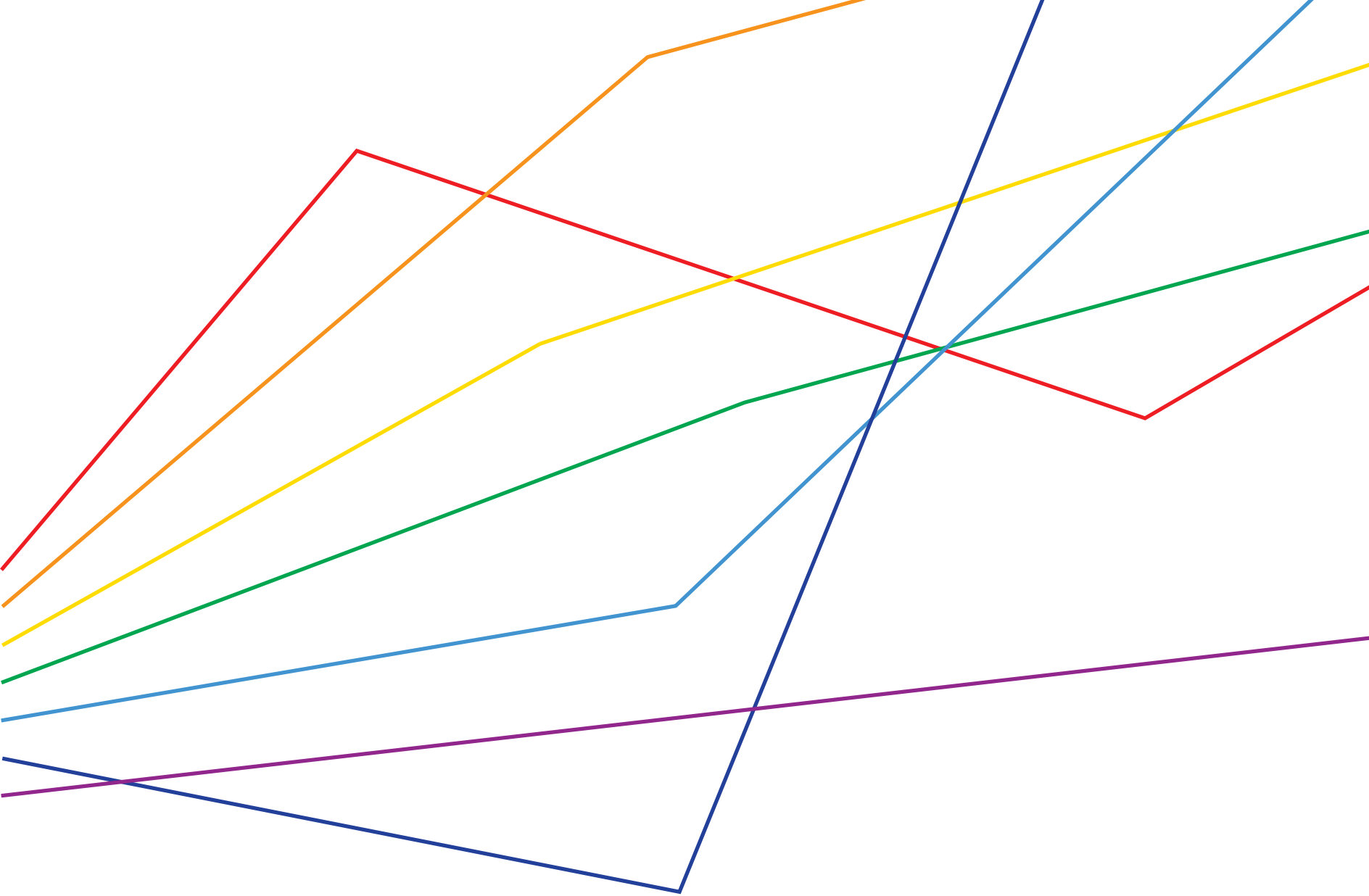
ANNUAL REPORT 2014



WIDENING OUR GROWTH SPECTRUM!

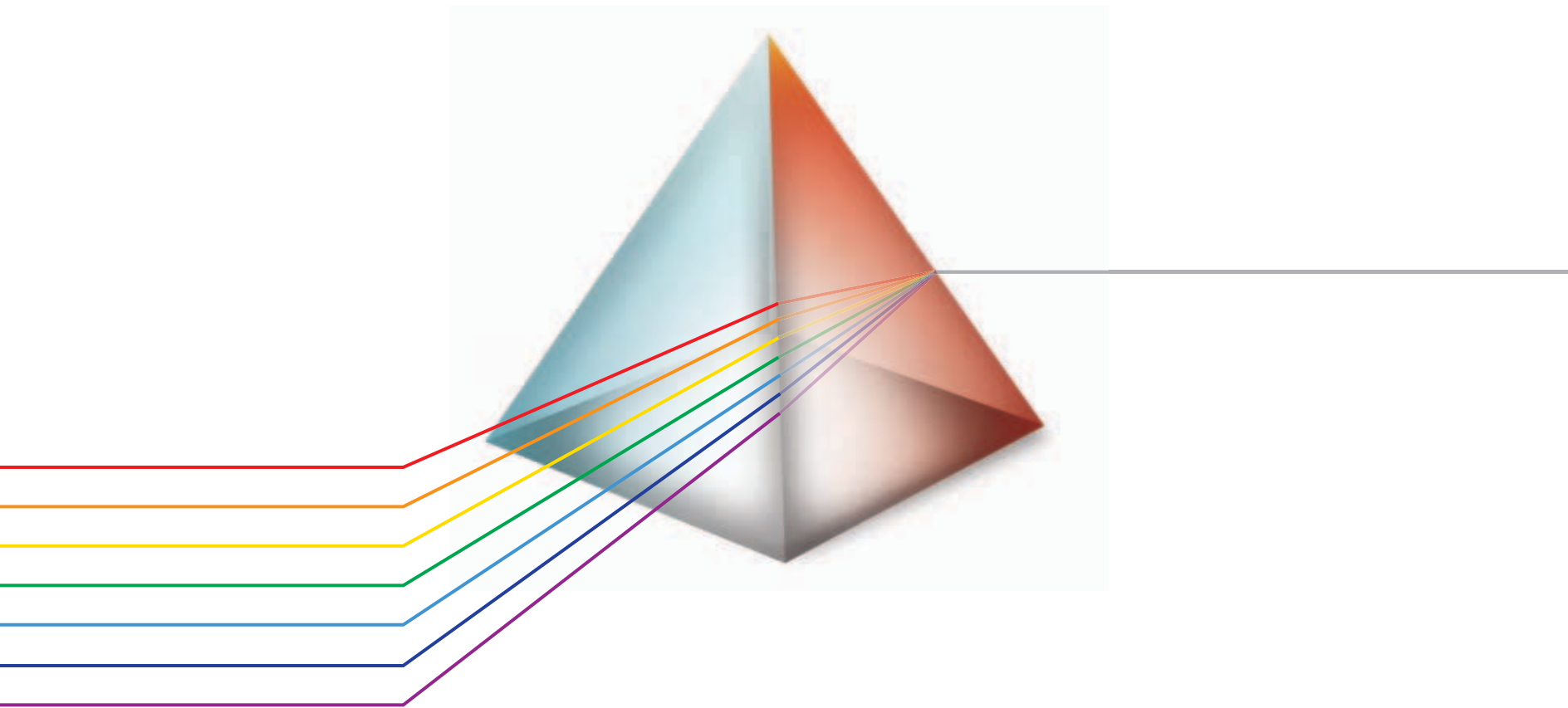






DISCLAIMER

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’ and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



NORMAL LIGHT, IF PASSED THROUGH A PRISM, GETS
DIFFRACTED INTO THE WHOLE RANGE OF COLOURS –
RED, ORANGE, YELLOW, GREEN, BLUE, INDIGO AND VIOLET.

SIMILARLY, IF WE WERE TO FILTER 2014 PERFORMANCE THROUGH A FINE
PRISM, WHAT WOULD BE EVIDENT AS FAIRLY STABLE FINANCIAL GROWTH IS
ONLY HALF OF THE STORY.

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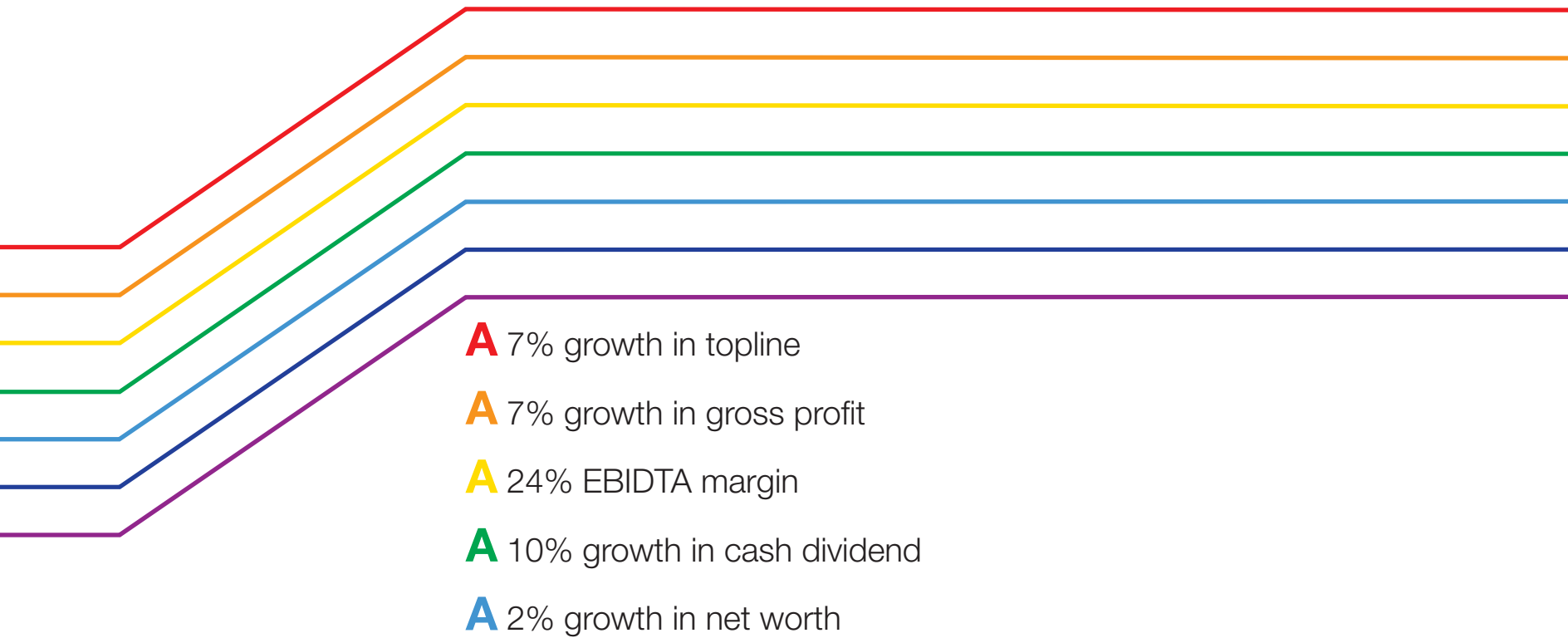
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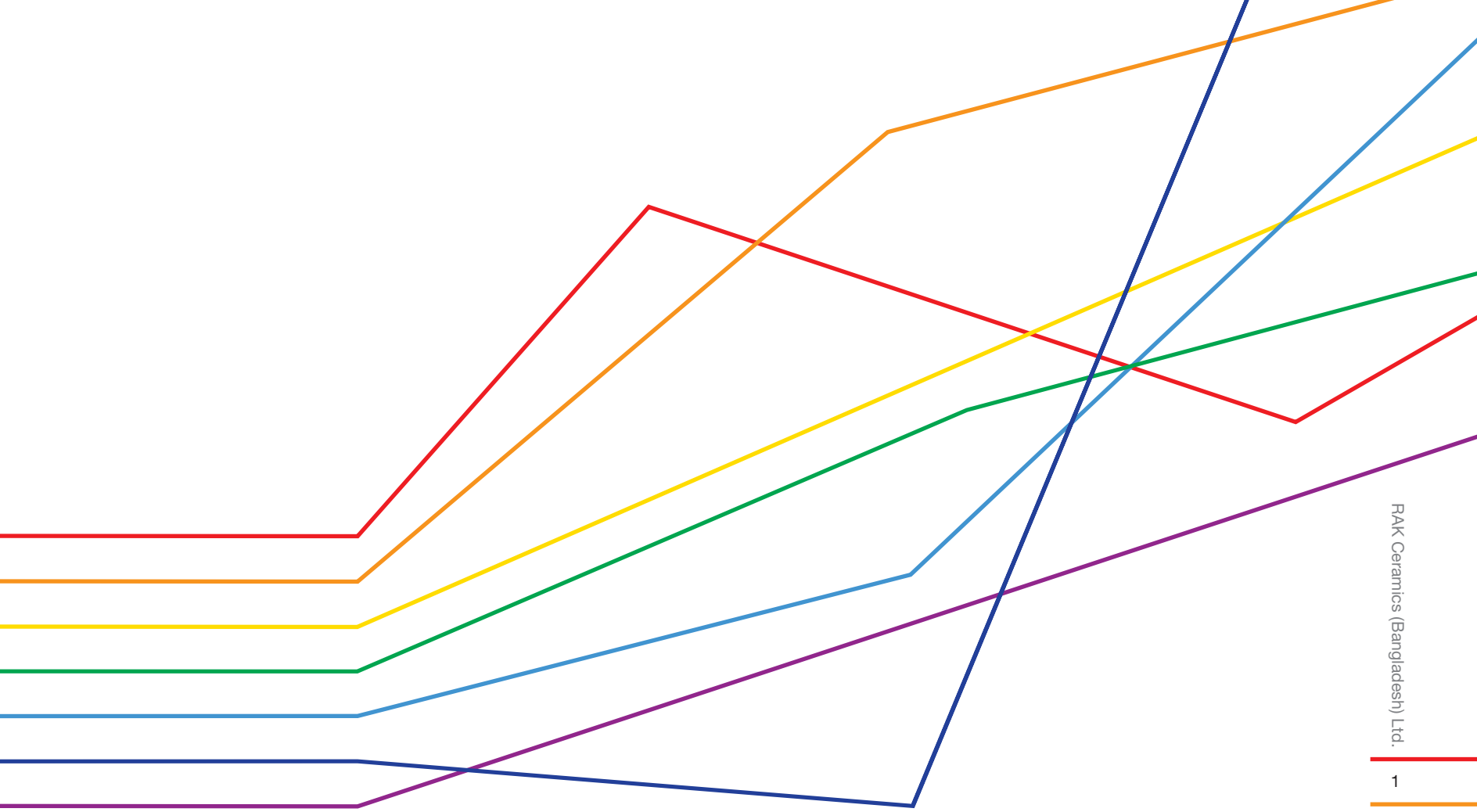
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SO WHAT IS THE FIRST HALF
OF THE STORY?





AND THE SECOND HALF?

- A**n expansion of both of our tiles and sanitaryware production capacities that is expected to come onstream in 2015.
- A** larger volumetric growth of value-added products, mirroring our strengthening brand equity.
- A** substantive Tiles 3% and sanitaryware 4% growth in price realizations.
- A** stronger drive in our core business with a concomitant focus on the divestment of non-core assets.
- A** continued positive net debt status.

IN SUMMATION, 2014 WAS THE YEAR IN WHICH WE CLEARLY FOCUSED ON WIDENING OUR GROWTH SPECTRUM

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We did so through a laser focus on our 7 wavelengths that collectively enabled us to report respectable performance in times that continued to remain adverse, exerting pressures on consumption-driven products like ours.

Hence, our topline (net sales) growth of 7% is appreciable, as we embraced the conscious decision to scale up the production of profitable accretive tiles and sanitaryware products in the overall basket.

We are in the process of divesting our stake in subsidiary, RAK Pharmaceuticals Pvt. Ltd., to a middle east pharma giant. This move is expected to significantly increase our competitiveness in the core business and make the conglomerate more profitable.

Going forward, we believe that 2015 and 2016 will enable us to realize the full value of our tiles and sanitaryware production capacities and paired with our other ongoing initiatives, will light up our pathways of continued shareholder and stakeholder value creation.

VISION

To maintain its status as world's leading innovator in ceramic field.

MISSION

Our **R**esponsible **A**nd **K**nowledge-driven mission includes:

- C-** Close to our clients by listening to their needs and adapting to market requirements
- E-** Excellence in producing high quality products that offers best value-for-money
- R-** Redefining the product innovation and design process
- A-** Accountable to its clients, trade partners, stakeholders and employees
- M-** Motivate employees to develop them into future entrepreneurs
- I-** Integrity of the management towards the organizational goals
- C-** Committed to the society by contributing towards a healthy environment
- S-** Sustainability in every sphere of business

WHO WE ARE, WHAT WE DO
AT RAK CERAMICS (BANGLADESH),
WE BRING THE FULL ORGANIZATIONAL
SPECTRUM TO HELP OUR CUSTOMERS
FEEL GOOD AND LIVE BETTER

RAK Ceramics (Bangladesh) is the country's largest and most respected tiles and sanitaryware brand. The Company has anchored this position on the basis of its market-leading capacities, world-class manufacturing assets, high production utilization, optimized cost structures, vibrant sales and distribution network and robust customer engagement programs.

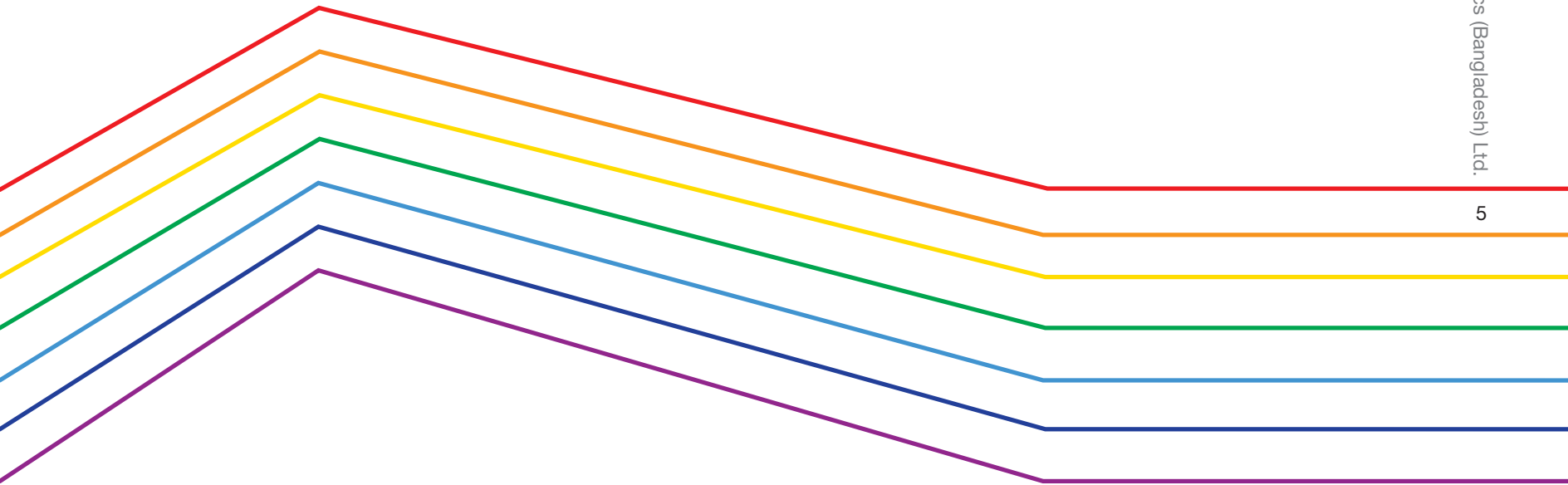
- **Our annual production capacities:** 8.03 mio sqm of tiles and 1.10 mio pieces of sanitaryware.
- **Our manufacturing assets:** We operate the world class-leading SACMI technology that ensures high-quality, cost-effective output.
- **Our production capacity utilization:** We continue to focus on maximizing capacity utilization of 73% at our tiles plant and 100% at our sanitaryware facility.

- **Our cost structures:** Our costs are manifested as one of the lowest quartile in the industry by virtue of scale, technological and operational advantages.
- **Our vibrant sales network:** We possess one of the largest and excellent dealers network, operating 4 exclusive showrooms/ display centre throughout the country.
- **Our consumer engagement programs:** We deliver customised solutions to our customers to their utmost satisfaction even after post sale of products including outright replacement at no extra cost.

The evidence of the Company's rising brand equity and growing alignment with consumer preferences and requirements is visible on all fronts considering every 6 seconds a customer buys RAK Ceramics product. This clearly made us the most preferred home building brand within our sector.

Continuing with the trend of being the market leader we also conceptualise that we need to raise the bar and set new targets. Therefore, we are taking our enterprise to its next level by engaging in expansion that will take our tiles production capacity up by 10,000 sqm/day and sanitaryware production by 1,000 pieces/day. While the incremental tiles output will be operationalized by end of 2015, the sanitaryware capacity will come up by first half of 2015. Conservatively, at current prices, the additional tiles and sanitaryware output possess an annual revenue potential of Taka 763 mio.

Clearly, these are exciting times for us!



IT WOULD BE EASY TO BLAME THE EXTERNAL ECONOMIC ENVIRONMENT FOR OUR 2014 FINANCIAL PERFORMANCE. HOWEVER, HAVING EXPERIENCED SEVERAL ECONOMIC CYCLES, WE HAVE PERFECTED OUR 'BUSINESS-AS-USUAL' APPROACH

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And so, to counter the headwinds of a muted economic growth with the government pegging the 2014-15 GDP growth lower than the 7.3% estimate (the broad consensus for the 2014-15 GDP growth is 6.2-6.5%) on account of widespread political unrest, negative consumer sentiment and an overall wave of depression, we focused on our internal strenghts and strategies to ride over this crisis.

In a well-crafted strategy, we focused on raising the output of value-added products in the overall product suite to leverage our powerful brand equity and in doing so, achieved both higher turnover sales and increasing bottomline contribution. Remarkably, we achieved a 7% net sales growth and our topline crossed Taka 5,000 mio in 2014.

Irrespective of the happenings, we continued to lead from the front with clear and defined insights in our operations and such that we continue to remain on the path of shareholder value creation. Hence in 2014, we have proposed to grow shareholder wealth by recommending 25% cash dividend.

CORPORATE INFORMATION

Board of Directors

Chairman

Mr. Abdallah Massaad

Managing Director

Mr. S.A.K. Ekramuzzaman

Directors

Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla

Mr. Pramod Kumar Chand

Independent Directors

Mr. Rafique-ul Huq, Barrister-at-Law

Mr. Wassim Moukahhal

Company Secretary

Mr. Muhammad Shahidul Islam FCS

Audit Committee

Chairman

Mr. Rafique-ul Huq, Barrister-at-Law

Members

Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla

Mr. Pramod Kumar Chand

Member Secretary

Mr. Muhammad Shahidul Islam FCS

Chief Executive Officer

Mr. Imtiaz Hussain

Chief Financial Officer

Mr. Abhijit Chakraborty

Head of Internal Audit

Mr. Zakir Hossain FCA

Statutory Auditor

Rahman Rahman Huq

Chartered Accountants

(A member firm of KPMG International in Bangladesh)

9 Mohakhali C/A (11th & 12th Floor)

Dhaka-1212, Bangladesh

Principal Bankers

HSBC

Standard Chartered Bank

Citibank, N.A.

Dutch-Bangla Bank Ltd.

Credit Rating Agency

Credit Rating Information and Services Limited (CRISL)

Nakshi Homes (4th & 5th floor)

6/1A Segunbagicha

Dhaka-1000, Bangladesh

Legal Advisor

Mr. Margub Kabir, Barrister-at-Law

Website

www.rakcerambd.com

Registered Office

RAK Tower (7th, 8th & 9th floor)

1/A Jasimuddin Avenue

Sector-3, Uttara Model Town

Dhaka-1230, Bangladesh

Phone: 58957393, 58952303

Fax: +88 (02) 58957096

Factory

Dhanua, Sreepur, Gazipur, Bangladesh

STATEMENT OF SUBSIDIARIES AND ASSOCIATES

The Company has the following subsidiaries and associates as on 31 December 2014

Company Name	Share Holding (%)	Relationship	Investment Taka (mio)	Nature of Business	Present Status
RAK Pharmaceuticals Pvt. Ltd.*	55	Subsidiary	361,914,560	Manufacturing, Sales and Marketing of Pharmaceuticals products	On production
RAK Power Pvt. Ltd.	57	Subsidiary	116,850,000	Electricity Generation	On production
RAK Paints Pvt. Ltd.	47	Associate	246,750,000	Manufacturing, Sales and Marketing of Paints products	On production
RAK Security & Services Pvt. Ltd.	35	Associate	350,000	Security Service	On operation
RAK-Mosfly (Bangladesh) Pvt. Ltd.	20	Associate	19,250,000	Manufacturing, Sales and Marketing of Pesticides products	On production

* The Company holds 51,702,080 numbers of ordinary shares (i.e. 55% of the paid up capital) of RAK Pharmaceuticals Pvt. Ltd. and decided to sell the said shares subject to approval by the concerned authorities.



Retain quality excellence

At RAK Ceramics (Bangladesh), we are committed to deliver products that match and even exceed customer expectations. We continue to invest in our processes as well as practices and also engage in re-skilling, whenever required, to ensure a consistent output.

We received minimal customer complaints on product quality in 2014.

BOARD PROFILE



“We are exploring new ways with a new and fascinating range of products that we plan to take beyond Bangladesh also. Concurrently, we are building on our proven strengths and expertise to capture a larger share of the market.”

Mr. Abdallah Massaad Chairman

Mr. Abdallah Massaad, Chairman of the Company is also the member of the Board of Directors and Chairman of RAK Pharmaceuticals Pvt. Ltd., RAK Power Pvt. Ltd. and RAK Paints Pvt. Ltd. [subsidiary and associate companies of RAK Ceramics (Bangladesh) Limited]. Mr. Massaad assumed charge as the Chief Executive Officer of RAK Ceramics PSC, UAE since June 2012. He is also the representative in Board and management of several subsidiary companies of RAK Ceramics PSC, UAE in Ceramics and industrial manufacturing as well as companies engaged in forward and backward integration of ceramics supply chain.

Prior to assuming his current role as the Chief Executive Officer of RAK Ceramics PSC, UAE, he was the Deputy CEO of the Company looking after the global Ceramics and building material related business interests of the Company and assisting the Chairman and CEO in strategic planning and implementing/overseeing strategic initiatives to reach the prestigious milestone of 1 billion square meters global sales from the level of 500 mio square meters, implementing the Corporate Governance Regulations besides overseeing the strategic refocusing of the Business portfolio.

Mr. Massaad was invited by RAK Ceramics PSC, UAE in 2004 as Marketing Consultant to the CEO office to upgrade the branding and positioning of the Company and to prepare it to deal with future marketing challenges arising out of the expansion of company's ceramic business during 2004-09. He formally joined RAK Ceramics in 2006 as Deputy CEO responsible for operating management control and strategy development and implementation.

Mr. Massaad has over 19 years of experience from field sales to sales management to product marketing growing to business leadership in national and international markets. Before joining RAK Ceramics, Mr. Massaad was the General Manager of International Ceramics Company SARL (ICC) Lebanon since 1998 which led the team to grow the company to a position of national leadership and with Asian Industrial Company (1992-96) where he was Area Sales Manager responsible for national market of Lebanon and opened new markets for the Company.

Mr. Massaad holds post graduate qualifications in Management “DEA in Business Administration” (1998) and undergraduate degree “Maitrise in Business Administration-Marketing” from USEK (Universite Saint-Esprit de Kaslik), Lebanon. He is well versed in Arabic, French and English.



“The expansion of our production capacities is consistent with our strategy of not only setting ambitious growth targets for ourselves but also emerge as Bangladesh’s most preferred consumer product brands.”

Mr. S.A.K. Ekramuzzaman
Managing Director

Mr. S.A.K. Ekramuzzaman, Managing Director of the Company is one of the local investors having equity partnership with Ras Al Khaimah Companies (RAK) in Bangladesh. Besides managing diversified business interests of RAK Group, he is involved in a number of other business interests in Bangladesh.

Mr. Ekramuzzaman has equity interest and holding directorship in RAK Pharmaceuticals Pvt. Ltd., RAK Power Pvt. Ltd., RAK Paints Pvt. Ltd., RAK-Mosfly (Bangladesh) Pvt. Ltd. and RAK Securities and Services Pvt. Ltd., among others.



“Our time-tested growth strategy is underpinned on the foundations of a robust financial system, direct routes to market and a brand equity that is deeply embedded in the psyche of our customers.”

Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla **Director**

Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla, Director of the Company is also the member of the Board of Directors of the subsidiary and associate companies of RAK Ceramics (Bangladesh) Limited. Mr. Khaled is also the member of the Audit Committee of RAK Ceramics (Bangladesh) Limited. He is also the Director of RAK Ceramics Co. PSC, UAE and also represents on its manufacturing setups in different international locations. He is also the Executive Member of the Board of Chamber of Commerce, Ras Al Khaimah.

Mr. Khaled is a local businessman based in Ras Al Khaimah and the founder of KAY Group, a private business entity specializes in General Trading, Services and Properties. Currently, he is also the CEO of Majan Printing & Packaging Co. and through his strategic management Majan, maintains its status as one of the largest printing and packaging company in the Middle East.

Mr. Khaled completed his Bachelor's degree in Business Administration Major in Management Information System from the University of Arkansas at Little Rock, USA. He has over 23 years of successful experience providing fiscal, strategic and operations leadership in a unique challenging situations. He is also an expert in finance, budgeting & cost management public relations & media affairs, strategic planning, sales & marketing leadership, profitability & cost analysis and policy & procedure development.



"Our robust financial strategies, our strong Balance Sheet and our ability to optimise our cost structures have enabled us to protect shareholder value during down cycles and capitalise on the growth potential during up turns."

Mr. Pramod Kumar Chand Director

Mr. Pramod Kumar Chand is the Chief Financial Officer of RAK Ceramics PSC and Officio Director of a number of Subsidiaries of the Company. He is also Director of RAK Securities and Services Pvt. Ltd. and RAK-Mosfly (Bangladesh) Pvt. Ltd., associates of this Company. He is a member of the Audit Committee of RAK Ceramics (Bangladesh) Limited.

Mr. Pramod is an important member of the senior management team of the Company. He has wide experience in dealing with corporate finance matters including treasury/working capital financing, project finance, venture capital, debt and equity capital market instruments and fund raising processes.

Mr. Pramod's professional credentials span over 35 years post qualification experience with blue chip employers including Birla Corporation Ltd. and OCL India Ltd. in India.

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



“Our business and operating practices are based on the spirit of trust and integrity that directly enables us to remain as the frontrunner of sustainable success.”

Mr. Rafique-ul Huq
Barrister-at-Law, Independent Director

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

Mr. Huq completed MA, LLB from Calcutta University in 1957 & 1958 respectively and enrolled as an Advocate in Calcutta High Court in 1960, Barrister-at-Law in 1961 and was Called to the Bar from Hon'ble Society of Lincoln's Inn, UK in 1962. He was enrolled as Senior Advocate, Appellate Division of the Supreme Court of Bangladesh in 1975. Mr. Huq is one of the senior most Advocates in the Supreme Court of Bangladesh with more than 54 years of rich experience in Bangladesh and abroad.

He is currently a member of the International Court of Arbitration of International Chamber of Commerce, Paris. He is former Attorney General of Bangladesh.

Mr. Huq is/was involved in many social activities as life member and member of National Council of Diabetic Association of Bangladesh, Chairman of Management Committee of BIRDEM Hospital, Chairman of Ahsania Mission Cancer Hospital, Secretary General of Management Board and Patron of Dhaka Shishu Hospital, Cabinet Member in the Lions International, District 315, Chairman of Society for Education and Care of Hearing Impaired Children of Bangladesh and Life Member of the Bangladesh National Society for the Blinds and many other organisations in Bangladesh. He is the founder of Dr. Farida Huq memorial Ibrahim General Hospital, Kaliakair, Gazipur.



"RAK Ceramics' ability to embrace world class corporate governance standards is a clear indicator of the robustness of its business model."

Mr. Wassim Moukahhal
Independent Director

Mr. Wassim Moukahhal is the Independent Director of RAK Ceramics (Bangladesh) Limited and its subsidiary companies. He is also the member of the Board of Directors of RAK Paints Pvt. Ltd. and RAK Securities and Services Pvt. Ltd. [associated companies of RAK Ceramics (Bangladesh) Limited].

Mr. Wassim is a Senior Vice President of Samena Capital Investments Limited in Dubai, focusing on investments within the Special Situations Funds. He previously had more than 10 years of experience in private equity and investment banking across the Middle East and North Africa region.

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

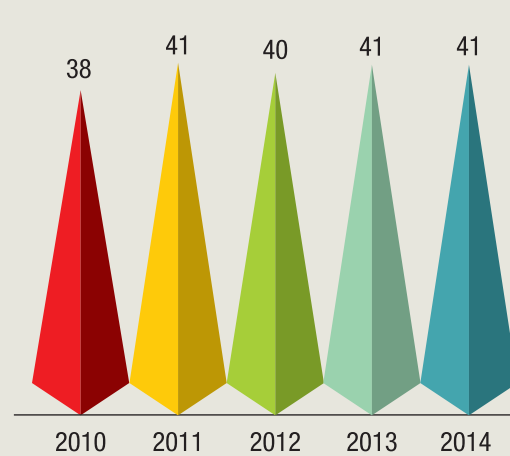
FINANCIAL OVERVIEW

THOUGH IT IS ALWAYS ADVISABLE TO LOOK AT OUR PERFORMANCE OVER THE LONG TERM, THIS IS HOW FISCAL 2014 LOOKED LIKE VIS-À-VIS THE PAST YEARS

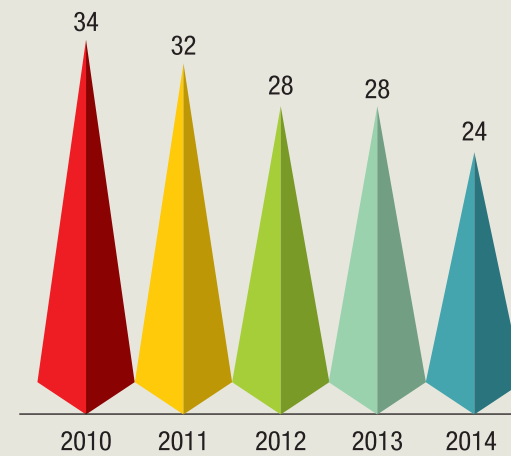
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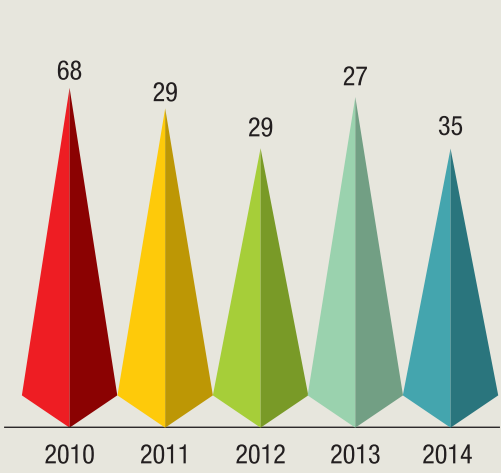
GP (%)



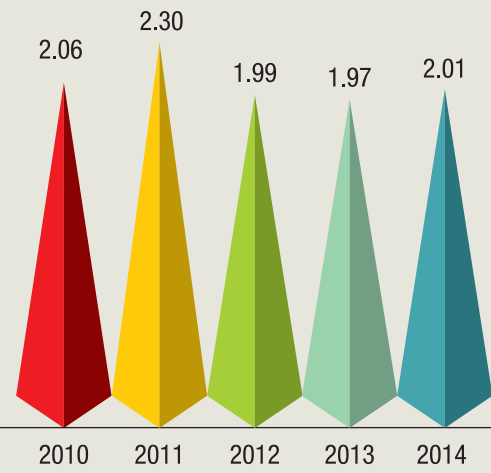
EBIDTA (%)



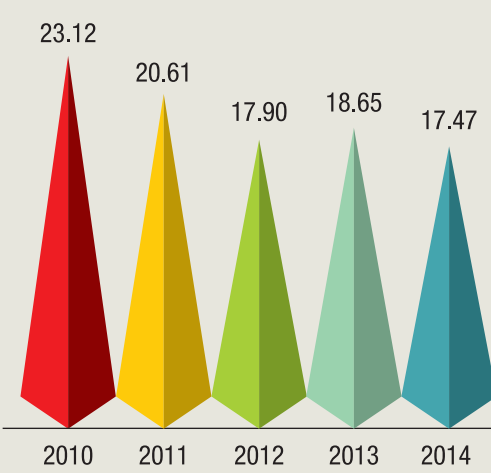
P/E Ratio



Current Ratio



ROCE (%)





Overhaul legacy assets

At RAK Ceramics (Bangladesh), we are focused on the production of world class products at costs that are aligned with customer expectations. Though we operate the world class leading SACMI technology from Italy, we invest in ongoing modernization to maintain the useful life of our assets.

We invested Taka 433 mio in 2014 to refurbish existing assets as well as to incorporate useful and productivity-enriching technologies.



CHAIRMAN'S STATEMENT ON WIDENING
THE GROWTH SPECTRUM

THE REAL EXCITEMENT OF
2014 WAS THE FOCUS ON
OUR ATTRACTIVE EXPANSION
PLAN THAT WILL GROW OUR
TILES AND SANITARYWARE
PRODUCTION CAPACITY
AROUND 45% AND 33%,
RESPECTIVELY

My dear fellow stakeholders,

I continue to maintain the opinion that Bangladesh is a country that provides abundant opportunities for growth. Even the government indicated that the 2014-15 GDP would be lower than the targeted 7.3%, these kind of growth rates are among the fastest in the world. Importantly, we are achieving this growth on the back of several impediments including a fastidious opposition, leading to political unrest and policy uncertainty. Imagine what could be our potential run rate if these blockades were removed.

I believe in the robust underlying potential of Bangladesh

I am an eternal optimist and believe that Bangladesh has seen its worst. Having touched a nadir, there is just one way to go – forward. My optimism is not new-fangled but based on hardcore statistical indicators. Bangladesh possesses a 160 mio strong population with an economy that is tilted towards consumption. The country's purchasing power parity has improved from USD 1,140 in 2000 to USD 2,810 in 2013 (World Bank sources), clearly indicating that the top and middle socio-economic segments have more disposable incomes.

The RAK brand embedded in the consumer's home, office and psyche

Our showrooms/display centre boast of a large of product variety catering to the taste and needs of every strata of all consumers in the country. Essentially, we also empower them with a price value proposition that allows them to experience our products without stretching their budgets. In effect, we help them climb the ladder of their aspirations faster.

Leveraging this critical advantage, today, we are on the threshold of an unparallel opportunity that will enable our Company to clearly widen its spectrum of growth.

After a period of almost 6 years, we are establishing new world class production capacities

During 2014, we made good progress in ensuring that we operationalize our tiles and sanitaryware production capacities by end of 2015 and March 2015, respectively. I firmly believe that this capacity addition could not have been more timely, especially considering our high product of take and huge underlying demand for our products. I must mention some of the salient points and features of our new capacities:

Cost: Since our new production capacities are coming within the premises of our existing plants in Gazipur, we do not have to pay anything extra towards land, utility and ancillary infrastructure costs. This has benefited us to set up the new plant at almost half of cost of a greenfield project. This ensures that we get a head start from day one of operations.

Funding: The capex is being funded out of 70% USD denominated debt and 30% internal accruals. The cost of debt is significantly lower than the average nominal cost of funds. Moreover, the debt has been structured at an attractive 1 year moratorium.

Technology: The plant incorporates the world class leading SACMI technology from Italy, synergistically with the technology of our existing assets. Hence, we enjoy strong operational experience which will enable us to enjoy enhanced production and better quality of our products.

Utility advantages: In the most critical sectoral advantage, we have successfully locked-in 6.5 lac cbm/month of natural gas at attractive costs. Moreover, the gas pipeline runs just adjacent to our plant and therefore reduces the landed cost of the fuel. I must note that fuel tie-ups are generally lengthy and tedious processes and hence act as barriers for new asset creation.

Production: The plant will possess additional tiles capacity of 10,000 sqm / day and sanitaryware production capacity of 1,000 pieces per day. Besides, the product mix is geared to produced mostly value added products. This, paired with the other advantages will ensure a shrunken payback cycle.

Our new production capacities are in perfect alignment with our shareholder value creation plans.

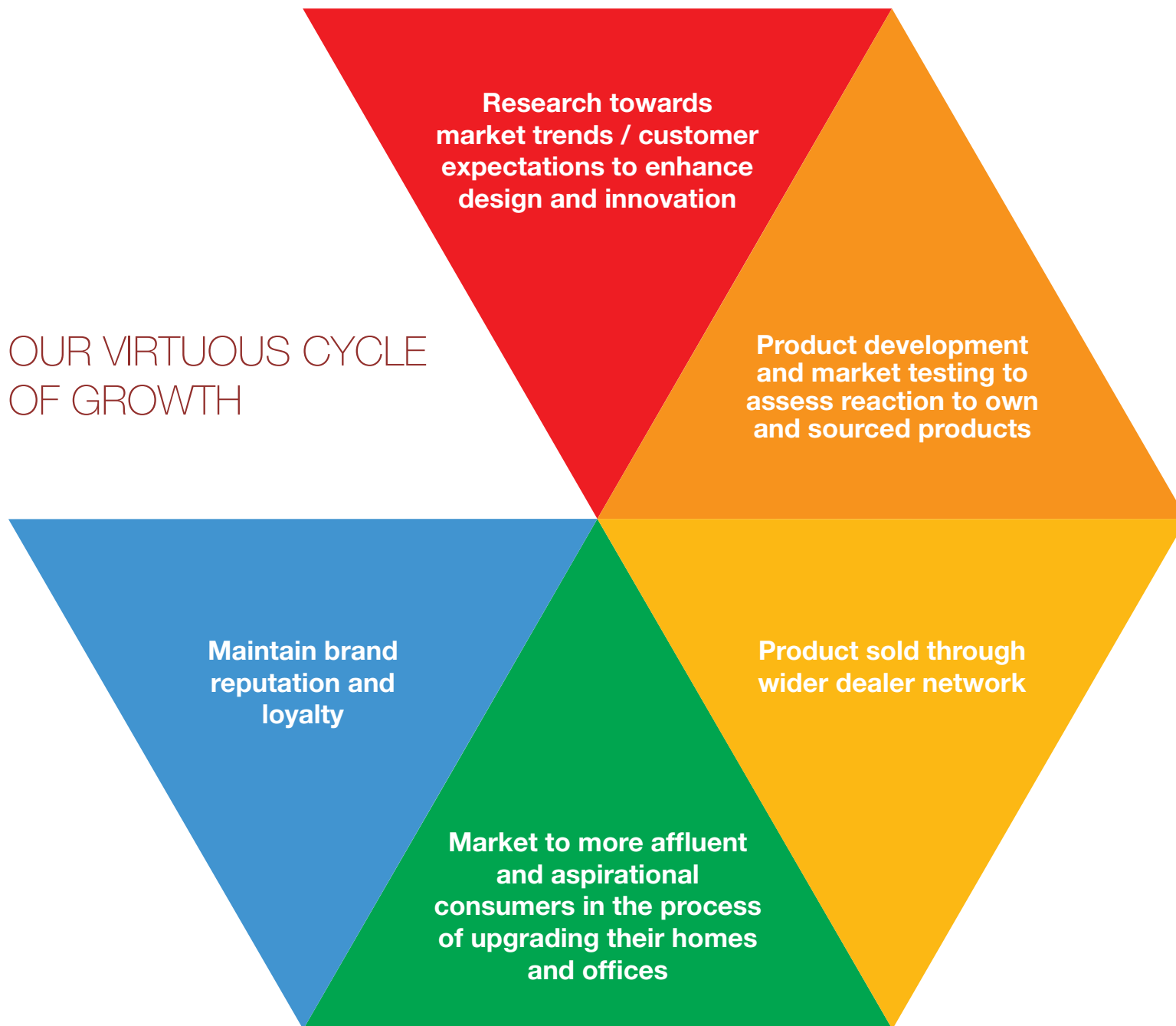
In 2014, we recommend 25% cash dividend and believe that our new plants are in perfect alignment with our focus on generating long-term shareholder value. I am a strong believer in the potential of Bangladesh and in the stronger prospects of our Company. The combination of the two is the place that will enable us to unlock our full spectrum of growth!

With my very best wishes,



Abdallah Massaad
Chairman

OUR VIRTUOUS CYCLE
OF GROWTH



EXECUTIVE MANAGEMENT



Mr. S. A. K. Ekramuzzaman
Managing Director



Mr. Imtiaz Hussain
Chief Executive Officer



Mr. Abhijit Chakraborty
Chief Financial Officer



Mr. Md. Mahbubur Rahman
General Manager-HR & Admin



Mr. Md. Jahirull Reza
General Manager-Purchase



Mr. Zakir Hossain FCA
Head of Internal Audit



Mr. Muhammad Shahidul Islam FCS
Company Secretary



Mr. Md. Navid Hossain
DGM-Sales & Marketing



Mr. Mohammed Shamsuddin
Manager-Taxation



Mr. Henry Fernandez
Production Manager (Tiles)



Mr. Velayutham Chelladurai
Production Manager (SW)



Yield measurable
results

At RAK Ceramics (Bangladesh), we believe that our efforts should drive tangible results in a framework that is consistent with our business ethics and strategies.

The success of our strategies manifests in disbursing Taka 1,601.65 mio dividend over the past 4 years.

Q&A WITH THE MANAGING DIRECTOR ON THE NUTS AND BOLTS OF 2014

WE ENGAGED IN MULTIPLE INITIATIVES DURING THE COURSE OF 2014 THAT HAS PROVIDED US WITH A STRONGER AND NIMBLER PLATFORM FOR POTENTIAL GROWTH

The year 2014 was one during which we continued to remain cautiously optimistic, engaging our levers to protect and preserve organizational sustenance on the one hand and growing our capacities and capabilities on the other to capitalize the most as soon as the economy turns the corner.

In an interview with the Managing Director of RAK Ceramics (Bangladesh), the broad highlight is the Company's sheer resilience to power ahead with its plans and targets irrespective of the economic cycle.

Looking back, how does 2014 appear to you?

We are quite disappointed as far as the prospects of the Bangladesh economy is concerned on account of the continued feud between the political parties that is hampering policy and growth prospects. An overall weak environment has not only impacted asset and infrastructure creation but has also affected consumption in a big way. Though our country is projected to report a GDP growth of 6.2-6.5% in the 2014-'15 period, we believe that this is a wasted opportunity as our fundamentals can easily support a much higher growth rate.

As far as our Company is concerned, we came out of 2014 assured of the robustness of our business model and operating practices. As far as the financials are concerned, this is what we have to report:

- A 7% growth in our topline with an increase of Taka 339 mio in turnover.
- A 9% rise in our operating expenses mainly on account of a 21% rise in our marketing expenses; operating expenses as a percentage of turnover stood at 83% in 2014 vis-à-vis 81% in 2013.
- An impairment loss of Taka 155 mio on divestment of our pharmaceutical investment.
- A 9% decline in our EBIDTA due to increase of operating expenses.
- A flat EBIDTA margin of 24%, a considerable achievement in an inflationary environment.

- A 18% decline in our net profit to Taka 120 mio.
- Healthy return on capital employed of 17.47%.

So, our 2014 performance can best be described as a picture of resilience in the face of political unrest.

What was the broad corporate strategy embraced during 2014?

In an environment characterized by cost and competitive pressures (the latter was especially true for volume products), we mitigated the accompanying risks by ramping up the production and sales of value added products with the result that though the overall capacity utilization moved down to 73% in the tiles business, we could drive higher contribution of premium products. Moreover, we prudently calibrated cost increases with price increases with the result that we achieved an overall 3% growth in realizations during the year under report.

Hence, a larger output of value added products matched with selective price increases ensured that we sustain our operations despite tight pressures exerted by external factors which were beyond our control.

What was the major highlights of 2014?

We invested Taka 144 mio as capex towards establishing nano polishing machine, striping machine, glaze tank, forklift and digital printing machines. These investments enabled us to yield a better quality of product as well as optimized resource consumption, allowing us to derive a higher spread between realizations and costs.

What was the principal reason for the divestment of the stake in the pharmaceutical subsidiary?

Despite the best of our efforts, the operations of the subsidiary was loss making since inception. Shareholders will appreciate the fact that we have remained proactive in identifying a loss making asset and divesting it, rather than waiting for the

operations to turn around and, in the interim, weigh down our Balance Sheet.

Some might argue that the expansion may be coming in a bit late.

Quite on the contrary, we believe that this is the best possible time to get additional capacity generating assets on stream, especially when one considers the following:

- A political and economic cycle that has reached its lowest point and, over time, can only improve from hereon.
- Robust demand on account of a reasonably vibrant real estate industry.
- Growing equity of the RAK brand among our consumers.
- Supply-side constraints, especially for premium tiles and sanitaryware products, which we can effectively plug with our fresh assets.
- A robust operational hedge in terms of locking in gas both in terms of value and costs.
- Availability of a vibrant distribution network that stands as a powerful advantage for a consumer driven company like ours.

We must also note that the USD around 39.12 mio capex is being funded out of a debt equity ratio that is most suitable for our shareholders. The 70% debt mobilization comes at a clear interest arbitrage of between 800-900 bps and with a 1 year moratorium.

What is the roadmap for 2015 and beyond?

We will continue to remain focused on balancing the various levers that drive our business in terms of process, quality, people, brand and network. We also look forward to explore the markets beyond Bangladesh by venturing into exports to neighbouring countries to begin with. With a focus on our core business of tiles and sanitaryware and new capacities coming up, the year 2015 will remain an exciting time for us as we widen our growth spectrum and reach for the next level of opportunities.

BRIEF REVIEW OF OUR BUSINESSES – TILES AND SANITARYWARE

WE EMBRACED A CALCULATED STRATEGY OF RAMPING UP PRODUCTION OF VALUE ADDED TILES AND SANITARYWARE PRODUCTS IN 2014

This strategy not only enabled us to mitigate cost pressures but also ensured a higher contribution to our operating and net profit. It is because of strategies like these that we were able to maintain our operating margin around 17%-19%, about the same levels as 2013.

Ceramic and Gres Porcellanato tiles

Thanks to their high porosity, ceramic tiles create stronger bonding with walls and also provide consumers with a wide array of colours and finishes, suiting tastes and requirements. Furthermore, digital printing technology and a prevalence of large-format tiles have enabled ceramic tiles to gain significant market share. Ceramic tiles are also being increasingly used in exterior walls, replacing stone tiles, terracotta tiles and natural stones among others.

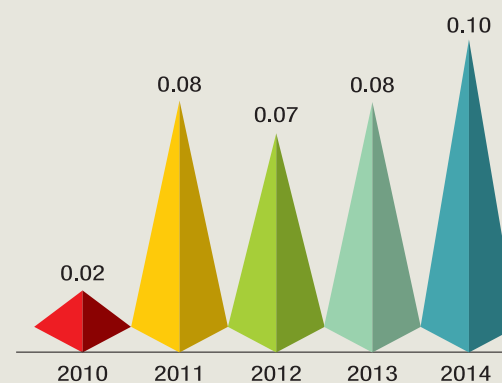
Highlights 2014

- Reported a 7% decrease in production to 0.47 mio sqm.
- Achieved a 4% increase in sales to 0.24 mio sqm.
- Executed a 3% average increase in price realizations to pass on cost increases to customers.
- Some of the new products introduced include large shaped tiles in sizes of 30X50 cm, 30X60 cm and 60X60 cm.

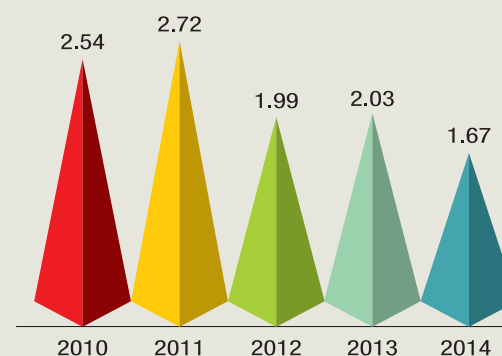
Roadmap 2015

- Focus on the strategy of enhancing production and sales of premium products.
- Explore new markets, especially those of the neighbouring countries.
- Focus on cost control programs.
- Operationalize the new 10,000 sqm/day tiles production capacity by end of 2015.

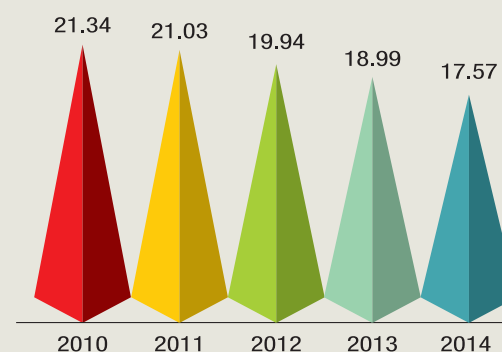
Debt Equity Ratio



EPS (Tk.)



NAV/Share (Tk.)





**We
produce**

a large number of
décor and borders,
enabling us to strengthen
customer convenience in
terms of one-stop product
availability. Through these products,
we also widen our bouquet of
offering as these products complement
our range of ceramics and granite tiles.

Sanitaryware

At RAK Ceramics (Bangladesh), our sanitaryware portfolio features more than 30 models comprising wash basins (mounted and pedestal), water closets, bidets, water tanks, bathroom sets. These are increasingly preferred on account of attractive designs, diverse range and various functional applications.

Highlights 2014

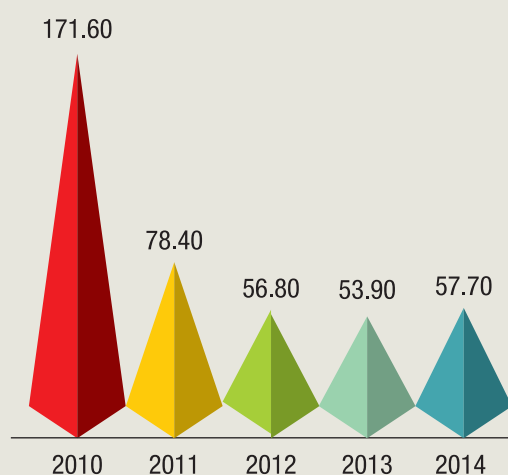
- Achieved a 1% increase in production to 0.01 mio pieces.
- Noted a 3% increase in sales to 0.04 mio pieces.
- Reported a 4% average increase in price realizations.

- Some of the new products launched included series 600 and hart ford model.
- Some of our top selling products included karla, orient, venice, metropolitan etc.

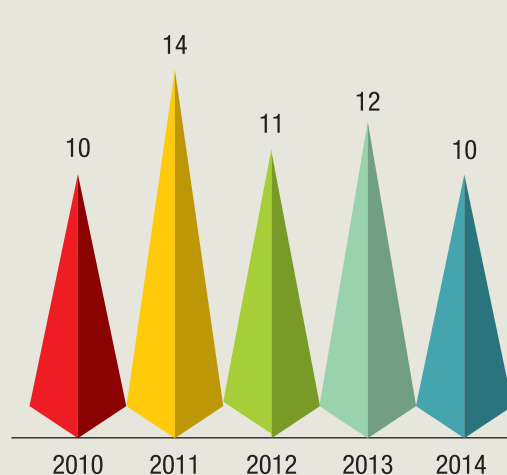
Roadmap 2015

- Continued focus on growing production and sales of premium products.
- Explore new markets.
- Ensure that the new 1,000 pieces/day sanitaryware capacity generates production by first half of 2015.

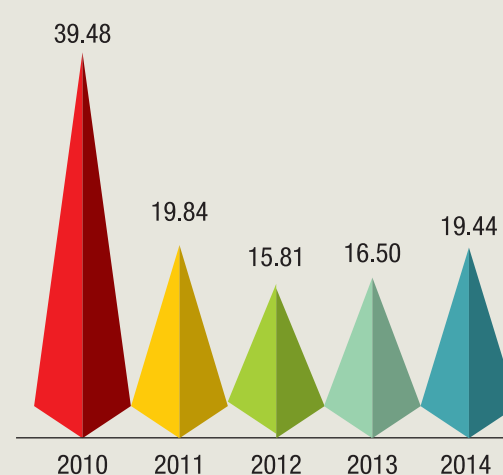
Stock Performance (Market Price Tk.)



Return on Shareholders' Fund (%)



Market Capitalization (bn Tk.)



FOCUS ON THE OPERATION OF A RISK-MITIGATED BUSINESS

NAVIGATING OUR BUSINESS ACROSS CHALLENGING TIMES AND KEEPING A WATCHFUL CONTROL AT ALL TIMES HAS UNDERPINNED OUR SUSTAINABLE SUCCESS

This ability has enabled us to report a substantial 18% CAGR growth over the past 10 years, 7% CAGR growth over the past 5 years and 6% CAGR growth over the past 3 years. It is not a coincidence hence that this rate is also among the fastest in the Bangladesh tiles and sanitaryware industry.

It is important to note that our financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in to place to manage, monitor and mitigate these risks of which the principal risks are identified in the section below. The Company recognizes that the management and effective mitigation of risk is fundamental to the achievement of our targets.

Market risks

Changes in the macroeconomic environment including buyer confidence and optimism, availability of home finance, interest rates, competitor pricing, fall in real estate prices or land values or a failure of the housing market to recover further, may lead to a fall in the demand for the Company's products, which in turn could result in impairment of inventories, goodwill and intangible assets.

Having witnessed a substantial fall in the demand for residential apartments as well as new office space absorption, the long-term outlook for the country's real estate industry appears to remain robust. Though customer demand is sensitive to changes in economic conditions, we have prevailed across most cycles on the back of our ability to launch new and exciting products that are aspirational and cost-effective.

Moreover, a weekly review is undertaken of key trading indicators, including sales rates, visitor levels, incentives, competitor activity and cash flow projections and, where possible, appropriate management action is taken. Besides, the Group's internal systems clearly identify the impact of sales price changes on the margins achievable. The Company has

also readied a business as usual approach that endeavours to keep its cost base tightly controlled and manages cost reduction measures via robust stewardship.

Liquidity risks

Unavailability of sufficient borrowing facilities might enforce the Company to default on servicing its liabilities. Furthermore there are risks to management of working capital.

Though the Company maintains committed facilities of different durations that are designed to ensure that it has sufficient available funds for operations, it also maintains sufficient trade finance and surety facilities. One of the most significant advantages that the Company enjoys is the fact that it is positive net debt with cash and cash equivalents of Taka 1476 mio at the end of 2014.

Towards funding its new expansion plans for growing the tiles and sanitaryware capacities, the Company has mobilized USD denominated 26.50 mio debt at a very competitive rate. The Company expects to fund the rest of the capex through internal accruals.

Legal and regulatory risks

The Company's operations are subject to several different areas of regulation and greater government intervention may significantly affect our business operations.

At RAK Ceramics (Bangladesh), we are committed to the highest ethical standards and conduct regular audits covering business processes and behaviours to ensure compliance with relevant laws and regulations. Moreover, we also actively engage in dialogue with the relevant authorities to mitigate regulatory risks. It also must be mentioned that despite a challenging economic environment, the country is projected to record a GDP growth of 6.3-6.5% as per a wide consensus in 2014-15.

Human resource risks

Loss of key personnel or improper succession planning or inadequate development of new talent could damage the future prospects of the Company. Competition for quality personnel is intense and we may not be successful in attracting or retaining suitably qualified personnel. Besides, loss of key employees and delays in recruiting new personnel could harm the business and, in time, erode our competitive advantages.

We annually review our succession and growth plans for key personnel and the Board is kept updated of all key developments. We also offer remuneration packages that include fixed as well as variable compensation arrangements that are regularly benchmarked to ensure that the Company's remuneration policy remains in line with market practices.

As a step to foster a culture of collaboration and teamwork, we encourage our employees to chart out their career progression plans and we integrate their KRAs such that they factor in intangible deliverables as much as tangible results derived out of their core areas of competence.

As on 31 December 2014, we possessed a staff strength of 1360 personnel and added 248 qualified human resources during the year, mainly towards readying for our expansion plans that will take effect starting from 2015.

Over-reliance risks

The Company's profitability could be severely impacted if any single customer segment becomes business critical or an individual supplier dominates our supply chain and hence manufacturing process.

With a view to mitigate consumer segmentation risks, we offer the broadest and widest range of tiles and sanitaryware products in the industry, thereby not only catering to varied tastes and preferences but also to various budgets and finances. We also possess a deep and wide penetration network through our dealers.

As far as the supply-side risks are concerned, we have a well-diversified global sourcing base that not only enables us to secure timely availability of key raw material resources but also lock them at relatively lower costs. Besides this, we also actively monitor the supply chain to avoid over-reliance on any single supplier.

Technology related Risks

The Company is a subsidiary of RAK Ceramics Co. PSC, UAE. It enjoys access to and deploys the latest technology in its manufacturing facilities. The Company adopted the most advanced Italian technology for the production of tiles and sanitaryware.

The Company remained at the cutting-edge of technology, earning the reputation of pioneering new technology in Bangladesh.

The Company invested in a full-fledged R&D team to facilitate the absorption of new technologies with moderate investments.

The Company has access to international/multinational companies for supplying appropriate technology and technical management support for operation of new projects & its foreign affiliation with RAK Ceramics PSC, UAE for technical know-how and technical assistance, the company is expected to be always ahead of the other producers in the local market which ultimately reduces the technology related risks for the company.



Grow capacities and capabilities

At RAK Ceramics (Bangladesh), in a bid to preserve and protect our lead and positioning in the tiles and sanitaryware market, we have ventured into an exciting phase of growth by expanding our tiles capacity by 10,000 sqm/day and sanitaryware capacity by 1,000 pieces/day.

We have successfully closed the USD 39.12 million capex for the expansion at an attractive and value accretive structure.

SUSTAINABILITY REPORTING

AT RAK CERAMICS (BANGLADESH), WE ARE COMMITTED TO OPERATING RESPONSIBLY AND HAVE DEVELOPED SIGNIFICANT PROGRAMS OF ACTIVITY IN KEY AREAS WHICH ARE EMBEDDED ACROSS OUR WHOLE ORGANIZATION

Ethics and values

We have embedded our values across the business to ensure that our people act consistently and take the right decisions aligned with our broader philosophies. Integrity requires us to be honest and transparent and always do what is right. Teamwork means seeing ourselves as part of a bigger picture in the way we work with colleagues across the Company – and with customers and suppliers. Respect shapes the way we treat people inside and outside the business – and the wider community and environment. We believe that excellence is the standard of performance people are entitled to expect from a leader.

Our ethics, values and compliance program is designed to embed ethics and integrity across our business. It covers not only bribery, fraud and competition law, but also data protection, human rights and other areas addressed in our Code of Conduct. To earn the confidence and trust of clients and other stakeholders and to support our business strategy, we conduct our business ethically and with integrity across all these activities and at all times. We play our part in helping eradicate corruption and uphold good business practices wherever we work. And we ensure that, wherever we operate, we comply with local and applicable laws and our own ethical standards.

Our priorities for 2015 and beyond are to continue embedding appropriate procedures and controls for managing the supply chain and other third-party risks to support our growth strategy for new products and markets.

Sustainability

As a business, we have set out a clear pathway to embed sustainability into everything we do. Our roadmap defines our key focus areas that include customers, our people, our supply chain, the communities we serve, climate change and ecology.

For us, sustainability is not only a business goal; it is also a product that we can offer our customers, by helping them to make more sustainable choices. We strongly believe in the 'green economy' that presents growing opportunities for us and we are making particular progress in three areas:

- Optimizing water and other precious resource consumption
- Ensuring the safety and welfare of our people
- Spreading good beyond our factory gates to sow the seeds of development across our extended communities

Environmental governance and compliance

Key environmental issues are reviewed by our sustainability group. A specially instituted forum also reviews key topics and shares best practice across the Group. We are currently developing our approach to responsible procurement and intend to diversify our sourcing basket that will not just help us control quality and costs but also help us identify and work with responsible and ecologically-aware suppliers.

Our people

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, collaborating with each other, with our customers and across the supply chain is a crucial differentiator for the Company. As well as enhancing the

quality of the solutions we develop, building and sustaining strong relationships will help us improve our services and drive operational efficiency.

Already, our commitment to individual and team development has enabled us to share a range of efficiency improvements with customers, introduce more flexible working arrangements, promote transparency in the way we work, understand our customers and develop innovative, value-added solutions. In the future, we aspire to spread the message among all our people that they are part of a broad community across the enterprise, unconstrained by the boundaries of our existing business and ways of working. We are committed to evolving a culture in which everyone actively promotes the free exchange of knowledge and openly demonstrates collaboration with colleagues and customers.

Supporting our people in realizing their full potential and maximizing their skill sets and capabilities available to the organization is central to the delivery of our growth strategy. Our ongoing commitment to high-quality development and leadership is helping us attract and retain high-quality talent and attributes that we need to operate our business sustainably.

The health and safety of our people and everyone affected by our activities is fundamental to our business and is a source of our uncompromising stand on security and welfare of our ecosystem.

During the course of 2014, we recruited 248 new members and our total employee pool has increased to 1360 members at the close of 2014.

Giving back to our communities

To its very nature, our business is centered on communities and brings them certain inherent benefits that include social and economic welfare. However, we also recognize the importance of engaging more directly with the communities where we operate. At Company level, we work in partnership to support organizations and activities that aim to improve social unity and inclusion. We also donate cash and often our employees have also invested time and energy to selected charitable causes.

RAK Ceramics actively promotes and engages in social contribution activities that help strengthen communities and contribute to the enrichment of the society both at the individual level and with group companies.

Overall, we invested around Taka 2.90 mio for CSR activities in 2014 that encompass medicine and medical treatment, donations for education, social and cultural activities of Bangladesh.

ANALYSIS OF FINANCIAL STATEMENTS

Key Highlights 2014

(Taka mio)

Particulars	2014	2013	Change (%)
Net Sales	5,508.64	5,169.22	6.57
Gross Profit	2,253.37	2,096.22	7.50
EBIDTA	1,336.63	1,464.27	(8.72)
PAT	562.80	682.42	(17.53)
EPS	1.67	2.03	(17.73)

Revenues increased by 6.57 percent to Taka 5,508.64 mio in 2014 from Taka 5,169.22 mio in 2013.

Gross profit increased by 7.50 percent to Taka 2,253.37 mio in 2014 from Taka 2,096.22 mio in 2013.

EBIDTA decreased by 8.72 percent to Taka 1,336.63 mio in 2014 from Taka 1,464.27 mio in 2013.

Profit after tax (PAT) decreased by 17.53 percent to Taka 562.80 mio in 2014 from Taka 682.42 mio in 2013.

EPS decreased by 17.73 percent to Taka 1.67 per share in 2014 from Taka 2.03 per share in 2013.

Derivates

EBIDTA margin decreased by 407 bps to 24.26 percent in 2014 from 28.33 percent in 2013.

PAT margin decreased by 298 bps to 10.22 percent in 2014 from 13.20 percent in 2013.

ROCE decreased 118 bps to 17.47 percent in 2014 from 18.65 percent in 2013.

Analysis

Every Taka invested in the business yielded a satisfactory revenue as paid up capital in the business grew 10 percent while revenue grew by more than 6.57 percent.

Interest income was Taka 107.97 mio in 2014.

Invested Taka 392.96 mio (Taka 6,082.79 mio as on 31 December 2014 from Taka 5,689.83 mio as on 31 December 2013) in its gross block in 2014.

Maintained a strong debt-equity ratio to 0.10 against 0.08 as on 31 December 2013.

Analysis of Revenue and Expenses

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

Revenue

The topline grew at a healthy 6.57 percent compared to previous year, a result of volume and value growth in existing businesses.

Revenue mix: The ceramics business accounted for a significant share of the Company's revenue; other businesses (power and pharmaceuticals) made contributions in growth of Group topline.

Ceramics: Revenue growth was largely derived from improved realizations consequent to a price increase during the year and a healthy off take of value-added products.

Export earnings from ceramics also increased by Taka 0.64 mio in 2014 from Taka 26.78 mio in 2014 from Taka 26.14 mio in 2013, as a result of catering to the demand of the export market.

Share of loss of associate companies is Taka 59.02 mio in 2014 against Taka 49.67 mio in 2013.

Foreign exchange gain in 2014 is Taka 20.35 mio as compared to gain of Taka 5.11 mio in 2013.

Power: Profit after tax increased by 19.88 percent to Taka 88.83 mio in 2014 from Taka 74.10 mio in 2013 with increase in sales by 2.43 percent in 2014 compared to 2013.

Pharmaceuticals: Revenue growth was robust at 3.81 percent in 2014 compared to 2013.

Other income also includes toll manufacturing from which amounted to Taka 6.70 mio in 2014.

Operating expenses

The Company's operating expenses (operating, marketing and administrative) increased by 9 percent to Taka 4,585.87 mio in 2014 from Taka 4,212.83 mio in 2013 in tandem with operational volume and country inflation. Operating cost as a proportion of sales increased by 175 bps in 2014 against 2013.

Operating cost matrix:

Particulars	2014		2013		Increase/ (Decrease) (%)
	Amount (Taka mio)	Proportion of sales (%)	Amount (Taka mio)	Proportion of sales (%)	
Cost of Goods Sold	3,255.27	59.09	3,073.00	59.45	(0.36)
Marketing Expenses	1,035.12	18.79	854.92	16.54	2.25
Administrative Expenses	295.47	5.36	284.99	5.51	(0.15)

Cost of goods sold: Cost of goods sold has increased by Taka 182.27 mio in 2014 than 2013 in tandem with revenues.

Raw materials: Raw Materials cost decreased by Taka 60.14 mio in 2014, due to production of bigger size tiles and increase in production volume in group companies. Operational efficiency and innovative waste management optimized input consumption volume.

Labour costs: Labour cost increased by Taka 65.05 mio as a result of increase in head count by 241 members in RAK Ceramics. Another impact in the labour cost is the revision in emoluments in tandem with country inflation.

Direct expenses: Manufacturing overhead (excluding direct labour) decreased by Taka 118.12 mio in 2014 mainly due to decrease in stock movement.

Administrative expenses: Administrative expenses increased by Taka 10.52 mio mainly due to increase in head count by 51 members in the group.

Marketing expenses: Marketing expenses increased by Taka 180.21 mio mainly due to increase in advertisement expenses by 6.05 mio, discount expenses by Taka 94.36 mio, performance rebates by Taka 34.81 mio, local freight cost by Taka 36.82 mio and annual increment of 15 percent on staff cost also business promotion expense reduced by Taka 24.45 mio in 2014.

Financial expenses

Interest expenses decreased to Taka 41.81 mio in 2014 from Taka 42.27 mio in 2013 due to decrease in bank borrowings. This loan was availed by the subsidiary/associate to meet their working capital requirements. There was no foreign exchange losses in 2014. Bank charges decreased by Taka 0.45 mio to Taka 2.02 mio in 2014 from Taka 2.46 mio in 2013.

Analysis of the Balance Sheet

Non-current assets

Property, Plant and Equipment (Fixed Assets): There has been an addition of Taka 143.63 mio in 2014 to the gross block of the fixed assets in the following areas:

Land proximal to the present existing manufacturing facilities to expand tile and sanitaryware capacities by Taka 14.60 mio, addition in factory admin and stores building Taka 21.30 mio, plant & machinery by Taka 88.79 mio, furniture and fixtures Taka 1.07 mio and office equipment by Taka 1.60 mio. In 2014 there has also been installation of new communication equipments of Taka 0.56 mio for added data connectivity between factory and head office and purchase of new vehicles for Taka 11.54 mio.

Intangible assets: Expenditures to acquire designs, developments, brand, trademarks and various licenses for manufacturing of ceramic tiles, sanitaryware and pharmaceutical products are capitalised. The amortization policy covers the period upto the expected tenure of accrual of benefits derived from the particular asset.

Capital work-in-progress: The Company invested Taka 289.12 mio in heavy equipment in its ceramic tiles and sanitaryware facility which is expected to be commissioned in the coming year. Capital work in progress also includes construction work for factory building, plant & machinery, furniture and fixture, communication equipment and mobile plant.

Current assets

Inventory: Inventory comprises of Finished Goods Taka 130.09 mio, Raw Materials Taka 712.75 mio and Stores & Spares Taka 885.41 mio and Goods in transit Taka 162.62 mio. The major inventory of Stores & Spares is with Ceramic Segment amounting to Taka 823.18 mio. The Company has a policy of maintaining adequate inventory of key inputs to ensure uninterrupted operations.

Trade and other receivables: These largely comprise of trade receivables from the ceramic business customers (93 percent) where average receivables cycle is 45 days.

Asset composition

Particulars	2014		2013		Increase/ (Decrease) (%)
	Amount (Taka mio)	Proportion of assets (%)	Amount (Taka mio)	Proportion of assets (%)	
Non-Current assets	2,353.85	24.84	3,022.12	33.63	(8.79)
Current assets	7,123.12	75.16	5,964.61	66.37	8.79
Total	9,476.97	100.00	8,986.73	100.00	-

Investment matrix-parent to subsidiaries/ associates (Taka mio)

Company	Relation	As on 1 January 2014	Net addition during 2014 (Impairment)	As on 31 December 2014
RAK Pharmaceuticals Pvt. Ltd.	Subsidiary	517.02	(155.11)	361.91
RAK Paints Pvt. Ltd.	Associate	246.75	-	246.75
RAK Mosfly (Bang.) Pvt. Ltd.	Associate	19.25	-	19.25

Cash and bank balance: Cash and bank balances include cash in hand Taka 2.37 mio, balances in bank accounts Taka 339.22 mio and Fixed Deposits Taka 1,133.93 mio. The liquid balances of cash and bank are in commensurate with the smooth functioning of the business.

Equity and liabilities

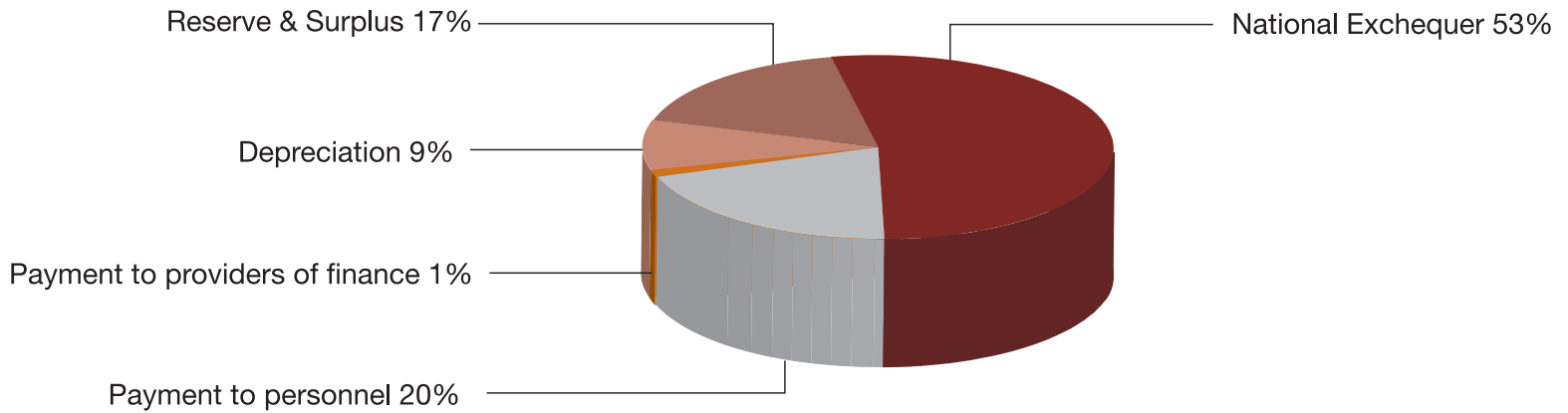
Capital and reserves: The equity capital comprised 336,850,611 equity shares of Taka 10 each (face value). During the year, equity capital increased by 30,622,782 shares issued as bonus shares. The market value of the share is Taka 57.70 (31 December 2014) resulting into market capitalization of Taka 19.44 bn.

Non-current borrowings: Non-current borrowings decreased from Taka 18.48 mio in 2013 to Taka 15.86 mio in 2014 which was utilized mainly to purchase motor cycles in RAK Pharmaceuticals Pvt. Ltd. for marketing field force.

Current borrowings: Current borrowings include short term loans Taka 392.31 mio, overdrafts Taka 193.61 mio and current portion of long term loans Taka 12.12 mio.

VALUE ADDED STATEMENT

Particulars	31 December 2014	
	Taka	%
Turnover	6,949,608,873	
Less: Cost of Materials & Service	(3,600,114,324)	
Value Added	3,349,494,549	100
Applications:		
National Exchequer	1,782,961,849	53
Payment to personnel	658,861,163	20
Payment to providers of finance	44,080,102	1
Retained earnings -		
- Depreciation	300,792,083	9
- Reserve & Surplus	562,799,352	17
Total	3,349,494,549	100





Bring forth new
products to market

At RAK Ceramics (Bangladesh), we are in the business of consumer brands and continue to launch new products to ensure market excitement and active participation.

Over the past five years, we have launched almost 340 new products whose contribution stood at 32% of our 2014 turnover.

DIRECTORS' REPORT

Dear Members,

Assalamu Alaikum

On behalf of the Board of Directors of RAK Ceramics (Bangladesh) Limited, we take the privilege of welcoming you all at the Company's 16th Annual General Meeting and take pleasure in presenting before you the Annual Report together with the Audited Financial Statements and the Auditors' Report thereon for the year ended 31 December 2014.

Principal activities

RAK Ceramics (Bangladesh) Limited has been engaged in the manufacture and marketing of ceramics tiles, bathroom sets and sanitary ware products. The Company has been supplying a wide range of tiles and sanitary wares in ceramic sector of Bangladesh since 2000. Excellent designs and patterns have been created using specially selected wall and floor tiles, borders, corners etc. Many of RAK Ceramic's models come in modular designs make it easier for the customers to choose our products easily. The unique ambience patterns created using ceramic tiles and also gres porcellanato tiles appeals most discerning customers. The Company has two product lines, which are Tiles and Sanitary ware.

Production capacity

RAK Ceramics (Bangladesh) Limited presently operates with an annual standard production capacity of 8.03 mio sqm of tiles and 1.10 mio pieces of sanitary ware with over 1,000 active designs and widest ranges. Now, the Company is in position to enhance its existing production capacity by around 10,000 sqm/day of tiles and 1,000 pcs/day of sanitaryware for which the work of expansion of factory and installation of machineries is going on. The detail of segment-wise performance of the Company is disclosed in Brief Review of our Business on page 26 in this annual report.

Business review/Operational results

The Company reported consolidated sales of Taka 5,508.64 mio in 2014 against Taka 5,169.22 mio in 2013. The consolidated net profit after tax attributable to the equity holders of the Company was Taka 562.79 mio against Taka 682.42 mio 2013. The detail of operational results of the Company is discussed in Analysis of Financial Statements on page 34 in this annual report.

Financial results and appropriations

The Directors are pleased to report the financial results for the year 2014 and recommend the following appropriations:

(Taka mio)

Particulars	2014	2013
Profit before tax *	910.27	947.82
Less: Provision for tax	422.19	358.29
Profit after tax *	488.08	589.53
Add: Un-appropriated profit brought forward	1,280.05	1,293.60
Profit available for distribution	1,842.84	1,976.02
Less: Appropriation of dividend	765.57	695.97
Un-appropriated profit C/F	1,077.27	1,280.05

* Profit before/after tax exclusive of non-controlling interest. The key operating and financial data of preceding five years is given in Annexure-1 on page 43 in this annual report.

Issuance of shares

RAK Ceramics (Bangladesh) Limited paid dividend @15 percent in cash and @10 percent in stock of the paid up capital of the Company for the year 2013. Hence, total 30,622,782 number of ordinary shares of Taka 10/- each is increased in the paid up capital in 2014.

Fixed assets additions

During the year 2014 total additions to the fixed assets including subsidiary and associate companies was Taka 143.63 mio, out of which land acquisitions beside factory is Taka 14.60 mio, factory building is Taka 12.84 mio, factory office building is Taka 8.46 mio, purchase of plant and machinery is Taka 88.79 mio, mobile plant is Taka 3.67mio, furniture & fixture is Taka 1.07 mio, office vehicles for Taka 11.54 mio, office equipment is Taka 1.60 mio and communication equipment is Taka 0.56 mio etc.

Reserve and surplus

Retained earnings of the Company in 2014 stood at Taka 1,077.27 mio against Taka 1,280.04 mio in 2013.

Dividend

The Board of Directors of the Company is pleased to recommend dividend @ 25 percent in cash of paid up capital of the Company for the year 2014. The Company paid dividend @ 15 percent in cash and @ 10 percent in stock of paid up capital of the Company for the year 2013.

Contribution to national exchequer

RAK Ceramics (Bangladesh) Limited regularly pays its direct and indirect tax obligations in time. During the year 2014, RAK Ceramics (Bangladesh) Ltd. had contributed to National Exchequer total of Taka 2,058.59 mio, by way of Corporate Income tax of Taka 421.41 mio, withholding tax and vat from suppliers and service providers of Taka 232.79 mio, VAT of Taka 820.54 mio, supplementary duty of Taka 456.70 mio and other duties/taxes of Taka 127.15 mio.

Risks and concerns

The detail of risks and concerns of the Company is discussed in Focus on the Operation of a Risk-Mitigated Business on page 29 in this annual report.

Auditors

M/s Rahman Rahman Huq, Chartered Accountants (a member firm of KPMG International in Bangladesh) were auditors of the Company for previous three consecutive years, shall retire in 16th AGM and are not eligible for re-appointment as per Bangladesh Securities and Exchange Commission (BSEC) order. The Company invited and received proposals from the shareholders for appointment of the auditors of the Company. The Audit Committee of the Board scrutinized the proposals and recommended to appoint M/s A. Qasem & Co., Chartered Accountants (a member firm of Ernest & Young Global Limited, UK) as the auditors of the Company for the year 2015 which will be placed before AGM for shareholders approval. Remuneration of the auditor will also be fixed by the shareholders at the AGM.

Parent, subsidiary and associate companies

RAK Ceramics Co. PSC, UAE is the parent company of RAK Ceramics (Bangladesh) Limited. It is a public shareholding company and is a UAE based leading tiles and sanitaryware manufacturing Company. RAK Ceramics is around USD 1 billion global conglomerate that supplies to over 160 countries and has been officially recognised as the world's largest ceramics manufacturer with a global annual production output

of 117 million square meters of ceramic and porcelain tiles, 4.6 million pieces of bathware and 24 million pieces of tableware.

RAK Ceramics (Bangladesh) Ltd. diversified its business approach by investing in two subsidiaries namely RAK Pharmaceuticals Pvt. Ltd and RAK Power Pvt. Ltd and three associates namely RAK Paints Pvt. Ltd., RAK-Mosfly (Bangladesh) Pvt. Ltd. and RAK Security & Services (Pvt.) Ltd.

The Board of Directors of the Company in its meeting held on December 21, 2014 has decided to sell entire shareholding i.e. 51,702,080 numbers of ordinary shares of Taka 10/- each (55% of the paid up capital) of RAK Pharmaceuticals Pvt. Ltd. held by RAK Ceramics (Bangladesh) Limited to Julphar General Trading LLC and Nexgen Pharma FZ LLC at the price of Taka 7/- per share (as per fair value determined by the independent valuer) totaling to Taka 361,914,560/- (USD 4.64 mio) only subject to approval by the concerned authorities.

The principal activities and status of these subsidiaries and associates are separately disclosed in Statement of Subsidiaries and Associates on page 8 in this annual report.

Basis for related party transactions

The detail list of the related parties with whom transactions have been taken place and their relationship as identified and certified by management is disclosed in Related party disclosures under BAS-24 on page 107 in this annual report.

Corporate Social Responsibility (CSR)

The Company understands its responsibility towards social welfare and contributed an amount of Taka 2.90 mio as CSR during the year under review. The detail of the CSR activities of the Company during the year is discussed in Sustainability reporting on page 32 in this annual report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) Limited gives the highest priority on human resources and staff welfare. The Company ensures the safe and healthy working environment for the employees and workers. The Company is currently staffed with 1,360 full time employees and has a well-designed compensation package for the employees to encourage professionalism, stimulate team work and promote innovation reinforced with high ethical standards. The workforce of the Company has Contributory Provident Fund, Gratuity Scheme and Group Life Insurance, among others. The Company also established the

“Workers’ Profit Participation Fund and Welfare Fund”. In year 2014, the Company provided 5 (five) percent of profit before tax towards Workers’ Profit Participation and Welfare Fund amounting to Taka 48.62 mio.

Internal control

The Board has the ultimate responsibility of establishing effective systems of internal control. To ensure the internal control regarding risk management, financial control and compliance legislation, the Company follows the principle of decentralization. It has been designed to manage the risk of failure to achieve the objectives of the Company. The Company has established internal audit department and appointed Head of Internal Audit to ensure internal control and compliances in place.

Board of Directors

The Board of Directors of the Company is comprised with 6 (six) members including 2 (two) independent directors. Names and profiles including nature of expertise in specific functional areas of the Directors of the Company are shown in Board Profile on page 10 in this annual report. A statement for each of their involvement in other corporate bodies within the group is disclosed in Annexure-4 on page 46 in this annual report.

The Board of Directors of the Company met together 6 (six) times for meeting during the year under review. The number of Board meeting held and the attendance of each director during the year 2014 is disclosed in Annexure-2 on page 44 in this annual report.

In compliance with the corporate governance, the Board has laid down a code of conduct of all Board members and annual compliance of the code is recorded accordingly.

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

Appointment/re-appointment of directors

In accordance with the Article 94 of the Articles of Association of the Company, Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla will retire from his office as Director by rotation in the 16th 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.

Mr. Pramod Kumar Chand will retire from his office as Director in the 16th Annual General Meeting, who has been appointed by the Board on April 02, 2014 in casual vacancy, and being eligible, Mr. Pramod Kumar Chand offers himself for re-election in accordance with the terms of Article 99 of the Articles of Association of the Company.

Mr. Wassim Moukahhal has been appointed by the Board on October 19, 2014 as independent director of the Company for 3 (three) years and shall be placed for approval by the shareholders in the 16th Annual General Meeting in compliance with the condition of the corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC) on August 07, 2012.

Pattern of shareholding

In accordance with the condition of the corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC) on August 07, 2012, the shareholding pattern of the Company is disclosed in Annexure-3 on page 45 in this annual report.

Financial reporting standards

The Directors, in accordance with BSEC’s notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 confirms the following to the best of their knowledge:

- The financial statements prepared by the management of Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- 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.
- International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.

- f. There are no significant doubts of the Company's ability to continue as a going Concern.
- g. The significant deviations from the last year's operating results of the Company have been highlighted in the report and reasons thereof have been explained.

Corporate Governance (CG)

To ensure the spirit of the corporate governance with accountability for inspiring confidence of investors, regulators, financier and other stakeholders, RAK Ceramics (Bangladesh) Limited is committed to comply with all the requirements of corporate governance as required by the Bangladesh Securities and Exchange Commission (BSEC). The detail about corporate governance along with the certificate on compliance of conditions of corporate governance is discussed in Corporate Governance Report on page 48 in this annual report. The Company also complied with all the requirements of corporate governance as required by BSEC. Accordingly a status report of compliance of conditions of corporate governance is disclosed on page 52 in this annual report.

Post balance sheet events

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

The Board of Directors of the Company in its meeting held on February 03, 2015 has decided to sell entire shareholding i.e. 192,500 numbers of ordinary shares of Taka 100/- each (20% of the paid up capital) of RAK-Mosfly (Bangladesh) Pvt. Ltd. held by RAK Ceramics (Bangladesh) Limited to Dr.M.A Malek at the price of Taka 100/- per share totaling to Taka 19,250,000/- only subject to approval by the concerned authorities.

Appreciation

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

For and on behalf of the Board of Directors,



Abdallah Massaad
Chairman

February 03, 2015
Ras Al Khaimah, UAE

ANNEXURE- 1

Key operating and financial data of preceding five years

Amounts in Taka

Particulars	2014	2013	2012	2011	2010
Sales	5,508,642,947	5,169,225,208	4,908,171,279	4,580,008,209	4,009,021,454
Cost of sales	3,255,268,010	3,073,003,258	2,964,666,370	2,693,596,290	2,505,064,934
Gross profit	2,253,374,937	2,096,221,950	1,943,504,909	1,886,411,919	1,503,956,520
Administration expenses	344,100,573	344,071,654	354,750,752	319,016,382	241,668,871
Marketing and selling expenses	1,035,123,422	854,918,221	730,822,714	641,800,857	509,086,847
Net profit before financial expenses	874,150,942	897,232,075	857,931,443	925,594,680	753,200,802
Financial expense	44,080,102	44,737,610	40,361,152	61,462,608	97,574,871
Other income*	80,195,921	95,327,515	39,382,333	96,568,631	148,471,774
Net profit before tax	910,266,761	947,821,980	856,952,624	960,700,703	804,097,705
Income tax expenses:	422,191,844	358,296,602	356,741,639	318,963,510	294,245,394
Non controlling interest	(74,724,435)	(92,892,932)	(107,912,172)	(115,215,452)	(96,668,798)
Net profit after tax	562,799,352	682,418,310	608,123,157	756,952,645	606,521,109

*Other income includes interest income, dividend income, forex gain, profit on sale of fixed assets and share of profit/(loss) of associate companies.

ANNEXURE- 2

The number of Board meetings held and the attendance by each director during the year 2014

Name of directors	Position	Number of meetings held while a member	Number of meetings attended
Mr. Abdallah Massaad (Nominee of RAK Ceramics PSC, UAE)	Chairman	06	06
Mr. S.A.K. Ekramuzzaman	Managing Director	06	06
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla (Nominee of RAK Ceramics PSC, UAE)	Director	06	05
Mr. Pramod Kumar Chand (Nominee of RAK Ceramics PSC, UAE)	Director	04	04
Mr. Rafique-ul Huq Barrister-at-Law	Independent Director	06	06
Mr. Wassim Moukahhal	Independent Director	02	02

ANNEXURE- 3

The pattern of Shareholding as on 31 December 2014

Name	Status/Position	No. of Shares held
(a) Parent/Subsidiary/Associated Companies and other related parties		
RAK Ceramics Co. PSC, UAE	Parent Company	243,910,021
(b) Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children		
Mr. Abdallah Massaad (Nominee of RAK Ceramics PSC, UAE)	Chairman	14
Mr. S.A.K. Ekramuzzaman	Managing Director	16,211,985
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla (Nominee of RAK Ceramics PSC, UAE)	Director	Nil
Mr. Pramod Kumar Chand (Nominee of RAK Ceramics PSC, UAE)	Director	Nil
Mr. Rafique-ul Huq, Barrister-at-Law	Independent Director	Nil
Mr. Wassim Moukahhal	Independent Director	Nil
Mr. Imtiaz Hussain	Chief Executive Officer	Nil
Mr. Abhijit Chakraborty	Chief Financial Officer	Nil
Mr. Zakir Hossain	Head of Internal Audit	Nil
Mr. Muhammad Shahidul Islam	Company Secretary	Nil
(c) Executives		
Mr. Mahbubur Rahman	GM-HR & Admin	40,728
Mr. Mohammad Jahirull Reza	GM-Purchase	Nil
Mr. Mohammed Shamsuddin	Manager-Taxation	423
Mr. Md. Azimul Hossain	IT Business Lead Manager	Nil
Mr. Sk. Rafiq Uddin	Manager- Consolidation and Control	Nil
(d) Shareholders holding ten percent (10%) or more voting interest in the Company		
RAK Ceramics Co. PSC, UAE	Parent Company	243,910,021

ANNEXURE- 4

Director's involvement in other organization within the group

Directors		Involvement in other organization within the group					
Name	Position	Name of the Company	Position	Shareholding on 01.01.2014		Shareholding on 31.12.2014	
				No. of shares	Amount (Tk mio)	No. of shares	Amount (Tk mio)
Mr. Abdallah Massaad [Nominee of RAK Ceramics (Bangladesh) Limited]	Chairman	RAK Pharmaceuticals Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK Power Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK Paints Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
Mr. S.A.K. Ekramuzzaman	Managing Director	RAK Pharmaceuticals Pvt. Ltd.	Director	15,227,420	152.27	30,551,229	305.51
		RAK Power Pvt. Ltd.	Director	573,995	57.40	573,995	57.40
		RAK Paints Pvt. Ltd.	Managing Director	235,000	23.50	235,000	23.50
		RAK Security and Services Pvt. Ltd.	Managing Director	5,000	0.50	5,000	0.50
		RAK-Mosfly (BD) Pvt. Ltd.	Managing Director	150,960	15.10	150,960	15.10
Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla [Nominee of RAK Ceramics (Bangladesh) Limited]	Director	RAK Pharmaceuticals Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Power Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Paints Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Security and Services Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
		RAK-Mosfly (BD) Pvt. Ltd.	Chairman	Nil	Nil	Nil	Nil
Mr. Pramod Kumar Chand [Nominee of RAK Ceramics (Bangladesh) Limited]	Director	RAK Paints Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Security and Services Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK-Mosfly (BD) Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
Mr. Rafique-ul Huq Barrister-at-Law	Independent Director	RAK Pharmaceuticals Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Power Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
Mr. Wassim Moukahhal	Independent Director	RAK Pharmaceuticals Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Power Pvt. Ltd.	Independent Director	Nil	Nil	Nil	Nil
		RAK Paints Pvt. Ltd.	Director	Nil	Nil	Nil	Nil
		RAK Security and Services Pvt. Ltd.	Director	Nil	Nil	Nil	Nil



Invest in smart innovation

At RAK Ceramics (Bangladesh), we think out of the box and undertake several shopfloor initiatives that helps reduce costs, optimize resource intake and maximize product output.

In an interesting development of 2014, we focused on the reduction of energy consumption, which has declined by almost 4% over the past five years.

CORPORATE GOVERNANCE REPORT

Corporate governance is a system by which companies are directed and controlled. At its most level, it is about how those entrusted with day to day management of a company's affairs are held accountable to shareholders and other providers of finance and whether the organization has the appropriate corporate structure to underpin accountability. The principal characteristics of corporate governance are transparency, independence, accountability, responsibility, fairness, and social responsibility.

A good governance process provides transparency of corporate policies, strategies and the decision making process. This further strengthens internal control systems and helps in building relationships with all stakeholders. We at RAK Ceramics believe in transparency and commit ourselves to adherence to good corporate governance practices at all times, as we believe that good governance generates goodwill among business partners, customers and investors and helps the company grow.

Board of Directors

The Company's business is managed under the direction of the Board of Directors. The Board delegates to the Managing Director, and through that individual to other senior management, the authority and responsibility for managing the Company's business. Directors are elected or appointed by the shareholders. The role of the Board of Directors is to oversee the management and governance of the Company and is responsible for operation of the company for the best interest of its shareholders and accountable to the shareholders.

A. Composition of the Board

The Board of Directors of RAK Ceramics (Bangladesh) Limited comprised of 06 (six) members including two independent directors. The Company has a non-executive Chairman and Managing Director, separately. The day-to-day management of the Company is conducted by the Managing Director who is assisted by the executive management.

B. Board Procedure

For ensuring the transparency and accountability, the Board follows the practice of advance planning in matters requiring discussion and decision by the Board. The Board is appraised by the presentation on finance, sales, marketing, major business segments and operations of the Company and other matters, as the members want. The Managing Director along with the Company Secretary finalizes the agenda papers for the Board meeting in consultation with the other person concerned. The minutes of the proceedings of each Board meeting are maintained in terms of statutory provisions.

The Board of Directors of RAK Ceramics (Bangladesh) Limited has laid down a Code of Conduct of all Board members and annual compliances of the code has been recorded.

Committee of the Board

In accordance with the requirement of corporate governance of BSEC, RAK Ceramics (Bangladesh) Limited has an Audit Committee as a sub-committee of the Board of Directors.

Audit Committee

The Audit Committee assists the Board of Directors in ensuring a good monitoring system within the business. The Audit Committee is responsible to the Board and the duties and responsibilities to internal control, financial reporting and compliance monitoring, among others, of the Audit Committee are clearly set forth in writing by the Board in the Audit Committee Charter. According to the corporate governance notification of BSEC, the audit committee reports to-

- a) The Board of Directors
- b) The Authorities
- c) The shareholders and general investors

The number of the Audit Committee meeting held and attendance of each member during 2014 were as follows:

Sl. No.	Name of Member	Position	Number of meetings held while a member	Number of meetings attended
1	Barrister Rafique-ul Huq	Chairman	05	05
2	Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla	Member	05	04
3	Mr. Pramod Kumar Chand	Member	03	03
4	Mr. Muhammad Shahidul Islam	Member Secretary	05	05

The detail about Audit Committee including background, composition, responsibilities, meetings, reporting and activities carried out by the Audit Committee is disclosed in this annual report in “Report of Audit Committee” signed by the Chairman of the Committee.

Chairman of the Board and Chief Executive

The positions of the Chairman of the Board and the Managing Director of RAK Ceramics (Bangladesh) Limited filled by different individuals. The Chairman of the Company is elected among the directors of the Company. In addition, RAK Ceramics (Bangladesh) Limited also has been appointed a Chief Executive Officer (CEO) of the Company. The Board of Directors also clearly defined respective roles and responsibilities of the Chairman, the Managing Director and the CEO in addition to their roles and responsibilities as per Articles of Association of the Company.

Chief Financial Officer

RAK Ceramics (Bangladesh) Limited has a Chief Financial Officer (CFO). His professional qualifications include memberships of the Institute of Cost & Works Accountants of India (ICWA), Institute of Management Accountants of United States (IMA) and also holds Advanced Diploma in Management Accounting from Chartered Institute of Management Accountants (CIMA, UK). He is responsible for accounts and finance activities of the Company. The Board of Directors clearly defined respective roles, responsibilities and duties of the CFO. In compliance with the corporate governance guidelines of the BSEC, the CFO attends meetings of the Board of Directors.

Head of Internal Audit

RAK Ceramics (Bangladesh) Limited has a Head of Internal Audit. He is a qualified Chartered Accountant and fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB). He also holds Advanced Diploma in Management Accounting from Chartered Institute of Management Accountants (CIMA, UK). He is responsible for internal control and compliance of the Company. The Board of Directors clearly defined respective roles, responsibilities and duties of the Head of Internal Audit.

Company Secretary

The Board of Directors of RAK Ceramics (Bangladesh) Limited has been appointed a Company Secretary. He is a qualified Chartered Secretary and fellow member of the Institute of Chartered Secretaries of Bangladesh (ICSB). The Board of

Directors clearly defined respective roles, responsibilities and duties of the Company Secretary.

Statutory Auditors

M/s Rahman Rahman Huq, Chartered Accountants (a member firm of KPMG International in Bangladesh) was the external/statutory auditor of the Company for the year 2014. They carry out systematic examination of books and records of the Company and ascertain, verify and report upon the facts regarding the financial operation and the results of the Company. To comply with the corporate governance properly; 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; and
- (vii) Any other service that the Audit Committee determines.
- (viii) No partner or employees of the auditors are holding any shares of RAK Ceramics (Bangladesh) Limited during the tenure of their audit assignment.
- (ix) Audit/certification services on compliance of corporate governance.

External/Statutory auditors are appointed by the shareholders in the Annual General Meeting and fix their remuneration thereof.

Internal Audit and Control

RAK Ceramics (Bangladesh) Limited often considered that internal audit is one of the “four pillars” of corporate governance, the other pillars being the Board of Directors, Management and the External Auditors. Hence, the Company has an independent internal audit department under control of the Audit Committee of the Board. Internal auditing of RAK Ceramics (Bangladesh) Limited assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s risk management, control and governance processes. It helps the Audit Committee of the Board of Directors to perform their responsibilities effectively. This

includes reporting critical internal control problems, informing the committee on the material issues or findings, suggesting questions or topics for the Audit Committee's meeting agendas and coordinating carefully with the committee to receive effective information.

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure and the quality of performance to achieve the organization's stated goals and objectives. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means to identify measure, classify and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports and whether the organisation is in compliance.
- Reviewing the means of safeguarding assets and as appropriate, verifying the existence of such assets.
- Reviewing operations or programs to ascertain whether results are consistent with established.
- Objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing specific operations at the request of the Audit Committee or management, as appropriate.
- Monitoring and evaluating the effectiveness of the organization's risk management system. Reviewing the quality of performance of external auditors and the degree of coordination with internal audit.
- Review the internal control statement by the senior management used by the external auditor for audit planning.

Subsidiary Company

RAK Ceramics (Bangladesh) Limited has two subsidiary companies and in compliance with the corporate governance guidelines of the BSEC, the Company ensured the following in all subsidiaries:

- The conditions relating to composition of the Board of Directors including independent directors is fulfilled.
- Independent director of the Company is also a director in subsidiary companies.
- The affairs of subsidiary companies have been reviewed in the Board meeting of the Company.
- Minutes of the Board meeting of subsidiary companies have been placed for review in the Board meeting of the Company.
- Financial statements of subsidiary companies have been reviewed by the audit committee of the Company.

Compliances

To ensure the spirit of the corporate governance with accountability for inspiring confidence of investors, regulators, financier and other stakeholders, RAK Ceramics (Bangladesh) Limited is committed to comply with all the requirements of corporate governance as required by the Bangladesh Securities and Exchange Commission (BSEC).

The certificate on compliance of conditions of corporate governance of the Company is attached herewith on page 51 in this annual report.

Conclusion

RAK Ceramics (Bangladesh) Limited ensured highest standards in corporate good governance and strict adherence to the requirements of ethical code of conduct, through close monitoring. Through the code of ethics all levels of staff have been educated and encouraged to report to whistle blowing, when they suspect wrong doings by other employees.

CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE GUIDELINES TO THE SHAREHOLDERS OF RAK CERAMICS (BANGLADESH) LIMITED

We have examined the compliance of conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission (“BSEC”) by RAK Ceramics (Bangladesh) Limited (the “Company”) for the year ended 31 December 2014 as stipulated in clause 7(i) of the BSEC Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012.

The compliance of conditions of corporate governance guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the Company’s management. Our examination for the purpose of issuing this certification was limited to the checking of procedures and implementations thereof, adopted by the Company for ensuring the compliance of conditions of corporate governance and correct reporting of compliance status on the attached statement on the basis of evidence gathered and representation received.

To the best of our information and according to the explanations given to us, we certify that, as reported on the attached status of compliance statement, the Company has complied with the conditions of corporate governance stipulated in the above mentioned BSEC notification dated 07 August 2012.



A F Nesaruddin, FCA
Partner
ICAB Enrolment Number - 469
For Hoda Vasi Chowdhury & Co
Chartered Accountants
Dated: February 03, 2015

STATUS OF COMPLIANCE WITH THE CORPORATE GOVERNANCE GUIDELINES (CGG)

RAK CERAMICS (BANGLADESH) LIMITED FOR THE YEAR ENDED
31 DECEMBER 2014

Status of the compliance with the conditions imposed by the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of the Bangladesh Securities and Exchange Commission (BSEC) issued under section 2CC of the Securities and Exchange Ordinance 1969:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1	BOARD OF DIRECTORS:			
1.1	Board's Size			
	The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty).	√		
1.2	Independent Directors			
1.2(i)	At least one fifth (1/5) of the total number of directors in the Company's Board shall be Independent Directors.	√		
1.2(ii)(a)	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(ii)(b)	Who is not sponsor of the Company and is not connected with any sponsor or director or shareholder who holds one percent or more shares of the Company;	√		
1.2(ii)(c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	√		Independent Director of subsidiary companies
1.2(ii)(d)	Who is not a member, director or officer of any stock exchange;	√		
1.2(ii)(e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market;	√		
1.2(ii)(f)	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;	√		
1.2(ii)(g)	Who shall not be an independent director in more than 3 (three) listed companies;	√		
1.2(ii)(h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);	√		
1.2(ii)(i)	Who has not been convicted for a criminal offence involving moral turpitude.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1.2(iii)	Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM).	√		One out of two independent directors has been appointed newly by the Board on 19 October 2014 and it will be placed for approval in forthcoming AGM
1.2(iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days.	√		
1.2(v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	√		
1.2(vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only.	√		
1.3	Qualification of Independent Director (ID)			
1.3(i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business.	√		
1.3(ii)	The person should be a Business Leader / Corporate Leader / Bureaucrat / University Teacher with Economics or Business Studies or Law background / Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management / professional experiences.	√		
1.3(iii)	In special cases the above qualifications may be relaxed subject to prior approval of the Commission.			No such matter
1.4	Chairman of the Board and Chief Executive Officer			
	The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the Company shall be elected from among the directors of the Company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.	√		
1.5	The Directors' Report to Shareholders			
	Directors Report to Shareholders shall include following additional statements on:			
1.5(i)	Industry outlook and possible future developments in the industry.	√		
1.5(ii)	Segment-wise or product-wise performance.	√		
1.5(iii)	Risks and concerns.	√		


Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1.5(iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	√		
1.5(v)	Discussion on continuity of any Extra-Ordinary gain or loss.			No such matter
1.5(vi)	Statement of all related party transactions.	√		
1.5(vii)	Utilization of proceeds from public issues, rights issues and/or through any others 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 Offer, Direct Listing, etc.			No such matter
1.5(ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.			No such matter
1.5(x)	Remuneration to directors including independent directors.	√		
1.5(xi)	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)	Proper books of account of the issuer Company have been maintained.	√		
1.5(xiii)	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)	International Accounting Standards (IAS) / Bangladesh Accounting Standards (BAS) / International Financial Reporting Standards (IFRS) / Bangladesh Financial Reporting Standards (BFRS), 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)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5(xvi)	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(xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.			No such matter
1.5(xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		
1.5(xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.			No such matter
1.5(xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1.5(xxii)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:-			
1.5(xxii)(a)	Parent / Subsidiary / Associated Companies and other related parties (name wise details);	√		
1.5(xxii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5(xxii)(c)	Executives;	√		
1.5(xxii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1.5(xxiii)	In case of the appointment / reappointment of a director the company shall disclose the following information to the shareholders:-			
1.5(xxiii)(a)	A brief resume of the director;	√		
1.5(xxiii)(b)	Nature of his / her expertise in specific functional areas;	√		
1.5(xxiii)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2.0	CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS):			
2.1	Appointment			
	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS.	√		
2.2	Requirement to attend the Board Meetings			
	The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and / or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters.	√		
3.0	AUDIT COMMITTEE:			
3.0 (i)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors.	√		
3.0(ii)	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.	√		
3.0(iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
3.1	Constitution of the Audit Committee:			
3.1(i)	The Audit Committee shall be composed of at least 3 (three) members.	√		
3.1(ii)	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.	√		
3.1(iii)	All members of the Audit Committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience.	√		
3.1(iv)	Filling of casual vacancy in the Audit Committee.			No such matter
3.1(v)	The company secretary shall act as the secretary of the Committee.	√		
3.1(vi)	The quorum of the Audit Committee meeting shall not constitute without independent director.	√		
3.2	Chairman of the Audit Committee			
3.2(i)	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.	√		
3.2(ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		
3.3	Role of Audit Committee:			
3.3(i)	Oversee the financial reporting process.	√		
3.3(ii)	Monitor choice of accounting policies and principles.	√		
3.3(iii)	Monitor Internal Control Risk management process.	√		
3.3(iv)	Oversee hiring and performance of external auditors.	√		
3.3(v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3(vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.	√		
3.3(vii)	Review the adequacy of internal audit function.	√		
3.3(viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3(ix)	Review Management Letters / Letter of Internal Control weakness issued by statutory auditors.	√		
3.3(x)	Declaration to Audit Committee by the Company regarding utilization of IPO / RPO, Right issue money.			No such matter
3.4	Reporting of the Audit Committee:			
3.4.1(i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
3.4.1(ii)(a)	Report on conflicts of interests;			No such matter
3.4.1(ii)(b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;			No such matter
3.4.1(ii)(c)	Suspected infringement of laws, including securities related laws, rules and regulations;			No such matter
3.4.1(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately.			No such matter
3.4.2	Reporting to the Authorities Reported to the Board of Directors about anything which has material impact on the financial condition and results of operation.			No such matter
3.5	Reporting to the Shareholders and General Investors Report on the activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii).	√		
4.0	EXTERNAL / STATUTORY AUDITORS:			
	The issuer company should not engage its external / statutory auditors to perform the following services of the company; namely:-			
4.0(i)	Appraisal or valuation services or fairness opinions.	√		
4.0(ii)	Financial information systems design and implementation.	√		
4.0(iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4.0(iv)	Broker-dealer services.	√		
4.0(v)	Actuarial services.	√		
4.0(vi)	Internal Audit service.	√		
4.0(vii)	Any other services that the Audit Committee determines.	√		
4.0(viii)	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.	√		
4.0(ix)	Audit / certification services on compliance of corporate governance as required under clause (i) of condition No. 7	√		
5.0	SUBSIDIARY COMPANY:			
5.0(i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	√		
5.0(ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	√		
5.0(iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
5.0(iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	√		
5.0(v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	√		
6.0	DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO):			
	The CEO and CFO shall certify to the Board that:-			
6.0(i)	They have reviewed financial statements for the year and that to the best of their knowledge and belief:			
6.0(i)(a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√		
6.0(i)(b)	These statements together present a true and fair view of the Company's affairs and are in compliance with affairs and are in compliance with applicable laws.	√		
6.0(ii)	There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct.	√		
7.0	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:			
7.0(i)	The Company shall obtain a certificate from a practicing Professional Accountant / Secretary (Chartered Accountant / Cost and Management Accountant / Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	√		
7.0(ii)	The directors of the Company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions.	√		



Value added products
and processes

At RAK Ceramics (Bangladesh), we manufacture products that are functional, aesthetic as well as aspirational, thereby building a deep emotional connect between our brands and our customers.

**Substantial part of 2014 sales mix
comprises of value added products, which
has contributed significantly in net revenue.**

REPORT OF AUDIT COMMITTEE

The Audit Committee of RAK Ceramics (Bangladesh) Limited monitors the decisions and processes designed to ensure the integrity of financial and corporate reporting and ensures that robust systems of internal control and risk management are in place and adhered to. The Audit Committee is a committee of the Board of Directors of the Company with independent oversight over Company's corporate governance and internal controls. The duties and responsibilities of the Audit Committee are clearly set forth in writing by the Board in the Audit Committee Charter.

Risk Management Process

Ethical leadership and human capital are the cornerstones of the Company's risk management philosophy as these ensure entrepreneurial flair, sound corporate reputation and effective governance.

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

Formation and Operation of the Committee

The formation and operation of the Committee are primarily guided by a Charter approved by the Board of Directors that is based on the underlying corporate laws and regulations, currently accepted best practices and latest Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission (BSEC).

Composition

In accordance with the Corporate Governance Guidelines of BSEC (No. SEC/CMRRCD/2006-158/134/Admin/44) issued on 07 August 2012, the Audit Committee of RAK Ceramics (Bangladesh) Limited comprises of three members including an Independent Director who is the Chairman of the Committee. The Company Secretary is the member secretary of the Committee.

The members of the Audit Committee are as follows:

1. Mr. Rafique-ul Huq, Barrister-at-Law (Independent Director), Chairman

2. Mr. Khaled Abdulla Yousef Abdulla Aal Abdulla, Member
3. Mr. Pramod Kumar Chand, Member
4. Mr. Muhammad Shahidul Islam, Member Secretary.

All the members of the Committee have business acumen and are knowledgeable individuals with integrity who are able to ensure compliance with financial, regulatory and corporate laws with meaningful contribution to 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 prime responsibilities of the Audit Committee, among others, are as follows:

- Oversee the financial reporting process.
- Monitor choice of accounting policies and principles.
- Monitor internal control risk management process.
- Oversee hiring process and performance of statutory auditors.
- Review along with the management, the annual, quarterly and half yearly financial statements before submission to the Board for approval.
- Review along with the management, the annual, quarterly and half yearly financial statements of subsidiary and associated companies before submission to the Board for approval.
- Review the adequacy of internal audit functions.
- Review statement of significant related party transactions submitted by the management.
- Review Management Letters / Letter of Internal Control Weakness issued by the statutory auditors.
- Advise the Management on key improvement areas of operation.
- Perform other activities related to this Charter as requested by the Board of Directors.

Committee Meetings

During the year, the Committee held 5 (five) meetings in which the Committee reviewed issues relating to business operation, compliance, human resource, finance and accounts, among other things. Managing Director, Chief Executive Officer, Chief Financial Officer, and Head of Internal Audit were the permanent invitees of the meeting. Relevant departmental heads and other members of the management also attended the meetings as required. The proceedings of the meetings are regularly reported to the Board of Directors.

Committee's Report Summary

The Committee has the following observations regarding Corporate and the Financial Affairs of the Company:

- Laws and regulations relating to business and internal policies / guidelines have been complied with.
- Financial Statements for the year ended 31 December 2014 contained full disclosures and these are prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).
- Appropriate Management Information Systems (MIS) are in place and in effect.
- Existing risk management procedures are effective to capture and mitigate risk.
- Adequate internal control systems are put in place to detect, correct and prevent fraud and errors on timely manner.
- The Committee considered the recommendations made by the statutory and internal auditors of the Company in their respective reports.

The findings and recommendations of the Committee were reported to the Board of Directors and the Board of Directors had taken appropriate measures thereof. The minutes of all Audit Committee meetings were circulated among the members of the Committee.

Statutory Auditor

The Committee has satisfied itself through enquiry that the statutory auditor of the Company is independent as defined by the related Act.

As per SEC Order No. SEC/CMRRCD/2009 – 193/104/Admin dated July 27, 2011 M/s Rahman Rahman Huq , Chartered Accountants (a Member Firm of KPMG International) are not eligible for re-appointment for the year 2015 as they have

been serving as statutory auditors of the Company for three consecutive years since 2012. Therefore as per Section 210 of the Companies Act 1994, the Company invited and received proposals from shareholders regarding the name of eligible audit firms along with their consent letters to act as an auditor. The Audit Committee of the Board reviewed and scrutinized the proposals and also recommended to the Board of Directors to appoint M/s A. Quasem & Co., Chartered Accountants (a Member Firm of Ernst & Young Global Limited) as the statutory auditors of the Company for the year 2015 which will be placed before the shareholders at the upcoming 16th Annual General Meeting in 2015 for approval. Remuneration of the Auditors will also be fixed by the shareholders at this AGM.

Internal Audit

Internal audit is regarded as one of the four pillars of corporate governance. Internal audit is conducted under the supervision of Mr. Zakir Hossain FCA, Head of Internal Audit in accordance with the approved Audit Committee Charter and corporate governance guidelines/best practice.

Financial Management

The financial management/activities of the Company are running under the supervision of Mr. Abhijit Chakraborty, Chief Financial Officer of the Company. The Audit Committee has satisfied itself that Mr. Abhijit Chakraborty has the appropriate expertise and knowledge to fulfill his role efficiently.

Annual Financial Statements

The Committee has tabled the 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 expressed their sincere thanks to the members of the Board, Management, statutory and internal auditors for their support in carrying out its duties and responsibilities effectively.



(Barrister Rafique-ul Haque)
Chairman
Audit Committee

Dated: February 03, 2015

CERTIFICATE FOR FINANCIAL STATEMENTS

Date: 03.02.2015

This is to certify that:-

- (i) We have reviewed the financial statements for the year ended 31 December 2014 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 together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the company's code of conduct.



(Abhijit Chakraborty)
Chief Financial Officer



(Imtiaz Hussain)
Chief Executive Officer



RAK Ceramics (Bangladesh) Limited

AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL
STATEMENTS

AS AT AND FOR THE YEAR ENDED 31
DECEMBER 2014

INDEPENDENT AUDITORS' REPORT

to the Shareholders of RAK Ceramics (Bangladesh) Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RAK Ceramics (Bangladesh) Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of RAK Ceramics (Bangladesh) Limited and its subsidiaries as at 31 December 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

Other matter

The financial statements of two subsidiaries of RAK Ceramics (Bangladesh) Limited are audited by another auditor who expressed an unmodified opinion on those financial statements on 3 February 2015.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and Securities and Exchange Rules 1987, 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 these books;
- c) the statement of consolidated 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
- d) the expenditure incurred was for the purposes of the Company's business.



Rahman Rahman Huq
Chartered Accountants

Dated: February 03, 2015

RAK Ceramics (Bangladesh) Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Notes	2014 Taka	2013 Taka
Assets			
Property, plant and equipment	4	2,013,734,249	2,734,360,116
Equity-accounted investees	5	27,987,349	87,010,905
Intangible assets	6	4,815,453	106,059,779
Capital work in progress	7	289,116,566	35,091,397
Loan to associate	8	18,193,968	59,597,389
Total non-current assets		2,353,847,585	3,022,119,586
Inventories	9	1,835,354,727	1,990,139,724
Trade and other receivables	10	580,719,781	557,654,834
Loan to associate	8	40,661,640	35,606,796
Advances, deposits and prepayments	11	367,057,405	231,316,170
Advance income tax	12	2,013,796,131	1,656,003,346
Cash and cash equivalents	13	1,473,926,142	1,493,885,366
Assets held for sale	14	811,614,330	-
Total current assets		7,123,130,156	5,964,606,236
Total assets		9,476,977,741	8,986,725,822
Equity			
Share capital	15	3,368,506,110	3,062,278,290
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,077,275,395	1,280,045,607
Equity attributable to equity holders of the Company		5,919,429,484	5,815,971,876
Non-controlling interests		(58,949,789)	26,333,826
Total equity		5,860,479,695	5,842,305,702
Liabilities			
Borrowings	18	-	18,483,567
Deferred tax liability	16	78,418,185	94,326,905
Total non-current liabilities		78,418,185	112,810,472
Employees benefit payable	17	71,171,343	30,621,832
Borrowings	18	323,755,163	463,219,346
Trade and other payables	19	355,096,186	278,661,728
Accrued expenses	20	190,505,273	418,301,871
Provision for income tax	21	2,182,344,567	1,840,804,871
Liabilities held for sale	14	415,207,329	-
Total current liabilities		3,538,079,861	3,031,609,648
Total liabilities		3,616,498,046	3,144,420,120
Total equity and liabilities		9,476,977,741	8,986,725,822

The notes on pages 69 to 111 are an integral part of these financial statements.



Managing Director



Director



Company Secretary

As per our report of same date.

Dated: February 03, 2015



Auditor
Rahman Rahman Huq
Chartered Accountants

RAK Ceramics (Bangladesh) Limited

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Notes	2014 Taka	2013 Taka
Continuing operations			
Sales	22	5,047,345,373	4,724,853,498
Cost of sales	23	(3,072,036,921)	(2,877,646,193)
Gross profit		1,975,308,452	1,847,207,305
Other income	24	3,543,728	6,921,478
Administrative expenses	25	(256,784,745)	(242,628,087)
Marketing and selling expenses	26	(664,746,269)	(486,989,506)
		(917,987,286)	(722,696,115)
Profit from operating activities		1,057,321,166	1,124,511,190
Finance income	27	128,628,332	130,209,677
Finance expenses	28	(7,754,938)	(13,052,860)
Net finance income		120,873,394	117,156,817
Share of profit/(loss) of equity-accounted investees	5	(59,023,556)	(49,674,425)
Profit before contribution to workers' profit participation and welfare fund and income tax		1,119,171,004	1,191,993,582
Contribution to workers' profit participation and welfare fund		(48,623,250)	(59,111,329)
Profit before income tax		1,070,547,754	1,132,882,253
Income tax expense			
Current tax	29	(436,696,552)	(385,132,085)
Deferred tax	16	15,908,720	26,835,483
		(420,787,832)	(358,296,602)
Profit for the year from continuing operations		649,759,922	774,585,651
Discontinued operation			
Profit/(loss) on discontinued operation	30	(161,685,005)	(185,060,273)
Other comprehensive income		-	-
Total comprehensive income for the year		488,074,917	589,525,378
Profit attributable to:			
Equity holders of the company			
Profit for the year from continuing operations		611,564,573	742,766,563
Profit for the year from discontinued operation		(48,765,221)	(60,348,253)
Profit attributable to equity holders of the Company		562,799,352	682,418,310
Non-controlling interests			
Profit for the year from continuing operations		38,195,349	31,819,088
Profit for the year from discontinued operation		(112,919,784)	(124,712,020)
Profit attributable to non-controlling interests		(74,724,435)	(92,892,932)
Basic earnings per share (par value Tk 10)	34	1.67	2.03
Basic earnings per share on continuing operations (par value Tk 10)	34.1	1.82	2.21

The notes on pages 69 to 111 are an integral part of these financial statements.



Managing Director



Director



Company Secretary

As per our report of same date.

Dated: February 03, 2015



Auditor

Rahman Rahman Huq
Chartered Accountants

RAK Ceramics (Bangladesh) Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
	Taka	Taka	Taka	Taka		
Balance as at 1 January 2013	2,783,889,350	1,473,647,979	1,293,599,640	5,551,136,969	108,824,662	5,659,961,631
Total comprehensive income for 2013						
Profit/(loss) for the year	-	-	682,418,310	682,418,310	(92,892,932)	589,525,378
Other comprehensive income	-	-	-	-	-	-
Share money deposit	-	-	-	-	35,290,000	35,290,000
Elimination on disposal of subsidiary					(2,850,404)	(2,850,404)
Transactions with the shareholders						
Cash dividend (2012)	-	-	(417,583,403)	(417,583,403)	(22,037,500)	(439,620,903)
Stock dividend (2012)	278,388,940	-	(278,388,940)	-	-	-
Balance as at 31 December 2013	<u>3,062,278,290</u>	<u>1,473,647,979</u>	<u>1,280,045,607</u>	<u>5,815,971,876</u>	<u>26,333,826</u>	<u>5,842,305,702</u>
Balance as at 1 January 2014	3,062,278,290	1,473,647,979	1,280,045,607	5,815,971,876	26,333,826	5,842,305,702
Total comprehensive income for 2014						
Profit/(loss) for the year	-	-	562,799,352	562,799,352	(74,724,435)	488,074,917
Other comprehensive income	-	-	-	-	-	-
Subsidiary share capital issued	-	-	-	-	15,885,820	15,885,820
Transactions with the shareholders						
Cash dividend (2013)	-	-	(459,341,744)	(459,341,744)	(26,445,000)	(485,786,744)
Stock dividend (2013)	306,227,820	-	(306,227,820)	-	-	-
Balance as at 31 December 2014	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>1,077,275,395</u>	<u>5,919,429,484</u>	<u>(58,949,789)</u>	<u>5,860,479,695</u>

The notes on pages 69 to 111 are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Limited
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	2014	2013
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	4,813,252,782	4,781,334,737
Cash payments to suppliers and employees	(3,783,585,148)	(3,512,923,228)
Cash generated from operating activities	<u>1,029,667,634</u>	<u>1,268,411,509</u>
Interest received from bank deposit	2,630,912	3,706,360
Income tax paid	(373,424,531)	(348,326,735)
Net cash from operating activities of continuing operations	<u>658,874,015</u>	<u>923,791,134</u>
Net cash from operating activities of discontinued operation	<u>(40,578,053)</u>	<u>(27,440,980)</u>
Net cash from operating activities	<u>618,295,962</u>	<u>896,350,154</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(394,334,296)	(106,015,593)
Sale of property, plant and equipment	1,150,501	3,300,356
Investment in associate	-	(36,750,000)
Interest received from FDR	110,753,575	123,112,886
Acquisition of intangible assets	(5,222,551)	(595,496)
Dividend received	350,000	394,520
Net cash (used in)/from investing activities of continuing operations	<u>(287,302,771)</u>	<u>(16,553,327)</u>
Net cash (used in)/from investing activities of discontinued operation	<u>(6,270,501)</u>	<u>(6,138,684)</u>
Net cash used in investing activities	<u>(293,573,272)</u>	<u>(22,692,011)</u>
Cash flows from financing activities		
Finance charges	(9,503,044)	(12,573,252)
Avail/(repayment) of term loan	(2,620,827)	(83,709)
Avail/(repayment) of short-term loan	41,646,003	(5,404,826)
Dividend paid	(456,817,004)	(414,001,075)
Unclaimed share application refund	(441,603)	(863,996)
Loan to associate	36,348,577	4,795,815
Adjustment related to non-controlling interests	(26,445,000)	(22,037,500)
Net cash used in financing activities of continuing operations	<u>(417,832,898)</u>	<u>(450,168,543)</u>
Net cash used in financing activities of discontinued operation	<u>45,800,398</u>	<u>33,355,114</u>
Net cash used in financing activities	<u>(372,032,500)</u>	<u>(416,813,429)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(47,309,810)</u>	<u>456,844,714</u>
Cash and cash equivalents as at 1 January	<u>1,329,217,698</u>	<u>872,372,984</u>
Cash and cash equivalents as at 31 December	<u>1,281,907,887</u>	<u>1,329,217,698</u>
Closing cash and cash equivalents have been arrived at as follows:		
Cash and cash equivalents as at 31 December from continuing operations (Note-13)	1,473,926,142	1,493,885,366
Cash and cash equivalents as at 31 December from discontinued operation (Note-14)	1,595,860	-
	<u>1,475,522,002</u>	<u>1,493,885,366</u>
Bank overdraft (Note-18)	-	(164,667,668)
Liabilities held for sale (Note-14)	(193,614,115)	-
Cash and cash equivalents as at 31 December	<u>1,281,907,887</u>	<u>1,329,217,698</u>

The notes on pages 69 to 111 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

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, bathroom 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 and 1 September 2007 respectively.

1.2 Description of subsidiaries

RAK Pharmaceuticals Pvt. Ltd.

RAK Pharmaceuticals Pvt. Ltd. was incorporated in Bangladesh under the Companies Act 1994 on 29 June 2005 as a private company limited by shares with an authorised capital of Tk 500 mio divided into 5 mio ordinary shares of Tk 100 each. Authorised capital of the Company has been increased from Tk 500 mio to 1,500 mio divided into 150 mio ordinary shares of Tk 10 each in the year 2011. The Company has gone into operation from 15 July 2009. The paid up capital stands at Tk 940.04 mio as at 31 December 2014. The registered office of the Company is at RAK Tower (10th floor), Plot # 1/A, Jasimuddin Avenue, Sector # 3, Uttara, Dhaka-1230. The factory is located at Vill.: Faridpur, P.S.: Sreepur, Dist.: Gazipur. The Company owns and operates modern pharmaceutical facility which produces and sells pharmaceutical drugs and medicines including biological and non-biological drugs. 55% shares of RAK Pharmaceuticals Pvt. Ltd.'s is held by RAK Ceramics (Bangladesh) Limited.

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 Tk 1,000,000,000 divided into 10,000,000 ordinary shares of Tk 100 each. The paid up capital stands at Tk 205,000,000 as at 31 December 2014. The Company has gone into operation from 1 May 2009. The registered office of the Company is at House # 5, Road # 1/A Sector # 4, Uttara, 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.

2 Basis of preparation

2.1 Statement of compliance

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

The title and format of these financial statements follow the requirements of BFRS 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 BFRS 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 3 February 2015.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

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 BFRSs 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 16 Deferred tax liability

Note 17 Employees benefit payable

Note 21 Provision for income tax

2.5 Reporting period

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

2.6 Going concern

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

3 Significant accounting policies

The accounting policies set out below, which comply with BFRS, 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.

BFRS-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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

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 statements 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 interests 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 interests 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 investees or as an available-for-sale financial assets depending on the level of influence retained.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the statement of profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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 instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.2.1 Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

are measured at fair value and changes therein, which takes into account any dividend income, are recognised in the statement of profit or loss and other comprehensive income.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented by the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

Loans and receivables

Loans and 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, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial assets comprise investment in associates, loans to associates, trade and other receivables and cash and cash equivalents.

a) Investments in associates

Investments in associates are recognised initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, investment in associates are measured at cost less impairment loss, if any.

b) Loans to associates

Loans to associates are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method, less any impairment losses.

c) Trade and other receivables

Trade and 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 and other receivables are measured at amortised cost using the effective interest method, less any bad debts 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 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.

3.2.2 Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Non-derivative financial liabilities comprise trade and other payables, and interest bearing borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

a) Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, trade and 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.

3.3 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.

3.4 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.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. 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. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised as gain or loss in the statement of profit or loss and other comprehensive income.

3.4.1 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 from the day of their acquisition and charging of depreciation on property, plant and equipment ceases from the day on which the deletion thereof takes place. Depreciation continues to be charged on each item of property, plant and equipment until written down value of such fixed asset is reduced to Taka one.

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

Category of property, plant and equipment	Rate (%)
Factory building	2.5-5
General building	2.5-20
Head Office building	2.5-5
Plant and machinery	5-10
Mobile plant	10
Electrical installation	10-20
Gas pipeline	10-20
Furniture, fixture and equipment	10
Office equipment	10-33.33
Communication equipment	10-20
Tools and appliances	10-20
Vehicles	10-20
Fire fighting equipment	20

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

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

3.5 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 and depreciated when the asset is completed and commissioned. No depreciation is charged on capital work in progress.

3.6 Intangible assets

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

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

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

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

3.7 Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments

In respect of finance lease, lease payments are apportioned between finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are reflected in profit or loss.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.8 Inventories

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

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

3.9 Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

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 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.

3.10 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.

3.11 Workers' profit participation fund 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 "Bangladesh Labour (Amendment) Act 2013".

3.12 Provisions

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

3.13 Revenue recognition

Revenue is measured at fair value of consideration received or receivable. Revenue from sale of goods is recognised when the company has transferred significant risk and rewards of ownership of the goods to the buyer and the revenue and costs incurred to effect the transaction can be measured reliably in compliance with the requirements of Bangladesh Accounting Standard (BAS)-18 "Revenue".

3.14 Finance income and expenses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

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

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

3.15 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 Bangladesh Accounting Standard (BAS)-21 "The Effects of Changes in Foreign Exchange Rates".

3.16 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for companies as per Finance Act 2014.

Deferred tax:

Deferred tax has been recognised in accordance with Bangladesh Accounting Standard (BAS)-12 "Income Tax". 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.

3.17 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.

3.18 Determination and presentation of operating segment

Details of product-wise segment reporting as required by BFRS 8-"Operating segments" is followed.

3.19 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

3.20 Statement of cash flows

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

3.21 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.

3.22 Comparatives and reclassification

Comparative information have been disclosed in respect of 2014 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

4 Property, plant and equipment

2014

Particulars	Cost					Rate (%)	Depreciation					Written down value as at 31 Dec 2014
	Balance at 1 Jan 2014	Additions during the year	Sale/disposal/adjustment	Assets held for sale	Balance as at 31 Dec 2014		Balance as at 1 Jan 2014	Charged during the year	Sale/disposal/adjustment	Assets held for sale	Balance as at 31 Dec 2014	
Land	770,449,971	14,603,200	-	(21,656,530)	763,396,641		-	-	-	-	-	763,396,641
Factory building	689,560,013	12,837,673	-	(240,347,109)	462,050,577	2.5-5	236,420,275	27,800,234	-	(32,187,406)	232,033,103	230,017,474
Factory office building	89,065,829	8,464,746	-	(13,961,880)	83,568,695	2.5-20	31,089,077	4,401,521	-	(1,521,588)	33,969,010	49,599,685
Head office building	171,556,721	-	-	(67,909,176)	103,647,545	2.5-5	40,707,796	6,874,321	-	(9,242,752)	38,339,365	65,308,180
Plant and machinery	3,382,668,788	88,789,025	(207,065)	(329,712,487)	3,141,538,261	5-10	2,245,101,084	216,227,273	(65,645)	(110,691,819)	2,350,570,893	790,967,368
Mobile plant	89,307,341	3,672,276	-	-	92,979,617	10	60,946,019	6,922,803	-	-	67,868,822	25,110,795
Electrical installation	222,723,445	-	-	(46,354,737)	176,368,708	10-20	157,695,430	16,137,291	-	(25,322,481)	148,510,240	27,858,468
Gas pipeline	43,985,379	-	-	-	43,985,379	10-20	41,249,893	858,027	-	-	42,107,920	1,877,459
Furniture and fixtures	56,093,093	1,068,328	(1,114,500)	(28,651,696)	27,395,225	10	27,820,761	5,375,313	(522,213)	(14,206,458)	18,467,403	8,927,822
Office equipment	35,361,179	1,598,477	(86,000)	(13,519,871)	23,353,785	10-33.33	25,466,689	3,946,021	(44,794)	(12,963,003)	16,404,913	6,948,872
Communication equipment	6,811,567	561,966	-	-	7,373,533	10-20	2,661,779	764,670	-	-	3,426,449	3,947,084
Tools and appliances	7,119,260	492,719	-	-	7,611,979	10-20	4,452,799	563,037	-	-	5,015,836	2,596,143
Vehicles	86,404,833	11,540,125	(3,285,748)	(31,754,634)	62,904,576	10-20	43,135,701	10,921,572	(2,681,402)	(25,649,553)	25,726,318	37,178,258
Fire fighting equipments	3,631,012	-	-	-	3,631,012	20	3,631,012	-	-	-	3,631,012	-
Total at 31 December 2014	5,654,738,431	143,628,535	(4,693,313)	(793,868,120)	4,999,805,533		2,920,378,315	300,792,083	(3,314,054)	(231,785,060)	2,986,071,284	2,013,734,249

2013

Particulars	Cost					Rate (%)	Depreciation					Written down value as at 31 Dec 2013
	Balance at 1 Jan 2013	Additions during the year	Sale/disposal/adjustment	Assets held for sale	Balance as at 31 Dec 2013		Balance as at 1 Jan 2013	Charged during the year	Sale/disposal/adjustment	Assets held for sale	Balance as at 31 Dec 2013	
Land	748,720,144	21,729,827	-	-	770,449,971		-	-	-	-	-	770,449,971
Factory building	689,560,013	-	-	-	689,560,013	2.5-5	205,071,682	31,348,593	-	-	236,420,275	453,139,738
Factory office building	71,232,413	17,833,416	-	-	89,065,829	2.5-20	27,664,440	3,424,637	-	-	31,089,077	57,976,752
Head office building	171,556,721	-	-	-	171,556,721	2.5-5	33,827,690	6,880,106	-	-	40,707,796	130,848,925
Plant and machinery	3,331,136,668	51,532,120	-	-	3,382,668,788	5-10	1,971,518,873	273,582,211	-	-	2,245,101,084	1,137,567,704
Mobile plant	89,121,262	186,079	-	-	89,307,341	10	53,375,158	7,570,861	-	-	60,946,019	28,361,322
Electrical installation	222,723,445	-	-	-	222,723,445	10-20	135,370,805	22,324,625	-	-	157,695,430	65,028,015
Gas pipeline	43,967,827	17,552	-	-	43,985,379	10-20	36,938,785	4,311,108	-	-	41,249,893	2,735,486
Furniture and fixtures	52,873,545	3,219,548	-	-	56,093,093	10	22,618,078	5,202,683	-	-	27,820,761	28,272,332
Office equipment	33,965,544	1,703,135	(307,500)	-	35,361,179	10-33.33	22,124,588	3,494,811	(152,710)	-	25,466,689	9,894,490
Communication equipment	4,083,829	2,727,738	-	-	6,811,567	10-12.5	1,996,893	664,886	-	-	2,661,779	4,149,788
Tools and appliances	7,036,968	82,292	-	-	7,119,260	10-20	3,796,782	656,017	-	-	4,452,799	2,666,461
Vehicles	85,426,287	7,105,647	(6,127,101)	-	86,404,833	10-20	36,832,262	11,529,825	(5,226,386)	-	43,135,701	43,269,132
Fire fighting equipments	3,631,012	-	-	-	3,631,012	20	2,904,808	726,204	-	-	3,631,012	-
Total at 31 December 2013	5,555,035,678	106,137,354	(6,434,601)	-	5,654,738,431		2,554,040,844	371,716,567	(5,379,096)	-	2,920,378,315	2,734,360,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
4.1	Depreciation charged on the basis of the purpose of use		
	Continuing operations		
	Cost of goods manufactured (Note-23.1)	236,492,254	307,779,765
	Administrative expenses (Note-25)	20,421,764	18,761,060
		256,914,018	326,540,825
	Discontinued operation (Note-30.1)		
	Cost of goods manufactured	33,018,991	32,933,962
	Administrative expenses	7,100,322	8,316,792
	Marketing, selling and distribution expenses	3,758,752	3,924,988
		43,878,065	45,175,742
		300,792,083	371,716,567

4.2 Disposal of property, plant and equipment

Year 2014

Continuing Operations

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against sale/insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
CNG conversion	119,700	39,565	80,135	380,000	299,865
Vehicles	2,403,131	2,126,494	276,637	770,500	493,863
Total	2,522,831	2,166,059	356,772	1,150,500	793,728

Discontinued Operation

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against sale/insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Diesel Generator	207,065	65,645	141,420	40,000	(101,420)
Wooden Plate	1,114,500	522,213	592,287	270,000	(322,287)
Vehicles	762,917	515,343	247,574	988,572	740,998
Office equipments	86,000	44,794	41,206	60,913	19,707
Total	2,170,482	1,147,995	1,022,487	1,359,485	336,998
Grand Total	4,693,313	3,314,054	1,379,259	2,509,985	1,130,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

Year 2013

Continuing Operations

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against sale/insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor cycles	101,200	75,498	25,702	10,000	(15,702)
Vehicles	4,117,818	3,905,833	211,985	2,998,074	2,786,089
Office equipments	66,000	13,236	52,764	56,082	3,318
Total	4,285,018	3,994,567	290,451	3,064,156	2,773,705

Discontinued Operation

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against sale/insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor cycles	727,083	300,255	426,828	445,299	18,471
Vehicles	1,181,000	944,800	236,200	236,200	-
Office equipments	241,500	139,474	102,026	29,153	(72,873)
Total	2,149,583	1,384,529	765,054	710,652	(54,402)
Grand Total	6,434,601	5,379,096	1,055,505	3,774,808	2,719,303

5 Equity-accounted investees

Share of net assets:	Ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Share of net assets
31 December 2014		Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
RAK Security and Services Pvt. Ltd.	35%	36,751,532	5,064,755	41,816,287	22,145,546	-	22,145,546	19,670,741	6,884,759
RAK Paints Pvt. Ltd.*	47%	416,097,876	237,953,765	654,051,641	560,828,828	521,948,043	1,082,776,871	(428,725,230)	21,749,142
RAK Mosfly (Bangladesh) Pvt. Ltd.*	20%	67,047,074	120,210,033	187,257,107	158,701,307	105,838,561	264,539,868	(77,282,761)	(646,552)
									27,987,349

* Share of net assets is arrived at adding share money deposit of RAK Ceramics (Bangladesh) Limited of TK 223,250,000 and TK. 14,810,000 in RAK Paints Pvt. Ltd. and RAK Mosfly (Bangladesh) Pvt. Ltd. respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

Share of net assets:	Ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Share of net assets
		Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
31 December 2013									
RAK Security and Services Pvt. Ltd.	35%	27,829,104	3,686,947	31,516,051	17,689,675	-	17,689,675	13,826,376	4,839,232
RAK Paints Pvt. Ltd.*	47%	363,239,232	272,712,697	635,951,929	398,444,981	589,668,848	988,113,829	(352,161,900)	81,614,022
RAK Mosfly (Bangladesh) Pvt. Ltd.*	20%	36,712,395	128,066,427	164,778,822	118,058,490	117,982,077	236,040,567	(71,261,745)	557,651
									87,010,905

* Share of net assets is arrived at adding share money deposit of RAK Ceramics (Bangladesh) Limited of TK 223,250,000 and TK. 14,810,000 in RAK Paints Pvt. Ltd. and RAK Mosfly (Bangladesh) Pvt. Ltd. respectively.

Share of net profit/(loss):	Ownership	Reporting date	Nature of investment	Income	Expenses	Tax expenses	Profit or (loss)	Share of profit/(loss)
31 December 2014								
RAK Security and Services Pvt. Ltd.	35%	31 Dec 2014	Associate	70,284,046	59,754,257	3,685,426	6,844,363	2,045,527
RAK Paints Pvt. Ltd.:	47%	31 Dec 2014	Associate	763,131,816	839,695,145	-	(76,563,329)	(35,984,765)
Current year loss								
Prior year loss on acquisition of associates								(23,880,116)
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	31 Dec 2014	Associate	327,573,940	333,594,956	-	(6,021,016)	(1,204,203)
								(59,023,556)

Share of net profit/(loss):	Ownership	Reporting date	Nature of investment	Income	Expenses	Tax expenses	Profit or (loss)	Share of profit/(loss)
31 December 2013								
RAK Security and Services Pvt. Ltd.	35%	31 Dec 2013	Associate	61,696,869	54,647,544	2,643,497	4,405,828	1,192,040
RAK Paints Pvt. Ltd.	47%	31 Dec 2013	Associate	630,332,444	729,316,211	-	(98,983,767)	(43,864,725)
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	31 Dec 2013	Associate	224,000,734	258,992,232	17,200	(35,008,698)	(7,001,740)
								(49,674,425)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
6	Intangible assets		
	Balance as at 1 January	106,059,779	112,670,334
	Add: Addition during the year	7,202,955	2,951,177
	Less: Amortisation during the year (Note-6.1)	9,043,643	9,561,732
	Transfer to non current assets held for sale	99,403,638	-
	Balance as at 31 December	4,815,453	106,059,779

The intangible assets represent cost of BSTI license, renewal of patent etc. which are being amortised over the economic life of the assets. The amortisation of intangible assets is charged to the administrative expenses.

		2014	2013
		Taka	Taka
6.1	Amortisation charged on the basis of the purpose of use		
	Continuing operations		
	Administrative expenses (Note-25)	2,014,112	2,181,002
	Discontinued operation		
	Administrative expenses (Note-30.1)	7,029,531	7,380,730
		9,043,643	9,561,732

		2014	2013
		Taka	Taka
7	Capital work in progress		
	Balance as at 1 January	35,091,397	30,955,703
	Add: Addition during the year	365,197,998	64,122,346
		400,289,395	95,078,049
	Less: Transfer to property, plant & equipment during the year (Note-7.1)	108,842,656	59,175,701
	Impairment loss on capital equipment	2,330,173	-
	Less: Discontinued project	-	810,951
	Balance as at 31 December	289,116,566	35,091,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

Capital work in progress includes construction work for factory office building, factory building, plant and machinery, mobile plant etc.

		2014	2013
		Taka	Taka
7.1	Items transferred from capital work in progress to property, plant & equipment		
	Factory building	12,837,673	-
	Factory office building	6,414,746	17,833,416
	Plant & machinery	85,917,961	37,158,989
	Mobile plant	3,672,276	-
	Communication equipment	-	2,347,396
	Furniture & fixtures	-	1,835,900
		108,842,656	59,175,701
		2014	2013
		Taka	Taka
8	Loan to associate		
	Non-Current		
	RAK Paints Pvt. Ltd.	18,193,968	59,597,389
		18,193,968	59,597,389
	Current		
	RAK Paints Pvt. Ltd.	40,661,640	35,606,796
		40,661,640	35,606,796
		58,855,608	95,204,185
		2014	2013
		Taka	Taka
9	Inventories		
	Raw materials	702,273,301	901,067,829
	Less: Provision for obsolescence (Note-9.1)	2,620,004	-
		699,653,297	901,067,829
	Stores and consumable spares	883,845,333	801,590,998
	Finished goods	100,488,293	237,095,258
	Work in process	24,813,352	35,412,055
	Goods in transit	126,554,452	14,973,584
		1,835,354,727	1,990,139,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
9.1	Movement in provision for obsolescence		
	Balance as at 1 January	-	-
	Add: Provision for obsolescence made during the year	2,620,004	-
		2,620,004	-
	Less: Write off	-	-
	Balance as at 31 December	2,620,004	-

		2014	2013
		Taka	Taka
10	Trade and other receivables		
	Trade receivables (Note-10.1)	563,516,174	536,206,848
	Less: Doubtful debts	-	(3,333,552)
		563,516,174	532,873,296
	Claim receivable	-	2,368,635
	Accrued interest (Note-10.2)	10,100,623	15,525,368
	Accrued rental income	-	190,000
	Receivable against disposal of investment	6,120,000	6,120,000
	Other receivables	982,984	577,535
		580,719,781	557,654,834

		2014	2013
		Taka	Taka
10.1	Trade receivables		
	Receivables from local sales	560,106,353	536,206,848
	Receivables from export sales	3,409,821	-
		563,516,174	536,206,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
10.2	Accrued interest		
	Interest accrued on FDR	10,100,623	15,525,368
		10,100,623	15,525,368
		2014	2013
		Taka	Taka
11	Advances, deposits and prepayments		
	Advances		
	Employees	141,984	16,899,108
	Land advance & others	4,666,166	20,986,852
	Suppliers against material & services	234,636,472	78,397,462
		239,444,622	116,283,422
	Security and other deposits		
	Titas gas	20,215,520	20,215,520
	Mymensingh Palli Bidyut Samity-2	1,955,000	1,991,090
	VAT and supplementary duty (Note-11.1)	41,050,431	33,418,079
	Deposit with income tax authority	9,705,739	9,705,739
	Deposit with VAT authority	8,187,661	8,228,687
	Other deposits	652,925	1,700,425
		81,767,276	75,259,540
	Prepayments		
	House rent	8,397,000	9,440,076
	Insurance	37,406,076	27,081,166
	Others	42,431	3,251,966
		45,845,507	39,773,208
		367,057,405	231,316,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

11.1 Supplementary duty & VAT

	2014 Taka	2013 Taka
Balance as at 1 January	33,418,079	41,902,497
Add: Treasury deposit for SD & VAT purpose	1,117,750,000	957,595,000
Rebate of input VAT	256,550,426	308,017,080
	<u>1,407,718,505</u>	<u>1,307,514,577</u>
Add: Receivable - SD & VAT	39,435	73,330
	1,407,757,940	1,307,587,907
Less: SD & VAT on sales	1,360,770,006	1,271,248,147
Payable - SD & VAT	1,227,418	2,921,681
Payable - VAT on disposal of raw material	4,008,626	-
	<u>1,366,006,050</u>	<u>1,274,169,828</u>
Less: Transfer to assets held for sale	701,459	-
Balance as at 31 December	<u>41,050,431</u>	<u>33,418,079</u>

12 Advance income tax

	2014 Taka	2013 Taka
Balance as at 1 January	1,656,003,346	1,303,890,755
Add: Paid during the year	468,576,387	352,131,008
Less: Adjustment made during the year	(95,151,856)	(18,417)
Transfer to assets held for sale	(15,631,746)	-
Balance as at 31 December (Notes-12.1 & 12.2)	<u>2,013,796,131</u>	<u>1,656,003,346</u>

12.1 Head wise payment

	2014 Taka	2013 Taka
Import	454,216,179	415,459,961
Export	898,521	754,981
Supply	119,221	780,254
Interest on bank deposit	48,515,090	50,546,251
Rental income	1,451,086	1,057,173
Registration	1,763,701	1,210,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
Dividend income	20,144,500	13,063,500
Paid in cash	1,486,687,833	1,173,130,526
	2,013,796,131	1,656,003,346

12.2 Year wise closing balance

Income year

	2014	2013
	Taka	Taka
Current year	250,315,393	-
Year 2013	389,651,054	237,971,641
Year 2012	334,263,453	337,866,431
Year 2011	326,291,317	330,585,731
Year 2010	261,903,697	263,861,908
Year 2009	218,091,876	156,292,148
Year 2008	85,378,847	86,369,770
Year 2007	124,813,161	124,816,528
Year 2006	23,087,333	95,937,931
Year 2005	-	3,197,658
Year 2004	-	1,607,895
Year 2003	-	1,746,309
Year 2002	-	879,941
Year 2001	-	9,689,804
Year 2000	-	5,176,302
Year 1999	-	3,349
	2,013,796,131	1,656,003,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
13 Cash and cash equivalents		
Cash in hand	1,403,048	3,908,760
Cash at banks		
HSBC (current account -001-013432-011,001-107580-011,001-096015-011, 001-096007-011 - BDT)	24,607,644	17,403,428
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	96,722,307	158,129,932
Agrani Bank Ltd. (current account - 075533005368 - BDT)	-	305
Citibank, N.A. (current account - G0100001200262018 - BDT)	15,966,434	22,603,156
Dutch-Bangla Bank Ltd. (current account - 117-110-12733,117-110-2481, 117.110.23474 -BDT)	12,675,508	5,917,265
HSBC (ERQ account - 001-013432-047 - USD)	346,764	984,551
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	1,108	2,134,362
EXIM Bank (SND account - 01513100031877 - BDT)	526,074	514,269
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	401,998	-
Dutch-Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	103,270,811	38,200,856
BRAC Bank Ltd. (SND - 1513101731248001 - BDT)	346,514	338,895
Prime Bank Ltd. (SND - 12531010022563 - BDT)	50,777,650	26,880,635
HSBC (STD - 001-066331-067, 001-107580-067, 001-096015-067 - BDT)	202,327	1,909
Islami Bank Bangladesh Limited (current account- 20502070100405600)	-	1,454,727
Dhaka Bank Limited (current account- 0204100000014484)	-	4,079
Premier Bank Ltd. (Current account - 10211100015136- BDT)	-	8,250
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	1,668,460	-
	<u>307,513,599</u>	<u>274,576,619</u>
IPO bank account		
Citibank, N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	1,394,797	1,804,384
Citibank, N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,941,472	3,951,074
Citibank, N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,608	153,608
Citibank, N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,593	126,593
	<u>5,616,470</u>	<u>6,035,659</u>
Dividend bank account		
BRAC Bank Ltd. (Current - 1510201731248001 - BDT) - 2010	2,536,000	2,395,744
BRAC Bank Ltd. (Current - 1513201731248001 - BDT) - 2011	2,237,667	2,148,624
Standard Chartered Bank (Current - 02-6162940-02- BDT) - 2012	3,884,188	4,057,880
Standard Chartered Bank (Current - 02-6162940-03- BDT) - 2013	16,803,715	-
	<u>25,461,570</u>	<u>8,602,248</u>
Investment in Fixed Deposit Receipt (FDR)		
HSBC	40,000,000	60,000,000
Standard Chartered Bank	762,080	762,080
Prime Bank Ltd.	280,000,000	260,000,000
Dutch-Bangla Bank Ltd.	813,169,375	880,000,000
	<u>1,133,931,455</u>	<u>1,200,762,080</u>
Total	<u><u>1,473,926,142</u></u>	<u><u>1,493,885,366</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

14 Disposal group held for sale

Investment in RAK Pharmaceuticals Pvt. Ltd. is presented as held for sale following the commitment of the Company's management in December 2014, to a plan to sell all the shares of RAK Pharmaceuticals Pvt. Ltd. Efforts to sell the shares of RAK Pharmaceuticals Pvt. Ltd. have commenced, and a sale is likely to be formalised by February 2015.

Assets and liabilities of disposal group held for sale

At 31 December 2014, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	2014	2013
	Taka	Taka
Property, plant and equipment (Note-4)	562,083,060	-
Intangible assets (Note-6)	99,403,638	-
Inventories	72,353,935	-
Trade and other receivables	39,052,960	-
Advances, deposits and prepayments	16,581,719	-
Advance income tax	20,543,158	-
Cash and cash equivalents	1,595,860	-
Assets held for sale	811,614,330	-
Employees benefits payable (Note-17)	30,528,700	-
Borrowings*	290,155,176	-
Trade and other payables	57,688,973	-
Accrued expenses	35,425,468	-
Provision for income tax	1,409,012	-
Liabilities held for sale	415,207,329	-

* Borrowings include bank overdraft of Tk 193,614,115.

Cumulative income or expenses recognised in other comprehensive income

There are no cumulative income or expenses recognised in other comprehensive income relating to the held for sale assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
15	Share capital		
	Authorised		
	600,000,000 ordinary shares of Tk 10 each	6,000,000,000	6,000,000,000
	Issued, subscribed, called and paid up	3,368,506,110	3,062,278,290
	336,850,611 ordinary shares of Tk 10 each (2013: 306,227,829 ordinary shares)		

Percentage of shareholdings

	2014		2013	
	%	Taka	%	Taka
RAK Ceramics PSC, UAE	72.41	2,439,100,210	72.41	2,217,363,830
S.A.K. Ekramuzzaman	4.81	162,119,850	5.41	165,563,500
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	280	0.00	260
Sheikh Omer Bin Saqr Al Qassimi	0.00	280	0.00	260
Sheikh Ahmad Bin Humaid al Qassimi	0.00	280	0.00	260
Hamad Abdulla Al Muttawa	0.00	140	0.00	130
Dr. Khater Massaad	0.00	140	0.00	130
Abdallah Massaad	0.00	140	0.00	130
Manoj Uttamrao Ahire	0.00	140	0.00	130
General public	22.78	767,284,650	22.18	679,349,660
	100.00	3,368,506,110	100.00	3,062,278,290

Classification of shareholders by holding

Shareholder's range

Shareholder's range	Number of shareholders		Number of shares	
	2014	2013	2014	2013
Less than 500 shares	41,596	46,960	8,569,150	9,717,485
501 to 5,000 shares	10,676	10,381	14,479,036	13,119,635
5001 to 10,000 shares	677	514	4,863,871	3,599,643
10,001 to 20,000 shares	288	186	4,124,063	2,580,341
20,001 to 30,000 shares	91	58	2,266,150	1,432,712
30,001 to 40,000 shares	39	41	1,372,875	1,421,481
40,001 to 50,000 shares	36	15	1,656,884	667,999
50,001 to 100,000 shares	65	45	4,686,055	3,027,601
100,001 to 1,000,000 shares	44	39	10,851,017	9,727,969
Over 1,000,000 shares	8	8	283,981,510	260,932,963
	53,520	58,247	336,850,611	306,227,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
16	Deferred tax liability		
	Balance as at 1 January	94,326,905	121,162,388
	Deferred tax (income)/expenses	(15,908,720)	(26,835,483)
	Balance as at 31 December	<u>78,418,185</u>	<u>94,326,905</u>
17	Employees benefit payable		
	Provident fund	2,715,018	11,613,439
	Gratuity fund	68,456,325	19,008,393
		<u>71,171,343</u>	<u>30,621,832</u>

	2014		
	Provident fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	11,613,439	19,008,393	30,621,832
Add: Provision made during the year	39,729,764	72,081,241	111,811,005
	51,343,203	91,089,634	142,432,837
Less: Payments made to fund during the year	29,659,041	11,073,753	40,732,794
	21,684,162	80,015,881	101,700,043
Less: Transfer to liabilities held for sale (Note-14)	18,969,144	11,559,556	30,528,700
Balance as at 31 December	<u>2,715,018</u>	<u>68,456,325</u>	<u>71,171,343</u>

	2013		
	Provident fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	5,372,511	16,483,707	21,856,218
Add: Provision made during the year	31,797,938	12,697,577	44,495,515
	37,170,449	29,181,284	66,351,733
Less: Payments made to fund during the year	25,557,010	10,172,891	35,729,901
Balance as at 31 December	<u>11,613,439</u>	<u>19,008,393</u>	<u>30,621,832</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
18	Borrowings		
	Non-current		
	Term loan	-	31,177,626
	Current portion of term loan	-	(12,694,059)
		-	18,483,567
	Current		
	Bank overdrafts	-	164,667,668
	Short-term borrowings	323,755,163	285,857,619
	Term loan	-	12,694,059
		323,755,163	463,219,346
	Balance as at 31 December (Note 18.1)	323,755,163	481,702,913

18.1	Borrowings by maturity					
At 31 December 2014	< 1 year	1-2 years	2-5 years	> 5 years	Total	
Short-term borrowings	323,755,163	-	-	-	323,755,163	
	323,755,163	-	-	-	323,755,163	
At 31 December 2013	< 1 year	1-2 years	2-5 years	> 5 years	Total	
Bank overdrafts	164,667,668	-	-	-	164,667,668	
Short-term borrowings	285,857,619	-	-	-	285,857,619	
Term loans and others	12,694,059	7,762,382	10,721,185	-	31,177,626	
	463,219,346	7,762,382	10,721,185	-	481,702,913	

		2014	2013
		Taka	Taka
19	Trade and other payables		
	Trade payables	116,706,836	116,802,654
	Local suppliers	113,317,400	49,831,597
	Foreign suppliers	20,291,798	19,949,818
	Service provider	29,259,647	8,239,445
	C & F agent	279,575,681	194,823,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
	Other payables		
	Tax deducted at source	14,516,183	15,551,856
	VAT deducted at source	2,956,190	3,289,446
	Dividend payable	25,068,749	22,544,009
	Unclaimed share application	19,791,236	20,232,839
	Advance from customer against sales	12,775,647	11,220,064
	Security deposit	91,740	-
	Claim payable to employee	320,760	-
	Payable to others	-	11,000,000
		75,520,505	83,838,214
		355,096,186	278,661,728
20	Accrued expenses		
	Power and gas	16,999,787	16,333,169
	Staff cost	44,341,158	63,381,491
	Audit fees	800,000	586,250
	Professional charges	274,750	418,000
	Interest on loans	669,474	1,042,997
	Telephone	155,650	399,250
	Managing Director's remuneration (Note-20.1)	30,682,702	38,340,648
	Worker's profit participation and welfare fund (Note-20.2)	48,623,250	59,111,329
	Royalty and technical know-how fees (Note-20.3)	38,352,170	225,676,743
	Others	9,606,332	13,011,994
		190,505,273	418,301,871
20.1	Managing Director's remuneration		
	Balance as at 1 January	38,340,648	36,225,372
	Add: Payable to Managing Director	30,682,702	38,340,648
		69,023,350	74,566,020
	Less: Paid to Managing Director	38,340,648	36,225,372
	Balance as at 31 December	30,682,702	38,340,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
20.2 Workers' profit participation and welfare fund		
Balance as at 1 January	59,111,329	57,500,590
Add: Contribution made to the fund during the year	48,623,250	59,111,329
	107,734,579	116,611,919
Less: Payment made from the fund during the year	59,111,329	57,500,590
Balance as at 31 December	48,623,250	59,111,329
20.3 Royalty and technical know-how fees		
Balance as at 1 January	225,676,743	219,094,868
Add: Provision made during the year	72,407,557	90,479,404
	298,084,300	309,574,272
Less: Payment made during the year for 2011 & 2012	154,258,821	-
Less: Vat on royalty deposited for the year 2010	34,734,242	-
Less: Tax on royalty paid for the year 2011	-	10,639,933
Less: Reversal of excess provision for the year 2012	-	19,461,872
Less: Tax provision on excess royalty paid in the year 2008	30,739,067	31,000,000
Less: Tax provision on excess royalty paid in the year 2009	40,000,000	22,795,724
Balance as at 31 December	38,352,170	225,676,743
Royalty has been calculated @ 8% of profit before tax or 2.5% of net sales, whichever is lower.		
21 Provision for income Tax		
Balance as at 1 January	1,840,804,871	1,455,687,469
Add: Provision made for current year	365,957,485	362,336,361
Provision made for prior years	70,739,067	22,795,724
	2,277,501,423	1,840,819,554
Less: Provision release during the year	(95,151,856)	(14,683)
Less: Transfer to liabilities held for sale	(5,000)	-
Balance as at 31 December (Note-21.1)	2,182,344,567	1,840,804,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
21.1	Year wise closing balance		
	<u>Income year</u>		
	Current year	365,957,485	-
	Year 2013	362,336,361	362,336,361
	Year 2012	339,211,365	339,211,365
	Year 2011	326,685,217	326,685,217
	Year 2010	294,048,668	294,053,668
	Year 2009	266,823,984	226,823,984
	Year 2008	147,117,914	116,378,847
	Year 2007	80,163,573	80,163,573
	Year 2006	-	89,730,898
	Year 2005	-	5,242,907
	Year 2004	-	20,925
	Year 2003	-	45,563
	Year 2002	-	111,563
		2,182,344,567	1,840,804,871
22	Sales		
	Gross sales (Local)	6,292,625,094	5,891,839,937
	Gross sales (Export)	26,784,010	26,144,308
	Total Sales	6,319,409,104	5,917,984,245
	Less: Supplementary Duty	456,237,754	429,533,344
	VAT	815,825,977	763,597,403
	Net sales	5,047,345,373	4,724,853,498
23	Cost of sales		
	Stock of finished goods as at 1 January	201,583,295	72,557,895
	Add: Cost of goods manufactured (Note-23.1)	2,970,941,919	3,006,671,593
	Cost of finished goods available for sale	3,172,525,214	3,079,229,488
	Less: Stock of finished goods as at 31 December	100,488,293	201,583,295
		3,072,036,921	2,877,646,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
23.1	Cost of goods manufactured		
	Cost of materials consumed:		
	Opening stock as at 1 January	870,909,533	867,867,573
	Add: Purchase during the year	1,466,848,016	1,700,041,647
		2,337,757,549	2,567,909,220
	Less: Closing stock as at 31 December	699,653,297	870,909,533
		1,638,104,252	1,696,999,687
	Manufacturing overhead:		
	Direct labour (Note-23.1.1)	305,199,598	236,937,093
	Direct expenses:		
	Power and gas	150,471,069	156,882,942
	Repairs and indirect materials (Note-23.1.2)	575,381,319	541,603,209
	Rental charges	821,739	821,739
	Moulds and punches	27,418,733	22,220,803
	Depreciation (Note-4.1)	236,492,254	307,779,765
	Royalty and technical know-how/assistance fees (Note-23.1.3)	1,668,490	17,221,808
	Other production overhead (Note-23.1.4)	32,530,918	25,296,162
		1,329,984,120	1,308,763,521
	Cost of production	2,968,088,372	3,005,763,208
	Difference in work in process:		
	Work in process as at 1 January	27,666,898	28,575,283
	Work in process as at 31 December	24,813,352	27,666,898
		2,853,546	908,385
	Cost of goods manufactured	2,970,941,919	3,006,671,593
23.1.1	Direct labour		
	Salary and wages	160,563,120	137,096,655
	Overtime	16,507,859	13,012,301
	Bonus	22,925,569	23,705,774
	Incentive	5,965,021	10,796,433
	Temporary labour wages	44,554,610	36,087,975
	Gratuity	44,402,176	7,187,448
	Employer's contribution to provident fund	8,851,064	7,833,838
	Leave encashment	-	1,918
	Group life insurance	1,430,179	1,214,751
		305,199,598	236,937,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
23.1.2 Repairs and indirect materials		
Stores, spares, repair & maintenance	335,405,118	290,245,726
Packing expenses	239,976,201	251,357,483
	575,381,319	541,603,209
23.1.3 Royalty and technical know-how/assistance fees		
Royalty and technical know-how/assistance fees	72,407,557	90,479,404
Less: Reversal of excess provision for the year 2012	-	19,461,872
Less: Tax provision on excess royalty paid on year 2008	30,739,067	31,000,000
Less: Tax provision on excess royalty paid on year 2009	40,000,000	22,795,724
	1,668,490	17,221,808
23.1.4 Other production overhead		
Hotel fare and expenses for technician	4,054,205	4,211,028
Demurrage	5,817,167	3,745,067
Insurance	14,649,405	15,299,053
Impairment loss on capital equipment	2,330,173	-
Provision for obsolescence	2,620,004	-
Other expenses	3,059,964	2,041,014
	32,530,918	25,296,162
24 Other income		
Dividend income	350,000	394,520
Rental income	2,400,000	600,000
Profit on sale of fixed assets (Note-4.2)	793,728	2,773,705
Gain on disposal of investment	-	3,153,253
	3,543,728	6,921,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
25	Administrative expenses		
	Staff cost (Note-25.1)	122,341,353	104,541,910
	Annual general meeting expenses	19,001,881	23,262,201
	Telephone, postage and supplies	4,429,146	5,138,350
	Office repair and maintenance (Note-25.2)	9,308,861	8,072,204
	Registration and renewal	1,287,451	1,002,235
	Security and guard expenses	12,301,822	10,338,724
	Electricity, gas and water	6,154,408	4,650,653
	Depreciation (Note-4.1)	20,421,764	18,761,060
	Amortisation (Note-6.1)	2,014,112	2,181,002
	Legal and professional fees	5,265,813	3,769,007
	Vehicle repair and maintenance	8,832,153	8,363,037
	Rent, rate and tax	7,007,974	6,734,142
	Loss on sale of shares	-	123,814
	CSR expenses	2,898,000	3,092,000
	Managing Director's remuneration (Note-25.3)	30,682,702	38,340,648
	Others	4,837,305	4,257,100
		256,784,745	242,628,087
25.1	Staff cost		
	Salary and wages	74,905,640	73,762,280
	Bonus	9,869,461	10,888,158
	Incentive	4,434,911	5,407,763
	Gratuity	19,248,085	3,215,576
	Employer's contribution to provident fund	4,076,811	1,815,765
	Group life insurance	603,370	635,472
	Canteen expenses	991,693	1,115,238
	Staff welfare expenses	402,799	467,749
	Hotel, tour, food and air ticket	4,213,682	4,001,770
	Food expenses	2,992,652	2,166,176
	Medical expenses	294,258	516,922
	Accommodation	149,522	429,200
	Travelling and conveyance	158,469	119,842
		122,341,353	104,541,910

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		2014	2013
		Taka	Taka
25.2	Office repair and maintenance		
	Repairs office equipment	903,198	655,849
	Office maintenance	8,405,663	7,416,355
		9,308,861	8,072,204
25.3	Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.		
26	Marketing and selling expenses		
	Staff cost (Note-26.1)	27,678,387	18,505,004
	Advertisement	20,563,727	14,512,359
	Freight and transportation	194,983,067	157,666,471
	Performance rebates (Note-26.2)	230,416,756	195,608,966
	Business promotion	23,176,142	17,374,540
	Discount	155,425,577	72,245,943
	Travel, entertainment and others	12,502,613	11,076,223
		664,746,269	486,989,506
26.1	Staff cost		
	Salary and wages	17,164,411	12,960,339
	Bonus	2,888,064	2,276,955
	Incentive	1,445,730	1,487,607
	Gratuity	4,806,064	670,729
	Employer's contribution to provident fund	938,762	751,925
	Group life insurance	149,112	111,094
	Food expenses	286,244	246,355
		27,678,387	18,505,004
26.2	Performance rebates		
	Compensation	28,046,174	2,564,373
	Dealers' commission	98,294,546	94,990,174
	Breakage commission	104,076,036	98,054,419
		230,416,756	195,608,966

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		2014	2013
		Taka	Taka
27	Finance income		
	Interest on bank account (SND)	2,639,976	3,706,360
	Interest on associate loan	8,706,804	14,150,619
	Interest on FDR	96,612,961	107,249,877
	Exchange gain	20,668,591	5,102,821
		128,628,332	130,209,677
28	Finance expenses		
	Interest expenses	6,887,174	11,803,325
	Bank charges	867,764	1,249,535
		7,754,938	13,052,860
29	Current tax		
	Current year	365,957,485	362,336,361
	Prior years	70,739,067	22,795,724
		436,696,552	385,132,085
30	Profit/(loss) on discontinued operation		
	Sales	461,297,574	444,371,710
	Cost of sales (Note-30.1)	(183,231,089)	(195,357,065)
	Gross profit	278,066,485	249,014,645
	Other income (Note-30.2)	7,047,417	7,870,785
	Administrative expenses (Note-30.1)	(38,692,578)	(42,332,238)
	Marketing, selling and distribution expenses (Note-30.1)	(370,377,153)	(367,928,715)
		(402,022,314)	(402,390,168)
	Profit/(loss) from operating activities	(123,955,829)	(153,375,523)
	Finance expenses	(36,325,164)	(31,684,750)
	Profit/(loss) before income tax	(160,280,993)	(185,060,273)
	Provision for income tax		
	Current year	(1,404,012)	-
	Net profit/(loss) after income tax	(161,685,005)	(185,060,273)
	Non-controlling interest	112,919,784	124,712,020
	Net profit/(loss) after tax and non-controlling interests attributable to equity holders	(48,765,221)	(60,348,253)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

30.1 Depreciation charged for the year is allocated in cost of sales, administrative expenses, marketing, selling and distribution expenses (Note-4.1). Amortisation expenses is charged to administrative expenses (Note-6.1).

30.2 Other income includes loss on sale of fixed assets (Note-4.2).

31 Financial risk management

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

- ◆ Credit risk
- ◆ Liquidity risk
- ◆ Market risk

31.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. 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:

	Amount in USD		Amount in Taka	
	As at 31 Dec 2014	As at 31 Dec 2013	As at 31 Dec 2014	As at 31 Dec 2013
Trade receivables				
Customer-Local	-	-	596,255,561	536,206,848
Customer-Export	43,744	-	3,409,821	-
	43,744	-	599,665,382	536,206,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	Amount in Taka	
	As at 31 Dec 2014	As at 31 Dec 2013
Other receivables		
Claim receivable	2,335,805	2,368,635
Accrued interest	10,100,623	15,525,368
Accrued rental income	-	190,000
Receivable against disposal of investment	6,120,000	6,120,000
Others	1,550,931	577,535
	<u>20,107,359</u>	<u>24,781,538</u>
Loan to associate		
RAK Paints Pvt. Ltd.	58,855,608	95,204,185
	<u>58,855,608</u>	<u>95,204,185</u>
Cash equivalents	<u>1,473,149,800</u>	<u>1,489,976,606</u>
b) Aging of trade receivables		
The ageing of trade receivables as at 31 December was:		
Not past due	587,360,293	525,195,961
0-90 days past due	3,948,480	1,952,893
91-180 days past due	2,252,247	3,481,863
181-365 days past due	6,104,362	5,576,131
over 365 days past due	<u>599,665,382</u>	<u>536,206,848</u>

31.2 Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	As at 31 December 2014			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	193,614,115	193,614,115	193,614,115	-
Trade and other payables	412,785,159	412,785,159	412,785,159	-
Short term borrowings (foreign)	346,383,263	346,383,263	346,383,263	-
Short term borrowings (local)	45,925,962	45,925,962	45,925,962	-
Term loan	27,986,999	27,986,999	12,124,259	15,862,740
	<u>1,026,695,499</u>	<u>1,026,695,499</u>	<u>1,010,832,758</u>	<u>15,862,741</u>

	As at 31 December 2013			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	164,667,668	164,667,668	164,667,668	-
Trade and other payables	278,661,728	278,661,728	278,661,728	-
Short term borrowings (foreign)	255,783,541	255,783,541	255,783,541	-
Short term borrowings (local)	30,074,078	30,074,078	30,074,078	-
Term loan	31,177,626	31,177,626	12,694,059	18,483,567
	<u>760,364,641</u>	<u>760,364,641</u>	<u>741,881,074</u>	<u>18,483,567</u>

31.3 Market risk

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

a) Currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

i) Exposure to currency risk

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

	As at 31 December 2014			As at 31 December 2013		
	USD	EURO	JPY	USD	EURO	AED
Foreign currency denominated assets						
Receivable from customers-Export	43,744	-	-	-	-	-
Cash at bank	4,463	-	-	40,400	-	-
	<u>48,206</u>	<u>-</u>	<u>-</u>	<u>40,400</u>	<u>-</u>	<u>-</u>

	As at 31 December 2014			As at 31 December 2013		
	USD	EURO	JPY	USD	EURO	AED
Foreign currency denominated liabilities						
Trade payables	39,122	815,409	-	7,056	468,813	33,511
Short term bank loan	2,178,966	1,529,916	4,900,000	3,188,661	59,000	-
Royalty & technical know-how fees	485,778	-	-	2,885,892	-	-
	<u>2,703,866</u>	<u>2,345,325</u>	<u>4,900,000</u>	<u>6,081,609</u>	<u>527,813</u>	<u>33,511</u>
Net exposure	<u>(2,655,659)</u>	<u>(2,345,325)</u>	<u>(4,900,000)</u>	<u>(6,041,209)</u>	<u>(527,813)</u>	<u>(33,511)</u>

The Company has foreign exchange gain of Tk 20,668,591 during the year ended 31 Dec 2014 (31 Dec 2013: Exchange gain Tk 5,641,225).

The following significant exchange rates have been applied:

	Exchange rate as at	
	31 Dec 2014 Taka	31 Dec 2013 Taka
USD		
EURO	78.4500	77.7000
AED	95.0040	106.9858
JPY	21.0312	21.1587
	0.6608	0.7463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 December 2014		As at 31 December 2013	
	Profit or (loss)		Profit or (loss)	
	Strengthening Taka	Weakening Taka	Strengthening Taka	Weakening Taka
At 31 December				
USD (3 percent movement)	(82,134)	77,349	(186,842)	175,958
EURO (3 percent movement)	(72,536)	68,310	(16,324)	15,373
AED (3 percent movement)	-	-	(1,036)	976
JPY (3 percent movement)	(151,546)	142,718	-	-

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as it has neither floating interest rate bearing financial liabilities nor entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

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

	Carrying amount	
	As at 31 December 2014 Taka	As at 31 December 2013 Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	1,133,931,455	1,200,762,080
Cash at banks	339,218,345	289,214,526
Financial liabilities		
Term loan	27,986,999	31,177,626
Bank overdraft	193,614,115	164,667,668
Short term borrowings (foreign)	346,383,263	255,783,541
Short term borrowings (local)	45,925,962	30,074,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

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 December 2014		As at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	1,133,931,455	1,133,931,455	1,200,762,080	1,200,762,080
Loans and receivables				
Trade receivables	599,665,382	599,665,382	536,206,848	536,206,848
Other receivables	20,107,359	20,107,359	24,781,538	24,781,538
Loan to associate	58,855,608	58,855,608	95,204,185	95,204,185
Cash and cash equivalents	1,473,149,800	1,473,149,800	1,489,976,606	1,489,976,606
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	27,986,999	27,986,999	31,177,626	31,177,626
Bank overdraft	193,614,115	193,614,115	164,667,668	164,667,668
Trade and other payables	412,785,159	412,785,159	278,661,728	278,661,728
Short term borrowings (foreign)	346,383,263	346,383,263	255,783,541	255,783,541
Short term borrowings (local)	45,925,962	45,925,962	30,074,078	30,074,078

Interest rates used for determining amortised cost

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

	31 December 2014	31 December 2013
Investment in FDR	4.30%-10.25%	07.25%-11.25%
Term loan	09.00%-15.50%	12.00%-17.00%
Bank overdraft	13%-13.50%	14.25%-15.50%
Short term bank loan (local currency)	13.50%-15.00%	14.50%-15.50%
Short term bank loan (foreign currency/USD)	Libor+(2.75%-3.84%)	Libor+(2.75%-3.84%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

32 Related party disclosures

During the year ended 31 December 2014, Company entered into a number of transactions with related parties in the normal course of business. The names of the related parties, nature of these transactions and amount thereof have been set out below in accordance with the provisions of BAS 24- "Related Party Disclosures".

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

	2014	2013
	Taka	Taka
Subsidiary companies		
Purchase of goods/services	247,161,964	241,455,880
Interest receivables	324,564,552	244,240,792
Rental income	5,478,261	5,478,261
Loan	500,000,000	500,000,000
Outstanding payables	20,866,849	20,156,862
Equity-accounted investees		
Sales of goods/services	2,636	10,538
Purchase of goods/services	59,832,702	49,079,895
Loan	58,855,608	95,204,185
Outstanding payables	5,132,684	4,612,730
Key management personnel		
Remuneration	38,584,422	51,587,062
Outstanding remuneration payables	31,212,702	38,735,613
Other related parties		
Sales of goods/services	1,984,165,557	1,915,618,001
Purchase of goods/services	133,506,715	213,518,834
Outstanding payables	14,678,615	22,770,358
Outstanding receivables	442,457,474	399,158,670

33 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.

Pharmaceuticals: Operates modern pharmaceutical facility which produces and sells pharmaceutical drugs and medicines including biological and non-biological drugs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

2014

	Business Segments				
	Ceramic & sanitary ware	Pharmaceuticals	Power	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	5,009,387,118	461,297,574	37,958,254	-	5,508,642,946
Revenue - inter segment	-	-	256,086,054	(256,086,054)	-
Total segment revenue	5,009,387,118	461,297,574	294,044,308	(256,086,054)	5,508,642,946
Cost of sales- external customer	(2,908,585,545)	(183,231,089)	(163,451,376)	-	(3,255,268,010)
Cost of sales- inter segment	(252,640,225)	(8,924,090)	-	261,564,315	-
Total segment cost of sales	(3,161,225,770)	(192,155,179)	(163,451,376)	261,564,315	(3,255,268,010)
Gross profit	1,848,161,348	269,142,395	130,592,932	-	2,253,374,936
Other income	44,076,989	7,038,353	-	(40,533,261)	10,582,081
Financial income/(expenses)	204,934,862	(246,768)	4,017,229	(80,323,759)	128,381,564
Financial income/(expenses)	(7,459,571)	(116,393,091)	(295,367)	80,323,759	(43,824,270)
Depreciation	(238,101,526)	(43,878,064)	(18,812,492)	-	(300,792,082)
Other operating expenses	(879,147,098)	(365,191,667)	10,800,612	155,106,240	(1,078,431,913)
Share of profit of equity-accounted investee	-	-	-	-	(59,023,556)
Segment profit before tax	972,465,004	(249,528,842)	126,302,914	-	910,266,760
Income tax expense	(398,704,217)	(1,404,012)	(37,992,335)	-	(438,100,564)
Deferred tax	15,392,906	-	515,814	-	15,908,720
Non-controlling interests	-	(112,919,784)	38,195,349	-	(74,724,435)
Profit for the year					562,799,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

2013

	Business Segments					Entity total
	Ceramic & sanitary ware	Pharmaceuticals	Power	All other	Inter segment	
	Taka	Taka	Taka	Taka	Taka	
Revenue - external customers	4,687,262,509	444,371,710	37,590,989	-	-	5,169,225,208
Revenue - inter segment	-	-	249,472,135	-	(249,472,135)	-
Total segment revenue	4,687,262,509	444,371,710	287,063,124	-	(249,472,135)	5,169,225,208
Cost of sales- external customer	(2,715,064,977)	(195,357,065)	(162,581,216)	-	-	(3,073,003,258)
Cost of sales- inter segment	(246,934,141)	(8,016,255)	-	-	254,950,396	-
Total segment cost of sales	(2,961,999,118)	(203,373,320)	(162,581,216)	-	254,950,396	(3,073,003,258)
Gross profit	1,725,263,391	240,998,390	124,481,908	-	-	2,096,221,950
Other income	38,414,466	7,273,398	-	44,520	(31,537,507)	14,194,877
Financial income	213,035,252	542,985	1,235,679	39	(84,061,293)	130,752,662
Financial expenses	(12,722,910)	(115,746,043)	(328,830)	(1,120)	84,061,293	(44,737,610)
Depreciation	(296,422,661)	(45,175,742)	(30,118,164)	-	-	(371,716,567)
Other operating expenses	(485,340,963)	(365,030,809)	23,281,679	(128,814)	-	(827,218,907)
Share of profit of equity-accounted investee	-	-	-	-	-	(49,674,425)
Segment profit before tax	1,182,226,575	(277,137,821)	118,552,272	(85,375)	-	947,821,980
Income tax expense	(340,962,371)	-	(44,169,714)	-	-	(385,132,085)
Deferred tax	27,122,870	-	(287,387)	-	-	26,835,483
Non-controlling interests	-	(124,712,020)	31,860,922	(41,834)	-	(92,892,932)
Profit for the year						682,418,310

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
34	Earnings per share (EPS)		
	Calculation of earnings per share (EPS) is as under:		
	Earnings attributable to the ordinary shareholders		
	Profit attributable to equity holders of the Company	562,799,352	682,418,310
	No. of ordinary equity shares	336,850,611	336,850,611
	Weighted average no. of equity shares outstanding (Note-34.2)	336,850,611	336,850,611
	Earnings per share (EPS) for the year	1.67	2.03
34.1	Earnings attributable to the ordinary shareholders		
	Profit attributable to equity holders of the Company for the year from continuing operations	611,564,573	742,766,563
	No. of ordinary equity shares	336,850,611	336,850,611
	Weighted average no. of equity shares outstanding (Note-34.2)	336,850,611	336,850,611
	Earnings per share (EPS) for the year	1.82	2.21
34.2	Weighted average number of ordinary shares		
	The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. The weighted average number of shares is calculated by assuming that the shares have always been in issue. This means that they have been issued at the start of the year presented as the comparative figures.		
	Outstanding shares	306,227,829	306,227,829
	Effect of issue of bonus shares for the year 2013	30,622,782	30,622,782
		336,850,611	336,850,611
34.3	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.		
35	Contingent liabilities		
	There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 545,769,825 (31 Dec 2013: Tk 542,219,026). Considering the merits of the cases, it has not been deemed necessary to make provisions for all such disputed claims.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

There is also contingent liability in respect of outstanding letters of credit of Tk 1,343,080,962 (31 Dec 2013: Tk 423,523,967) and letter of guarantee of Tk 38,625,334 (31 Dec 2013: Tk 40,039,759).

36 Events after the reporting period

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited, at its 124th meeting held on 3 February 2015, has recommended cash dividend @ 25% (i.e. Tk 2.50 per share of Tk 10.00 each) for the year ended on 31 December 2014. These dividends are subject to final approval by the shareholders at the forthcoming Annual General Meeting (AGM) of the Company on 25 March 2015.

36.2 Other subsequent event

The Board of Directors of RAK Ceramics (Bangladesh) Limited, at its 124th meeting held on 3 February 2015, resolved that the entire shareholding i.e. 192,500 number of ordinary shares of Tk. 100 each of RAK-Mosfly (Bangladesh) Pvt. Ltd. held by RAK Ceramics (Bangladesh) Limited, an associate of RAK Ceramics (Bangladesh) Limited, be sold to Dr. M. A. Malek (existing shareholder of RAK-Mosfly (Bangladesh) Pvt. Ltd.) @ Tk. 100 per share totaling to Tk. 19,250,000 only subject to approval by the concerned authorities.



RAK Ceramics (Bangladesh) Limited

AUDITORS' REPORT AND
FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31
DECEMBER 2014

INDEPENDENT AUDITORS' REPORT

to the Shareholders of RAK Ceramics (Bangladesh) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of RAK Ceramics (Bangladesh) Limited, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Bangladesh Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of RAK Ceramics (Bangladesh) Limited as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and Securities and Exchange Rules 1987, 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;
- c) the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred was for the purposes of the Company's business.

Dhaka, 3 February 2015



Rahman Rahman Huq
Chartered Accountants

RAK Ceramics (Bangladesh) Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Note	2014 Taka	2013 Taka
Sales	22	5,009,387,118	4,687,262,509
Cost of sales	23	(3,161,225,770)	(2,961,999,118)
Gross profit		1,848,161,348	1,725,263,391
Other income	24	44,076,989	38,414,466
Administrative expenses	25	(403,879,105)	(235,662,788)
Marketing and selling expenses	26	(664,746,269)	(486,989,506)
		(1,024,548,385)	(684,237,828)
Profit from operating activities		823,612,963	1,041,025,563
Finance income	27	204,934,862	213,035,252
Finance expenses	28	(7,459,571)	(12,722,910)
Net finance income		197,475,291	200,312,342
Profit before contribution to workers' profit participation and welfare fund and income tax		1,021,088,254	1,241,337,905
Contribution to workers' profit participation and welfare fund		(48,623,250)	(59,111,329)
Profit before income tax		972,465,004	1,182,226,576
Income tax expense:			
Current tax	29	(398,704,217)	(340,962,371)
Deferred tax	16	15,392,906	27,122,870
		(383,311,311)	(313,839,501)
Profit for the year		589,153,693	868,387,075
Other comprehensive income		-	-
Total comprehensive income for the year		589,153,693	868,387,075
Basic earnings per share (par value Tk. 10)	34	1.75	2.58

The notes on pages 118 to 152 are an integral part of these financial statements.



Managing Director



Director



Company Secretary

As per our report of same date.

Dated: February 03, 2015



Auditor

Rahman Rahman Huq
Chartered Accountants

RAK Ceramics (Bangladesh) Limited
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Share capital	Share premium	Retained earnings	Total
	Taka	Taka	Taka	Taka
Balance as at 1 January 2013	2,783,889,350	1,473,647,979	1,857,027,139	6,114,564,468
Total comprehensive income for 2013				
Profit for the year	-	-	868,387,075	868,387,075
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2012)	-	-	(417,583,403)	(417,583,403)
Stock dividend (2012)	278,388,940	-	(278,388,940)	-
Balance as at 31 December 2013	<u>3,062,278,290</u>	<u>1,473,647,979</u>	<u>2,029,441,871</u>	<u>6,565,368,140</u>
Balance as at 1 January 2014	3,062,278,290	1,473,647,979	2,029,441,871	6,565,368,140
Total comprehensive income for 2014				
Profit for the year	-	-	589,153,693	589,153,693
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2013)	-	-	(459,341,744)	(459,341,744)
Stock dividend (2013)	306,227,820	-	(306,227,820)	-
Balance as at 31 December 2014	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>1,853,026,000</u>	<u>6,695,180,089</u>

The notes on pages 118 to 152 are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Limited
STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	2014	2013
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	4,786,300,855	4,699,771,401
Cash payments to suppliers and employees	(3,894,122,440)	(3,616,812,146)
Cash generated from operating activities	892,178,415	1,082,959,255
Interest received from bank deposit	2,397,804	3,687,887
Income tax paid	(326,221,005)	(313,765,850)
Net cash from operating activities	568,355,214	772,881,292
Cash flows from investing activities		
Acquisition of property, plant and equipment	(389,490,597)	(104,338,624)
Sale of property, plant and equipment	1,150,500	3,064,156
Loan to subsidiaries and associate	36,348,577	4,795,815
Investment in subsidiaries and associates	-	(30,630,000)
Interest received from FDR	107,117,449	165,893,802
Acquisition of Intangible assets	(5,222,551)	(595,496)
Dividend received	35,405,000	29,562,500
Net cash (used in)/from investing activities	(214,691,622)	67,752,153
Cash flows from financing activities		
Finance charges	(7,459,571)	(12,722,910)
Avail/(repayment) of short term loan	67,971,622	43,253,213
Dividends paid	(456,817,003)	(414,001,079)
Unclaimed share application fund	(441,602)	(863,996)
Net cash used in financing activities	(396,746,554)	(384,334,772)
Net increase/(decrease) in cash and cash equivalents	(43,082,962)	456,298,673
Cash and cash equivalents as at 1 January	1,437,778,798	981,480,125
Cash and cash equivalents as at 31 December (Note-14)	1,394,695,836	1,437,778,798

The notes on pages 118 to 152 are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Limited
NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2014

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) Limited 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, bathroom 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 and 1 September 2007 respectively.

2 Basis of preparation

2.1 Statement of compliance

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

The title and format of these financial statements follow the requirements of BFRSs 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 BFRSs 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 3 February 2015.

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 BFRSs 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 16 Deferred tax liability

Note 17 Employees benefit payable

Note 21 Provision for income tax

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

2.5 Reporting period

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

2.6 Going concern

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

3 Significant accounting policies

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

3.1 Property, plant and equipment

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

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

3.2 Depreciation on property, plant and equipment

Depreciation charged on the basis of straight line method. Depreciation continues to be charged on each item of property, plant and equipment until written down value of such fixed assets is reduced to Taka one. Depreciation on addition to fixed assets is charged from the day of their acquisition and charging of depreciation on property, plant and equipment ceases from the day on which the deletion thereof takes place. Capital work in progress and land are not depreciated.

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

Category of property, plant and equipment	Rate (%)
Factory building	5
General building	5
Head Office 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 is deemed to have an infinite life.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

3.3 Intangible assets

Expenditure to acquire designs and trade marks for manufacture of ceramic tiles and sanitary ware is capitalised. This is being amortised equally within a period of two to three years depending upon the tenure of accrual of benefits.

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

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

3.4 Capital work in progress

Capital work in progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use. Capital work in progress is recorded at cost to the extent of expenditure incurred at the date of statement of financial position. The amount of capital work in progress is transferred to appropriate asset category and depreciated when the asset is completed and commissioned.

3.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.5.1 Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in the statement of profit or loss and other comprehensive income.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented by the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

Loans and receivables

Loans and 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, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Non-derivative financial assets comprise investment in subsidiaries, investment in associates, loan to subsidiaries and associates, trade & other receivables and cash and cash equivalents.

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) Investment in associates

Investment in associates are recognised initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, investment in associates are measured at cost less impairment loss, if any.

c) Loan to subsidiaries & associates

Loan to subsidiaries & associates companies are recognised initially at fair value. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

d) 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 debts provision.

e) 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.

3.5.2 Financial liabilities

The Company recognises a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Non-derivative financial liabilities comprise trade & other payables, and interest bearing borrowings.

a) Trade & other payables

Trade & other payables are recognised initially at fair value. Subsequent to initial recognition, trade payables are stated at amortised cost using the effective interest method.

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.

3.6 Leased assets

Leases for which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease payments made under finance leases are apportioned between finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.7 Inventories

Inventories on hand are valued at the lower of cost and net realisable value. For raw materials and stores and consumable spares 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, direct labour and other overheads up to the stage of completion. Finished products are stated at lower of cost and net realisable value. 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. Raw materials in transit are valued at cost.

3.8 Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, loans and receivables are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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 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.

3.9 Share capital

Ordinary shares are classified as equity. Incremental costs attributable to the issue of ordinary shares are recognized 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.

3.10 Employee benefit schemes

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

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.

3.11 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 "Bangladesh Labour (Amendment) Act 2013".

3.12 Provisions

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

3.13 Revenue recognition

Revenue is measured at fair value of consideration received or receivable. Revenue from sale of goods is recognised when the company has transferred significant risk and rewards of ownership of the goods to the buyer and the revenue and costs incurred to effect the transaction can be measured reliably in compliance with the requirements of Bangladesh Accounting Standards (BAS)-18 "Revenue".

3.14 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.

3.15 Taxation

Income tax expenses comprises current 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 27.5% is used for the reporting period 2013 and 2014 as per Finance Act 2013 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

Deferred tax:

Deferred tax has been recognised in accordance with Bangladesh Accounting Standards (BAS)-12 "Income Tax". 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.

3.16 Foreign currency

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

3.17 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 periods.

3.18 Contingencies

3.18.1 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.

3.18.2 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.

3.19 Statement of cash flows

Statement of cash flows is prepared under direct method in accordance with Bangladesh Accounting Standard (BAS 7-Statement of cash flows) as required by the Securities and Exchange Rules 1987.

3.20 Duty drawback

Duty drawback paid on imported material is adjusted against export sales.

3.21 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.

3.22 Comparatives and reclassification

Comparative information have been disclosed in respect of 2014 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

4 Property, plant and equipment 2014

Amount in Taka

Particulars	Cost				Rate	Depreciation				Written down value as at 31 Dec 2014
	Balance as at 1 Jan 2014	Additions during the year	Sale/ disposal/ adjustment	Balance as at 31 Dec 2014		Balance as at 1 Jan 2014	Charged during the year	Sale/ disposal/ adjustment	Balance as at 31 Dec 2014	
Land	737,685,640	14,417,000	-	752,102,640	-	-	-	-	-	752,102,640
Factory building	430,017,773	12,837,673	-	442,855,446	5%	191,368,257	21,598,528	-	212,966,785	229,888,661
Factory office building	77,153,949	6,414,746	-	83,568,695	5%	29,865,712	4,103,298	-	33,969,010	49,599,685
Head office building	103,647,545	-	-	103,647,545	5%	33,156,989	5,182,377	-	38,339,366	65,308,179
Plant and machinery	2,787,004,701	85,917,961	-	2,872,922,662	10%	2,088,582,292	181,403,921	-	2,269,986,213	602,936,449
Mobile plant	55,710,184	3,672,276	-	59,382,460	10%	44,266,609	3,563,087	-	47,829,696	11,552,764
Electrical installation	153,384,563	-	-	153,384,563	10%	114,904,140	10,706,040	-	125,610,180	27,774,383
Gas pipeline	27,115,647	-	-	27,115,647	10%	25,522,391	571,013	-	26,093,404	1,022,243
Furniture and fixtures	25,232,163	610,898	-	25,843,061	10%	15,294,776	2,327,261	-	17,622,037	8,221,024
Office equipment	21,022,072	1,330,238	-	22,352,310	10-20%	13,247,365	2,460,714	-	15,708,079	6,644,231
Communication equipment	6,686,781	561,966	-	7,248,747	10-20%	2,599,385	752,191	-	3,351,576	3,897,171
Tools and appliances	7,114,816	492,719	-	7,607,535	10%	4,448,354	563,038	-	5,011,392	2,596,143
Vehicles	51,439,451	11,540,125	(2,522,831)	60,456,745	10%	20,955,187	4,870,058	(2,166,059)	23,659,186	36,797,559
Total at 31 December 2014	4,483,215,285	137,795,602	(2,522,831)	4,618,488,056		2,584,211,457	238,101,526	(2,166,059)	2,820,146,924	1,798,341,132

2013

Amount in Taka

Particulars	Cost				Rate	Depreciation				Written down value as at 31 Dec 2013
	Balance as at 1 Jan 2013	Additions during the year	Sale/ disposal/ adjustment	Balance as at 31 Dec 2013		Balance as at 1 Jan 2013	Charged during the year	Sale/ disposal/ adjustment	Balance as at 31 Dec 2013	
Land	716,945,813	20,739,827	-	737,685,640	-	-	-	-	-	737,685,640
Factory building	430,017,773	-	-	430,017,773	5%	169,867,368	21,500,889	-	191,368,257	238,649,516
Factory office building	59,320,533	17,833,416	-	77,153,949	5%	26,738,873	3,126,839	-	29,865,712	47,288,237
Head office building	103,647,545	-	-	103,647,545	5%	27,974,612	5,182,377	-	33,156,989	70,490,556
Plant and machinery	2,736,436,881	50,567,820	-	2,787,004,701	10%	1,850,526,561	238,055,731	-	2,088,582,292	698,422,409
Mobile plant	55,710,184	-	-	55,710,184	10%	40,047,817	4,218,792	-	44,266,609	11,443,575
Electrical installation	153,384,563	-	-	153,384,563	10%	101,811,817	13,092,323	-	114,904,140	38,480,423
Gas pipeline	27,115,647	-	-	27,115,647	10%	24,584,085	938,306	-	25,522,391	1,593,256
Furniture and fixtures	22,537,065	2,695,098	-	25,232,163	10%	13,163,523	2,131,253	-	15,294,776	9,937,387
Office equipment	19,987,301	1,100,771	(66,000)	21,022,072	10-20%	11,010,020	2,250,581	(13,236)	13,247,365	7,774,707
Communication equipment	3,959,043	2,727,738	-	6,686,781	10-20%	1,946,978	652,407	-	2,599,385	4,087,396
Tools and appliances	7,032,524	82,292	-	7,114,816	10%	3,793,226	655,128	-	4,448,354	2,666,462
Vehicles	51,202,501	4,455,968	(4,219,018)	51,439,451	10%	20,318,483	4,618,035	(3,981,331)	20,955,187	30,484,264
Total at 31 December 2013	4,387,297,373	100,202,930	(4,285,018)	4,483,215,285		2,291,783,363	296,422,661	(3,994,567)	2,584,211,457	1,899,003,828

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

4.1 Depreciation charged on the basis of the purpose of use

	2014	2013
	Taka	Taka
Cost of goods manufactured (Note-23.1)	218,405,626	278,461,166
Administrative expenses (Note-25)	19,695,900	17,961,495
	<u>238,101,526</u>	<u>296,422,661</u>

4.2 Disposal of property, plant and equipment

Year 2014

Particulars	Original cost	Accumulated depreciation	Book value	Receipts against sale.	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
CNG conversion	119,700	39,565	80,135	380,000	299,865
Vehicle	2,403,131	2,126,494	276,637	770,500	493,863
Total	2,522,831	2,166,059	356,772	1,150,500	793,728

Year 2013

Particulars	Original cost	Accumulated depreciation	Book value	Insurance claim receipt	Profit / (loss) on disposal
	Taka	Taka	Taka	Taka	Taka
I pad	66,000	13,236	52,764	56,082	3,318
Motor cycle	101,200	75,498	25,702	10,000	(15,702)
Vehicle	4,117,818	3,905,833	211,985	2,998,074	2,786,089
Total	4,285,018	3,994,567	290,451	3,064,156	2,773,705

5 Intangible assets

Balance as at 1 January

Add: Addition during the year

Less: Amortised during the year

Balance as at 31 December

	2014	2013
	Taka	Taka
	1,607,014	3,192,520
	5,222,551	595,496
	6,829,565	3,788,016
	2,014,112	2,181,002
	<u>4,815,453</u>	<u>1,607,014</u>

The intangible assets represent cost of BSTI license, renewal of patent etc. which are being amortised over the economic life of the assets. The amortisation of intangible assets is charged to the administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
6 Capital work in progress		
Balance as at 1 January	35,091,397	30,955,703
Add: Addition during the year	365,197,998	64,122,346
	400,289,395	95,078,049
Less: Transfer to property, plant & equipment during the year (Note-6.1)	108,842,656	59,175,701
Impairment loss on capital equipment	2,330,173	-
Discontinued project	-	810,951
Balance as at 31 December	289,116,566	35,091,397
Capital work in progress includes construction work for factory office building, factory building, plant and machinery, communication equipment etc.		
6.1 Items transferred from capital work in progress to property, plant & equipment		
Factory office building	6,414,746	17,833,416
Factory building	12,837,673	-
Plant and machinery	85,917,961	37,158,989
Mobile plant	3,672,276	-
Communication equipment	-	2,347,396
Furniture & fixture	-	1,835,900
	108,842,656	59,175,701
7 Investment in subsidiaries and associates (Note-7.1)		
Investment in subsidiaries		
RAK Pharmaceuticals Pvt. Ltd.	-	517,020,800
RAK Power Pvt. Ltd.	116,850,000	116,850,000
	116,850,000	633,870,800
Investment in associates		
RAK Security & Services Pvt. Ltd.	350,000	350,000
RAK Paints Pvt. Ltd.	246,750,000	246,750,000
RAK-Mosfly (Bangladesh) Pvt. Ltd.	19,250,000	19,250,000
	266,350,000	266,350,000
	383,200,000	900,220,800

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

7.1 Details of investments in subsidiaries and associates

Name of subsidiaries/associates	Nature of business	% of holding		2014 Taka	2013 Taka
		2014	2013		
RAK Pharmaceuticals Pvt. Ltd.	Pharmaceuticals business	55	55	361,914,560	517,020,800
RAK Power Pvt. Ltd.	Electricity generation	57	57	116,850,000	116,850,000
RAK Security & Services Pvt. Ltd.	Security services provider	35	35	350,000	350,000
RAK Paints Pvt. Ltd.	Paints products	47	47	246,750,000	246,750,000
RAK-Mosfly (Bangladesh) Pvt. Ltd.	Pesticides products	20	20	19,250,000	19,250,000

8 Investment held for sale

RAK Pharmaceuticals Pvt. Ltd. (Note-36.1)

2014 Taka	2013 Taka
361,914,560	-
361,914,560	-

9 Loan to subsidiary and associate

Non-current

RAK Pharmaceuticals Pvt. Ltd.

RAK Paints Pvt. Ltd.

500,000,000	500,000,000
18,193,968	59,597,389
518,193,968	559,597,389

Current

RAK Paints Pvt. Ltd.

40,661,640	35,606,796
40,661,640	35,606,796
558,855,608	595,204,185

10 Trade and other receivables

Non-current

Accrued interest on loan to subsidiary

187,146,983	43,400,792
187,146,983	43,400,792

Current

Trade receivables (Note-10.1)

Accrued interest (Note-10.2)

Accrued rental income

Receivable against disposal of investment (Note-10.3)

559,888,879	498,577,089
147,041,464	215,720,938
-	190,000
6,120,000	6,120,000
713,050,343	720,608,027
900,197,326	764,008,819

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
10.1	Trade receivables		
	Receivable from dealers	556,479,058	498,577,089
	Receivable from export sales	3,409,821	-
		559,888,879	498,577,089
10.2	Accrued Interest		
	Interest accrued on FDR	9,623,896	14,880,938
	Interest accrued on loan to subsidiaries	137,417,568	200,840,000
		147,041,464	215,720,938
10.3	Receivable against disposal of investment		
	Classic Porcelain Pvt. Ltd.	5,100,000	5,100,000
	RAK Food & Beverage Pvt. Ltd.	1,020,000	1,020,000
		6,120,000	6,120,000
11	Advances, deposits and prepayments		
	Advances		
	Employees	141,984	53,604
	Purchase of land and others	4,666,166	19,027,849
	Suppliers against materials and services	233,484,313	71,799,596
		238,292,463	90,881,049
	Security and other deposits		
	Titas gas	14,342,370	14,342,370
	Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
	VAT and Supplementary duty (Note-11.1)	40,633,658	28,517,569
	Deposited with income tax authority	9,705,739	9,705,739
	Deposited with VAT authority	8,187,661	8,187,661
	Other deposits	652,925	652,425
		75,477,353	63,360,764
	Prepayments		
	House rent	8,307,000	9,350,076
	Insurance	36,666,250	25,308,443
		44,973,250	34,658,519
		358,743,066	188,900,332

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
11.1	VAT and supplementary duty		
	Balance as at 1 January	28,517,569	35,443,670
	Add: Treasury deposit for SD & VAT purpose	1,049,000,000	893,000,000
	Rebate of input VAT	240,376,430	296,052,997
		1,317,893,999	1,224,496,667
	Add: Receivable - SD & VAT	39,435	73,330
		1,317,933,434	1,224,569,997
	Less: SD & VAT on sales	1,272,063,732	1,193,130,747
	Payable - SD & VAT	1,227,418	2,921,681
	Payable - VAT on disposal of raw material (Note-22.1)	4,008,626	-
		1,277,299,776	1,196,052,428
	Balance as at 31 December	40,633,658	28,517,569
12	Advance income tax		
	Balance as at 1 January	1,586,060,753	1,272,294,902
	Add: Paid during the year	421,372,861	313,765,851
		2,007,433,614	1,586,060,753
	Less : Adjustment made during the year	95,151,856	-
	Balance as at 31 December	1,912,281,758	1,586,060,753
12.1	Head wise payment		
	Import	451,476,904	399,186,392
	Export	898,521	754,981
	Supplies	119,221	119,221
	Interest on bank deposit	47,881,767	49,778,920
	Rental income	1,451,086	1,057,173
	Registration	1,664,701	1,126,700
	Dividend	20,144,500	13,063,500
	Paid in cash	1,388,645,058	1,120,973,866
		1,912,281,758	1,586,060,753

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
12.2	Year wise closing balance		
	<u>Income year</u>		
	Current year	223,701,667	-
	Year 2013	352,440,807	217,565,338
	Year 2012	301,027,378	301,027,378
	Year 2011	322,755,413	322,755,413
	Year 2010	260,990,276	260,990,276
	Year 2009	218,086,876	155,291,151
	Year 2008	85,378,847	85,378,847
	Year 2007	124,813,161	124,813,161
	Year 2006 (unadjusted balance)	23,087,333	95,937,931
	Year 2005	-	3,197,658
	Year 2004	-	1,607,895
	Year 2003	-	1,746,309
	Year 2002	-	879,941
	Year 2001	-	9,689,804
	Year 2000	-	5,176,302
	Year 1999	-	3,349
		1,912,281,758	1,586,060,753
13	Inventories		
	Raw materials	702,273,301	870,909,534
	Less: Provision for obsolescence (Note-13.1)	2,620,004	-
		699,653,297	870,909,534
	Stores and consumable spares	823,178,387	744,314,809
	Finished goods	100,488,293	201,583,295
	Work in process	24,813,352	27,666,898
	Goods in transit	126,554,452	13,905,346
		1,774,687,781	1,858,379,882
13.1	Provision for obsolescence		
	Balance as at 1 January	-	-
	Add: Provision for obsolescence made during the year	2,620,004	-
		2,620,004	-
	Less: Write off	-	-
	Balance as at 31 December	2,620,004	-

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
14	Cash and cash equivalents		
	Cash in hand	1,183,111	2,761,807
	Cash at banks		
	HSBC (current account - 001-013432-011 - BDT)	23,545,940	16,277,792
	Standard Chartered Bank (current account - 01-6162940-01 - BDT)	96,648,206	158,101,785
	Agrani Bank Limited (current account - 075533005368 - BDT)	-	305
	Citibank, N.A. (current account - G010000200262018 - BDT)	15,966,434	22,603,156
	Dutch-Bangla Bank Ltd. (current account - 117 - 110 - 12733 - BDT)	12,674,083	5,913,840
	HSBC (ERQ account - 001-013432-047 - USD)	346,764	984,551
	Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	1,108	2,134,362
	HSBC (margin money - 001-013432-301 - BDT)	-	-
	Citibank, N.A. (margin money - BDT)	-	-
	EXIM Bank (SND account - 01513100031877 - BDT)	526,074	514,269
	Dutch-Bangla Bank Ltd. (SND account - 117-120-589 - BDT)	89,933,452	36,629,494
	BRAC Bank Ltd. (STD - 1513101731248001 - BDT)	346,514	338,895
	Prime Bank Ltd. (SND - 12531010022563 - BDT)	50,777,650	26,880,635
	Commercial Bank of Ceylon (SND - 2817000777 - BDT)	1,668,460	-
	Commercial Bank of Ceylon (current account - 1817000776 - BDT)	-	-
		292,434,685	270,379,084
	IPO bank account		
	Citibank, N.A. (RAK-IPO central account - G010001200262022 - BDT)	1,394,797	1,804,384
	Citibank, N.A. (RAK-IPO-NRB subscription - G010000200262042 - USD)	3,941,472	3,951,074
	Citibank, N.A. (RAK-IPO-NRB subscription - G010000200262026 - EURO)	153,608	153,608
	Citibank, N.A. (RAK-IPO-NRB subscription - G010000200262034 - GBP)	126,593	126,593
		5,616,470	6,035,659
	Dividend bank account		
	BRAC Bank Ltd. (current - 1510201731248001 - BDT) - 2010	2,536,000	2,395,744
	BRAC Bank Ltd.(current - 1513201731248001 - BDT) - 2011	2,237,667	2,148,624
	Standard Chartered Bank (current - 02-6162940-02 - BDT) - 2012	3,884,188	4,057,880
	Standard Chartered Bank (current - 02-6162940-03 - BDT) - 2013	16,803,715	-
		25,461,570	8,602,248
	Investment in Fixed Deposit Receipt (FDR)		
	HSBC	30,000,000	30,000,000
	Prime Bank Ltd.	280,000,000	260,000,000
	Dutch-Bangla Bank Ltd.	760,000,000	860,000,000
		1,070,000,000	1,150,000,000
	Total	1,394,695,836	1,437,778,798

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
15	Share capital		
	Authorised		
	600,000,000 ordinary shares of Tk 10 each	6,000,000,000	6,000,000,000
	Issued, subscribed, called and paid up	3,368,506,110	3,062,278,290

336,850,611 ordinary shares of Tk 10 each (2013: 306,227,829 ordinary shares)

Percentage of shareholding

	2014		2013	
	%	Taka	%	Taka
RAK Ceramics PSC, UAE	72.41	2,439,100,210	72.41	2,217,363,830
S.A.K. Ekramuzzaman	4.81	162,119,850	5.41	165,563,500
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	280	0.00	260
Sheikh Omer Bin Saqr Al Qassimi	0.00	280	0.00	260
Sheikh Ahmad Bin Humaid Al Qassimi	0.00	280	0.00	260
Hamad Abdulla Al Muttawa	0.00	140	0.00	130
Dr. Khater Massaad	0.00	140	0.00	130
Abdallah Massaad	0.00	140	0.00	130
Manoj Uttamrao Ahire	0.00	140	0.00	130
General Public	22.78	767,284,650	22.18	679,349,660
	100.00	3,368,506,110	100.00	3,062,278,290

Classification of shareholders by range

Shareholder's range	Number of shareholders		Number of shares	
	2014	2013	2014	2013
Less than 500 shares	41,596	46,960	8,569,150	9,717,485
501 to 5,000 shares	10,676	10,381	14,479,036	13,119,635
5001 to 10,000 shares	677	514	4,863,871	3,599,643
10,001 to 20,000 shares	288	186	4,124,063	2,580,341
20,001 to 30,000 shares	91	58	2,266,150	1,432,712
30,001 to 40,000 shares	39	41	1,372,875	1,421,481
40,001 to 50,000 shares	36	15	1,656,884	667,999
50,001 to 100,000 shares	65	45	4,686,055	3,027,601
100,001 to 1,000,000 shares	44	39	10,851,017	9,727,969
Over 1,000,000 shares	8	8	283,981,510	260,932,963
	53,520	58,247	336,850,611	306,227,829

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
16 Deferred tax liability		
Balance as at 1 January	56,957,686	84,080,556
Deferred tax (income)/expenses	(15,392,906)	(27,122,870)
Balance as at 31 December	41,564,780	56,957,686

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
	As at 31 December 2014		
Property, plant and equipment (excluding land & others)	902,605,352	746,510,519	156,094,833
Provision for obsolescence	(2,620,004)	-	(2,620,004)
Impairment loss on capital equipment	(2,330,173)	-	(2,330,173)
Net taxable temporary difference			151,144,656
Deferred tax liability (applying tax rate 27.50%)			41,564,780
As at 31 December 2013			
Property, plant and equipment (excluding land & others)	1,010,409,454	803,290,595	207,118,859
Net taxable temporary difference			207,118,859
Deferred tax liability (applying tax rate 27.50%)			56,957,686

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
17	Employees benefit payable		
	Provident fund	2,533,320	2,025,431
	Gratuity fund	68,155,006	10,817,745
		70,688,326	12,843,176

2014			
	Provident Fund Taka	Gratuity Fund Taka	Total Taka
Balance as at 1 January	2,025,431	10,817,745	12,843,176
Add: Provision made during the year	29,098,942	68,155,006	97,253,948
	31,124,373	78,972,751	110,097,124
Less: Payments made to fund during the year	28,591,053	10,817,745	39,408,798
Balance as at 31 December	2,533,320	68,155,006	70,688,326

2013			
	Provident Fund Taka	Gratuity Fund Taka	Total Taka
Balance as at 1 January	1,012,359	9,947,277	10,959,636
Add: Provision made during the year	24,921,688	10,817,745	35,739,433
	25,934,047	20,765,022	46,699,069
Less: Payments made to fund during the year	23,908,616	9,947,277	33,855,893
Balance as at 31 December	2,025,431	10,817,745	12,843,176

		2014	2013
		Taka	Taka
18	Short term borrowings		
	HSBC	223,321,289	200,335,831
	Standard Chartered Bank	100,433,874	-
	Citibank, N.A.	-	55,447,710
		323,755,163	255,783,541

The company enjoys off-shore financing from HSBC, Standard Chartered Bank & Citibank, N.A. on its outstanding import bills as deferred payment bills under letter of credits.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

18.1 Facilities details

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security
SCB	Overdraft	50,000,000	-	Revolving	From company's own source	1) Letter of comfort, 2) Hypothecation over plant & machinery on parri - passu basis with other lenders. 3) Hypothecation over stock & book debts on a parri - passu basis with other lenders. 4) Demand promissory note.
	Short term loan	350,000,000	100,433,874	180/360 days from B/L date		
HSBC	Overdraft	25,000,000	-	Revolving	From company's own source	
	Short term loan	320,000,000	223,321,289	180/360 days from B/L date		
Citibank N.A.	Overdraft	50,000,000	-	Revolving	From company's own source	
	Short term loan	700,000,000	-	180/360 days from B/L date		
Dutch-Bangla Bank Ltd.	Overdraft	25,000,000	-	Revolving	From company's own source	
	Short term loan	125,000,000	-	180/360 days from B/L date		

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19 Trade and other payables

Trade payables

Local suppliers

Foreign suppliers

Service provider

C & F agent

Other payables

Tax deducted at source

VAT deducted at source

Dividend Payable

Unclaimed share application

Advance from customer against sales

Claim payable to employee

Security deposit

Total

	2014	2013
	Taka	Taka
	116,680,316	87,013,714
	113,317,401	49,831,597
	36,951,327	30,920,032
	29,259,647	7,408,261
	296,208,691	175,173,604
	13,817,816	14,131,416
	2,102,495	2,271,344
	25,068,749	22,544,009
	19,791,236	20,232,839
	12,775,647	11,220,064
	320,760	-
	91,740	-
	73,968,443	70,399,672
	370,177,134	245,573,276

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
20	Accrued expenses		
	Power and gas	11,101,545	11,405,105
	Staff cost	42,413,687	34,672,061
	Audit fees	800,000	500,000
	Taxation matter	200,000	200,000
	Interest on short term loan	669,474	583,498
	Telephone	148,650	300,850
	Managing Director's remuneration (Note-20.1)	30,682,702	38,340,648
	Workers profit participation and welfare fund (Note-20.2)	48,623,250	59,111,329
	Royalty and technical know-how fee (Note-20.3)	38,352,170	225,676,743
		172,991,478	370,790,234
20.1	Managing Director's remuneration		
	Balance as at 1 January	38,340,648	36,225,372
	Add: Payable to Managing Director	30,682,702	38,340,648
		69,023,350	74,566,020
	Less: Paid to Managing Director	38,340,648	36,225,372
	Balance as at 31 December	30,682,702	38,340,648
20.2	Workers' profit participation and welfare fund		
	Balance as at 1 January	59,111,329	57,500,590
	Add: Contribution made to the fund during the year	48,623,250	59,111,329
		107,734,579	116,611,919
	Less: Payment made from the fund during the year	59,111,329	57,500,590
	Balance as at 31 December	48,623,250	59,111,329
20.3	Royalty and technical know-how fee		
	Balance as at 1 January	225,676,743	219,094,868
	Add: Provision made during the year	72,407,557	90,479,404
		298,084,300	309,574,272
	Less: Payment made during the year for 2011 & 2012	154,258,821	-
	VAT on royalty deposited for the year 2010	34,734,242	-
	Tax on royalty paid for the year 2011	-	10,639,933
	Reversal of excess provision for the year 2012	-	19,461,872
	Tax provision on excess royalty paid in 2008	30,739,067	31,000,000
	Tax provision on excess royalty paid in 2009	40,000,000	22,795,724
	Balance as at 31 December	38,352,170	225,676,743

Royalty has been calculated @ 8% of profit before tax or 2.5% of net sales, whichever is lower.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
21	Provision for income tax		
	Balance as at 1 January	1,758,939,755	1,417,977,384
	Add: Provision made for current year	327,965,150	318,166,647
	Provision made for prior years	70,739,067	22,795,724
	Less: Adjustment made during the year	95,151,856	-
	Balance as at 31 December (Note-21.1)	2,062,492,116	1,758,939,755
21.1	Year wise closing balance		
	Income year		
	Current year (Note-29)	327,965,150	-
	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	294,048,668	294,048,668
	Year 2009	266,823,984	226,823,984
	Year 2008	147,117,914	116,378,847
	Year 2007	80,163,573	80,163,573
	Year 2006	-	89,730,898
	Year 2005	-	5,242,907
	Year 2004	-	20,925
	Year 2003	-	45,563
	Year 2002	-	111,563
		2,062,492,116	1,758,939,755

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

22 Sales

	Unit	2014		2013	
		Quantity in mio	Amount Taka	Quantity in mio	Amount Taka
Local					
Tiles	Sft	65.27	3,922,694,679	62.73	3,682,931,963
Decor/Border	Pcs	0.77	99,802,757	0.82	104,122,733
Sanitary ware	Pcs	1.33	2,232,169,404	1.29	2,067,194,252
			6,254,666,840		5,854,248,948
Less: Supplementary Duty			456,237,754		429,533,344
			5,798,429,086		5,424,715,604
Less: VAT			815,825,978		763,597,403
			4,982,603,108		4,661,118,201
Export	Sft	0.49	26,784,010	0.43	26,144,308
			5,009,387,118		4,687,262,509

22.1 Sale of raw material after taking necessary approval from VAT Authority (Vide Nothi No. 4/LTU-Mushak/Sa-2/25/Misc/RAK/14/10881, Dt. 01/09/2014) has been adjusted with inventory raw materials (Note-13) during the year, details of which is noted below:

Name of raw material	Qty (Kg)	Per Kg (Taka)	Gross sale (Taka)
Malaysian Ball Clay (Kaolin)	4,900,000	6.2720	30,732,800
Less: VAT payable			4,008,626
Net sales			26,724,174

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Cost of sales

	2014 Taka	2013 Taka
Opening stock of finished goods	201,583,295	72,557,895
Add: Cost of goods manufactured (Note-23.1)	3,060,130,768	3,091,024,518
Cost of goods available for sale	3,261,714,063	3,163,582,413
Less: Closing stock of finished goods	100,488,293	201,583,295
	3,161,225,770	2,961,999,118

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
23.1	Cost of goods manufactured		
	Material consumed:		
	Opening stock	870,909,534	867,867,575
	Add: Purchase during the year	1,406,944,096	1,640,220,113
	Less: Closing stock	699,653,297	870,909,534
		1,578,200,333	1,637,178,154
	Factory overhead:		
	Direct labour (Note-23.1.1)	298,525,065	231,144,985
	Direct expenses:		
	Power and gas	390,146,061	391,630,603
	Repairs and indirect materials (Note-23.1.2)	514,575,894	491,023,126
	Moulds and punches	27,418,733	22,220,803
	Depreciation (Note-4.1)	218,405,626	278,461,166
	Royalty and technical know-how fees (Note-23.1.3)	1,668,490	17,221,808
	Other production overhead (Note-23.1.4)	28,337,020	21,235,488
		1,479,076,889	1,452,937,979
		3,057,277,222	3,090,116,133
	Add: Opening work in process	27,666,898	28,575,283
	Less: Closing work in process	24,813,352	27,666,898
		2,853,546	908,385
		3,060,130,768	3,091,024,518
23.1.1	Direct labour		
	Salary and wages	155,641,615	132,833,005
	Overtime	16,507,859	13,012,301
	Bonus	22,227,890	23,040,055
	Incentive	5,491,672	10,441,082
	Temporary labour wages	44,554,610	36,087,975
	Gratuity	44,157,264	6,974,323
	Employers' contribution to provident fund	8,557,052	7,578,536
	Group life insurance	1,387,103	1,177,708
		298,525,065	231,144,985
23.1.2	Repairs and indirect materials		
	Stores, spares, repair & maintenance	274,599,693	239,665,643
	Packing expenses	239,976,201	251,357,483

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
23.1.3 Royalty & technical know-how fee	514,575,894	491,023,126
Royalty and technical know-how fee	72,407,557	90,479,404
Less: Reversal of excess provision for the year 2012	-	19,461,872
Less: Tax provision on excess royalty paid in the year 2008	30,739,067	31,000,000
Less: Tax provision on excess royalty paid in the year 2009	40,000,000	22,795,724
	1,668,490	17,221,808
23.1.4 Other production overhead		
Hotel fare and expenses for technician	4,054,205	4,211,028
Demurrage	5,817,167	3,745,067
Insurance	12,509,430	13,034,293
Impairment loss on capital equipment	2,330,173	-
Provision for obsolescence	2,620,004	-
Other expenses	1,006,041	245,100
	28,337,020	21,235,488

23.2.1 Quantitative details of opening stock, purchase/production, consumption/sales and closing stock of raw materials and finished goods

Quantity in mio

Description	Unit	Opening stock	Purchase / Production	Sale/ Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials	KG				
Current year		122.43	147.79	166.27	103.95
Previous year		137.21	151.49	166.27	122.43
Finished goods					
Tiles:	Sft				
Ceramics/granite					
Current year		5.48	62.89	65.77	2.60
Previous year		0.63	68.02	63.17	5.48
Decor/border	Pcs				
Current year		0.10	0.77	0.77	0.10
Previous year		0.12	0.80	0.82	0.10
Sanitary ware					
Sanitary items	Pcs				
Current year		0.05	1.30	1.33	0.02
Previous year		0.05	1.29	1.29	0.05

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

23.2.2 Production capacity and actual production are given below:

2014

Quantity in mio

Production	Unit	Installed Capacity	Utilisation during the year	% of Utilisation	Over/(Under) Utilisation (mio)
		Annual			
Tiles	Sft	86.40	62.89	73%	(23.51)
Sanitary ware	Pcs	1.10	1.30	118%	0.20

2013

Quantity in mio

Production	Unit	Installed Capacity (mio)	Utilisation during the year	% of Utilisation	Over/(Under) Utilisation
		Annual			
Tiles	Sft	86.40	68.02	79%	(18.38)
Sanitary ware	Pcs	1.10	1.29	117%	0.19

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24	Other income
	Dividend income
	Rental income
	Profit on sale of fixed assets (Note-4.2)

2014	2013
Taka	Taka
35,405,000	29,562,500
7,878,261	6,078,261
793,728	2,773,705
<u>44,076,989</u>	<u>38,414,466</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	2014	2013
	Taka	Taka
25 Administrative expenses		
Staff cost (Note-25.1)	116,744,266	100,340,839
Meeting expenses-Admin	18,992,681	23,251,851
Telephone, postage and supplies	4,230,621	4,994,148
Office repair and maintenance (Note-25.2)	9,085,235	7,906,620
Registration and renewal	1,221,401	631,375
Security and guard expenses	12,301,822	10,338,724
Electricity, gas and water	6,154,408	4,650,653
Depreciation (Note-4.1)	19,695,900	17,961,495
Amortisation (Note-5)	2,014,112	2,181,002
Legal and professional fees	5,013,463	3,538,757
Vehicle repair and maintenance	8,374,181	7,921,170
Rent rate and tax	6,597,454	6,301,348
CSR expenses	2,898,000	3,092,000
Impairment loss of investment (Note-36.1)	155,106,240	-
Others	4,766,619	4,212,158
Managing Director's remuneration (Note-25.3)	30,682,702	38,340,648
	<u>403,879,105</u>	<u>235,662,788</u>
25.1 Staff cost		
Salary and wages	71,327,703	70,765,415
Bonus	9,350,510	10,430,572
Incentive	4,168,551	5,196,262
Gratuity	19,191,678	3,172,693
Employers contribution to provident fund	4,009,091	1,763,835
Group life insurance	594,668	628,874
Canteen expenses	991,693	1,115,237
Staff welfare expenses	390,899	436,231
Hotel, tour, food and air ticket	4,213,682	4,001,770
Food expenses	2,062,011	1,883,828
Medical expenses	294,258	516,922
Accommodation	149,522	429,200
	<u>116,744,266</u>	<u>100,340,839</u>
25.2 Office repair & maintenance		
Repairs office equipment	679,572	490,265
Office maintenance	8,405,663	7,416,355
	<u>9,085,235</u>	<u>7,906,620</u>
25.3	This represents provision made @ 3% of net profit before tax.	

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
26	Marketing and selling expenses		
	Staff cost (Note-26.1)	27,678,387	18,505,004
	Advertisement	20,563,727	14,512,359
	Freight and transportation	194,983,067	157,666,471
	Performance rebates (Note-26.2)	230,416,756	195,608,966
	Business promotion	23,176,142	17,374,540
	Discount	155,425,577	72,245,943
	Travel, entertainment and others	12,502,613	11,076,223
		664,746,269	486,989,506
26.1	Staff cost		
	Salary and wages	17,164,411	12,960,339
	Bonus	2,888,064	2,276,955
	Incentive	1,445,730	1,487,607
	Gratuity	4,806,064	670,729
	Employers' contribution to provident fund	938,762	751,925
	Group life insurance	149,112	111,094
	Food expenses	286,244	246,355
		27,678,387	18,505,004
26.2	Performance rebates		
	Compensation	28,046,174	2,564,373
	Dealers' commission	98,294,546	94,990,174
	Breakage commission	104,076,036	98,054,419
		230,416,756	195,608,966
27	Finance income		
	Interest on bank account (SND)	2,397,804	3,687,887
	Interest on subsidiary & associate	89,030,563	98,211,912
	Interest on FDR	93,153,603	106,021,097
	Exchange gain	20,352,892	5,114,356
		204,934,862	213,035,252
28	Finance expenses		
	Interest expenses	6,721,529	11,696,169
	Bank charges	738,042	1,026,741
		7,459,571	12,722,910

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

		2014	2013
		Taka	Taka
29	Income tax expense		
	Current year	327,965,150	318,166,647
	Prior years	70,739,067	22,795,724
		398,704,217	340,962,371
30	Transaction in foreign currency		
	CIF value of import:		
	Raw materials	898,369,493	1,059,742,567
	Spare parts	186,655,991	231,832,180
	Capital machinery	231,745,996	25,928,843
	Expenditure:		
	Royalty, consultancy & training fees	114,990,504	-
	Dividend	315,974,346	287,249,406
	Earning in foreign currency:		
	FOB value of exports	26,784,010	26,144,308
		1,774,520,340	1,630,897,304

31 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

31.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivables 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

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 USD		Amount in Taka	
	As at 31 Dec 2014	As at 31 Dec 2013	As at 31 Dec 2014	As at 31 Dec 2013
Trade receivables				
Customer-Local	-	-	556,479,058	498,577,089
Customer-Export	43,744	-	3,409,821	-
	<u>43,744</u>	<u>-</u>	<u>559,888,879</u>	<u>498,577,089</u>
Other receivables				
Accrued rental income			-	190,000
Accrued Interest			334,188,447	259,121,730
Receivable against disposal of investment			6,120,000	6,120,000
			<u>340,308,447</u>	<u>265,431,730</u>
Loan to subsidiary & associate				
RAK Pharmaceuticals Pvt. Ltd			500,000,000	500,000,000
RAK Paint Pvt. Ltd.			58,855,608	95,204,185
			<u>558,855,608</u>	<u>595,204,185</u>
Cash equivalents			<u>1,393,512,725</u>	<u>1,435,016,991</u>

b) Aging of receivables

The aging of trade receivables as at 31 December was:

Not past due
0-90 days past due

	Amount in Taka	
	As at 31 Dec 2014	As at 31 Dec 2013
Not past due	-	-
0-90 days past due	559,888,879	498,577,089

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

31.2 Liquidity risk

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

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

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

	As at 31 Dec 2014			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Short term borrowings	323,755,163	323,755,163	323,755,163	-
Trade and other payables	370,177,134	370,177,134	370,177,134	-
	<u>693,932,298</u>	<u>693,932,298</u>	<u>693,932,298</u>	<u>-</u>

	As at 31 Dec 2013			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Short term borrowings	255,783,541	255,783,541	255,783,541	-
Trade and other payables	245,573,276	245,573,276	245,573,276	-
	<u>501,356,817</u>	<u>501,356,817</u>	<u>501,356,817</u>	<u>-</u>

31.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

	As at 31 Dec 2014			As at 31 Dec 2013		
	USD	EURO	JPY	USD	EURO	AED
Foreign currency denominated assets						
Receivables from customers-Export	43,744	-	-	-	-	-
Cash at bank	4,463	-	-	40,400	-	-
	48,207	-	-	40,400	-	-

	As at 31 Dec 2014			As at 31 Dec 2013		
	USD	EURO	JPY	USD	EURO	AED
Foreign currency denominated liabilities						
Trade payables	39,122	792,081	-	7,056	445,560	33,511
Short term bank loan	2,178,966	1,529,916	4,900,000	3,188,661	59,000	-
Royalty & technical know-how fees	485,778	-	-	2,885,892	-	-
	2,703,866	2,321,997	4,900,000	6,081,609	504,560	33,511
Net exposure	(2,655,658)	(2,321,997)	(4,900,000)	(6,041,209)	(504,560)	(33,511)

The Company has foreign exchange gain of Tk 20,352,892 during the year ended 31 Dec 2014 (31 Dec 2013: Exchange gain Tk 5,114,356).

The following significant exchange rates have been applied:

	Exchange rate	
	As at 31 Dec 2014	As at 31 Dec 2013
USD	78.4500	77.7000
EURO	95.0040	106.9858
AED	21.0312	21.1587
JPY	0.6608	0.7463

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 Dec 2014		As at 31 Dec 2013	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
USD (3 percent movement)	(82,134)	77,349	(186,842)	175,958
EURO (3 percent movement)	(71,814)	67,631	(15,605)	14,696
AED (3 percent movement)	-	-	(1,036)	976
JPY (3 percent movement)	(151,546)	142,718	-	-

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as it has neither floating interest rate bearing financial liabilities nor entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

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

	Carrying amount	
	Amount in Taka	
	As at 31 Dec 2014	As at 31 Dec 2013
Fixed rate instruments		
Financial assets		
Investment in FDR	1,070,000,000	1,150,000,000
Cash at banks	323,512,724	285,016,991
Financial liabilities		
Short term bank loan	323,755,163	255,783,541

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 2014		As at 31 Dec 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Assets carried at fair value through profit or loss	-	-	-	-
Held to maturity assets				
Investment in FDR	1,070,000,000	1,070,000,000	1,150,000,000	1,150,000,000
Loans and receivables				
Trade receivables	559,888,879	559,888,879	498,577,089	498,577,089
Other receivables	340,308,447	340,308,447	265,431,730	265,431,730
Loan to subsidiary and associate	558,855,608	558,855,608	595,204,185	595,204,185
Cash equivalents	1,393,512,725	1,393,512,725	1,435,016,991	1,435,016,991
Available for sale financial assets				
Financial liabilities				
Liabilities carried at amortised costs				
Short term borrowings	323,755,163	323,755,163	255,783,541	255,783,541
Trade and other payables	370,177,134	370,177,134	245,573,276	245,573,276

Accounting classification and fair values as at 31 December 2014 in respect of the separate financial statements does not vary

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

significantly from the consolidated one.

Interest rates used for determining amortised cost

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

	As at 31 Dec 2014	As at 31 Dec 2013
Investment in FDR	6.40%-8.25%	9%-11.50%
Bank overdraft	12%-13.50%	15%-15.50%
Short term bank loan (local currency)	12%-13.50%	14.50% 15.50%
Short term bank loan (foreign currency/USD)	Libor+(2.75%-3.84%)	Libor+(2.75%-3.84%)

32 Related party disclosures

During the year ended 31 December 2014, Company entered into a number of transactions with related parties in the normal course of business. The names of the related parties, nature of these transactions and amount thereof have been set out below in accordance with the provisions of BAS 24- "Related Party Disclosures".

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

	2014 Taka	2013 Taka
Subsidiary companies		
Purchase of goods/services	247,161,964	241,455,880
Interest receivables	324,564,552	244,240,792
Rental income	5,478,261	5,478,261
Loan	500,000,000	500,000,000
Outstanding payables	20,866,849	20,156,862
Associate companies		
Sales of goods/services	2,636	10,538
Purchase of goods/services	59,832,702	49,079,895
Loan	58,855,608	95,204,185
Outstanding payables	5,132,684	4,612,730
Key management personnel		
Remuneration	38,584,422	51,587,062
Outstanding remuneration payables	31,212,702	38,735,613
Other related parties		
Sales of goods/services	1,984,165,557	1,915,618,001
Purchase of goods/services	133,506,715	213,518,834
Outstanding payables	14,678,615	22,770,358
Outstanding receivables	442,457,474	399,158,670

32.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka 30,682,702.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

During the year, Board meeting fees of Taka 14,500 was paid to the board members for attending the Board meetings.

33 Number of employees

The number of employees engaged for the period who received total remuneration of Taka 36,000 and above was 1360 (31 Dec 2013 : 1112). None of the employees receives below Taka 3,000 per month.

34 Earnings per share (EPS)

Calculation of earnings per share (EPS) is as under:

Earnings attributable to the ordinary shareholders

Profit for the year

No. of ordinary equity shares

Weighted average no. of equity shares outstanding (Note-34.1)

Earnings per share (EPS) for the year

	2014	2013
	Taka	Taka
	589,153,693	868,387,075
	336,850,611	336,850,611
	336,850,611	336,850,611
	1.75	2.58

34.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year.

Outstanding shares

Effect of issue of bonus shares for the year 2013

	306,227,829	306,227,829
	30,622,782	30,622,782
	336,850,611	336,850,611

34.2 Diluted earning per share

No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during these years.

35 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 545,769,825 (31 Dec 2013: Tk 542,219,026). 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 1,340,053,212 (31 Dec 2013: Tk 414,040,711) and letter of guarantee of Tk 25,895,509 (31 Dec 2013: Tk 25,895,509).

36 Other disclosures

36.1 Impairment of investment in subsidiary

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2014

Impairment test has been performed on investments of all subsidiaries and associates as at 31 December 2014. Fair value of the investment of all the subsidiaries & associates are above the cost of investment except RAK Pharmaceuticals Pvt. Limited. Fair value of investment of RAK Pharmaceuticals Pvt. Limited has been considered equivalent to the agreed acquisition/offer price of Gulf Pharmaceuticals Industries Julphar PJSC and its parent(s) @ Tk 7 per share (face value Tk 10), balance of Tk 3 per share equivalent to Tk 155,106,240 has been charged to statement of profit or loss and other comprehensive income as impairment expenses. All other subsidiary & associates' investments have been shown at their face value.

37 Events after the reporting period

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited, at its 124th meeting held on 3 February 2015, has recommended cash dividend @ 25% (i.e. Tk 2.50 per share of Tk 10.00 each) for the year ended on 31 December 2014. These dividends are subject to final approval by the shareholders at the forthcoming Annual General Meeting (AGM) of the Company on 25 March 2015.

37.2 Other subsequent event

The Board of Directors of RAK Ceramics (Bangladesh) Limited, at its 124th meeting held on 3 February 2015, resolved that the entire shareholding i.e. 192,500 number of ordinary shares of Tk. 100 each of RAK-Mosfly (Bangladesh) Pvt. Ltd. held by RAK Ceramics (Bangladesh) Limited, an associate of RAK Ceramics (Bangladesh) Limited, be sold to Dr. M. A. Malek (existing shareholder of RAK-Mosfly (Bangladesh) Pvt. Ltd.) @ Tk. 100 per share totaling to Tk. 19,250,000 only subject to approval by the concerned authorities.



RAK POWER PVT. LTD.
AUDITORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

RAK POWER PVT. LTD.

DIRECTORS' REPORT

Dear Shareholders,

The directors are pleased to present their report on the activities of the company together with the audited financial statements and auditors' report thereon for the year ended 31 December 2014.

Review of Business

The plant capacity was available in excess of 90 percent of installed capacity, during 2014. However, supply was primarily dedicated to the requirement of parent company RAK Ceramics (Bangladesh) Ltd. and other group companies. The company supplied power to Bangladesh Rural Electrification Board (BREB) to the extent of 1.5 – 2.5 MW in excess of group company requirement and also as per requirement of REB during the year 2014.

Operating result:

The operational results of the company for the year ended 2014 as follows:

Particulars	2014	2013
Net Sales	294.04	287.06
Gross profit	130.59	124.48
Net profit after tax	88.83	74.10
Depreciation	18.81	30.12

Sales and net profit after tax growth was 2 percent and 20 percent, respectively compared to year 2013.

Long Term Loan of the Company is totally repaid in the year 2012.

Dividend

The Board of Directors of the company has recommended cash dividend at the rate of 50 percent for the year 2014 in the AGM. While recommending the dividend, the Board of Directors has taken into consideration the business result, the assets as at that date and the fund requirement for future development and expansion.

Auditors

M/S. K.M. Hasan & Co., Chartered Accountants will retire in ensuing AGM and having the eligibility for re-appointment, offer themselves for re-appointment as auditors of the company till the conclusion of the next AGM. The Board of Directors has recommended for their re appointment in the AGM.

Post statement of financial position events

No material events occurring after statement of financial position date came to our notice which could affect the values in the financial statements.

Appreciation

The Board would like to take this opportunity to thank Government bodies, company shareholders, investors, bankers & employees for their continuous commitment, cooperation, confidence and support in attaining company objectives.

On behalf of the Board of Director



Abdallah Massaad
Chairman

Dated: February 3, 2015
Ras Al Khaimah, UAE

AUDITORS' REPORT

TO THE SHAREHOLDERS OF RAK POWER PVT. LTD.

We have audited the accompanying financial statements of RAK POWER PVT. LTD., which comprise the statement of financial position as at 31 December 2014 the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of RAK POWER PVT. LTD. is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

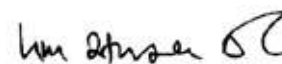
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standard (BFRS), give a true and fair view of the financial position as at 31 December 2014 and its financial performance and its cash flows for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- c) the company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account.



K.M. HASAN & CO.
Chartered Accountants

Dated: 3 February 2015

RAK POWER PVT. LTD.
STATEMENT OF FINANCIAL POSITION
 As at 31 December 2014

	Notes	2014 Taka	2013 Taka
ASSETS			
Non - Current Assets			
Property, plant and equipment	4	215,393,118	234,022,258
Total non-current assets		215,393,118	234,022,258
Current Assets			
Inventories	5	60,666,941	53,307,145
Trade and other receivables	6	31,212,318	27,720,398
Advance , deposits & prepayments	7	8,314,339	7,826,918
Advance income tax	8	101,514,373	54,310,847
Cash and cash equivalents	9	79,230,306	53,462,552
Total current assets		280,938,277	196,627,860
Total assets		496,331,395	430,650,118
EQUITY & LIABILITIES			
Capital and Reserves			
Share capital	10	205,000,000	205,000,000
Retained earnings		110,842,826	83,516,433
Total equity		315,842,826	288,516,433
Non-Current liabilities			
Deferred tax liability	11	36,853,405	37,369,219
Total non-current liabilities		36,853,405	37,369,219
Current Liabilities			
Provision for employee benefit	12	483,017	307,230
Trade and other payables	13	5,785,902	8,822,973
Provision for expenses	14	17,513,795	13,774,148
Provision for corporate tax	15	119,852,450	81,860,115
Total current liabilities		143,635,164	104,764,466
Total equity and liabilities		496,331,395	430,650,118

The annexed notes are integral part of these financial statements (page 160-177).



Director

Signed in terms of separate report of even date annexed.



Managing Director



K.M. HASAN & CO.
 Chartered Accountants

Dated: 3 February 2015

RAK POWER PVT. LTD.
STATEMENT OF COMPREHENSIVE INCOME
 For the year ended 31 December 2014

	Notes	2014 Taka	2013 Taka
Sales	16	294,044,308	287,063,124
Cost of sales	17	(163,451,376)	(162,581,219)
Gross profit		130,592,932	124,481,905
Administrative expenses	18	(8,011,880)	(6,836,485)
Profit from operating activities		122,581,052	117,645,420
Finance income	19	4,017,229	1,247,214
Financial expenses	20	(295,367)	(340,365)
Net finance income		3,721,862	906,849
Profit before income tax		126,302,914	118,552,269
Income tax expenses			
Current tax	21	(37,992,335)	(44,169,714)
Deferred tax	11	515,814	(287,387)
		(37,476,521)	(44,457,101)
Profit for the year		88,826,393	74,095,168
Basic earnings per share of Taka 100 each	24.2	43.33	36.14

The annexed notes are integral part of these financial statements (page 160-177).




Director

Signed in terms of separate report of even date annexed.

Dated: 3 February 2015



Managing Director



K.M. HASAN & CO.
Chartered Accountants

RAK POWER PVT. LTD.
STATEMENT OF CHANGES IN EQUITY
 For the year ended 31 December 2014

Amount in Taka

Particulars	Share capital	Retained earnings	Total
	Taka	Taka	Taka
Balance as at 01 January 2014	205,000,000	83,516,433	288,516,433
Profit for the year	-	88,826,393	88,826,393
Cash dividend for 2013	-	(61,500,000)	(61,500,000)
Balance as at 31 December 2014	205,000,000	110,842,826	315,842,826

Amount in Taka

Particulars	Share capital	Retained earnings	Total
	Taka	Taka	Taka
Balance as at 01 January 2013	205,000,000	60,671,265	265,671,265
Profit for the year	-	74,095,168	74,095,168
Cash dividend for 2012	-	(51,250,000)	(51,250,000)
Balance as at 31 December 2013	205,000,000	83,516,433	288,516,433




Director

Signed in terms of separate report of even date annexed.



Managing Director



K.M. HASAN & CO.
 Chartered Accountants

Dated: 3 February 2015

RAK POWER PVT. LTD.
STATEMENT OF CASH FLOWS
 For the year ended 31 December 2014

Cash flows from operating activities

Cash receipts from customers
 Cash paid to customer and others

Income tax paid

Net cash from operating activities

Cash flows from investing activities

Acquisition of property, plant and equipments
 Sales of property, plant and equipments
 Interest received from Bank

Net cash provided/(used) in investing activities

Cash flows from financing activities

Finance charge
 Dividend paid

Net cash used in financing activities

Increase/(decrease) in cash and cash equivalents

Cash and cash equivalent as at 01 January 2014

Cash and cash equivalent as at 31 December 2014

	2014	2013
	Taka	Taka
	290,700,385	281,179,362
	(159,749,340)	(143,821,136)
	<u>130,951,045</u>	<u>137,358,226</u>
	(47,203,526)	(34,579,301)
	<u>83,747,519</u>	<u>102,778,925</u>
	(183,352)	(1,676,969)
	-	236,200
	3,869,232	638,311
	<u>3,685,880</u>	<u>(802,458)</u>
	(165,645)	-
	(61,500,000)	(51,250,000)
	<u>(61,665,645)</u>	<u>(51,250,000)</u>
	25,767,754	50,726,467
	53,462,552	2,736,085
	<u>79,230,306</u>	<u>53,462,552</u>




Director

Signed in terms of separate report of even date annexed.



Managing Director



K.M. HASAN & CO.
 Chartered Accountants

Dated: 3 February 2015

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. The company and its activities

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. The company has gone into commercial operation from 01 May 2009.

The registered office of the company is at House # 5, Road # 1/A, Sector # 4, Uttara, Dhaka- 1230. The Power Plant is located at Vill: Dhanua, P.S: Sreepur, Dist : Gazipur, Bangladesh.

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. Significant accounting policies

The financial statements have been prepared on a going concern concept under historical cost convention in accordance with Generally Accepted Accounting Principles as laid down in the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs), applicable to the company as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs) / Bangladesh Financial Reporting Standards (BFRSs).

2.1. Risk and uncertainties for use of estimates in preparation of financial statements

The preparation of financial statements in conformity with the Bangladesh Accounting Standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates are used for accounting of certain items such as provision for doubtful accounts, depreciation, taxes, reserves and contingencies.

2.2. Property, plant and equipment

Property, plant and equipment are stated in attached statement of financial position at cost less accumulated depreciation in accordance with IAS-16/BAS-16. Cost represents the purchase price of the assets and other cost incurred to bring the assets to their existing location and condition.

Subsequent expenditure for 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 to the related property, plant and equipment.

All other expenditure for maintenance of property, plant and equipment are charged to the statement of comprehensive income.

Upon disposal of items of property, plant and equipment, the cost of those assets and their related accumulated depreciation are adjusted up to the date of disposal and any gain or loss thereof is reported in the statement of comprehensive income of that year.

2.3. Depreciation on fixed assets

Depreciation on fixed assets is charged on straight line method and over the estimated useful life. Depreciation of assets is charged as and when the assets is available for use and depreciation is provided for the period in use of the assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

Rates of depreciation on various classes of assets are as under:

Category of fixed asset	Estimated useful life in years	Rate (%)
Building for plant	5	20
Plant and machinery:		
- Main genset	20	5
- Auxiliary equipments	10	10
Electrical installation	5	20
Gas pipeline	5	20
Furniture and fixtures & fittings	10	10
Office equipment	5	20
Communication equipment	10	10
Tools and appliances	5	20
Vehicles	5	20
Fire fighting equipments	5	20

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

2.4. Trade receivable

Trade receivable are recognized at invoice amount which is the fair value of the consideration given in return.

2.5. Valuation of inventories

Inventories are stated at lower of cost and net realizable value in compliance with the requirements of paras 21 and 25 of IAS-2/BAS-2: "Inventory".

2.6. Employees' benefit plan

i) Provident fund

The company for its permanent employees operates a scheme of contributory provident fund. The provident fund is administrated by a Board of Trustees and is funded by contributions from the employees @ 10% of basic salary and wages equally matched by the company. The contributions are invested separately from the company's assets.

ii) Gratuity

Permanent employees are also entitled to gratuity after completion of minimum three years of service in the company. The gratuity is calculated on the last basic pay and is payable at the rate of one month's basic pay for every completed year of service. The expected cost of this benefit is included in respective annual Statement of Comprehensive Income over the period of employment.

iii) WPPF

As per Bangladesh Labour Act 2006 as amended in 2013, The Workers Profit Participation Fund is yet to be introduced.

2.7. Revenues recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from sale of electricity is recognized when the electricity is transmitted from delivery point (metering point, which is situated inside the power station) to customers. The revenue and the cost incurred to effect the transaction can be measured reliably in compliance with the requirements of BAS-18: "Revenues".

2.8. Borrowing cost

In compliance with the requirement of BAS-23. "Borrowing Cost", borrowing cost relating to operational period on long term loans, short term loans and overdraft facilities was charged to revenue account as an expenses as incurred.

2.9. Creditors and accruals

Liabilities are recorded at the level of cost / estimated amount payable in settlement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2.10. Foreign currency transaction

Foreign currency transactions are recorded in BDT at the applicable rates of exchange ruling at the transaction date. The monetary assets and liabilities, if any, denominated in foreign currencies at the statement of financial position date are translated at the applicable rates of exchanges ruling at the date. Exchange rate differences are charged off as revenue expenditure to statement of comprehensive income in compliance with the provisions of IAS-21/BAS-21-The effect of changes in foreign exchange rates.

2.11. Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks, term deposits, etc. which are available for use by the Company without any restrictions. There is no significant risk of change in value of the same.

2.12. Statement of cash flows

Statement of cash flows is prepared principally in accordance with BAS-7: "Statement of Cash Flows" and the cash flow from operating activities has been prepared under direct method.

2.13. Taxation

The company has operating profit during the year as such provision for corporate tax @ 35% made for the current year.

The company will get the benefit of 10% rebate on payable income tax upto 30 June 2019 as per S.R.O.NO.185-AIN / Aikor / 2014 Date: 01 July 2014 since the power plant is situated outside of the City Corporation.

Deferred Tax resulting from "Timing difference" between books and taxable profit calculated as per IAS-12/BAS-12 is accounted using the tax rates and laws that have been enacted or substantively enacted as on statement of financial position date.

3. Disclosures

The disclosures of information have been made in accordance with the requirements of the above mentioned standards and in compliance with Companies Act 1994 and the statement of financial position and statement of comprehensive income have been prepared according to IAS-1/BAS-1 (Presentation of Financial Statements) based on accrual basis.

3.1. Segment reporting

As there is a single business and geographical segment within which the company operates as such no segment reporting is felt necessary.

3.2. General

3.2.1. These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

3.2.2. The figures in the financial statements represent Bangladesh currency (Taka) which is the functional currency of the company.

3.2.3. Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.

3.2.4. Previous year's figures have been regrouped and/or rearranged wherever considered necessary for the purpose of current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

4 Property, plant and equipment

2014

Amount in Taka

Particulars	Cost				Rate	Depreciation				WRITTEN DOWN VALUE AS AT 31 DECEMBER 2014
	Balance as at 01 January 2014	Addition during the year	Sales/ disposal	Totals at 31 December 2014		Balance as at 01 January 2014	Charged during the year	Adjustment during the year	Totals at 31 December 2014	
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Building	19,195,131	-	-	19,195,131	20%	18,866,851	199,467	-	19,066,318	128,813
Plant and machinery										
<i>Main GenSet</i>	268,615,599	-	-	268,615,599	5%	67,153,900	13,430,780	-	80,584,680	188,030,919
<i>Auxiliary equipments</i>	33,597,157	-	-	33,597,157	10%	16,679,410	3,359,716	-	20,039,126	13,558,031
Electrical installation	22,984,145	-	-	22,984,145	20%	22,090,407	809,653	-	22,900,060	84,085
Gas pipeline	16,869,732	-	-	16,869,732	20%	15,727,501	287,014	-	16,014,515	855,217
Furniture and fixtures	1,528,284	23,880	-	1,552,164	10%	690,702	154,663	-	845,365	706,799
Office equipment	842,003	159,472	-	1,001,475	20%	626,618	70,215	-	696,833	304,642
Communication equipment	124,786	-	-	124,786	10%	62,395	12,479	-	74,874	49,912
Tools and appliances	4,445	-	-	4,445	20%	4,445	(1)	-	4,444	1
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	3,631,012	(1)	-	3,631,011	1
Vehicles	2,447,831	-	-	2,447,831	20%	1,578,626	488,507	-	2,067,133	380,698
Total as at 31 December 2014	381,134,125	183,352	-	381,317,477		147,111,867	18,812,492	-	165,924,359	215,393,118

Allocation of depreciation to

Administrative expenses	725,864
Cost of generation of electricity	18,086,628
	<u>18,812,492</u>

2013

Amount in Taka

Particulars	Cost				Rate	Depreciation				WRITTEN DOWN VALUE AS AT 31 DECEMBER 2013
	Balance as at 01 January 2013	Additions during the year	Sales/ disposal	Totals at 31 December 2013		Balance as at 01 January 2013	To charge in the period	Adjustment during the year	Totals at 31 December 2013	
Land	10,304,000	990,000	-	11,294,000	0%	-	-	-	-	11,294,000
Building	19,195,131	-	-	19,195,131	20%	15,027,825	3,839,026	-	18,866,851	328,280
Plant and machinery										
<i>Main GenSet</i>	268,615,599	-	-	268,615,599	5%	53,723,120	13,430,780	-	67,153,900	201,461,699
<i>Auxiliary equipments</i>	33,411,078	186,079	-	33,597,157	10%	13,327,341	3,352,069	-	16,679,410	16,917,747
Electrical installation	22,984,145	-	-	22,984,145	20%	17,493,578	4,596,829	-	22,090,407	893,738
Gas pipeline	16,852,180	17,552	-	16,869,732	20%	12,354,699	3,372,802	-	15,727,501	1,142,231
Furniture and fixtures	1,435,484	92,800	-	1,528,284	10%	539,563	151,139	-	690,702	837,582
Office equipment	649,539	192,464	-	842,003	20%	480,237	146,381	-	626,618	215,385
Communication equipment	124,786	-	-	124,786	10%	49,916	12,479	-	62,395	62,391
Tools and appliances	4,445	-	-	4,445	20%	3,556	889	-	4,445	-
Fire fighting equipments	3,631,012	-	-	3,631,012	20%	2,904,808	726,204	-	3,631,012	-
Vehicles	3,430,757	198,074	1,181,000	2,447,831	20%	2,033,860	489,566	944,800	1,578,626	869,205
Total as at 31 December 2013	380,638,156	1,676,969	1,181,000	381,134,125		117,938,503	30,118,164	944,800	147,111,867	234,022,258

Allocation of depreciation to

Administrative expenses	799,565
Cost of generation of electricity	29,318,599
	<u>30,118,164</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

		2014	2013
		Taka	Taka
5.	Inventories		
	Stores and consumables spares	60,666,941	53,291,556
	Goods-in-transit	-	15,589
		60,666,941	53,307,145
6.	Trade and other receivables		
	Trade receivables (Note-6.1)	29,752,606	27,075,968
	Accrued interest	476,728	644,430
	Other receivables	982,984	-
		31,212,318	27,720,398
6.1.	Trade receivables		
	Receivables from captive customers	26,428,555	24,462,250
	Receivables from Bangladesh Rural Electrification Board (BREB)	3,324,051	2,613,718
		29,752,606	27,075,968
7.	Advance, deposit and prepayments		
	Advances		
	Suppliers against materials and services	1,152,159	627,159
		1,152,159	627,159
	Security and other deposits		
	Titas Gas Transmission & Distribution Ltd.	5,873,150	5,873,150
	VAT and supplementary duty	416,773	416,773
		6,289,923	6,289,923
	Prepayments		
	House rent	90,000	90,000
	Insurance	739,826	789,217
	Registration & renewal	42,431	30,619
		872,257	909,836
		8,314,339	7,826,918
8.	Advance income tax		
	Balance as at 01 January 2014	54,310,847	19,731,546
	Add: Paid during the year	47,203,526	34,579,301
	Balance as at 31 December 2014	101,514,373	54,310,847

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	2014	2013
	Taka	Taka
8.1. Head wise payment		
Advance income tax-paid in cash	98,042,775	52,156,660
Against import	2,739,275	1,836,671
Vehicle registration	99,000	84,000
TDS on bank interest	633,323	233,516
	101,514,373	54,310,847
8.2. Year wise payment		
Year 2014	26,613,726	-
Year 2013	37,210,247	16,620,447
Year 2012	33,236,075	33,236,075
Year 2011	3,535,904	3,535,904
Year 2010	913,421	913,421
Year 2009	5,000	5,000
	101,514,373	54,310,847
9. Cash and cash equivalents		
Cash in hand	219,937	94,990
Cash at banks		
HSBC (Current Account-001-107580-011), Main Branch	1,061,704	1,125,636
SCB (Current Account-01-3767272-01), Main Branch	74,101	28,147
SCB (SND Account-02-3767272-01), Main Branch	401,998	-
DBBL (Current Account-117.110.23474), Uttara Branch	1,425	2,000
HSBC (SND Account-001-107580-067), Main Branch	202,327	1,166
DBBL (SND Account-117.120.2550), Uttara Branch	13,337,359	1,448,533
	15,078,914	2,605,482
Investment in fixed deposit receipt (FDR)		
SCB-93767272006, Main Branch	762,080	762,080
DBBL-117.502.31832, Uttara Branch	-	10,000,000
DBBL-117.502.32390, Uttara Branch	-	10,000,000
DBBL-117-502-35371, Uttara Branch	5,078,750	-
DBBL-117-502-35072, Uttara Branch	10,157,500	-
DBBL-117-502-35088, Uttara Branch	10,157,500	-
DBBL-117-502-35093, Uttara Branch	7,618,125	-
DBBL-117-502-35574, Uttara Branch	10,000,000	-
DBBL-117-502-35142, Uttara Branch	10,157,500	-
HSBC-001-107580-106, Main Branch	10,000,000	10,000,000
HSBC-001-107580-107, Main Branch	-	10,000,000
HSBC-001-107580-108, Main Branch	-	10,000,000
	63,931,455	50,762,080
	79,230,306	53,462,552

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

		2014	2013
		Taka	Taka
10. Share capital			
Authorised			
10,000,000 ordinary shares of Tk 100 each ordinary shares		1,000,000,000	1,000,000,000
Issued, subscribed, called and paid up			
2,050,000 ordinary shares of Tk 100 each ordinary shares		205,000,000	205,000,000
		205,000,000	205,000,000

Percentage of shareholdings

	2014 %	2013 %	2014 Taka	2013 Taka
RAK Ceramics (Bangladesh) Ltd.	57.00	57.00	116,850,000	116,850,000
S.A.K. Ekramuzzaman	28.00	28.00	57,399,500	57,399,500
Syed. A.K. Anwaruzzaman	10.00	10.00	20,500,000	20,500,000
Md. Amir Hossain	5.00	5.00	10,250,000	10,250,000
Engr. Md. Maqsudul Karim	0.00	0.00	500	500
	100.00	100.00	205,000,000	205,000,000

Classification of shareholders by range

Shareholder's range	No. of shareholders		No. of shares	
	2014	2013	2014	2013
Less than 500 shares	1	1	5	5
100,001 to 1,000,000 shares	3	3	881,495	881,495
Over 1,000,000 shares	1	1	1,168,500	1,168,500
	5	5	2,050,000	2,050,000

11. Deferred tax liabilities

Deferred tax liability is arrived at as follows:

Opening balance	37,369,219	37,081,832
Deferred tax (income) / expenses	(515,814)	287,387
Closing balance	36,853,405	37,369,219

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Carrying amount as per		Taxable/ (deductible) Temporary difference
	Statement of financial position	Tax base	
As at 31 December 2014			
Property, plant and equipment	215,393,118	110,097,676	105,295,442
As at 31 December 2013			
Property, plant and equipment	234,022,258	134,371,006	99,651,252
Net deductible temporary difference			105,295,442 99,651,252
Deferred tax liability (applying tax rate 35% for 2014 & 37.5% for 2013)			36,853,405 37,369,219

		2014	2013
		Taka	Taka
12. Provision for employee benefit			
	Provident fund (Note 12.1)	181,698	51,222
	Gratuity fund (Note 12.2)	301,319	256,008
		483,017	307,230
12.1. Provident fund			
	Balance as at 01 January 2014	51,222	43,122
	Add: Addition during the period	723,464	614,464
		774,686	657,586
	Less: Payment made during the period	592,988	606,364
	Balance as at 31 December 2014	181,698	51,222
12.2. Gratuity fund			
	Balance as at 01 January 2014	256,008	225,614
	Add: Addition during the period	301,319	256,008
		557,327	481,622
	Less: Payment made during the period	256,008	225,614
	Balance as at 31 December 2014	301,319	256,008

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

		2014	2013
		Taka	Taka
13.	Trade and other payables		
	Trade payables		
	Payable to supplier	26,520	35,608
	Payable to service provider	4,207,320	7,229,513
		4,233,840	7,265,121
	Other payable		
	Tax deducted at source	698,367	714,529
	VAT deducted at source	853,695	843,323
		1,552,062	1,557,852
		5,785,902	8,822,973
14.	Provision for expenses		
	Power and gas	5,898,242	4,784,064
	Staff cost	1,927,471	1,500,610
	Audit fee	-	28,750
	Professional charges	74,750	46,000
	Telephone bill & other expenses	7,000	7,000
	Provision for operation & maintenance	9,606,332	7,407,724
		17,513,795	13,774,148
15.	Provision for corporate tax		
	Balance as at 01 January 2014	81,860,115	37,690,401
	Add: Provision made during the year	37,992,335	44,169,714
	Balance as at 31 December 2014	119,852,450	81,860,115
15.1.	Yearwise provision		
	Financial year 2014	37,992,335	-
	Financial year 2013	44,169,714	44,169,714
	Financial year 2012	33,236,076	33,236,076
	Financial year 2011	3,535,904	3,535,904
	Financial year 2010	913,421	913,421
	Financial year 2009	5,000	5,000
		119,852,450	81,860,115

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	2014	2013
	Taka	Taka
16. Sales		
Gross sales to group company	259,720,634	253,029,859
Sales to Bangladesh Rural Electrification Board (BREB)	34,323,674	34,033,265
Net sales	294,044,308	287,063,124
16.1. Selling electricity to REB is VAT exempted as per SRO 104 -ain/2009/512-VAT, Dated-August-11, 2009		
16.2. Selling electricity to Captive organizations is VAT exempted as per SRO 351 -ain/2010/578, Dated: October 18, 2010		
17. Cost of sales		
Stock of finished goods as at 01 January 2014	-	-
Cost of generation of electricity (Note 17.1)	163,451,376	162,581,219
Cost of finished goods available for sale	163,451,376	162,581,219
Less: Stock of finished goods as at 31 December 2014	-	-
	163,451,376	162,581,219
17.1. Cost of generation of electricity		
Cost of materials consumed:		
Opening stock	-	-
Purchase during the year	59,903,920	59,821,536
Less: Closing stock	-	-
	59,903,920	59,821,536
Production overheads:		
Direct labour (note-17.1.1)	6,674,533	5,792,108
Direct expenses:		
Lubricating Oil	7,486,972	6,708,219
Repair & indirect materials (note-17.1.2)	60,805,425	50,580,083
Rental for caterpillar Gensets	6,300,000	6,300,000
Depreciation	18,086,628	29,318,599
Other production overheads (note 17.1.3)	4,193,898	4,060,674
	103,547,456	102,759,683
	163,451,376	162,581,219

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	2014	2013
	Taka	Taka
17.1.1. Direct labour		
Salary & wages	4,921,505	4,263,650
Bonus	697,679	665,719
Incentive	473,349	355,351
Gratuity	244,912	213,125
Employers contribution to provident fund	294,012	255,302
Leave encashment	-	1,918
Group life insurance	43,076	37,043
	6,674,533	5,792,108
17.1.2. Repair and indirect materials		
Operation & maintainance	54,304,402	46,128,959
Spare parts Cat genset	6,220,503	4,440,526
Water	22,800	2,438
Diesel	257,720	8,160
	60,805,425	50,580,083
17.1.3. Other production overheads		
Security & services	1,409,584	1,284,396
Insurance	2,139,975	2,264,760
Other expenses	644,339	511,518
	4,193,898	4,060,674
18. Administrative expenses		
Staff cost (Note 18.1)	5,597,087	4,201,071
Telephone, postage and supplies	75,307	79,738
Office repairing and maintenance	223,626	165,584
Registration and renewal	66,050	366,860
Legal and professional fees	252,350	230,250
Vehicle repairing and maintenance	457,972	441,867
Meeting fees admin	9,200	10,350
Rent, rates and taxes	410,520	432,794
Stationery expenses	123,218	64,464
Other expenses	70,686	43,942
Depreciation	725,864	799,565
	8,011,880	6,836,485

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	2014	2013
	Taka	Taka
18.1. Staff cost (Admin)		
Salary & wages	3,577,937	2,996,865
Bonus	518,951	457,586
Gratuity	56,407	42,883
Employers contribution to provident fund	67,720	51,930
Incentive	266,360	211,501
Group life insurance	8,702	6,598
Staff welfare expenses	11,900	31,518
Food expenses	930,641	282,348
Travelling & conveyance	158,469	119,842
	5,597,087	4,201,071
19. Finance income		
Interest income on FDR	3,459,358	1,228,780
Interest income on SND	242,172	18,434
Exchange gain	315,699	-
	4,017,229	1,247,214
20. Financial expenses		
Interest expenses	165,645	107,156
Bank charges	129,722	221,674
Exchange loss	-	11,535
	295,367	340,365
21. Income tax		
For the year	37,992,335	44,169,714
	37,992,335	44,169,714

22. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

22.1. 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 31 December	As at 31 December	As at 31 December	As at 31 December
	2014	2013	2014	2013
Trade receivables				
Customer-local	-	-	29,752,606	27,075,968
	-	-	29,752,606	27,075,968
Accrued interest			476,728	644,430
Other receivables			982,984	-
			1,459,712	644,430
Cash equivalents			79,010,369	53,367,562
b) Aging of receivables				
The aging of trade receivables as at 31 December was :				
Not past due			-	-
0-90 days past due			26,422,172	24,954,141
91-180 days past due			2,343,207	2,121,827
Over 180 days			987,227	-
			29,752,606	27,075,968

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

22.2. 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 :

	<u>As at 31 December 2014</u>			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Trade and other payables	5,785,902	5,785,902	5,785,902	-
	<u>5,785,902</u>	<u>5,785,902</u>	<u>5,785,902</u>	<u>-</u>
	<u>As at 31 December 2013</u>			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Trade and other payables	8,822,973	8,822,973	8,822,973	-
	<u>8,822,973</u>	<u>8,822,973</u>	<u>8,822,973</u>	<u>-</u>

22.3. 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 EURO.

i) Exposure to currency risk

	<u>As at 31 December 2014</u>		<u>As at 31 December 2013</u>	
	USD	EUR	USD	EUR
Foreign currency denominated liabilities				
Trade payables	-	23,328	-	23,253
	<u>-</u>	<u>23,328</u>	<u>-</u>	<u>23,253</u>
Net exposure	<u>-</u>	<u>(23,328)</u>	<u>-</u>	<u>(23,253)</u>

The Company has foreign exchange loss or gain. Exchange gain for the year was Tk. 3,15,699/-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

The following significant exchange rates have been applied:

	Exchange rate	
	<u>As at 31</u> <u>December 2014</u>	<u>As at 31</u> <u>December 2013</u>
USD	78.4450	77.7000
EURO	94.9992	106.9858

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures:

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

	<u>As at 31 December 2014</u>		<u>As at 31 December 2013</u>	
	<u>Profit or (loss)</u> <u>Strengthening</u>	<u>Profit or (loss)</u> <u>Weakening</u>	<u>Profit or (loss)</u> <u>Strengthening</u>	<u>Profit or (loss)</u> <u>Weakening</u>
Closing				
USD (3 percent movement)	-	-	-	-
EUR (3 percent movement)	(721)	679	(719)	677

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as it has neither floating interest rate bearing financial liabilities nor entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

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

	<u>Carrying amount in Taka</u>	
	<u>As at 31</u> <u>December 2014</u>	<u>As at 31</u> <u>December 2013</u>
Fixed rate instruments		
Financial assets		
Investment in FDR	63,931,455	50,762,080
Cash at banks	15,078,914	2,605,482

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

	<u>Amount in Taka</u>		<u>Amount in Taka</u>	
	<u>As at 31 December 2014</u>	<u>As at 31 December 2013</u>	<u>As at 31 December 2014</u>	<u>As at 31 December 2013</u>
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Held to maturity assets				
Investment in FDR	63,931,455	63,931,455	50,762,080	50,762,080
Loans and receivables				
Trade receivables	29,752,606	29,752,606	27,075,968	27,075,968
Other receivables	1,459,712	1,459,712	644,430	644,430
Cash equivalents	79,010,369	79,010,369	53,367,562	53,367,562

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

	Amount in Taka		Amount in Taka	
	As at 31 December 2014		As at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities carried at amortised cost				
Trade and other payables	5,785,902	5,785,902	8,822,973	8,822,973

Accounting classification and fair values as at 31 December 2014 in respect of the separate financial statements does not vary significantly from the consolidated one.

Interest rates used for determining amortised cost

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

	As at 31 December 2014	As at 31 December 2013
Investment in FDR	4.30%-10.25%	7.25%-10.25%
Bank overdraft	13%-13.50%	15%-15.50%
Short term bank loan (local currency)	13.50%-13.50%	14.50%-15.50%

23. Related party disclosure under IAS-24

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

Name of related party	Relationship
RAK Ceramics (Bangladesh) Ltd	Parent Company
RAK Pharmaceuticals Pvt. Ltd	Fellow Subsidiary
RAK Security & Services Pvt. Ltd	Fellow Associate
Engr. Md. Maqsubul Karim	Key Management Personnel
Mr. S.A.K. Ekramuzzaman	Key Management Personnel
Mr. Md. Amir Hossain	Key Management Personnel

23.2. Transaction with related parties

Nature of transaction	Parent Company	Key Management Personnel	Other related parties
Purchase of goods/services	32,374	-	1,738,786
Sale of goods/services	247,161,964	-	8,924,090
Genset rental (excluding VAT)	5,478,261	-	-
Outstanding receivables	20,866,849	-	5,258,462
Outstanding payables	-	-	129,165
Dividend payment	35,055,000	26,445,000	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

23.3. Payment to directors

During the year no amount was paid by the Company for compensating any member of the board including the Managing Director for rendering services except the following fees.

Nature of Meeting	Amount in Taka
Board Meeting	9,200

24. Other disclosures

24.1. Number of employees

The number of employees engaged for the period who received a total remuneration of Taka 63,600 and above was 18. None is receiving below Taka 5,300 per month.

24.2. Earning per share (EPS)

	As at 31 December 2014	As at 31 December 2013
Net profit after tax	88,826,393	74,095,168
Number of ordinary shares	2,050,000	2,050,000
Weighted number of ordinary shares outstanding	2,050,000	2,050,000
Nominal value per share	100	100
Earning per share (EPS) for the year	43.33	36.14

24.3. Transaction in foreign currency

Nature of transaction	Amount in Taka
CIF value of imported spare parts	30,951,091

24.4. Trade & other receivable

Particulars	Amount in Taka
Advance, deposit & prepayments	8,314,339

24.5. Contingent liabilities and commitments

Nature of transaction	Amount in Taka
Letter of Guarantee 90%	12,729,825

24.6. Amount paid to auditors and other professional service providers

Nature of transaction	Amount in Taka
Audit fee	51,750
Taxation	77,650
Company law matters	122,950

Figurs are including VAT

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

24.7. Capacity utilization

(MW)			(kwh)				
Licensed Capacity	Installed capacity	Available capacity	Standard capacity @ 85% (kwh)	Actual utilization for 2014 (kwh)	Period utilization (on Standard Capacity)	Over/(under) utilization	Actual utilization for 2013 (kwh)
10 MW	9 MW	8.543 MW	63,611,178	52,102,993	82%	-18%	52,840,860

24.8. Event after reporting period

- i) The Board of Directors in its meeting held on 3 February 2015 approved the financial statements of the company for the year ended 31 December 2014 and authorised the same issue. The Board of Directors also recommended cash dividend @ 50% for the shareholders for the year 2014.
- ii) No material events occurred after the date of statement of financial position, non-disclosure of which could effect the ability of the users of these financial statements to make appropriate evaluation.



Director



Managing Director

Dated: February 03, 2015



RAK PHARMACEUTICALS PVT. LTD.
AUDITORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

RAK PHARMACEUTICALS PVT. LTD.

DIRECTORS' REPORT

Dear Shareholders,

The directors are pleased to present their report on the activities of the company together with the audited financial statements and the auditor's report thereon for the year ended December 31, 2014.

Review of business:

The product range of the Company was 85 during 2014. The sales force increased from 542 persons to 563 persons during the year 2014. The Company focused on doctor based marketing strategy as well as restructured the field forces to boost up the sales. As a result, our product demand increased in the domestic market, accordingly sales volume increased compared to year 2013. Although the Company incurred huge losses over the years, the management of the Company are trying to overcome the situation through introducing new products, technology etc. The Company is exerting its utmost efforts to mobilize its resources to meet working capital requirement to continue its operation for the foreseeable future and trying to explore revenues from various earning sources including boosting production and marketing of products of the Company in local market and from overseas markets as well.

Operating result:

The operational results of the company for the year ended 2014 as follows:

Particulars	2014	2013
Sales (net of taxes)	461.29	444.37
Gross profit/(Loss)	269.14	240.99
Net profit/(loss) after tax	(250.93)	(277.13)
Depreciation	43.87	45.17

Sales for the year 2014 was increased by 3.81% compare to the year 2013

Human resources and staff welfare:

The Company has initiated Contributory Provident Fund, Gratuity Scheme and Group Insurance policy from the year 2011.

Auditors:

M/s. K M Hasan & Co., Chartered Accountants and statutory Auditors of the company retire at the ensuing Annual General Meeting and have confirmed their eligibility for re-appointment. The Board recommend for their re-appointment till the conclusion of next Annual General Meeting.

Post Balance sheet Events:

No materials events occurring after balance sheet date came to our notice which could affect the values in the financial statements.

Appreciation:

The Board of Directors would like to take this opportunity to thank Government bodies, its shareholders, investors, bankers & employees for their continuous commitment, cooperation, confidence and support in company objectives.

Dated: February 3, 2015
Ras Al Khaimah, UAE

On behalf of the Board of Director



Abdallah Massaad
Chairman

AUDITORS' REPORT

TO THE SHAREHOLDERS OF RAK PHARMACEUTICALS PVT. LTD.

We have audited the accompanying financial statements of RAK PHARMACEUTICALS PVT. LTD., which comprise the statement of financial position as at December 31, 2014 and statement of profit & loss and other comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of RAK PHARMACEUTICALS PVT. LTD. is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS), The Companies Act, 1994 and other applicable laws and regulation 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Dated: February 03, 2015

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

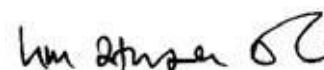
Emphasis of Matter:

We draw attention to note # 2.1 enclosed in the financial statements regarding going concern matters. The financial statements have been prepared according to BAS-1: "Presentation of Financial Statements" based on accrual basis following going concern concept. Although the company incurred substantial amount of losses over the years but the management of the company has been trying to overcome the situation through introducing new products and technology. The company is exerting its utmost efforts to mobilize its resources to meet working capital requirement to continue its operation for the foreseeable future and trying to explore revenues of various earning sources including boosting production and marketing of products of the company. Our opinion is not qualified in respect of this matter.

Opinion:

In our opinion, the financial statements, prepared in accordance with Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the state of the Company's affairs as at December 31, 2014 and of the result of its operations and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations. We also report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- (c) the company's statement of financial position and statement of profit & loss and other comprehensive income dealt with by this report are in agreement with the books of account.




K.M. HASAN & CO.
Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.
STATEMENT OF FINANCIAL POSITION
As at December 31, 2014

	Notes	Amount in Taka As At	
		December 31, 2014	December 31, 2013
Assets			
Non-Current Asset			
Property, plant and equipment	4	562,083,060	601,334,029
Intangible assets	5	99,403,638	104,452,765
Total non-current assets		661,486,698	705,786,794
Current Asset			
Inventories	6	72,353,935	78,452,695
Trade & other receivables	7	46,301,356	37,672,745
Advances, deposits & prepayments	8	16,581,719	34,588,919
Advance income tax	9	20,543,158	15,631,746
Cash and cash equivalents	10	1,595,860	2,644,016
Total current assets		157,376,028	168,990,121
Total assets		818,862,726	874,776,915
Equity			
Share capital	11	940,038,320	468,536,500
Share money deposits	12	500,000	456,116,000
Retained earnings/ (losses)		(1,373,954,333)	(1,123,021,479)
Total equity		(433,416,013)	(198,368,979)
Liabilities			
Non-Current Liabilities			
Borrowings	13	515,862,740	518,483,567
Total non-current liabilities		515,862,740	518,483,567
Current Liabilities			
Trade and other payables	14	62,947,435	48,438,263
Borrowings- current portion	13	274,292,436	207,435,805
Provision for expenses	15	368,647,428	281,316,833
Provision for employees benefit	16	30,528,700	17,471,426
Total current liabilities		736,415,999	554,662,327
Total equity and liabilities		818,862,726	874,776,915

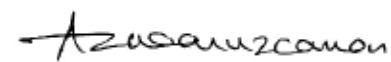
Significant Accounting policies and Notes (page 185-209) forming part these financial statements.

For RAK Pharmaceuticals Pvt. Ltd.


Director

Signed in terms of our separate report of even date annexed

Dated: February 03, 2015


Managing Director


K.M. HASAN & CO.
Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.

STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2014

	Notes	Amount in Taka As At	
		December 31, 2014	December 31, 2013
Sales	17	461,297,574	444,371,710
Cost of sales	18	(192,155,179)	(203,373,320)
Gross profit		269,142,395	240,998,390
Other income	19	7,047,417	7,870,785
Administrative expenses	20	(38,692,578)	(42,332,239)
Marketing, selling and distribution expenses	21	(370,377,153)	(367,928,715)
		(402,022,314)	(402,390,169)
Profit/ (loss) from operating activities		(132,879,919)	(161,391,779)
Finance expenses	22	(116,648,923)	(115,746,043)
Profit/ (loss) before income tax		(249,528,842)	(277,137,822)
Provision for Income Tax:			
Current year		(1,404,012)	-
Deferred Tax		-	-
Net profit / (loss) after income tax		(250,932,854)	(277,137,822)
Other Comprehensive income		-	-
Total Comprehensive income		(250,932,854)	(277,137,822)

Significant Accounting policies and Notes (page 185-209) forming part these financial statements.

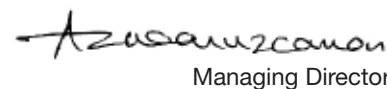
For RAK Pharmaceuticals Pvt. Ltd.



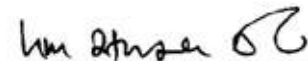
Director

Signed in terms of our separate report of even date annexed

Dated: February 03, 2015



Managing Director



K.M. HASAN & CO.
Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.
STATEMENT OF CHANGES IN EQUITY
 For the year ended December 31, 2014


Amount in Taka

Particulars	Number of shares	Share capital	Share money deposit	Retained earnings	Total
Balance as at January 1, 2014	46,853,650	468,536,500	456,116,000	(1,123,021,479)	(198,368,979)
Addition during the year	47,150,182	471,501,820	(455,616,000)	-	15,885,820
Profit/ (loss) for the year	-	-	-	(250,932,854)	(250,932,854)
As at December 31, 2014	94,003,832	940,038,320	500,000	(1,373,954,333)	(433,416,013)
Balance as at January 1, 2013	46,853,650	468,536,500	421,326,000	(845,883,657)	43,978,843
Addition during the year	-	-	34,790,000	-	34,790,000
Profit/ (loss) for the year	-	-	-	(277,137,822)	(277,137,822)
As at December 31, 2013	46,853,650	468,536,500	456,116,000	(1,123,021,479)	(198,368,979)

RAK Ceramics (Bangladesh) Ltd.

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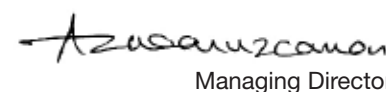
For RAK Pharmaceuticals Pvt. Ltd.



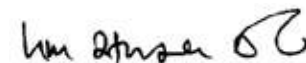
Director

Signed in terms of our separate report of even date annexed

Dated: February 03, 2015



Managing Director



K.M. HASAN & CO.
 Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.
STATEMENT OF CASH FLOWS
 For the year ended December 31, 2014

Cash flows from operating activities

Cash receipts from customers & others
 Cash payment to suppliers and operating expenses

Cash used in operating activities

Interest received from bank deposit
 Income tax paid- current period

Net cash used in operating activities

Cash flows from investing activities

Acquisition of property, plant and equipment
 Sale of property, plant and equipment
 Addition of Intangible assets

Net cash used in investing activities

Cash flows from financing activities

Finance charges
 Addition of loans
 Share money deposits

Net cash generated from financing activities

Net increase/(decrease) in cash & cash equivalents

Opening cash & cash equivalents

Closing cash & cash equivalents

Amount in Taka As At	
December 31, 2014	December 31, 2013
477,377,518	478,172,226
(513,053,223)	(501,831,932)
(35,675,705)	(23,659,706)
9,064	4,581
(4,911,412)	(3,785,856)
(40,578,053)	(27,440,981)
(5,649,581)	(4,257,455)
1,359,484	474,452
(1,980,404)	(2,355,681)
(6,270,501)	(6,138,684)
(34,321,226)	(32,164,358)
64,235,804	30,729,472
15,885,820	34,790,000
45,800,398	33,355,114
(1,048,156)	(224,551)
2,644,016	2,868,567
1,595,860	2,644,016

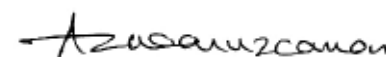
For RAK Pharmaceuticals Pvt. Ltd.



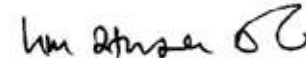
Director

Signed in terms of our separate report of even date annexed

Dated: February 03, 2015



Managing Director



K.M. HASAN & CO.

Chartered Accountants

RAK PHARMACEUTICALS PVT. LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2014

1 The company and its activities

RAK Pharmaceuticals Pvt. Ltd. was incorporated in Bangladesh under the Companies Act 1994 on June 29, 2005 as a private company limited by shares with an authorized capital of BDT 500 mio divided into 5 mio ordinary shares of BDT 100 each. Authorised capital of the company has been increased from BDT 500 mio to 1,500 mio divided into 150 mio ordinary shares of BDT 10 each in the year 2011. The company has gone into operation from July 15, 2009. The paid up capital stands at BDT 940.04 mio as on December 31, 2014.

The registered office of the company is at RAK Tower (10 floor), Plot No.: 1/A, Jasimuddin Avenue, Sector No.: 3, Uttara, Dhaka-1230. The factory is located at Vill.: Faridpur, P.S.: Sreepur, Dist.: Gazipur.

The company owns and operates modern pharmaceutical facility which produces and sells pharmaceutical drugs and medicines including biological and non-biological drugs.

2 Significant accounting policies

2.1 Basis of preparation of financial statement

These financial statements have been prepared under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) as laid down in the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs), applicable to the company as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs)/Bangladesh Financial Reporting Standards (BFRSs).

The disclosure of information have been made in accordance with the requirements of the above mentioned standards and in compliance with Companies Act 1994 and the financial statements have been prepared according to BAS-1: "Presentation of Financial Statements" based on accrual basis following going concern concept. Although the company incurred huge losses over the period the management of the company are trying to overcome the situation through introducing new products, technology etc. The company is exerting its utmost efforts to mobilize its resources to meet working capital requirement to continue its operation for the foreseeable future and trying to explore revenues of various earning sources including boosting production and marketing of products of the company.

2.2 Risk and uncertainties for use of estimates in preparation of financial statements

The preparation of financial statements in conformity with the Bangladesh Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, revenues and expenses during the reported period. Actual results could differ from those estimates.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation in accordance with BAS-16/IAS-16. 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 to the related property, plant and equipment.

Upon disposal of items of property, plant and equipment, the cost of those assets and their related accumulated depreciation are eliminated up to the date of disposal and any gains or losses therefrom are reported in the statement of Profit & Loss and Other Comprehensive Income of that period.

2.4 Depreciation on property, plant and equipment

Depreciation charged on the basis of straight line method. Depreciation continues to be charges on each item of property, plant and equipment until the written down value of such property, plant and equipment is reduce to Taka one. Depreciation on addition to property, plant and equipment is charged from the day of their acquisition and charging of depreciation on property, plant and equipment ceases from the day on which the deletion thereof takes place.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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

Category of property, plant and equipment	Estimated useful life in years	Depreciation Rate (%)
Factory building	40	2.5
General building	40	2.5
Head office building	40	2.5
Plant and machinery	5 to 15	6.67-20
Furniture and fixtures	10	10
Vehicles	5	20
Office equipment	3	33.33
Electrical installation	10	10

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

2.5 Intangible assets/ Pre-operating Expenses

An intangible assets shall only be recognized if it is probable that future economic benefits that are attributable to the assets will flow to the company and the cost of the assets can be measured reliably in accordance with BAS-38/IAS-38 "Intangible Assets". Expenditure incurred to acquire, develop, designs, brand of the products is capitalized. This is being amortized equally within a period of 15(fifteen) years based on the tenure of accrual of benefits. Pre-operating expense are also amortized equally in 15(fifteen) years.

2.6 Accounts receivable

Accounts receivable has been stated at its original invoiced amount after deducting credit balance that have a legally enforceable right to set off or are intended either to be settled.

2.7 Valuation of inventories

Inventories are stated at lower of cost and net realizable value in compliance with the requirements of paras 9 of BAS-2/IAS-2 "Inventories".

a) Raw materials, promotional and consumable spare parts

Raw materials and consumable spare parts are stated at weighted average cost.

b) Finished products

Finished products are stated at lower of cost and net realizable value. Cost comprises cost of raw materials, wages and other direct cost those contribute in transforming raw materials into finished products. Cost is calculated using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

Quantitative details are given in note no. 18.2

c) Work-in-process

Work-in-process is stated at cost of completion of respective product. Cost comprises cost of raw materials, wages and other related direct cost up to the stage of completion.

d) Goods in transit

Goods in transit is valued at original cost.

2.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from sale of goods is recognized when the company has transferred the significant risk and rewards of the ownership of the goods to the buyer and the revenue and the cost incurred to effect the transaction can be measured reliably in compliance with the requirements of BAS-18 "Revenue".

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

2.9 Creditors and accruals

Liabilities are recorded at the level of cost/estimated amount payable in settlement.

2.10 Foreign currency transactions

Foreign currency transactions are recorded in BDT at the applicable rates of exchange ruling at the transaction date.

The monetary assets and liabilities, if any, denominated in foreign currencies at the Statement of financial position date are translated at the applicable rates of exchanges ruling at that date. Exchange differences are charged to statement of comprehensive income in compliance with the provisions of BAS-21/IAS-21 "The Effects of Changes in Foreign Exchange Rates".

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks, term deposits, etc which are available for use by the company without any restrictions. There is no significant risk of change in value of the same.

2.12 Statement of cash flows

Statement of cash flows is prepared principally in accordance with BAS-7 "Statement of Cash Flows" under direct method.

2.13 Provision for bad debts

Provision has been made @ 100% for the year 2011, @ 100% for the year 2012, @ 80% for the year 2013 and @ 8.73% for the year 2014 as bad debts against inactive employees receivable at depot end.

2.14 Borrowing cost

In compliances with the requirement of BAS-23 "Borrowing Costs", borrowing costs relating to operational period of long term loans, short term loans and overdraft facilities was charged to statement of comprehensive income as an expense as incurred.

2.15 Employee Benefits

a) Provident Fund

The company operates a recognized contributory provident fund for eligible employees with effect from January 01, 2011 and is administrated by a duly constituted independent Trust and equal contribution @10% of basic salary is made by both the employee and employer (the Company).

b) Gratuity

The company operates an unfunded gratuity scheme for its employee with effect from January 01, 2011. Each employee who has completed three years of service is eligible to 1(one) month last basic pay as gratuity per year of service.

c) WPPF

As per Bangladesh Labour Act 2006 an ammended in 2013 the workers Profit Participation Fund (WPPF) is yet to be recognized.

2.16 Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases under BAS-17/IAS-17.

3 Disclosures

3.1 Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each statement of financial statement date. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimate future cash flows are discounted to their present value at appropriate discount rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

3.2 Amount payable to auditor

Nature of transaction	Amount in Taka
Audit fees	50,000

Figure is excluding VAT

3.3 Trade receivables/Trade debtors

Particulars	Amount in Taka
Debts outstanding for a period exceeding six months	8,356,609
Other debts	35,040,995
Total	43,397,604

3.4 Segment reporting

As there is single business and geographical segment within which the company operates as such no segment reporting is felt necessary under BFRS-8.

3.5 Others

- These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.
- Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.
- Previous year figures have been regrouped, rearranged and/or restated, wherever considered necessary, for the purpose of current year financial presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

4 Property, plant and equipment

December 31, 2014

Amount in Taka

Particulars	Cost				Depreciation				Written Down Value as at
	Balance as at	Additions during the year	Sale/ Adjustment during the year	Balance as on	Balance as at	Charged during the year	Sale/ Adjustment during the year	Balance as on	
	January 1, 2014			December 31, 2014	January 1, 2014			December 31, 2014	
Land	21,470,330	186,200	-	21,656,530	-	-	-	-	21,656,530
Factory building	240,347,109	-	-	240,347,109	26,185,167	6,002,239	-	32,187,406	208,159,703
General building (Factory)	11,911,880	2,050,000	-	13,961,880	1,223,365	298,223	-	1,521,588	12,440,292
General building (Corporate)	67,909,176	-	-	67,909,176	7,550,808	1,691,944	-	9,242,752	58,666,424
Plant and machinery	327,048,488	2,871,064	207,065	329,712,487	89,364,893	21,392,572	65,646	110,691,819	219,020,668
Furniture and fixtures	29,332,646	433,550	1,114,500	28,651,696	11,835,282	2,893,389	522,213	14,206,458	14,445,238
Vehicles	19,529,685	-	-	19,529,685	14,139,983	3,140,314	-	17,280,297	2,249,388
Motor Cycle	12,987,866	-	762,917	12,224,949	6,461,906	2,422,693	515,343	8,369,256	3,855,693
Office equipment	13,497,104	108,767	86,000	13,519,871	11,592,705	1,415,092	44,794	12,963,003	556,868
Electrical installation	46,354,737	-	-	46,354,737	20,700,883	4,621,598	-	25,322,481	21,032,256
Total	790,389,021	5,649,581	2,170,482	793,868,120	189,054,992	43,878,064	1,147,996	231,785,060	562,083,060

December 31, 2013

Amount in Taka

Particulars	Cost				Depreciation				Written Down Value as at
	Balance as at	Additions during the year	Sale / Adjustment during the year	Balance as on	Balance as at	Charged during the year	Sale / Adjustment during the year	Balance as on	
	January 1, 2013			December 31, 2013	January 1, 2013			December 31, 2013	
Land	21,470,330	-	-	21,470,330	-	-	-	-	21,470,330
Factory building	240,347,109	-	-	240,347,109	20,176,489	6,008,678	-	26,185,167	214,161,942
General building (Factory)	11,911,880	-	-	11,911,880	925,567	297,798	-	1,223,365	10,688,515
General building (Corporate)	67,909,176	-	-	67,909,176	5,853,079	1,697,729	-	7,550,808	60,358,368
Plant and machinery	326,084,188	964,300	-	327,048,488	67,269,193	22,095,700	-	89,364,893	237,683,595
Furniture and fixtures	28,900,996	431,650	-	29,332,646	8,914,991	2,920,291	-	11,835,282	17,497,364
Vehicles	19,462,045	67,640	-	19,529,685	10,239,568	3,900,415	-	14,139,983	5,389,702
Motor Cycle	11,330,984	2,383,965	727,083	12,987,866	4,240,352	2,521,809	300,255	6,461,906	6,525,960
Office equipment	13,328,704	409,900	241,500	13,497,104	10,634,330	1,097,849	139,474	11,592,705	1,904,399
Electrical installation	46,354,737	-	-	46,354,737	16,065,410	4,635,473	-	20,700,883	25,653,854
Total	787,100,149	4,257,455	968,583	790,389,021	144,318,979	45,175,742	439,729	189,054,992	601,334,029

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

4.1 Depreciation Charged to

Cost of goods manufactured (Note 18.1)
Administrative expenses (Note 20)
Marketing, selling and distribution expenses (Note 21)
Total

Amount in Taka As At	
December 31, 2014	December 31, 2013
33,018,991	32,933,962
7,100,322	8,316,792
3,758,751	3,924,988
43,878,064	45,175,742

4.2 Disposal of property, plant and equipment

December 31, 2014

Particulars	Original cost	Accumulated depreciation	Net book value	Sale value	Gain/ (Loss)	Mode of disposal	Remarks
Laptop	41,500	15,804	25,696	32,018	6,322	Sale	
Laptop	44,500	28,990	15,510	28,895	13,385	Sale	
Motorcycle 39-2607	41,242	21,242	20,000	62,925	42,925	Lost	
Motorcycle 39-3358	41,242	21,919	19,323	32,332	13,009	Lost	
Motorcycle 33-6177	36,541	31,618	4,923	76,162	71,239	Lost	
Motorcycle 33-6230	36,541	30,097	6,444	74,245	67,801	Lost	
Motorcycle 33-6247	36,541	33,059	3,482	75,548	72,066	Lost	
Motorcycle 35-5751	37,154	26,676	10,479	43,225	32,746	Lost	
Motorcycle 35-6065	37,154	28,914	8,241	64,774	56,533	Lost	
Motorcycle 39-2437	41,242	20,497	20,745	58,439	37,694	Lost	
Motorcycle 39-3288	41,242	20,677	20,564	58,439	37,875	Lost	
Motorcycle 39-3294	41,242	20,497	20,745	60,682	39,937	Lost	
Motorcycle 39-3295	41,242	20,497	20,745	41,210	20,465	Lost	
Motorcycle 39-3353	41,242	20,497	20,745	29,995	9,250	Lost	
Motorcycle 35-5755	37,154	34,041	3,113	83,410	80,297	Lost	
Motorcycle 37-2239	22,044	17,746	4,298	4,298	-	Sale	
Motorcycle 37-2240	22,044	17,746	4,298	4,298	-	Sale	
Motorcycle 37-2250	22,044	17,746	4,298	4,298	-	Sale	
Motorcycle 37-2251	22,044	17,746	4,298	4,298	-	Sale	
Motorcycle 39-2462	41,242	28,081	13,160	13,160	-	Sale	
Motorcycle 39-2595	41,242	28,894	12,348	78,626	66,278	Lost	
Motorcycle 39-3350	41,242	28,894	12,348	80,869	68,521	Lost	
Motorcycle 39-3368	41,242	28,262	12,980	37,340	24,360	Lost	
Diesel Generator 24 KW	207,065	65,646	141,419	40,000	(101,419)	Lost	
Wooden Plate 200 nos.	1,114,500	522,213	592,287	270,000	(322,287)	Sale	
Total	2,170,482	1,147,996	1,022,486	1,359,484	336,998		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

December 31, 2013

Particulars	Original cost	Accumulated depreciation	Net book value	Sale value	Gain/ (Loss)	Mode of disposal	Remarks
Dhaka Metro-HA-35-5750	37,154	19,259	17,895	34,435	16,540	Lost	
Dhaka Metro-HA-39-2460	41,242	12,497	28,745	18,065	(10,680)	Lost	
Dhaka Metro-HA-39-2598	41,242	12,497	28,745	27,037	(1,708)	Lost	
Dhaka Metro-HA-39-3318	41,242	12,497	28,745	22,551	(6,194)	Lost	
Dhaka Metro-HA-39-3329	41,242	12,497	28,745	9,093	(19,652)	Lost	
Dhaka Metro-HA-37-2237	22,044	9,578	12,466	12,466	-	Sale	
Dhaka Metro-HA-37-2230	27,316	11,870	15,446	15,446	-	Sale	
Dhaka Metro-HA-37-2232	27,316	11,870	15,446	15,446	-	Sale	
Dhaka Metro-HA-37-2234	27,316	11,870	15,446	15,446	-	Sale	
Dhaka Metro-HA-37-2236	22,044	9,578	12,466	12,466	-	Sale	
Dhaka Metro-HA-33-6179	36,541	24,167	12,374	12,374	-	Lost	
Dhaka Metro-HA-33-6192	36,541	25,208	11,333	11,333	-	Lost	
Dhaka Metro-HA-35-6154	37,154	21,153	16,001	16,001	-	Lost	
Dhaka Metro-HA-39-2452	41,242	12,836	28,406	28,406	-	Lost	
Dhaka Metro-HA-39-3346	41,242	14,802	26,440	26,440	-	Lost	
Dhaka Metro-HA-39-3373	41,242	12,497	28,745	28,745	-	Lost	
Dhaka Metro-HA-39-2439	41,242	15,570	25,672	36,009	10,337	Lost	
Dhaka Metro-HA-39-3323	41,242	16,067	25,175	27,037	1,862	Lost	
Dhaka Metro-HA-39-3338	41,242	16,067	25,175	36,009	10,834	Lost	
Dhaka Metro-HA-39-3342	41,242	17,875	23,367	40,495	17,128	Lost	
Laptop	45,800	29,571	16,229	16,229	-	Lost	
Laptop	45,800	24,382	21,418	-	(21,418)	Lost	
Laptop	45,800	24,382	21,418	-	(21,418)	Lost	
Laptop	45,800	24,382	21,418	-	(21,418)	Lost	
Laptop	45,800	32,876	12,924	12,924	-	Lost	
Mobile Set	12,500	3,881	8,619	-	(8,619)	Lost	
Total	968,583	439,729	528,854	474,452	(54,403)		

5 Intangible assets

Opening balance

Add: Addition during the year

Less: Amortized during the year

Closing Balance

Amount in Taka As At	
December 31, 2014	December 31, 2013
104,452,765	109,477,814
1,980,404	2,355,681
106,433,169	111,833,495
7,029,531	7,380,730
99,403,638	104,452,765

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

The intangible assets represent pre-operating expenses, Research & Development cost of Quality Assurance, Quality Control & Product, Process & Development Lab, and New Product formulation cost which are being amortized equally within a period of 15 years based on the tenure of accrual of benefits.

		Amount in Taka As At	
		December 31, 2014	December 31, 2013
6	Inventories		
	Raw materials	33,436,153	30,158,296
	Stores & consumable spares	1,563,649	1,937,977
	Literature & promotional materials	3,542,735	2,046,653
	Work in process	4,138,419	7,745,157
	Finished goods	29,597,580	35,511,963
	Goods in transit	75,399	1,052,649
		72,353,935	78,452,695
7	Trade & other receivables		
	Trade receivables	43,397,604	34,726,575
	Claim receivable	2,335,805	2,368,635
	Other receivable (Motor Cycle sale)	567,947	577,535
		46,301,356	37,672,745
8	Advances, deposits & prepayments		
	Advances:		
	Employees	105,225	866,654
	Advance to employee against Motor Cycle	8,571,539	15,978,850
	Lease advance	-	1,624,544
	Advance made to supplier	4,583,904	5,970,706
	Other advances	337,521	334,459
		13,598,189	24,775,213
	Security and other deposits:		
	Grameen Phone	2,000	2,000
	Mymensingh Palli Bidyut Samity-2	36,090	36,090
	Land Phone T&T	16,000	16,000
	Deposit against tender	260,000	205,000
	Landlord for depot rent	470,500	825,000
	VAT (Note 8.1)	701,459	4,483,737
	Deposited with VAT authority	67,309	41,026
		1,553,358	5,608,853

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Amount in Taka As At	
		December 31, 2014	December 31, 2013
	Prepayments:		
	Business development/ Others	622,917	3,221,347
	Insurance	807,255	983,506
		1,430,172	4,204,853
		16,581,719	34,588,919
8.1	VAT		
	Opening balance	4,483,737	6,042,054
	Add: Treasury deposit for VAT	68,750,000	64,595,000
	Rebate of input VAT	16,173,996	11,964,083
		89,407,733	82,601,137
	Less: VAT on sales	88,706,274	78,117,400
	Closing balance	701,459	4,483,737
9	Advance income tax		
	Balance as at January 01,2014	15,631,746	11,845,890
	Add: Paid during the year	4,911,412	3,785,856
	Balance as at December 31, 2014	20,543,158	15,631,746
9.1	Head wise payment		
	AIT on import	18,741,789	14,436,898
	TDS on interest & others	730,674	533,815
	TDS on toll manufacturing (Square Pharma)	1,070,695	661,033
		20,543,158	15,631,746
9.2	Year wise payment		
	Income year		
	Year 2014	4,911,412	-
	Year 2013	3,785,856	3,785,856
	Year 2012	3,602,978	3,602,978
	Year 2011	4,294,414	4,294,414
	Year 2010	1,958,211	1,958,211
	Year 2009	995,997	995,997
	Year 2008	990,923	990,923
	Year 2007	3,367	3,367
		20,543,158	15,631,746

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Amount in Taka As At		
		December 31, 2014	December 31, 2013	
10	Cash & cash equivalents			
	Cash in hand	969,154	1,051,963	
	Cash at banks			
	Dutch Bangla Bank Limited (current account- 117.110.2481)	1,965	1,425	
	Islami Bank Bangladesh Limited (current account- 20502070100405600)	585,211	1,454,727	
	Dhaka Bank Limited (current account- 0204100000014484)	2,929	4,079	
	Premier Bank Limited (current account- 10211100015136)	7,100	8,250	
	Dutch Bangla Bank Limited (Short term deposit- 117.120.330)	28,744	122,829	
	HSBC (Short term deposit- 001-066331-067)	757	743	
		626,706	1,592,053	
		1,595,860	2,644,016	
11	Share capital			
	Authorised:			
	150,000,000 ordinary shares of Taka 10/- each	1,500,000,000	1,500,000,000	
	Issued, subscribed, called and paid up:			
	94,003,832 ordinary shares of Taka 10/- each	940,038,320	468,536,500	
	Particulars of share holdings are as follows			
	Name of shareholders	No. of shares	%	
	RAK Ceramics (Bangladesh) Ltd.	51,702,080	55.00	517,020,800
	S.A.K. Ekramuzzaman	30,551,229	32.50	305,512,290
	Syed A.K. Anwaruzzaman	9,400,378	10.00	94,003,780
	Ramisa Faheem Huq	2,350,095	2.50	23,500,950
	Muzammal Haque	50	0.00	500
		94,003,832	100	940,038,320
12	Share money deposit			
	RAK Ceramics (Bangladesh) Ltd.	-	-	259,326,000
	S.A.K. Ekramuzzaman	-	-	141,000,000
	Syed A.K. Anwaruzzaman	-	-	43,500,000
	Ramisa Faheem Huq	-	-	11,790,000
	Muzammal Haque	500,000		500,000
		500,000		456,116,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Amount in Taka As At	
		December 31, 2014	December 31, 2013
13	Borrowings		
	Secured		
	Mid term loan- DBBL	27,986,999	15,457,843
	Mid term loan- ULC	-	3,923,957
	Mid term loan- IDLC	-	11,795,826
	Current portion of term loan	(12,124,259)	(12,694,059)
		15,862,740	18,483,567
	Unsecured		
	Long term loan- RAK Ceramics (Bangladesh) Ltd.	500,000,000	500,000,000
		500,000,000	500,000,000
	Total non-current borrowings	515,862,740	518,483,567
	Current		
	Bank overdraft	193,614,115	164,667,668
	Short term borrowings	68,554,062	30,074,078
	Current portion of term loan	12,124,259	12,694,059
	Total current borrowings	274,292,436	207,435,805
	Total borrowings	790,155,176	725,919,372

Maturity profile of borrowings

As at December 31, 2014	<1 year	1-2 years	2-5 years	>5 years	Total
Bank overdrafts	193,614,115	-	-	-	193,614,115
Short-term loans	68,554,062	-	-	-	68,554,062
Term loans & others	12,124,259	11,254,632	504,608,108	-	527,986,999
	274,292,436	11,254,632	504,608,108	-	790,155,176

As at December 31, 2013	<1 year	1-2 years	2-5 years	>5 years	Total
Bank overdrafts	164,667,668	-	-	-	164,667,668
Short-term loans	30,074,078	-	-	-	30,074,078
Term loans & others	12,694,059	7,762,382	461,962,185	48,759,000	531,177,626
	207,435,805	7,762,382	461,962,185	48,759,000	725,919,372

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Amount in Taka As At	
		December 31, 2014	December 31, 2013
14	Trade & other payables		
	Trade payables		
	Payable to local suppliers	22,792,674	28,051,195
	Payable to foreign suppliers	-	1,702,137
	Payable to service providers	12,036,467	5,973,057
	Payable to C&F agent	1,447,718	831,184
		36,276,859	36,557,573
	Other payables		
	Tax deducted at source	1,076,155	705,911
	VAT deducted at source	244,603	174,779
	Payable to others	25,349,818	11,000,000
		26,670,576	11,880,690
		62,947,435	48,438,263
15	Provision for expenses		
	Staff cost	27,324,604	27,208,820
	Electricity	116,200	144,000
	Telephone	130,000	91,400
	Interest	325,623,286	244,700,291
	Audit Fees	57,500	57,500
	Professional charges	218,000	172,000
	Hiring charges	77,000	119,880
	Provision for other expenses	6,443,430	5,484,390
	Provision for bad debts	7,248,396	3,333,552
	Provision for corporate tax	1,409,012	5,000
		368,647,428	281,316,833
16	Provision for employees benefits		
	Provident fund (Note-16.1)	18,969,144	9,536,786
	Gratuity fund (Note-16.2)	11,559,556	7,934,640
		30,528,700	17,471,426
16.1	Provident fund		
	Opening balance	9,536,786	4,317,030
	Add: Provision made during the year	9,907,358	6,261,786
		19,444,144	10,578,816
	Less: Payments made to fund during the year	475,000	1,042,030
	Closing balance	18,969,144	9,536,786

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

				Amount in Taka As At	
				December 31, 2014	December 31, 2013
16.2	Gratuity fund				
	Opening balance			7,934,640	6,310,816
	Add: Provision made during the year			3,624,916	1,623,824
				11,559,556	7,934,640
	Less: Payments made to fund during the year			-	-
	Closing balance			11,559,556	7,934,640
				Amount in Taka for the year ended	
				December 31, 2014	December 31, 2013
17	Sales				
	Local	Unit	Qty in mio		Qty in mio
	Tablets	Pcs	58.40	302,446,745	50.69
	Capsules	Pcs	22.19	141,697,272	21.57
	Topical	Pcs	0.12	4,648,294	0.10
	Dry syrup	Pcs	0.70	58,998,191	0.67
	Injectable	Pcs	0.35	42,213,346	0.40
				550,003,848	522,489,110
	Less: VAT			88,706,274	78,117,400
	Net sales			461,297,574	444,371,710
18	Cost of sales				
	Opening stock of finished goods			35,511,963	52,841,511
	Add: Cost of goods manufactured (Note 18.1)			186,240,796	186,043,772
	Cost of goods available for sales			221,752,759	238,885,283
	Less: Closing stock of finished goods			29,597,580	35,511,963
	Cost of sales			192,155,179	203,373,320
18.1	Cost of goods manufactured				
	Opening stock			30,158,296	46,672,206
	Add: Purchase during the year:				
	Import		75,322,576	67,630,277	
	Local		24,188,279	13,328,477	
	Total			99,510,855	80,958,754
	Less: Closing stock			33,436,153	30,158,296
	Cost of materials consumed			96,232,998	97,472,664

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Amount in Taka As At	
		December 31, 2014	December 31, 2013
Manufacturing overhead:			
	Direct labour (Note 18.1.1)	22,809,439	26,022,839
Direct expenses:			
	Power & gas (Note 18.1.2)	9,738,983	10,170,775
	Repairs and indirect material (Note 18.1.3)	4,625,577	2,209,021
	Depreciation	33,018,991	32,933,962
	Other production overhead (Note 18.1.4)	16,208,070	19,537,745
		86,401,060	90,874,342
	Cost of production	182,634,058	188,347,006
Difference in work in process:			
	Opening Work in process	7,745,157	5,441,923
	Closing Work in process	4,138,419	7,745,157
		3,606,738	(2,303,234)
Cost of goods manufactured		186,240,796	186,043,772
18.1.1	Direct labour		
	Salary and wages	18,352,783	20,665,621
	Overtime	1,228,804	470,434
	Bonus	1,191,087	1,350,687
	Cleaning services factory	897,438	2,641,761
	Gratuity	375,746	294,809
	Employer's contribution to Provident fund	611,653	242,137
	Group life insurance	106,353	268,311
	Medical expenses	45,575	89,079
		22,809,439	26,022,839
18.1.2	Power & gas		
	Electricity	9,007,181	8,087,144
	Oil & lubricants	731,802	2,083,631
		9,738,983	10,170,775
18.1.3	Repairs and indirect material		
	Repairs & maintenance- factory	4,604,632	2,109,065
	Vehicle repair & maintenance	20,945	99,956
		4,625,577	2,209,021

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

18.1.4 Other production overhead

	Amount in Taka As At	
	December 31, 2014	December 31, 2013
Insurance	2,086,371	2,026,234
Fuel & vehicle maintenance	49,885	185,744
Training & travelling expenses	2,306,669	2,622,664
Lunch subsidies/ fooding expenses	2,869,048	2,625,983
Other expenses	2,074,994	2,557,538
Contract manufacturing charges	6,821,103	9,519,582
	16,208,070	19,537,745

18.2 Quantitative details of opening stock, production/ purchase, sales/ consumption and closing stock of finished goods, raw & packaging materials

Description	Unit	Opening stock	Production/ Purchase	Sales/ Consumption	Closing stock
		Qty	Qty	Qty	Qty
a) Finished goods:					
Tablet					
Year 2014	Pcs	9.087	58.820	58.677	9.230
Year 2013	Pcs	12.393	47.381	50.687	9.087
Capsule					
Year 2014	Pcs	2.470	22.713	22.023	3.160
Year 2013	Pcs	4.420	19.615	21.565	2.470
Dry syrup					
Year 2014	Pcs	0.114	0.671	0.701	0.084
Year 2013	Pcs	0.162	0.624	0.672	0.114
Topical					
Year 2014	Pcs	0.037	0.094	0.120	0.011
Year 2013	Pcs	0.028	0.112	0.103	0.037
Injectable					
Year 2014	Pcs	0.085	0.332	0.351	0.066
Year 2013	Pcs	0.112	0.373	0.400	0.085
b) Raw materials:					
Active					
Year 2014	Kg	0.002	0.036	0.028	0.010
Year 2013	Kg	0.005	0.020	0.023	0.002
Excipient					
Year 2014	Kg	0.010	0.023	0.026	0.007
	Pcs	9.332	29.450	27.116	11.666

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

Description	Unit	Opening stock	Production/ Purchase	Sales/ Consumption	Closing stock
		Qty	Qty	Qty	Qty
Year 2013	Kg	0.011	0.032	0.033	0.010
	Pcs	15.068	13.950	19.686	9.332
c) Packaging materials:					
Primary					
Year 2014	Kg	0.004	0.023	0.019	0.008
	Pcs	0.158	2.964	2.711	0.411
Year 2013	Kg	0.004	0.020	0.020	0.004
	Pcs	0.216	1.307	1.365	0.158
Secondary					
Year 2014	Pcs	5.080	14.199	15.619	3.660
Year 2013	Pcs	6.087	12.912	13.919	5.080

18.3 Production capacity and actual production are given below (single shift): December 31, 2014

Production	Unit	Installed Capacity Actual (mio)	Utilization during the year (mio)	% of utilization	Over/ (Under) utilisation
Tablet	Pcs	140.400	58.572	41.72%	(81.83)
Capsule	Pcs	72.800	22.688	31.16%	(50.11)
Dry syrup	Pcs	4.940	0.671	13.58%	(4.27)
Topical	Pcs	0.936	0.094	10.04%	(0.84)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Amount in Taka for the year ended	
		December 31, 2014	December 31, 2013
19	Other income		
	Interest income	9,064	4,581
	Rental income (Toll charges)	6,701,355	7,327,800
	Foreign exchange gain	-	538,404
	Profit on sale of fixed assets	336,998	-
		7,047,417	7,870,785
20	Administrative expenses		
	Staff cost (Note 20.1)	15,339,939	15,611,909
	Telephone, Internet & Fax	984,136	1,038,567
	Office repair and maintenance (Note 20.2)	4,351,197	6,199,021
	Depreciation	7,100,322	8,316,792
	Amortization	7,029,531	7,380,730
	Legal and professional fees	1,169,861	967,738
	Electricity, Gas & Wasa	1,575,723	1,480,919
	Other expenses	1,141,869	1,282,160
	Impairment loss	-	54,403
		38,692,578	42,332,239
20.1	Staff cost		
	Salary and wages	13,615,587	13,844,334
	Bonus	903,572	1,030,560
	Medical expenses	68,756	98,531
	Gratuity	231,252	244,126
	Employer's contribution to Provident fund	460,675	331,029
	Group life insurance	60,097	63,329
		15,339,939	15,611,909
20.2	Office repair and maintenance		
	Repairs office equipment	1,288,288	1,685,977
	Office maintenance	1,166,631	2,347,376
	Fees, renewals and holding tax	497,692	807,259
	Other expenses	1,398,586	1,358,409
		4,351,197	6,199,021

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Amount in Taka for the year ended	
		December 31, 2014	December 31, 2013
21	Marketing, selling and distribution expenses		
	Staff cost (Note 21.1)	165,492,447	146,613,482
	Field expenses	63,951,201	59,870,720
	Physician sample	3,606,488	2,154,856
	Business promotional expenses	59,443,284	95,224,476
	Freight and transportation	20,455,127	20,947,945
	Performance rebates (Note 21.2)	25,930,629	14,750,123
	Other expenses	20,490,830	21,108,573
	Bad debts	7,248,396	3,333,552
	Depreciation	3,758,751	3,924,988
		370,377,153	367,928,715
21.1	Staff cost		
	Salary and wages	149,037,022	135,256,683
	Overtime	25,848	19,517
	Bonus	7,318,056	6,696,546
	Incentive	142,972	310,500
	Gratuity	3,017,918	1,084,889
	Employer's contribution to Provident fund	3,881,351	1,647,460
	Group life insurance	671,687	624,849
	Fooding expenses	1,355,316	945,037
	Medical expenses	42,277	28,001
		165,492,447	146,613,482
21.2	Performance rebates / Discount		
	Discount	25,930,629	14,750,123
		25,930,629	14,750,123
22	Finance expenses		
	Bank charges	1,148,870	1,215,357
	Interest charges	115,244,221	114,530,686
	Foreign exchange loss	255,832	-
		116,648,923	115,746,043

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Amount in Taka for the year ended	
		December 31, 2014	December 31, 2013
23	Transaction in foreign currency		
	CIF value of import		
	Raw & packaging materials	86,808,259	63,069,647
	Capital Machinery	1,020,262	-
		87,828,521	63,069,647

24 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**

24.1 Credit risk

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. In monitoring credit risk, debtors are grouped according to their risk profile, i.e. their legal status, financial condition etc. Accounts receivable are mainly related to local receivables. The Company's exposure to credit risk on accounts receivables is mainly influenced by the individual payment characteristics of local customers. The Company has established receivable department to minimise credit risk involving collection of local receivables.

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

a) Exposure to credit risk

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

		Amount in Taka As At	
		December 31, 2014	December 31, 2013
	Trade receivables		
	Customer- Local	43,397,604	34,726,575
	Customer- Export	-	-
		43,397,604	34,726,575
	Other receivables		
	Claim Receivable	2,335,805	2,368,635
	Receivable against MC sale	567,947	577,535
	Cash & cash equivalent	1,595,860	2,644,016
		47,897,216	40,316,761

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

		Amount in Taka As At	
		December 31, 2014	December 31, 2013
b)	Ageing of Trade Receivables		
	Not past due		
	0-90 days past due	31,092,515	23,715,688
	91-180 days past due	3,948,480	1,952,893
	181-365 days past due	2,252,247	3,481,863
	over 365 days past due	6,104,362	5,576,131
		43,397,604	34,726,575

24.2 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, 2014			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Bank overdraft	193,614,115	193,614,115	193,614,115	-
Trade payables & other payable	30,513,663	30,513,663	30,513,663	-
Advances and deposits from customers	-	-	-	-
Short term bank loan- Offshore	22,628,100	22,628,100	22,628,100	-
Short term bank loan	45,925,962	45,925,962	45,925,962	-
Inter-company payables	32,433,772	32,433,772	32,433,772	-
Term Loan	27,986,999	27,986,999	12,124,259	15,862,740
	353,102,611	353,102,611	337,239,871	15,862,740

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

	As at December 31, 2014			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	164,667,668	164,667,668	164,667,668	-
Trade payables & other payable	31,549,247	31,549,247	31,549,247	-
Other payables	-	-	-	-
Advances and deposits from customers	-	-	-	-
Short term bank loan- Offshore	-	-	-	-
Short term bank loan	30,074,078	30,074,078	30,074,078	-
Inter-company payables	16,889,016	16,889,016	16,889,016	-
Term Loan	31,177,626	31,177,626	12,694,059	18,483,567
	274,357,635	274,357,635	255,874,068	18,483,567

24.3 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 purchase of raw material, spare parts, accessories and capital item. Majority of the company's foreign currency purchase are denominated in USD and EURO.

i) Exposure to currency risk

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

	As at December 31, 2014		As at December 31, 2013	
	USD	EUR	USD	EUR
Foreign currency denominated assets				
Receivable from customers- Export	-	-	-	-
Cash at bank	-	-	-	-
	-	-	-	-
Foreign currency denominated liabilities				
Trade payables	-	-	-	-
Short term bank loan- Offshore	288,440	-	-	-
Royalty & Technical Fees	-	-	-	-
	288,440	-	-	-
Net exposure	(288,440)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

The Company has foreign exchange loss of Tk 255,832 during the year ended December 31, 2014 and foreign exchange gain of Tk 538,404 during the year ended December 31, 2013.

The following significant exchange rates have been applied:

	Exchange rate as at	
	December 31, 2014 Taka	December 31, 2013 Taka
US Dollar	78.4500	77.7500
EURO	95.0040	104.3259
GBP	122.1038	124.7849

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

A change of 10 basis points in foreign currencies would have increased/ (decreased) equity and profit or loss of the Company by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity	
	10 bp increase Taka	10 bp decrease Taka	10 bp increase Taka	10 bp decrease Taka
December 31, 2014				
Expenditures denominated in USD	-	-	-	-
Expenditures denominated in EUR	-	-	-	-
	-	-	-	-
December 31, 2013				
Expenditures denominated in USD	-	-	-	-
Expenditures denominated in EUR	-	-	-	-
	-	-	-	-

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as it has neither floating interest rate bearing financial liabilities nor entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

Profile

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

	Carrying amount As At	
	December 31, 2014	December 31, 2013
Fixed rate instruments		
Financial assets		
Investment in FDR	-	-
Cash at banks	626,706	1,592,053
Financial liabilities		
Term loan	527,986,999	531,177,626
Bank overdraft	193,614,115	164,667,668
Short term bank loan- Offshore	22,628,100	-
Short term bank loan	45,925,962	30,074,078
Finance lease obligation	-	-

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 December 31, 2014		As at December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Assets carried at fair value through profit or loss	-	-	-	-
Held to maturity assets				
Investment in FDR	-	-	-	-
Loans and receivables				
Investment in non- listed companies	-	-	-	-
Trade receivables	43,397,604		34,726,575	
Claim Receivable	2,335,805		2,368,635	
Receivable against MC sale	567,947		487,947	
Inter-company receivables	-		89,588	
Cash equivalents	626,706		1,592,053	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

	As at December 31, 2014		As at December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial liabilities				
Liabilities carried at amortised costs	-	-	-	-
Liabilities carried at amortised costs				
Term loan	527,986,999		531,177,626	
Bank overdraft	193,614,115		164,667,668	
Trade payables & other payable	30,513,663		31,549,247	
Other payables	-		-	
Short term bank loan- Offshore	22,628,100		-	
Short term bank loan	45,925,962		30,074,078	
Inter- company payables	356,998,324		261,129,808	
Finance lease obligation	-		-	

Interest rates used for determining amortised cost

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

		December 31, 2014	December 31, 2013
Investment in FDR		-	-
Term loan		16.00%-9.00%	12.00%-17.00%
Bank overdraft		15.50%-13.00%	14.25%-15.50%
Short term bank loan	Offshore	0.3574%-0.3574%	0.4400%-0.7500%
Short term bank loan	LATR with DBBL	15.00%-13.50%	14.50%-15.00%
Short term bank loan	CIL with HSBC	14.50%-13.00%	12.50%-14.50%
Finance lease obligation		-	-

25 Related party disclosures

During the year ended December 31, 2014 company entered into a number of transactions with related parties in the normal course of business. Nature of these transactions and amount thereof have been set out below in accordance with the provisions of BAS 24: Related Party Disclosures.

Transaction with related parties

Parent company

	Amount in Taka As At	
	December 31, 2014	December 31, 2013
Loans	500,000,000	500,000,000
Interest on loans	324,564,552	244,240,792
Sale of goods/ services	-	100,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

	Amount in Taka As At	
	December 31, 2014	December 31, 2013
Other related parties		
Purchase of goods/ services	12,121,538	13,732,815
Sale of goods/ services	-	22,250
Outstanding receivables	-	89,588
Outstanding payable	32,433,772	16,889,016

25.1 Paid to directors

During the period, Board meeting fees Tk. 8,750/- was paid to the board members for attending the Board meetings.

26 Number of employees

The number of employees engaged for the period who received total remuneration of Taka 36,000/- and above was 937. None are receiving below Taka 3,000/- per month.

	Amount in Taka As At	
	December 31, 2014	December 31, 2013
27 Earning per share (EPS)		
Earnings attributable to the ordinary shareholders		
Profit for the year	(250,932,854)	(277,137,822)
No. of equity shares	94,003,832	46,853,650
Weighted average no. of equity shares outstanding	94,003,832	46,853,650
Earnings per share (EPS) for the year	(2.67)	(5.91)

28 Contingent liabilities

Contingent liabilities are disclosed in respect of possible obligation that arise from past events but their existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the company. A provision is made based on reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the period end date. Contingent Assets are not recognised nor disclosed in financial statements. The bifurcation is as under :

	Amount in Taka As At	
	December 31, 2014	December 31, 2013
Letter of Credit	3,027,750	7,644,450
	3,027,750	7,644,450

29 Events after the reporting period

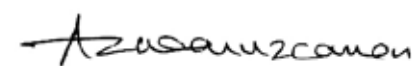
29.1 The Board of directors in its meeting held on February 03, 2015 approved the audited financial statements of the company for the year ended December 31, 2014 and authorised the same for issue.

29.2 No material events occurred after the date of statement of audited financial position, non-disclosure of which could affect the ability of the users of these audited financial statements to make appropriate evaluation.

For RAK Pharmaceuticals Pvt. Ltd.



Director



Managing Director

Dated: February 03, 2015

STATEMENT PURSUANT TO SECTION 186(1)(e) OF THE COMPANIES ACT 1994

Name of the subsidiary	RAK Pharmaceuticals Pvt. Ltd.	RAK Power Pvt. Ltd.
Name of the holding company	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited
Holding Company's interest	51,702,080 ordinary shares of Tk.10 each fully paid up	1,168,500 ordinary shares of Tk.100 each fully paid up
Extent of holding	55%	57%
The 'financial year' of the subsidiary company ended on	December 31, 2014	December 31, 2014
Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding company's accounts	NIL	Tk. 99.33 mio
For the subsidiary's aforesaid financial year	NIL	Tk. 35.06 mio
For the previous financial years since it became subsidiary	NIL	Tk. 64.27 mio
Net aggregate amount of the subsidiary company's profits/(losses) not dealt with in the holding company's accounts	Tk. (755.67) mio	Tk. 63.18 mio
For the subsidiary's aforesaid financial year	Tk. (138.01) mio	Tk. 15.58 mio
For the previous financial years since it became subsidiary	Tk. (617.66) mio	Tk. 47.60 mio
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	N/A	N/A
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	N/A	N/A



RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Proxy Form

I/We

of

being a member of RAK Ceramics (Bangladesh) Limited, do hereby appoint Mr. /Ms.....

of.....

as my/our proxy to attend and vote on my/our behalf at the Extraordinary General Meeting (EGM) and the 16th Annual General Meeting (AGM) of the Company to be held on March 25, 2015 at 10.00 am and 10.30 am respectively at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, Dhaka-1229, Bangladesh and at any adjournment thereof.

As witness my / our hand this Day of2015.

.....
(Signature of Proxy)



.....
(Signature of Member)

BO ID No.

BO ID No.

No. of Shares held:

- Notes:**
1. A member entitled to attend and vote in the EGM and AGM may appoint a Proxy to attend and vote on his/her behalf.
 2. The Proxy Form, duly filed and stamped must be deposited at the Registered Office of the Company, not later than 48 (Forty Eight) hours before the time fixed for the meeting.
 3. Signature of the Member(s) must be in accordance with the Specimen Signature recorded with the Company.
 4. As per Article of Association of the Company, no person shall act as a proxy unless he himself is a shareholder of the Company.

.....
(Authorized Signature)
RAK Ceramics (Bangladesh) Limited

.....
(Signature Verified)



RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floor), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230.

Attendance Slip

I/We do hereby record my/our attendance at the Extraordinary General Meeting (EGM) and the 16th Annual General Meeting of the Company being held on March 25, 2015 at 10.00 am and 10.30 am respectively at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, Dhaka-1229, Bangladesh.

Name of the Member(s)/Proxy:

BO ID No. of Member:

BO ID No. of Proxy holder:

No. of Shares held:

.....
Signature of member(s)/Proxy

Note: Please present this attendance slip at the registration counter on or before 10:00 am on the EGM and AGM date.

