

RAK Ceramics (Bangladesh) Ltd.

Auditors' Report and Consolidated financial statements

As at and for the year ended 31 December 2017

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RAK Ceramics (Bangladesh) Ltd. which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' 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 (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 auditors' 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.

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 present fairly, in all material respects, the financial position of RAK Ceramics (Bangladesh) Ltd. as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS).

Other matter

The financial statements of two subsidiaries of RAK Ceramics (Bangladesh) Ltd. are audited by another auditor who expressed an unmodified opinion on those financial statements on 28 January 2018.

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

Dated, 28 January 2018



(A. Qasem & Co.)
Chartered Accountants



RAK Ceramics (Bangladesh) Ltd.
Consolidated statement of financial position
as at 31 December 2017

	Notes	2017 Taka	2016 Taka
Assets			
Property, plant and equipment	4	3,394,940,284	3,500,775,258
Investment property	5	701,681,877	504,343,755
Intangible assets	6	5,429,027	6,740,159
Capital work-in-progress	7	41,415,719	28,726,285
Trade and other receivables	10	-	74,025,000
Total non-current assets		4,143,466,907	4,114,610,457
Inventories	9	2,533,703,266	2,527,507,042
Trade and other receivables	10	590,423,877	618,841,556
Loan to disposed subsidiary	8	-	201,898,000
Advances, deposits and prepayments	11	309,772,083	406,247,968
Advance income tax	12	2,831,624,003	2,485,841,759
Cash and cash equivalents	13	1,382,359,206	802,643,479
Total current assets		7,647,882,435	7,042,979,804
Total assets		11,791,349,342	11,157,590,261
Equity			
Share capital	14	3,536,931,410	3,368,506,110
Share premium		1,473,647,979	1,473,647,979
Retained earnings		1,445,455,970	1,269,570,793
Equity attributable to equity holders of the company		6,456,035,359	6,111,724,882
Non-controlling interests		1,524	1,501
Total equity		6,456,036,883	6,111,726,383
Liabilities			
Borrowings	17	359,163,292	601,200,132
Deferred tax liability	15	178,813,760	128,416,223
Total non-current liabilities		537,977,052	729,616,355
Employees benefits payable	16	-	3,458,783
Borrowings	17	548,162,038	566,254,999
Trade and other payables	18	573,706,416	590,472,114
Accrued expenses	19	447,661,843	269,520,037
Provision for income tax	20	3,227,805,110	2,886,541,590
Total current liabilities		4,797,335,407	4,316,247,523
Total liabilities		5,335,312,459	5,045,863,878
Total equity and liabilities		11,791,349,342	11,157,590,261


The accompanying notes are an integral part of these financial statements


 Managing Director


 Director


 Company Secretary

As per our report of same date


 (A Qasem & Co.)
 Chartered Accountants

Dated, 28 January 2018



RAK Ceramics (Bangladesh) Ltd.
Consolidated profit or loss and other comprehensive income
for the year ended 31 December 2017

		<u>2017</u>		<u>2016</u>
	<u>Notes</u>	<u>Taka</u>		<u>Taka</u>
Sales	21	7,067,872,487		5,661,411,578
Cost of sales	22	(4,251,220,093)		(3,252,054,966)
Gross profit		2,816,652,394		2,409,356,612
Other income	23	12,392,921		3,109,360
Administrative expenses	24	(378,110,155)		(355,404,446)
Marketing and selling expenses	25	(890,034,944)		(706,362,135)
		(1,255,752,178)		(1,058,657,221)
Profit from operating activities		1,560,900,216		1,350,699,391
Finance income	26	22,165,853		21,029,885
Finance expenses	27	(101,024,936)		(40,014,661)
Net finance income		(78,859,083)		(18,984,776)
Profit before contribution to workers' profit participation and welfare fund		1,482,041,133		1,331,714,615
Contribution to workers' profit participation and welfare fund	28	(67,441,264)		(61,056,166)
Profit before income tax		1,414,599,869		1,270,658,449
Income tax expense				
Current tax	29	(346,190,210)		(302,798,649)
Deferred tax	15	(50,397,537)		(52,605,029)
		(396,587,747)		(355,403,678)
Profit for the year		1,018,012,122		915,254,771
Other comprehensive income		-		-
Total comprehensive income for the year		1,018,012,122		915,254,771
Profit attributable to:				
Equity holders of the company		1,018,011,699		915,254,299
Non-controlling interests		423		472
Profit after tax for the year		1,018,012,122		915,254,771
Basic earnings per share (Par value TK 10)	33	2.88		2.59

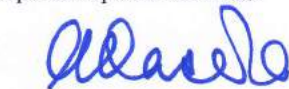
The accompanying notes are an integral part of these financial statements


Managing Director


Director


Company Secretary

As per our report of same date


(A Qasem & Co.)
Chartered Accountants

Dated, 28 January 2018



RAK Ceramics (Bangladesh) Ltd.
Consolidated statement of changes in equity
for the year ended 31 December 2017

Attributable to owners of the Company

Particulars	Share capital Taka	Share Premium Taka	Retained earnings Taka	Total Taka	Non-controlling interests Taka	Total equity Taka
Balance as at 01 January 2016	3,368,506,110	1,473,647,979	1,196,443,022	6,038,597,111	1,529	6,038,598,640
Total comprehensive income for 2016						
Profit/(loss) for the year	-	-	915,254,299	915,254,299	472	915,254,771
Transactions with the shareholders						
Cash dividend (2015)	-	-	(842,126,528)	(842,126,528)	(500)	(842,127,028)
Balance as at 31 December 2016	3,368,506,110	1,473,647,979	1,269,570,793	6,111,724,882	1,501	6,111,726,383
Balance as at 01 January 2017	3,368,506,110	1,473,647,979	1,269,570,793	6,111,724,882	1,501	6,111,726,383
Total comprehensive income for 2017						
Profit/(loss) for the year	-	-	1,018,011,699	1,018,011,699	423	1,018,012,122
Cash dividend (2016)	168,425,300	-	(673,701,222)	(673,701,222)	(400)	(673,701,622)
Stock dividend (2016)	-	-	(168,425,300)	-	-	-
Balance as at 31 December 2017	3,536,931,410	1,473,647,979	1,445,455,970	6,456,035,359	1,524	6,456,036,883

RAK Ceramics (Bangladesh) Ltd.
Consolidated statement of cash flows
for the year ended 31 December 2017

	<u>2017</u>	<u>2016</u>
	<u>Taka</u>	<u>Taka</u>
Cash flows from operating activities		
Cash receipts from customers	7,198,545,493	5,601,413,958
Cash payments to suppliers and employees	(5,025,320,354)	(4,235,590,594)
Cash generated from operating activities	<u>2,173,225,139</u>	<u>1,365,823,364</u>
Interest received from bank deposit	8,791,396	3,356,834
Income tax paid	(345,782,243)	(266,034,973)
Net cash flow from operating activities	<u>1,836,234,292</u>	<u>1,103,145,225</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(329,063,241)	(585,844,016)
Sale of property, plant and equipment	-	707,150
Disposal proceeds of associate	74,025,000	86,710,000
Interest received from FDR	9,429,742	15,105,005
Income from rental	10,557,999	2,020,000
Intangible assets	(6,925,458)	(12,401,543)
Dividend received	200	250
Net cash used in investing activities	<u>(241,975,758)</u>	<u>(493,703,154)</u>
Cash flows from financing activities		
Finance charges	(41,426,174)	(42,554,701)
Avail/(repayment) of term loan	(267,565,020)	174,301,262
Avail/(repayment) of short-term loan	(35,815,064)	(203,400,043)
Dividend paid	(669,736,148)	(838,775,610)
Unclaimed share application refund	-	2,064,480
Adjustment related with non-controlling interest	(400)	(500)
Net cash used in financing activities	<u>(1,014,542,806)</u>	<u>(908,365,112)</u>
Net increase/(decrease) in cash and cash equivalents	<u>579,715,727</u>	<u>(298,923,041)</u>
Cash and cash equivalents as at 01 January	<u>802,643,479</u>	<u>1,101,566,520</u>
Cash and cash equivalents as at 31 December	<u>1,382,359,206</u>	<u>802,643,479</u>

RAK Ceramics (Bangladesh) Ltd.
Notes to the consolidated financial statements
as at and for the year ended 31 December 2017

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, 1 September 2007, 1 April 2015 and 17th May 2016 respectively.

1.2 Description of subsidiaries

RAK Power Pvt. Ltd.

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 205,000,000 as at 31 December 2017. 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.

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

RAK Security and Services Pvt. Limited

RAK Security and Services Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 21 December 2006 as a private company limited by shares with an authorized capital of Taka 1,000,000,000 divided into 1,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 1,000,000 as at 31 December 2017. The Company has gone into operation from 1 May 2007. The registered office of the Company is at House # 5, Road # 1/A Sector # 4, Uttara, Dhaka- 1230. 35% shares of RAK Security and Services (Pvt.) Ltd is held by RAK Ceramics (Bangladesh) Limited.

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

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with 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 28 January 2018.

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 year in which the estimates are revised and in any future years affected.

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

Note 4	Property, plant and equipment
Note 5	Investment property
Note 15	Deferred tax liability
Note 16	Employees benefit payable
Note 20	Provision for income tax

2.5 Reporting period

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

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 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 interest in subsidiaries without a change in control, is recognised as a component of equity.

Loss of control

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

Transactions eliminated on consolidation

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

3.2 Financial 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 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.

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.

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.

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.

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 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	10-20
Communication equipment	10-20
Tools and appliances	10-20
Vehicles	10-20
Fire fighting equipment	20

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

3.5 Investment property

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

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

3.5.1 Depreciation on investment property

Depreciation charged on the basis of straight line method. Depreciation continues to be charged on each item of investment property until written value of such fixed asset is reduced to Taka one. Depreciation on addition to fixed assets is charged from the day of their acquisition and charging of depreciation on investment property ceases from the day on which the deletion thereof takes place.

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

Category of Investment Property	Rate (%)
Building	5

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

3.6 Capital work-in-progress

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

3.7 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.

3.8 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 leases 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.

3.9 Inventories

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

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

3.10 Impairment

Non-derivative financial assets

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 amount of an asset or its cash generating unit (CGU) exceeds its estimated recoverable amount.

Calculation of recoverable amount

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

Recognition of impairment

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

Reversal of impairment

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

3.11 Employees' benefit schemes

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

Defined contribution plan (Provident fund)

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

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

Defined benefit plan (Gratuity)

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

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

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

The Company provides 5% of its net profit before tax after charging such expense as WPPF in accordance with "The Bangladesh Labour (Amendment) Act 2013".

3.13 Provisions

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

3.14 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".

Revenue represents excluding of sample sales to dealers and customer during the year.

3.15 Finance income and expenses

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

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

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

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

3.16 Foreign currency

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

3.17 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for companies as per Finance Act 2017.

Deferred tax:

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

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

3.18 Earning per share

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

3.19 Determination and presentation of operating segment

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

3.20 Contingencies

Contingent liability

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

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

Contingent asset

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

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

3.21 Statement of cash flows

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

3.22 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.

3.23 Comparatives and reclassification

Comparative information have been disclosed in respect of 2016 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 conform to current year's presentation.

4 Property, plant and equipment

2017

Particulars	C O S T			D E P R E C I A T I O N				Net book value as at 31 Dec 2017	
	Balance as at 01 Jan 2017	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2017	Rate (%)	Balance as at 01 Jan 2017	Charged during the year		Adjustment during the year
Land	289,585,607	46,989,900	-	336,575,507	-	-	-	-	336,575,507
Factory building	885,686,619	47,278,264	-	932,964,883	2.5-5	289,021,867	44,429,775	-	333,451,642
Office building	197,676,689	5,436,840	-	203,113,529	2.5-5	91,183,718	10,052,699	-	101,236,417
Plant and machinery	5,096,325,210	172,281,997	-	5,268,607,207	5-10	2,840,758,215	309,145,661	-	3,149,903,876
Mobile plant	116,307,779	6,126,838	-	122,434,617	10	82,873,815	8,030,547	-	90,904,362
Electrical installation	241,464,647	-	-	241,464,647	10-20	169,959,558	13,249,246	-	183,208,804
Gas pipeline	69,647,294	7,400,000	-	77,047,294	10-20	45,539,497	3,178,156	-	48,717,653
Furniture and fixtures	33,527,954	3,498,796	-	37,026,750	10	24,181,501	1,673,907	-	25,855,408
Office equipment	99,182,629	11,652,828	-	110,835,457	10-20	37,114,917	18,184,053	-	55,298,970
Communication equipment	11,261,333	970,071	-	12,231,404	10-20	5,370,410	1,483,004	-	6,853,414
Tools and appliances	17,069,869	599,428	-	17,669,297	10-20	6,619,913	1,735,873	-	8,355,786
Vehicles	73,519,704	9,833,198	-	83,352,902	10-20	37,856,665	6,740,213	-	44,596,878
Fire fighting equipment	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012
Total	7,134,886,346	312,068,160	-	7,446,954,506		3,634,111,088	417,903,134	-	4,052,014,222

2016

Particulars	C O S T			D E P R E C I A T I O N				Net book value as at 31 Dec 2016	
	Balance as at 01 Jan 2016	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2016	Rate (%)	Balance as at 01 Jan 2016	Charged during the year		Adjustment during the year
Land	289,585,607	-	-	289,585,607	-	-	-	-	289,585,607
Factory building	486,550,770	399,135,849	-	885,686,619	2.5-5	254,767,601	34,254,266	-	596,664,752
Office building	195,540,797	2,135,892	-	197,676,689	2.5-20	81,236,181	9,947,538	-	91,183,718
Plant and machinery	3,525,500,749	1,570,824,461	-	5,096,325,210	5-10	2,544,072,048	296,686,167	-	2,840,758,215
Mobile plant	103,009,939	13,297,840	-	116,307,779	10	74,859,697	8,014,118	-	82,873,815
Electrical installation	183,272,165	58,192,482	-	241,464,647	10-20	157,552,492	12,407,066	-	169,959,558
Gas pipeline	48,136,891	2,510,403	-	69,647,294	10-20	43,155,571	2,383,926	-	45,539,497
Furniture and fixtures	30,958,310	2,569,644	-	33,527,954	10	21,298,483	2,883,018	-	24,181,501
Office equipment	95,375,111	3,920,247	(112,730)	99,182,629	10-20	19,990,457	17,199,735	(75,275)	37,114,917
Communication equipment	10,133,036	1,128,297	-	11,261,333	10-20	4,149,046	1,221,364	-	5,370,410
Tools and appliances	8,739,426	8,330,443	-	17,069,869	10-20	5,748,154	871,759	-	6,619,913
Vehicles	70,061,529	5,140,669	(1,682,494)	73,519,704	10-20	33,009,675	6,394,633	(1,547,643)	37,856,665
Fire fighting equipment	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012
Total	5,050,495,342	2,086,186,228	(1,795,224)	7,134,886,346		3,243,470,417	392,263,590	(1,622,918)	3,634,111,088

5 Investment property

2017

Particulars	COST				Rate	DEPRECIATION			Net book value as at 31 Dec 2017
	Balance as at 01 Jan 2017	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2017		Charged during the year	Adjustment during the year	Balance as at 31 Dec 2017	
Land ¹	500,571,750	-	-	500,571,750	-	-	-	500,571,750	
Office building ²	4,432,737	206,203,645	-	210,636,382	8,865,523	-	9,526,255	201,110,127	
Total	505,004,487	206,203,645	-	711,208,132	8,865,523	-	9,526,255	701,681,877	

2016

Particulars	COST				Rate	DEPRECIATION			Net book value as at 31 Dec 2016
	Balance as at 01 Jan 2016	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2016		Charged during the year	Adjustment during the year	Balance as at 31 Dec 2016	
Land ¹	500,571,750	-	-	500,571,750	-	-	-	500,571,750	
Office building	4,432,737	-	-	4,432,737	221,918	-	660,732	3,772,005	
Total	505,004,487	-	-	505,004,487	221,918	-	660,732	504,343,755	

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

The said property are stated at cost as per BAS 40 due to alternate reliable sources of measurement being unavailable.

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

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

	<u>2017</u>	<u>2016</u>
	<u>Taka</u>	<u>Taka</u>
4.1 Depreciation charged on the basis of the purpose of use		
Cost of sales (Note 22)	379,753,825	354,613,598
Administrative expenses (Note 4.2)	44,987,283	35,844,361
Marketing & selling expenses (Note 25)	2,027,549	2,027,549
	<u>426,768,657</u>	<u>392,485,508</u>
4.2 Administrative expenses		
Depreciation on property, plant & equipment (Note 24)	36,121,760	35,622,443
Depreciation on investment property (Note 24)	8,865,523	221,918
	<u>44,987,283</u>	<u>35,844,361</u>

4.3 Disposal of property, plant and equipment

2017

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
No Disposal	-	-	-	-	-
Total	-	-	-	-	-

2016

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Vehicle	1,682,494	1,547,643	134,851	687,050	552,199
Office equipment	112,730	75,275	37,455	20,100	(17,355)
Total	<u>1,795,224</u>	<u>1,622,918</u>	<u>172,306</u>	<u>707,150</u>	<u>534,844</u>

	<u>2017</u>	<u>2016</u>
	<u>Taka</u>	<u>Taka</u>
6 Intangible assets		
Balance as at 1 January	6,740,159	6,683,955
Add: Addition during the year	6,925,458	12,401,543
	13,665,617	19,085,498
Less: Amortisation during the year (Note-6.1)	5,587,852	12,345,339
Less: Adjustment during the year	2,648,738	-
Balance as at 31 December	5,429,027	6,740,159
6.1 Amortisation charged on the basis of the purpose of use		
Administrative expenses (Note - 24)	5,587,852	12,345,339
	5,587,852	12,345,339
7 Capital Work-in-Progress		
Balance as at 1 January	28,726,284	1,545,379,710
Add: Addition during the year	444,202,680	28,099,014
	472,928,964	1,573,478,724
Less: Transfer to property, plant and equipment and IP during the year (note 7.1)	431,513,245	1,528,441,226
Impairment loss on capital equipment during the year	-	16,311,214
Balance as at 31 December	41,415,719	28,726,285
7.1 Items transferred from capital work in progress to property, plant and equipment		
Office building	207,433,930	237,219,154
Factory building	53,235,483	-
Plant and machinery	170,125,817	1,256,599,871
Others	718,015	34,622,201
	431,513,245	1,528,441,226
8 Loan to disposed subsidiary		
Julphar Bangladesh Ltd. (Erstwhile RAK Pharmaceuticals Pvt. Ltd.)	-	201,898,000
	-	201,898,000
9 Inventories		
Raw materials	655,088,511	844,891,203
Less : Provision for obsolescence made during the year	-	(13,878,807)
	655,088,511	831,012,396
Stores and consumables spares	1,098,231,281	1,082,968,219
Finished goods	502,342,028	387,942,404
Work-in-process	108,183,210	96,173,371
Goods-in-transit	169,858,236	129,410,652
	2,533,703,266	2,527,507,042

	<u>2017</u>	<u>2016</u>
	<u>Taka</u>	<u>Taka</u>
10 Trade and other receivables		
Non current :		
Receivable against disposal of investment	-	74,025,000
Current :		
Trade receivables (Note 10.1)	513,977,334	548,029,728
	<u>513,977,334</u>	<u>548,029,728</u>
Accrued interest (Note 10.2)	4,778,054	2,336,714
Accrued rental income	2,070,000	380,000
Receivable against disposal of investment	69,598,489	68,095,114
	<u>590,423,877</u>	<u>618,841,556</u>
10.1 Trade receivables		
Receivables from local sales	512,343,198	548,029,728
Receivables from export sales	1,634,136	-
	<u>513,977,334</u>	<u>548,029,728</u>
10.2 Accrued interest		
Interest accrued on FDR	4,778,054	2,336,714
	<u>4,778,054</u>	<u>2,336,714</u>
11 Advance, deposit and prepayments		
Advances:		
Employees	12,506	17,500
Land advance and others	1,942,829	36,776,888
Suppliers against material and services	91,510,409	225,082,941
	<u>93,465,744</u>	<u>261,877,329</u>
Security and other deposits:		
Titas gas	39,694,150	22,262,600
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and supplementary duty (note 11.1)	43,078,066	36,231,093
Deposit with income tax authority	36,685,655	17,185,655
Deposit with VAT authority	6,726,946	7,530,001
Other deposits	1,499,853	1,491,853
	<u>129,639,670</u>	<u>86,656,202</u>
Prepayments:		
House rent	15,638,195	9,176,471
Insurance and others	71,028,474	48,537,966
	<u>86,666,669</u>	<u>57,714,437</u>
	<u>309,772,083</u>	<u>406,247,968</u>

	<u>2017</u>	<u>2016</u>
	<u>Taka</u>	<u>Taka</u>
11.1 Supplementary duty and VAT		
Balance as at 1 January	36,231,093	58,015,290
Add: Treasury deposit for SD and VAT purpose	1,513,000,000	1,121,800,000
Rebate of input VAT	346,947,267	273,305,798
	<u>1,896,178,360</u>	<u>1,453,121,088</u>
Less: SD and VAT on sales	1,843,007,696	1,416,418,729
Payable- SD and VAT	10,092,597	471,266
	<u>1,853,100,292</u>	<u>1,416,889,995</u>
Balance as at 31 December	<u>43,078,066</u>	<u>36,231,093</u>
12 Advance Income Tax		
Balance as at 1 January	2,485,841,759	2,219,806,786
Add: Paid during the year	350,708,934	266,034,973
Less: Adjusted during the year	4,926,690	-
Balance as at 31 December (12.1)	<u>2,831,624,003</u>	<u>2,485,841,759</u>
12.1 Payment for the year		
<u>Income year</u>		
Year 2017	285,614,513	-
Year 2016	291,375,845	229,618,424
Year 2015	187,267,285	187,267,285
Year 2014	295,379,428	295,379,428
Year 2013	392,118,319	392,118,319
Year 2012	334,263,453	336,319,884
Year 2011	328,701,317	328,082,711
Year 2010	265,532,626	265,684,491
Year 2009	218,091,876	218,091,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006	23,087,333	23,087,333
	<u>2,831,624,003</u>	<u>2,485,841,759</u>

	<u>2017</u>	<u>2016</u>
	<u>Taka</u>	<u>Taka</u>
13 Cash and cash equivalents		
Cash in hand	5,631,704	9,880,543
Cash at banks		
HSBC (current account -001-013432-011,001-107580-011,001-096015-011, 001-096007-011 - BDT)	25,409,026	40,412,746
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	117,911,774	66,626,593
Brac Bank Ltd. (current account - 1530301731248001 - BDT)	57,502,367	-
Citibank N.A. (current account - G0100001200262018 - BDT)	172,812	15,162,084
Dutch Bangla Bank Ltd. (current account - 117-110-12733,117-110-4311, 117.110.23474 -BDT)	1,628,157	142,302
HSBC (ERQ account - 001-013432-047 - USD)	9,438,932	6,549,288
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	975,788	973,813
Standard Chartered Bank (Margin money account)	306,739	-
United Commercial Bank (SND account - 0831301000000164 BDT)	33,572,214	-
Eastern Bank Ltd. (SND account - 1131350237146 - BDT)	35,308,039	-
EXIM Bank (SND account - 01513100031877 - BDT)	114,761	114,271
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	454,397	1,038,142
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	261,903,047	81,821,359
BRAC Bank (SND - 1513101731248001 - BDT)	358,355	356,703
Prime Bank Ltd. (SND - 12531010022563 - BDT)	53,513,417	20,282,604
Dhaka Bank Ltd (SND - 102.150.274- BDT)	52,825,646	-
Commercial Bank of Ceylon (CD-2817000776 - BDT.)	23,529	-
Dhaka Bank Ltd (CD - 204100000019318- BDT)	8,470	-
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	39,297,802	6,559,754
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	43,154,459	-
	<u>733,879,731</u>	<u>240,039,659</u>
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,454,389	2,453,275
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,919,501	3,941,453
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,608	153,603
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,594	126,588
	<u>6,654,092</u>	<u>6,674,919</u>
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,618,431	2,627,831
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,204,459	2,222,418
SCB (Current - 02-6162940-02- BDT) - 2012	3,837,331	3,899,024
SCB (Current - 02-6162940-03- BDT) - 2013	16,734,192	16,697,585
SCB (Current - 02-6162940-04- BDT) - 2014	4,977,932	5,082,074
SCB (Current - 02-6162940-05- BDT) - 2015	3,847,536	4,082,795
SCB (Current - 02-6162940-06- BDT) - 2016	4,383,884	-
	<u>38,603,765</u>	<u>34,611,727</u>
Investment in Fixed Deposit Receipt (FDR)		
HSBC	16,827,834	30,674,551
SCB	762,080	762,080
Brac Bank Ltd.	150,000,000	-
Dutch Bangla Bank Ltd.	25,000,000	480,000,000
Eastern Bank Ltd.	300,000,000	-
Dhaka Bank Ltd.	100,000,000	-
Meghna Bank Ltd.	5,000,000	-
	<u>597,589,914</u>	<u>511,436,631</u>
Total	<u>1,382,359,206</u>	<u>802,643,479</u>

14 Share Capital

Authorised :

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

	<u>2017</u>	<u>2016</u>
	<u>Taka</u>	<u>Taka</u>
	<u>6,000,000,000</u>	<u>6,000,000,000</u>

Issued, subscribed, called and paid up :

353,693,141 ordinary shares of Taka 10/- each

	<u>3,536,931,410</u>	<u>3,368,506,110</u>
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Percentage of shareholdings :

	2017		2016	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,409,805,220	71.67	2,414,100,210
S.A.K. Ekramuzzaman	3.92	138,725,830	3.92	132,119,850
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	290	0.00	280
Sheikh Omer Bin Saqr Al Qassimi	0.00	290	0.00	280
Sheikh Ahmad Bin Humaid al Qassimi	0.00	290	0.00	280
Hamad Abdulla Al Muttawa	0.00	140	0.00	140
Dr. Khater Massaad	0.00	140	0.00	140
Abdallah Massaad	0.00	140	0.00	140
Manoj Uttamrao Ahire	0.00	140	0.00	140
General Public	27.95	988,398,930	24.41	822,284,650
	<u>100.00</u>	<u>3,536,931,410</u>	<u>100.00</u>	<u>3,368,506,110</u>

Classification of shareholders by holding

<u>Shareholder's range</u>	Number of shareholders		Number of shares	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Less than 500 shares	24,431	26,718	5,260,532	5,617,564
501 to 5,000 shares	8,673	8,021	13,964,830	11,426,420
5001 to 10,000 shares	916	618	6,687,868	4,593,958
10,001 to 20,000 shares	475	308	6,676,203	4,505,626
20,001 to 30,000 shares	134	99	3,318,356	2,463,012
30,001 to 40,000 shares	72	50	2,550,406	1,774,201
40,001 to 50,000 shares	42	38	1,903,394	1,760,460
50,001 to 100,000 shares	84	80	5,708,527	5,479,795
100,001 to 1,000,000 shares	89	63	23,843,323	18,732,649
Over 1,000,000 shares	10	11	283,779,702	280,496,926
	<u>34,926</u>	<u>36,005</u>	<u>353,693,141</u>	<u>336,850,611</u>

	<u>2017</u>	<u>2016</u>
	<u>Taka</u>	<u>Taka</u>
15 Deferred tax liabilities		
Balance as at 1 January	128,416,223	75,811,194
Less : Deferred tax (income)/expenses	<u>50,397,537</u>	<u>52,605,029</u>
Balance as at 31 December	<u>178,813,760</u>	<u>128,416,223</u>

16 Employees benefits payable		
Provident fund	-	362,708
Gratuity fund	-	<u>3,096,075</u>
	-	<u>3,458,783</u>

	2017		
	Provident fund	Gratuity fund	Total
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Balance as at 1 January	362,708	3,096,075	3,458,783
Add: Provision made during the year	<u>54,249,201</u>	<u>35,231,317</u>	<u>89,480,518</u>
	54,611,909	38,327,392	92,939,301
Less: Payments made to fund during the year	<u>54,611,909</u>	<u>38,327,392</u>	<u>92,939,301</u>
Balance as at 31 December	<u>-</u>	<u>-</u>	<u>-</u>

	2016		
	Provident fund	Gratuity fund	Total
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Balance as at 1 January	3,292,467	22,931,668	26,224,135
Add: Provision made during the year	<u>50,299,846</u>	<u>34,732,847</u>	<u>85,032,693</u>
	53,592,313	57,664,515	111,256,828
Less: Payments made to fund during the year	<u>53,229,605</u>	<u>54,568,440</u>	<u>107,798,045</u>
Balance as at 31 December	<u>362,708</u>	<u>3,096,075</u>	<u>3,458,783</u>

17 Borrowings		
Non-current:		
Term loan	632,827,493	861,151,969
Current portion of term loan	<u>(273,664,201)</u>	<u>(259,951,837)</u>
	<u>359,163,292</u>	<u>601,200,132</u>
Current:		
Bank overdrafts	18,244,255	29,663,693
Short-term borrowings	256,253,582	276,639,469
Current portion of term loan	<u>273,664,201</u>	<u>259,951,837</u>
	548,162,038	566,254,999
Balance as at 31 December	<u>907,325,330</u>	<u>1,167,455,131</u>

17.1 Borrowings by maturity

At 31 December 2017	< 1 year	1-2 years	2-5 years	Total
Bank overdrafts	18,244,255	-	-	18,244,255
Short-term borrowings	256,253,582	-	-	256,253,582
Term loan	273,664,201	271,747,942	87,415,349	632,827,493
	548,162,038	271,747,942	87,415,349	907,325,330

At 31 December 2016	< 1 year	1-2 years	2-5 years	Total
Bank overdrafts	29,663,693	-	-	29,663,693
Short-term borrowings	276,639,469	-	-	276,639,469
Term loan	259,951,837	259,951,837	341,248,296	861,151,969
	566,254,999	259,951,837	341,248,296	1,167,455,131

17.2 Facilities details

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	Security - LTL
SCB	Overdraft	50,000,000	-	Revolving	From company's own source	1) Letter of comfort, 2) Hypothecation over plant & machinery on	
	Short term loan	378,000,000	173,969,702	180/360 days from B/L date			
HSBC	Overdraft	30,000,000	-	Revolving	From company's own source	parri - passu basis with other lenders.	1) Land, 2) Plant and machinery of the expansion plant.
	Short term loan	550,000,000	82,283,880	180/360 days from B/L date			
	Long term loan	1,366,872,000	632,827,493	5 years			
Dutch	Overdraft	25,000,000	18,244,255	Revolving	From company's own source	3) Hypothecation over stock & book debts on a parri - passu basis with other lenders.	
Bangla Bank Ltd.	Short term loan	125,000,000	-	180/360 days from B/L date			
Commercial Bank of Ceylon	Overdraft	25,000,000	-	Revolving	From company's own source	4) Demand promissory note.	
	Short term loan	300,000,000	-	180/360 days from B/L date			

2017
Taka

2016
Taka

18 Trade and other payables

Trade payables

Payable to local suppliers
Payable to foreign suppliers
Payable to service provider
Payable to C & F agent

111,055,661	205,215,170
300,313,790	183,906,485
19,727,182	50,194,485
9,810,933	10,283,280
440,907,566	449,599,420

Other payables

Tax deducted at source
VAT deducted at source
Dividend Payable
Unclaimed share application
Advance from customer against sales
Security deposit payable
Payable to employee for trade
Provisional liabilities - material & services

23,849,402	15,971,206
10,889,659	9,998,255
37,854,265	33,889,190
20,838,116	20,838,116
22,186,510	8,237,699
1,624,862	1,638,234
326,468	-
15,229,568	50,299,995
132,798,850	140,872,695
573,706,416	590,472,114

	<u>2017</u> <u>Taka</u>	<u>2016</u> <u>Taka</u>
19 Accrued expenses		
Power and gas	40,240,928	23,498,627
Staff cost	86,556,724	41,406,844
Audit fees	1,532,250	1,232,250
Professional charges	455,840	463,250
Interest on loans	9,561,366	1,495,042
Telephone	228,743	270,927
Provision for freight	-	11,774,670
Managing Director's remuneration (Note 19.1)	45,725,177	40,911,795
Worker's profit participation and welfare fund (Note 19.2)	67,441,264	61,056,166
Royalty and technical know-how fees (Note 19.3)	191,852,419	83,946,396
Others	4,067,132	3,464,070
	<u>447,661,843</u>	<u>269,520,037</u>
19.1 Managing Director's remuneration		
Balance as at 1 January	40,911,795	34,075,485
Add: Provision made during the year	45,725,177	40,911,795
	<u>86,636,972</u>	<u>74,987,280</u>
Less: Paid to Managing Director during the year	40,911,795	34,075,485
Balance as at 31 December	<u>45,725,177</u>	<u>40,911,795</u>
19.2 Worker's profit participation and welfare fund		
Balance as at 1 January	61,056,166	54,064,400
Add: Contribution made to the fund during the year	67,441,264	61,056,166
	<u>128,497,430</u>	<u>115,120,566</u>
Less: Payment made from the fund during the year	61,056,166	54,064,400
Balance as at 31 December	<u>67,441,264</u>	<u>61,056,166</u>
19.3 Provision for royalty and technical know-how fees		
Balance as at 1 January	83,946,396	2,399,388
Add: Provision made during the year	107,906,023	96,547,008
	<u>191,852,419</u>	<u>98,946,396</u>
Less: Tax provision on disallowance of royalty paid for the year 2009	-	15,000,000
Balance as at 31 December	<u>191,852,419</u>	<u>83,946,396</u>
20 Provision for income Tax		
Balance as at 1 January	2,886,541,590	2,583,742,941
Add: Provision made for the year	346,190,210	302,798,649
	<u>3,232,731,800</u>	<u>2,886,541,590</u>
Less: Adjustment for completed assessment	-	-
Less: Provision release during the year	4,926,690	-
Balance as at 31 December (Note 20.1)	<u>3,227,805,110</u>	<u>2,886,541,590</u>
20.1 Provision for income Tax		
<u>Income year</u>		
Year 2017	346,089,883	-
Year 2016	302,798,649	302,798,649
Year 2015	323,397,728	323,397,728
Year 2014	381,571,248	381,571,248
Year 2013	364,979,858	364,979,858
Year 2012	339,211,366	341,267,796
Year 2011	326,685,215	328,376,284
Year 2010	348,965,691	350,044,556
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	<u>3,227,805,110</u>	<u>2,886,541,590</u>

		<u>2017</u>	<u>2016</u>
		<u>Taka</u>	<u>Taka</u>
21	Sales		
	Gross sales (Local)	8,926,913,551	7,086,463,915
	Gross sales (Export)	12,952,284	14,869,100
	Total Sales	<u>8,939,865,835</u>	<u>7,101,333,015</u>
	Less: Supplementary Duty	693,440,170	505,431,618
	VAT	1,178,553,178	934,489,819
	Net sales	<u><u>7,067,872,487</u></u>	<u><u>5,661,411,578</u></u>
22	Cost of sales		
	Materials consumed:		
	Opening stock as at 1 January	831,012,396	847,867,994
	Add: Purchase during the year	<u>2,060,243,513</u>	<u>1,498,488,142</u>
		2,891,255,909	2,346,356,136
	Less: Closing stock as at 31 December	<u>655,088,511</u>	<u>831,012,396</u>
		2,236,167,398	1,515,343,740
	Manufacturing overhead:		
	Direct labour (Note 22.1.1)	540,077,417	444,973,745
	Direct expenses:		
	Power and gas	251,403,727	130,098,593
	Repairs and indirect materials (Note 22.1.2)	814,115,217	689,372,362
	Rental charges	910,643	1,033,670
	Moulds and punches	23,161,801	16,012,411
	Depreciation	379,753,825	354,613,598
	Royalty and technical know-how/assistance fees (22.1.3)	107,906,023	81,547,008
	Other production overhead (Note 22.1.4)	65,719,709	66,079,818
	Movement in stock	<u>(167,995,667)</u>	<u>(47,019,979)</u>
		<u><u>4,251,220,093</u></u>	<u><u>3,252,054,966</u></u>
22.1.1	Direct labour		
	Salary and wages	315,971,561	244,761,008
	Overtime	39,409,677	39,468,500
	Bonus	40,264,443	34,404,958
	Incentive	82,667	3,817,616
	Temporary labour wages	94,908,877	82,877,430
	Gratuity	24,707,415	22,873,314
	Employer's contribution to provident fund	18,016,490	14,709,574
	Leave encashment	4,222,595	75,173
	Group life insurance	<u>2,493,692</u>	<u>1,986,172</u>
		<u><u>540,077,417</u></u>	<u><u>444,973,745</u></u>
22.1.2	Repairs and indirect materials		
	Stores, spares, repair and maintenance	424,775,429	379,775,144
	Packing expenses	<u>389,339,788</u>	<u>309,597,218</u>
		<u><u>814,115,217</u></u>	<u><u>689,372,362</u></u>

	<u>2017</u>	<u>2016</u>
	<u>Taka</u>	<u>Taka</u>
22.1.3 Royalty and technical know-how/assistance fees		
Royalty and technical know-how/assistance fees	107,906,023	96,547,008
Less : Tax provision on disallowance of royalty paid for the year 2009	-	15,000,000
	107,906,023	81,547,008
 22.1.4 Other production overhead		
Hotel fare and expenses for technician	6,906,106	4,763,388
Demurrage	7,287,420	1,644,495
Insurance	15,534,319	16,262,644
Hiring charges and transportation	22,710,241	7,686,577
Impairment loss on capital equipment	-	16,311,214
Provision for obsolescence of raw material	-	13,878,807
Other expenses	13,281,623	5,532,692
	65,719,709	66,079,818
 23 Other income		
Dividend income	200	250
Miscellaneous income	144,722	174,266
Rental income	12,247,999	2,400,000
Profit on sale of fixed assets	-	534,844
	12,392,921	3,109,360
 24 Administrative expenses		
Staff cost (note-24.1)	165,890,015	156,832,063
Annual General Meeting expenses	13,225,385	15,445,361
Telephone and postage	5,261,105	5,873,788
Office repair and maintenance (note 24.2)	15,501,487	6,357,274
Registration and renewal	1,565,286	1,064,355
Security and guard expenses	12,973,032	11,826,935
Electricity, gas and water	6,278,993	7,882,910
Depreciation on property, plant and equipment (note - 4.2)	36,121,760	35,622,443
Depreciation on investment property (4.2)	8,865,523	221,918
Amortisation	5,587,852	12,345,339
Legal and professional fees	8,359,152	8,678,487
Vehicle repair and maintenance	12,333,797	11,354,916
Rent, rate and tax	6,129,273	5,512,554
Bad debts	-	357,846
CSR expenses	5,500,000	5,742,270
Managing Director's remuneration (note-24.3)	45,725,177	40,911,795
Technical consultancy and others	28,792,318	29,374,192
	378,110,155	355,404,446

	<u>2017</u>	<u>2016</u>
	Taka	Taka
24.1 Staff cost		
Salary and wages	117,630,928	105,028,514
Bonus	15,797,510	14,438,616
Incentive	792,382	3,161,893
Gratuity	8,266,289	7,983,353
Employer's contribution to provident fund	6,585,677	3,873,145
Leave encashment	4,202,563	210,439
Group life insurance	878,275	587,102
Canteen and conveyance expenses	5,374,211	7,230,364
Staff uniform expenses	1,553,998	2,392,774
Travelling expenses	2,580,064	9,969,236
Medical expenses	1,787,005	1,429,061
Accommodation expenses	-	88,280
Other employee benefit	441,113	439,286
	165,890,015	156,832,063
24.2 Office repair and maintenance		
Repairs office equipment	1,892,313	334,392
Office maintenance	13,609,174	6,022,882
	15,501,487	6,357,274
24.3 Managing Director's remuneration		
Provision made during the year	45,725,177	40,911,795
	45,725,177	40,911,795
Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.		
25 Marketing and selling expenses		
Staff cost (note-25.1)	39,792,097	30,053,780
Advertisement	5,058,868	3,300,823
Freight and transportation	270,993,192	228,405,545
Performance rebates (note-25.2)	374,200,366	260,753,693
Business promotion	46,776,857	15,108,279
Depreciation	2,027,549	2,027,549
Discount	121,751,796	136,150,662
Travel, entertainment and others	29,434,219	30,561,804
	890,034,944	706,362,135
25.1 Staff cost		
Salary and wages	29,882,507	22,118,115
Bonus	3,230,020	2,999,899
Incentive	33,205	1,134,929
Gratuity	2,257,614	1,636,563
Employer's contribution to provident fund	1,793,970	835,966
Leave Encashment	300,848	-
Group life insurance	154,317	125,620
Conveyance and food expenses	2,139,616	1,202,688
	39,792,097	30,053,780

	2017 Taka	2016 Taka
25.2 Performance rebates		
Compensation to customer	11,668,958	6,616,203
Dealers' commission	136,981,015	102,695,348
Breakage commission	140,966,334	118,820,554
Dealers' incentive and bonus	84,584,059	32,621,588
	374,200,366	260,753,693
26 Finance income		
Interest on bank account (SND)	8,791,396	3,356,834
Interest on FDR	11,871,082	13,781,872
Exchange gain	-	3,891,179
Un-winding gain	1,503,375	-
	22,165,853	21,029,885
27 Financial expenses		
Interest expenses	46,233,598	38,237,651
Foreign exchange loss	51,532,438	-
Bank charges	3,258,900	1,777,010
	101,024,936	40,014,661
28 Contribution to worker's profit participation and welfare fund		
Provision made during the year	67,441,264	61,056,166
	67,441,264	61,056,166
29 Current tax		
Current year	346,190,210	302,798,649
	346,190,210	302,798,649

30 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

30.1 Credit risk

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

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

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

a) Exposure to credit risk

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

	USD		Amounts in Taka	
	As at 31 Dec 2017	As at 31 Dec 2016	As at 31 Dec 2017	As at 31 Dec 2016
Trade receivables				
Customer-Local	-	-	512,343,198	548,029,728
Customer-Export	19,880	-	1,634,136	-
	19,880	-	513,977,334	548,029,728
Other receivables				
Accrued Interest			4,778,054	2,336,714
Accrued rental income			2,070,000	380,000
Receivable against disposal of investment			69,598,489	142,120,114
			76,446,543	144,836,828
Loan to disposed subsidiary Julphar Bangladesh Ltd. (Erstwhile RAK Pharmaceuticals Pvt. Ltd.)			-	201,898,000
			-	201,898,000
Cash equivalents			1,376,727,502	792,762,936

b) Ageing of receivables:

The ageing of trade receivables as at 31 December was:

Amounts in Taka	
As at 31 Dec 2017	As at 31 Dec 2016
Not past due	
0-90 days past due	514,179,767
91-180 days past due	26,281,407
181-365 days past due	7,345,405
	<u>7,368,554</u>
	<u>548,029,728</u>

30.2 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 December 2017			
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Bank overdraft	18,244,255	18,244,255	18,244,255	-
Trade and other payables	573,706,416	573,706,416	573,706,416	-
Short term borrowing (foreign)	256,253,582	256,253,582	256,253,582	-
Term loan (foreign)	632,827,493	632,827,493	273,664,201	359,163,292
	<u>1,481,031,746</u>	<u>1,481,031,746</u>	<u>1,121,868,454</u>	<u>359,163,292</u>
			As at 31 December 2016	
	Carrying amount Taka	Contractual cash flows Taka	Within 12 months or less Taka	More than 12 months Taka
Bank overdraft	29,663,693	29,663,693	29,663,693	-
Trade and other payables	590,472,114	590,472,114	590,472,114	-
Short term borrowing	276,639,469	276,639,469	276,639,469	-
Term loan	861,151,969	861,151,969	259,951,837	601,200,132
	<u>1,757,927,245</u>	<u>1,757,927,245</u>	<u>1,156,727,112</u>	<u>601,200,132</u>

30.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 December 2017				As at 31 December 2016		
	AED	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated assets							
Receivable from customers-Export	-	-	19,880	-	-	-	-
Cash at bank	-	-	126,700	-	-	96,388	-
	-	-	146,580	-	-	96,388	-
	As at 31 December 2017				As at 31 December 2016		
	AED	GBP	USD	EURO	GBP	USD	EURO
Foreign currency denominated liabilities							
Trade payables	6,349	93,585	2,615,356	740,046	164,899	1,274,984	797,167
Short term borrowings	-	-	2,907,638	142,880	-	3,100,548	375,259
Term loan	-	-	7,606,100	-	-	10,893,763	-
Royalty & Technical Fees	-	-	2,305,918	-	-	1,061,940	-
Net exposure	6,349	93,585	15,435,011	882,926	164,899	16,331,235	1,172,426
	(6,349)	(93,585)	(15,288,432)	(882,926)	(164,900)	(16,234,847)	(1,172,426)

The Company has foreign exchange loss of Tk 51,532,438 during the year ended 31 Dec 2017 (31 Dec 2016: Exchange gain Tk 3,891,179).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2017	31 Dec 2016
	Taka	Taka
AED	22.4659	21.3397
GBP	111.0252	96.2662
USD	82.7000	78.5500
EURO	104.7878	82.3516

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 December 2017		As at 31 December 2016	
	Profit or (loss)		Profit or (loss)	
	Strengthening Taka	Weakening Taka	Strengthening Taka	Weakening Taka
At 31 December				
AED (3 percent movement)	(196)	185	-	-
GBP (3 percent movement)	(2,894)	2,726	(5,100)	4,803
USD (3 percent movement)	(472,838)	445,294	(502,109)	472,860
EURO (3 percent movement)	(27,307)	25,716	(36,261)	34,148

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 2017 Taka	As at 31 December 2016 Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	597,589,914	511,436,631
Cash at banks	779,137,588	281,326,305
Financial liabilities		
Term loan (Foreign)	632,827,493	861,151,969
Bank overdraft	18,244,255	29,663,693
Short term borrowing (foreign)	256,253,582	276,639,469

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 2017		As at 31 December 2016	
	Carrying amount Taka	Fair value Taka	Carrying amount Taka	Fair value Taka
Financial assets				
Held to maturity assets				
Investment in FDR	597,589,914	597,589,914	511,436,631	511,436,631
Loans and receivables				
Trade receivables	513,977,334	513,977,334	548,029,728	548,029,728
Other receivables	76,446,543	76,446,543	144,836,828	144,836,828
Loan to disposed subsidiary	-	-	201,898,000	201,898,000
Cash equivalents	1,376,727,502	1,376,727,502	792,762,936	792,762,936
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	632,827,493	632,827,493	861,151,969	861,151,969
Bank overdraft	18,244,255	18,244,255	29,663,693	29,663,693
Trade and other payables	573,706,416	573,706,416	590,472,114	590,472,114
Short term borrowing (foreign)	256,253,582	256,253,582	276,639,469	276,639,469
Interest rates used for determining amortised cost				
The interest rates used to discount estimated cash flows, when applicable were as follows:				
Investment in FDR			31 December 2017	31 December 2016
Term loan			1.95%-7.50%	1.70%-5.50%
Bank overdraft			Libor+3%	Libor+3%
Short term bank loan (local currency)			8.00%-10.00%	8%-10.75%
Short term bank loan (foreign currency/USD)			8.00%-10.00%	8%-13.50%
Long term bank loan (foreign currency/USD)			Libor+(2.75%-2.85%)	Libor+(2.75%-3.00%)
			Libor+3%	Libor+3%

31.1 Related party disclosures under BAS-24

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

Amounts in Taka

31.1 Name of related party	Relationship	Period	Purchase of goods/services	Sale of goods/services	Outstanding receivables/Advanc	Outstanding payable	Remuneration	Loan	Interest receivables
RAK Power Pvt. Ltd	Subsidiary	Current year	378,382,187	6,070,957	-	94,712,821	-	-	-
		Previous year	347,049,244	6,891,130	-	30,270,872	-	-	-
RAK Security & Services Pvt. Ltd	Subsidiary	Current year	95,121,016	-	-	12,945,177	-	-	-
		Previous year	94,606,305	-	-	12,282,590	-	-	-
RAK Ceramics - UAE	Parent	Current year	29,927,515	-	-	26,079,948	-	-	-
		Previous year	47,125,490	-	-	21,118,318	-	-	-
Julphar Pharmaceuticals Ltd.	Other related party	Current year	-	8,748,000	1,215,000	-	-	-	-
		Previous year	-	-	201,898,000	-	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Current year	1,152,085	3,500,000	879,108	-	-	-	-
		Previous year	3,227,478	2,390,000	380,000	-	-	-	-
Kea Printing & Packaging Industries	Other related party	Current year	110,329,261	-	-	8,107,975	-	-	-
		Previous year	112,892,298	-	-	17,671,058	-	-	-
Palli Properties Pte. Ltd	Other related party	Current year	18,820,509	-	-	28,400	-	-	-
		Previous year	18,901,088	-	-	1,277,772	-	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Current year	4,929,707	-	-	-	-	-	-
		Previous year	5,553,673	-	-	-	-	-	-
Green Planet Communications	Other related party	Current year	12,360,099	-	-	114,915	-	-	-
		Previous year	5,298,996	-	-	-	-	-	-
Global Business Associates Ltd.	Other related party	Current year	551,102	-	-	-	-	-	-
		Previous year	-	-	-	-	-	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Current year	124,439,691	-	-	9,121,821	-	-	-
		Previous year	16,670,923	-	-	-	-	-	-
Mohammed Trading	Other related party	Current year	-	2,428,701,293	371,834,648	-	-	-	-
		Previous year	-	1,967,266,442	380,083,753	-	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Current year	-	-	-	45,725,177	45,725,177	-	-
		Previous year	-	-	-	40,911,795	40,911,795	-	-
Intiaz Hussain	Key Management Personnel	Current year	-	-	-	1,690,172	11,208,464	-	-
		Previous year	-	-	-	1,322,520	10,230,240	-	-

31.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka 45,725,177.

During the year, Board meeting fees of Taka 275,000 was paid to the board members for attending the Board meetings.

32 Segment reporting

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

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

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

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

2017

	Business Segments				
	<u>Ceramic & sanitary ware</u>	<u>Power</u>	<u>Security and Services</u>	<u>Inter segment</u>	<u>Entity total</u>
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	6,968,838,073	2,740,415	96,293,999	-	7,067,872,487
Revenue - inter segment	-	378,382,187	96,943,333	(475,325,520)	-
Total segment revenue	6,968,838,073	381,122,602	193,237,332	(475,325,520)	7,067,872,487
Cost of sales- external customer	(3,858,045,015)	(244,342,165)	(148,832,913)	-	(4,251,220,093)
Cost of sales- inter segment	(479,574,160)	(1,822,317)	-	481,396,477	-
Total segment cost of sales	(4,337,619,175)	(246,164,482)	(148,832,913)	481,396,477	(4,251,220,093)
Gross profit	2,631,218,898	134,958,120	44,404,419	-	2,816,652,394
Other income	-	144,722	-	-	144,722
Dividend income	83,979,600	20,000	200	(83,999,600)	200
Rental income	18,318,956	-	-	(6,070,957)	12,247,999
Unwinding gain on receivable (note - 26)	-	-	-	-	1,503,375
Financial income	18,507,175	2,013,801	141,501	-	20,662,478
Financial expenses	(99,773,955)	(1,226,099)	(24,883)	-	(101,024,937)
Depreciation	(407,503,491)	(18,170,999)	(1,094,167)	-	(426,768,657)
Other operating expenses	(895,921,895)	8,339,105	(21,234,916)	-	(908,817,706)
Segment profit before tax	1,348,825,288	126,078,650	22,192,155	-	1,414,599,869
Income tax expense	(297,112,555)	(41,210,074)	(7,867,581)	-	(346,190,210)
Deferred tax	(52,058,981)	1,661,444	-	-	(50,397,537)
Non -Controlling interest	-	422	0.70	-	423
Profit for the year	-	-	-	-	<u>1,018,011,699</u>

2016

	Business Segments				
	<u>Ceramic & sanitary ware</u>	<u>Power</u>	<u>Security and services</u>	<u>Inter segment</u>	<u>Entity total</u>
	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	5,577,443,970	26,937,134	57,030,474	-	5,661,411,578
Revenue - inter segment	-	347,049,244	96,512,158	(443,561,402)	-
Total segment revenue	5,577,443,970	373,986,378	153,542,632	(443,561,402)	5,661,411,578
Cost of sales- external customer	(2,906,473,929)	(224,380,162)	(121,200,876)	-	(3,252,054,966)
Cost of sales- inter segment	(448,546,679)	(1,905,853)	-	450,452,532	-
Total segment cost of sales	(3,355,020,608)	(226,286,015)	(121,200,876)	450,452,532	(3,252,054,966)
Gross profit	2,222,423,362	147,700,363	32,341,756	-	2,409,356,612
Other income	469,194	239,916	-	-	709,110
Dividend income	103,489,500	10,000	250	(103,499,500)	250
Rental income	9,291,130	-	-	(6,891,130)	2,400,000
Financial income	18,400,859	2,567,214	61,812	-	21,029,885
Financial expenses	(39,747,963)	(256,318)	(10,380)	-	(40,014,661)
Depreciation	(374,020,896)	(18,093,909)	(370,703)	-	(392,485,508)
Other operating expenses	(719,181,874)	8,824,166	(19,979,528)	-	(730,337,236)
Segment profit before tax	1,221,123,312	140,991,432	12,043,207	-	1,270,658,449
Income tax expense	(253,189,745)	(45,393,782)	(4,215,122)	-	(302,798,649)
Deferred tax	(53,671,503)	1,066,474	-	-	(52,605,029)
Non -Controlling interest	-	472	0.38	-	472
Profit for the year	-	-	-	-	<u>915,254,299</u>

	<u>2017</u> <u>Taka</u>	<u>2016</u> <u>Taka</u>
33 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	<u>1,018,011,699</u>	<u>915,254,299</u>
No. of ordinary equity shares	<u>353,693,141</u>	<u>353,693,141</u>
Weighted average no. of equity shares outstanding (Note 33.1)	<u>353,693,141</u>	<u>353,693,141</u>
Earnings per share (EPS) for the year	<u>2.88</u>	<u>2.59</u>

33.1 Weighted average number of ordinary shares

The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. The weighted average number of shares is calculated by assuming that the shares have always been in issue. This means that they have been issued at the start of the year presented as the comparative figures.

	<u>2017</u>	<u>2016</u>
Outstanding shares	336,850,611	336,850,611
Effect of issue of bonus shares for the year 2016	<u>16,842,531</u>	<u>16,842,531</u>
	<u>353,693,141</u>	<u>353,693,141</u>

33.2 Diluted earning per share

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

34 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 668,168,492 (31 Dec 2016: Tk 541,950,341). 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 478,871,146 (31 Dec 2016: Tk 398,511,738) and letter of guarantee of Tk 80,730,767 (31 Dec 2016: Tk 42,310,078).

35 Events after the reporting period

35.1 Declaration of dividend

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on 28 January 2018 recommended 10% stock dividend and 10% cash dividend (i.e. Tk. 1 per share of Tk. 10.00 each) for the year ended on 31 December 2017. These dividends are subject to final approval by the shareholders at the forthcoming 19th Annual General Meeting (AGM) of the Company.