

ANNUAL REPORT 2018

EN-ROUTE
TOWARDS
PERPETUAL
BENCHMARK

EN-ROUTE TOWARDS PERPETUAL BENCHMARK

At RAK Ceramics (Bangladesh), as one of the country's leading ceramic manufacturer, we believe that excellence is always a journey and never a destination.

Towards this endeavor, our focus on innovation, our ability to continually refresh our portfolio, our modern manufacturing infrastructure and practices, our pervasive presence across Bangladesh, our professional and committed workforce and our robust customer service strategies have ensured that we remain in a state of constant motion to serve the needs of a dynamic and vibrant market.

This positions our Company en-route to being poised for perpetual benchmarking thus enabling us to reinforce and outperform in a competitive market.

TRADING CODE: RAKCERAMIC



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STRATEGIC OVERVIEW

Industry outlook and possible future developments in the industry

Our strategy

Management Discussion and Analysis

Segmental analysis

Risk control initiatives



NON-FINANCIAL OVERVIEW

Integrated Reporting

Our sustainability initiatives

Our Obligation to the Environment and the Society

Policy on communication with shareholders and other stakeholders

Corporate social responsibilities



WE'RE PROUD!

RAK Ceramics (Bangladesh) was awarded as the 'No. 1 Ceramics Tiles Brand 2018', by Bangladesh Brand Forum in partnership with Nielsen!



GOVERNANCE REVIEW

Directors' Report

Audit Committee Report

NRC Report

Corporate Governance Report

Corporate Governance Compliance Certificate

BAPLC Certificate



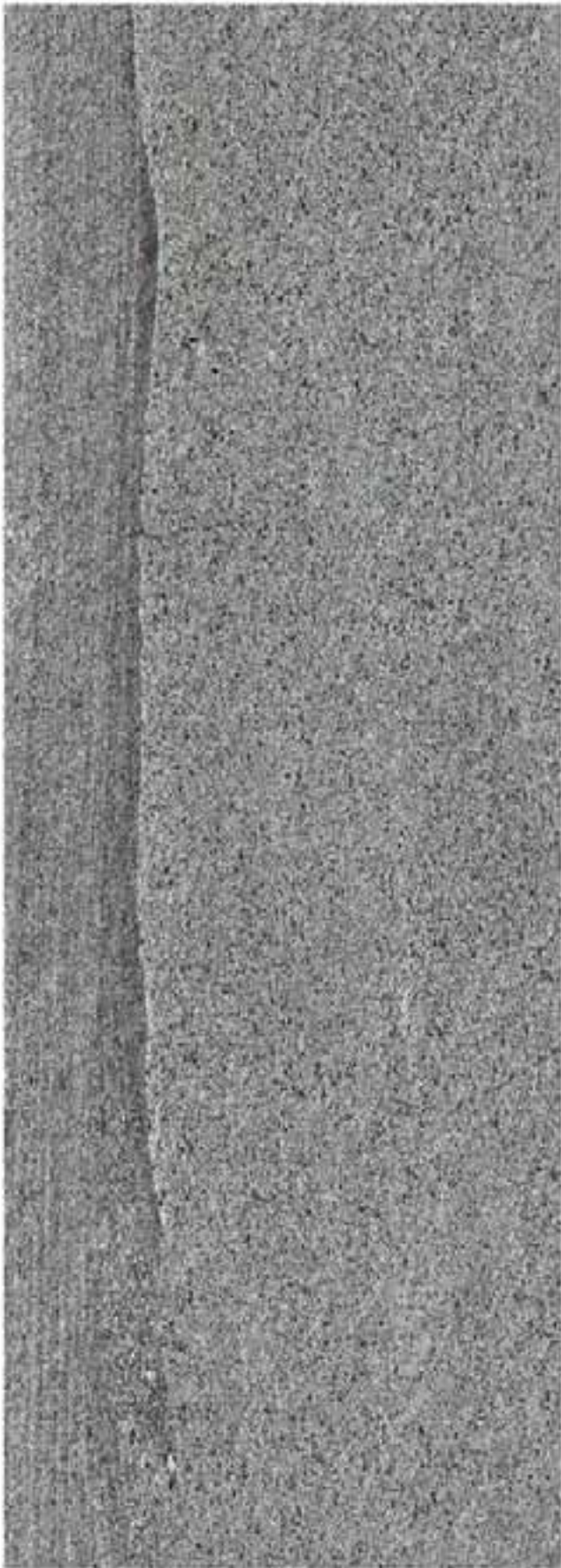
FINANCIAL STATEMENTS

Independent auditors' report and audited consolidated financial statements

Independent auditors' report and audited financial statements

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

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



At RAK Ceramics (Bangladesh), our principal goal is to create value through creating better spaces. The smooth finish of our products is representative of the strong emphasis we accord to product innovation and service delivery initiatives.

CORPORATE INFORMATION

Board of Directors

Chairperson

Abdallah Massaad

Managing Director

S.A.K. Ekramuzzaman

Director

Pramod Kumar Chand

Independent Directors

Wassim Moukahhal
Faheemul Huq, Barrister-at-Law

Chief Executive Officer

Imtiaz Hussain

Chief Financial Officer

Kaushik Das

Company Secretary

Muhammad Shahidul Islam FCS

Audit Committee

Chairperson

Faheemul Huq, Barrister-at-Law

Members

Wassim Moukahhal
Pramod Kumar Chand

Member Secretary

Muhammad Shahidul Islam FCS

Head of Internal Audit and Compliance

Mohammad Samsul Arefin

Legal Advisor

Margub Kabir, Barrister-at-Law

Nomination and Remuneration Committee

Chairperson

Wassim Moukahhal

Members

Pramod Kumar Chand
Faheemul Huq, Barrister-at-Law

Member Secretary

Muhammad Shahidul Islam FCS

Statutory Auditor

ACNABIN
Chartered Accountants
(an independent member of
BAKER TILLY INTERNATIONAL)
BDBL Bhaban, Level-13
12 Kazi Nazrul Islam Avenue
Dhaka 1215

Principal Bankers

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

Website

www.rakceramics.com
www.rakcerambd.com

Registered Office

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

Factory Location

Dhanua, Sreepur, Gazipur, Bangladesh

COMPANY PROFILE

Our relevance

Infrastructure development and construction are fundamental elements of socio-economic development in Bangladesh, particularly in relation to housing and commercial space, as urban areas expand and aspirations grow.

RAK Ceramics (Bangladesh) is a proactive and resilient organisation working in collaboration with all its stakeholders in a focused, constructive and mutually-beneficial manner. It is well-positioned to benefit from some of the structural long-term growth drivers that include urbanisation, housing under-penetration, accessibility to financing solutions and a growing aspirational middle-class.

Our business

RAK Ceramics (Bangladesh) is the country's leading manufacturer and distributor of high-end interior building products.

The Company's wide range of branded products are made available to all potential and emerging markets of the country through a unified customer sales team and integrated supply chain network that leverages the Company's scale. We target highest profitability, underpinned by a cost conscious culture, as well as environmental, social and governance (ESG) principles to drive shared value creation.

As an institution with industry leading production capacities that support nation-wide product demand and after sale service, we possess leading positions in our categories and our brands are well-entrenched with consumers in Bangladesh, as illustrated by the percentage share of market.

Our operating model

Our operating model focuses on the consumer, reigniting innovation and leveraging our scale as one team, resulting in an agile and lean organisation that responds swiftly, and is aided by simple ways of working. A key enabler is our decentralised decision-making and improved processes and systems.

Our listing

The Company has a primary listing on the Dhaka Stock Exchange, and its operations date back to the year 2000, with incorporation in 1998. The structure of the business in its current state is representative of a UAE-Bangladesh joint venture project.

Over the years, the Company has seen the benefit of partnering with key stakeholders to achieve outcomes that represent 'win-win' propositions. In doing so, these relationships contribute towards the achievement of the business's strategic objectives, while also meeting the objectives of its various stakeholders, including shareholders, government, suppliers, communities, employees and people

impacted by the Company's operations and its developmental activities.

The Company's approach to working with its key stakeholders continues to support its objective of being considered as the partner of choice in interior building products and solutions.

Our portfolio

The biggest factor that ensures the strongest differentiation for RAK Ceramics (Bangladesh) is its wide product portfolio comprising ceramics and gres porcellanato (porcelain/fully vitrified) tiles, bathroom sets and all types of sanitaryware. The Company has over 2,500 models active in the ceramic and porcelain tiles business, and regularly introduces new designs that are closely aligned with evolving consumer trends. The Company's tiles range in sizes from 7.5 X 20 cm up to 80 X 80 cm, straddling the full chain of tiles products in Bangladesh.

The Company has over 41 models of sanitaryware that provides customers with a deep choice. In sanitaryware, various models are produced in wash basins (wall mounted as well as pedestal) and water closets. Besides, the product mix is oriented mostly towards value-added products. This, paired with other structural advantages has ensured sustainable margins with a shrunken payback cycle. Production is mostly consumed in the local markets.

Though the Company has initiated the export of its products, a majority of the output is sold in the domestic markets.

10.32 mn sqm
Annual tiles capacity

1.45 mn pcs
Annual sanitaryware capacity

Our credentials

We use the world-class SACMI technology across our operations that ensures excellent product finish and minimal wastages, while incorporating costs that are comparable to the lowest in the industry.

The Company emerged as the first company in Bangladesh the ceramics industry to be awarded the prestigious ISO 9001: 2008 certification by the UKAS accredited internationally-recognized certification agency, BVQI, in May 2006. The Company takes its environmental responsibility seriously, pledging a commitment to protect and preserve the environment. This intent is testified in its ISO 14001:2004 certification. Furthermore, the Company also complies with ISO 13006:2012 (E), the latest international standard for ceramic tiles, locally known as BDS ISO 13006:2012.

The Company's sanitaryware complies with the quality criteria detailed under BDS 1162:2012. Both tiles and sanitaryware products are BSTI-approved.

Material matters for the review period

Challenging and highly competitive industry environment

Business continuity

Human resource development and skill-building

Widening customer access to our products

ABOUT US

RAK Ceramics (Bangladesh) is the country's largest and leading tiles and sanitaryware brand. The Company was incorporated in Bangladesh on 26 November 1998 as a private limited company under the Companies Act, 1994, as a UAE-Bangladesh joint venture project. The Company commenced commercial production on 12 November 2000. It converted into a public limited company on 10 June 2008 and subsequently listed on the stock exchanges of Bangladesh on 13 June 2010.

Today, RAK Ceramics (Bangladesh) has anchored its pioneering position on the basis of its market-leading capacities, world-class manufacturing

assets, high production utilisation, optimised cost structures, vibrant sales and distribution network and robust customer engagement programs.



Manufacturing assets:

We operate with world-class SACMI technology that ensures high-quality and cost-effective output.



Production capacity utilisation

We continue to focus on maximising capacity utilisation. In the year 2018, actual capacity utilization was 83% at our tiles plant and sanitary ware facility was fully utilized.



Cost structures:

Our costs are among the lowest and most competitive in the industry, by virtue of our scale, focus on expense control and technological and operational advantages.



Sales network:

We possess one of the largest dealer networks in the ceramics industry in Bangladesh and four exclusive display centres strategically located in high footfall areas.



Customer engagement programs:

We deliver highly customised solutions to our customers, ensuring their utmost satisfaction even with after sale service. One of the ways by which we do so include outright replacement at no extra cost.

The current market for the Company includes B2B, Government institutions and local customers. The Company has a strong market reputation in Bangladesh with a wide network of nationwide dealers and receives strong support from RAK Ceramics PJSC, UAE in terms of technological knowhow, management and marketing support.

In a notable achievement of 2018, the Company was successively honoured with the 'Best Brand Award 2018' for ceramic tiles category by Bangladesh Brand Forum in partnership with Nielsen.

The ownership of RAK Ceramics (Bangladesh) represents 72.08% by the sponsors and the remaining 27.92% by the general public, including institutional investors, as on December 31, 2018.

With an annual turnover of over BDT 6,830.78 million in 2018, within a short span of 19 years, RAK Ceramics (Bangladesh) has firmly established itself as one of the leading manufacturer of high quality ceramic wall and floor tiles and sanitaryware products in Bangladesh.

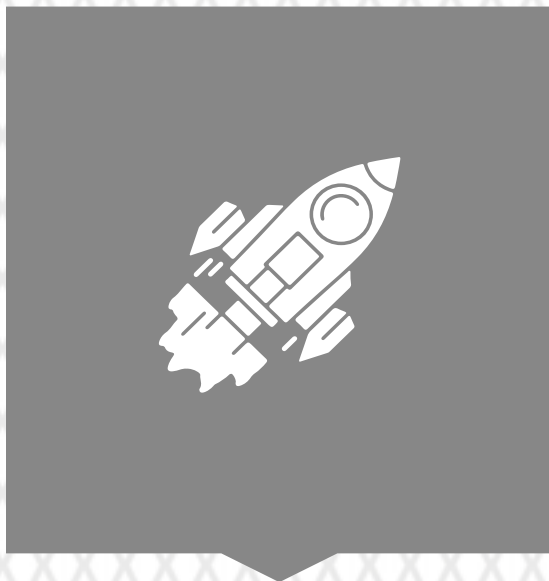
VISION AND MISSION

VISION



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

MISSION



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

CORE VALUES AND CODE OF CONDUCT

At RAK Ceramics (Bangladesh), we have embedded our core values across the business to ensure that our people act consistently and take the right decisions aligned with our broader philosophies. As a responsible corporate citizen, RAK Ceramics (Bangladesh) has an established policy to adhere to the communication and dissemination of information, as required under applicable laws in a fair, diligent and transparent manner. This policy envisages to develop and foster fair, sustainable and mutually-beneficial relationships with customers on an arm's length basis.

Our code of conduct and ethical standards addresses ethical conduct in our work environment, business practices and relationship with external stakeholders. RAK Ceramics (Bangladesh) sets out the guiding principles known as the "Code of Conduct" for all employees and the Chairperson of the Board, other Board members and Chief Executive Officer of the Company ensures the implementation of the highest ethical standards in all of the Company's business dealings. Our code of conduct guides us for our daily business interactions, reflecting our standard of proper behavior and our corporate values. The code clearly conveys to each of us the manner in which we achieve our business. Our priorities for 2019 and beyond are to continue embedding appropriate procedures and controls for responsibly and prudently managing the supply chain and other third-party risks to support our growth strategy for new products and markets.

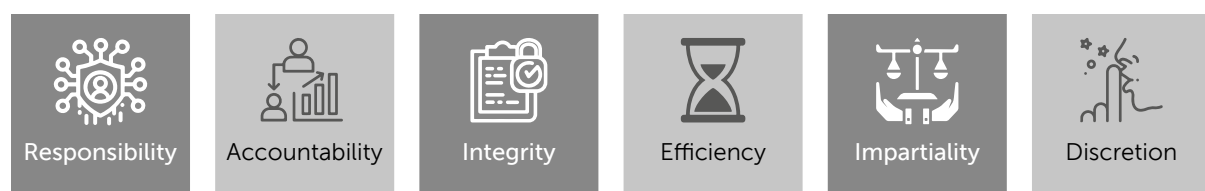
Customer relations

It is an established policy of the Company to develop and foster fair, sustainable and mutually-beneficial relationships with customers on an arm's length basis. Employees are expected to respect customers and their needs and contribute to satisfying these needs in an efficient and effective manner such that the interest of the Company and shareholders are not compromised in any way.

Guiding principles

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

Our employees are also guided by the following basic principles:



Statutory compliance, rules and regulations
Employees are expected to be aware of and conduct themselves in accordance with all the applicable laws, rules and regulations in the country, and make best efforts not to willingly breach any provision of such laws. They shall ensure compliance with various legal/regulatory requirements, as applicable, to the business of the Company, and also endeavor that before any directions are given or decisions taken, relevant legal/regulatory requirements are taken into account.

Any transaction falling under the definition of related party transactions as per the provisions of the law and as detailed in the Related Party Transaction Policy of the Company entered into by employees, shall be timely disclosed to the Board or any Committee thereof.

Corporate commitment

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

Environmental governance and compliance
Employees are expected to be aware of the Company's commitment to contribute to

sustainable business development with respect to environmental issues and requirements and its environmental policy statements issued from time to time.

Employees are also expected to have knowledge of, monitor and adhere strictly with the country's applicable laws, rules and regulations related to the environment that impact the Company's operations and business, including the requirements under environmental standards of financial participants.

Giving back to our communities

The Company has a longstanding commitment to be a good corporate citizen and a responsible member of the communities in which it operates, or where its operational subsidiaries or divisions are located. At the Company-level, we work in partnership to support organisations and activities that aim to improve social unity and inclusion. We also donate cash and often, our employees have invested their time and energy to charitable causes of their choice.

RAK Ceramics (Bangladesh) actively promotes and engages in social contribution activities that help to strengthen communities and contribute to the enrichment of the society - both at the individual level and with group companies. The Company understands its responsibility towards social welfare and contributed an amount of BDT 4.05 mn as CSR and Donation during the year 2018, encompassing donations to education and social and cultural activities of the country.

OUR BUSINESS MODEL

RAK Ceramics (Bangladesh) is Bangladesh's leading interior building products manufacturer, supplying superior and innovative products to the construction and home improvement markets since 2000.

Resources and relationships

Intellectual

Research and innovation | Technical knowhow
| Brand strengthening

Human

People resources | Employee welfare

Social

Community partnerships

Financial

Conservatism | Capital structure

Manufacturing

SACMI technology | Modern plants

Natural

Preservation and protection best practices
| Culture of conservation

En-route towards perpetual benchmark

At RAK Ceramics (Bangladesh), we continually seek to capitalise on the long-term drivers of our market. Through detailed analysis, we continue to drive new product development, particularly

in the areas of design, range, functionality and affordability. Product development focuses on meeting consumer needs and on increasing the speed and efficiency of product installation. We also track trends in lifestyles and aesthetics to ensure that products can be efficiently and effectively installed. Importantly, we have nurtured a culture of proactiveness that is well-positioned to respond to the growing market demand in the shortest possible time and in the best possible way.

How we operate

Sourcing

The Company's principal raw materials comprise clay, sand, aggregates, power and utilities. We use the best materials we can source from across the world, and our parentage greatly assists us in this regard. Furthermore, our supply chain relationships include ethical sourcing.

Manufacturing

The Company operates the class-leading SACMI technology that enables a high-quality and cost-competitive output. We make continual investments in our processes that further aid in our quality and cost objectives.

Distribution

We match the scale of our operations with a robust supply network that enables a pan-Bangladesh coverage, while enabling us to reach products to

demand centres in the shortest possible time and at competitive distribution costs.

Customer relationship

As a B2C, we realise that building and sustaining customer relationships is a key aspect of our business objectives. Our customers range from homeowners to interior designers and other influencers. We focus on enhancing the quality of our customer engagement programs to build lasting relationships.

Our key strengths

Customer service

- Extensive post-sale service assurance
- Quality, availability and on-time delivery

Quality

- Commitment to producing high-quality products
- Products have strong gloss and finish

Technical expertise

- Access to global design inputs
- World-class manufacturing and development teams
- Skilled shopfloor personnel

Brand innovation

- Wide range of products and solutions
- Continual benchmarking for excellence
- Several awards and accolades a testimony of brand innovation

Sustainability credentials

- Strong focus on best practices
- Culture of environmental protection and preservation

Stakeholder value emphasis

Shareholders

- Progressive dividend policy
- Long-term decision-making prism for best shareholder outcomes

People

- Extensive employee engagement programs
- Focus on skill-building and career progression

Customers

- Deep and wide product range
- Assurance of strong post-sale services

Vendor-partners

- Improving business throughput
- Assistance in strengthening their business practices

Communities

- Responsible business practices
- Strong community welfare programs



At RAK Ceramics (Bangladesh), we continue to focus on delivering stronger and more sustainable returns to our shareholders. The smooth finish of our products is representative of a well-governed institution that is committed to the growth and development of Bangladesh.

CHAIRMAN'S STATEMENT

Abdallah Massaad
Chairman



Dear shareholders,

RAK has a long and proud history with a product portfolio that spans hundreds of designs, patterns and sizes, meshed with functionality and affordability. This appeal was not lost of our customers, as they selected us as their go-to destination for tiles and sanitaryware products. It is the validation of brand trust and confidence that our Company was bestowed with the prestigious 'No. 1 Ceramics Tiles Brand 2018' honour, awarded by Bangladesh Brand Forum in partnership with Nielsen! This is truly an incredible achievement when one considers the plethora of choice available to customers in a highly competitive ceramics market of the country. This eminent honour is

also an attestation of our efforts in successful brand management, and a reaffirmation of our commitment to our brand charter.

Through this statement, I would like to discuss the four key pillars that together make our enterprise a case in deep-rooted ceramic capabilities. These four pillars comprise:

- Customer-centricity
- Alignment of supply chain with demand
- Consumer segmentation
- Strong sense of current and future trends

Let us take each one of these for articulation in detail.

For RAK Ceramics (Bangladesh), the past year was a challenging one with external and internal events combining to result in a relatively subdued performance. Despite this environment however, we continued to progress in implementing our strategy, and now look to the future with optimism and positivity.

Customer-centricity

Customer-centricity is the most vital component of our success. Being customer-centric is a full-time responsibility, and where we are far ahead vis-à-vis our competitors is in our ability to elevate a customer transaction into a fulfilling experience. While products and service can have a sort of a standardisation, what truly differentiates the customer engagement is their experience with us.

In-store, we offer our customers the ability to select products based on the all-important 'human touch'. This touch is represented by our highly knowledgeable and expertly trained staff who are ready with any information that a customer might need to decide on the purchase. Furthermore, our sales team is adept in managing all kinds of customers – first-timers, interior designers and other influencers, which supports the conversion of walk-in into sales.

Alignment of supply chain with demand

In our business, the calibration or alignment of supply chain with market growth is crucial. A mismatch can either lead to empty shelves, or overstocking, both undesirable situations. While unavailability of products can erode customer trust in the brand, overstocking can dent the business of the dealer, impacting market reputation of the brand. Hence, a delicate balance has to be ensured with a view to sustain viability.

At our Company, we not only operate a manufacturing scale that outcompetes our competitors, but also align this output with market demand in a way that our products meet the accessibility aspirations of our customers, while creating a fast-moving inventory for our dealers. We leverage the use of technology and our multi-year relationships with our logistics partners that together ensure a just-in-time supply that enable us to meet the objectives of all our stakeholders.

Furthermore, our vast design repertoire plays a meaningful role in accelerating product offtake.

Consumer segmentation

As in most countries around the world, Bangladesh too has a population that lives across the socio-economic ladder. What amplifies the demarcation is the fact that the country has 163 million strong population, which means that consumer segmentation is not an option but a necessity.

While most other businesses have a one-size-fits-all orientation, where we are different is we have engaged in extensive consumer segmentation that has not only enabled us to initiate targeted customer value propositions, but has also reinforced our ability to provide customised and best-fit solutions.

We have a no compromise culture, which means that we place quality and aesthetics above everything else. This means that even our lowest-priced tiles come with the highest quality assurance. This has hoisted the confidence our customers have reposed in us, enabling strong brand acceptance, which has made the Company rather resilient to the cyclicity of the business.

Strong sense of current and future trends

If you think of us as a fast-moving brand, we think of ourselves as being in the fashion business. Just like the fast-fashion industry in which designs and styles change dynamically and very quickly, designs and styles in our tiles and sanitaryware businesses also need to change swiftly with a view to keep pace with consumer trends.

What differentiates us in this aspect is our parentage. Our parent company is a global ceramics institution that has operations all over the world. This presence is geo-strategic in the sense that it enables our Company to stay up-to-date with global trends and developments that are quickly adapted to suit

tastes and sensibilities in Bangladesh. This ability sets us apart as far as consumer choice is concerned because we have the widest range of styles, designs and sizes available both in tiles and sanitaryware products.

Our design and distribution capabilities act as an added bulwark as new styles are introduced in the market within the shortest possible time. This also ensures product freshness. There is no better way to delight the customer than by them visiting our store to find a completely new wash of products on display! We have come to believe that if we empower the customer with choice, they will consider us as the go-to shopping destination.

Outlook

From our position, we see the underlying indicators improving and increasingly becoming supportive of our growth intentions and revenue targets. Though we are mindful of market volatility and competitive challenges, we will continue to support the growth objectives and operational priorities that remain central to our expectations of 2019.

RAK Ceramics (Bangladesh) has a strong balance sheet and we believe that the Company's innovative product range and strong market positions means it is well-placed to deliver continued growth and operational profit improvements in the current year and beyond. What is also supportive of our ambitions is a country that is quickly climbing up the socio-economic ladder with an aspiring consumer at the heart of this transformation.

Appreciation

As a vibrant institution operating in a dynamic environment, our Company is changing every day. Embracing change is never an easy process and we deeply appreciate the commitment evident at every level. I am also grateful for the support and insight of my fellow Board members, and the dedication of the executive team. Furthermore, willing

engagement from key stakeholders, particularly all levels of government and industry bodies, is especially valuable. We also sincerely thank our shareholders for their continued support and their confidence in our ability to execute our strategy for long-term value creation.

Going into 2019, we will continue to ensure that your investment in us is safe and protected.

Thank you.



Abdallah Massaad

Chairman

RAK Ceramics (Bangladesh) Limited

Customer service

The Company's robust network of manufacturing and distribution centres makes RAK a truly national supplier. We maintain industry-leading standards of product quality, availability and on-time delivery.

Production innovation

The Company's commitment to innovation and the development of new products and solutions provide an industry-leading new product design pipeline.

Quality

The Company remains committed to producing high-quality products that are better than existing market offerings.

Technical expertise

The Company is committed to excellence, and our skilled salespeople provide a robust competitive advantage.

Capital structure

The Company has a strong balance sheet and a clear capital allocation strategy. Our capital structure is clearly aligned with our strategic objectives.

Our standards

The Company is a benchmark for excellence and a leader in its field. In a stellar endorsement, RAK Ceramics (Bangladesh) was awarded as the 'No. 1 Ceramics Tiles Brand 2018', awarded by Bangladesh Brand Forum in partnership with Nielsen.



At RAK Ceramics (Bangladesh), we are governed by a professional and experienced Board of Directors that bring rich insights and perspectives to our business. The smooth finish of our products is a reflection of a well-stewarded organisation that places the highest priority on detailed deliberations for long-term shareholder value creation.

DIRECTORS' PROFILE



ABDALLAH MASSAAD
Chairman

Mr. Abdallah Massaad, Chairman of the Company, is also a member of the Board of Directors of RAK Power Pvt. Ltd. and RAK Security and Services (Pvt.) Ltd., subsidiary companies of RAK Ceramics (Bangladesh) Limited.

Mr. Massaad has led RAK Ceramics PJSC as Group Chief Executive Officer since June 2012.

He is also a representative on the board and management of several subsidiaries of RAK Ceramics. He is extremely knowledgeable in the fields of ceramics and industrial manufacturing, and is instrumental in helping companies engage in the forward and backward integration of the ceramics supply chain.

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

Mr. Massaad formally joined RAK Ceramics in 2006 as Deputy CEO, responsible for operations management, strategy development,

implementation and RAK Ceramics' global interests. He supported the Chairman and CEO with strategic planning and expansion initiatives enabling the company to reach the milestone of 1 billion square metres of global sales since it began. He was also responsible for implementing Corporate Governance regulations and overseeing the strategic refocusing of the business portfolio.

June 2014 marked a transformational point for RAK Ceramics under Mr. Massaad's leadership, when Samena Capital acquired 30.6% of the business and implemented a "Value Creation Plan" aimed at unlocking value for shareholders. As part of the Value Creation Plan, RAK Ceramics started a re-focused strategy which aims to streamline global businesses and identify its most profitable operations.

In 2015, Mr. Massaad won the International Business Stevie® Award for 'Executive of the Year (Manufacturing)'. The efforts of Mr. Massaad as a visionary CEO were also further recognized when he was awarded 'Industry CEO of the Year' at the CEO Middle East Annual Awards 2015. In 2016 and 2018, Mr. Massaad was shortlisted as a Top 100 CEO as part of Mediaquest's Top CEO Awards in the GCC. In 2017, Mr. Massaad was shortlisted as one of the Top 100 Smartest People in the United Arab Emirates by Arabian Business, and he was also honoured as one of the top 100 Most Sustainable CEOs by the World Sustainability Congress.

Having over 26 years of experience from field sales to sales management, to product marketing, Mr. Massaad has highly developed business leadership skills in national and international markets. Prior to joining RAK Ceramics, Mr. Massaad was the General Manager of International Ceramics Company SARL (ICC) Lebanon.

Mr. Massaad holds post graduate qualifications in Management 'DEA in Business Administration' (1998) and an undergraduate degree "Maitrise in Business Administration – Marketing" from USEK (Université Saint- Esprit de Kaslik), Lebanon. He is fluent in Arabic, French and English and also speaks basic German.



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 RAK Ceramics (Bangladesh) Limited. Besides managing diversified business interests of RAK Group, he is involved in a number of other business interests in Bangladesh.

Mr. Ekramuzzaman is also the member of the Board of Directors of RAK Power Pvt. Ltd. and RAK Security and Services (Pvt.) Ltd., subsidiaries of RAK Ceramics (Bangladesh) Limited.



PRAMOD KUMAR CHAND
Director

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

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

Mr. Pramod's professional credentials span over 3 decades of post qualification experience with blue chip employers including Birla Corporation Ltd., and OCL India Ltd. in India, and Rak Investment Authority in UAE.

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



FAHEEMUL HUQ, BARRISTER-AT-LAW
Independent Director

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

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

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



WASSIM MOUKAHHAL
Independent Director

Mr. Wassim Moukahhal is an Independent Director of RAK Ceramics (Bangladesh) Limited and its subsidiary companies. He is the Chairperson of the Nomination and Remuneration Committee and also a member of the Audit Committee of RAK Ceramics (Bangladesh) Limited. He also serves as a Member of the Board of Directors and the Executive Committee for RAK Ceramics PJSC and as a Member of the Board of Directors of RAK Porcelain.

Mr. Moukahhal has more than 14 years of experience in private equity investments and is currently a Managing Director of Samena Capital Investments Limited in Dubai, focusing on investments within the MENA region. He is also a member of the Board of Directors of Anghami and a member of the Investment Committee of the Samena Special Situations Funds.

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

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

PERFORMANCE-2018

At RAK Ceramics (Bangladesh), we are focused on delivering growth through innovation. Our fundamental objective is to improve profitability and deliver long-term sustainable value for our shareholders, while taking into account the interests of all stakeholders.

Overview, 2018

Supported by value creation plan and improvement in manufacturing productivity, the year 2018 was a fair one at our Company.

Income from operations (BDT mn)

2016	2017	2018
1,350.70	1,560.90	1,285.82

EBITDA (%)

2016	2017	2018
30.27	27.25	24.77

Profit before tax (BDT mn)

2016	2017	2018
1,270.66	1,414.60	1,225.93

ROCE (%)

2016	2017	2018
19.81	20.84	17.31

EPS (BDT)

2016	2017	2018
2.35	2.62	2.29

Salient shareholder information

108,623,888

Number of free float shares

15,173.44mn

MCap (end-2018, DSE)

60.40BDT

Highest share price, 2018 (in DSE)

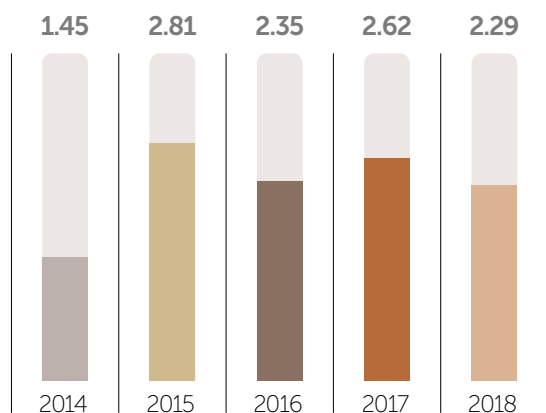
Financial objectives, 2018

- Engage in margin-accretive initiatives
- Enhance our ROCE
- Enable cost containment and expense control
- Ensure value sustenance for our shareholders

PERFORMANCE-2018

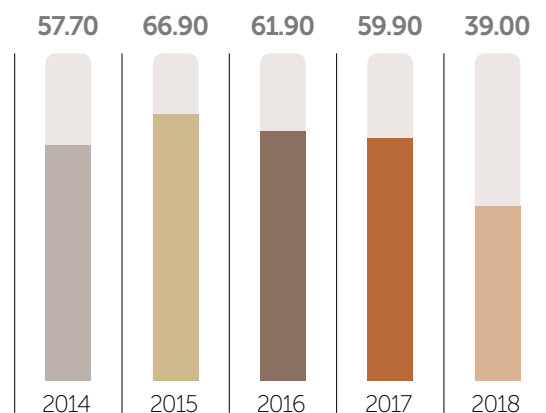
EPS (RESTATED)

BDT



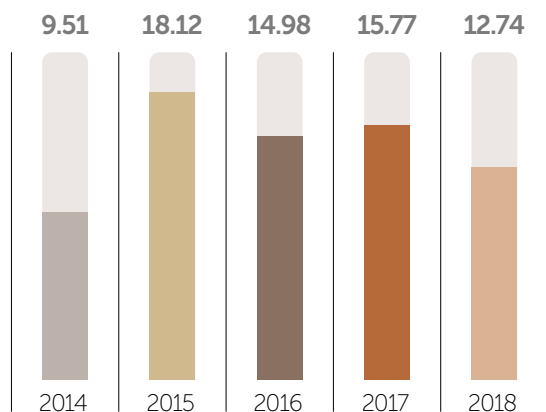
STOCK PERFORMANCE

BDT



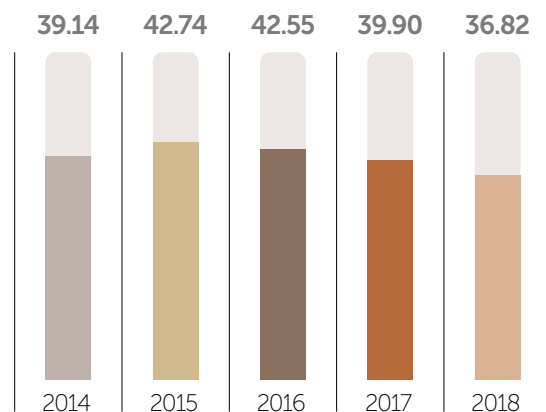
RETURN ON SHAREHOLDERS' FUNDS

Percentage



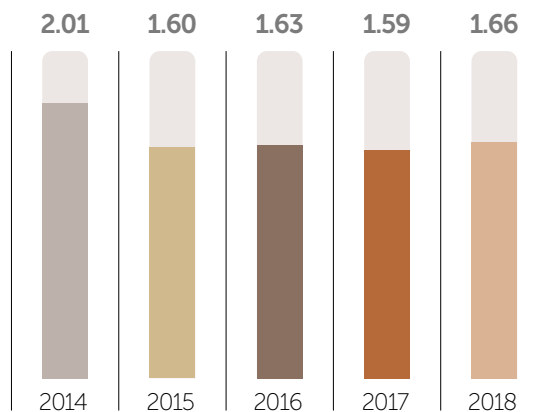
GROSS PROFIT MARGIN

Percentage



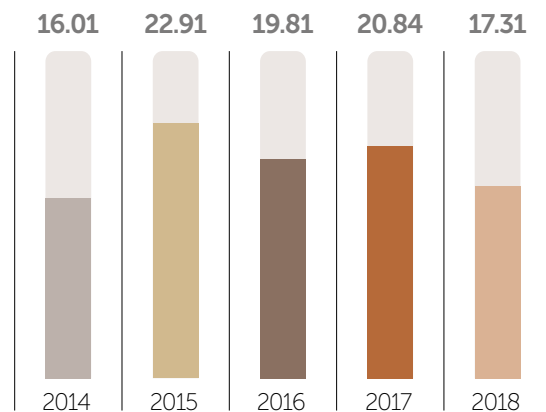
CURRENT RATIO

Times



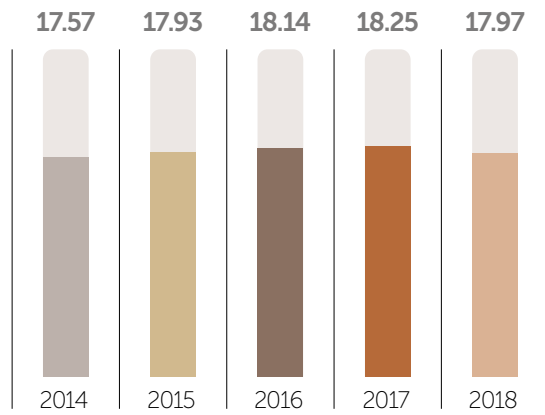
ROCE

Percentage



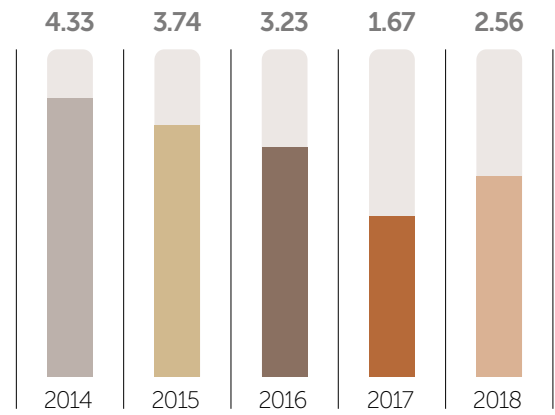
NAV PER SHARE

BDT



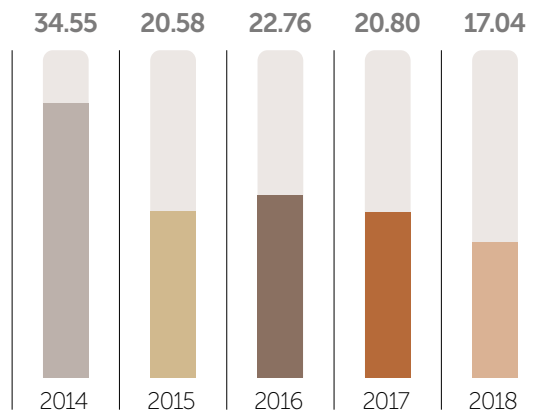
DIVIDEND YIELD

Percentage



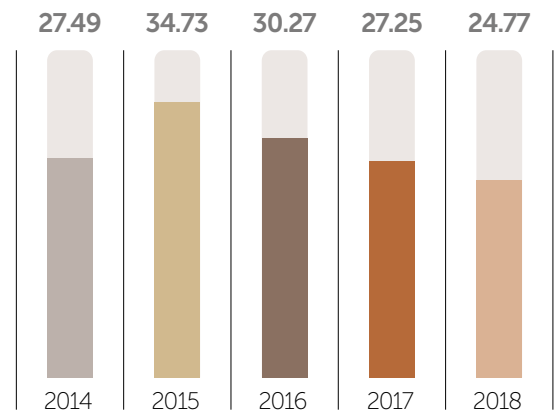
PE RATIO

Times



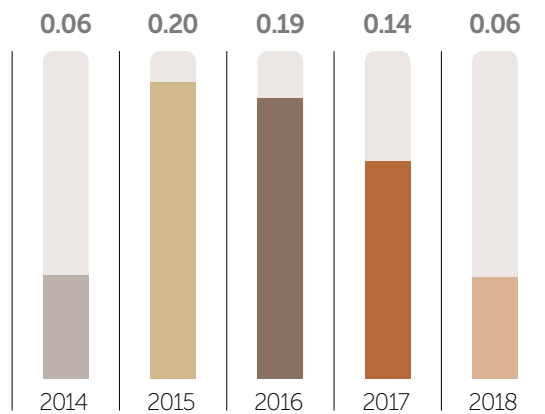
EBIDTA

Percentage



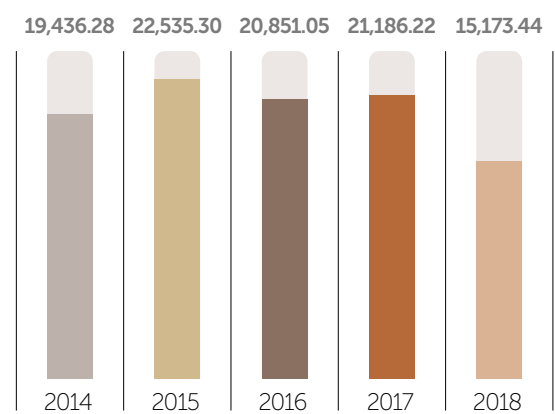
DEBT EQUITY RATIO

TIMES



MARKET CAPITALIZATION

BDT MN



GENERAL REVIEW OF PERFORMANCE-2018

Revenue

Sales decreased by 1.80% to BDT 6,830.78 mn from BDT 6,956.16 mn in 2017, Gross profit decreased by 7.02% to BDT 2,514.98 mn from BDT 2,704.97 mn in 2017. Profit after tax decreased by 12.51% to BDT 890.63 mn from BDT 1,018.01 mn in 2017, net profit margin was 13.04%, EBITDA increased by 10.62% to BDT 1,691.92 mn from BDT 1,893.19 mn in 2017, driven by cost control and efficiency enhancement, EPS decreased by 12.60% to BDT 2.29 from BDT 2.62 per share in 2017 (restated).

(Amount in BDT mn)

Particulars	2018	2017	Increase/ (Decrease) (%)
Sales	6,830.78	6,956.18	(1.80)
Gross Profit	2,514.98	2,704.97	(7.02)
PAT	890.63	1,018.01	(12.51)
EBIDTA	1,691.92	1,893.19	(10.63)
EPS (Absolute BDT)	2.29	2.62 (Restated)	(12.60)

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

Income statement analysis

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

Revenue

The topline was down by 1.80% compared to previous year.

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

Ceramics: Revenues decreased by 1.29% to BDT 6,768.90 mn in 2018 from BDT 6,857.15 mn in 2017. Profit after tax decreased by 11.65% to BDT 883.18 mn in 2018 from BDT 999.65 mn in 2017.

Power: Profit after tax decreased by 0.09% to BDT 86.45 mn in 2018 from BDT 86.53 mn in 2017, with increase in sales to the extent of 2.88% to BDT 392.09 mn in 2018 from BDT 381.12 mn in 2017.

Security: Profit after tax decreased by 82.12% to BDT 2.56 mn in 2018 from BDT 14.32 mn in 2017 with decrease in sales to BDT 159.35 mn in 2018 from BDT 193.24 mn in 2017.

Operating profit: Net operating profit increased by 21.46% to BDT 1,225.93 mn in 2018 from BDT 1,560.90 mn in 2017.

Operating expenses: The Company's operating expenses (operating, marketing and administrative) increased by 3.69% to BDT 5,607.03 mn in 2018 from BDT 5,407.68 mn in 2017 in tandem with operational volume and country inflation. Operating cost as a proportion of sales increased by 3.21% in 2018 against 2017.

Operating cost matrix:

Particulars	2018		2017		Increase/ (Decrease) (%)
	Amount (BDT mn)	Proportion of sales (%)	Amount (BDT mn)	Proportion of sales (%)	
Cost of Goods Sold	4,315.81	63.18	4,251.22	61.11	2.07
Marketing Expenses	909.40	13.31	778.35	11.19	2.12
Administrative Expenses	381.82	5.59	378.11	5.44	0.15

Cost of goods sold: Cost of goods sold increased by 2.07% compared to 2017 owing to cost increase throughput.

Administrative expenses: Administrative expenses increased by 0.15% to BDT 3.71 mn mainly due to increase in depreciation.

Marketing expenses: Marketing expenses increased by BDT 131.05 mn mainly due to increase in the sales quantity.

Financial expenses: Interest expenses decreased by BDT 61.63 mn in 2018 mainly due to reduction of FX loss. Bank charges increase to BDT 4.29 mn in 2018 from BDT 3.26 mn in 2017.

Analysis of the Balance Sheet

Shareholders' fund: Shareholders' fund increased by 8.32% to BDT 6,992.97 mn in 2018, up from BDT 6,456.04 mn in 2017.

Non-current assets:

Fixed assets additions: During the year 2018, the total additions to the fixed assets, including subsidiary companies, was BDT 221.48 mn. The major additions to the fixed assets were land, building, purchase of plant and machinery etc.

Intangible assets: Expenditures to acquire designs, developments, brand, trademarks and

various licenses for manufacturing of ceramic tiles and sanitaryware products are capitalised. The amortization policy covers the period up to the expected tenure of accrual of benefits derived from the particular asset.

Capital work-in-progress: The Company invested BDT 128.78 mn in heavy equipment in its ceramic tiles and sanitaryware facilities, which is expected to be commissioned in the coming year. Capital work-in-progress also includes construction work for factory building, plant and machinery, furniture and fixtures, communication equipment and the mobile plant.

Current assets:

Inventory: Inventory comprises finished goods of BDT 872.17 mn, raw materials of BDT 839.61 mn, stores and consumables spares of BDT 1,011.84 mn, goods- in- transit of BDT 176.67 mn and work-in-process of BDT 105.32 mn. 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 where in average receivables cycle is maintained at 45/90 days.

Asset composition

Particulars	2018		2017		Increase/ (Decrease) (%)
	Amount (BDT mn)	Proportion of assets (%)	Amount (BDT mn)	Proportion of assets (%)	
Non-Current assets	4,031.50	33.08	4,143.47	35.14	(2.08)
Current assets	8,155.35	66.92	7,647.88	64.86	2.06
Total	12,186.85	100	11,791.35	100	

Cash and bank balance: Cash and bank balances include cash in hand of BDT 5.27 mn, balances in bank accounts of BDT 478.07 mn and fixed deposits of BDT 346.47 mn. Liquid balances of cash and bank are necessary for the smooth functioning of the business.

Equity and liabilities

Capital and reserves: The equity capital comprised 389,062,456 equity shares of BDT 10 each. The market value of the share is BDT 39.00 is (as on 31 December 2018, DSE) resulting in a market capitalization of BDT 15.17 bn.

Non-current borrowings: Non-current borrowings include BDT 88.20 mn in 2018 for tiles and sanitaryware plant expansion.

Current borrowings: Current borrowings include current portion of long term foreign currency loan of BDT 309.65 mn.

Current Liabilities: Current liabilities increase by 2.30% to BDT 4,907.75 mn in 2018 from BDT 4,797.34 mn in 2017.

Analysis of Cash Flows:

Cash flow from operating activities: The Company decided to provide extended credit facilities to its dealers, in the process trade receivables have increased for BDT 291.90 mn and cash inflow decreased. Purchase also increased BDT 621.06 mn during the year 2018, in terms of quantity and value. Resulted net operating cash flow per share reduced to BDT 1.46 in 2018 from BDT 4.72 in 2017.

Cashflow from investing activities: Net cash used in investing activities decreased by 12.73% to BDT 211.18 mn in 2018 from BDT 241.98 mn in 2017 due to less outflow of cash for acquisition of Property, Plant and equipment, less outflow of cash also lead by increase of interest income from FDR of BDT 29.84 mn in 2018 from BDT 9.43 mn in 2017.

Cash flow from financing activities: Net cash used in financing activities reduced by 10.35% to BDT 909.55 mn in 2018 from BDT 1,014.54 mn in 2017 due to less cash dividend (i.e. @ 10%) paid in 2018 for the year 2017 against 20% in 2017 for the year 2016.

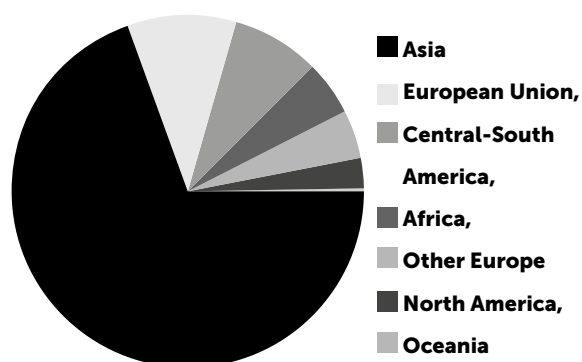
INDUSTRY OUTLOOK AND POSSIBLE FUTURE DEVELOPMENTS IN THE INDUSTRY

Global Ceramics Market:

The global construction industry is growing rapidly with a major contribution from emerging countries. The global ceramic tiles market was worth around US\$ 70.9 Billion in 2018, representing a CAGR of 9.1% during 2011-2018. The market is further projected to cross US\$ 107.2 Billion by 2024, exhibiting a CAGR of 7.2% during 2019-2024. Global tile market maintaining a tremendous growth trend for the last many years. The uprising trend of adoption of ceramic tiles for new construction in the developed and developing regions of Asia Pacific and Europe coupled with rapidly increasing commercial and residential infrastructures in the regions are proving to be key influential factors for the growth of ceramic tiles in the present market scenario. Additionally, the global construction industry is also witnessing an upward trend in the renovation and reconstruction activities, which is leading the builders and constructors as well as house owners to opt for ceramic tiles. This factor is also helping the market to propel over the years. Furthermore, different emerging economies are attracting foreign direct investments (FDI) for enhancing their construction industry, which is propelling the demand for ceramic tiles.

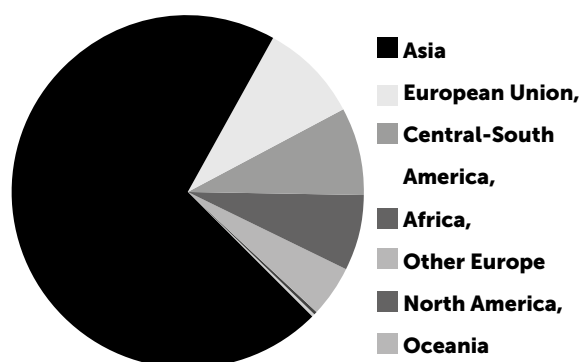
Global tiles production scenario in the year 2017

Region	%
Asia	69.60
European Union,	10.10
Central-South America,	7.90
Africa,	5.10
Other Europe	4.50
North America,	2.70
Oceania	0.10
Total	100



Global tiles consumption Scenario in the year 2017

Region	%
Asia	67.70
Central-South America,	8.70
European Union,	7.70
Africa,	6.90
Other Europe	4.30
North America,	4.30
Oceania	0.40
Total	100



Bangladesh Ceramics Industry:

The ceramic industry of the country has experienced exponential growth over the last decade and its contribution to international markets is increasing significantly with time. This promising sector, more than 0.5 million people are now employed in the sector having a market size of Tk 290 billion, experienced a 200 percent growth in production in the last 10 years, and Bangladesh now holds 0.14 percent of the global export market. At present there are more than 80 ceramic manufacturers in the country. The local industry mostly produces tiles, tableware and sanitary ware. The increasing demand for ceramic products at home and abroad have lead all the major companies to expand their operations. They are advancing towards producing more innovative products.

Consumption:

Despite of tremendous growth in ceramics industry, country still imports between 25-35% of the tiles consumed to fulfill the demand an estimate by BCMEA. Local ceramics industries are now meeting the around 90 per cent demand for tableware, 70 per cent tiles demand and more than 80 per cent of the sanitary products demand in the local market.

Export Market:

The country's ceramics industry set a new record in fiscal year (FY) 2017-18 in exports, increased US

tariffs against Chinese products, including ceramics, according to the Export Promotion Bureau local exporters, the ceramic sector earned USD 52 million which exceeded the target by almost USD 9 million. This means the country's earnings from foreign exchange have also experienced positive changes. Moreover, Bangladesh exports ceramic products to more than 50 countries around the world. The principal export regions include some of the most demanding and quality conscious markets of European Union (EU), America, Australia and Asia.

Main Challenges of this Industry:

Despite its achievements, the ceramic industry faces many challenges, shortage of natural gas is a problem which affects the product quality and therefore, consistent supply of it to the ceramic industries is important. Shortage of raw materials is another issue because they have to be imported. If the government could lower import duties on the raw materials, it would lower the cost of business for ceramic producers.

The industry owners have already requested for infrastructure and communication developments to facilitate export of finished goods.

OUR STRATEGY

Our business is anchored on innovation and new product development. In this respect, manufacturing and marketing (showcase and display) represent critical components of our strategy that enable us to build customer confidence in our products and services.

Our innovation cycle

The emphasis on our innovation cycle empowers us with the tremendous ability to ensure sustainable and market-leading product design.

This emphasis enables us to plug dynamically into a wider pool of product ideas, market drivers, industry technology and manufacturing systems and process improvements, thanks to our parent company, RAK Ceramics PJSC, that is one of the world's largest and leading ceramics companies with a presence spanning across the globe. Importantly, our parentage also allows us access to global design trends and ideas that is a big plus in ensuring continual refreshment of our product range, while also making it more relevant for our customers.

At our Company, product and process concepts are developed in consultation with stakeholders and brought to life and managed within our innovation growth engine. Based on commercial objectives and targets, the best concepts are prioritised and moved forward with speed and confidence before being managed through the manufacturing and marketing cycles.

Our manufacturing emphasis

At RAK Ceramics (Bangladesh), we operate the cutting-edge SACMI technology, which brings to our plant, workplace and manufacturing processes an unwavering promotion of technological innovation, attention to product and service quality, and effective responses to the real needs of our markets and end customers.

We are perhaps the only in our sector in Bangladesh to operate this class-leading technology that is a display of the high emphasis we place to the manufacturing side of our business. Furthermore, during the year under review, we undertook a scheduled plant maintenance at one of our tiles plants as a means to modernisation and upgradation. This will help reinforce our commitment to product quality, while also ensuring that we minimise our waste to the maximum extent possible.

In 2018, we also embraced a number of operational efficiency enhancement initiatives that contributed to lowering our cost base, while enabling us to pass-on the benefits to our markets. Importantly, the scale of our operations pegs us as the largest in the ceramics sector of the country, which in itself is a manifestation of our commitment to the country in terms of the supply of world-class ceramic products to extensively meet local demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial overview

RAK Ceramics (Bangladesh) is the country's largest and most respected tiles and sanitaryware brand. The Company has anchored this position based on its market-leading capacities, world-class manufacturing assets, high production utilisation levels, optimised cost structures, vibrant sales and distribution network, superior post-sales support and robust customer engagement programs. An overview of the Company's consolidated financial operations is given below.

Accounting policies and estimation in the preparation of financial statements

Accounting policies and estimation for the preparation of the Company's financial statements

are disclosed in "Note no. 2 of the consolidated statement of financial position" on page 104.

Changes in accounting policies and estimation

There are no changes in accounting policies and estimation during the year under review.

Comparative analysis of financial performance and position of the Company

The detail of comparative analysis of the financial performance and position of the Company's operational results is discussed in the "General review of performance-2018" on page 28 in this Annual Report.

Comparative financial data of preceding five years are given below:

Particulars	(Amount in BDT mn)				
	2018	2017	2016	2015	2014
Sales	6,830.78	6,956.19	5,661.41	5,059.30	5,508.64
Gross profit	2,514.98	2,704.97	2,409.36	2,162.41	2,253.37
Net profit after tax	890.63	1,018.01	915.25	1,094.34	562.80
Earnings per share (Absolute BDT)	2.29	2.62 (Restated)	2.35 (Restated)	2.81 (Restated)	1.45 (Restated)
Net operating cash flow	567.62	1,835.93	1,103.14	920.24	658.87
Net asset value (NAV)	6,992.97	6,456.04	6,111.73	6,038.59	5,919.43
Net asset value per share (Absolute BDT)	17.97	18.25	18.14	17.93	17.57

Financial performance vis-à-vis industry peers

Listed ceramics companies in Bangladesh comprise the following:

Name	Product Category	Market category	Year of listing on DSE	Year of listing on CSE	Year end
RAK Ceramics (Bangladesh) Limited	Tiles and sanitaryware	A	2010	2010	31 December
Fu-Wang Ceramic Industry Limited	Tiles	A	1998	1998	30 June
Monno Ceramic Industries Limited	Tableware	A	1883	1995	30 June
Shinepukur Ceramics Limited	Tableware	Z	2008	2008	30 June
Standard Ceramic Industries Ltd.	Tableware	B	1996	1996	30 June

Financial scenario of ceramics companies in Bangladesh:

(Amount in BDT mn)

Particulars	RAK Ceramics (Bangladesh) Limited	Fu-Wang Ceramic Industry Limited	Monno Ceramic Industries Limited	Shinepukur Ceramics Limited	Standard Ceramic Industries Ltd.
	For the year ended 31 December 2018	For the year ended 30 June 2018			
Sales	6,830.78	572.64	906.03	1,528.64	294.97
Gross Profit	2,514.98	201.26	168.63	346.30	66.83
Net profit/Loss after tax	890.63	84.08	53.10	61.55	10.19
Net Asset Value	6,992.97	1,438.75	2,297.94	4,215.25	96.66
NOCF Per Share (Absolute BDT)	1.46	0.30	8.00	0.28	(0.65)
Net Asset Value per share (Absolute BDT)	17.97	11.61	91.46	28.68	14.96
Earnings per Share (Absolute BDT)	2.29	0.68	2.11	0.42	1.58

Global financial and economic scenario

As per the International Monetary Fund (IMF), the steady expansion under way since mid-2016 continues, with global growth for 2018-19 projected to remain at its 2017 level. Simultaneously though, the expansion has become less balanced and may have peaked in some major economies. Notably, downside risks to global growth have risen in the past six months, including those around disruptions to global trade chains because of the US-China trade dispute, uncertainty over the outcome

of Brexit and other geopolitical issues. Among emerging market and developing economies, the growth prospects of many energy exporters have been lifted by higher oil prices.

Global growth is projected at 3.7% for 2018-19, 0.2 percentage points lower for both years than forecast in April 2018.

Asian economic scenario

The economic outlook for Asia and the Pacific remains strong, and the region continues to be the most dynamic of the global economy.

Though much higher than the economic growth of advanced countries, growth in Asia is projected to moderate to a pace of about 6% in 2019, while inflation is projected to be subdued. However, risks to regional growth have intensified and include a further escalation of trade restrictions and a faster-than-expected tightening of global financing conditions. Highly leveraged economies and countries with sizable external financing needs are particularly vulnerable to disruptions in real and financial activity.

In 2018, China's GDP stood \$25.239 trillion, which is 9% more, as compared with the previous year. India holds the second position in terms of GDP, which increased to \$10.385 trillion, representing a 9.8% growth over the year. Japan came to the third position with a GDP of \$5.619 trillion. Some of the major drivers of Asian economic growth include a large consumer population, a young and youthful demographic and strong entrepreneurship driving growth and innovation.

Bangladesh economy review

Bangladesh, widely referred to as the 'Asian Tiger', is on the cusp of realising its potential, with the country migrating to a mid-tier economy from a least-developed nation. One of the major factors that has supported this transition is the 163-mn strong population pool, attractive demographic profile with a large and growing young population, and stable and growth-oriented Government

policies that have provided a boost to trade and commerce.

Bangladesh achieved the highest-ever GDP growth of 7.86% in the 2017-18 fiscal year, with GDP growth expected to touch 8.25% in the current financial year (2018-19), maintaining a robust growth momentum that is supported by domestic and external demand and a growing agriculture sector, especially comprising an increase in rice production. With sustained economic growth, per capita income has increased to \$1,751 in FY2017-18 from \$1,610 in the previous fiscal year. The government has undertaken various mega infrastructure projects that is expected to accelerate economic growth, going forward.

Risks and concerns

Details of risks and concerns facing the Company are discussed in detailed in the "Risk Control Initiatives " section on page 39 of this annual report.

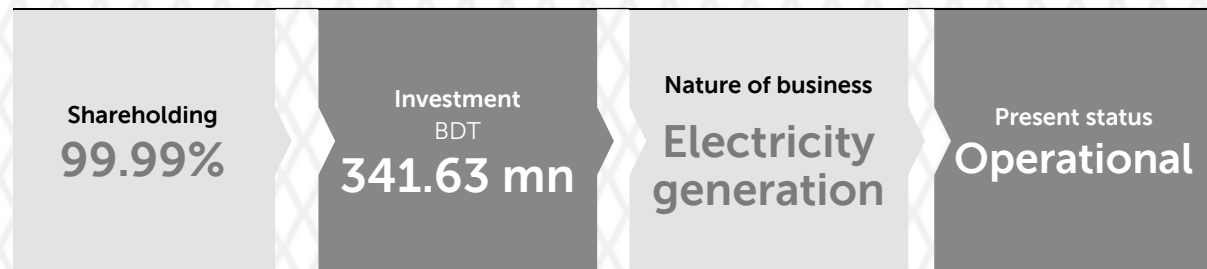


(Imtiaz Hussain)
Chief Executive Officer
February 06, 2019

STATEMENT OF SUBSIDIARIES

RAK Ceramics (Bangladesh) had the following subsidiaries as on 31 December 2018.

RAK Power Pvt. Limited



RAK Security & Services (Pvt.) Limited



DESCRIPTION OF THE PERFORMANCE OF THE COMPANY AND ITS SUBSIDIARIES

A. RAK Ceramics (Bangladesh) Limited

i) TILES

Installed capacity:

10.32 mn sqm. annually

Highlights 2018

- Capacity utilization was 83% at our tiles plant in 2018
- Production of 2018 was 8.57 mn sqm; 1.44% lower than previous year.
- Quantity volume of 2018 was 7.68 mn sqm; 8.44% lower than previous year.

Roadmap 2019

- Explore new markets, especially those of the neighboring countries.
- Focus on process efficiency and robust cost control.

ii) Sanitaryware

Installed capacity:

1.45 mn pcs. annually.

Highlights 2018

- Our Sanitaryware capacity was fully utilized.
- Quantity volume of 2018 was 1.48 mn pcs. an equal to previous year.

Roadmap 2019

- Continued focus on production and sale of premium products.
- Explore new markets, especially those of the neighbouring countries.

B. RAK Power Pvt. Ltd.

Installed generation:

10 MW

Highlights 2018

During the year 2018 the plant capacity was available in excess of 90% of installed capacity. However, supply was primarily dedicated to meet the requirements of the parent company. The Company already received the permission of additional gas supply for the 3MW generator which will increase the Generation Capacity at least 2MW power will remain surplus.

C. RAK Security and Services (Pvt.) Ltd

The Company is in the business of providing Security and other services both to group companies as well as third party customers.

Highlights 2018

- Service revenue of BDT 159.34 mn in 2018, against BDT 193.24 mn in 2017, revenue decline due to income from verification service decrease of 17.54% comparing to 2017.

Roadmap 2019

- To explore and expand customer base in the country by leveraging its attained skills and experience.

Segment reporting, 2018

(Amount in BDT mn)

Particulars	RAK Ceramics	RAK Power	RAK Security	Adjustment	Entity total
Sales	6,768.90	392.09	159.34	(489.55)	6,830.78
Gross Profit	2,351.35	135.28	22.20	6.15	2,514.98
Profit before Tax	1,178.27	125.80	3.43	(81.57)	1,225.93
Profit after Tax	883.18	86.45	2.56	(81.56)	890.63

RISK CONTROL INITIATIVES

At RAK Ceramics (Bangladesh), mitigating risk is key to the delivery of long-term sustainable improvement in shareholder value. All risks and mitigation measures are aligned with the Company's strategic objectives.

Approach to risk management

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

Risk mitigation and control process

There is a formal ongoing process to identify, assess, analyse and control the intensity of risks and those of a potentially significant nature are included in our risk documentation practices.

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

Risk appetite

The Company is prepared to accept a certain level of risk to remain competitive. However, it continues to embrace a conservative and prudent approach to risk management and mitigation.

Some of the key risks facing the business and their accompanying mitigation/control measures is described hereunder:

1. Macroeconomic and political risks

Nature of the risk

The Company is dependent on the economic activity levels in its end markets. Accordingly, it is susceptible to economic downturn, the impact of Government policy and any political and economic uncertainty.

Potential impact

Bangladesh is a country that is prone to the socio-economic risks that are typically faced by fast-developing countries. This could lead to lower activity levels which could reduce sales and production volumes. This could have an adverse effect on the Company's financial results.

Mitigating factors

- The Company closely monitors trends and lead indicators with a view to gain an understanding of where the markets are headed
- The Company is quick to identify and capitalise on sales opportunities
- With housing and infrastructure at the heart of Bangladesh's transformation into a middle-income nation, we believe that a close association with these sectors will enable us to reap the benefits of sustainable demand over the years to come

2. Customer attrition risks

Nature of the risk

Our sales are oriented to meet the demands of both retail as well as institutional customers. Our inability to meet their demands can lead to customer attrition.

Potential impact

Any possible loss of key customer mandates can impact our credibility, while also having an adverse effect on our financials.

Mitigating factors

- The Company is continuously engaged with brand and new product development and quality and customer service improvements across its value chain
- The Company maintains a national network that makes customer access quick and seamless

3. Competitor activity risks

Nature of the risk

The Company has a number of existing competitors who compete on range, price, quality and service. In fact, the Bangladeshi ceramics industry is highly competitive with the presence of a number of players. Furthermore, potential new low-cost competitors may be attracted into the market through increased demand for products.

Potential impact

Increased competition could reduce volumes and margins on manufactured products. Also, it could intensify challenges in our efforts in sustainable brand building.

Mitigating factors

- The Company has unique propositions anchored on design, affordability and after-sales service that differentiate RAK brands

- The Company places high emphasis on quality, service, reliability and ethical standards that differentiate us from competitor products
- The Company has a continuing focus on refreshing the shelf through ongoing engagement with new product development

4. Cost and availability of raw materials

Nature of risk

The Company is susceptible to significant increases in the price of raw materials (which are also imported), utilities, fuel and transportation and haulage charges.

Potential impact

Increased raw material resource costs could reduce margins. Also, it might be difficult to pass-on the increased costs to customers, which can have an impact on the cost base and subsequently on profitability.

Mitigating factors

- The Company focuses on strengthening its supplier relationships and generally enters into long-term contracts that enable effective cost inflation mitigation
- The Company's sales pricing policy is linked to its purchasing policies that ensure margin protection on the one hand, while also enabling consumer price protection on the other
- The Company also possesses strong relationships with its logistics partners that help mitigate transportation and haulage risks and costs

5. Interest rate risks

Risk description

Interest rate risk may emerge from the borrowed funds of short and long term maturity. Interest rate risk is the risk that a company may face due to

unfavorable movements in interest rates. Unfavorable interest rate movements caused by volatile money markets, adverse policy regulations and growing demand for capital could impact the Company's ability to raise cost-effective funds.

Mitigation

RAK Ceramics (Bangladesh) operates with low dependence on external borrowings. The Company possesses strong retained earnings of Taka 1,628.69 mn, cash and bank balances of Taka 829.81 mn and a low debt-equity ratio of 0.06, as on 31 December 2018, showcasing our ability to raise low cost debt for prospective needs. Moreover, a strong balance sheet and high quality ratings also enable us to raise funds, when and if required, at competitive rates.

6. Currency risks

Risk description

Exchange rate risk is relevant for RAK Ceramics (Bangladesh) since a large proportion of our raw material requirements are invoiced in foreign currency. Unfavorable currency fluctuations could impact profitability.

Mitigation

It is the Company's policy to enter into safe forward contracts sanctioned as per the Central Bank's forex policy towards cushioning itself against adverse foreign currency movements risks.

Importantly, the parent Company possesses a database of over 2,500 global suppliers engaged with it for more than 18 years. RAK Ceramics (Bangladesh) leverages its parent Company's monthly global resource planning exercise, which takes care of resource procurement schedules and currency fluctuation escalations.

7. Regulatory risks

Risk description

The Company operates under the Companies Act, 1994 and other related regulations that include Income Tax Ordinance 1984, Income Tax Rules

1984, Value Added Tax (VAT) Act 1991 and Value Added Tax (VAT) Rules 1991. Abrupt regulatory changes could affect the Company's business and operations.

Mitigation

The Bangladeshi economy, led by the incumbent government, has been socio-economically stable over the past few years. Besides, the government holds the democratic mandate of ensuring holistic and sustainable growth and, towards this extent, has created a favourable environment with structurally robust policies. This has ensured regulatory predictability leading to a secure business environment.

The government's Seventh Five Year Plan, along with the Vision 2021, sets strong developmental targets for the country, even as the economy achieved GDP growth of 7.50% in 2017, one of the fastest growth rates in the world. With the momentum thus gained, the government has targeted a GDP growth of about 8% by 2020 with the key manifesto of reducing unemployment by more than 50% by 2021. Operating in one of the fastest growing nations of the world, Bangladesh's ceramics industry is a sector that has witnessed considerable domestic demand for differentiated products. Contribution from this sector has been very significant and, over the last two decades, it has contributed an average 8.24% to the overall GDP of the country. With the real estate and infrastructure industries positioned at the heart of Bangladesh's economic transformation, the prospects of ancillary industries, including tiles and sanitaryware, appear bright going into the future.

8. Technological risks

Risk description

Technology plays a vital role in the existence of any industrial concern, ensuring superior customer service and minimizing costs across the production and operations value chain. The Company's production facilities are based on the currently available technology. Any development of new and more cost-effective technology may cause technological obsolescence, leading to negative operational efficiency.

Mitigation

RAK Ceramics (Bangladesh) is a subsidiary of RAK Ceramics PJSC, UAE. This ownership enables the Company to enjoy access to the latest technology incorporated in its manufacturing facilities. The Company has adopted the world class SACMI technology that ensures high-quality, cost-effective output for the production of tiles and sanitary ware. Today, the Company remains at the cutting-edge of technology, earning the reputation of pioneering new ceramics technology in Bangladesh. The Company has also invested in a full-fledged R&D team to facilitate the absorption of new technology with optimal investments. The Company also has access to international/multinational companies for supplying appropriate technology and technical managerial support for the establishment of new projects. Moreover, with foreign affiliation with RAK Ceramics PJSC, UAE for technical know-how and assistance, the Company is expected to always remain ahead of the other producers in the local market, which ultimately reduces the technology-related risks impacting the Company.

9. Management risks

Risk description

Turnover of key managerial personnel, executives and officers may have an adverse impact on the business, operating results and future growth.

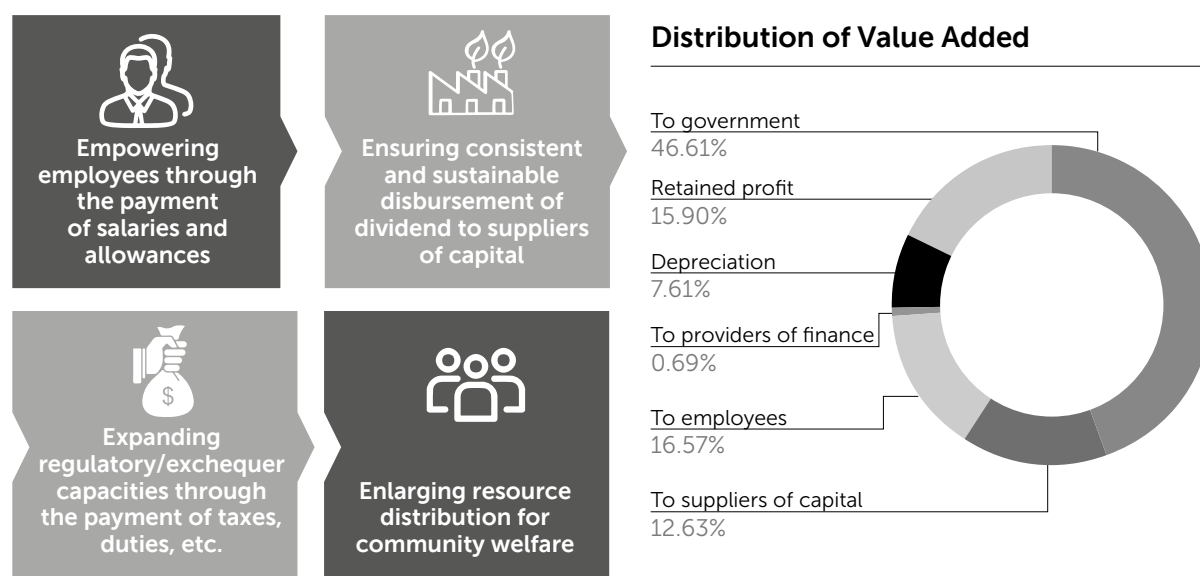
Mitigation

The Company places top priority on developing its human resources. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate goals. A dynamic business environment requires having a well-trained workforce. Hence, the Company has given emphasis on developing management skills and capabilities to suit a contemporary business environment.

The Company offers well-designed compensation package to its employees to encourage professionalism, stimulate collaboration and team work and promote innovation, reinforced with high ethical standards. Moreover, the employees enjoy benefits of Contributory Provident Fund, Gratuity Scheme and Group Life Insurance, etc. The Company has also established a Workers Profit Participation Fund and Welfare Fund that enables our workforce to remain committed, loyal, engaged and motivated.

VALUE-ADDED STATEMENT

As a value accretive organisation, RAK Ceramics (Bangladesh) contributes positively to the country's socio-economic development by:



The Company's value-added statement provides a detailed account of the total value-addition and value distribution achieved by the organisation.

Particulars	31 December 2018	
	BDT	%
Revenue	9,267,871,479	-
Other income	104,074,247	-
Less: Payments to suppliers for materials and services	3,770,591,133	-
Value-added	5,601,354,593	100
Distribution of value-added		
To the Government: Income tax, duties and value-added tax	2,610,563,558	46.61
To the suppliers of capital Dividends to shareholders	707,386,291	12.63
To employees Wages, salaries, bonus, commissions, pensions and other benefits	927,962,020	16.57
To providers of finance Interest and bank charges on borrowings	38,583,463	0.69
Retained for reinvestment and future growth		
Depreciation	426,234,498	7.61
Retained profit	890,624,763	15.90
Total	5,601,354,593	100

ECONOMIC VALUE-ADDED (EVA)

Economic value-added is a measure of a company's profitability, and takes into consideration the cost of the total invested equity. Investors/equity providers are always conscious about their return on the invested capital. It also provides a measure of a company's economic success (or failure) over a period of time.

Calculation of EVA at RAK Ceramics (Bangladesh)

Particulars	Amount in BDT
	2018
Net operating profit after tax (NOPAT)	950,521,692
Total capital employed	7,279,106,371
Cost of capital (in %)	11%
Cost of capital (COC)	800,701,701
EVA = NOPAT - COC	149,819,991

MARKET VALUE-ADDED (MVA) STATEMENT

Market value-added statement is a measure of the external performance of a company, evaluated by the market through the company's share price. This statement demonstrates the difference between the market value of capital and the book value of capital contributed by investors. A higher MVA indicates the company has created value for investors.

At RAK Ceramics (Bangladesh), though we reported a decline in MVA in 2018, vis-à-vis 2017, it is still respectable and indicates our focus on sustainable value generation for our shareholders and investors.

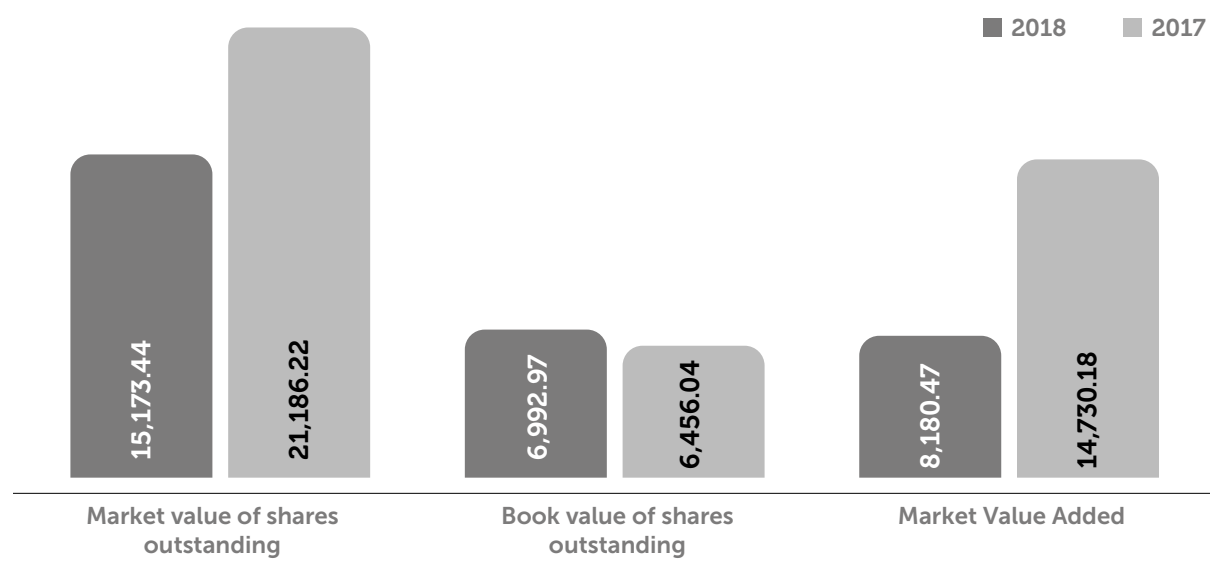
MVA of RAK Ceramics

(Amount in BDT mn)

Particulars	Year ended 2018	Year ended 2017
Market value of shares outstanding	15,173.44	21,186.22
Book value of shares outstanding	6,992.97	6,456.04
Market value-added	8,180.47	14,730.18

Market Value Added (MVA) Statement

(Amount in BDT mn)





At RAK Ceramics (Bangladesh), we are an organisation that aims to be the reference in environmental and ecological management in our industry. The smooth finish of our products is an indication of the transparency and responsibility with which we manage our supply chain – from clay to consumer.

INTEGRATED REPORTING

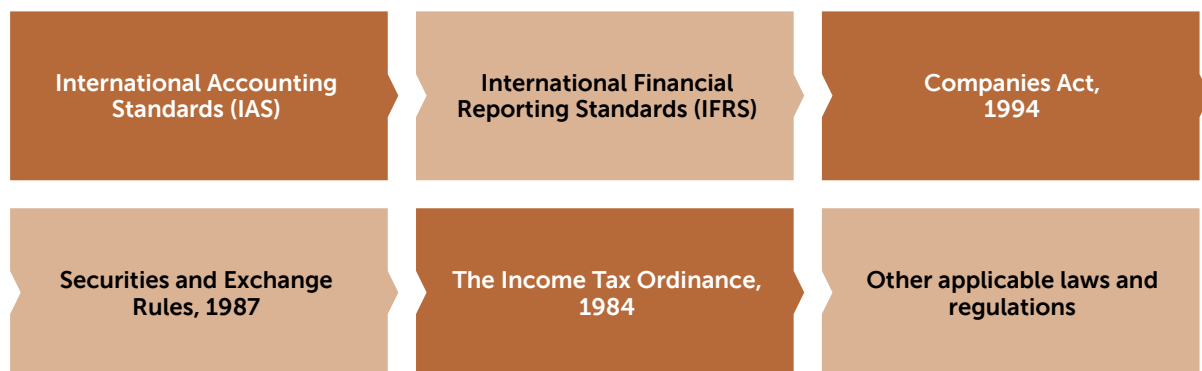
RAK Ceramics (Bangladesh) Limited's Annual Report 2018 is being presented as an 'Integrated Report' and the aim of our integrated reporting approach is to enable our stakeholders, including our investors, to peruse and review an integrated representation of the Company's performance in terms of both financial and other valuable relevant information. In totality, this report ensures the accurate measurement of operational, financial and sustainable performance against our strategy and the matters we consider to be most material to the sustainability of our Company in a concise manner that ensures comparability with the industry and beyond. It also covers risk and the aspect of conformance.

Importantly, our Integrated Report represents concise communication about how RAK Ceramics (Bangladesh) has effectively managed its strategy, governance, performance and prospects, leading to the creation of sustainable value over the short, medium and long term. Moreover, it elucidates our purpose and describes the holistic impact of our business in terms of our contribution to economic prosperity, environmental sustainability and social wellbeing for a brighter and more optimistic future. At RAK Ceramics (Bangladesh), we have embedded integrated thinking within our mainstream business practices. At our Company, the cycle of integrated thinking and reporting has resulted in a

more efficient capital allocation strategy that has acted as a force multiplier for financial as well as organisational stability and sustainability.

Scope and boundary of this Report

The scope of our Integrated Annual Report 2018 comprises activities that have been carried out within the boundaries of Bangladesh. No significant changes have occurred after the last reporting date as of December 31, 2018. The report covers the period from 01 January 2018 to 31 December 2018, in explaining the Company's operational and financial performance. The financial statements consistently complied with the requirements of:



To report our corporate governance practices, we have followed the Corporate Governance Code 2018, issued by the Bangladesh Securities and Exchange Commission.

Organisational overview and the external environment

Culture, ethics and values:

Our code of conduct and ethical standards addresses ethical conduct in our work environment, business practices and relationships with external stakeholders. RAK Ceramics (Bangladesh) sets out the guiding principles known as the 'Code of Conduct', as well as ensures that the highest ethical standards are adopted across all of the Company's business dealings. Our culture, ethics and values are disclosed in the 'Core values and code of conduct' statement on page 12 of this Annual Report.

Ownership and operating structure:

The Company's ownership and operating structure is disclosed in the shareholding pattern in 'Annexure-3' on page 67 of this Annual Report.

Principal activities and market positioning:

RAK Ceramics (Bangladesh) is the largest and among the fastest-growing tiles and sanitary ware brands in the country. The core business of RAK Ceramics (Bangladesh) represents the manufacture and sale of ceramics and gres porcellanato (porcelain/fully vitrified) tiles, bathroom sets and other accessories, as well as all types of sanitary ware.

The principal activities under the Company's business segments and performance and its subsidiaries are separately disclosed in the 'Description of the performance of the company and its subsidiaries' on page 38 of this Annual Report.

Investor redressal:

RAK Ceramics (Bangladesh) strongly believes in maintaining an open dialogue and smooth

relationships with all participants of its stakeholder ecosystem. At the Annual General Meeting, the Company's management receives valuable opinion/feedback from shareholders and focuses on the implementation of these for ensuring the betterment of the Company in its journey towards creating sustainable long-term value. The statement of Investor redressal is separately disclosed in the 'Policy on communication with shareholders and other stakeholders' section on page 55 of this Annual Report.

Our business model

RAK Ceramics (Bangladesh) is a leading manufacturer and marketer of premium branded ceramic tiles and sanitary ware products, having over 19 years of unparalleled experience in the industry. Our business model is designed to withstand market competition with the overall intent of enhancing, protecting and maintaining the places and spaces in which people live and work, through providing high quality and pride-enhancing interior infrastructure products.

Outlook

The ceramics industry is a fast-growing manufacturing sector of Bangladesh. Over the years, the industry has flourished with the opening up of the real estate sector and increasing disposable incomes in the hands of a growing consumer base. The details about the industry outlook and probable future industry developments are discussed in the 'Industry outlook and possible future developments in the industry' on page 31 and 'Management Discussion and Analysis' on page 34 of this Annual Report.

Basis of preparation and presentation

In our opinion, our Integrated Annual Report 2018 meets the criteria mentioned in the framework issued by the 'International Integrated Reporting Council (IIRC)', and the guidelines issued by the

'Institute of Chartered Accountants of Bangladesh' have been followed properly and present fairly the integrated performance of RAK Ceramics (Bangladesh) and the impact thereof. The sustainability requirements, as elaborated separately in our 'Our sustainability initiatives', adhere to the guidelines issued by the Global Reporting Initiative (GRI) framework.

Comparability and materiality

All information presented in this Integrated Annual Report 2018 is on the same basis as the Annual Report 2017, in terms of entities covered, the measurement methods applied and time frame used and the ratios used that are comparable across the industry. The information provided covers all material aspects relating to our business strategy, area of risk and mitigation thereof as well as our roadmap for 2019, which all are important and valuable assessment tools for our stakeholders.

External assurance

RAK Ceramics (Bangladesh) has obtained external assurance on the following report in the reporting period under consideration. The financial statements of the Company have been audited by ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), and Corporate Governance Certification by the M/s Jasmin & Associates, Chartered Secretaries in Practice.

Availability of the Annual Report:

The Annual Report of the Company is sent to all shareholders through email in due course of time, and a copy of the same is also made available on the website of the Company: <http://www.rakcerambd.com>. In case of non-receipt of the Annual Report sent through email, shareholders are welcome to collect the same from the Registered Office of the Company.

OUR SUSTAINABILITY INITIATIVES

At the heart of all we do is our drive to being a responsible business. In this mission, we are leveraging sustainability with a view to create a lasting positive impact on our communities.

Sustainability overview

Corporate responsibility, awareness and mitigation of adverse impacts on the environment, and positive engagement with our community and employees, have long been our core values. We aim to align our business values, purpose and strategy with the social, economic and environmental needs of our stakeholders, embedding responsible and ethical business policies and practices in everything we do.

Our commitment to these values is led by the Board with the entrustment of primary responsibilities to key individuals for reporting to the Board on environmental, social and sustainability matters and initiatives.

RAK Ceramics' sustainable business model

Empowered by our brand values of leadership, trust and sustainability, we work diligently to uphold the United Nation's Sustainability Development Goals pillars of human and labour rights, environmental governance, community development and anti-corruption.

The Company has a sustainable business plan and has set KPIs in achieving that plan. It addresses economic, social and environmental aspects of its operations, underpinned by the development of robust and enduring management controls and systems. Importantly, sustainability and corporate responsibility are key elements of our culture.

Our sustainability focus areas:

Human and labour rights

Environmental governance

Community welfare

Anti-corruption

Human and labour rights

In conducting business across Bangladesh, we respect human and labour rights and seek to uphold, preserve and promote them. Our corporate responsibility to respect human rights means acting with due care to avoid infringing upon the rights of others, and addressing any issues that occur with responsibility and fairness. We recognise that our obligation applies across all business activities, including business relationships with third parties also.

Environmental governance

Our environmental objectives and targets are driven by a strong commitment to compliance, coupled with mitigation plans to address legal and regulatory business risks, while maximising opportunities against our strategic commitment to be a sustainable business.

At the heart of our sustainable business model is an approach that combines key business issues and key performance indicators with ongoing verification and alignment with legislation and industry standards, including certifications for environmental and energy management. Also, we have clear environmental, energy and climate change policies and our successful management of environmental issues is reflected in no major regulatory interventions over the past years.

Community welfare

At RAK Ceramics (Bangladesh), we remain committed to meeting the expectations that have

come to be expected out of us from around the communities where we operate. We responsibly take cognisance of these needs and fulfill them to the extent possible.

A more detailed disclosure on our corporate social responsibility practices is mentioned elsewhere in this report.

Anti-corruption

We are committed to conducting our business with the utmost integrity and in accordance with the principles enshrined in our best practices. We have always believed that greater transparency leads to increased trust. This in turn provides the solid foundations required for sustainable growth. Our anti-bribery compliance and monitoring processes are subject to regular internal audits, which help us foster a clean and transparent business environment.

OUR OBLIGATION TO THE ENVIRONMENT AND THE SOCIETY

Green environmental practices

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



Green production facilities

Our production facilities are equipped with high-efficiency burners that are utilised in all heaters to reduce energy consumption. The efficiency of fuel burning equipment, such as generators, kilns, spray dryers and horizontal and vertical dryers, among others, are fine-tuned by highly experienced and

competent personnel. Furthermore, waste heat from the tunnel kiln is used in the pre-dryer section in the sanitaryware plant with a view to re-use energy.

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

on water conservation to raise awareness and reduce unnecessary wastage of water.

Water conservation

Our operations develop and execute a holistic water management program that is consistent with the Company's strategy for suitable and quality water supply. We consider several water management options that may be divided into various groups, making it possible to pinpoint reduction possibilities:

- 1) Monitoring:** Water consumption is regularly measured and checked to prevent unnecessary use. We also analyse trends to swiftly detect major leaks and repair damages as soon as possible.
- 2) Optimisation:** We ensure that through engaging in regular preventive maintenance of equipment and other devices, water is used judiciously without any wastage.

Natural resource conservation and pollution control: In our focus on minimising the depletion of natural minerals, RAK Ceramics (Bangladesh) has developed strong expertise in combining as many as 5-9 types of natural minerals coming from several countries around the world to minimize the damage to the external environment.

Indoor air quality and its effect on office interiors

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

Solid waste management

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

- Segregating hazardous and non-hazardous waste

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

Energy-efficient systems

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

Ventilated facade system

Normal ventilation system is used in the plant that is suitable for local environmental conditions and helps in the conservation of energy.

Environmental governance and compliance

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

Our people

At the heart of our human resource strategy is the recognition that the skills and potential of our people and their ability to work effectively with our customers and across the supply chain is a crucial differentiator for the Company. In addition to enhancing the quality of the solutions we develop, building and sustaining strong relationships help us improve our services and drive operational efficiency. In our ongoing commitment to pursue high quality development, our leadership is supportive to enable us to attract and retain the best quality talent with attributes that we require to operate our business profitably and sustainably.

RAK Ceramics (Bangladesh) is committed to treating its employees well

Life insurance coverage:

All employees are adequately covered by a comprehensive life insurance policy to protect against any future hazards.

Provident Fund and Gratuity scheme:

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

Workers' Profit Participation Fund:

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

Employee Welfare Fund:

Financial assistance is provided to employee and their immediate family members for medical and

educational purposes from the Employee Welfare Fund maintained by the Company.

Focus on creating a happier and more productive workplace:

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

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

RAK Ceramics' products

RAK Ceramics is a founding member of the Emirates Green Building Council that supports the development of sustainable buildings in the UAE. As part of its commitment to focus on 'green building' products, it has launched several exciting and innovative products that contribute to creating a greener and cleaner environment. The UAE Ministry of Environment and Water (MOEW) has awarded the Company the prestigious 'Environmental Performance Certificate' (EPC) in recognition of its successful efforts to comply with environmental protection standards and regulations. The Company is proud of its many performance material products, which provide excellent quality and value and actively support our customers in responsibly reducing their environmental footprint.

POLICY ON COMMUNICATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

Communication with shareholders

The Company encourages communication with shareholders on an ongoing basis throughout the year and welcomes their participation in the Annual General Meeting (AGM). At the AGM, the Company's management receives shareholders' valuable opinions and makes every effort to implement these for the betterment of the Company. The Company also endeavours to actively liaison with all shareholders as well as ensures that all stakeholders are informed about the Company's activities on a regular basis.

The Company discloses the quarterly and yearly financial performance and other reports in due course for meeting the best interests of shareholders.

Company's Corporate Website

The Company's website is a comprehensive reference of RAK Ceramics (Bangladesh) management, vision and mission, value statement, investor relations, sales network, products, promotions and events. All information regarding financial statements, pattern of shareholding, corporate benefits, notices, price sensitive information, code of conduct, dividend, refund warrant, etc., are disclosed in the 'Investors' sub-menu of the website.

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

Grievance Redressal

RAK Ceramics (Bangladesh) strongly believes in maintaining smooth and cooperative relationships with all stakeholders. We pursue a proactive and

high quality shareholder's redressal policy to handle all grievances and complaints in an effective and fair manner. Any query received from investors is treated efficiently, fairly and with courtesy with the overall objective of dealing with it in a timely and transparent manner.

Investor complaint redressal at RAK Ceramics (Bangladesh)

- Any investor may lodge their complaint relating to their investment in the Company through a formal letter sent to the Investor Relations Department's official's email or by phone call to the Company Secretary
- The Investor Relations Department official shall review the investor complaint on a weekly basis
- A designated person of the Company looks after investor grievances on a daily basis
- Some of the ways by which we address more common issues include communicating with shareholders for the collection of dividend warrants which have been returned from the BEFTN system or by informing them on the delivery status by courier service
- We also manage requests for updation of e-Tin number in the BO account if cash dividend is declared
- We also handle requests for updation of bank account details in the BO account while sending dividend through the BEFTN system
- We review instances of non-receipt of Annual Report and the declared dividend
- We consider all matters related to shareholders of the Company efficiently and with urgency

OUR PEOPLE

At RAK Ceramics (Bangladesh), one of the key reasons that make our business a great one is our people. The knowledge, talent, diversity, commitment and engagement that they bring to the workplace is unrivalled and representative of a robust competitive advantage that places us ahead of our competitors.

Overview

At our Company, we recruit and retain the best people with a passion for customer service. We know that the knowledge and service of our associates provide us with what our customers value.

We believe that employee engagement is key to delivering outstanding service and our well-structured career development and progression programs, together with specialist training for our associates, is the primary driver behind achieving industry-leading growth.

Preparing talent for tomorrow

At RAK Ceramics (Bangladesh), we are helping our people develop new skills and capabilities, new ways of working and evolved entrepreneurial leadership qualities within a culture that values ethics, transparency and diversity. This in turn helps us attract and retain the best talent, which we believe is crucial to accelerate long-term value creation and create a differentiated business model.

Our strategic approach to managing our workforce is to be more simple and more impactful, while ensuring the highest levels of engagement with our employees to be able to sustain a direct, meaningful and ongoing conversation with them.

Our focus on inclusion

Our human resources charter sets out clear targets for expanding opportunities and enhancing access to skill development and training for all. It also sets out our ambition to build a diversified and well-represented workforce within our Company.

Towards this extent, we run programs across the Company, aimed at attracting, retaining and developing female talent. This includes developing candidates for potential future roles and also offering practical help that enables them to maintain their work-life balance better.

Safety

We continue with our efforts and initiatives to achieve zero fatalities and zero injury targets. This vision is enshrined in our Occupational Health and Safety practices.

At our Company, we place the highest regards to people safety. Towards this extent, we provide them with ongoing training on achieving shopfloor results safely and in a responsible manner. Furthermore, we also mandate the use of protective equipment and take the message across that the use of this equipment can go a long way in injury and even fatality prevention. We also continue to promote safe driving practices to help mitigate road-related risks.

CORPORATE SOCIAL RESPONSIBILITIES

At RAK Ceramics (Bangladesh), we are convinced that solid corporate action with a sense of responsibility is a material requirement for securing the long-term sustainability of a company. In this context, we aspire to make a contribution to sustainable growth by providing world-class and pride-enhancing interior building products, including tiles and sanitaryware, that are an essential part of housing and property sectors, which are, in turn, a core constituent of the national economy.

RAK Ceramics (Bangladesh)'s, approach to social responsibility is embedded in the Company's culture and focuses on creating sustainable value for our stakeholders, especially those at the bottom of the economic pyramid. Towards this extent, corporate social responsibility is at the heart of RAK Ceramics' business values and we recognize that many of our stakeholders, from site neighbours and employees through to our customers and investors, have rising expectations out of our corporate responsibility commitment and performance.

At our Company, we know that our performance can also be measured by the contribution made to the society and hence, social responsibility has become an integral part of our business. This performance is the result of our commitment to continuous improvement in every aspect of our organisation. Importantly, we embrace concrete action across all our manufacturing and operating sites, and these actions contribute to sustainable and responsible performance that help us meet our objectives.

While each of our business values has a corporate responsibility context, it is our values of integrity, transparency and commitment, which guides us

to maintain the highest ethical standards wherever we operate. We ensure the health and safety of all our people and minimize our impact on the environment through which we bring social responsibility to the fore and into our day-to-day business operations.

At our Company, we are engaged in a number of valuable activities that are being undertaken within all of our businesses and across our manufacturing sites. However, we have identified and agreed to the need to do more and do so in a more focused manner, as we strive to ensure the highest CSR impact within the realm of all of our activities.

RAK Ceramics (Bangladesh) actively promotes and engages in the concept of social contribution that helps strengthen communities and contribute to the enrichment of the grassroots of the society, both at the individual level and consolidated as a group. The Company is cognizant of its responsibility towards social welfare and contributed an amount of BDT 4.05 mn as CSR and Donation during the year 2018, encompassing donations to medical treatment, foster education, social and cultural activities of the country.

AWARDS & RECOGNITIONS

Best Brand Award 2018

RAK Ceramics has been awarded as No.1 Ceramics Tiles Brand 2018. This award has been given to RAK Ceramics (Bangladesh) Ltd. for ceramic tiles category from Bangladesh Brand Forum in partnership with Nielsen.



1st Position

ICMAB Best Corporate Award 2017
Miscellaneous Manufacturing Category



Silver Award

5th ICSB National Award- 2017
Manufacturing Companies Category



Certificate of Merit

18th ICAB Award – 2017
Manufacturing sector



At RAK Ceramics (Bangladesh), we are pleased to report that the Company has achieved a respectable performance despite a challenging market backdrop. The smooth finish of our products is representative of strong operational resilience, which is embedded into the culture of our Company that enables us to effectively differentiate and compete in a cluttered market.

DIRECTORS' REPORT

Dear Shareholders,

Assalamu Alaikum

The Board of Directors of RAK Ceramics (Bangladesh) Limited is pleased to present this Directors' Report, along with the audited financial statements of the Company for the year ended 31 December 2018, and the Auditors' Report thereon, for your valued consideration, approval and adoption.

Principle activities

RAK Ceramics (Bangladesh) is engaged in the manufacture and sale of ceramic tiles, bathroom sets and sanitaryware products. The Company offers a wide range of tiles and sanitaryware products in the ceramic sector of Bangladesh since the year 2000. Over the years, the Company has created industry-leading designs and patterns for wall and floor tiles, borders and corners, etc. Many of RAK Ceramic's models come in modular designs which offer ample choice to our customers. The unique ambience created using our ceramic and gres porcellanato tiles have appealed to even the most discerning customers.

Industry outlook and possible future developments

Detail about industry outlook and possible future developments in the industry are discussed in the 'Industry outlook and possible future developments in the industry' on page 31 and 'Management discussion and analysis' on page 34 of this Annual Report.

Segment-wise performance

RAK Ceramics (Bangladesh) operates with an annual standard production capacity of 10.32 mn sqm of tiles and 1.45 mn pieces of sanitaryware with over 41 active designs, ensuring the widest range of products available in the industry. Details about segment-wise or product-wise performance is discussed in the 'Description of the performance of the company and its subsidiaries' reporting on page 38 of this Annual Report.

Financial results

The Company reported consolidated sales of BDT 6,830.78 mn in 2018, against BDT 6,956.18 mn reported in 2017. Consolidated gross profit of BDT 2,514.98 mn in 2018 against BDT 2,704.96 mn reported in 2017. Consolidated net profit of BDT 890.63 mn in 2018 stood against BDT 1,018.01 mn achieved in 2017. Details of operational results of the Company are discussed in the 'General Review of Performance-2018' on page 28 of this Annual Report.

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

The Directors are pleased to report the financial results for the year 2018, and recommend the following appropriations:

Particulars	(Amount in BDT mn)	
	2018	2017
Profit before tax	1,225.93	1,414.60
Less: Provision for tax	335.30	396.59
Profit after tax*	890.63	1,018.01
Add: Un-appropriated profit brought forward	1,445.45	1,269.57
Profit available for distribution	2,336.08	2,287.58
Less: Appropriation of dividend	707.39	842.13
Un-appropriated profit C/F	1,628.69	1,445.45

Profit after tax is exclusive of non-controlling interest. Key operating and financial data of the preceding five years is given in 'Annexure-1' on page 65 of this Annual Report.

Reserve and surplus

In 2018, retained earnings of the Company stood at BDT 1,628.69 mn, against BDT 1,445.45 mn in 2017.

Dividend

The Company is actively exploring potential expansion of its production capacity. In this context, it proposes to maintain sufficient cash position to fund the expansion, if any. Hence, the Board of Directors is pleased to recommend dividend @10% in cash and @10% in stock of the paid-up capital of the Company, representing an amount of BDT 389,062,456 and 38,906,245 number of ordinary shares of the Company for the year ended December 31, 2018. The Company paid dividend @10% in cash and @10% in stock of the paid-up capital of the Company for the year 2017. No bonus shares or stock dividend has been declared as interim dividend.

Contribution to national exchequer

RAK Ceramics (Bangladesh) is committed to the timely disbursement of its direct and indirect tax obligations. During the year 2018, the Company including its subsidiaries contributed a total sum of BDT 2,610.56 mn to the national exchequer by way of corporate income tax of BDT 313.78 mn, withholding tax and VAT from suppliers and service providers of BDT 271.33 mn, VAT of BDT 1,157.56 mn, supplementary duty of BDT 674.11 mn and other duties/taxes of BDT 193.78 mn.

Risk and concerns

Risk assessment and mitigation is an integral part of the Company. The Board of Directors regularly monitor, assess and identify potential risks and threats to profitability and sustainable growth. Details of risks and concerns, including internal and external risk factors, and threats to sustainability and negative impact on the environment by the Company, is discussed in the 'Risk Control Initiatives' section on page 39 in this Annual Report.

Auditors

ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), shall retire at the 20th Annual General Meeting (AGM) and, being eligible, offer themselves for re-appointment. The Board also recommends their re-appointment for the year 2019. Remuneration

of the Auditor will be fixed by the shareholders at this AGM.

Parent and subsidiary companies

RAK Ceramics PJSC, UAE (the Company) is the parent company of RAK Ceramics (Bangladesh). It is a UAE-based leading tiles and sanitaryware manufacturer and one of the largest ceramics' brands in the world. It has an annual production capacity of 110 mn sqm of tiles and 5 mn pcs of sanitaryware at 16 state-of-the-art plants located all over the world, including Bangladesh.

The Company serves clients in more than 150 countries through its network of operational hubs in Europe, the Middle East and North Africa, Asia, North and South America and Australia. It is listed on the Abu Dhabi Securities Exchange in the United Arab Emirates and, as a Group, it has an annual turnover of around US\$1 billion.

RAK Ceramics (Bangladesh) Limited has two subsidiaries: RAK Power Pvt. Ltd and RAK Security and Services (Pvt) Ltd, which are fully owned subsidiaries of the Company. The principal activities and status of these subsidiaries are separately disclosed in the 'Statement of Subsidiaries' on page 37 of this Annual Report.

Related party transactions

The detailed list of related parties with whom transactions have taken place and their relationship as identified and certified by the management is disclosed in Related Party Disclosures under IAS-24 on page 141 of this Annual Report.

Corporate social responsibility

The Company understands its responsibility towards social welfare and contributed an amount of BDT 4.05 mn as CSR and Donation during the year under review. Details of the Company's CSR activities during the year is discussed in the 'Corporate Social Responsibilities' section on page 57 of this Annual Report.

Human resources and staff welfare

RAK Ceramics (Bangladesh) accords the highest priority to its human resource and staff welfare.

The Company ensures a safe and healthy working environment for its employees. The Company currently has 1,866 full-time employees on its rolls and offers well-designed compensation packages for employees to encourage professionalism, stimulate team work and promote innovation, reinforced with high ethical standards.

Notably, the employees of the Company enjoy benefits of Contributory Provident Fund, Gratuity Scheme and Group Life Insurance, etc. Furthermore, the Company also established "Workers Profit Participation Fund and Welfare Fund". In year 2018, the Company contributed 5% (five per cent) of its profit before tax towards the Workers' Profit Participation and Welfare Fund, amounting to BDT 58.91 mn.

Internal control

The Board has the ultimate responsibility of establishing effective systems of internal control. To ensure robust internal controls regarding risk management, financial control and compliance legislation, the Company follows the principle of decentralisation and delegation, combined with the responsibility and accountability matrix. This has been designed to mitigate the risk of failure to achieve the objectives of the Company. The Company has also established an internal audit and compliance department that functions under an Independent Head of Internal Audit and Compliance to ensure that internal control and compliances are in place.

Board of Directors

The Board of Directors of the Company comprises 5 (five) members including 2 (two) Independent Directors. Names and profiles, including the nature of expertise in specific functional areas of the Directors of the Company are shown in the 'Directors' Profile' section on page 22 of this Annual Report.

Appointment/reappointment of Directors

In accordance with the Article 93, 94 and 95 of the Articles of Association of the Company, Mr. Pramod Kumar Chand will retire from office as Director by rotation at the 20th Annual General Meeting and, being eligible, offers himself for re-election

in accordance with the terms of Article 96 of the Articles of Association of the Company.

The term of Mr. S.A.K. Ekramuzzaman, as the Managing Director of the Company, expired on March 15, 2019 and was eligible for re-appointment for a further period not exceeding five years. The Board of Directors of the Company, at its meeting held on 6th February 2019, re-appointed Mr. S.A.K. Ekramuzzaman as the Managing Director of the Company for a further period of 3 (three) years, subject to approval by the shareholders at the 20th Annual General Meeting.

Remuneration of Directors, including Independent Directors

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 the Managing Director.

Code of conduct

In compliance with the conditions of corporate governance, the Board has laid down a code of conduct for the Chairman of the Board, other Board members and Chief Executive Officer of the Company and annual compliance of the code is recorded accordingly.

Board of Directors' meeting and attendance

The Board of Directors of the Company met 7 (seven) times during the year under review. The number of Board meetings held and the attendance of each Director during the year 2018 is disclosed in 'Annexure-2' on page 66 of this Annual Report.

Pattern of shareholding

In accordance with the conditions of corporate governance, the shareholding pattern of the Company is disclosed in 'Annexure-3' on page 67 of this Annual Report.

Directors' statement on financial reporting

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

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

Management's Discussion and Analysis

In accordance with the condition of corporate governance, Management's Discussion and Analysis has been duly signed by the Chief Executive Officer of the Company and is included on page 34 of this Annual Report.

Declaration by CEO and CFO

In accordance with the conditions of corporate governance, a declaration on financial statements for the year ended December 31, 2018 by the CEO and CFO to the Board is included on page 91 of this Annual Report.

Corporate governance

To ensure the spirit of corporate governance with accountability for inspiring confidence of investors,

regulators, financiers and other stakeholders, RAK Ceramics (Bangladesh) is committed to comply with all the requirements of Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission. Detail about corporate governance is discussed in the 'Corporate Governance Report' on page 73 of this Annual Report.

Reporting and compliance of corporate governance

The Company has complied with the conditions of the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission dated June 03, 2018. Detail status of compliance on corporate governance, along with the corporate governance compliance certificate has been included on page 77 of this Annual Report.

Membership with BAPLC

Being a publicly traded Company, RAK Ceramics (Bangladesh) has membership with the Bangladesh Association of Publicly Listed Companies (BAPLC). A certificate of BAPLC membership has been included on page 90 of this Annual Report.

Post Balance Sheet events

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

Appreciation

The Board would like to take this opportunity to thank the Government authorities, shareholders, investors, bankers 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 06, 2019

KEY OPERATING AND FINANCIAL DATA OF PRECEDING FIVE YEARS

(Amount in BDT)

Particulars	2018	2017	2016	2015	2014
Sales	6,830,783,735	6,956,185,329	5,661,411,578	5,059,300,403	5,508,642,947
Cost of sales	4,315,805,600	4,251,220,093	3,252,054,966	2,896,889,441	3,255,268,010
Gross profit	2,514,978,135	2,704,965,236	2,409,356,612	2,162,410,962	2,253,374,937
Administrative expenses	444,334,014	445,551,419	416,460,612	886,856,902	344,100,573
Marketing and selling expenses	909,398,992	778,347,786	706,362,135	688,070,995	1,035,123,422
Profit before financial expenses	1,161,245,129	1,481,066,031	1,286,533,865	587,483,065	874,150,942
Financial expense	39,394,022	101,024,936	40,014,661	18,935,684	44,080,102
Other income*	104,074,247	34,558,774	24,139,245	910,848,168	80,195,921
Profit before taxation	1,225,925,354	1,414,599,869	1,270,658,449	1,479,395,549	910,266,761
Income tax expenses	335,300,169	396,587,747	355,403,678	385,055,782	422,191,844
Non-controlling interest	422	423	472	487	(74,724,435)
Net profit after taxation	890,624,763	1,018,011,699	915,254,299	1,094,339,280	562,799,352

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

STATEMENT OF NUMBER OF BOARD MEETING AND ATTENDANCE

The number of Board meetings held and the attendance by each Director during the year 2018 is given in the table below:

Name of Director	Position	Number of meetings held while a member	Number of meetings attended
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	07	07
S.A.K. Ekramuzzaman	Managing Director	07	04
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	07	07
Wassim Moukahhal	Independent Director	07	06
Faheemul Huq Barrister-at-Law	Independent Director	07	04

SHAREHOLDING PATTERN

ANNEXURE-3

The shareholding pattern as on 31 December 2018 is given below.

a) Parent/Subsidiary companies and other related parties:

Name	Status/Position	No. of shares held
RAK Ceramics Co. PJSC, UAE	Parent Company	265,078,574

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

Name	Status/Position	No. of shares held
Abdallah Massaad (Nominee of RAK Ceramics PJSC, UAE)	Chairman	15
S.A.K. Ekramuzzaman	Managing Director	15,359,841
Pramod Kumar Chand (Nominee of RAK Ceramics PJSC, UAE)	Director	Nil
Faheemul Huq, Barrister-at-Law	Independent Director	94,601
Wassim Moukahhal	Independent Director	Nil
Imtiaz Hussain	Chief Executive Officer	Nil
Kaushik Das	Chief Financial Officer	Nil
Muhammad Shahidul Islam	Company Secretary	Nil
Mohammad Samsul Arefin	Head of Internal Audit and Compliance	Nil

c) Shareholding status of the top-5 salaried employees other than CEO, CFO, CS & HIAC:

Name	Status/Position	No. of shares held
Mahbubur Rahman	GM-HR & Admin	47,005
J. Reza	Head of Supply Chain Management	Nil
Rajib Kumar Saha	Head of PMO	Nil
Md. Azimul Hossain	IT Business Lead Manager	Nil
Mohammed Shamsuddin	Manager-Taxation	Nil

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

Name	Status/Position	No. of shares held
RAK Ceramics PJSC, UAE	Parent Company	265,078,574

AUDIT COMMITTEE REPORT

The Audit Committee is a sub-committee of the Board of Directors and is responsible to oversee the financial reporting process. The committee assists the Board for ensuring that the financial statements reflect a true and fair view of the state of affairs of the Company and good governance system within the business.

Terms of Reference

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

Composition

In accordance with corporate governance, the Audit Committee comprises of three members which include two Independent Directors. The Chairman of the Committee is an Independent Director. The Company Secretary is the member secretary of the Committee. The current members of the Audit Committee are as follows:

Faheemul Huq, Chairman

Wassim Moukahhal, Member

Pramod Kumar Chand, Member

Muhammad Shahidul Islam, Member Secretary

All the members of the Committee have business acumen and are knowledgeable individuals with integrity, and are able to ensure compliance with financial, regulatory and corporate laws with meaningful contribution to the business as well.

Roles and responsibilities

The roles and responsibilities of the Audit Committee are clearly defined in the Audit Committee Charter. The Audit Committee shall assist the Board in fulfilling its oversight

responsibilities. To recognise the importance of oversight responsibilities of the Board with special emphasis on ensuring compliance with all applicable legislations and regulations, the prime responsibilities of the Audit Committee, among others, are as follows:

- (a) Oversee the financial reporting process;
- (b) Monitor the choice of accounting policies and principles;
- (c) Monitor internal audit and compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;
- (d) Oversee hiring and performance of external auditors;
- (e) Hold meeting with the External or Statutory Auditors for review of the annual financial statements before submission to the Board for approval or adoption;
- (f) Review along with the management, the annual financial statements before submission to the Board for approval;
- (g) Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;
- (h) Review the adequacy of the internal audit function;
- (i) Review the Management's Discussion and Analysis before disclosing it in the Annual Report;
- (j) Review statements of all related party transactions submitted by the management;
- (k) Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;

- (l) Oversee the determination of audit fees based on the scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of External Auditors;
- (m) Perform other activities related to the Audit Committee Charter, as requested by the Board of Directors;
- (n) Perform other activities related to this charter, as requested by the Board of Directors.

least one meeting to be held every quarter, in which the Committee reviewed issues relating to business operations, compliance, finance and accounts, among others. The Managing Director, Chief Executive Officer, Chief Financial Officer and Head of Internal Audit and Compliance were permanent invitees to the meeting. Relevant departmental heads and other members of the management also attended the meetings as required. The proceedings of the meetings are properly recorded in minutes and regularly reported to the Board of Directors. The number of Audit Committee meetings held and the attendance by each member during the year 2018 comprise the following:

Committee meetings and attendance

During 2018, the Committee held 04 (four) meetings, complying with the requirement of at

Name of Members	Position	Number of meetings held while a member	Number of meetings attended
Faheemul Huq, Barrister-at-Law	Independent Director and Chairman of the Committee	04	04
Wassim Moukahhal	Independent Director and Member of the Committee	04	03
Pramod Kumar Chand	Director and Member of the Committee	04	04
Muhammad Shahidul Islam	Company Secretary and Member Secretary of the Committee	04	04

Internal control and risk management process

Internal control system embodied to our operation that ensures achievement of organisation's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. The Committee has an ongoing process for reviewing the effectiveness of the system of internal controls within the Company.

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

The risk management process at 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 optimising the risk-return parameters for the creation of sustainable growth and value for shareholders and other stakeholders. During the year, the Committee discussed with the management ways in which they would continue to deliver high-quality oversight and risk evaluation against the background of the current economic climate.

Committee's report summary

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

- Laws and regulations relating to business and internal policies, procedures and guidelines have been complied with.

- Financial statements for the year ended December 31, 2018 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).
- Adequate internal control systems are put in place to detect, correct and prevent fraud and errors in a timely manner.
- Appropriate Management Information Systems (MIS) are in place to facilitate the decision-making process.
- Existing risk management procedures are effective to capture and mitigate risk.
- The state of compliance with corporate governance and other regulations as per the requirements of the Bangladesh Securities and Exchange Commission were ensured.

Statutory Auditor

The Audit Committee has satisfied itself through its own process of review that the Statutory Auditor of the Company is independent, as defined by the related Act. The Audit Committee of the Board recommended the re-appointment of ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), as the Statutory Auditors of the Company for the year 2019.

Internal Audit

Internal Audit is regarded as one of the four pillars of corporate governance. Internal audit is conducted under the supervision of Mr. Mohammad Samsul Arefin, Head of Internal Audit and Compliance (HIAC), in accordance with the approved roles and responsibilities of the HIAC and corporate governance code/best practices.

Financial management

The financial management/activities of the Company are supervised and stewarded by Mr. Kaushik Das, Chief Financial Officer of the Company. The Audit Committee has satisfied itself that Mr. Kaushik Das has the appropriate expertise and knowledge to fulfill his role efficiently.

Evaluation of quarterly report

As per the Corporate Governance Code 2018, the Audit Committee reviewed quarterly financial statements of the Company and its subsidiaries and found that these statements reflected a true and fair view of the state of affairs of the companies.

Annual financial statements

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

Appreciation

The Audit Committee expresses their sincere thanks to the members of the Board, the management and the Statutory and Internal Auditors for their support in carrying out its duties and responsibilities effectively.



(Barrister Faheemul Huq)

Chairman
Audit Committee
February 06, 2019

NOMINATION AND REMUNERATION COMMITTEE (NRC) REPORT

As per the conditions of the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission, RAK Ceramics (Bangladesh) has a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board of Directors. The NRC assists the Board in the formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top-level executives, as well as a policy for a formal process of considering the remuneration of directors and top-level executives.

Terms of Reference

The terms of reference of the NRC have been determined by the Board as per the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission.

Composition

In accordance with corporate governance, the NRC of RAK Ceramics (Bangladesh) comprises of three members which include two Independent Directors. The Chairperson of the Committee is an Independent Director of the Company. The Company Secretary is the member secretary of the Committee. The current members of the NRC are as follows:

Wassim Moukahhal, Chairperson

Barrister Faheemul Huq, Member

Pramod Kumar Chand, Member

Muhammad Shahidul Islam, Member Secretary

Roles and responsibilities

The roles and responsibilities of the NRC are clearly defined in the Terms of Reference (ToR). The prime responsibilities of the NRC, among others, are as follows:

- (1) NRC shall be independent and responsible or accountable to the Board and to the shareholders

- (2) NRC shall oversee, among others, the following matters and make a report with recommendations to the Board:
 - (a) Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending a policy to the Board relating to the remuneration of directors and top-level executives, considering the following:
 - (i) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;
 - (ii) The alignment of remuneration to performance is clear and meets appropriate performance benchmarks;
 - (iii) Remuneration to directors and top-level executives involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;
 - (b) Devising a policy on the Board's diversity, taking into consideration age, gender, experience, ethnicity, educational background and nationality;
 - (c) Identifying persons who are qualified to become directors and who may be appointed

in top-level executive positions in accordance with the criteria laid down, and recommend their appointment and removal to the Board

- (d) Formulating the criteria for evaluation of performance of independent directors and the Board;
- (e) Identifying the Company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria;
- (f) Developing, recommending and reviewing annually the Company's human resources and training policies;
- (g) Developing a succession plan for the Board and for top level executives and regularly reviewing the plan;

(h) The Committee shall work and liaise as necessary with other committees of the Board.

- (3) Any other matters as determined by the Board from time to time.

Committee meetings and attendance

During the year 2018, the NRC held 02 (two) meetings, complying with the requirement of at least one meeting to be held during the year. The proceedings of the meetings are recorded in proper minutes and regularly reported to the Board. The number of NRC meetings held and the attendance by each member during the year 2018 is given below:

Name of Members	Position	Number of meetings held while a member	Number of meetings attended
Wassim Moukahhal	Independent Director and Chairperson of the Committee	02	02
Faheemul Huq, Barrister-at-Law	Independent Director and Member of the Committee	02	02
Pramod Kumar Chand	Director and Member of the Committee	02	02
Muhammad Shahidul Islam	Company Secretary and Member Secretary of the Committee	02	02

Activities of NRC

The NRC carried out the following activities during the year 2018:

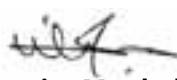
- Recommended the code of conduct of the Chairperson, Managing Director, Directors, Independent Directors and CEO to the Board for approval
- Recommended and revised the roles and responsibilities of the Chairperson, MD, CEO, CFO, CS and HIAC to the Board for approval
- Identified top-level executives of the Company and recommended to the Board for approval
- Formulated the policy on Board diversity, nomination and remuneration for Directors and top-level executives
- Reviewed issues relating to the formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences

and independence of directors and top-level executives

- Formulated the process of considering remuneration of directors and top-level executives
- Formulated the criteria for evaluation of performance of Independent Directors and the Board

Appreciation

The NRC expresses their sincere thanks to the members of the Board and the management of the Company for their outstanding support and cooperation extended in helping carry out its duties and responsibilities effectively.



(Wassim Moukahhal)

Chairperson
Nomination and Remuneration Committee
February 06, 2019

CORPORATE GOVERNANCE REPORT

Corporate governance refers to the structures and processes needed for the judicious stewardship and responsible control of a company. Sound corporate governance should be a fundamental part of the culture of a company to ensure long-term success and sustainability.

In this context, RAK Ceramics (Bangladesh) believes in adopting best practices in the area of corporate governance. Good governance processes provide transparency with regards to corporate policies, strategies and the decision-making process. This further strengthens internal control systems and helps in building positive relationships with all stakeholders. The principal characteristics of corporate governance comprise transparency, independence, accountability, responsibility, fairness and social responsibility.

The Board of Directors of RAK Ceramics (Bangladesh) is firmly committed to uphold the principles of sound corporate governance. A strong corporate governance framework works as the backbone of a transparent organisation. Our corporate governance framework ensures that we make timely disclosures and share accurate information with respect to our financials and performance, as well as disclosures related to the leadership and governance of RAK Ceramics (Bangladesh). We believe in transparency and commit ourselves to adhere to good corporate governance practices at all times. We believe that good governance generates goodwill among business partners, customers and investors and helps the company achieve stable and sustainable long-term growth.

Board of Directors

The Board of Directors is an effective intermediary between shareholders and the management of an organisation. Directors are elected or appointed by the shareholders at the Annual General Meeting and are accountable to the shareholders. The Board of

Directors is the highest governing authority within the management structure and is also responsible for the operations and stewardship of the Company, thereby serving the best interests of shareholders.

Composition of the Board

The Board of Directors of RAK Ceramics (Bangladesh) comprises 05 (five) members, including two Independent Directors, in compliance with the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission (BSEC). Some of the core responsibilities of the Board include setting the Company's strategic objectives, providing leadership and supervision and safeguarding shareholders' interests. The Company has a non-Executive Chairman and Managing Director (separately).

Board procedure

To ensure transparency, the Board embraces the practice of advance planning in matters requiring discussion and decision by the Board. The Board is appraised by means of a presentation on finance, sales, marketing, major business segments and operations of the Company, among other matters, as per their demand. The Managing Director along with the Company Secretary, finalises the agenda papers for the Board meeting in consultation with the 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) has laid down a comprehensive Code of Conduct for the Chairman of the Board, other

Board members and Chief Executive Officer and annual compliance to the code is recorded.

Committee of the Board

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

Audit Committee

The Audit Committee of RAK Ceramics (Bangladesh) comprises of three members which include two Independent Directors. The Chairman of the Committee is an Independent Director of the Company. The Company Secretary is the member secretary of the Committee. The Audit Committee is the sub-committee of the Board and assists the Board in ensuring a strong monitoring system within the business. The Audit Committee is responsible to the Board and the duties and responsibilities of the Audit Committee are clearly set forth in writing by the Board in the Audit Committee Charter. The Audit Committee reports to:

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

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

Nomination and Remuneration Committee (NRC)

The NRC of RAK Ceramics (Bangladesh) comprises of three members which include two Independent Directors. The Chairperson of the Committee is an Independent Director of the Company. The Company Secretary is the member secretary of the Committee. The NRC is independent and responsible and accountable to the Board and to shareholders. The NRC shall assist the Board in the formulation of the nomination criteria or policy for determining qualifications, positive attributes,

experiences and independence of Directors and top-level executives, as well as a policy for formal process of considering remuneration of Directors and top-level executives. The NRC shall:

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

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

Chairman of the Board and Managing Director

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

Chief Financial Officer

Kaushik Das is the Chief Financial Officer of RAK Ceramics (Bangladesh). He is a qualified finance professional from the Institute of Cost Accountants of India and the Indian Institute of Management, Kolkata. He carries with him over 26 years of rich industry experience in India and has been a part of large business conglomerates in India. As CFO, he is responsible for the finance and accounting activities, and is also entrusted with the task of driving the organisation's endeavour to move to the next level of growth. The Board of Directors has clearly defined the roles, responsibilities and duties of the CFO.

Company Secretary

Muhammad Shahidul Islam is the Company Secretary of RAK Ceramics (Bangladesh) and has been appointed by the Board of Directors of the Company. He is a qualified Chartered Secretary and a fellow member of the Institute of Chartered Secretaries of Bangladesh (ICSB). The Board of Directors has clearly defined the roles, responsibilities and duties of the Company Secretary.

Head of Internal Audit and Compliance

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

Statutory Auditors

Statutory Auditors are appointed by the shareholders at the Annual General Meeting and also fix their remuneration thereof. ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), was the Statutory Auditor of the Company for the year 2018. They carry out systematic examination of the books and records of the Company and ascertain, verify and report upon the facts regarding the financial results of the Company. To ensure the highest levels of compliance with corporate governance, the Company did not engage its Statutory Auditors to perform the following services:

- (i) Appraisal or valuation services or fairness opinions;
- (ii) Financial information systems design and implementation;
- (iii) Book-keeping or other services related to the accounting records or financial statements;

- (iv) Broker-dealer services;
- (v) Actuarial services;
- (vi) Internal audit services or special audit services;
- (vii) Any service that the Audit Committee determines;
- (viii) Audit or certification services on compliance of corporate governance, as required under condition No. 9(1);
- (ix) Any other service that creates conflict of interest.

Internal Audit and Control

RAK Ceramics (Bangladesh) considers that internal audit and compliance is one of the 'four pillars' of corporate governance, with the other pillars being the Board of Directors, Management and the External Auditors. Hence, the Company has an independent internal audit and compliance department under the control of the Audit Committee of the Board. Internal audit at RAK Ceramics (Bangladesh) assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes. It also helps the Audit Committee of the Board of Directors to perform their responsibilities effectively.

Subsidiary Company

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

- Provisions relating to the composition of the Board of subsidiary companies including Independent Directors have been complied with.
- Independent Director of the Company is also a Director in subsidiary companies.
- Affairs of subsidiary companies have been reviewed at the Board meeting of the Company.
- Minutes of the Board meeting of subsidiary

companies have been placed for review at the Board meeting of the Company.

- Financial statements of subsidiary companies have been reviewed by the Audit Committee of the Company.

Code of Conduct

As an organisation of repute, our values include integrity, self-determination and valuing our human resources. Our parent company has specified the corporate values for the Company and has also stipulated a code of conduct for employees, ensuring that the latter maintain the highest integrity; promote fair and accurate disclosures and financial reporting and comply with all the relevant laws and ethical principles. Therefore, the Company considers the significance of ethical, human and environmental matters in the conduct of its business.

Compliances

To ensure that excellence in corporate governance is achieved with accountability for inspiring the confidence of investors, regulators, financiers and other stakeholders, RAK Ceramics (Bangladesh) is committed to comply with all the requirements of the corporate governance code, as required by the Bangladesh Securities and Exchange Commission. The certificate on compliance of conditions of corporate governance code of the Company is provided on page 77 in this Annual Report.

Human Resources

RAK Ceramics (Bangladesh) believes that its human resources are its most important asset. Each and every employee is considered, developed and motivated to contribute optimally towards the achievement of corporate goals and aspirations. A

vibrant business environment requires a well-trained workforce and hence, the Company has given more emphasis on developing management skills and capabilities that are required to suit today's dynamic business environment. Various training programs and workshops were carried out during the year under report. Moreover, we believe that building and maintaining healthy employee relations is an essential prerequisite in attaining ultimate success in business. Management and employee relations in the Company was excellent throughout the year.

Conclusion

RAK Ceramics (Bangladesh) ensured the highest standards in good corporate governance and also rigorous adherence to the requirements of the ethical code of conduct through close and consistent monitoring. Through the code of ethics, all levels of staff have been educated and encouraged to report through whistle-blowing when they suspect any wrongdoing by employees.

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Jasmin & Associates
(Chartered Secretaries & Corporate Affairs Consultants)

55/B, Noakhali Tower, 10th Floor
Suite 11-F, Purana Paltan, Dhaka-1000
jasminmizan123@yahoo.com, jasminandassociates@gmail.com
Phone : 02-9574125, E-TIN No.295279438482

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

We have examined the Compliance status to the Corporate Governance Code by RAK Ceramics (Bangladesh) Limited for the year ended 31st December 2018. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 of the Bangladesh Securities and Exchange Commission.

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

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

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

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

For: Jasmin & Associates


Jasmin Akter, FCS
Chief Executive

Place : Dhaka
Dated : February 06, 2019

RAK CERAMICS (BANGLADESH) LIMITED

Annexure -C

For the year ended 31st December 2018

Status of Compliance with the Corporate Governance Code

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

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

(Report under Condition No. 9)

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

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

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
1(3) (c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	√		
1 (3)(d)	In special cases, the above qualifications or experiences may be relaxed subject to prior approval of the Commission.			No such matter
1.4	Duality of chairperson of the Board of Directors and Managing Director or chief Executive Officer:-			
1(4) (a)	The positions of the Chairperson of the Board and the Managing Director (MD) and/or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√		
1(4)(b)	The Managing Director (MD) and/or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√		
1(4) (c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	√		
1 (4) (d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or Chief Executive Officer;	√		
1 (4) (e)	In the absence of the Chairperson of the Board, the remaining members may elect one of themselves from nonexecutive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
1(5)	The Director's Report to Shareholders			
1(5)(i)	An Industry outlook and possible future developments in the industry;	√		
1(5)(ii)	The Segment-wise or product-wise performance;	√		
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√		
1(5)(iv)	A Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin, where applicable;	√		
1(5) (v)	A Discussion on continuity of any Extra-Ordinary activities and their implication (gain or loss);			No such matter
1(5) (vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√		
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;			No such matter
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc.;			No such matter
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performances and Annual Financial Statements;			No such matter
1(5)(x)	A statement of remuneration paid to the directors including independent directors;	√		
1(5)(xi)	A statement that the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	√		

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

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

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

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
3(3)(b)	The MD or CEO and CFO shall also certify that there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	√		
3(3) (c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√		
4	Board of Directors' Committee:- For ensuring good governance in the company, the Board shall have at least following sub-committees:			
4 (i)	Audit Committee; and	√		
4(ii)	Nomination and Remuneration Committee	√		
5	AUDIT COMMITTEE:			
5(1)	Responsibility to the Board of Directors			
5(1)(a)	The Company shall have an Audit Committee as a sub-committee of the Board of Directors;	√		
5(1)(b)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business;	√		
5(1) (c)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
5(2)	Constitution of the Audit Committee			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√		
5(2)(b)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the Company and shall include at least 1 (one) Independent Director;	√		
5(2) (c)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	√		
5(2)(d)	When the term of service of any Committee member expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board shall appoint the new Committee member to fill up the vacancy immediately or not later than 1 (one) month from the date of vacancy in the Committee to ensure continuity of the performance of work of the Audit Committee;	√		
5(2)(e)	The company secretary shall act as the secretary of the Committee;	√		
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without independent director.	√		

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
5(3)	Chairman of the Audit Committee			
5(3)(a)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director;	√		
5(3)(b)	In the absence of the Chairperson of the Audit Committee, the remaining members may elect one of themselves as Chairperson for that particular meeting, in that case there shall be no problem of constituting a quorum as required under condition No. 5(4)(b) and the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√		
5(3) (c)	Chairperson of the Audit Committee shall remain present in the Annual General Meeting (AGM):	√		
5(4)	Meeting of the Audit Committee			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year;	√		
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two-third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√		
5(5)	Role of Audit Committee			
	The Audit Committee shall :-			
5(5)(a)	Oversee the financial reporting process;	√		
5(5)(b)	monitor choice of accounting policies and principles;	√		
5(5) (c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√		
5(5)(d)	Oversee hiring and performance of external auditors;	√		
5 (5) (e)	hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√		
5(5) (f)	Review along with the management, the annual financial statements before submission to the board for approval;	√		
(5)(5) (g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√		
5(5) (h)	Review the adequacy of internal audit function;	√		
5(5) (i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√		
5(5) (j)	Review statement of all related party transactions submitted by the management;	√		
5(5) (k)	Review Management Letters or Letter of Internal Control weakness issued by statutory auditors;	√		
5(5) (l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors; and	√		

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

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

Condition No.	Title	Compliance status		Remarks
		Complied	Not complied	
6(4) (d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.	√		
6(5)	Role of the NRC			
6(5) (a)	NRC shall be independent and responsible or accountable to the Board and to the shareholders;	√		
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;	√		
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and	√		
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;	√		
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;	√		
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;	√		
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;	√		
6(5)(b)(v)	Identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and	√		
6(5)(b)(vi)	Developing, recommending and reviewing annually the company's human resources and training policies;	√		
6(5)(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.	√		
7	External or Statutory Auditors.			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely: -			
7(1)(i)	Appraisal or valuation services or fairness opinions;	√		
7(1)(ii)	Financial information systems design and implementation;	√		
7(1)(iii)	Book-keeping or other services related to the accounting records or financial statements;	√		
7(1)(iv)	Broker-dealer services;	√		
7(1)(v)	Actuarial services;	√		
7(1)(vi)	Internal audit services or special audit services	√		
7(1)(vii)	any service that the Audit Committee determines;	√		
7(1)(viii)	Audit or certification services on compliance of corporate governance as required under condition No. 9(1); and	√		
7(1)(ix)	Any other service that creates conflict of interest.	√		

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

BAPLC CERTIFICATE 2018



DECLARATION OF CEO AND CFO REGARDING FINANCIAL STATEMENTS

Date: February 06, 2019

The Board of Directors

RAK Ceramics (Bangladesh) Limited

Subject: Declaration on Financial Statement for the year ended 31 December 2018

Dear Sirs,

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

- (1) The audited standalone and consolidated financial statements of RAK Ceramics (Bangladesh) Limited for the year ended on 31 December 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS) as applicable in Bangladesh and any departure therefrom has been adequately disclosed;
- (2) The estimates and judgements related to the financial statements were made on a prudent and reasonable basis in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure the above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast a significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

- (i) We have reviewed the audited standalone and consolidated financial statements for the year ended on 31 December 2018 and that to the best of our knowledge and belief:
 - (a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (b) These statements collectively present 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 period which are fraudulent, illegal or in violation of the code of conduct of the Company's Board of Directors or its members.

Sincerely yours,



(Imtiaz Hussain)

Chief Executive Officer



(Kaushik Das)

Chief Financial Officer



At RAK Ceramics (Bangladesh), we ensure that the Annual Report and Accounts, when taken as a whole, are fair, balanced and understandable. The smooth finish of our products is a reflection of our sincere endeavour to provide the information necessary for our shareholders to assess our business model and strategy in consonance with our financial performance.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of
RAK Ceramics (Bangladesh) Limited

Opinion

We have audited the consolidated financial statements of RAK Ceramics (Bangladesh) Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 02-03.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the

Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by A. Qasem & Co., Chartered Accountants who expressed an unmodified opinion on those statements on 28 January 2018.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risk of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the significant effect on the overall audit strategy, allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue management and recognition	
Refer note no 3.14.2 and 22 to the consolidated financial statements	
<p>The Group earns revenue from contracts with customers for sale of goods and services. Although there is little decline in reported revenue over last year, the decline in collection of receivables was significant. In view thereof, it seemed to us, if this trend continues, the Group may be in difficulty managing operating cash flows and related other consequences.</p>	<p>As part of our audit strategy, we studied and reviewed the overall operation, the environment this Group belongs to, the related regulatory and other compliances the entity is expected to abide by.</p> <p>We obtained understanding of the competitive environment of the entity and management's strategies to stay competitive in the industry to find out whether there is any indication of permanent decline in revenue trends.</p> <p>In order to understand the accuracy and completeness of the revenue recognition, we have tested the design and operating effectiveness of key controls focusing on the following:</p>

Key audit matter	How our audit addressed the key audit matter
<p>Most of the revenue earned by the Group is measured at net of discounts granted to the customers. The calculation of discounts and performance rebates depends on the quantity of sales to dealers, which involves the risk of error and inappropriate judgement.</p> <p>As per IFRS terms, revenue is recognized and posted as soon as control is transferred to the respective customers. Given the nature of an industry, point of recognition may entail some risks. From risk perspective, the Group has also very significant dependence on one single customer/dealer ensuring their desired annual sales. Therefore, there is a risk of revenue being misstated owing to variation in estimations over discounts and performance rebates as well as industry specific complexities underlying revenue recognition.</p>	<ul style="list-style-type: none"> ▶ calculation of discounts and performance rebates along with proper authorization; ▶ segregation of duties in invoice creation and modification; ▶ effectiveness of the information systems to record and present accurate amount of revenue; ▶ timing of revenue recognition, considering the duration between release of goods for sale from factory to the time the goods are received by the dealers; and ▶ payment habits of the customers and its overall impact on operating cash flows. <p>Our substantive procedures in relation to the revenue recognition comprises the following:</p> <ul style="list-style-type: none"> ▶ obtaining supporting documentation for sales transactions recorded either side of year end as well as credit notes issued after the year end date to determine whether revenue was recognized in the correct period; ▶ reviewing accounting records and overall information generation systems; ▶ reviewing agreements with dealers and underlying policy documentations with a view to ensuring that agreed terms were properly adhered to; ▶ agreeing a sample of claims and rebate accruals to supporting documentation; and ▶ assessing the appropriateness and presentation of disclosures against newly adopted IFRS 15, along with relevant transition provisions.
Credit risk and impairment on trade receivables	
Refer note no 3.14.1, 9, 25.1 and 32.1 (b) to the consolidated financial statements	
<p>The reported trade receivable of the Group has significantly increased over last year.</p> <p>Significant amount of judgment is to be applied to determine the risk of default over the expected life of trade receivables, which may have material impact over the figures of trade receivable. As a result, there is risk of error in determining the allowance for impairment for trade receivables.</p> <p>Remarkable amount of the trade receivables of the Group is attributable to a single customer, which is also a related party (as disclosed in note #33 to the financial statements) to the Group. Being related party, there may be unpalatable behavior putting realizability at risk.</p>	<p>Our audit procedures included testing the Group's credit control procedures and judgment on determining the provisions for expected credit losses. The audit procedures involved following activities:</p> <ul style="list-style-type: none"> ▶ testing, on a sample basis, receivable balances and comparing it with our results from the external confirmations; ▶ inspecting the arrangements, securities documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables; ▶ reviewing the calculations of the allowance for impairment of trade receivables based on the judgments applied by the management.

Key audit matter	How our audit addressed the key audit matter
Valuation of Inventories	
Refer note no 3.9 and 8 to the consolidated financial statements	
<p>The Group's inventory value represents about twenty four percent of the total assets of the Group. The inventories increased substantially during the year, resulting in increased risk of inventory obsolescence.</p> <p>Inventories are carried at the lower of cost and net realizable value. The management applies judgment in determining the appropriate provisions for obsolete stock based upon a detailed analysis of old and slow-moving inventory.</p>	<p>We obtained assurance over relevance and appropriateness of management's assumptions applied in calculating the value of the inventories by:</p> <ul style="list-style-type: none"> ▶ evaluating the design and implementation of key inventory controls operating across the Group; ▶ attending stock counting and reconciling the count results to the inventory listings to test the completeness of data; ▶ comparing the net realizable value, obtained through a detailed review of sales subsequent to the year-end, to the cost price of a sample of inventories; ▶ reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year.
Review of tax and regulatory matters	
Refer note no 21 and 36 to the consolidated financial statements	
<p>Group has several pending corporate tax assessments and legal proceedings with the government revenue authorities related to claims for tax, VAT and customs duty. The pending cases expose the Group to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may not be appropriate to predict.</p> <p>These uncertainties inherently affect the amount and timing of potential outflows with respect to the tax provisions and contingent liabilities.</p> <p>As a listed entity, the Group also has to maintain compliance with the requirements of the Bangladesh Securities and Exchange Commission.</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the legal provision and contingencies recognition process. To get more insights:</p> <ul style="list-style-type: none"> ▶ we enquired into those charged with governance to obtain their view on the status of all significant litigation and regulatory matters; ▶ we enquired of the Group's internal legal counsel for all significant litigation and regulatory matters and studied internal notes and reports. We also enquired formal confirmations from external counsel on these matters; ▶ we assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information; ▶ we also assessed the Group's provisions and contingent liabilities disclosure. <p>We have reviewed the controls related to Corporate Governance compliance and reporting compliance as per Bangladesh Securities and Exchange Commission guidelines.</p>

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as explained

in note 02-03, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Bangladesh Securities and Exchange Commission rules and regulations together with other applicable regulations require

the Management to ensure effective internal audit, internal control and risk management functions of the Group.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we could not obtain prior to the date of this auditors' report and the Group's Annual Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement,

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters as reported in the respective section of the report above. We describe these matters in our auditors' report unless law or regulation precludes public

disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

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

Dated, 6 February 2019



ACNABIN

Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	2018	2017
		Taka	Taka
Assets			
Property, plant and equipment	4	3,200,651,808	3,394,940,284
Investment property	5	691,149,776	701,681,877
Intangible assets	6	11,916,384	5,429,027
Capital work-in-progress	7	127,781,532	41,415,719
Total non-current assets		4,031,499,500	4,143,466,907
Inventories	8	3,005,616,081	2,533,703,266
Trade and other receivables	9	871,791,127	590,423,877
Advances, deposits and prepayments	10	322,820,432	309,772,083
Advance income tax	11	3,125,317,011	2,831,624,003
Cash and cash equivalents	12	829,807,227	1,382,359,206
Total current assets		8,155,351,878	7,647,882,435
Total assets		12,186,851,378	11,791,349,342
Equity			
Share capital	13	3,890,624,560	3,536,931,410
Share premium	14	1,473,647,979	1,473,647,979
Retained earnings	15	1,628,694,442	1,445,455,970
Equity attributable to equity holders of the company		6,992,966,981	6,456,035,359
Non-controlling interests		1,546	1,524
Total equity		6,992,968,527	6,456,036,883
Liabilities			
Borrowings	18	88,203,349	359,163,292
Deferred tax liability	16	197,934,495	178,813,760
Total non-current liabilities		286,137,844	537,977,052
Borrowings	18	309,652,416	548,162,038
Trade and other payables	19	528,659,578	573,706,416
Accrued expenses	20	531,601,160	447,661,843
Provision for income tax	21	3,537,831,853	3,227,805,110
Total current liabilities		4,907,745,007	4,797,335,407
Total liabilities		5,193,882,851	5,335,312,459
Total equity and liabilities		12,186,851,378	11,791,349,342

The accompanying notes are an integral part of these financial statements


Managing Director


Director


Company Secretary

As per our report of same date


ACNABIN
Chartered Accountants

Dated, 6 February 2019

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	2018 Taka	2017 Taka
Sales	22	6,830,783,735	6,956,185,329
Cost of sales	23	(4,315,805,600)	(4,251,220,093)
Gross profit		2,514,978,135	2,704,965,236
Other income	24	65,663,417	12,392,921
Administrative expenses	25	(381,819,268)	(378,110,155)
Impairment loss on trade receivable	25.1	(3,601,431)	-
Marketing and selling expenses	26	(909,398,992)	(778,347,786)
		(1,229,156,274)	(1,144,065,020)
Profit from operating activities		1,285,821,861	1,560,900,216
Finance income	27	38,410,830	22,165,853
Finance expenses	28	(39,394,022)	(101,024,936)
Net finance income		(983,192)	(78,859,083)
Profit before contribution to worker's profit participation and welfare fund		1,284,838,669	1,482,041,133
Contribution to worker's profit participation and welfare fund	29	(58,913,315)	(67,441,264)
Profit before income tax		1,225,925,354	1,414,599,869
Income tax expense			
Current tax	30	(316,179,434)	(346,190,210)
Deferred tax	16	(19,120,735)	(50,397,537)
		(335,300,169)	(396,587,747)
Profit for the year		890,625,185	1,018,012,122
Other comprehensive income		-	-
Total comprehensive income for the year		890,625,185	1,018,012,122
Profit attributable to:			
Equity holders of the company		890,624,763	1,018,011,699
Non-controlling interests		422	423
Profit after tax for the year		890,625,185	1,018,012,122
Basic earnings per share (Par value TK 10)	35	2.29	2.62

The accompanying notes are an integral part of these financial statements


Managing Director


Director


Company Secretary

As per our report of same date


ACNABIN
Chartered Accountants

Dated, 6 February 2019

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

Particulars	Attributable to owners of the Company			Non-controlling interests Taka	Total equity Taka
	Share capital Taka	Share Premium Taka	Retained earnings Taka		
Balance as at 01 January 2017	3,368,506,110	1,473,647,979	1,269,570,793	1,501	6,111,724,882
Total comprehensive income for 2017	-	-	1,018,011,699	423	1,018,012,122
Profit/(loss) for the year	-	-	1,018,011,699	423	1,018,012,122
Transactions with the shareholders					
Cash dividend (2016)	-	-	(673,701,222)	(400)	(673,701,622)
Stock dividend (2016)	168,425,300	-	(168,425,300)	-	-
Balance as at 31 December 2017	3,536,931,410	1,473,647,979	1,445,455,970	1,524	6,456,035,359
Balance as at 01 January 2018	3,536,931,410	1,473,647,979	1,445,455,970	1,524	6,456,035,359
Total comprehensive income for 2018	-	-	890,624,763	422	890,625,185
Profit/(loss) for the year	-	-	890,624,763	422	890,625,185
Cash dividend (2017)	-	-	(353,693,141)	(400)	(353,693,541)
Stock dividend (2017)	353,693,150	-	(353,693,150)	-	-
Balance as at 31 December 2018	3,890,624,560	1,473,647,979	1,628,694,442	1,546	6,992,966,981

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018	2017
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	6,525,977,881	7,141,620,481
Cash payments to suppliers and employees	(5,670,580,547)	(4,968,700,705)
Cash generated from operating activities	855,397,334	2,172,919,776
Interest received from bank deposit	5,915,987	8,791,396
Income tax paid	(293,693,008)	(345,782,243)
Net cash (used in)/from operating activities (note-35.5)	567,620,313	1,835,928,929
Cash flows from investing activities		
Acquisition of property, plant and equipment	(307,844,206)	(329,063,241)
Sale of property, plant and equipment	145,690	-
Disposal proceeds of associate	74,025,000	74,025,000
Interest received from FDR	29,837,100	9,429,742
Income from rental	4,605,000	10,557,999
Intangible assets	(11,950,323)	(6,925,458)
Dividend received	200	200
Net cash (used in)/from investing activities	(211,181,539)	(241,975,758)
Cash flows from financing activities		
Finance charges	(48,091,939)	(41,426,174)
Avail/(repayment) of term loan	(270,959,943)	(267,565,020)
Avail/(repayment) of short-term loan	(238,509,621)	(35,815,064)
Dividend paid	(351,973,215)	(669,736,148)
Unclaimed share application refund	(19,200)	-
Adjustment related with non-controlling interest	(400)	(400)
Net cash (used in)/from financing activities	(909,554,318)	(1,014,542,806)
Effect of exchange rate changes in cash and cash equivalents	563,565	305,362
Net increase/(decrease) in cash and cash equivalents	(552,551,979)	579,715,727
Cash and cash equivalents as at 01 January	1,382,359,206	802,643,479
Cash and cash equivalents as at 31 December (Note 12)	829,807,227	1,382,359,206

The accompanying notes are an integral part of these financial statements

RAK Ceramics (Bangladesh) Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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 respectively.

1.2 Description of subsidiaries

RAK Power Pvt. Ltd.

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 205,000,000 at the end of reporting period. The Company has gone into operation from 1 May 2009. The registered office of the Company is at RAK Tower (8th floor), Jashimuddin Avenue, Plot # 1/A, Sector # 03, Uttara Model Town, Dhaka - 1230. The Power Plant is located at Village : Dhanua, P.S: Sreepur, District: Gazipur. 57% shares of RAK Power Pvt. Ltd. is held by RAK Ceramics (Bangladesh) Limited.

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

RAK Security and Services Pvt. Limited

RAK Security and Services Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 21 December 2006 as a private company limited by shares with an authorized capital of Taka 100,000,000 divided into 1,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 1,000,000 at the end of reporting period. The Company has gone into operation from 1 May 2007. The registered office of the Company is at RAK Tower (8th floor), Plot # 1/A, Jasimuddin Avenue, Sector # 03, Uttara Model Town, Dhaka-1230. 35% shares of RAK Security and Services (Pvt.) Ltd is held by RAK Ceramics (Bangladesh) Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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

2. Basis of preparation

2.1 Statement of compliance

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

The title and format of these financial statements follow the requirements of IFRS which are to some extent different from the requirement of the Companies Act 1994. However, such differences are not material and in the view of management IFRS titles and format give better presentation to the shareholders.

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 06 February 2019.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

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

Note 4	Property, plant & equipment
Note 5	Investment property
Note 16	Deferred tax liability
Note 17	Employees benefit payable
Note 21	Provision for income tax
Note 25.1	Financial Instruments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

2.5 Reporting period

The financial period of the Company covers one year from 1 January to 31 December 2018 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 IFRS, have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

These consolidated financial statements comprise the consolidated financial position and the consolidated results of operations of the Company and its subsidiaries (collectively referred to as "the Group") on a line by line basis together with the Group's share in the net assets of its equity-accounted investees.

IFRS-10 "Consolidated Financial Statements" introduces a new control model that focuses on whether the group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. An investor has power over an investee when the investor has existing rights that gives it the current ability to direct the relevant activities that significantly affect the investee's returns. Power arises from rights. An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. An investor controls an investee if the investor not only has the power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's return from its involvement with the investee.

Subsidiaries

Subsidiaries are enterprises controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The results of operations and total assets and liabilities of subsidiary companies are included in the consolidated financial statements on a line-by-line basis and the interest of minority shareholders, if any, in the results and net assets of subsidiaries is stated separately. The financial statement of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases. Any gains or losses on increase/decrease in non-controlling interest in subsidiaries without a change in control, is recognised as a component of equity.

Loss of control

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

Transactions eliminated on consolidation

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

3.2 Financial assets

a) Trade & other receivables

Trade & other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition trade & other receivables are measured at amortised cost using the effective interest method, less any bad debts provision.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.2.1 Financial liabilities

a) Trade & other payables

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

b) Borrowings

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

3.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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	5-20
General building	5
Head Office building	5
Plant and machinery	5-10
Mobile plant	10
Electrical installation	10-20
Gas pipeline	10-20
Furniture, fixture and equipment	10
Office equipment	10-20
Communication equipment	10-20
Tools and appliances	10-20
Vehicles	10-20
Fire fighting equipment	20

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

3.5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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

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

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

3.6 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

3.10 Impairment

Non-derivative financial assets

Non derivative financial assets are assessed at each reporting date to determine the loss allowance for lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. When there is no significant increase in credit risk on the financial instrument since initial recognition, the expected credit losses for next 12 month is measured as loss allowance on that financial instrument.

Non-financial assets

The carrying amount of the non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (CGU) exceeds its estimated recoverable amount.

Calculation of recoverable amount

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

Recognition of impairment

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

Reversal of impairment

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

3.11 Employee benefit schemes

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

Defined contribution plan (Provident fund)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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 Standards, amendments and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 with earlier application permitted. The Group does not plan to adopt these standards early. The new standards which may be relevant to the GROUP are set out below.

3.14.1 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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

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

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

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

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

iii. Hedging

IFRS 9 incorporates new hedge accounting rules which intend to align hedge accounting with a Group's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the Group has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

The Group will avail of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no. 32.1 (b).

3.14.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

i. Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

Based on the Group's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

ii. Rendering of services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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

iii. Construction contracts

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

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

The Group does not expect the application of IFRS 9 and IFRS 15 to have a significant impact on its consolidated financial statements. The actual impacts of adopting these standards at 1 January 2018 may change because:

these standards will require the Group to revise its accounting policies and internal controls and these changes are not yet complete;

the Group is also refining and finalizing its model for expected credit loss calculations; and

the new accounting policies, assumptions, judgement and estimation techniques employed are subject to change until the Group finalizes its first consolidated financial statements that includes the date of initial application.

3.14.3 IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

3.16 Foreign currency

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

3.17 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for companies as per Finance Act 2018.

Deferred tax:

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

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

3.18 Earning per share

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

3.19 Determination and presentation of operating segment

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

3.20 Contingencies

Contingent liability

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

Contingent asset

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

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

3.21 Statement of cash flows

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

3.22 New standards adopted

The following new standard is effective for annual years beginning from 1 January 2018 and have been applied in preparing these financial statements.

IFRS 9 Financial Instruments.

IFRS 15 Revenue from contracts with customers.

3.23 Events after the reporting period

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

3.24 Comparatives and reclassification

Comparative information have been disclosed in respect of 2017 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 2018

4 Property, plant and equipment

2018

Amounts in Taka

Particulars	COST			DEPRECIATION				Net book value as at 31 Dec 2018		
	Balance as at 01 Jan 2018	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2018	Rate (%)	Balance as at 01 Jan 2018	Charged during the year		Adjustment during the year	Balance as at 31 Dec 2018
Land	336,575,507	1,995,000	-	338,570,507		-	-	-	-	338,570,507
Factory building	932,964,883	66,410,462	-	999,375,345	2.5-5	333,451,642	48,901,492	-	382,353,134	617,022,211
Office building	203,113,529	1,723,093	-	204,836,622	2.5-5	101,236,417	10,088,982	-	111,325,399	93,511,223
Plant and machinery	5,268,607,207	119,380,926	-	5,387,988,133	5-10	3,149,903,876	303,084,609	-	3,452,988,485	1,934,999,648
Mobile plant	122,434,617	13,138,757	-	135,573,374	10	90,904,362	8,104,501	-	99,008,863	36,564,511
Electrical installation	241,464,647	1,165,500	-	242,630,147	10-20	183,208,804	9,978,987	-	193,187,791	49,442,356
Gas pipeline	77,047,294	-	-	77,047,294	10-20	48,717,653	3,611,689	-	52,329,342	24,717,952
Furniture and fixtures	37,026,750	3,982,583	(182,274)	40,827,059	10	25,855,408	2,023,987	(174,633)	27,704,762	13,122,297
Office equipment	110,835,457	3,083,418	-	113,918,875	10-20	55,298,970	18,942,922	-	74,241,892	39,676,983
Communication equipment	12,231,404	2,537,453	-	14,768,857	10-20	6,853,414	1,746,542	-	8,599,956	6,168,901
Tools and appliances	17,669,297	1,443,750	-	19,113,047	10-20	8,355,786	1,948,838	-	10,304,624	8,808,423
Vehicles	83,352,902	6,617,452	(208,000)	89,762,354	10-20	44,596,878	7,269,848	(151,168)	51,715,558	38,046,796
Fire fighting equipments	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012	-
Total	7,446,954,506	221,478,394	(390,274)	7,668,042,626		4,052,014,222	415,702,397	(325,801)	4,467,390,818	3,200,651,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

Particulars	COST						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	Rate (%)	Balance as at 01 Jan 2017	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2017		
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	599,513,241	
Office building	197,676,689	5,436,840	-	203,113,529	2.5-20	91,183,718	10,052,699	-	101,236,417	101,877,112	
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	2,118,703,330	
Mobile plant	116,307,779	6,126,838	-	122,434,617	10	82,873,815	8,030,547	-	90,904,362	31,530,255	
Electrical installation	241,464,647	-	-	241,464,647	10-20	169,959,558	13,249,246	-	183,208,804	58,255,843	
Gas pipeline	69,647,294	7,400,000	-	77,047,294	10-20	45,539,497	3,178,156	-	48,717,653	28,329,641	
Furniture and fixtures	33,527,954	3,498,796	-	37,026,750	10	24,181,501	1,673,907	-	25,855,408	11,171,342	
Office equipment	99,182,629	11,652,828	-	110,835,457	10-20	37,114,917	18,184,053	-	55,298,970	55,536,487	
Communication equipment	11,261,333	970,071	-	12,231,404	10-20	5,370,410	1,483,004	-	6,853,414	5,377,990	
Tools and appliances	17,069,869	599,428	-	17,669,297	10-20	6,619,913	1,735,873	-	8,355,786	9,313,511	
Vehicles	73,519,704	9,833,198	-	83,352,902	10-20	37,856,665	6,740,213	-	44,596,878	38,756,024	
Fire fighting equipments	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	3,394,940,284	

2017

Amounts in Taka

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

5

Particulars	COST				DEPRECIATION				Net book value as at 31 Dec 2018	
	Balance as at 01 Jan 2018	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2018	Rate	Balance as at 01 Jan 2018	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2018
	Land ¹	500,571,750	-	-	500,571,750		-	-		-
Office building ²	210,636,382	-	-	210,636,382	5%	9,526,255	10,532,101	-	20,058,356	
	711,208,132	-	-	711,208,132		9,526,255	10,532,101	-	20,058,356	

2017

Particulars	COST				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	Rate	Balance as at 01 Jan 2017	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2017
	Land ¹	500,571,750	-	-	500,571,750		-	-		-
Office building ²	4,432,737	206,203,645	-	210,636,382	5%	660,732	8,865,523	-	9,526,255	
Total	505,004,487	206,203,645	-	711,208,132		660,732	8,865,523	-	701,681,877	

- The land 10 khata is situated besides the RAK Tower was acquired in March 2012. The same was classified as Property, plant & equipment till 31st Dec 2016. However, presently the asset is under operating lease considering undetermined future use. Hence in the current financial statements, the same is reclassified as an item of "Investment Property" as defined under IAS 40.
The said property are stated at cost as per IAS 16 due to alternate reliable sources of measurement being unavailable.
- The property, being an Apartment on 10th floor, RAK Tower, was acquired in the month of February 2017 from M/s Julphar Bangladesh. (Erstwhile RAK Pharmaceuticals Pvt. Ltd) and godown office building is situated at above mentioned land. This property is too under operating lease culminating in undetermined future use. Hence the same is classified under "Investment Property" under IAS 40.
The fair values of the property has been adopted at the transaction value considering that the municipal valuation of the property has fairly remained unchanged, the company has adopted the transaction value as the fair value of the property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
5.1 Depreciation charged on the basis of the purpose of use		
Cost of sales (Note 23)	375,628,814	379,753,825
Administrative expenses (Note 5.2)	48,578,135	44,987,283
Marketing & selling expenses (Note 26)	2,027,549	2,027,549
	426,234,498	426,768,657
5.2 Administrative expenses		
Depreciation on property, plant & equipment (Note 25)	38,046,034	36,121,760
Depreciation on investment property (Note 25)	10,532,101	8,865,523
	48,578,135	44,987,283

5.3 Disposal of property, plant and equipment

2018

Particulars	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Furniture & fixture	182,274	174,633	7,641	11,550	3,909
Motor Bike	208,000	151,168	56,832	134,140	77,308
Total	390,274	325,801	64,473	145,690	81,217

2017

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

	2018	2017
	Taka	Taka
6 Intangible assets		
Balance as at 1 January	5,429,027	6,740,159
Add: Addition during the year	11,950,323	6,925,458
	17,379,350	13,665,617
Less: Amortisation during the year (Note-25)	5,462,966	5,587,852
Less: Adjustment during the year	-	2,648,738
Balance as at 31 December	11,916,384	5,429,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
7 Capital Work-in-Progress		
Balance as at 1 January	41,415,719	28,726,284
Add: Addition during the year	259,518,324	444,202,680
	<u>300,934,043</u>	<u>472,928,964</u>
Less: Transfer to property, plant & equipment and investment property during the year (note 7.1)	173,152,511	431,513,245
Balance as at 31 December	<u>127,781,532</u>	<u>41,415,719</u>
7.1 Items transferred from capital work in progress to property, plant & equipment		
Office building	-	207,433,930
Factory building	52,019,988	53,235,483
Plant & machinery	112,846,905	170,125,817
Mobile plant	7,826,143	-
Communication equipment	345,362	-
Others	114,113	718,015
	<u>173,152,511</u>	<u>431,513,245</u>
8 Inventories		
Raw materials	839,612,529	655,088,511
Stores and consumables spares and packing	1,043,685,123	1,098,231,281
Less: Write off for stores, consumables and packing during the year	31,843,008	-
	<u>1,011,842,115</u>	<u>1,098,231,281</u>
Finished goods	872,171,284	502,342,028
Work-in-process	105,323,515	108,183,210
Goods-in-transit	176,666,638	169,858,236
	<u>3,005,616,081</u>	<u>2,533,703,266</u>
9 Trade and other receivables		
Trade receivables (Note 9.1)	805,880,110	513,977,334
	<u>805,880,110</u>	<u>513,977,334</u>
Receivable against insurance claim	56,976,730	-
Accrued interest (Note 9.2)	3,009,287	4,778,054
Accrued rental income	5,925,000	2,070,000
Receivable against disposal of investment	-	69,598,489
	<u>871,791,127</u>	<u>590,423,877</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
9.1 Trade receivables		
Receivables from local sales	809,481,541	512,343,198
Receivables from export sales	-	1,634,136
	<u>809,481,541</u>	<u>513,977,334</u>
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	348,092	-
Related parties	3,253,339	-
	<u>805,880,110</u>	<u>513,977,334</u>
9.2 Accrued interest		
Interest accrued on FDR	3,009,287	4,778,054
	<u>3,009,287</u>	<u>4,778,054</u>
10 Advance, deposit and prepayments		
Advances:		
Employees	175,500	12,506
Land advance & others	7,185,449	1,942,829
Suppliers against material & services	94,233,766	91,510,409
	101,594,715	93,465,744
Security and other deposits:		
Titas gas	55,772,000	39,694,150
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and supplementary duty (note 10.1)	46,576,861	43,078,066
Deposit with income tax authority	50,628,195	36,685,655
Deposit with VAT authority	6,726,946	6,726,946
Other deposits	1,499,853	1,499,853
	163,158,855	129,639,670
Prepayments:		
Showroom & office rent	12,454,619	15,638,195
Insurance and others	45,612,243	71,028,474
	58,066,862	86,666,669
	<u>322,820,432</u>	<u>309,772,083</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
10.1 Supplementary duty & VAT		
Balance as at 1 January	43,078,066	36,231,093
Add: Treasury deposit for SD & VAT purpose	1,393,216,802	1,513,000,000
Rebate of input VAT	418,046,905	346,947,267
	<u>1,854,341,773</u>	<u>1,896,178,360</u>
Add: Receivable - SD & VAT	-	-
	1,854,341,773	1,896,178,360
Less: SD & VAT on sales	1,805,059,097	1,843,007,696
Payable- SD & VAT	-	10,092,597
Others payable	2,705,815	-
	<u>1,807,764,912</u>	<u>1,853,100,292</u>
Balance as at 31 December	<u>46,576,861</u>	<u>43,078,066</u>
11 Advance Income Tax		
Balance as at 1 January	2,831,624,003	2,485,841,759
Add: Paid during the year	299,845,698	350,708,934
Less: Adjusted during the year	6,152,690	4,926,690
Balance as at 31 December (Note - 11.1)	<u>3,125,317,011</u>	<u>2,831,624,003</u>
11.1 Payment for the year		
Income year		
Year 2018	240,941,655	-
Year 2017	344,518,556	285,614,513
Year 2016	291,375,845	291,375,845
Year 2015	187,267,285	187,267,285
Year 2014	291,694,002	295,379,428
Year 2013	389,651,054	392,118,319
Year 2012	334,263,453	334,263,453
Year 2011	328,701,317	328,701,317
Year 2010	265,532,626	265,532,626
Year 2009	218,091,876	218,091,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006	23,087,333	23,087,333
	<u>3,125,317,011</u>	<u>2,831,624,003</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
12 Cash and cash equivalents		
Cash in hand	5,267,464	5,631,704
Cash at banks		
HSBC (current account -001-013432-011,001-107580-011,001-096015-011, 001-096007-011 - BDT)	44,563,430	25,409,026
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	27,557,487	117,911,774
Brac Bank Ltd. (current account - 1530301731248001 - BDT)	7,022,039	57,502,367
Citibank N.A. (current account - G0100001200262018 - BDT)	167,340	172,812
Dutch Bangla Bank Ltd. (current account - 117-110-12733,117-110-4311, 117.110.23474 -BDT)	1,519,425	1,628,157
HSBC (ERQ account - 001-013432-047 - USD)	15,969,457	9,438,932
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	713,861	975,788
Standard Chartered Bank (Margin money account)	3,834,947	306,739
United Commercial Bank (SND account - 0831301000000164 BDT)	9,233,763	33,572,214
Eastern Bank Ltd. (SND account - 1131350237146 - BDT)	48,550,824	35,308,039
EXIM Bank (SND account - 01513100031877 - BDT)	493,820	114,761
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	53,650	454,397
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	117,790,656	261,903,047
BRAC Bank (SND - 1513101731248001 - BDT)	360,789	358,355
Prime Bank Ltd. (SND - 12531010022563 - BDT)	5,741,297	53,513,417
Dhaka Bank Ltd (SND - 102.150.274- BDT))	39,444,913	52,825,646
Commercial Bank of Ceylon (CD-2817000776 - BDT.)	9,811	23,529
Dhaka Bank Ltd (CD - 204100000019318- BDT))	599,154	8,470
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	65,731,073	39,297,802
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	30,234,529	43,154,459
Midland Bank Ltd. (SND 0006-1070000015 - BDT)	11,420,033	-
	431,012,298	733,879,731

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,437,422	2,454,389
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,916,999	3,919,501
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,455	153,608
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,440	126,594
	6,634,316	6,654,092
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,614,781	2,618,431
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,200,512	2,204,459
SCB (Current - 02-6162940-02- BDT) - 2012	3,858,070	3,837,331
SCB (Current - 02-6162940-03- BDT) - 2013	16,816,804	16,734,192
SCB (Current - 02-6162940-04- BDT) - 2014	4,986,605	4,977,932
SCB (Current - 02-6162940-05- BDT) - 2015	3,832,380	3,847,536
SCB (Current - 02-6162940-06- BDT) - 2016	4,326,361	4,383,884
SCB (Current - 02-6162940-07- BDT) - 2017	1,790,467	-
	40,425,980	38,603,765
Investment in Fixed Deposit Receipt (FDR)		
HSBC	11,866,589	16,827,834
SCB	762,080	762,080
Brac Bank Ltd.	-	150,000,000
Dutch Bangla Bank Ltd.	28,838,500	25,000,000
Eastern Bank Ltd.	150,000,000	300,000,000
Dhaka Bank Ltd.	150,000,000	100,000,000
Meghna Bank Ltd.	5,000,000	5,000,000
	346,467,169	597,589,914
Total	829,807,227	1,382,359,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018		2017	
	Taka		Taka	
13 Share Capital				
Authorised :				
600,000,000 ordinary shares of Taka 10/- each	6,000,000,000		6,000,000,000	
Issued, subscribed, called and paid up :				
389,062,456 ordinary shares of Taka 10/- each	3,890,624,560		3,536,931,410	
Percentage of shareholdings :	2018		2017	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,650,785,740	68.13	2,409,805,220
S.A.K. Ekramuzzaman	3.95	153,598,410	3.92	138,725,830
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	310	0.00	290
Sheikh Omer Bin Saqr Al Qassimi	0.00	310	0.00	290
Sheikh Ahmad Bin Humaid al Qassimi	0.00	310	0.00	290
Hamad Abdulla Al Muttawa	0.00	150	0.00	140
Dr. Khater Massaad	0.00	150	0.00	140
Abdallah Massaad	0.00	150	0.00	140
Manoj Uttamrao Ahire	0.00	150	0.00	140
General Public	27.92	1,086,238,880	27.95	988,398,930
	100.00	3,890,624,560	100.00	3,536,931,410

The company was incorporated on 26th of November 1998 with paid up capital of BDT 1,000 and subsequently has issued ordinary shares including bonus shares in several dates i.e. 30 September 2000, 30 October 2005, 15 June 2009, 28 July 2009, 31 January 2010, 24 May 2010, 20 March 2011, 15 April 2012, 10 April 2013, 02 April 2014, 29 March 2017 and 18 April 2018.

Classification of shareholders by holding

Shareholder's range	Number of shareholders		Number of shares	
	2018	2017	2018	2017
Less than 500 shares	22,333	24,431	5,070,691	5,260,532
501 to 5,000 shares	8,992	8,673	14,323,202	13,964,830
5001 to 10,000 shares	1,018	916	7,132,096	6,687,868
10,001 to 20,000 shares	521	475	7,268,499	6,676,203
20,001 to 30,000 shares	152	134	3,787,490	3,318,356
30,001 to 40,000 shares	73	72	2,520,150	2,550,406
40,001 to 50,000 shares	48	42	2,169,779	1,903,394
50,001 to 100,000 shares	93	84	6,487,948	5,708,527
100,001 to 1,000,000 shares	92	89	24,171,658	23,843,323
Over 1,000,000 shares	13	10	316,130,943	283,779,702
	33,335	34,926	389,062,456	353,693,141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

14 Share premium

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

No. of shares	Share premium (per share)	2018	2017
		Taka	Taka
10000000	30	300,000,000	300,000,000
34510000	38	1,311,380,000	1,311,380,000
		1,611,380,000	1,611,380,000
Less : Share issue expenses		137,732,021	137,732,021
	Total	1,473,647,979	1,473,647,979

15 Reserve and surplus

Balance as on 01 January	1,445,455,970	1,269,570,793
Add : Profit during the year	890,624,763	1,018,011,699
	2,336,080,733	2,287,582,492
Less: Dividend declared during the year	(707,386,291)	(842,126,522)
Balance as on 31 December	1,628,694,442	1,445,455,970

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

16 Deferred tax liabilities

Balance as at 1 January	178,813,760	128,416,223
Less : Deferred tax (income)/expenses	19,120,735	50,397,537
Balance as at 31 December	197,934,495	178,813,760

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2018			
Property, plant and equipment (Excluding land and others)	2,965,075,192	2,206,204,829	758,870,363
Trade receivable	825,965,144	829,566,575	(3,601,431)
Net taxable temporary difference			755,268,932
Deferred tax liability (applying applicable tax rate for individual company)			197,934,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

As at 31 December 2017

Property, plant and equipment (Excluding land and others)	3,157,670,476	2,482,240,782	675,429,694
Net taxable temporary difference			675,429,694
Deferred tax liability (applying applicable tax rate for individual company)			178,813,760

17 Employees benefits payable

	2018		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	61,860,370	33,220,831	95,081,200
	<u>61,860,370</u>	<u>33,220,831</u>	<u>95,081,200</u>
Less: Payments made to fund during the year	61,860,370	33,220,831	95,081,200
Balance as at 31 December	<u>-</u>	<u>-</u>	<u>-</u>

Provision and payment includes BDT. 516,106 for the year 2018 as employee contribution paid to employees leaving company before being eligible for provident fund and employer's contribution reversed.

	2017		
	Provident fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	362,708	3,096,075	3,458,783
Add: Provision made during the year	53,519,453	35,231,317	88,750,770
	<u>53,882,161</u>	<u>38,327,392</u>	<u>92,209,553</u>
Less: Payments made to fund during the year	53,882,161	38,327,392	92,209,553
Balance as at 31 December	<u>-</u>	<u>-</u>	<u>-</u>

Provision and payment includes BDT. 727,180 for the year 2017 as employee contribution paid to employees leaving company before being eligible for provident fund and employer's contribution reversed.

18 Borrowings

Non-current:

	2018 Taka	2017 Taka
Term loan	362,201,591	632,827,493
Current portion of term loan	(273,998,242)	(273,664,201)
	88,203,349	359,163,292

Current:

Bank overdrafts	35,654,174	18,244,255
Short-term borrowings	-	256,253,582
Current portion of term loan	273,998,242	273,664,201
	<u>309,652,416</u>	<u>548,162,038</u>
Balance as at 31 December	397,855,765	907,325,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

18.1 Borrowings by maturity

At 31 December 2018	< 1 year	1-2 years	2-5 years	Total
Bank overdrafts	35,654,174			35,654,174
Term loan	273,998,242	88,203,349	-	362,201,591
	309,652,416	88,203,349	-	397,855,765

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

18.2 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 parri - passu basis with other lenders. 3) Hypothecation over stock & book debts on a parri - passu basis with other lenders. 4) Demand promissory note.	1) Land, 2) Plant and machinery of the expansion plant.
	Short term loan	378,000,000	-	180/360 days from B/L date			
HSBC	Overdraft	30,000,000		Revolving	From company's own source		
	Short term loan	550,000,000	-	180/360 days from B/L date			
	Long term loan	1,366,872,000	362,201,591	5 years			
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	35,654,174	Revolving	From company's own source		
	Short term loan	90,000,000	-	180/360 days from B/L date			
Commercial Bank of Ceylon	Overdraft	25,000,000	-	Revolving	From company's own source		
	Short term loan	300,000,000	-	180/360 days from B/L date			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
19 Trade and other payables		
Trade payables		
Payable to local suppliers	109,881,660	111,055,661
Payable to foreign suppliers	265,572,347	300,313,790
Payable to service provider	20,171,194	19,727,182
Payable to C & F agent	11,187,712	9,810,933
	406,812,913	440,907,566
Other payables		
Tax deducted at source	18,295,834	23,849,402
VAT deducted at source	6,765,578	10,889,659
Dividend Payable	39,574,191	37,854,265
Unclaimed share application	20,818,916	20,838,116
Advance from customer against sales	10,893,079	22,186,510
Security deposit payable	1,658,392	1,624,862
Payable to employee for trade	658,229	326,468
Provisional liabilities - material & services	23,182,446	15,229,568
	121,846,665	132,798,850
	528,659,578	573,706,416
20 Accrued expenses		
Power and gas	33,809,781	40,240,928
Staff cost	101,868,611	86,556,724
Audit fees	1,543,750	1,538,000
Professional charges	451,750	450,090
Interest on loans	52,889	9,561,366
Telephone	240,867	228,743
Provision for freight	6,236,754	-
Managing Director's remuneration (Note 20.1)	39,943,228	45,725,177
Worker's profit participation and welfare fund (Note 20.2)	58,913,315	67,441,264
Royalty and technical know-how fees (Note 20.3)	284,211,437	191,852,419
Others	4,328,778	4,067,132
	531,601,160	447,661,843
20.1 Managing Director's remuneration		
Balance as at 1 January	45,725,177	40,911,795
Add: Provision made during the year	39,943,228	45,725,177
	85,668,405	86,636,972
Less: Paid to Managing Director during the year	45,725,177	40,911,795
Balance as at 31 December	39,943,228	45,725,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
20.2 Worker's profit participation and welfare fund		
Balance as at 1 January	67,441,264	61,056,166
Add: Contribution made to the fund during the year	58,913,315	67,441,264
	126,354,579	128,497,430
Less: Payment made from the fund during the year	67,441,264	61,056,166
Balance as at 31 December	58,913,315	67,441,264
20.3 Provision for royalty and technical know-how fees		
Balance as at 1 January	191,852,419	83,946,396
Add: Provision made during the year	94,261,305	107,906,023
	286,113,724	191,852,419
Less: Payment made during the year	1,902,287	-
Balance as at 31 December	284,211,437	191,852,419
21 Provision for income Tax		
Balance as at 1 January	3,227,805,110	2,886,541,590
Add: Provision made for the year	316,179,434	346,190,210
	3,543,984,544	3,232,731,800
Less: Provision release during the year	6,152,691	4,926,690
Balance as at 31 December (Note 21.1)	3,537,831,853	3,227,805,110
21.1 Provision for income Tax		
Income year		
Year 2018	316,355,666	-
Year 2017	346,089,883	346,089,883
Year 2016	302,798,649	302,798,649
Year 2015	323,397,728	323,397,728
Year 2014	377,885,822	381,571,248
Year 2013	362,336,361	364,979,858
Year 2012	339,211,366	339,211,366
Year 2011	326,685,215	326,685,215
Year 2010	348,965,691	348,965,691
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	3,537,831,853	3,227,805,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
22 Sales		
Gross sales from Ceramics product	8,692,532,056	8,811,708,747
Gross sales from Power generation	392,089,748	381,259,623
Gross sales from Security service	183,249,674	222,222,985
	<u>9,267,871,479</u>	<u>9,415,191,355</u>
Less: Elimination	489,551,833	475,325,520
Supplementary Duty	674,107,884	693,440,170
VAT	1,157,559,196	1,178,553,178
Discount	115,868,831	111,687,158
Net sales	<u>6,830,783,735</u>	<u>6,956,185,329</u>
23 Cost of sales		
Materials consumed:		
Opening inventory as at 1 January	655,088,511	831,012,396
Add: Purchase during the year	2,681,307,156	2,060,251,377
	<u>3,336,395,667</u>	<u>2,891,263,773</u>
Less: Closing inventory as at 31 December	839,612,529	655,088,511
	<u>2,496,783,138</u>	<u>2,236,175,262</u>
Manufacturing overhead:		
Direct labour (Note 23.1.1)	588,020,613	542,162,528
Direct expenses:		
Power and gas	220,935,411	251,403,727
Repairs and indirect materials (23.1.2)	810,642,376	803,855,865
Rental charges	922,886	910,643
Depreciation	375,628,814	379,753,825
Royalty and technical know-how/assistance fees (23.1.3)	94,261,305	107,906,023
Other production overhead (Note 23.1.4)	97,271,900	64,566,973
Movement in stock	(368,660,843)	(135,514,753)
	<u>4,315,805,600</u>	<u>4,251,220,093</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
23.1.1 Direct labour		
Salary & wages	345,718,759	315,971,561
Overtime	44,323,368	39,409,677
Bonus	48,979,076	40,264,443
Incentive	780,984	82,667
Temporary labour wages	96,441,332	94,908,877
Staff uniform expenses	1,630,344	2,085,111
Gratuity	23,045,568	24,707,415
Employer's contribution to provident fund	20,679,049	18,016,490
Leave encashment	4,109,877	4,222,595
Group life insurance	2,312,256	2,493,692
	588,020,613	542,162,528
23.1.2 Repairs and indirect materials		
Stores, spares, repair & maintenance	416,473,740	414,894,086
Packing expenses	394,168,636	388,961,779
	810,642,376	803,855,865
23.1.3 Royalty and technical know-how/assistance fees		
Royalty and technical know-how/assistance fees	94,261,305	107,906,023
	94,261,305	107,906,023
23.1.4 Other production overhead		
Hotel fare and expenses for technician	5,163,985	6,906,106
Demurrage	14,254,258	7,287,420
Insurance	20,378,368	15,534,319
Hiring charges and transportation	17,116,989	22,710,240
Write off for stores, consumables and packing	31,843,008	-
Other expenses	8,515,292	12,128,888
	97,271,900	64,566,973
24 Other income		
Dividend income	200	200
Miscellaneous income	145,270	144,722
Rental income	8,460,000	12,247,999
Profit on sale of fixed assets	81,217	-
Insurance claim	56,976,730	-
	65,663,417	12,392,921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
25 Administrative expenses		
Staff cost (note-25.2)	187,437,801	166,559,439
Annual General Meeting expenses	16,239,911	13,225,385
Telephone and postage	3,937,359	5,261,105
Office repair and maintenance (note 25.3)	8,695,888	15,219,977
Registration and renewal	1,906,411	1,565,286
Security and guard expenses	12,125,487	13,095,252
Electricity, gas and water	7,754,536	6,438,283
Depreciation on property, plant & equipment (note - 5.2)	38,046,034	36,121,760
Depreciation on investment property (5.2)	10,532,101	8,865,523
Amortisation	5,462,966	5,587,852
Legal and professional fees	6,933,955	8,359,152
Vehicle repair and maintenance	11,332,072	11,664,373
Rent, rate and tax	7,416,946	6,129,273
CSR expenses	-	5,500,000
IT expenses	4,231,184	7,603,760
General Servicing	8,893,019	12,887,258
Donation	4,053,037	3,115,000
Managing Director's remuneration (note-25.4)	39,943,228	45,725,177
Technical consultancy & others	6,877,333	5,186,300
	381,819,268	378,110,155
25.1 Impairment loss on trade receivable		
Unrelated parties	348,092	-
Related parties	3,253,339	-
	3,601,431	-

New classification of financial assets shown in note 32.1(b) Impairment loss allowance has not been considered on other receivables and bank balances because business is confident to recover the full amount from the party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
25.2 Staff cost		
Salary & wages	136,802,633	117,630,928
Bonus	20,121,783	15,797,510
Incentive	335,979	792,382
Gratuity	7,856,289	8,266,289
Employer's contribution to provident fund	7,721,457	6,585,677
Leave encashment	1,518,227	4,202,563
Group life insurance	763,146	878,275
Canteen and conveyance expenses	7,124,323	6,043,635
Staff uniform expenses	994,003	1,553,998
Travelling expenses	2,776,721	2,580,064
Medical expenses	1,094,402	1,787,005
Other employee benefit	328,838	441,113
	187,437,801	166,559,439
25.3 Office repair & maintenance		
Repairs office equipment	104,211	1,892,313
Office maintenance	8,591,677	13,327,664
	8,695,888	15,219,977
25.4 Managing Director's remuneration		
Provision made during the year	39,943,228	45,725,177
	39,943,228	45,725,177
<p>Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.</p>		
26 Marketing & selling expenses		
Staff cost (note-26.1)	53,647,063	39,792,097
Advertisement	8,800,695	5,058,868
Freight and transportation	271,435,892	270,993,192
Performance rebates (note-26.3)	507,744,501	374,200,366
Business promotion	31,095,739	46,776,857
Depreciation	2,027,549	2,027,549
Showroom & office rent	18,562,018	15,611,765
Tax expenses on discount	8,024,525	10,064,638
Sample expenses	4,038,996	5,307,662
Travel, entertainment and others	4,022,014	8,514,793
	909,398,992	778,347,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
26.1 Staff cost		
Salary & wages	37,341,109	29,882,507
Bonus	4,115,614	3,230,020
Incentive	1,131,016	33,205
Gratuity	2,318,974	2,257,614
Employer's contribution to provident fund	2,271,626	1,793,970
Leave Encashment	445,054	300,848
Group life insurance	218,665	154,317
Conveyance & food expenses	5,805,005	2,139,616
	53,647,063	39,792,097
26.2 Salary & wages under staff cost (note no. 23.1.1, 25.2 & 26.1) includes employee contribution to provident fund for BDT. 21,195,155, BDT. 7,721,457 & BDT. 2,271,626.		
26.3 Performance rebates		
Compensation to customer	8,044,068	11,668,958
Dealers' commission	125,736,792	136,981,015
Breakage commission	140,725,943	140,966,334
Dealers' incentive and bonus	233,237,698	84,584,059
	507,744,501	374,200,366
27 Finance income		
Interest on bank account (SND)	5,915,987	8,791,396
Interest on fixed deposits	28,068,332	11,871,082
Un-winding gain	4,426,511	1,503,375
	38,410,830	22,165,853
28 Financial expenses		
Interest expenses	34,297,301	46,233,598
Foreign exchange loss	810,559	51,532,438
Bank charges	4,286,162	3,258,900
	39,394,022	101,024,936
29 Contribution to worker's profit participation and welfare fund		
Provision made during the year	58,913,315	67,441,264
	58,913,315	67,441,264
30 Current tax		
Current year	316,179,434	346,190,210
	316,179,434	346,190,210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

31 Reconciliation of effective tax rate

	2018		2017	
		Taka		Taka
Profit before tax	%	1,225,925,354	%	1,414,599,869
Current tax expenses	25.79%	316,179,434	24.47%	346,190,210
Deferred tax expenses	1.56%	19,120,735	3.56%	50,397,537
Total tax expenses	27.35%	335,300,169	28.04%	396,587,747
Expected income tax using applicable tax rate for individual company	19.24%	235,889,121	20.79%	294,051,125
Tax on non-deductible expenses	6.5%	80,290,313	3.7%	52,139,085
Effective current tax	25.79%	316,179,434	24.47%	346,190,210
Effective deferred tax	1.56%	19,120,735	3.56%	50,397,537
	27.35%	335,300,169	28.04%	396,587,747

32 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

32.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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 2018	As at 31 Dec 2017	As at 31 Dec 2018	As at 31 Dec 2017
Trade receivables				
Customer-Local	-	-	805,880,110	512,343,198
Customer-Export	-	19,880	-	1,634,136
	-	19,880	805,880,110	513,977,334
Other receivables				
Receivable against insurance claim			56,976,730	-
Accrued Interest			3,009,287	4,778,054
Accrued rental income			5,925,000	2,070,000
Receivable against disposal of investment			-	69,598,489
			65,911,017	76,446,543
Cash equivalents			824,539,763	1,376,727,502

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2018.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment
Trade receivable-unrelated	9.1	Loan & receivable	Amortized cost	287,856,154	287,508,062	348,092
Trade receivable-related	9.1	Loan & receivable	Amortized cost	521,625,387	518,372,048	3,253,339
Cash & cash equivalent	12	Loan & receivable	Amortized cost	824,539,763	824,539,763	-

- i Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current period on transition to IFRS 9.
- ii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current period on transition to IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

c) Ageing of receivables

i. The ageing of trade receivables as at 31 Dec was:

	Amounts in Taka	
	As at 31 Dec 2018	As at 31 Dec 2017
Not past due	745,648,991	476,203,022
0-90 days past due	16,912,926	-
91-180 days past due	21,642,349	30,428,907
181-365 days past due	12,917,992	7,345,405
over 365 days past due	8,757,853	-
	805,880,110	513,977,334

32.2 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 2018			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	35,654,174	35,654,174	35,654,174	-
Trade and other payables	528,659,578	528,659,578	528,659,578	-
Term loan (foreign)	362,201,591	362,201,591	273,998,242	88,203,349
	926,515,343	926,515,343	838,311,994	88,203,349

	As at 31 Dec 2017			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	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	256,253,582	256,253,582	256,253,582	-
Term loan	632,827,493	632,827,493	273,664,201	359,163,292
	1,481,031,746	1,481,031,746	1,121,868,454	359,163,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

32.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 Dec 2018				As at 31 Dec 2017			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated assets								
Receivable from customers- Export	-	-	-	-	-	-	19,880	-
Cash at bank	-	-	198,729	-	-	-	126,700	-
	-	-	198,729	-	-	-	146,580	-
Foreign currency denominated liabilities								
Trade payables	26,250	164,612	2,246,077	631,228	6,349	93,585	2,615,356	740,046
Short term borrowings	-	-	-	-	-	-	2,907,638	142,880
Term loan	-	-	4,314,492	-	-	-	7,606,100	-
Royalty & Technical Fees	-	-	3,385,485	-	-	-	2,305,918	-
	26,250	164,612	9,946,053	631,228	6,349	93,585	15,435,011	882,926
Net exposure	(26,250)	(164,612)	(9,747,324)	(631,228)	(6,349)	(93,585)	(15,288,432)	(882,926)

The Company has foreign exchange loss of Tk 810,559 during the year ended 31 Dec 2018 (31 Dec 2017: Exchange loss Tk 51,532,438).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2018	31 Dec 2017
	Taka	Taka
AED	22.7911	22.4659
GBP	106.2826	111.0252
USD	83.4500	82.7000
EURO	95.5444	104.7878

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 Dec 2018		As at 31 Dec 2017	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
At 31 December				
AED (3 percent movement)	(812)	765	(196)	185
GBP (3 percent movement)	(5,091)	4,795	(2,894)	2,726
USD (3 percent movement)	(301,464)	283,903	(472,838)	445,294
EURO (3 percent movement)	(19,523)	18,385	(27,307)	25,716

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

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

	Carrying amount	
	As at 31 Dec 2018	As at 31 Dec 2017
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	346,467,169	597,589,914
Cash at banks	478,072,594	779,137,588
Financial liabilities		
Term loan (Foreign)	362,201,591	632,827,493
Bank overdraft	35,654,174	18,244,255
Short term borrowing (foreign)	-	256,253,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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

	As at 31 Dec 2018		As at 31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	346,467,169	346,467,169	597,589,914	597,589,914
Loans and receivables				
Trade receivables	805,880,110	805,880,110	513,977,334	513,977,334
Other receivables	65,911,017	65,911,017	76,446,543	76,446,543
Cash equivalents	824,539,763	824,539,763	1,376,727,502	1,376,727,502
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	362,201,591	362,201,591	632,827,493	632,827,493
Bank overdraft	35,654,174	35,654,174	18,244,255	18,244,255
Trade and other payables	528,659,578	528,659,578	573,706,416	573,706,416
Short term borrowing (foreign)	-	-	256,253,582	256,253,582

Interest rates used for determining amortised cost

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

	31 Dec 2018	31 Dec 2017
Investment in FDR (local currency/BDT)	1.95%-8.50%	1.95%-7.50%
Bank overdraft (local currency/BDT)	8.00%-10.00%	8%-10.00%
Short term bank loan (local currency/BDT)	8.00%-10.00%	8%-10.00%
Short term bank loan (foreign currency/USD)	Libor+ (2.75%-2.85%)	Libor+ (2.75%-2.85%)
Long term bank loan (foreign currency/USD)	Libor+3%	Libor+3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

33 Related party disclosures under IAS-24

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

Amounts in Taka

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	Period	Purchase of goods/ser- vices	Sale of goods/ services	Outstanding receivables/ Advance	Outstanding payable	Remunera- tion	Dividend Income
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	392,089,748	6,152,571	-	98,658,782	-	81,999,600
				Previous year	378,382,187	6,070,957	-	94,712,821	-	81,999,600
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	95,939,059	-	-	19,908,164	-	3,960,000
				Previous year	95,121,016	-	-	12,945,177	-	1,980,000
RAK Ceramics - UAE	Parent	Unsecured	Nil	Current year	29,055,626	-	-	25,144,693	-	-
				Previous year	29,927,515	-	-	26,079,948	-	-
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	509,397,456	-	-	83,236,425	-	-
				Previous year	529,906,617	-	-	32,957,176	-	-
Julphar Pharmaceuticals Ltd.	Other related party	Unsecured	Nil	Current year	-	4,860,000	3,645,000	-	-	-
				Previous year	-	8,748,000	1,215,000	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	1,796,925	3,600,000	2,280,000	-	-	-
				Previous year	1,152,085	3,500,000	879,108	-	-	-
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	76,073,703	-	-	12,706,166	-	-
				Previous year	110,329,261	-	-	8,107,975	-	-
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	18,684,918	-	-	865,356	-	-
				Previous year	18,820,509	-	-	-	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	2,401,433	-	-	24,544	-	-
				Previous year	4,929,707	-	-	-	-	-
Green Planet Communications	Other related party	Unsecured	Nil	Current year	9,584,482	-	-	48,720	-	-
				Previous year	12,360,099	-	-	114,915	-	-
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	717,674	-	-	-	-	-
				Previous year	551,102	-	-	-	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	118,354,894	-	-	8,046,142	-	-
				Previous year	124,439,691	-	-	9,121,821	-	-
Mohammed Trading	Other related party	Secured by Guaranteed Cheque	Nil	Current year	-	2,277,534,117	520,382,927	-	-	-
				Previous year	-	2,428,701,293	371,834,648	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current year	2,193,288	-	-	39,943,228	39,943,228	-
				Previous year	2,193,288	-	-	45,725,177	45,725,177	-
Imtiaj Hussain	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	1,123,305	10,793,225	-
				Previous year	-	-	-	1,690,172	11,208,464	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

33.1 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 39,943,228.

During the year, Board meeting fees of Taka 225,000 was paid to the board members for attending the Board meetings.

34 Segment reporting

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

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

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

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

2018	Business Segments				
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Revenue-external customers	6,768,898,315	-	61,885,420	-	6,830,783,735
Revenue-inter segment	-	392,089,748	97,462,085	(489,551,833)	-
Total segment revenue	6,768,898,315	392,089,748	159,347,505	(489,551,833)	6,830,783,735
Cost of sales-external customer	(3,929,519,088)	(249,137,217)	(137,149,296)	-	(4,315,805,600)
Cost of sales-inter segment	(488,028,807)	(7,675,597)	-	495,704,404	-
Total segment cost of sales	(4,417,547,895)	(256,812,814)	(137,149,296)	495,704,404	(4,315,805,600)
Gross profit	2,351,350,420	135,276,934	22,198,209	-	2,514,978,135
Other income	57,054,039	149,179	-	-	57,203,218
Dividend income	85,959,600	40,000	200	(85,999,600)	200
Rental income	14,612,571	-	-	(6,152,571)	8,460,000
Unwinding gain on receivable (Note-27)	-	-	-	-	4,426,511
Financial in come	32,051,044	1,847,140	86,135	-	33,984,318
Financial expenses	(37,086,830)	(2,276,634)	(30,557)	-	(39,394,022)
Depreciation	(407,803,839)	(17,871,389)	(559,270)	-	(426,234,498)
Other operating expenses	(917,870,696)	8,632,157	(18,259,970)	-	(927,498,509)
Segment profit before tax	1,178,266,309	125,797,387	3,434,746	-	1,225,925,354
Income tax expense	(273,027,981)	(42,125,554)	(1,025,899)	-	(316,179,434)
Deferred tax	(22,057,495)	2,783,086	153,674	-	(19,120,735)
Non-Controlling interest	-	422	0.13	-	422
Profit for the year					890,624,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

2017	Business Segments				
	Ceramic & sanitary ware	Power	Security and services	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka
Revenue-external customers	6,857,150,915	2,740,415	96,293,999	-	6,956,185,329
Revenue-inter segment	-	378,382,187	96,943,333	(475,325,520)	-
Total segment revenue	6,857,150,915	381,122,602	193,237,332	(475,325,520)	6,956,185,329
Cost of sales-external customer	(3,864,115,971)	(238,271,209)	(148,832,913)	-	(4,251,220,093)
Cost of sales-inter segment	(473,503,203)	(7,893,274)	-	481,396,477	-
Total segment cost of sales	(4,337,619,174)	(246,164,482)	(148,832,913)	481,396,477	(4,251,220,093)
Gross profit	2,519,531,741	134,958,120	44,404,419	-	2,704,965,236
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-27)	-	-	-	-	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	(784,234,739)	8,339,105	(21,234,916)	-	(797,130,550)
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					1,018,011,699

35 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

No. of ordinary equity shares

Weighted average no. of equity shares outstanding (Note 35.1)

Earnings per share (EPS) for the year

Diluted earnings per share for the year

Net assets value per share

Net operating cash flow per share

2018	2017
Taka	Taka
890,624,763	1,018,011,699
389,062,456	389,062,456
389,062,456	389,062,456
2.29	2.62
2.29	2.62
17.97	18.25
1.46	4.72

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

35.1 Weighted average number of ordinary shares

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

Outstanding shares	353,693,141	353,693,141
Effect of issue of bonus shares for the year 2017	35,369,315	35,369,315
	<u>389,062,456</u>	<u>389,062,456</u>

35.2 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.

35.3 Reason of deviation of earnings per share:

Revenue for the year was 1.8% lower than previous year with a corresponding increase in COGS of 1.5% over same period. Increase in COGS was attributed to increase in cost of imported raw materials, normal increase in salaries & wages, write off of obsolete spares value as well increase in dealers incentives due to more competitiveness in the market.

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

The company decided to provide extended credit facilities to its dealers, in the process trade receivables have increased for BDT. 291.90 mio and cash inflow decreased. Purchase also increased BDT. 621.06 mio during the year, in terms of quantity and value.

35.5 Reconciliation of operating cash flow:

	2018 Taka	2017 Taka
Cash flows from operating activities		
Profit before taxation	1,225,925,354	1,414,599,869
Adjustment for:		
Depreciation	426,234,498	426,768,657
Amortization	5,462,966	5,587,852
Tax adjustment	(6,152,691)	(4,926,690)
Foreign exchange loss	810,559	51,532,438
Finance expenses	38,583,462	49,492,498
Finance income	(38,410,830)	(22,165,853)
Other income	(65,518,148)	(12,248,199)
	<u>1,586,935,171</u>	<u>1,908,640,572</u>
Increase/decrease in trade and other receivables	(304,951,125)	130,528,279
Increase/decrease in inventories	(471,912,815)	(6,196,224)
Increase/decrease in trade and other payables	45,326,102	139,947,151
Cash generated from operating activities	<u>855,397,333</u>	<u>2,172,919,778</u>
Interest received from bank deposit	5,915,987	8,791,396
Income tax paid	(293,693,008)	(345,782,243)
Net cash (used in)/from operating activities	<u>567,620,313</u>	<u>1,835,928,929</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

36 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 992,574,842 (31 Dec 2017: Tk 668,168,492). 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 307,987,625 (31 Dec 2017: Tk 478,871,146) and letter of guarantee of Tk 115,134,048 (31 Dec 2017: Tk 80,730,767).

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, in its meeting held on February 06, 2019, has unanimously recommended dividend @ 10% in cash and 10% in stock of the paid up capital of the company for the year ended 2018. These dividends are subject to final approval by the shareholders at the forthcoming 20th Annual General Meeting of the Company.

RAK Ceramic (Bangladesh) Ltd.
**INDEPENDENT AUDITORS'
REPORT AND AUDITED FINANCIAL
STATEMENTS**
for the year ended on
31 December 2022

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of
RAK Ceramics (Bangladesh) Limited

Opinion

We have audited the financial statements of RAK Ceramics (Bangladesh) Limited (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 02-03.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics

Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the company for the year ended 31 December 2017 were audited by A. Qasem & Co., Chartered Accountants who expressed an unmodified opinion on those statements on 28 January 2018.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risk of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the significant effect on the overall audit strategy, allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue management and recognition	
Refer note no 3.15.2 and 23 to the financial statements	
<p>The Company earns revenue from contracts with customers for sale of goods. Although there is little decline in reported revenue over last year, the decline in collection of receivables was significant. In view thereof, it seemed to us, if this trend continues, the company may be in difficulty managing operating cash flows and related other consequences.</p>	<p>As part of our audit strategy, we studied and reviewed the overall operation, the environment this company belongs to, the related regulatory and other compliances the entity is expected to abide by.</p> <p>We obtained understanding of the competitive environment of the entity and management's strategies to stay competitive in the industry to find out whether there is any indication of permanent decline in revenue trends.</p> <p>In order to understand the accuracy and completeness of the revenue recognition, we have tested the design and operating effectiveness of key controls focusing on the following:</p>

Key audit matter	How our audit addressed the key audit matter
<p>Most of the revenue earned by the Company is measured at net of discounts granted to the customers. The calculation of discounts and performance rebates depends on the quantity of sales to dealers, which involves the risk of error and inappropriate judgement.</p> <p>As per IFRS terms, revenue is recognized and posted as soon as control is transferred to the respective customers. Given the nature of an industry, point of recognition may entail some risks. From risk perspective, the company has also very significant dependence on one single customer/dealer ensuring their desired annual sales. Therefore, there is a risk of revenue being misstated owing to variation in estimations over discounts, incentives and performance rebates as well as industry specific complexities underlying revenue recognition.</p>	<ul style="list-style-type: none"> ▶ calculation of discounts and performance rebates along with proper authorization; ▶ segregation of duties in invoice creation and modification; ▶ effectiveness of the information systems to record and present accurate amount of revenue; ▶ timing of revenue recognition, considering the duration between release of goods for sale from factory to the time the goods are received by the dealers; and ▶ payment habits of the customers and its overall impact on operating cash flows. <p>Our substantive procedures in relation to the revenue recognition comprises the following:</p> <ul style="list-style-type: none"> ▶ obtaining supporting documentation for sales transactions recorded either side of year end as well as credit notes issued after the year end date to determine whether revenue was recognized in the correct period; ▶ reviewing accounting records and overall information generation systems; ▶ reviewing agreements with dealers and underlying policy documentations with a view to ensuring that agreed terms were properly adhered to; ▶ agreeing a sample of claims and rebate accruals to supporting documentation; and ▶ assessing the appropriateness and presentation of disclosures against newly adopted IFRS 15, along with relevant transition provisions.
<p>Credit risk and impairment on trade receivables</p>	
<p>Refer note no 3.15.1, 10, 26.1 and 33.1 (b) to the financial statements</p>	
<p>The reported trade receivable of the Company has significantly increased over last year.</p> <p>Significant amount of judgment is to be applied to determine the risk of default over the expected life of trade receivables, which may have material impact over the figures of trade receivable. As a result, there is risk of error in determining the allowance for impairment for trade receivables.</p> <p>Remarkable amount of the trade receivables of the Company is attributable to a single customer, which is also a related party (as disclosed in note #34 to the financial statements) to the Company. Being related party, there may be unpalatable behavior putting realizability at risk.</p>	<p>Our audit procedures included testing the Company's credit control procedures and judgment on determining the provisions for expected credit losses. The audit procedures involved following activities:</p> <ul style="list-style-type: none"> ▶ testing, on a sample basis, receivable balances and comparing it with our results from the external confirmations; ▶ inspecting the arrangements, securities documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables; ▶ reviewing the calculations of the allowance for impairment of trade receivables based on the judgments applied by the management.

Key audit matter	How our audit addressed the key audit matter
Valuation of Inventories	
Refer note no 3.9 and 9 to the financial statements	
<p>The Company's inventory value represents about twenty five percent of the total assets of the company. The inventories increased substantially during the year, resulting in increased risk of inventory obsolescence.</p> <p>Inventories are carried at the lower of cost and net realizable value. The management applies judgment in determining the appropriate provisions for obsolete stock based upon a detailed analysis of old and slow-moving inventory.</p>	<p>We obtained assurance over relevance and appropriateness of management's assumptions applied in calculating the value of the inventories by:</p> <ul style="list-style-type: none"> ▶ evaluating the design and implementation of key inventory controls operating across the Company; ▶ attending stock counting and reconciling the count results to the inventory listings to test the completeness of data; ▶ comparing the net realizable value, obtained through a detailed review of sales subsequent to the year-end, to the cost price of a sample of inventories; ▶ reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year.
Review of tax and regulatory matters	
Refer note no 22 and 37 to the financial statements	
<p>Company has several pending corporate tax assessments and legal proceedings with the government revenue authorities related to claims for tax, VAT and customs duty. The pending cases expose the Company to significant litigation and similar risks arising from disputes and regulatory proceedings. Such matters are subject to many uncertainties and the outcome may not be appropriate to predict.</p> <p>These uncertainties inherently affect the amount and timing of potential outflows with respect to the tax provisions and contingent liabilities.</p> <p>As a listed entity, the Company also has to maintain compliance with the requirements of the Bangladesh Securities and Exchange Commission.</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Company's key controls over the legal provision and contingencies recognition process. To get more insights:</p> <ul style="list-style-type: none"> ▶ we enquired into those charged with governance to obtain their view on the status of all significant litigation and regulatory matters; ▶ we enquired of the Company's internal legal counsel for all significant litigation and regulatory matters and studied internal notes and reports. We also enquired formal confirmations from external counsel on these matters; ▶ we assessed the methodologies on which the provision amounts are based, recalculated the provisions, and tested the completeness and accuracy of the underlying information; ▶ we also assessed the Company's provisions and contingent liabilities disclosure. <p>We have reviewed the controls related to Corporate Governance compliance and reporting compliance as per Bangladesh Securities and Exchange Commission guidelines.</p>

Responsibilities of Management and Those Charged with Governance for Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as explained in note 02-03, 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. The Bangladesh Securities and Exchange Commission rules and regulations together with other applicable regulations require the Management to ensure effective internal audit, internal control and risk management functions of the Company.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we could not obtain prior to the date of this auditors' report and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements

or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters as reported in the respective section of the report above. We describe

these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994 and the Securities and Exchange Rules 1987, we also report the following:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of these 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 returns; and
- d. the expenditure incurred was for the purposes of the Company's business.

Dated, 6 February 2019



ACNABIN

Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	2018 Taka	2017 Taka
Assets			
Property, plant and equipment	4	3,043,473,716	3,219,767,760
Investment property	5	691,149,776	701,681,877
Intangible assets	6	11,916,384	5,429,027
Capital work in progress	7	127,781,532	41,415,719
Investment in subsidiaries	8	360,379,950	360,379,950
Total non-current assets		4,234,701,358	4,328,674,333
Inventories	9	2,935,341,706	2,467,927,703
Trade and other receivables	10	847,302,232	570,126,412
Advances, deposits and prepayments	11	294,088,849	297,504,647
Advance income tax	12	2,841,236,116	2,575,003,527
Cash and cash equivalents	13	764,167,746	1,315,315,265
Total current assets		7,682,136,649	7,225,877,554
Total assets		11,916,838,007	11,554,551,887
Equity			
Share capital	14	3,890,624,560	3,536,931,410
Share premium	15	1,473,647,979	1,473,647,979
Retained earnings	16	1,624,536,295	1,448,741,753
Total equity		6,988,808,834	6,459,321,142
Liabilities			
Deferred tax liability	17	166,024,078	143,966,583
Borrowings	19	88,203,349	359,163,292
Total non-current liabilities		254,227,427	503,129,875
Borrowings	19	309,652,416	548,162,038
Trade and other payables	20	634,828,996	669,301,159
Accrued expenses	21	502,233,555	420,578,875
Provision for income tax	22	3,227,086,779	2,954,058,798
Total current liabilities		4,673,801,746	4,592,100,870
Total liabilities		4,928,029,173	5,095,230,745
Total equity and liabilities		11,916,838,007	11,554,551,887

The accompanying notes are an integral part of these financial statements.


Managing Director


Director


Company Secretary
As per our report of same date

Dated, 6 February 2019


ACNABIN
Chartered Accountants

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	2018 Taka	2017 Taka
Sales	23	6,768,898,315	6,857,150,915
Cost of sales	24	(4,417,547,895)	(4,337,619,174)
Gross profit		2,351,350,420	2,519,531,741
Other income	25	157,626,209	102,298,556
Administrative expenses	26	(357,354,110)	(352,098,131)
Impairment loss on trade receivable	26.1	(3,162,362)	-
Marketing and selling expenses	27	(906,244,747)	(772,198,834)
		(1,109,135,010)	(1,021,998,409)
Profit from operating activities		1,242,215,410	1,497,533,332
Finance income	28	32,051,044	18,507,175
Finance expenses	29	(37,086,830)	(99,773,955)
Net finance income		(5,035,786)	(81,266,780)
Profit before contribution to workers' profit participation and welfare fund and income tax		1,237,179,624	1,416,266,552
Contribution to workers' profit participation and welfare fund		(58,913,315)	(67,441,264)
Profit before income tax		1,178,266,309	1,348,825,288
Income tax expense:			
Current tax	30	(273,027,981)	(297,112,555)
Deferred tax	17	(22,057,495)	(52,058,981)
		(295,085,476)	(349,171,536)
Profit for the year		883,180,833	999,653,752
Other comprehensive income for the year		-	-
Total comprehensive income for the year		883,180,833	999,653,752
Basic earnings per share (par value Tk 10)	36	2.27	2.57

The accompanying notes are an integral part of these financial statements.


Managing Director


Director


Company Secretary

As per our report of same date



ACNABIN

Chartered Accountants

Dated, 6 February 2019

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share capital	Share premium	Retained earnings	Total
	Taka	Taka	Taka	Taka
Balance as at 1 January 2017	3,368,506,110	1,473,647,979	1,291,214,523	6,133,368,612
Total comprehensive income for 2017				
Profit for the year	-	-	999,653,752	999,653,752
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2016)	-	-	(673,701,222)	(673,701,222)
Stock dividend (2016)	168,425,300	-	(168,425,300)	-
Balance as at 31 December 2017	<u>3,536,931,410</u>	<u>1,473,647,979</u>	<u>1,448,741,753</u>	<u>6,459,321,142</u>
Balance as at 1 January 2018	3,536,931,410	1,473,647,979	1,448,741,753	6,459,321,142
Total comprehensive income for 2018				
Profit for the year	-	-	883,180,833	883,180,833
Other comprehensive income	-	-	-	-
Transactions with the shareholders				
Cash dividend (2017)	-	-	(353,693,141)	(353,693,141)
Stock dividend (2017)	353,693,150	-	(353,693,150)	-
Balance as at 31 December 2018	<u>3,890,624,560</u>	<u>1,473,647,979</u>	<u>1,624,536,295</u>	<u>6,988,808,834</u>

The accompanying notes are an integral part of these financial statements.

RAK Ceramics (Bangladesh) Ltd.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018	2017
	Taka	Taka
Cash flows from operating activities		
Cash receipts from customers	6,480,145,244	6,992,654,428
Cash payments to suppliers and employees	(5,743,933,669)	(4,918,902,620)
Cash generated from operating activities	736,211,575	2,073,751,808
Interest received from bank deposit	5,105,100	8,087,551
Income tax paid	(266,232,589)	(294,807,390)
Net cash (used in)/from operating activities (note 36.5)	475,084,086	1,787,031,969
Cash flows from investing activities		
Acquisition of property, plant and equipment	(307,400,340)	(327,700,455)
Sale of property, plant and equipment	134,140	-
Disposal proceeds of associate	74,025,000	74,025,000
Interest received from FDR	28,745,724	7,718,236
Income from rental	10,757,571	16,628,956
Intangible assets	(11,950,323)	(6,925,458)
Dividend received	85,959,600	83,979,600
Net cash (used in)/from investing activities	(119,728,628)	(152,274,121)
Cash flows from financing activities		
Finance charges	(45,604,563)	(40,339,117)
Avail/ (repayment) of short term borrowings	(238,509,621)	(35,815,064)
Avail/ (repayment) of long term borrowings	(270,959,943)	(267,565,020)
Dividend paid	(351,973,215)	(669,736,148)
Unclaimed share application fund	(19,200)	-
Net cash (used in)/from financing activities	(907,066,542)	(1,013,455,348)
Effect of exchange rate changes in cash and cash equivalents	563,565	305,363
Net increase/(decrease) in cash and cash equivalents	(551,147,519)	621,607,863
Cash and cash equivalents as at 1 January	1,315,315,265	693,707,402
Cash and cash equivalents as at 31 December (Note 13)	764,167,746	1,315,315,265

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

1. Reporting entity

RAK Ceramics (Bangladesh) Ltd (the Company), formerly RAK Ceramics (Bangladesh) Pvt. Limited, a UAE-Bangladesh joint venture company, was incorporated in Bangladesh on 26 November 1998 as a private company limited by shares under the Companies Act 1994. The Company was later converted from a private limited into a public limited on 10 June 2008 after observance of required formalities as per laws. The name of the Company was thereafter changed to RAK Ceramics (Bangladesh) Ltd. as per certificate issued by the Registrar of Joint Stock Companies dated 11 February 2009. The address of the Company's registered office is RAK Tower, Plot # 1/A, Jasimuddin Avenue, Sector # 3, Uttara, Dhaka 1230. The company got listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on 13 June 2010.

1.1 Nature of business

The Company is engaged in manufacturing and marketing of ceramics tiles, 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.

2. Basis of preparation

2.1 Statement of compliance

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

The title and format of these financial statements follow the requirements of IFRS which are to some extent different from the requirement of the Companies Act 1994. However, such differences are not material and in the view of management IFRS titles and format give better presentation to the shareholders.

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 06 February 2019.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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

Note 4	Property, plant & equipment
Note 5	Investment Property
Note 17	Deferred tax liability
Note 18	Employees benefit payable
Note 22	Provision for income tax
Note 26.1	Financial Instruments

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, equipment and investment property

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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

Category of property, plant and equipment	Rate (%)
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 deemed to have an infinite life.

3.3 Investment property

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

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

3.4 Depreciation on investment property

Depreciation charged on the basis of straight line method. Depreciation continues to be charged on each item of investment property until written value of such fixed asset is reduced to Taka one. Depreciation on addition to fixed assets is charged 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 property, plant and equipment	Rate (%)
Building	5

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

3.5 Intangible assets

Expenditure to acquire designs and trade marks for manufacture of ceramic tiles and sanitary ware 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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

3.6 Capital work-in-progress

Capital work-in-progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not 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.

3.7 Financial assets

a) Investment in subsidiaries

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

b) Loans to subsidiaries & associate companies

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

c) Trade & other receivables

Trade & other receivables are recognised initially at fair value. Subsequent to initial recognition, trade & other receivables are measured at amortised cost using the effective interest method, less any bad 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 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.

3.7.1 Financial liabilities

a) Trade & other payables

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

b) Borrowings

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

3.8 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 2018

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.

3.9 Inventories

Inventories on hand are valued at the lower of cost and net realisable value. For raw materials and consumable spare parts cost is determined on a weighted average cost basis. Work-in-process is stated at cost to complete of respective product. Cost comprises cost of raw materials, wages and other overheads up to the stage of completion. Finished products are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Raw materials in transit are valued at cost.

3.10 Impairment

Non-derivative financial assets

Non derivative financial assets are assessed at each reporting date to determine the loss allowance for lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. When there is no significant increase in credit risk on the financial instrument since initial recognition, the expected credit losses for next 12 month is measured as loss allowance on that financial instrument.

Non-financial assets

The carrying amount of the non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. For intangible assets that have indefinite lives, recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

3.11 Share capital

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

3.12 Employee benefit schemes

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

Defined contribution plan (provident fund)

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

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

Defined benefit plan (gratuity fund)

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

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

Details of employees benefit schemes have been provided in note no. 18.

3.13 Workers' Profit Participation and Welfare Fund

The Company provides 5% of its net profit before tax after charging such expense as Workers' Profit Participation and Welfare Fund in accordance with "The Bangladesh Labour (Amendment) Act 2013".

3.14 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

3.15 Standards, amendments and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 with earlier application permitted. The company does not plan to adopt these standards early. The new standards which may be relevant to the company are set out below:

3.15.1 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

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

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

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

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

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

iii. Hedging

IFRS 9 incorporates new hedge accounting rules which intend to align hedge accounting with a company's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the company has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

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The company will avail of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no 33.1 (b).

3.15.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

i. Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the company is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

Based on the company's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the company does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

ii. Rendering of services

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

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

iii. Construction contracts

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

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

The company does not expect the application of IFRS 9 and IFRS 15 to have a significant impact on its consolidated financial statements. The actual impacts of adopting these standards at 1 January 2018 may change because:

- these standards will require the company to revise its accounting policies and internal controls and these changes are not yet complete;
- the company is also refining and finalizing its model for expected credit loss calculations; and
- the new accounting policies, assumptions, judgement and estimation techniques employed are subject to change until the company finalizes its first consolidated financial statements that includes the date of initial application.

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3.15.3 IFRS 16 Leases

IFRS 16, published in January 2016 replaces the previous guidance in IAS 17 Leases. Under this revised guidance, leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The revised guidance has an increased focus on who controls the asset and may change which contracts are leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

3.16 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.

3.17 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 a publicly-traded company of the same industry. The tax rate 25% is used for the reporting period 2018 as per Finance Act 2018.

Deferred tax:

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

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

3.18 Foreign currency

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

NOTES TO THE FINANCIAL STATEMENTS

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3.19 Earning per share

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

3.20 Contingencies

3.20.1 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.

3.20.2 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.

3.21 Statement of cash flows

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

3.22 Duty drawback

Duty drawback paid on imported material for export sale is adjusted against VAT payable on domestic sale.

3.23 New standards adopted

The following new standards are effective for annual periods beginning from 1 January 2018 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers

3.24 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.

3.25 Comparatives and reclassification

Comparative information have been disclosed in respect of 2017 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 2018

4 Property, Plant and equipment

2018

Particulars	COST				DEPRECIATION					Net book value as at 31 Dec 2018
	Balance as at 01 Jan 2018	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2018	Rate	Balance as at 01 Jan 2018	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2018	
Land	317,685,040	1,995,000	-	319,680,040		-	-	-	-	319,680,040
Factory building	913,769,752	66,032,462	-	979,802,214	5%	314,256,512	48,884,553	-	363,141,065	616,661,149
Office building	203,113,529	1,723,093	-	204,836,622	5%	101,236,418	10,088,982	-	111,325,400	93,511,222
Plant and machinery	4,999,991,608	119,380,926	-	5,119,372,534	10%	3,029,026,856	289,653,829	-	3,318,680,685	1,800,691,849
Mobile plant	88,837,460	13,138,757	-	101,976,217	10%	60,786,086	4,744,789	-	65,530,875	36,445,342
Electrical installation	215,642,011	1,165,500	-	216,807,511	10%	159,040,149	9,411,289	-	168,451,438	48,356,073
Gas pipeline	59,347,562	-	-	59,347,562	10%	31,351,066	3,444,544	-	34,795,610	24,551,952
Furniture and fixtures	33,926,399	3,982,583	-	37,908,982	10%	24,119,611	1,723,520	-	25,843,131	12,065,851
Office equipment	107,869,251	3,017,552	-	110,886,803	10-20%	53,594,518	18,702,324	-	72,296,842	38,589,961
Communication equipment	12,106,618	2,537,453	-	14,644,071	10-20%	6,741,103	1,734,069	-	8,475,172	6,168,899
Tools and appliances	17,538,598	1,443,750	-	18,982,348	10%	8,230,970	1,947,538	-	10,178,508	8,803,840
Vehicles	78,662,646	6,617,452	(208,000)	85,072,098	10%	40,339,425	6,936,303	(151,168)	47,124,560	37,947,538
Total	7,048,490,474	221,034,528	(208,000)	7,269,317,002		3,828,722,714	397,271,740	(151,168)	4,225,843,286	3,043,473,716

Amount in Taka

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

2017

Particulars	COST						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	Rate	Balance as at 01 Jan 2017	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2017			
										Amount in Taka		
Land	270,695,140	46,989,900	-	317,685,040		-	-	-	-	317,685,040		
Factory building	866,491,488	47,278,264	-	913,769,752	5%	269,826,737	44,429,775	-	314,256,512	599,513,240		
Office building	197,676,689	5,436,840	-	203,113,529	5%	91,183,719	10,052,699	-	101,236,418	101,877,111		
Plant and machinery	4,827,709,611	172,281,997	-	4,999,991,608	10%	2,733,311,975	295,714,881	-	3,029,026,856	1,970,964,752		
Mobile plant	82,710,622	6,126,838	-	88,837,460	10%	56,115,255	4,670,831	-	60,786,086	28,051,374		
Electrical installation	215,642,011	-	-	215,642,011	10%	146,358,601	12,681,548	-	159,040,149	56,601,862		
Gas pipeline	51,947,562	7,400,000	-	59,347,562	10%	28,618,953	2,732,113	-	31,351,066	27,996,496		
Furniture and fixtures	31,128,139	2,798,260	-	33,926,399	10%	22,793,238	1,326,373	-	24,119,611	9,806,788		
Office equipment	96,872,173	10,997,078	-	107,869,251	10-20%	35,824,560	17,769,958	-	53,594,518	54,274,733		
Communication equipment	11,136,547	970,071	-	12,106,618	10-20%	5,270,578	1,470,525	-	6,741,103	5,365,515		
Tools and appliances	16,945,670	592,928	-	17,538,598	10%	6,510,530	1,720,440	-	8,230,970	9,307,628		
Vehicles	68,829,448	9,833,198	-	78,662,646	10%	34,270,600	6,068,825	-	40,339,425	38,323,221		
Total	6,737,785,100	310,705,374	-	7,048,490,474		3,430,084,746	398,637,968	-	3,828,722,714	3,219,767,760		

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Particulars	COST				DEPRECIATION				Net book value as at 31 Dec 2018	
	Balance as at 01 Jan 2018	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2018	Rate	Balance as at 01 Jan 2018	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2018
Land ¹	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building ²	210,636,382	-	-	210,636,382	5%	9,526,255	10,532,101	-	20,058,356	190,578,026
Total	711,208,132	-	-	711,208,132		9,526,255	10,532,101	-	20,058,356	691,149,776

Particulars	COST				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	Rate	Balance as at 01 Jan 2017	Charged during the year	Adjustment during the year		Balance as at 31 Dec 2017
Land	500,571,750	-	-	500,571,750		-	-	-	-	500,571,750
Office building	4,432,737	206,203,645	-	210,636,382	5%	660,732	8,865,523	-	9,526,255	201,110,127
Total	505,004,487	206,203,645	-	711,208,132		660,732	8,865,523	-	9,526,255	701,681,877

- The land 10 khata is situated besides the RAK Tower was acquired in March 2012. The same was classified as Property, plant & equipment till 31st Dec 2016. However, presently the asset is under operating lease considering undetermined future use. Hence in the current financial statements, the same is reclassified as an item of "Investment Property" as defined under IAS 40.
The said property are stated at cost as per IAS 40 due to alternate reliable sources of measurement being unavailable.
- The property, being an Apartment on 10th floor, RAK Tower, was acquired in the month of February 2017 from M/s Julphar Bangladesh. (Erstwhile RAK Pharmaceuticals Pvt. Ltd) and godown office building 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 IAS 40.
The fair values of the property has been adopted at the transaction value considering that the municipal valuation of the property has fairly remained unchanged, the company has adopted the transaction value as the fair value of the property.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017			
	Taka	Taka			
5.1 Depreciation charged on the basis of the purpose of use					
Cost of sales (Note 24)	358,086,542	361,949,588			
Administrative expenses (Note 5.2)	47,689,750	43,526,354			
Marketing & selling expenses (Note 27)	2,027,549	2,027,549			
	407,803,841	407,503,491			
5.2 Administrative expenses					
Depreciation on property, plant & equipment (Note 26)	37,157,649	34,660,831			
Depreciation on investment property (Note 26)	10,532,101	8,865,523			
	47,689,750	43,526,354			
5.3 Disposal of property, plant and equipment					
2018					
	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor Bike	208,000	151,168	56,832	134,140	77,308
Total	208,000	151,168	56,832	134,140	77,308
2017					
	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
No disposal	-	-	-	-	-
Total	-	-	-	-	-
	2018	2017			
	Taka	Taka			
6 Intangible assets					
Balance as at 1 January	5,429,027	6,740,159			
Add: Addition during the year	11,950,323	6,925,458			
	17,379,350	13,665,617			
Less: Amortized during the year (Note-26)	5,462,966	5,587,852			
Less: Adjustment during the year	-	2,648,738			
Balance as at 31 December	11,916,384	5,429,027			

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017			
	Taka	Taka			
7 Capital Work-in-Progress					
Balance as at 1 January	41,415,719	28,726,284			
Add: Addition during the year	259,518,324	444,202,680			
	<u>300,934,043</u>	<u>472,928,964</u>			
Less: Transfer to property, plant & equipment and investment property during the year (Note-7.1)	173,152,511	431,513,245			
Balance as at 31 December	<u>127,781,532</u>	<u>41,415,719</u>			
7.1 Items transferred from capital work in progress to property, plant & equipment and investment property					
Office building	-	207,433,930			
Factory building	52,019,988	53,235,483			
Plant and machinery	112,846,905	170,125,817			
Mobile Plant	7,826,143	-			
Communication equipment	345,362	-			
Others	114,113	718,015			
	<u>173,152,511</u>	<u>431,513,245</u>			
8 Investment in subsidiaries (Note-8.1)					
RAK Power Pvt. Ltd	341,629,950	341,629,950			
RAK Security & Services Pvt. Ltd	18,750,000	18,750,000			
	<u>360,379,950</u>	<u>360,379,950</u>			
8.1 Details of investments in subsidiaries					
	Name of subsidiaries	Nature of business	% of holding	Investment/Taka	Investment/Taka
	RAK Power Pvt. Ltd	Electricity generation	99.99	341,629,950	341,629,950
	RAK Security & Services Pvt. Ltd	Security services provider	99.00	18,750,000	18,750,000
9 Inventories					
Raw materials				839,612,529	655,088,511
Stores, consumables spares and packing				973,410,748	1,032,455,718
Less: Write off for stores, consumables and packing during the year				31,843,008	-
				<u>941,567,740</u>	<u>1,032,455,718</u>
Finished goods				872,171,284	502,342,028
Work-in-process				105,323,515	108,183,210
Goods-in-transit				176,666,638	169,858,236
				<u>2,935,341,706</u>	<u>2,467,927,703</u>
10 Trade and other receivables					
Trade receivables (Note-10.1)				781,562,088	489,393,218
Receivable against insurance claim				56,976,730	-
Accrued interest (Note-10.2)				2,838,414	4,638,194
Accrued rental income				5,925,000	2,070,000
Receivable against disposal of investment (Note-10.3)				-	74,025,000
				<u>847,302,232</u>	<u>570,126,412</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
10.1 Trade receivables		
Receivable from dealers	784,724,450	487,759,082
Receivable from export sales	-	1,634,136
	<u>784,724,450</u>	<u>489,393,218</u>
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	36,313	-
Related parties	3,126,049	-
	<u>781,562,088</u>	<u>489,393,218</u>
10.2 Accrued Interest		
Interest accrued on FDR	2,838,414	4,638,194
	<u>2,838,414</u>	<u>4,638,194</u>
10.3 Receivable against disposal of investment		
RAK Paints Pvt. Ltd.	-	74,025,000
	<u>-</u>	<u>74,025,000</u>
11 Advance, deposits and prepayments		
Advances:		
Employees	-	12,506
Purchase of land and others	7,185,449	1,942,829
Suppliers against materials and services	93,763,096	91,039,739
	100,948,545	92,995,074
Security and other deposit:		
Titas gas	28,682,550	28,682,550
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and Supplementary duty (Note-11.1)	46,341,073	43,059,080
Deposited with income tax authority	50,628,195	36,685,655
Deposited with VAT authority	6,726,946	6,726,946
Other deposits	1,499,853	1,499,853
	135,833,617	118,609,084
Prepayments:		
Showroom and office rent	12,341,619	15,525,195
Insurance and others	44,965,068	70,375,294
	<u>57,306,687</u>	<u>85,900,489</u>
	<u>294,088,849</u>	<u>297,504,647</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
11.1 VAT and supplementary duty (SD)		
Balance as at 1 January	43,059,080	36,075,086
Add: Treasury deposit for SD & VAT purpose	1,393,000,000	1,513,000,000
Rebate of input VAT	418,046,905	346,947,267
	1,854,105,985	1,896,022,353
Add: Receivable - SD & VAT	-	-
	1,854,105,985	1,896,022,353
Less: SD & VAT on sales	1,805,059,097	1,842,870,675
Payable - SD & VAT	-	10,092,597
Other payable	2,705,815	-
	1,807,764,912	1,852,963,272
Balance as at 31 December	46,341,073	43,059,080
12 Advance Income Tax		
Balance as at 1 January	2,575,003,527	2,280,196,137
Add: Paid during the year	266,232,589	294,807,390
Balance as at 31 December (Note -12.1)	2,841,236,116	2,575,003,527
12.1 Year wise closing balance		
Income year		
Year 2018	220,286,694	
Year 2017	295,460,648	249,514,753
Year 2016	242,216,508	242,216,508
Year 2015	138,288,579	138,288,579
Year 2014	253,701,667	253,701,667
Year 2013	352,440,807	352,440,807
Year 2012	301,027,378	301,027,378
Year 2011	322,755,413	322,755,413
Year 2010	263,692,205	263,692,205
Year 2009	218,086,876	218,086,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006 (Unadjusted balance)	23,087,333	23,087,333
	2,841,236,116	2,575,003,527

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
13 Cash and cash equivalents		
Cash in hand	4,738,666	4,747,113
Cash at banks		
HSBC (current account - 001-013432-011 - BDT)	43,906,323	25,283,357
Standard Chartered Bank (current account - 01-6162940-01 - BDT)	26,594,643	117,882,400
Brac Bank (current account - 1530301731248001 - BDT)	7,022,039	57,502,367
Citibank N.A. (current account - G010000200262018 - BDT)	167,340	172,812
HSBC (ERQ account - 001-013432-047 - USD)	15,969,457	9,438,932
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	713,861	975,788
Standard Chartered Bank (Margin Money account)	515,747	306,739
UCB (SND account - 0831301000000164 BDT)	9,233,763	33,572,214
EBL (SND account - 1131350237146 - BDT)	48,550,824	35,308,039
DBL (SND - 102.150.274 - BDT))	39,444,913	52,825,646
EXIM Bank (SND account - 01513100031877 - BDT)	493,820	114,761
Dutch Bangla Bank Ltd. (SND account - 117-120-589 - BDT)	102,678,556	225,579,678
BRAC Bank (STD - 1513101731248001 - BDT)	360,789	358,355
Prime Bank Ltd. (SND - 12531010022563 - BDT)	5,741,297	53,513,417
Commercial Bank of Ceylon (CD - 1817000776 - BDT)	9,811	23,529
Commercial Bank of Ceylon (SND - 2817000777 - BDT)	65,731,073	39,297,802
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	30,234,528	43,154,459
	397,368,784	695,310,295
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,437,422	2,454,389
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262042 - USD)	3,916,999	3,919,501
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262026 - EURO)	153,455	153,608
Citibank N.A. (RAK-IPO-NRB Subscription - G010000200262034 - GBP)	126,440	126,594
	6,634,316	6,654,092
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,614,781	2,618,431
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,200,512	2,204,459
SCB (Current - 02-6162940-02 - BDT) - 2012	3,858,070	3,837,331
SCB (Current - 02-6162940-03 - BDT) - 2013	16,816,804	16,734,192
SCB (Current - 02-6162940-04 - BDT) - 2014	4,986,605	4,977,932
SCB (Current - 02-6162940-05 - BDT) - 2015	3,832,380	3,847,536
SCB (Current - 02-6162940-06 - BDT) - 2016	4,326,361	4,383,884
SCB (Current - 02-6162940-07 - BDT) - 2017	1,790,467	-
	40,425,980	38,603,765

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

		2018	2017
		Taka	Taka
Investment in Fixed Deposit Receipt (FDR)			
	HSBC	10,000,000	15,000,000
	Brac Bank Ltd.	-	150,000,000
	Eastern Bank Ltd.	150,000,000	300,000,000
	Dhaka Bank Ltd.	150,000,000	100,000,000
	Meghna Bank Ltd.	5,000,000	5,000,000
		315,000,000	570,000,000
	Total	764,167,746	1,315,315,265
14	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	3,890,624,560	3,536,931,410
	389,062,456 ordinary shares of Tk 10 each		

Percentage of shareholding:

	2018		2017	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,650,785,740	68.13	2,409,805,220
SAK Ekramuzzaman	3.95	153,598,410	3.92	138,725,830
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	310	0.00	290
Sheikh Omer Bin Saqr Al Qassimi	0.00	310	0.00	290
Sheikh Ahmad Bin Humaid al Qassimi	0.00	310	0.00	290
Hamad Abdulla Al Muttawa	0.00	150	0.00	140
Dr. Khater Massaad	0.00	150	0.00	140
Abdallah Massaad	0.00	150	0.00	140
Manoj Uttamrao Ahire	0.00	150	0.00	140
General Public	27.92	1,086,238,880	27.95	988,398,930
	100.00	3,890,624,560	100.00	3,536,931,410

The company was incorporated on 26th of November 1998 with paid up capital of BDT 1,000 and subsequently has issued ordinary shares including bonus shares in several dates i.e. 30 September 2000, 30 October 2005, 15 June 2009, 28 July 2009, 31 January 2010, 24 May 2010, 20 March 2011, 15 April 2012, 10 April 2013, 02 April 2014, 29 March 2017 and 18 April 2018.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

Classification of shareholders by range:

Shareholder's range	Number of shareholders		Number of shares	
	2018	2017	2018	2017
Less than 500 shares	22,333	24,431	5,070,691	5,260,532
501 to 5,000 shares	8,992	8,673	14,323,202	13,964,830
5001 to 10,000 shares	1,018	916	7,132,096	6,687,868
10,001 to 20,000 shares	521	475	7,268,499	6,676,203
20,001 to 30,000 shares	152	134	3,787,490	3,318,356
30,001 to 40,000 shares	73	72	2,520,150	2,550,406
40,001 to 50,000 shares	48	42	2,169,779	1,903,394
50,001 to 100,000 shares	93	84	6,487,948	5,708,527
100,001 to 1,000,000 shares	92	89	24,171,658	23,843,323
Over 1,000,000 shares	13	10	316,130,943	283,779,702
	33,335	34,926	389,062,456	353,693,141

15 Share premium

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

No. of shares	Share premium (per share) Taka	2018	2017
		Taka	Taka
10,000,000	30	300,000,000	300,000,000
34,510,000	38	1,311,380,000	1,311,380,000
		1,611,380,000	1,611,380,000
Less : Share issue expenses		137,732,021	137,732,021
	Total	1,473,647,979	1,473,647,979

16 Reserve and surplus

Balance as on 01 January	1,448,741,753	1,291,214,523
Add : Profit during the year	883,180,833	999,653,752
	2,331,922,586	2,290,868,275
Less: Dividend declared during the year	(707,386,291)	(842,126,522)
Balance as on 31 December	1,624,536,295	1,448,741,753

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

17 Deferred tax liabilities

Balance as at 1 January	143,966,583	91,907,602
Deferred tax (income) / expenses	22,057,495	52,058,981
Balance as at 31 December	166,024,078	143,966,583

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2018			
Property, plant and equipment (Excluding land and others)	2,828,293,093	2,161,034,418	667,258,675
Trade receivable	781,562,088	784,724,450	(3,162,362)
Net taxable temporary difference			664,096,313
Deferred tax liability (applying tax rate 25.00%)			166,024,078
As at 31 December 2017			
Property, plant and equipment (Excluding land and others)	3,003,460,854	2,427,594,524	575,866,330
Net taxable temporary difference			575,866,330
Deferred tax liability (applying tax rate 25.00%)			143,966,583
18 Employees benefits payable			
	2018		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	56,783,902	29,464,099	86,248,001
	56,783,902	29,464,099	86,248,001
Less: Payments made to fund during the year	56,783,902	29,464,099	86,248,001
Balance as at 31 December	-	-	-
	2017		
	Provident Fund	Gratuity Fund	Total
	Taka	Taka	Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	48,700,079	31,481,486	80,181,565
	48,700,079	31,481,486	80,181,565
Less: Payments made to fund during the year	48,700,079	31,481,486	80,181,565
Balance as at 31 December	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
19 Borrowings		
Non-current:		
Term loan -HSBC	362,201,591	632,827,493
Less : Current portion of long term loan - HSBC	(273,998,242)	(273,664,201)
	88,203,349	359,163,292
Current:		
Overdraft - DBBL	35,654,174	18,244,255
Short term borrowings - HSBC	-	82,283,880
Short term borrowings - SCB	-	173,969,702
Current portion of long term loan - HSBC	273,998,242	273,664,201
	309,652,416	548,162,038
Balance as at 31 December	397,855,765	907,325,330

19.1 Borrowings by maturity

At 31 December 2018	< 1 year	1-2 years	2-5 years	> 5 years	Total
Overdrafts	35,654,174	-	-	-	35,654,174
Term loan and others	273,998,242	88,203,349	-	-	362,201,591
	309,652,416	88,203,349	-	-	397,855,765
At 31 December 2017	< 1 year	1-2 years	2-5 years	> 5 years	Total
Overdrafts	18,244,255	-	-	-	18,244,255
Short-term borrowings	256,253,582	-	-	-	256,253,582
Term loan and others	273,664,201	271,747,942	87,415,349	-	632,827,493
	548,162,038	271,747,942	87,415,349	-	907,325,330

The company enjoys off-shore financing from HSBC, SCB & CBC 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 2018

19.2 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 parri - passu basis with other lenders. 3) Hypothecation over stock & book debts on a parri - passu basis with other lenders. 4) Demand promissory note.	1) Land, 2) Plant and machinery of the expansion plant.
	Short term loan	350,000,000	-	180/360 days from B/L date			
HSBC	Overdraft	25,000,000	-	Revolving	From company's own source		
	Short term loan	540,000,000	-	180/360 days from B/L date			
	Long term loan	1,366,872,000	362,201,591	5 years			
Dutch-Bangla Bank Ltd.	Overdraft	25,000,000	35,654,174	Revolving	From company's own source		
	Short term loan	90,000,000	-	180/360 days from B/L date			
Commercial Bank of Ceylon	Overdraft	25,000,000	-	Revolving	From company's own source		
	Short term loan	300,000,000	-	180/360 days from B/L date			

20 Trade and other payables

Trade payables

Payable to local suppliers		
Payable to foreign suppliers		
Payable to service provider		
Payable to C & F agent and freight forwarder		

	2018	2017
	Taka	Taka
	106,553,005	109,728,996
	265,572,347	300,313,790
	132,639,732	120,422,861
	11,187,712	9,810,933
	515,952,796	540,276,580

Other payables

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

	17,370,004	22,974,558
	5,481,985	8,765,126
	39,574,191	37,854,265
	20,818,916	20,838,116
	10,172,837	21,418,886
	23,182,446	15,229,568
	658,229	326,468
	1,617,592	1,617,592
	118,876,200	129,024,579
	634,828,996	669,301,159

Total

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
21 Accrued expenses		
Power and gas	19,663,377	28,021,457
Staff cost	91,178,688	75,965,626
Audit fees	1,400,000	1,400,000
Taxation Matter	400,000	400,000
Interest on loan	52,889	9,561,366
Telephone	233,867	211,566
Provision for freight	6,236,754	-
Managing Director's remuneration (Note-21.1)	39,943,228	45,725,177
Workers profit participation and welfare fund (Note-21.2)	58,913,315	67,441,264
Royalty and technical know-how fee (Note-21.3)	284,211,437	191,852,419
	502,233,555	420,578,875
21.1 Managing Director's remuneration		
Balance as at 1 January	45,725,177	40,911,795
Add: Payable to Managing Director during the year	39,943,228	45,725,177
	85,668,405	86,636,972
Less: Paid to Managing Director during the year	45,725,177	40,911,795
Balance as at 31 December	39,943,228	45,725,177
21.2 Workers' Profit Participation and welfare Fund		
Balance as at 1 January	67,441,264	61,056,166
Add: Contribution made to the fund during the year	58,913,315	67,441,264
	126,354,580	128,497,430
Less: Payment made from the fund during the year	67,441,264	61,056,166
Balance as at 31 December	58,913,315	67,441,264
21.3 Royalty and technical know-how fee		
Balance as at 1 January	191,852,419	83,946,396
Add: Provision made during the year	94,261,305	107,906,023
	286,113,724	191,852,419
Less: Payment made during the year	1,902,287	-
Balance as at 31 December	284,211,437	191,852,419
22 Provision for income tax		
Balance as at 1 January	2,954,058,798	2,656,946,243
Add: Provision made for current year	273,027,981	297,112,555
Balance as at 31 December (note 22.1)	3,227,086,779	2,954,058,798

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
22.1 Year wise closing balance		
Income year		
Year 2018	273,027,981	-
Year 2017	297,112,555	297,112,555
Year 2016	253,189,745	253,189,745
Year 2015	274,419,022	274,419,022
Year 2014	339,893,487	339,893,487
Year 2013	318,166,647	318,166,647
Year 2012	305,056,869	305,056,869
Year 2011	323,149,311	323,149,311
Year 2010	348,965,691	348,965,691
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	3,227,086,779	2,954,058,798

23 Sales

	Unit	2018		2017	
		Quantity in million	Amount Taka	Quantity in million	Amount Taka
Local					
Tiles	Sft	82.25	5,874,735,827	90.06	6,024,794,253
Decor/Border	Pcs	0.51	54,752,001	0.75	79,832,547
Sanitary ware	Pcs	1.48	2,741,024,672	1.49	2,694,129,663
			8,670,512,500		8,798,756,463
Less: Supplementary Duty			674,107,884		693,440,170
			7,996,404,616		8,105,316,293
Less: VAT			1,133,657,027		1,149,430,504
			6,862,747,589		6,955,885,789
Export					
Tiles	Sft	0.42	20,558,519	0.24	12,952,284
Sanitary ware	Pcs	0.000135	1,461,038	-	-
			6,884,767,146		6,968,838,073
Less: Discount			115,868,831		111,687,158
			6,768,898,315		6,857,150,915

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

		2018	2017
		Taka	Taka
24	Cost of sales		
24.1	Cost of goods manufactured		
	Material consumed:	655,088,511	831,012,396
	Opening inventory as on 01 January	2,548,824,346	1,932,049,519
	Add: Purchase during the year	839,612,529	655,088,511
	Less: Closing inventory as on 31 December		
		<u>2,364,300,328</u>	<u>2,107,973,404</u>
	Factory overhead:		
	Direct labour (note-24.1)	538,886,805	482,179,873
	Direct expenses:		
	Power and gas	605,993,780	623,536,708
	Repairs and indirect materials (note-24.2)	730,309,319	728,555,527
	Depreciation	358,086,542	361,949,588
	Royalty and technical know-how fees (24.3)	94,261,305	107,906,023
	Other production overhead (note-24.4)	94,370,659	61,032,804
	Movement in stock	(368,660,843)	(135,514,753)
		<u>4,417,547,895</u>	<u>4,337,619,174</u>
24.1	Direct labour		
	Salary & wages	321,317,050	280,381,887
	Overtime	31,392,567	27,121,951
	Bonus	44,514,618	35,600,795
	Incentive	506,527	-
	Temporary labour wages	96,441,332	94,908,877
	Gratuity	19,955,924	21,585,746
	Employers contribution to provident fund	18,924,468	16,462,272
	Leave Encashment	3,922,416	4,020,554
	Group life insurance	1,911,903	2,097,791
		<u>538,886,805</u>	<u>482,179,873</u>
24.2	Repair and indirect materials		
	Stores, spares, repair & maintainance	336,140,683	339,593,748
	Packing expenses	394,168,636	388,961,779
		<u>730,309,319</u>	<u>728,555,527</u>
24.3	Royalty & technical know how fees		
	Royalty and technical know-how fee	94,261,305	107,906,023
		<u>94,261,305</u>	<u>107,906,023</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
24.4 Other production overhead		
Hotel fare and expenses for technician	5,163,985	6,906,106
Demurrage	14,254,258	7,287,420
Insurance	19,506,303	14,467,432
Write off for stores, consumables and packing	31,843,008	-
Hiring charges and transportation	17,116,989	22,710,240
Other expenses	6,486,116	9,661,606
	94,370,659	61,032,804
25 Other income		
Dividend income	85,959,600	83,979,600
Rental income	14,612,571	18,318,956
Profit on sale of fixed assets	77,308	-
Insurance claim	56,976,730	-
	157,626,209	102,298,556
26 Administrative expenses		
Staff cost (note-26.2)	170,834,424	150,527,270
Annual General Meeting expenses	16,232,436	13,219,060
Telephone and postage	2,950,721	3,960,854
Office repair and maintenance (note-26.3)	7,896,251	13,932,007
Registration and renewal	1,778,930	1,434,938
Security and guard expenses	11,997,447	12,973,032
Electricity, gas and water	7,307,213	5,967,901
Depreciation on property, plant & equipment (note - 5.2)	37,157,649	34,660,831
Depreciation on investment property (5.2)	10,532,101	8,865,523
Amortization	5,462,966	5,587,852
Legal and professional fees	6,320,055	7,172,827
Vehicle repair and maintenance	10,569,005	10,698,577
Rent rate and tax	4,536,578	3,343,068
CSR expenses	-	5,500,000
IT expenses	4,231,184	7,603,760
General Servicing	8,893,019	12,887,258
Donation	4,053,037	3,115,000
Others	6,657,866	4,923,196
Managing Director's remuneration (note-26.4)	39,943,228	45,725,177
	357,354,110	352,098,131
26.1 Impairment loss of trade receivable		
Unrelated parties	36,313	-
Related parties	3,126,049	-
	3,162,362	-

New classification of financial assets shown in note 33.1(b). Impairment loss allowance has not been considered on other receivables and bank balances because business is confident to recover the full amount from the party.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

		2018	2017
		Taka	Taka
26.2	Staff cost		
	Salary & wages	125,584,546	106,905,398
	Bonus	18,415,868	14,136,176
	Incentive	258,649	752,306
	Gratuity	7,275,781	7,727,436
	Employers contribution to provident fund	7,263,897	6,162,423
	Leave encashment	1,475,848	4,156,879
	Group life insurance	721,751	858,213
	Canteen and conveyance expenses	5,880,426	5,064,164
	Staff uniform expenses	90,684	420,846
	Travelling expenses	2,654,694	2,556,424
	Medical expenses	1,094,402	1,787,005
	Accommodation expenses	117,878	-
		170,834,424	150,527,270
26.3	Office repair & maintenance		
	Repairs office equipment	104,211	1,892,313
	Office maintenance	7,792,040	12,039,694
		7,896,251	13,932,007
26.4	This represents provision made @ 3% of net profit before tax.		
27	Marketing & selling expenses		
	Staff cost (note-27.1)	52,158,248	38,299,592
	Advertisement	8,800,695	5,043,868
	Freight and transportation	271,435,892	270,993,192
	Performance rebates (note-27.3)	507,744,501	374,200,366
	Business promotion	30,262,071	46,258,372
	Depreciation	2,027,549	2,027,549
	Showroom & office rent	18,562,018	15,611,765
	Tax expenses on discount	8,024,525	10,064,638
	Sample expenses	4,038,996	5,307,662
	Travel, entertainment and others	3,190,252	4,391,830
		906,244,747	772,198,834
27.1	Staff cost		
	Salary & wages	36,175,609	28,716,913
	Bonus	3,949,114	3,064,020
	Incentive	1,131,016	33,205
	Gratuity	2,232,394	2,168,304
	Employers contribution to provident fund	2,203,586	1,725,345
	Leave Encashment	445,054	300,848
	Group life insurance	216,470	151,341
	Conveyance and food expenses	5,805,005	2,139,616
		52,158,248	38,299,592
27.2	Salary & wages under staff cost (note no. 24.1, 26.2 & 27.1) includes employee contribution to provident fund for BDT. 18,924,468, BDT. 7,263,897 & BDT. 2,203,586.		

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
27.3 Performance rebates		
Compensation to customer	8,044,068	11,668,958
Dealers' commission	125,736,792	136,981,015
Breakage commission	140,725,943	140,966,334
Dealers' incentive and bonus	233,237,698	84,584,059
	507,744,501	374,200,366
28 Finance income		
Interest on bank account (SND)	5,105,100	8,087,551
Interest on Fixed deposits	26,945,944	10,419,624
	32,051,044	18,507,175
29 Finance expenses		
Interest expenses	34,292,199	46,233,598
Bank charges	1,803,887	2,171,843
Exchange loss	990,744	51,368,514
	37,086,830	99,773,955
30 Income tax expenses		
Current year	273,027,981	297,112,555
	273,027,981	297,112,555
31 Reconciliation of effective tax rate		

	2018		2017	
	%	Taka	%	Taka
Profit before tax		1,178,266,309		1,348,825,288
Current tax expenses	23.17%	273,027,981	22.03%	297,112,555
Deferred tax expenses	1.87%	22,057,495	3.86%	52,058,981
Total tax expenses	25.04%	295,085,476	25.89%	349,171,536
Expected income tax using applicable tax rate	25.00%	294,566,577	25.00%	337,206,322
Tax on non-deductible expenses	-1.83%	(21,538,596)	-2.97%	(40,093,768)
Effective current tax	23.17%	273,027,981	22.03%	297,112,555
Effective deferred tax	1.87%	22,057,495	3.86%	52,058,981
	25.04%	295,085,476	25.89%	349,171,536

32 Transaction in foreign currency

CIF value of import:

Raw materials	1,880,891,907	1,444,822,806
Spare parts	282,898,577	446,102,243
Capital machinery	79,174,533	90,652,149
Expenditure:		
Royalty, consultancy & training fees	1,428,155	-
Dividend	228,935,404	458,679,040
Earning in foreign currency:		
FOB value of exports	22,019,557	12,952,284
	2,495,348,133	2,453,208,522

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

24.5 Quantitative details of opening stock, purchase/production, consumption/sales and

closing stock of raw materials and finished goods

Quantity in million

Description	Unit	Opening stock	Purchase / Production	Sale / Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials	KG				
Current year		122.10	240.84	252.81	110.13
Previous year		146.53	221.77	246.20	122.10
Finished goods					
Tiles:	Sft				
Ceramics/granite					
Current year		12.26	92.24	82.68	21.82
Previous year		8.97	93.59	90.30	12.26
Decor/border	Pcs				
Current year		0.16	0.49	0.51	0.14
Previous year		0.12	0.79	0.75	0.16
Sanitary ware:					
Sanitary items	Pcs				
Current year		0.12	1.49	1.48	0.13
Previous year		0.17	1.43	1.48	0.12

24.6 Production capacity and actual production are given below:

2018

Production	Unit	Installed Capacity Annual (million)	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Tiles	Sft	111.04	92.24	83%	(18.80)
Sanitary ware	Pcs	1.45	1.49	102%	0.04

2017

Production	Unit	Installed Capacity Annual (million)	Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
Tiles	Sft	111.04	93.59	84%	(17.45)
Sanitary ware	Pcs	1.45	1.43	99%	(0.02)

33 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

as at and for the year ended 31 December 2018

33.1 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 Dec 2018	As at 31 Dec 2017	As at 31 Dec 2018	As at 31 Dec 2017
Trade receivables				
Customer-Local	-	-	781,562,088	487,759,082
Customer-Export	-	19,880	-	1,634,136
	-	19,880	781,562,088	489,393,218
Other receivables				
Receivable against insurance claim			56,976,730	-
Accrued rental income			5,925,000	2,070,000
Accrued Interest			2,838,414	4,638,194
Receivable against disposal of investment			-	74,025,000
			65,740,144	80,733,194
Cash equivalents			759,429,079	1,310,568,152

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2018.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment
Trade receivable-unrelated	10.1	Loan & receivable	Amortized cost	264,341,522	264,305,209	36,313
Trade receivable-related	10.1	Loan & receivable	Amortized cost	520,382,927	517,256,878	3,126,049
Cash & cash equivalent	13	Loan & receivable	Amortized cost	759,429,079	759,429,079	-

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

- i Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current period on transition to IFRS 9.
- ii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current period on transition to IFRS 9.

c) Ageing of receivables

	Amount in Taka	
	As at 31 Dec	As at 31 Dec
	2018	2017
The aging of trade receivables as at 31 December was:		
Not past due	739,002,736	489,320,249
0-90 days past due	10,052,893	-
91-180 days past due	15,954,932	72,969
181-365 days past due	8,326,591	-
over 365 days past due	8,224,936	-
	781,562,088	489,393,218

33.2 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 2018			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Overdrafts	35,654,174	35,654,174	35,654,174	-
Long term borrowing (foreign)	362,201,591	362,201,591	273,998,242	88,203,349
Trade and other payables	634,828,996	634,828,996	634,828,996	-
	1,032,684,761	1,032,684,761	944,481,411	88,203,349

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	As at 31 Dec 2017			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Overdrafts	18,244,255	18,244,255	18,244,255	
Short term borrowing	256,253,582	256,253,582	256,253,582	-
Long term borrowing	632,827,493	632,827,493	273,664,201	359,163,292
Trade and other payables	669,301,159	669,301,159	669,301,159	-
	1,576,626,489	1,576,626,489	1,217,463,197	359,163,292

33.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 31 Dec 2018				As at 31 Dec 2017			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated assets								
Receivable from customers-Export	-	-	-	-	-	-	19,880	-
Cash at bank	-	-	198,729	-	-	-	126,700	-
	-	-	198,729	-	-	-	146,580	-
Foreign currency denominated liabilities								
Trade and other payables	26,250	164,612	2,246,077	604,904	6,349	93,585	2,615,356	716,695
Short term borrowings (foreign)	-	-	-	-	-	-	2,907,638	142,880
Long term borrowings (foreign)	-	-	4,314,492	-	-	-	7,606,100	-
Royalty & Technical Fees	-	-	3,385,485	-	-	-	2,305,918	-
	26,250	164,612	9,946,053	604,904	6,349	93,585	15,435,012	859,575
Net exposure	(26,250)	(164,612)	(9,747,325)	(604,904)	(6,349)	(93,585)	(15,288,433)	(859,575)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

The Company has foreign exchange loss of Tk 990,744 during the year ended 31 Dec 2018 (31 Dec 2017: Exchange loss Tk 51,368,514).

The following significant exchange rates have been applied:

	Exchange rate (Average)	
	As at 31 Dec 2018	As at 31 Dec 2017
AED	22.7911	22.4659
GBP	106.2826	111.0252
USD	83.4500	82.7000
EURO	95.5444	98.5503

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 Dec 2018		As at 31 Dec 2017	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
At 31 December				
AED (3 percent movement)	(812)	765	(196)	185
GBP (3 percent movement)	(5,091)	4,795	(2,894)	2,726
USD (3 percent movement)	(301,464)	283,903	(472,838)	445,294
EURO (3 percent movement)	(18,708)	17,619	(26,585)	25,036

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. The Company is not significantly exposed to fluctuation in interest rates as company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

Profile

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

	Carrying amount	
	As at 31 Dec 2018	As at 31 Dec 2017
	Amount in Taka	
Fixed rate instruments		
Financial assets		
Investment in FDR	315,000,000	570,000,000
Cash at banks	444,429,080	740,568,153
Financial liabilities		
Overdrafts	35,654,174	18,244,255
Long term borrowing	362,201,591	632,827,493
Short term borrowing	-	256,253,582

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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 2018		As at 31 Dec 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Held to maturity assets				
Investment in FDR	315,000,000	315,000,000	570,000,000	570,000,000
Loans and receivables				
Trade receivables	781,562,088	781,562,088	489,393,218	489,393,218
Other receivables	65,740,144	65,740,144	80,733,194	80,733,194
Cash equivalents	759,429,079	759,429,079	1,310,568,152	1,310,568,152
Available for sale financial assets				
Financial liabilities				
Liabilities carried at amortised costs				
Overdrafts	35,654,174	35,654,174	18,244,255	18,244,255
Short term borrowing (foreign)	-	-	256,253,582	256,253,582
Long term borrowing (foreign)	362,201,591	362,201,591	632,827,493	632,827,493
Trade and other payables	634,828,996	634,828,996	669,301,159	669,301,159

Accounting classification and fair values as at 31 Dec 2018 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 Dec	As at 31 Dec
	2018	2017
Investment in FDR (local currency/BDT)	2.80%-8.50%	2.50%-7.50%
Bank overdraft (local currency/BDT)	8%-10%	8%-10%
Short term bank loan (local currency/BDT)	8%-10%	8%-10%
Short term bank loan (foreign currency/USD)	Libor+ (2.75%-2.85%)	Libor+ (2.75%-2.85%)
Long term bank loan (foreign currency/USD)	Libor+3%	Libor+3%

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2018

34 Related party disclosures under IAS-24

Amounts in Taka

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

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Dividend income
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	392,089,748	6,152,571	-	98,658,782	-	81,999,600
				Previous year	378,382,187	6,070,957	-	94,712,821	-	81,999,600
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year	95,939,059	-	-	19,908,164	-	3,960,000
				Previous year	95,121,016	-	-	12,945,177	-	1,980,000
RAK Ceramics - UAE	Parent	Unsecured	Nil	Current year	29,055,626	-	-	25,144,693	-	-
				Previous year	29,927,515	-	-	26,079,948	-	-
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year	509,397,456	-	-	83,236,425	-	-
				Previous year	529,906,617	-	-	32,957,176	-	-
Julphar Pharmaceuticals Ltd.	Other related party	Unsecured	Nil	Current year	-	4,860,000	3,645,000	-	-	-
				Previous year	-	8,748,000	1,215,000	-	-	-
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	1,796,925	3,600,000	2,280,000	-	-	-
				Previous year	1,152,085	3,500,000	879,108	-	-	-
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year	76,073,703	-	-	12,706,166	-	-
				Previous year	110,329,261	-	-	8,107,975	-	-
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year	18,684,918	-	-	865,356	-	-
				Previous year	18,820,509	-	-	-	-	-
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	2,401,433	-	-	24,544	-	-
				Previous year	4,929,707	-	-	-	-	-
Green Planet Communications	Other related party	Unsecured	Nil	Current year	9,584,482	-	-	48,720	-	-
				Previous year	12,360,099	-	-	114,915	-	-
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year	717,674	-	-	-	-	-
				Previous year	551,102	-	-	-	-	-
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year	118,354,894	-	-	8,046,142	-	-
				Previous year	124,439,691	-	-	9,121,821	-	-
Mohammed Trading	Other related party	Secured by Guaranteed Cheque	Nil	Current year	-	2,277,534,117	520,382,927	-	-	-
				Previous year	-	2,428,701,293	371,834,648	-	-	-
S.A.K. Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current year	2,193,288	-	-	39,943,228	39,943,228	-
				Previous year	2,193,288	-	-	45,725,177	45,725,177	-
Imtiaz Hussain	Key Management Personnel	Unsecured	Nil	Current year	-	-	-	1,123,305	10,793,225	-
				Previous year	-	-	-	1,690,172	11,208,464	-

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

34.1 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 39,943,228.

During the year, Board meeting fees of Taka 225,000 was paid to the board members for attending the Board meetings.

35 Number of employees

The number of employees engaged for the period who received total remuneration of Taka 36,000 and above per annum at reporting date was as follows.

	2018	2017
	Taka	Taka
Number of employees	1,866	1,807
None of receiving below Taka 3,000 per month.		
36 Earnings per share (EPS)		
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders		
Profit for the year	883,180,833	999,653,752
No. of ordinary equity shares	389,062,456	389,062,456
Weighted average no. of equity shares outstanding (Note 36.1)	389,062,456	389,062,456
Earnings per share (EPS) for the year	2.27	2.57
Diluted earnings per share for the year	2.27	2.57
Net assets value per share	17.96	18.26
Net operating cash flow per share	1.22	4.59

36.1 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	353,693,141	353,693,141
Effect of issue of bonus shares for the year 2017	35,369,315	35,369,315
	389,062,456	389,062,456

36.2 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.

36.3 Reason of deviation of earnings per share:

Revenue for the year was 1.3% lower than previous year with a corresponding increase in COGS of 1.8% over same period. Increase in COGS was attributed to increase in cost of imported raw materials, normal increase in salaries & wages, write off of obsolete spares value as well increase in dealers incentives due to more competitiveness in the market.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
36.4 Reason of deviation of net operating cash flow per share:		
The company decided to provide extended credit facilities to its dealers, in the process trade receivables have increased for BDT 292.17 mio and cash inflow decreased. Purchase also increased BDT. 616.77 mio during the year, both in terms of quantity and value.		
36.5 Reconciliation of operating cash flow:		
Cash flows from operating activities		
Profit before taxation	1,178,266,309	1,348,825,288
Adjustment for:		
Depreciation	407,803,841	407,503,491
Amortization	5,462,966	5,587,852
Foreign exchange loss	990,744	51,368,514
Finance expenses	36,096,086	48,405,440
Finance income	(32,051,044)	(18,507,175)
Other income	(157,626,209)	(102,298,556)
	<u>1,438,942,694</u>	<u>1,740,884,854</u>
Increase/decrease in trade and other receivable	(288,753,071)	135,503,513
Increase/decrease in inventories	(467,414,003)	(6,890,583)
Increase/decrease in trade and other payables	53,435,957	204,254,026
Cash generated from operating activities	<u>736,211,577</u>	<u>2,073,751,808</u>
Interest received from bank deposit	5,105,100	8,087,551
Income tax paid	(266,232,589)	(294,807,390)
Net cash (used in)/from operating activities	<u>475,084,086</u>	<u>1,787,031,969</u>

37 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments, VAT claims and customs duty by the authority aggregating to Tk 992,574,842 (31 Dec 2017: Tk 668,168,492). 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 307,987,626 (31 Dec 2017: Tk 478,871,145) and letter of guarantee of Tk 57,453,148 (31 Dec 2017: Tk 57,759,887).

38 Events after the reporting period

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on February 06, 2019, has unanimously recommended dividend @ 10% in cash and 10% in stock of the paid up capital of the company for the year ended 2018. These dividends are subject to final approval by the shareholders at the forthcoming 20th Annual General Meeting of the Company.

DIRECTORS' REPORT OF RAK POWER PVT. LTD

Dear shareholders,

The Board of Directors of RAK Power Pvt. Ltd is pleased to present the Directors' Report of the Company, together with the Auditor's Report and the Audited Financial Statements of the Company for the year ended 31 December 2018 thereon, for your valued consideration, approval and adoption.

Principal activities

The core objective 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 franchisee area within Bangladesh and generate electricity based on the different types of available fuel such as gaseous, liquid and solid fuels, hydro potential and any other natural resources such as solar, wind, tidal and waste materials.

Review of business

The power plant capacity was available in excess of 90% of installed capacity during 2018. However, supply was primarily dedicated to meet the requirements of the parent company, RAK Ceramics (Bangladesh). After the commercial operations of the fourth plant of RAK Ceramics (Bangladesh), the power requirement to the factory has increased and hence, power supply to all other organisations has been suspended. To meet the additional power requirement of the ceramics factory, we have received the permission for additional gas supply to run the 3 MW MWM generators, one Caterpillar generator installed in the sanitaryware plant and increase the suppressed load of other

3 MW Cat generators. As per the allocation order and instructions from Titas Gas Company, we have already deposited the security amount. This additional generation capacity will represent an increase by 5 MW. With this increase, the generation capacity of at least 2 MW power will constitute a surplus.

Operating results

The operating results of the Company for the year ended 2018 are as follows:

Particulars	(Amount in BDT mn)	
	2018	2017
Sales	392.09	381.12
Gross profit	135.28	134.56
Net profit after tax	86.45	86.53
Earnings per share (Absolute BDT)	42.17	42.21
Net operating cash flow per share (NOCFPS)	46.83	13.97
Net asset value (NAV)	316.21	311.76
Net asset value per share (Absolute BDT)	154.25	152.08

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend @ 40% of the paid-up capital of the Company for the year 2018. While recommending the dividend, the Board of Directors has considered the operational performance, business results, assets as at that date and working capital requirements for potential future expansions. The Company paid cash dividend @ 40% of paid-up capital for the year 2017.

Auditors

ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), shall retire at the 14th Annual General Meeting and, being eligible, offer themselves for re-appointment. The Board has also recommended their re-appointment for the year 2019. Remuneration of the Auditor will be fixed by the shareholders at the 14th Annual General Meeting.

Post Balance Sheet events

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

Appreciation

The Board would like to take this opportunity to place on record their sincere appreciation to Government authorities, shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in enabling the Company to attain its objectives.

For and on behalf of the Board of Directors,



(Abdallah Massaad)

Chairman

February 06, 2019

RAK Power Ltd.

INDEPENDENT AUDITORS REPORT AND AUDITED FINANCIAL STATEMENTS

for the year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of
RAK Power Pvt. Ltd.

Opinion

We have audited the accompanying financial statements of RAK Power Pvt. Ltd. which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 02-03.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the company for the year ended 31 December 2017 were audited by K.M. Hasan & CO. Chartered Accountants who expressed an unmodified opinion on those statements on 28 January 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in

accordance with IFRSs as explained in note 02-03, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we could not obtain prior to the date of this auditors' report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Director's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our

auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- a) we have obtained all the information and 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 these 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 returns.



ACNABIN

Chartered Accountants

Dated, 6 February 2019

RAK Power Pvt. Ltd.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Note	2018 Taka	2017 Taka
Assets			
Property, plant and equipment	4	148,068,460	165,503,622
Investment	5	287,500	287,500
Total non-current assets		148,355,960	165,791,122
Inventories	6	70,274,367	65,775,555
Trade and other receivables	7	98,829,655	94,852,681
Advances, deposits and prepayments	8	27,662,579	11,505,579
Advance income tax	9	266,386,881	237,174,166
Cash and cash equivalents	10	63,146,812	50,901,746
Total current assets		526,300,294	460,209,727
Total assets		674,656,254	626,000,849
Equity			
Share capital	11	205,000,000	205,000,000
Retained earnings	12	111,216,108	106,761,188
Total equity		316,216,108	311,761,188
Liabilities			
Deferred tax liability	13	32,064,091	34,847,177
Total non-current liabilities		32,064,091	34,847,177
Trade and other payables	15	11,736,387	10,558,259
Accrued expenses	16	20,815,560	17,135,671
Provision for income tax	17	293,824,108	251,698,554
Total current liabilities		326,376,055	279,392,484
Total liabilities		358,440,146	314,239,661
Total equity and liabilities		674,656,254	626,000,849

The accompanying notes are an integral part of these financial statements.



Managing Director



Director

As per our report of same date



ACNABIN

Chartered Accountants

Dated, 6 February 2019

RAK Power Pvt. Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	2018 Taka	2017 Taka
Sales	18	392,089,748	381,122,602
Cost of sales	19	(256,812,814)	(246,164,482)
Gross profit		135,276,934	134,958,120
Other income	20	189,179	164,722
Administrative expenses	21	(9,239,232)	(9,831,894)
		(9,050,053)	(9,667,172)
Profit from operating activities		126,226,881	125,290,948
Finance income	22	2,027,325	2,013,801
Finance expenses	23	(2,456,819)	(1,226,099)
Net finance income		(429,494)	787,702
Profit before income tax		125,797,387	126,078,650
Income tax expense:			
Current tax	24	(42,125,554)	(41,210,074)
Deferred tax	13	2,783,087	1,661,444
		(39,342,467)	(39,548,630)
Profit for the year		86,454,920	86,530,020
Other comprehensive income for the year		-	-
Total comprehensive income for the year		86,454,920	86,530,020
Basic earnings per share (par value Tk 100)	30	42.17	42.21

The accompanying notes are an integral part of these financial statements.



Managing Director



Director

As per our report of same date



ACNABIN

Chartered Accountants

Dated, 6 February 2019

RAK Power Pvt. Ltd.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share Capital	Retained earnings	Total
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Balance as at 1 January 2017	205,000,000	102,231,168	307,231,168
Total comprehensive income for 2017			
Profit for the year	-	86,530,020	86,530,020
Other comprehensive income	-	-	-
Transactions with the shareholders			
Cash dividend (2016)	-	(82,000,000)	(82,000,000)
Balance as at 31 December 2017	205,000,000	106,761,188	311,761,188
Balance as at 1 January 2018	205,000,000	106,761,188	311,761,188
Total comprehensive income for 2018			
Profit for the year	-	86,454,920	86,454,920
Other comprehensive income	-	-	-
Transactions with the shareholders			
Cash dividend (2017)	-	(82,000,000)	(82,000,000)
Balance as at 31 December 2018	205,000,000	111,216,108	316,216,108

The accompanying notes are an integral part of these financial statements.

RAK Power Pvt. Ltd.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018	2017
	<u>Taka</u>	<u>Taka</u>
Cash flows from operating activities		
Cash receipts from customers	388,473,151	319,747,816
Cash payments to suppliers and employees	(263,978,452)	(240,274,445)
Cash generated from operating activities	124,494,699	79,473,372
Interest received from bank deposit	724,752	562,343
Income tax paid	(29,212,716)	(49,606,051)
Net cash (used in)/from operating activities	96,006,735	30,429,665
Cash flows from investing activities		
Acquisition of property, plant and equipment	(443,866)	(404,358)
Sale of property, plant and equipment	7,642	-
Interest received from FDR	1,091,375	1,711,506
Dividend received	40,000	20,000
Net cash (used in)/from investing activities	695,151	1,327,147
Cash flows from financing activities		
Finance charges	(2,456,819)	(1,226,099)
Dividend paid	(82,000,000)	(82,000,000)
Net cash (used in)/from financing activities	(84,456,820)	(83,226,099)
Net increase/(decrease) in cash and cash equivalents	12,245,066	(51,469,287)
Cash and cash equivalents as at 1 January	50,901,746	102,371,034
Cash and cash equivalents as at 31 December (Note 10)	63,146,812	50,901,746

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

1. Reporting entity

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of BDT 1,000,000,000 divided into 10,000,000 ordinary shares of BDT 100 each. The paid up capital stands at BDT 205,000,000 as on 31 December 2018. The company has gone into commercial operation from 01 May 2009.

The registered office of the company is at RAK Tower (8th floor), Jashimuddin Avenue, Plot # 1/A, Sector # 3, Uttara Model Town, Dhaka-1230. The Power Plant is located at Vill : Dhanua, P.S: Sreepur, Dist : Gazipur.

1.1 Nature of business

The main objects of the company is to set-up power utilities, own and operate power-generating plants, transmission system and distribution system and to sell the generated electric power to any legal entity or any designated franchise area within Bangladesh, and generate electricity based on different available types of fuels such as gaseous, liquid and solid fuels, hydro potential and any other natural resources such as solar, wind, tidal and waste materials.

2. Basis of preparation

2.1 Statement of compliance

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

The title and format of these financial statements follow the requirements of IFRS which are to some extent different from the requirement of the Companies Act 1994. However, such differences are not material and in the view of management IFRS titles and format give better presentation to the shareholders.

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 06 February 2019.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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 13	Deferred tax liability
Note 14	Employees benefit payable
Note 17	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 have been applied consistently to all periods presented in these financial statements and have been applied consistently.

3.1 Property, plant and equipment

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

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

3.2 Depreciation on property, plant, equipment and investment property

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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

Category of property, plant and equipment	Rate (%)
Factory building	20
Plant and machinery:	
Main Genset	5
Auxiliary equipments	10
Electrical installation	20
Gas pipeline	20
Furniture and fixtures	10
Office equipment	20
Communication equipment	10
Tools and appliances	20
Fire fighting equipments	20
Vehicles	20

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

3.3 Financial assets

a) Investment (in share)

Investment in subsidiaries are 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) 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.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank including short notice deposits and fixed deposits having maturity of three months or less which are available for use by the Company without any restriction. Bank overdraft that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

3.3.1 Financial liabilities

The Company 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

3.4 Inventories

Inventories on hand are valued at the lower of cost and net realisable value. For raw materials and consumable spare parts cost is determined on a weighted average cost basis. Work-in-process is stated at cost to complete of respective product. Cost comprises cost of raw materials, wages and other overheads up to the stage of completion. Finished products are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Raw materials in transit are valued at cost.

3.5 Employee benefit schemes

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

Defined contribution plan (provident fund)

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

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

Defined benefit plan (gratuity fund)

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

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

Details of employees benefit schemes have been provided in note no. 14.

Workers' Profit Participation and Welfare Fund

As per Bangladesh Labour Act 2006 as amended in 2015, The Workers Profit Participation Fund is yet to be introduced.

3.6 Finance income and expenses

Finance income comprises interest income on funds invested in FDR and Short Notice Deposit (SND) accounts. Interest income is recognised on accrual basis.

Finance expense comprises interest expense only on overdraft. All finance expenses are recognised in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

3.7 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a private limited company of the same industry. The tax rate 35% is used for the reporting period 2018 as per Finance Act 2018. 10% rebate on payable tax.

Deferred tax:

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

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

3.8 Foreign currency

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

3.9 Earning per share

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

3.10 Contingencies

3.10.1 Contingent liability

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

Contingent liability should not be 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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

3.11 Statement of cash flows

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

3.12 Provisions

Provisions are 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 Standards, amendmends and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 with earlier application permitted. The company does not plan to adopt these standards early. The new standards which may be relevant to the company are set out below.

3.13.1 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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

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

iii. Hedging

IFRS 9 incorporates new hedge accounting rules which intend to align hedge accounting with a company's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the company has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

The company will avail the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no 27.1 (b).

The company analysed its financial assets and decided not to provide for impairment because the company is confident enough to recover its financial assets.

3.13.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

i. Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the company is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

Based on the company's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the company does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

ii. Rendering of services

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

iii. Construction contracts

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

Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

The company does not expect the application of IFRS 9 and IFRS 15 to have a significant impact on its consolidated financial statements. The actual impacts of adopting these standards at 1 January 2018 may change because:

these standards will require the company to revise its accounting policies and internal controls and these changes are not yet complete;

the company is also refining and finalizing its model for expected credit loss calculations; and the new accounting policies, assumptions, judgement and estimation techniques employed are subject to change until the company finalizes its first consolidated financial statements that includes the date of initial application.

3.14 New standards adopted

The following new standards are effective for annual periods beginning from 1 January 2018 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers

3.15 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.

3.16 Comparatives and reclassification

Comparative information have been disclosed in respect of 2017 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current period's financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

4 Property, Plant and equipment

Particulars	COST					Rate	DEPRECIATION				Net book value as at 31 Dec 2018
	Balance as at 01 Jan 2018	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2018	Balance as at 01 Jan 2018		Charged during the year	Adjustment during the year	Balance as at 31 Dec 2018		
Land	11,294,000	-	-	11,294,000	-	0%	-	-	-	-	11,294,000
Factory building	19,195,131	378,000	-	19,573,131	-	20%	16,939	-	19,212,069	-	361,062
Plant and machinery											
Main Genset	268,615,599	-	-	268,615,599	-	5%	13,430,780	-	134,307,800	-	134,307,799
Auxiliary equipments	33,597,157	-	-	33,597,157	-	10%	3,359,712	-	33,477,988	-	119,169
Electrical installation	25,822,636	-	-	25,822,636	-	20%	567,698	-	24,736,353	-	1,086,283
Gas pipeline	17,699,732	-	-	17,699,732	-	20%	167,145	-	17,533,731	-	166,001
Furniture and fixtures	2,184,972	-	182,274	2,002,698	-	10%	218,501	174,633	1,424,569	-	578,129
Office equipment	1,129,205	65,866	-	1,195,071	-	20%	98,139	-	1,039,058	-	156,013
Communication equipment	124,786	-	-	124,786	-	10%	12,473	-	124,785	-	1
Tools and appliances	4,445	-	-	4,445	-	20%	-	-	4,444	-	1
Fire fighting equipments	3,631,012	-	-	3,631,012	-	20%	-	-	3,631,011	-	1
Vehicles	2,300,531	-	-	2,300,531	-	20%	-	-	2,300,530	-	1
Total	385,599,206	443,866	182,274	385,860,798	182,274		17,871,387	174,633	237,792,338	174,633	148,068,460

Amount in Taka

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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		Balance as at 01 Jan 2017	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2017	
Land	11,294,000	-	-	11,294,000	0%	-	-	-	-	11,294,000
Factory building	19,195,131	-	-	19,195,131	20%	-	-	-	19,195,130	1
Plant and machinery	268,615,599	-	-	268,615,599	5%	13,430,780	-	-	120,877,020	147,738,579
Main Genset	33,597,157	-	-	33,597,157	10%	3,359,716	-	-	30,118,276	3,478,881
Auxiliary equipments	25,822,636	-	-	25,822,636	20%	567,698	-	-	24,168,655	1,653,981
Electrical installation	17,699,732	-	-	17,699,732	20%	446,043	-	-	17,366,586	333,146
Gas pipeline	1,817,364	367,608	-	2,184,972	10%	207,317	-	-	1,380,701	804,271
Furniture and fixtures	1,092,455	36,750	-	1,129,205	20%	107,352	-	-	940,919	188,286
Office equipment	124,786	-	-	124,786	10%	12,479	-	-	112,312	12,474
Communication equipment	4,445	-	-	4,445	20%	-	-	-	4,444	1
Tools and appliances	3,631,012	-	-	3,631,012	20%	-	-	-	3,631,011	1
Fire fighting equipments	2,300,531	-	-	2,300,531	20%	39,614	-	-	2,300,530	1
Vehicles										
Total	385,194,847	404,358	-	385,599,205		18,170,999	-	-	220,095,584	165,503,622

Amount in Taka

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	<u>2018</u>	<u>2017</u>				
	Taka	Taka				
4.1 Depreciation charged on the basis of the purpose of use						
Cost of sales	17,542,274	17,804,237				
Administrative expenses	329,113	366,762				
	17,871,387	18,170,999				
4.2 Disposal of property, plant and equipment						
2018						
	Particulars	Original cost	Accumulated depreciation	Book value	Receipts against Sale	Profit /(loss) on disposal
	Taka	Taka	Taka	Taka	Taka	Taka
	Air Conditioner	182,274	174,633	7,641	11,550	3,909
	Total	182,274	174,633	7,641	11,550	3,909
2017						
	Particulars	Original cost	Accumulated depreciation	Book value	Receipts against Sale	Profit /(loss) on disposal
	Taka	Taka	Taka	Taka	Taka	Taka
	No disposal	-	-	-	-	-
	Total	-	-	-	-	-
		<u>2018</u>	<u>2017</u>			
		Taka	Taka			
5 Investment						
Investment to RAK Security & Services Pvt. Ltd	287,500	287,500				
	287,500	287,500				
6 Inventories						
Stores, spares and consumables	70,274,367	65,775,555				
	70,274,367	65,775,555				
7 Trade and other receivables						
Trade receivable						
Receivable from Sales	98,658,782	94,712,821				
	98,658,782	94,712,821				
Other receivable						
Interest accrued on FDR	170,873	139,860				
	170,873	139,860				
	98,829,655	94,852,681				
8 Advance, deposits and prepayments						
Security and other deposit:						
Titas gas transmission & distribution co. ltd.	27,089,450	11,011,600				
VAT and Supplementary duty (Note-8.1)	18,986	18,986				
	27,108,436	11,030,586				

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	<u>Taka</u>	<u>Taka</u>
Prepayments:		
Office rent	113,000	113,000
Insurance and others	441,143	361,993
	554,143	474,993
	27,662,579	11,505,579
8.1 VAT and supplementary duty (SD)		
Balance as at 1 January	18,986	156,007
	18,986	156,007
Add: Receivable - SD & VAT		
	18,986	156,007
Less: SD & VAT on sales	-	137,021
	-	137,021
Balance as at 31 December	18,986	18,986
9 Advance Income Tax		
Balance as at 1 January	237,174,166	187,568,115
Add: Paid during the year	29,212,715	49,606,051
	266,386,881	237,174,166
Balance as at 31 December (Note 9.1)	266,386,881	237,174,166
9.1 Year wise payment		
Income year		
Year 2018	18,679,781	-
Year 2017	41,290,654	30,757,720
Year 2016	44,944,216	44,944,216
Year 2015	45,242,248	45,242,248
Year 2014	37,992,335	37,992,335
Year 2013	37,210,247	37,210,247
Year 2012	33,236,075	33,236,075
Year 2011	5,945,904	5,945,904
Year 2010	1,840,421	1,840,421
Year 2009	5,000	5,000
	266,386,881	237,174,166
10 Cash and cash equivalents		
Cash in hand	152,859	224,040
	152,859	224,040
Cash at banks		
HSBC (current account - 001-107580-011 - BDT)	657,107	125,669
Standard Chartered Bank (current account - 01-3767272-01 - BDT)	962,844	29,374
Dutch Bangla Bank Ltd. (current account - 117 - 110 - 23474 - BDT)	1,850	2,000
Standard Chartered Bank (SND -02-3767272-01 - BDT)	53,650	454,397
Standard Chartered Bank (Margin Money account)	3,319,200	-
Dutch Bangla Bank Ltd. (SND account - 117-120-2550 - BDT)	15,112,100	22,476,352
MidLand Bank (SND Account 0006-1070000015 - BDT)	11,420,033	-
	31,526,784	23,087,792

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
Investment in Fixed Deposit Receipt (FDR)		
HSBC	1,866,589	1,827,834
Standard Chartered Bank.	762,080	762,080
Dutch Bangla Bank Ltd.	28,838,500	25,000,000
	<u>31,467,169</u>	<u>27,589,914</u>
	63,146,812	50,901,746
11 Share Capital		
Authorised		
10,000,000 ordinary shares of Tk 100 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed, called and paid up		
2,050,000 ordinary shares of Tk 100 each	<u>205,000,000</u>	<u>205,000,000</u>

Percentage of shareholding:

	2018		2017	
	%	Taka	%	Taka
RAK Ceramics (Bangladesh) Limited.	99.9996	204,999,000	99.9996	204,999,000
RAK Security and Services (Pvt.) Ltd.	0.0002	500	0.0002	500
Engr. Md. Maqsoodul Karim	0.0002	500	0.0002	500
	<u>100.00</u>	<u>205,000,000</u>	<u>100.00</u>	<u>205,000,000</u>

Classification of shareholders by range:

Shareholder's range	Number of shareholders		Number of shares	
	2018	2017	2018	2017
Less than 500 shares	2	2	10	10
Over 500 shares	1	1	2,049,990	2,049,990
	<u>3</u>	<u>3</u>	<u>2,050,000</u>	<u>2,050,000</u>

12 Reserve and Surplus

Balance as on 01 January	106,761,188	102,231,168
Add : Profit during the year	86,454,920	86,530,020
	193,216,108	188,761,188
Less: Dividend declared during the year	(82,000,000)	(82,000,000)
Balance as on 31 December	<u>111,216,108</u>	<u>106,761,188</u>

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	<u>2018</u>	<u>2017</u>	
	Taka	Taka	
13 Deferred tax liabilities			
Balance as at 1 January	34,847,177	36,508,621	
Deferred tax (income) / expenses	(2,783,086)	(1,661,444)	
Balance as at 31 December	32,064,091	34,847,177	
	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2018			
Property, plant and equipment (Excluding land and others)	136,782,099	45,170,411	91,611,688
Net taxable temporary difference			91,611,688
Deferred tax liability (applying tax rate 35.00%)			32,064,091
As at 31 December 2017			
Property, plant and equipment (Excluding land and others)	154,209,622	54,646,258	99,563,364
Net taxable temporary difference			99,563,364
Deferred tax liability (applying tax rate 35.00%)			34,847,177
14 Employees benefits payable			
	<u>2018</u>		
	<u>Provident Fund</u>	<u>Gratuity Fund</u>	<u>Total</u>
	Taka	Taka	Taka
Balance as at 1 January			
Add: Provision made during the year	1,053,720	657,801	1,711,521
	1,053,720	657,801	1,711,521
Less: Payments made to fund during the year	1,053,720	657,801	1,711,521
Balance as at 31 December	-	-	-
	<u>2017</u>		
	<u>Provident Fund</u>	<u>Gratuity Fund</u>	<u>Total</u>
	Taka	Taka	Taka
Balance as at 1 January	-	-	-
Add: Provision made during the year	940,450	587,772	1,528,222
	940,450	587,772	1,528,222
Less: Payments made to fund during the year	940,450	587,772	1,528,222
Balance as at 31 December	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
15 Trade and other payables		
Trade payables		
Payable to local suppliers	3,328,655	1,326,665
Payable to service provider	6,275,278	7,134,369
	<u>9,603,933</u>	<u>8,461,034</u>
Other payables		
Tax deducted at source	852,830	772,844
VAT deducted at source	1,279,624	1,324,381
	2,132,454	2,097,225
	<u>11,736,387</u>	<u>10,558,259</u>
16 Accrued expenses		
Power and gas	14,132,304	12,199,347
Staff cost	5,201,622	4,661,941
Audit fees	80,500	80,500
Taxation Matter	23,000	21,340
Operation and maintenance	1,371,134	155,366
Telephone & Others	7,000	17,177
	<u>20,815,560</u>	<u>17,135,671</u>
17 Provision for income tax		
Balance as at 1 January	251,698,554	210,488,480
Add: Provision made for current year	42,125,554	41,210,074
Balance as at 31 December (note 17.1)	<u>293,824,108</u>	<u>251,698,554</u>
17.1 Year wise closing balance		
Income year		
Current year		
Year 2018	42,125,554	-
Year 2017	41,210,074	41,210,074
Year 2016	45,393,782	45,393,782
Year 2015	45,242,248	45,242,248
Year 2014	37,992,335	37,992,335
Year 2013	44,169,714	44,169,714
Year 2012	33,236,076	33,236,076
Year 2011	3,535,904	3,535,904
Year 2010	913,421	913,421
Year 2009	5,000	5,000
	<u>293,824,108</u>	<u>251,698,554</u>

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

18 Sales

	2018		2017	
	Quantity in million kwh	Amount Taka	Quantity in million kwh	Amount Taka
Electricity	53.68	392,089,748	54.11	381,259,623
Less: VAT		-		137,021
		392,089,748		381,122,602

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

Quantity in million

Description	Unit	Opening stock	Purchase / Production	Sale / Consumption	Closing stock
		Quantity	Quantity	Quantity	Quantity
Raw materials (natural gas)	cubic meter				
Current year		-	12.81	12.81	-
Previous year		-	13.84	13.84	-
Finished goods					
Electricity	kwh				
Current year		-	53.68	53.68	-
Previous year		-	54.11	54.11	-

18.2 Production capacity and actual production are given below:

2018

Production	Unit	Installed Capacity (million)		Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
		Annual	For the year			
Electricity	kwh	59.96	59.96	53.68	90%	(6.28)

2017

Production	Unit	Installed Capacity (million)		Utilisation during the year (million)	% of Utilisation	Over/(Under) Utilisation (million)
		Annual	For the year			
Electricity	kwh	59.96	59.96	54.11	90%	(5.85)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	<u>Taka</u>	<u>Taka</u>
19 Cost of electricity generation		
Cost of electricity generation		
Consumption of natural gas	132,482,810	128,201,858
	132,482,810	128,201,858
Factory overhead:		
Direct labour (note-19.1)	9,723,591	8,427,265
Direct expenses:		
Lubricating Oil	7,031,379	6,249,206
Repair & indirect materials (note-19.2)	80,333,057	75,300,338
Rental for caterpillar Gensets	7,075,457	6,981,600
Depreciation	17,542,274	17,804,237
Other production expenses (note 19.3)	2,624,246	3,199,978
	256,812,814	246,164,482
19.1 Direct labour		
Salary & wages	7,072,716	6,185,360
Bonus	1,188,625	1,064,510
Incentive	274,457	82,667
Gratuity	527,689	464,426
Employers contribution to provident fund	423,360	371,549
Leave Encashment	187,461	202,041
Group life insurance	49,283	56,712
	9,723,591	8,427,265
19.2 Repair and indirect materials		
Operation & Maintenance	64,725,881	65,628,659
Spare Parts Cat genset	14,861,710	8,838,327
Water & Chemicals	675,016	726,088
Diesel	70,450	107,264
	80,333,057	75,300,338
19.3 Other production overhead		
Security & Services	1,511,624	1,898,062
Insurance	872,065	1,066,888
Other expenses	240,558	235,029
	2,624,246	3,199,978
20 Other income		
Dividend income	40,000	20,000
Misc. Income	145,270	144,722
Profit on sale of fixed assets	3,909	-
	189,179	164,722

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	<u>Taka</u>	<u>Taka</u>
21 Administrative expenses		
Staff cost (note-21.1)	7,318,453	7,062,753
Telephone and postage	147,090	159,019
Office repair and maintenance	33,637	90,073
Registration and renewal	127,481	130,348
Security and guard expenses	128,040	122,220
Electricity, gas and water	140,746	159,290
Depreciation on property, plant & equipment (note - 4)	329,115	366,762
Legal and professional fees	115,000	600,150
Vehicle repair and maintenance	356,037	567,982
Rent rate and tax	518,400	536,196
Meeting Expenses	7,475	6,325
Others	17,758	30,776
	9,239,232	9,831,894
21.1 Staff cost		
Salary & wages	5,159,904	5,173,952
Bonus	737,582	772,834
Incentive	77,330	40,076
Gratuity	130,112	123,347
Employers contribution to provident fund	103,500	98,676
Leave encashment	42,379	45,684
Group life insurance	12,654	14,944
Staff welfare expenses	9,688	18,440
Other employee benefit	210,960	441,113
Travelling expenses	122,027	23,640
Fooding expenses	712,317	310,047
	7,318,453	7,062,753
22 Finance income		
Interest on bank account (SND)	724,752	562,343
Interest on FDR	1,122,388	1,451,458
Exchange gain	180,185	-
	2,027,325	2,013,801
23 Finance expenses		
Interest expenses	5,101	-
Bank charges	2,451,718	1,062,175
Exchange loss	-	163,924
	2,456,819	1,226,099

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

	2018	2017
	Taka	Taka
24 Income tax expenses		
Current year	42,125,554	41,210,074
	42,125,554	41,210,074

25 Reconciliation of effective tax rate

	2018		2017	
	%	Taka	%	Taka
Profit before tax		125,797,387		126,078,650
Current tax expenses	33.49%	42,125,554	32.69%	41,210,074
Deferred tax expenses	-2.21%	(2,783,087)	-1.32%	(1,661,444)
Total tax expenses	31.27%	39,342,467	31.37%	39,548,630
Expected income tax using applicable tax rate	31.50%	39,626,177	35.00%	44,127,528
Tax on non-deductible expenses	1.99%	2,499,377	-2.31%	(2,917,454)
Effective current tax	33.49%	42,125,554	32.69%	41,210,074
Effective deferred tax	-2.21%	(2,783,087)	-1.32%	(1,661,444)
	31.27%	39,342,467	31.37%	39,548,630

26 Transaction in foreign currency

CIF value of import:	38,134,412	12,354,960
Spare parts	38,134,411	12,354,961

27 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.1 Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

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 December		As at 31 December	
	2018	2017	2018	2017
Trade receivables				
Customer-Local	-	-	98,658,782	94,712,821
	-	-	98,658,782	94,712,821
Other receivables				
Accrued Interest	-	-	170,873	139,860
	-	-	170,873	139,860
Cash equivalents	-	-	62,993,953	50,677,706

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2018.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment
Trade & other receivable-unrelated	7	Loan & receivable	Amortized cost	170,873	170,873	-
Trade & other receivable-related	7	Loan & receivable	Amortized cost	98,658,782	98,658,782	-
Cash & cash equivalent	10	Loan & receivable	Amortized cost	63,146,812	63,146,812	-

- i Trade and other receivables and due from related parties that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current period on transition to IFRS 9.
- ii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current period on transition to IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

c) Ageing of receivables

	Amount in Taka	
	As at 31 December	
	2018	2017
The aging of trade receivables was:		
Not past due	98,829,655	94,712,821

27.2 Liquidity risk

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

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

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

	As at 31 December 2018			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	11,736,387	11,736,387	11,736,387	-
	11,736,387	11,736,387	11,736,387	-

	As at 31 December 2017			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	10,558,259	10,558,259	10,558,259	-
	10,558,259	10,558,259	10,558,259	-

27.3 Market risk

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

a) Currency risk

The Company is exposed to currency risk on certain purchase of spare parts. Majority of the company's foreign currency purchase are denominated in EURO.

i) Exposure to currency risk

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

	As at 31 December 2018		As at 31 December 2017	
	USD	EUR	USD	EUR
Foreign currency denominated assets	-	-	-	-
Receivable from customers-Export	-	-	-	-
Cash at bank	-	-	-	-
	-	-	-	-
	As at 31 December 2018		As at 31 December 2017	
	USD	EUR	USD	EUR
Foreign currency denominated liabilities				
Trade payables	-	26,324	-	24,986
Short term bank loan	-	-	-	-
	-	26,324	-	24,986
Net exposure	-	(26,324)	-	(24,986)

The Company has foreign exchange loss or (gain) Tk 180,185/-

The following significant exchange rates have been applied:

	Exchange rate As at 31 December	
	2018	2017
US Dollar	82.9950	82.7000

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 2018 would have increased/(decreased) profit or loss by the amounts shown below.

	As at 31 December 2018		As at 31 December 2017	
	Profit or (loss) Amount in Taka		Profit or (loss) Amount in Taka	
	Strengthening	Weakening	Strengthening	Weakening
At 31 December				
EURO (3 percent movement)	77,787	(73,256)	76,156	(71,720)

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

as at and for the year ended 31 December 2018

Profile

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

	<u>Carrying amount</u>	
	<u>Amount in Taka</u>	
	<u>As at 31 December</u>	
	2018	2017
Fixed rate instruments		
Financial assets		
Investment in FDR	31,467,169	27,589,914
Cash at banks	31,526,784	23,087,792

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>	
	As at 31 December 2018		As at 31 December 2017	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Financial assets				
Assets carried at fair value through profit or loss	-	-	-	-
Held to maturity assets				
Investment in FDR	31,467,169	31,467,169	27,589,914	27,589,914
Loans and receivables				
Trade receivables	98,829,655	98,829,655	94,712,821	94,712,821
Other receivables	170,873	170,873	590,069	590,069
Cash equivalents	62,993,953	62,993,953	50,677,706	50,677,706
Available for sales financial assets				
Liabilities carried at amortised cost				
Trade and other payables	11,736,387	11,736,387	10,558,259	10,558,259

Accounting classification and fair value as at 31 December 2018 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	
	2018	2017
Investment in FDR	1.95%-5.50%	1.95%-4.00%
Short term bank loan (local currency)	13.50%-13.50%	13.50%-13.50%
Interest on Overdraft	8%-10%	8%-10%

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2018

28 Related party disclosures under IAS-24

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

Amounts in Taka

Name of related party	Relationship	Security/ Guarantee status	Bad debts	Status	year	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables	Outstanding payable	Remuneration	Dividend income & Payment
RAK Ceramics (Bangladesh) Limited	Parent Company	Unsecured	Nil		Current	392,089,748	6,152,571	98,658,782	-	-	81,999,600
RAK Security & Services Pvt. Ltd	Fellow Subsidiary	Unsecured	Nil		Current	1,523,026	-	-	176,870	-	40,000
					Previous	378,382,187	6,070,957	94,712,821	-	-	81,999,600
					Previous	1,785,575	-	-	172,050	-	20,000
Md. Maosudul Karim	Key Management Personnel	Unsecured	Nil		Current	-	-	-	-	3,995,492	200
					Previous	-	-	-	-	3,973,218	200
S.A.K. Ekramuzzaman	Key Management Personnel	Unsecured	Nil		Current	-	-	-	-	2,000	-
					Previous	-	-	-	-	2,000	-

28.1 Paid to Directors

During the year, Board meeting fees of Taka 6,500

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2018

29 Number of employees

The number of employees engaged for the year who received total remuneration of Taka 36,000 and above per annum at reporting date was as follows.

	<u>2018</u>	<u>2017</u>
	Person	Person
Number of employees	19	18

None of receiving below Taka 3,000 per month.

30 Earnings per share (EPS)

Calculation of earnings per share (EPS) is as under:
Earnings attributable to the ordinary shareholders
Profit for the year

	<u>2018</u>	<u>2017</u>
	Taka	Taka
Profit for the year	86,454,920	86,530,020
No. of ordinary equity shares	2,050,000	2,050,000
Weighted average no. of equity shares outstanding	2,050,000	2,050,000
Earnings per share (EPS) for the year	42.17	42.21
Diluted earnings per share for the year	42.17	42.21
Net assets value per share	154.25	152.08
Net operating cash flow per share	46.83	14.84

30.1 Reason of deviation of earnings per share:

Though there was no increase in the revenue of the company as compared to previous year, the costs was higher, which resulted in a reduction of net profit for the year.

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

Customers payment term changed in 2017. In the year 2018 it is being regularized.

31 Contingent liabilities

There is contingent liability in respect of letter of guarantee of Tk 26,213,731 (31 Dec 2017: Tk 22,970,880).

32 Events after the reporting period

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

The Board of Directors of RAK Power Pvt. Ltd., in its meeting held on February 06, 2019, has unanimously recommended dividend @ 40% in cash of the paid up capital of the company for the year ended 2018. These dividends are subject to final approval by the shareholders at the forthcoming 14th Annual General Meeting of the Company.

DIRECTORS' REPORT OF RAK SECURITY AND SERVICES (PVT.) LTD

Dear shareholders,

The Board of Directors of RAK Security and Services (Pvt.) Ltd is pleased to present the Directors' Report of the Company, together with the Auditor's Report and the Audited Financial Statements of the Company, for the year ended December 31, 2018 thereon, for your valued consideration, approval and adoption.

Principal activities

The principal activities of the Company comprise the business of security guarding and facilities management that include cleaning services, termite, pest control and fumigation services, fire security services and setting-up manpower technical training establishments for developing skilled workers for various fields of construction and other public works. We also provide pre-employment background verification and immigration and visa

documentation verification services, among others.

Review of business

The Company reported revenue of BDT 159.34 mn in 2018, against BDT 193.24 mn in 2017. The decline was primarily due to income from verification services moderating by 17.54%, as compared to 2017. The Company's net profit after tax stood at BDT 2.56 mn, against BDT 14.32 mn in 2017.

Operating results

The operating results of the Company for the year ended 2018 are as follows:

Particulars	(Amount in BDT mn)	
	2018	2017
Sales	159.34	193.24
Gross profit	22.20	44.40
Net profit after tax	2.56	14.32
Earnings per share (Absolute BDT)	256.25	1,432.46
Net operating cash flow per share (NOCFPS)	(961.92)	1,256.03
Net asset value (NAV)	43.32	44.76
Net asset value per share (Absolute BDT)	4,332.50	4,476.25

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend @ 500% of the paid-up capital of the Company for the year 2018. While recommending the dividend, the Board of Directors has considered the operational performance, business results, assets as at that date and working capital requirements for the future. The Company paid cash dividend @ 400% of paid-up capital for the year 2017.

Auditors

ACNABIN, Chartered Accountants (an independent member of BAKER TILLY INTERNATIONAL), shall retire at the 12th Annual General Meeting and, being eligible, have offered themselves for re-appointment. The Board also recommended their re-appointment for the year 2019. Remuneration of the Auditor will be fixed by the shareholders at the 12th Annual General Meeting.

Post Balance Sheet events

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

Appreciation

The Board would like to take this opportunity to place on record their sincere appreciation to the Government authorities, shareholders, investors, bankers and employees for their continuous commitment, cooperation, confidence and support in enabling the Company to attain its objectives.

For and on behalf of the Board of Directors,



(Abdallah Massaad)

Chairman

February 06, 2019

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of
RAK Security and Services (Pvt) Ltd.

Opinion

We have audited the accompanying financial statements of RAK Security and Services (Pvt) Ltd which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view, in all material respects, of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note 03.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the company for the year ended 31 December 2017 were audited by K.M. Hasan & CO. Chartered Accountants who expressed an unmodified opinion on those statements on 28 January 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls

Management is responsible for the preparation and fair presentation of the financial statements in

accordance with IFRSs as explained in note 03, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we could not obtain prior to the date of this auditors' report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Directors' Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists,

we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

- a) we have obtained all the information and 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 these 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 returns.

Dated, 6 February 2019



ACNABIN

Chartered Accountants

RAK Security and Services (Pvt) Ltd.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	2018 Taka	2017 Taka
Assets			
Property, plant and equipment	4	3,822,386	4,381,656
Investment	5	1,275	1,275
Deferred tax asset	6	153,674	-
Total non-current assets		3,977,335	4,382,931
Trade receivables	7	44,403,057	37,701,343
Advance, deposit and prepayment	8	1,069,004	761,857
Advance income tax	9	17,694,014	19,446,310
Cash & bank balances	10	2,492,668	16,142,195
Total current assets		65,658,743	74,051,705
Total Assets		69,636,078	78,434,636
Equity			
Share capital	11	1,000,000	1,000,000
Retained earning		42,325,057	43,762,536
Total equity		43,325,057	44,762,536
Liabilities			
Trade & other payables	12	838,011	1,677,047
Provision for expenses	13	8,552,045	9,947,297
Provision for income tax	14	16,920,965	22,047,757
Total liabilities		26,311,021	33,672,101
Total equity and liabilities		69,636,078	78,434,636

The accompanying notes are an integral part of these financial statements.



Managing Director



Director

As per our report of same date

Dated, 6 February 2019


ACNABIN
Chartered Accountants

RAK Security and Services (Pvt) Ltd.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	2018 Taka	2017 Taka
Sales	16	159,347,505	193,237,332
Cost of service	17	(137,149,296)	(148,832,913)
Gross profit		22,198,209	44,404,419
Other income	18	200	200
Administrative expenses	19	(15,225,926)	(16,180,130)
Impairment loss on trade receivable	19.1	(439,069)	-
Marketing expenses	20	(3,154,245)	(6,148,953)
		(18,819,040)	(22,328,883)
Profit from operating activities		3,379,169	22,075,536
Finance income	21	86,135	141,501
Finance expenses	22	(30,557)	(24,883)
		55,577	116,618
Profit before income tax		3,434,746	22,192,154
Income tax	23	(1,025,899)	(7,867,581)
Deferred tax	6	153,674	-
Profit for the year		2,562,521	14,324,573
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,562,521	14,324,573
Basic earnings per share (par value Tk 100)		256.25	1,432.46

The accompanying notes are an integral part of these financial statements.



Managing Director



Director

As per our report of same date

Dated, 6 February 2019



ACNABIN
Chartered Accountants

RAK Security and Services (Pvt) Ltd.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share capital	Retained earnings	Total
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
Balance as at 01 January 2017	1,000,000	31,437,961	32,437,961
Total comprehensive income for 2017			
Net profit for the year	-	14,324,574	14,324,574
Other comprehensive income	-	-	-
Transaction with the shareholders			
Cash dividend (2016)	-	(2,000,000)	(2,000,000)
Balance as at 31 December 2017	<u>1,000,000</u>	<u>43,762,535</u>	<u>44,762,535</u>
Balance as at 01 January 2018	1,000,000	43,762,536	44,762,536
Total comprehensive income for 2018			
Net profit for the year	-	2,562,521	2,562,521
Other comprehensive income			
Transaction with the shareholders			
Cash dividend (2017)	-	(4,000,000)	(4,000,000)
Balance as at 31 December 2018	<u>1,000,000</u>	<u>42,325,057</u>	<u>43,325,057</u>

The accompanying notes are an integral part of these financial statements.

RAK Security and Services (Pvt) Ltd.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018	2017
	<u>Taka</u>	<u>Taka</u>
Cash flow from operating activities		
Cash received from customer and others	152,645,791	189,385,950
Cash paid to suppliers and employees	(157,950,701)	(170,671,695)
Cash generated from operating activities	(5,304,910)	18,714,255
Interest received from Bank deposit	86,135	141,501
Payment of corporate income tax	(4,400,395)	(6,295,494)
Net cash (used in)/from operating activities	(9,619,170)	12,560,262
Cash flow from investing activities		
Acquisition of fixed assets	-	(958,428)
Dividend received	200	200
Net cash (used in)/from investing activities	200	(958,228)
Cash flow from financing activities		
Finance Charge	(30,557)	(24,882)
Dividend Payment	(4,000,000)	(2,000,000)
Net cash (used in)/from financing activities	(4,030,557)	(2,024,882)
Net increase/(decrease) in cash and cash equivalents	(13,649,527)	9,577,152
Cash and cash equivalents as at 01 January	16,142,195	6,565,043
Cash and cash equivalents as at 31 December	2,492,668	16,142,195

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

1. Introduction

RAK Security and Services (Pvt) Ltd. is a Private Company Limited by shares incorporated in Bangladesh on 21 December 2006 under the Companies Act XVIII of 1994. The registered office of the company is situated at RAK Tower (8th Floor), Plot No. 1/A, Jasimuddin Avenue, Sector No. 03, Uttara, Dhaka 1230.

2 Nature of Business

The main objects of the company is to carry on the business of security guarding, cleaning services, termite and pest control services, fumigation services and setting up manpower technical training establishments for creation of skilled workers in various fields of construction and public works. Pre-employment back ground verification and immigration & Visa documents verification services, fire safety services etc.

2.1 Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 06 February 2019.

2.2 Reporting period

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

3. Significant Accounting Policies

3.1 Accounting Convention and Basis

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).

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 profit or loss and other comprehensive income have been prepared according to IAS-1 (Presentation of Financial Statements) based on accrual basis and other applicable laws and regulations.

3.2 Other Regulatory Compliances

The Company has also complied with The Income Tax Ordinance 1984, The Income Tax Rules 1984, The Value Added Tax Act 1991, The Value Added Tax Rules 1991 and Bangladesh Labor Law 2006 as amended in 2015.

3.3 Integral Components of the Financial Statements

The financial statements of the Company include the following components:-

- a. Statement of Financial Position as at 31 December 2018.
- b. Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018.
- c. Statement of Changes in Equity for the year ended 31 December 2018.
- d. Statement of Cash Flows for the year ended 31 December 2018.
- e. Notes, Comprising a Summary of Significant Accounting Policies and Other Explanatory Information.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

3.4 Property, Plant & Equipments (PPE)

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. 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	Rate
Furniture & fixtures	10%
Tools & appliances	20%
Vehicles	20%
Office Equipments	10%

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

3.5 Advances, Deposits & Prepayments

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads.

Deposits are measured at payment value.

Pre-payments are initially measured at cost. After initial recognition, pre-payments are carried at cost less charges to Statement of Profit or Loss and other Comprehensive Income.

3.6 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash at bank which are available for use by the Company without any restriction. There is an insignificant risk of changes in value of these current assets.

3.7 Employees' Benefit Schemes

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

Defined Contribution Plan (Provident Fund)

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

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.

3.8 IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

i. Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

ii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

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

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

iii. Hedging

IFRS 9 incorporates new hedge accounting rules which intend to align hedge accounting with a company's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness. In accordance with IFRS 9, the company has an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting.

The company will avail of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Impact of IFRS 9 shown in note no 24.1 (b).

3.9 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

i. Sales of goods

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods. Revenue will be recognised for the contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.

Based on the Group's assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these sales.

ii. Rendering of services

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

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

3.10 Provision for taxation

Corporate tax

Corporate tax provision at the rate of @35% is made for the Current year.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

Deferred tax

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

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

3.11 Earnings per share (EPS)

The Company calculates Earning per Share (EPS) in accordance with IAS 33: Earning per Share, which has been shown on the face of Statement of Profit or Loss and Other Comprehensive Income, and the computation of EPS is stated in related note.

3.12 New standards adopted

The following new standards are effective for annual periods beginning from 1 January 2018 and have been applied in preparing these financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers

3.13 General

- 3.13.1 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.
- 3.13.2 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

as at and for the period ended 31 December 2018

4. Property, plant and equipment

Particulars	COST				Rate	Depreciation				Net book value as at 31 Dec 2018
	Balance as at 01 Jan 2018	Addition during the year	Sale/ disposal during the year	Balance as at 31 Dec 2018		Balance as at 01 Jan 2018	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2018	
	2,309,220	-	-	2,309,220		-	-	-	-	
Furniture & fixtures	915,379	-	-	915,379	10%	355,095	81,966	-	437,061	478,318
Office equipments	1,837,000	-	-	1,837,000	10%	763,532	142,459	-	905,991	931,009
Tools & appliances	126,255	-	-	126,255	20%	120,372	1,300	-	121,672	4,583
Vehicles	2,389,725	-	-	2,389,725	20%	1,956,924	333,545	-	2,290,469	99,256
Total	7,577,579	-	-	7,577,579		3,195,923	559,270	-	3,755,193	3,822,386

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		Balance as at 01 Jan 2017	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2017	
	2,309,220	-	-	2,309,220		-	-	-	-	
Furniture & fixtures	582,451	332,928	-	915,379	10%	214,878	140,217	-	355,095	560,284
Office equipments	1,218,000	619,000	-	1,837,000	10%	456,789	306,743	-	763,532	1,073,468
Tools & appliances	119,755	6,500	-	126,255	20%	104,939	15,433	-	120,372	5,883
Vehicles	2,389,725	-	-	2,389,725	20%	1,325,150	631,774	-	1,956,924	432,801
Total	6,619,151	958,428	-	7,577,579		2,101,756	1,094,167	-	3,195,923	4,381,656

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

		2018	2017
		Taka	Taka
5. Investment			
	Investment in RAK Power Pvt. Ltd.	1,275	1,275
		1,275	1,275
6. Deferred tax asset			
	Balance as at 1 January		
	Deferred tax income	153,674	-
	Balance as at 31 December	153,674	
	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
	As at 31 December 2018		
	Trade receivables	44,403,057	44,842,126
			(439,069)
			(439,069)
	Deferred tax asset (applying tax rate 35.00%)		(153,674)
7. Trade Receivables			
	Trade receivables	44,842,126	37,701,343
		44,842,126	37,701,343
	Less: Provision of impairment loss on trade receivable:		
	Unrelated parties	311,779	-
	Related parties	127,290	-
		44,403,057	37,701,343
8. Advance, deposit and prepayment			
	Advance to employee	175,500	-
	Advance to suppliers	470,670	470,670
	Advance/Deposit VAT	216,802	-
	Prepaid expenses	206,032	291,187
		1,069,004	761,857
9. Advance income tax			
	Balance as at 01 January	19,446,310	18,077,507
	Add. Paid during the year	4,400,394	6,295,493
		23,846,704	24,373,000
	Less: Assessment completed during the year	6,152,690	4,926,690
	Balance as at 31 December	17,694,014	19,446,310

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

	2018	2017
	Taka	Taka
9.1 Year wise closing balance		
Year - 2018	1,975,180	-
Year - 2017	7,767,254	5,342,040
Year - 2016	4,215,121	4,215,121
Year - 2015	3,736,458	3,736,458
Year - 2014	-	3,685,426
Year - 2013	-	2,467,265
	17,694,014	19,446,310
10. Cash and bank balances		
Cash in hand	375,939	660,551
Cash at banks		
DBBL (current account 117.110.4311)	1,517,575	1,626,157
DBBL (SND account 117.120.311)	-	13,847,017
Dhaka Bank Ltd. (current account 204.100.19318)	599,154	8,470
	2,492,668	16,142,195
11. Share capital		
Authorized capital:		
1,000,000 Ordinary shares of Tk. 100 each	100,000,000	100,000,000
Issued, subscribed, called and paid up capital:		
10,000 Ordinary shares of Tk. 100 each	1,000,000	1,000,000
Particulars of share-holdings are as follows:		
Name of shareholders:	No. of shares	Value per share
RAK Ceramics (Bangladesh) Ltd.	9,900	100
RAK Power Pvt. Ltd.	100	100
Total	10,000	
		1,000,000
		1,000,000
12. Trade and other payables		
Other Payables		
Advance from customers	720,242	767,625
Payable to employee	40,800	7,270
Tax deducted at source	73,000	102,000
VAT deducted at source	3,969	800,152
	838,011	1,677,047

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

	2018	2017
	<u>Taka</u>	<u>Taka</u>
13. Provision for expenses		
Staff cost	5,488,301	5,929,157
Audit fees	63,250	57,500
Legal and professional charges	28,750	28,750
Utilities bill	14,100	20,124
Temporary labour	2,957,644	3,911,766
	8,552,045	9,947,297
14. Provision for income tax		
Balance as at 01 January	22,047,757	19,106,866
Add: Provision made during the year	1,025,899	7,867,581
	23,073,656	26,974,447
Less: Assessment completed during the year	6,152,691	4,926,690
Balance as at 31 December	16,920,965	22,047,757
14.1 Year wise closing balance		
Year 2013	-	2,643,497
Year 2014	-	3,685,426
Year 2015	3,736,458	3,736,458
Year 2016	4,215,122	4,215,122
Year 2017	7,767,254	7,767,254
Year 2018	1,202,131	-
	16,920,965	22,047,757
15. Employees' benefit payable		

	2018		
	Provident Fund <u>Taka</u>	Gratuity Fund <u>Taka</u>	Total <u>Taka</u>
Balance as at 01 January	-	-	-
Add: Provision made during the year	4,022,748	3,098,931	7,121,679
	4,022,748	3,098,931	7,121,679
Less: Payment made during the year	4,022,748	3,098,931	7,121,679
Balance as at 31 December	-	-	-

Provision and payment includes BDT. 516,106 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

	2017		
	Provident Fund <u>Taka</u>	Gratuity Fund <u>Taka</u>	Total <u>Taka</u>
Balance as at 01 January	362,708	3,096,075	3,458,783
Add: Provision made during the year	3,878,924	3,162,059	7,040,983
	4,241,632	6,258,134	10,499,766
Less: Payment made during the year	4,241,632	6,258,134	10,499,766
Balance as at 31 December	-	-	-

Provision and payment includes BDT. 727,180 as employee contribution paid to employee leaving company before being eligible for provident fund and employer's contribution reversed.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

	2018	2017
	Taka	Taka
16. Sales		
Gross receipts from services	183,249,674	210,987,767
Less: Value added tax (VAT)	23,902,169	17,750,435
	159,347,505	193,237,332
17. Direct expenses		
Direct Wages (Note-17.1)	132,170,814	134,306,105
Security Training expenses (Note-17.2)	253,875	320,545
Other direct expenses (Note-17.3)	1,630,344	2,098,756
Verification expenses (Note-17.4)	3,094,263	12,107,507
	137,149,296	148,832,913
17.1 Direct Wages		
Salary and Wages	111,719,934	114,240,140
Overtime	12,930,801	12,287,726
Bonus	3,275,833	3,599,138
Employer's contribution to provident fund	1,331,221	1,182,669
Gratuity	2,561,955	2,657,243
Group Life Insurance	351,070	339,189
	132,170,814	134,306,105
17.2 Security training expenses		
Staff welfare	243,250	309,180
Conveyance	10,625	11,365
	253,875	320,545
17.3 Other direct expenses		
Cleaning expenses	-	5,045
Uniform expenses	1,630,344	2,085,111
Bicycle expenses	-	8,600
	1,630,344	2,098,756
17.4 Verification expenses		
Staff Cost	1,566,249	4,403,632
Special Service Allowance	1,504,895	7,669,083
Mobile Bill	23,119	34,792
	3,094,263	12,107,507
18. Other income		
Dividend income	200	200
	200	200

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

	2018	2017
	Taka	Taka
19. Administrative expenses		
Staff Cost (19.2)	9,284,924	8,969,416
Rent, rates and taxes	2,361,968	2,250,009
Telephone and postage	839,548	1,141,232
Repair and maintenance	766,000	1,197,897
Electricity, gas and water	306,577	311,092
Depreciation	559,270	1,094,167
Vehicle repair & maintenance	407,030	397,814
Legal and professional fees	498,900	586,175
Other expenses	201,709	232,328
	15,225,926	16,180,130
19.1 Impairment loss on trade receivable		
Unrelated parties	311,779	-
Related parties	127,290	-
	439,069	-
	New classification of financial assets shown in note 24.1(b). Impairment loss allowance has not been considered on bank balance because business is confident to recover the full amount from the bank.	
19.2 Staff Cost		
Salary	6,058,183	5,551,578
Bonus	968,333	888,500
Staff welfare	893,631	1,114,712
Employer's contribution to provident fund	354,060	324,578
Gratuity	450,396	415,506
Conveyance	531,580	669,424
Group Life Insurance	28,741	5,118
	9,284,924	8,969,416
20. Marketing expenses		
Staff Cost (20.1)	1,488,815	1,492,505
Travelling expenses	-	226,175
Entertainment	1,785	11,790
Conveyance	820,221	3,865,227
Telephone and Telex Expenses	9,756	14,386
Promotional expenses	833,668	518,485
Advertisement	-	15,000
Printing and Stationery	-	5,385
	3,154,245	6,148,953

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

	2018	2017
	Taka	Taka
20.1 Staff Cost		
Salary	1,165,500	1,165,594
Bonus	166,500	166,000
Employer's contribution to provident fund	68,040	68,625
Gratuity fund	86,580	89,310
Group Life Insurance	2,195	2,976
	1,488,815	1,492,505
21. Finance income		
Interest on bank account (SND)	86,135	141,501
	86,135	141,501
22. Financial expenses		
Bank charges	30,557	24,883
	30,557	24,883
23. Income tax		
Current year	1,202,131	7,767,254
Prior year adjustment	(176,232)	100,327
	1,025,899	7,867,581

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

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.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

a) Exposure to credit risk

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

	USD		Amount in Taka	
	As at Dec 31	As at Dec 31	As at Dec 31	As at Dec 31
	2018	2017	2018	2017
Trade receivables				
Customer-Local	-	-	44,403,057	37,701,343
Customer-Export	-	-	-	-
	-	-	44,403,057	37,701,343
	-	-	-	-
Cash equivalents	-	-	2,492,668	16,142,195

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2018.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment
Trade & other receivable	Related	7	Loan & receivable	35,883,248	35,755,958	127,290
	Unrelated		Amortized cost	8,831,587	8,519,808	311,779
Cash & cash equivalent	10	Loan & receivable	Amortized cost	2,492,668	2,492,668	-

- i Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current period on transition to IFRS 9.
- ii Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash & cash equivalent was recognised in the current period on transition to IFRS 9.

c) Aging of receivables

	Amount in Taka	
	As at Dec 31	As at Dec 31
	2018	2017
The aging of trade receivables as at 31 December:		
Current (not due)	26,731,290	17,243,030
Overdue by 0 - 90 days	6,860,033	10,602,859
Overdue by 91 - 180 days	5,687,417	2,510,048
Overdue by 180 - 365 days	4,591,401	7,145,404
More than 365 days	532,917	200,001

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

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, 2018				
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	838,011	838,011	838,011	-
	838,011	838,011	838,011	-
As at December 31, 2017				
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	1,677,047	1,677,047	1,677,047	-
	1,677,047	1,677,047	1,677,047	-

NOTES TO THE FINANCIAL STATEMENTS
as at and for the period ended 31 December 2018

25. Related party disclosure under IAS-24

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

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	Period	Purchase / Service	Sales of goods / Services	Outstanding Receivables	Dividend Income	Amounts in Taka	
RAK Ceramics (Bangladesh) Ltd.	Parent Company	Unsecured	Nil	Current Year	-	97,101,693	21,125,978	-		
				Previous Year	-	95,121,016	14,336,850	-		
RAK Power Pvt. Ltd.	Fellow Subsidiary	Unsecured	Nil	Current Year	-	1,523,026	176,870	200		
				Previous Year	-	1,822,317	172,050	200		
M/s. Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current Year	-	1,033,559	99,112	-		
				Previous Year	-	985,607	94,454	-		
Julphar Bangladesh Ltd.	Other related party	Unsecured	Nil	Current Year	-	2,129,440	434,166	-		
				Previous Year	-	1,965,677	543,194	-		
RAK Paints Pvt. Limited	Other related Party	Unsecured	Nil	Current Year	-	6,526,166	4,446,948	-		
				Previous Year	-	6,275,777	2,644,171	-		
RAK Consumer Products Ltd.	Other related Party	Unsecured	Nil	Current Year	-	1,706,992	2,328,994	-		
				Previous Year	-	1,833,920	1,702,075	-		
Rakeen Development Pvt. Ltd.	Other related party	Unsecured	Nil	Current Year	-	3,903,579	1,781,065	-		
				Previous Year	-	3,762,191	841,521	-		
Star Ceramics Pvt. Limited	Other related party	Unsecured	Nil	Current Year	-	4,535,788	871,634	-		
				Previous Year	-	8,050,380	1,975,266	-		
Star Porcelain Pvt. Ltd.	Other related party	Unsecured	Nil	Current Year	-	2,930,746	4,342,524	-		
				Previous Year	-	6,313,972	5,327,354	-		
Kea Printing and Packaging Ind.	Other related party	Unsecured	Nil	Current Year	-	988,507	378,602	-		
				Previous Year	-	987,704	189,310	-		

25.1 Paid to Directors

During the year, Board meeting fees of Taka 6,000 was paid to the board members for attending the Board meetings.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period ended 31 December 2018

26. Number of employees

The number of employees engaged for the period who received total remuneration of Taka 36,000 and above per annum at reporting date was as follows.

	2018	2017
Number of employees	356	424

None of receiving below Taka 3,000 per month.

27. Earnings per share (EPS)

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

	2018 Taka	2017 Taka
Earnings attributable to the ordinary shareholders		
Profit for the year	2,562,521	14,324,573
No. of ordinary equity shares	10,000	10,000
Weighted average no. of equity shares outstanding (Note 36.1)	10,000	10,000
Earnings per share (EPS) for the year	256.25	1,432.46
Diluted earnings per share for the year	256.25	1,432.46
Net assets value per share	4,332.51	4,476.25
Net operating cash flow per share	(961.92)	1,256.03

27.1 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.

	2018	2017
Outstanding shares	10,000	10,000
	10,000	10,000

27.2 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.

27.3 Reason of deviation of earnings per share:

Though there was decrease in the revenue of the company as compared to previous year and the costs was higher, which resulted in a reduction of net profit for the year.

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

The company decided to provide extended credit facilities to its parent company, in the process trade receivables have increased for BDT 6.70 mio and cash inflow decreased.

28 Events after the reporting period

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

The Board of Directors of RAK Security and Services (Pvt) Ltd., in its meeting held on February 06, 2019, has unanimously recommended dividend @ 500% in cash of the paid up capital of the company for the year ended 2018. These dividends are subject to final approval by the shareholders at the forthcoming 12th Annual General Meeting of the Company.

STATEMENT PURSUANT TO SECTION 186(1)(E) OF THE COMPANIES ACT, 1994

Name of subsidiary	RAK Power Pvt. Ltd	RAK Security and Services (Pvt.) Ltd
Name of the holding company	RAK Ceramics (Bangladesh) Limited	RAK Ceramics (Bangladesh) Limited
Holding company's interest	2,049,990 ordinary shares of Taka 100 each, fully paid-up	9,900 ordinary shares of Taka 100 each, fully paid-up
Extent of holding	99.99%	99.00%
The 'financial year' of the subsidiary company ended on	December 31, 2018	December 31, 2018
Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding company's accounts	Taka 424.25 mn	Taka 7.00 mn
For the subsidiary's aforesaid financial year	Taka 82.00 mn	Taka 4.00 mn
For the previous financial years since it became a subsidiary	Taka 342.25 mn	Taka 3.00 mn
Net aggregate amount of the subsidiary company's profits/(losses) not dealt with in the holding company's accounts	Taka 119.00	Nil
For the subsidiary's aforesaid financial year	Nil	Nil
For the previous financial years since it became a subsidiary	Taka 119.00	Nil
Changes, if any, in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company	No such changes	No such changes
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	No material changes	No material changes

NOTICE OF THE 20TH ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of RAK Ceramics (Bangladesh) Limited will be held on Tuesday, April 09, 2019, at 10.00 a.m., at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, Dhaka-1229 to transact the following businesses:

AGENDA:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31 December 2018, together with the reports of the Auditor and the Directors.
2. To declare dividend for the year ended 31 December 2018.
3. To elect/re-elect Director(s) of the Company.
4. To re-appoint the Managing Director of the Company.
5. To appoint the Statutory Auditors of the Company for the year 2019 and fix their remuneration.
6. To appoint the Chartered Secretary in Practice (Compliance Auditors) of the Company for the year 2019 for compliance certification on corporate governance and fix their remuneration.

By order of the Board of Directors

Sd/-

(Muhammad Shahidul Islam FCS)

Company Secretary

Dhaka, Bangladesh
Date: March 24, 2019

Notes:

1. The shareholders whose name appeared in the Share Register of the Company, or in the Depository Register on the 'Record Date' (i.e. March 03, 2019), will be entitled to attend the meeting and receive the dividend.
2. The Board unanimously recommended a dividend @10% in cash and @ 10% in stock of the paid-up capital of the Company for the year 2018.
3. Shareholders may please note that pursuant to Corporate Governance Code, 2018 of the BSEC dated June 03, 2018, M/s. Jasmin & Associates, Chartered Secretaries & Corporate Affairs Consultants, has been recommended by the Board of Directors to be appointed as Compliance Auditors of the Company for the year 2019 for compliance certification on corporate governance subject to approval of the shareholders.
4. A shareholder entitled to attend and vote at the AGM may appoint a proxy to attend and vote in his/her behalf (such a proxy shall be a shareholder of the Company). The Proxy Form, duly filled and stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
5. Admission to the meeting will be strictly on production of the Attendance Slip.
6. Shareholders are requested to submit to the Registered Office of the Company on or before April 04, 2019, their written option to receive dividend in the form enclosed with the Annual Report. If the shareholder fails to submit such option within the stipulated time, the dividend will be paid-off as deemed appropriate by the Company.
7. In case of non-receipt of the Annual Report of the Company sent through email, shareholders may collect the same from the Registered Office of the Company, on or before April 04, 2019.
8. Brokerage houses/DPs are requested to provide the statement along with detail of their margin loan holders on or before April 04, 2019, who are entitled to receive cash dividend of the Company for the year ended December 31, 2018. The statement should include shareholder's name, BO ID number, client-wise shareholding position, gross dividend receivable, applicable tax rate, net dividend receivable, bank account number, routing number, contact person, etc.

Shareholders may please note that no food or gift or other benefits in cash or kind shall be given at the Annual General Meeting.

RAK

CERAMICS

RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floors), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230

Proxy Form

I/We

.....of.....

.....being a shareholder 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 **20th Annual General Meeting** of the Company to be held on **April 09, 2019, at 10.00 a.m.** at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, Dhaka-1229, and at any adjournment thereof.

As witness my/our hand this day of2019

.....
(Signature of Proxy)

Revenue
Stamp
Taka 20/-

.....
(Signature of Shareholder)

BO ID No.

BO ID No.

No. of Shares held: No. of Shares held:

Notes:

1. A shareholder entitled to attend and vote in the 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 hours before the time fixed for the meeting.
3. Signature of the shareholder must be in accordance with the specimen signature recorded with the Company.
4. As per Articles 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

RAK Ceramics (Bangladesh) Limited

RAK Tower (7th, 8th & 9th floors), 1/A Jasimuddin Avenue, Sector-3, Uttara Model Town, Dhaka-1230

Attendance Slip

I/We do hereby record my/our attendance at the **20th Annual General Meeting** of the Company to be held on **April 09, 2019, at 10.00 a.m.** at International Convention City, Bashundhara (Pushpoguscho), Joarshahara, Purbachal Link Road, Khilkhet, Dhaka-1229, Bangladesh.

Name of the Shareholder (s)/Proxy:

BO ID No. of Shareholder:

BO ID No. of Proxy:

No. of shares held by Shareholder:

No. of shares held by Proxy holder:

.....
Signature of Shareholder(s)/Proxy

Note: Please present this Attendance Slip at the registration counter on or before 10:00 am on the AGM date.



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