

RAK Ceramics (Bangladesh) Limited

Auditor's Report and Consolidated Financial Statements

As at and for the year ended 31 December 2021

Independent Auditor's Report
To the Shareholders of RAK Ceramics (Bangladesh) Limited
Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of RAK Ceramics (Bangladesh) Limited (the Group) which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters (KAM)

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



SL	Key Audit Matter	How our audit addressed the key audit matter
1	<p>Revenue recognition (Refer to notes 3.15 and 25 to these Consolidated financial statements)</p> <p>The Group recognizes revenue when control of the goods is transferred to the customer at an amount that reflects the net consideration, which the Group expects to receive from customers. In determining the sales price, the Group considers the effect of commission, incentive, bonus and discounts (variable consideration).</p> <p>The terms of sales agreements, including the timing of transfer of control, based on the terms of relevant contract and nature of commission, incentive, bonus and discounts arrangements, create complexities that requires judgement in determining sales revenues.</p> <p>Considering the above factors and the risk associated with revenue recognition, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> 1) We read the Group’s revenue recognition policy and assessed its compliance in terms of IFRS 15 ‘Revenue from contracts with customers’; 2) Performed sample tests of individual sales transactions and traced to sales invoices, sales orders and other related documents. In respect of the samples selected, we tested recognition of revenue based on underlying sales invoices, sales orders and other related documents; 3) We selected a sample of invoices on which rebates and discounts were given and obtained the rebates and discount schemes approved by the management. We noted the accounting of commission, incentive, bonus and discounts by the Group for the selected sample; 4) Selected samples of sales transactions made pre and post year end, agreed the date of transfer of control for the selected sample by testing underlying documents including customers confirmation; and 5) Assessed the relevant disclosures made within the consolidated financial statements.

SL	Key Audit Matter	How our audit addressed the key audit matter
2	Tax and regulatory matters (Refer to notes 3.22 and 43 to these Consolidated financial statements)	
	<p>The Group has several pending corporate tax assessments and legal proceedings with Government revenue authorities related to claims for tax, VAT and custom duty. The pending cases expose the Company to significant litigation and similar risks arising from many disputes and regulatory proceedings. Such matters are subject to many uncertainties, and the outcomes may not be appropriate to predict.</p> <p>These uncertainties inherently may affect the amount and timing of potential cash outflows with respect to tax provisions and contingent liabilities related to tax, VAT and custom duty.</p> <p>As listed entity, the Group also has to maintain compliance requirements of the Bangladesh Securities and Exchange Commission.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> 1) We obtained an understanding, evaluated the design and tested operational effectiveness of the Group's key control on tax provision and contingencies. 2) We enquired to those charged with governance to obtain their view on the status of all significant litigations and regulatory matters; 3) We enquired of the Group's internal legal counsel for all significant litigations and regulatory matters and inspected internal notes and report. We also received formal confirmation from external counsel; 4) We assessed the methodologies on which provision and contingencies are based and recalculated the provision and tested the completeness and accuracy of the underlying information; and 5) We also assessed the disclosures on the Group's provisions and contingent liabilities.

SL	Key Audit Matter	How our audit addressed the key audit matter
3	Valuation of inventories (Refer to notes 3.9 and 9 to these Consolidated financial statements)	
	<p>The inventories of the Group are carried out at lower of cost and net realizable value (NRV). The risk of cost exceeding NRV has increased due to the pandemic situation caused by COVID19 having an adverse impact on local and global supply chain and market conditions. During the year the inventory of the Group is 28% of the total current assets.</p> <p>The determination of net realizable value of inventories is judgmental and complex, especially in the current uncertain market situations due to the pandemic.</p> <p>Considering the above factors and the risk associated with the determination of net realizable value of inventories, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> 1) We evaluated the design and implementation of key controls on inventories operating across the Group; 2) We assessed the management's process of determining the net realizable value of inventories and impact of pandemic on it; 3) We attended the stock counting physically and reconciled the count results with the inventories listings to test the accuracy and completeness; 4) We checked the ageing analysis of inventories and appropriateness of management's process of determination of probability of obsolescence for each group of inventories; 5) We reviewed the historical accuracy of provision on inventories and the level of inventories write-offs during the year; and 6) We also assessed the disclosures on the inventories as per IAS 2.

SL	Key Audit Matter	How our audit addressed the key audit matter
4	Credit risks and impairment on trade receivables (Refer to notes 3.14, 10 and 36.1(b) to these Consolidated financial statements)	
	<p>The amount of trade receivables covers 11% of total current assets. The pandemic situation has positioned many business organizations in the financial stress and as a result, the risks of being default in payment of debts by the stressed customers increases significantly.</p> <p>The significant amount of trade receivables of the Group is attributable to a single customer which is also a related party as disclosed in note-37 to the consolidated financial statements to the Group. Being the related party, there may be financial transactions that lack in the criteria of arm's length transaction.</p> <p>Significant amount of judgment is to be applied to determine the risk of default by the customers over the expected life of trade receivables which may have material impact on trade receivables and as a result, there is risk of error in determining the allowance for impairment on trade receivables.</p> <p>Considering the above factors and the risk associated with the determination of impairment allowance on trade receivables, we have determined the same to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ol style="list-style-type: none"> 1) We tested the receivable balances compared those with the results obtained from external confirmations. 2) We inspected the arrangements, security documents, credibility assessments and correspondences with parties concerned to assess the recoverability of significant long outstanding receivables; 3) We enquired of the Group's internal legal counsel for all significant litigations and regulatory matters and inspected internal notes and report. We also received formal confirmation from external counsel; 4) We reviewed the calculation of impairment allowance on trade receivables as per IFRS 9; and 5) We also assessed the disclosures on the trade receivables as per IFRS 9.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with IFRSs, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2020 was audited by another auditor who expressed an unqualified opinion on those consolidated statements on 03 February 2021.

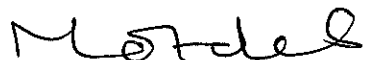
Report on other legal and regulatory requirements

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

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

A. Qasem & Co.

Chartered Accountants
RJSC Firm Registration No.: 2-PC7202



Mohammad Motaleb Hossain FCA

Partner
Enrolment Number: 0950

Dhaka, 02 February 2022




RAK Ceramics (Bangladesh) Limited
Consolidated statement of financial position
As at 31 December 2021

	Notes	2021 Taka	2020 Taka
Assets			
Property, plant and equipment	4	2,799,893,949	3,087,064,214
Investment property	5	503,234,165	503,456,083
Right-of-use assets	6	13,852,546	21,183,255
Intangible assets	7	2,025,755	3,132,357
Capital work-in-progress	8	17,713,837	56,636,694
Total non-current assets		3,336,720,252	3,671,472,603
Inventories	9	2,989,795,940	2,026,990,380
Trade and other receivables	10	1,227,006,049	1,008,800,248
Advances, deposits and prepayments	11	311,692,999	270,311,098
Advance income tax	12	3,865,788,064	3,588,659,675
Cash and cash equivalents	13	2,276,654,664	1,949,194,840
Total current assets		10,670,937,716	8,843,956,241
Total assets		14,007,657,968	12,515,428,844
Equity			
Share capital	14	4,279,687,010	4,279,687,010
Share premium	15	1,473,647,979	1,473,647,979
Retained earnings	16	1,747,192,779	1,269,975,797
Equity attributable to equity holders of the company		7,500,527,768	7,023,310,786
Non-controlling interests		1,418	1,314
Total equity		7,500,529,186	7,023,312,100
Liabilities			
Deferred tax liability	17	139,829,250	191,761,301
Lease liability	20	4,904,896	9,291,390
Total non-current liabilities		144,734,146	201,052,691
Borrowings	19	430,408,117	119,940,905
Lease liability	20	4,809,657	4,505,188
Trade and other payables	21	885,084,814	625,493,472
Unclaimed dividend payable	22	11,764,448	49,576,141
Accrued expenses	23	758,212,444	520,281,836
Provision for income tax	24	4,272,115,156	3,971,266,511
Total current liabilities		6,362,394,636	5,291,064,053
Total liabilities		6,507,128,782	5,492,116,744
Total equity and liabilities		14,007,657,968	12,515,428,844

The accompanying notes are an integral part of these financial statements

As per our report of same date
A. Qasem & Co.
Chartered Accountants
RJSC Firm Registration No.: 2-PC7202


Abdallah Massaad
Chairman

Abdallah Massaad
Chairman


SAK Ekramuzzaman
Managing Director

SAK Ekramuzzaman
Managing Director


Pramod Kumar Chand
Director

Pramod Kumar Chand
Director



Sadhan Kumar Dey
Chief Financial Officer

Sadhan Kumar Dey
Chief Financial Officer


Muhammad Shahidul Islam
Company Secretary

Muhammad Shahidul Islam FCS

Company Secretary


Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950

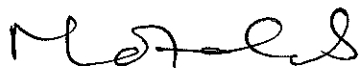
02 February 2022

RAK Ceramics (Bangladesh) Limited
Consolidated profit or loss and other comprehensive income
For the year ended 31 December 2021

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

The accompanying notes are an integral part of these financial statements

As per our report of same date
A. Qasem & Co.
Chartered Accountants
RJSC Firm Registration No.: 2-PC7202

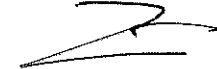


Mohammad Motaleb Hossain FCA
Partner
Enrolment Number: 0950

02 February 2022



Abdallah Massaad
Chairman



SAK Ekramuzzaman
Managing Director



Pramod Kumar Chand
Director



Sadhan Kumar Dey
Chief Financial Officer



Muhammad Shahidul Islam FCS
Company Secretary

RAK Ceramics (Bangladesh) Limited
Consolidated statement of changes in equity
For the year ended 31 December 2021

	Attributable to owners of the Company			Total	Non- controlling interests	Total equity
	Share capital	Share Premium	Retained earnings			
	Taka Note-14	Taka Note-15	Taka Note-16	Taka	Taka	Taka
Balance as at 01 January 2020	4,279,687,010	1,473,647,979	1,601,275,518	7,354,610,507	1,393	7,354,611,900
Total comprehensive income for 2020 Profit for the year	-	-	310,653,331	310,653,331	121	310,653,452
Transactions with the shareholders Cash dividend (2019)	-	-	(641,953,052)	(641,953,052)	(200)	(641,953,252)
Balance as at 31 December 2020	4,279,687,010	1,473,647,979	1,269,975,797	7,023,310,786	1,314	7,023,312,100
Balance as at 01 January 2021	4,279,687,010	1,473,647,979	1,269,975,797	7,023,310,786	1,314	7,023,312,100
Total comprehensive income for 2021 Profit for the year	-	-	905,185,683	905,185,683	204	905,185,887
Transactions with the shareholders Cash dividend (2020)	-	-	(427,968,701)	(427,968,701)	(100)	(427,968,801)
Balance as at 31 December 2021	4,279,687,010	1,473,647,979	1,747,192,779	7,500,527,768	1,418	7,500,529,186

The accompanying notes are an integral part of these financial statements



RAK Ceramics (Bangladesh) Limited
Consolidated statement of cash flows
For the year ended 31 December 2021

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

The accompanying notes are an integral part of these financial statements



RAK Ceramics (Bangladesh) Limited
Notes to the consolidated financial statements
As at and for the year ended 31 December 2021

1. Reporting entity

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

1.1 Nature of business

The Company is engaged in manufacturing and marketing of ceramics tiles, wash room sets and all types of sanitary ware. It has started its commercial production on 12 November 2000. The commercial production of its new sanitary ware plant, expansion unit of ceramics facilities, tiles and sanitary plant was started on 10 January 2004, 1 July 2004, 1 September 2007, 1 April 2015 and 17th May 2016 respectively.

1.2 Description of subsidiaries

RAK Power Pvt. Ltd.

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

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

RAK Security and Services (Pvt.) Limited

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

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



2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 02 February 2022.

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgements

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

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

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

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

2.5 Reporting period

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

2.6 Going concern

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



Impact of COVID-19 pandemic

When assessing going concern assumption of the Company as above, key consideration was the impact of COVID-19 pandemic. The pandemic has caused country-wide lockdown in Bangladesh by the mid of April 2021 which caused closure of outlets/stores of the company's dealers, suspension of production in factory, disruption in the supply chain and closure of physical office requiring employees to work from home. In face of uncertainties related to the impact of COVID-19, management has developed adequate plans to minimize the impact on its financial conditions and liquidity. However, since August 2021 the economy has been started returning back to normalcy. Accordingly, the management believes the going concern assumption will remain unaffected from COVID-19.

3 Significant accounting policies

The accounting policies set out below, which comply with IFRSs, have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

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

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

Subsidiaries

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

Loss of control

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



Transactions eliminated on consolidation

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

3.2 Financial assets

a) Trade & other receivables

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

b) Cash and cash equivalents

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

3.3 Financial liabilities

a) Trade and other payables

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

b) Borrowings

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

3.4 Share capital

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

3.5 Property, plant and equipment

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

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



3.5.1 Depreciation on property, plant and equipment

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

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

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

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

3.6 Investment property

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

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

3.6.1 Depreciation on investment property

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

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

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

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



3.7 Capital work-in-progress

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

3.8 Intangible assets

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

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

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

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. No internal developed intangible assets capitalized during the year.

3.9 Inventories

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

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

3.10 Impairment

Non-derivative financial assets

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

Non-financial assets

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

Calculation of recoverable amount

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



Recognition of impairment

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

Reversal of impairment

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

3.11 Employee benefit schemes

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

Defined contribution plan (Provident fund)

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

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

Defined benefit plan (Gratuity)

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

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

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

The Group provides 5% of its net profit before tax after charging such expense as WPPF in accordance with "The Bangladesh Labour Act 2006 amended in 2018".

3.13 Provisions

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

3.14 IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items including a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.



i. Classification – financial assets

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

ii. Impairment

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

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

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

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

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

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

ii. Hedging

IFRS 9 incorporates hedge accounting rules which intend to align hedge accounting with a group's risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness.

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

3.15 IFRS 15 Revenue from contracts with customers

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

i. Sales of goods

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

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

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



I. 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.

I. Construction contracts

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

3.16 IFRS 16 Leases

Under the IFRS 16, leases will be brought onto Group's balance sheets, increasing the visibility of their assets and liabilities. It further removes the classification of leases as either operating leases or finance leases treating all leases as finance leases from the perspective of the lessee, thereby eliminating the requirement for a lease classification test. The IFRS 16 guidance has an increased focus on who controls the asset and may change which contracts are leases.

General impact of application of IFRS 16 Leases

IFRS 16 introduces requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these requirements are described in Notes to the financial statements. The impact of the adoption of IFRS 16 on the Group's financial statements is described below.

The group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

Recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

Recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and separates the total amount of cash paid presented within financing activities in the statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*. This replaces the previous requirement to recognize a provision for onerous lease contracts.



For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within rent expenses in the statement of profit or loss.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the group recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the group's financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures requirements in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

3.17 Finance income and expenses

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

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

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

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

3.18 Foreign currency

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

3.19 Taxation

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

Current tax:

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for the Group as per Finance Act 2021.

Deferred tax:

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



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

3.20 Earning per share

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

3.21 Determination and presentation of operating segment

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

3.22 Contingencies

Contingent liability

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

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

Contingent asset

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

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

3.23 Statement of cash flows

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

3.24 Events after the reporting period

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

3.25 Comparatives and reclassification

Comparative information have been disclosed in respect of 2020 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current year's financial statements.

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



4 Property, plant and equipment

2021

Particulars	C O S T					D E P R E C I A T I O N					Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2021	Rate (%)	Balance as at 01 Jan 2021	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2021		
Land	341,565,707	-	-	341,565,707	5-20	-	48,770,512	-	537,116,690	341,565,707	
Factory building	1,038,033,128	977,754	-	1,039,010,882	5	488,346,178	28,774,601	-	203,708,611	501,894,192	
Office and accommodation building	507,945,395	26,266,111	-	534,211,506	5-10	174,934,010	340,568,353	(58,338,508)	4,355,890,753	330,502,895	
Plant and machinery	5,786,866,674	113,409,476	(62,007,839)	5,838,268,311	10	4,073,660,908	4,912,074	(28,881,519)	84,900,028	1,482,377,558	
Mobile plant	142,301,896	10,921,834	(30,666,089)	122,557,641	10-20	108,869,473	6,812,690	-	215,255,337	37,657,613	
Electrical installation	242,630,147	-	-	242,630,147	10-20	208,442,647	4,079,277	-	64,055,745	27,374,810	
Gas pipeline	79,438,345	1,075,709	-	80,514,054	10-20	59,976,468	4,079,277	-	28,097,484	16,458,309	
Furniture and fixtures	42,711,628	5,920,657	(4,581,813)	44,050,472	10	28,184,191	3,446,949	(3,533,656)	40,839,174	15,952,988	
Office equipment	97,120,413	4,912,673	(49,319,238)	52,713,848	10-20	85,303,137	4,748,582	(49,212,545)	8,369,622	11,874,674	
Communication equipment	13,757,325	903,004	(2,151,070)	12,509,259	10-20	8,450,583	1,963,875	(2,044,836)	14,977,934	4,139,637	
Tools and appliances	19,177,097	717,952	(63,427)	19,831,622	10-20	13,596,805	1,444,556	(63,427)	65,515,588	4,853,688	
Vehicles	84,511,240	6,246,226	-	90,757,466	10-20	59,230,380	6,285,208	-	3,631,012	25,241,878	
Fire fighting equipment	3,631,012	-	-	3,631,012	20	-	-	-	-	-	
Total	8,399,690,005	171,351,396	(148,789,476)	8,422,251,927		5,312,625,791	451,806,678	(142,074,492)	5,622,357,978	2,799,893,949	

2020

Particulars	C O S T					D E P R E C I A T I O N					Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal transfer during the year	Balance as at 31 Dec 2020	Rate (%)	Balance as at 01 Jan 2020	Charged during the year	Adjustment during the year	Balance as at 31 Dec 2020		
Land	338,570,507	2,995,200	-	341,565,707	5-20	434,633,410	53,712,768	-	488,346,178	341,565,707	
Factory building	1,038,033,128	100,062,037	-	1,038,033,128	5	119,708,362	17,174,934	38,050,714	174,934,010	549,686,949	
Office and accommodation building*	200,864,019	242,044,784	207,019,337	5,786,866,674	5-10	3,758,357,220	315,353,914	(50,225)	4,073,660,908	333,011,384	
Plant and machinery	5,545,628,139	142,301,896	(806,250)	5,786,866,674	10	103,632,451	5,237,022	-	108,869,473	1,713,205,765	
Mobile plant	142,301,896	-	-	142,301,896	10-20	200,863,110	7,579,537	-	208,442,647	33,432,423	
Electrical installation	242,630,147	-	-	242,630,147	10-20	200,863,110	7,579,537	-	208,442,647	34,187,500	
Gas pipeline	79,438,345	-	-	79,438,345	10-20	56,251,363	3,725,105	-	59,976,468	19,461,877	
Furniture and fixtures	44,569,418	2,863,982	(4,721,772)	42,711,628	10	30,123,069	2,777,793	(4,716,673)	28,184,191	14,527,438	
Office equipment	119,827,598	4,093,113	(26,800,299)	97,120,413	10-20	93,068,558	19,010,249	(26,775,670)	85,303,137	11,817,276	
Communication equipment	18,105,282	188,931	(4,536,890)	13,757,325	10-20	10,640,101	2,347,334	(4,536,853)	8,450,583	5,306,742	
Tools and appliances	19,177,097	717,952	-	19,895,049	10-20	12,019,368	1,577,437	-	13,596,805	5,580,292	
Vehicles	91,062,462	-	(6,551,223)	84,511,240	10-20	58,616,737	6,771,205	(6,157,560)	59,230,380	25,280,859	
Fire fighting equipment	3,631,012	-	-	3,631,012	20	-	-	-	-	-	
Total	7,883,839,050	352,248,049	163,602,903	8,399,690,005		4,881,544,761	435,267,297	(4,186,267)	5,312,625,791	3,087,064,214	

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



5 Investment Property

2021

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

2020

Particulars	COST			Rate	DEPRECIATION			Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/Transfer during the year		Balance as at 31 Dec 2020	Charged during the year	Adjustment during the year	
Land ¹	500,571,750	-	-	500,571,750	-	-	-	500,571,750
Office building ²	211,452,074	-	(207,019,337)	4,432,737	9,008,663	(38,050,714)	1,548,404	2,884,333
Total	712,023,824	-	(207,019,337)	505,004,487	9,008,663	(38,050,714)	1,548,404	503,456,083

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

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

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

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

The property, being an Apartment on 10th floor, RAK Tower, was acquired in the month of February 2017 from M/s Julphar Bangladesh (Erstwhile RAK Pharmaceuticals Pvt. Ltd) . This property is also under operating lease culminating in undetermined future use upto 31 October 2020. Hence the same was classified under "Investment Property" under IAS 40 upto 31 October 2020.

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

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



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

5.3 Disposal of property, plant and equipment

2021

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

2020

Particulars	Amount in Taka				
	Original cost	Accumulated depreciation	Book value	Receipt against sales/ insurance	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Office equipment	26,800,299	26,775,670	24,629	32,500	7,871
Vehicle	6,551,223	6,157,560	393,663	1,942,500	1,548,837
Furniture and fixture	4,721,772	4,716,673	5,099	131,500	126,401
Plant and machinery	806,250	50,225	756,025	255,000	(501,025)
Communication equipment	4,536,890	4,536,853	37	-	(37)
Total	43,416,434	42,236,981	1,179,452	2,361,500	1,182,046



6 Right-of-use assets

2021

Particulars	COST			DEPRECIATION			Net book value as at 31 Dec 2021	
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2021	Balance as at 01 Jan 2021	Charged during the year		Adjustment during the year
Display center	51,948,657	-	(7,358,189)	44,590,469	31,481,037	7,458,852	(7,471,444)	13,122,023
Accommodation building	2,432,214	690,046	(1,728,411)	1,393,850	1,716,579	714,217	(1,767,470)	730,523
Office building	3,776,889	-	(3,776,889)	-	3,776,889	-	(3,776,889)	-
Total	58,157,760	690,046	(12,863,490)	45,984,319	36,974,505	8,173,069	(13,015,803)	13,852,546

2020

Particulars	COST			DEPRECIATION			Net book value as at 31 Dec 2020	
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2020	Balance as at 01 Jan 2020	Charged during the year		Adjustment during the year
Display center	47,637,481	11,271,396	(6,960,220)	51,948,657	31,138,351	7,302,906	(6,960,220)	20,467,620
Accommodation building	3,300,136	699,246	(1,567,168)	2,432,214	1,812,180	1,394,608	(1,490,209)	715,635
Warehouse	32,707,529	-	(32,707,529)	-	5,723,818	4,906,129	(10,629,947)	-
Office building	3,776,889	-	-	3,776,889	2,911,352	865,537	-	-
Total	87,422,036	11,970,643	(41,234,917)	58,157,760	41,585,701	14,469,180	(19,080,376)	21,183,255

6.1 Allocation of depreciation

	2021	2020
Administrative expenses (Note 28)	714,217	2,260,145
Marketing and Selling expenses (Note 29)	7,458,852	12,209,035
	<u>8,173,069</u>	<u>14,469,180</u>

6.2 Gain/(loss) on retirement of right-of-use assets

2021

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

2020

Particulars	Lease liability	Right-of-use assets	Gain/(loss)
Warehouse	21,594,420	22,077,582	(483,162)
Accommodation	84,526	76,959	7,567
Total	21,678,946	22,154,541	(475,595)

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



7 Intangible assets

2021

Particulars	COST				AMORTIZATION				Net book value as at 31 Dec 2021
	Balance as at 01 Jan 2021	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2021	Balance as at 01 Jan 2021	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2021	
License	22,692,876	-	-	22,692,876	22,091,943	289,857	-	22,381,800	311,076
Computer software	11,614,380	450,000	-	12,064,380	9,082,956	1,266,745	-	10,349,701	1,714,679
Total	34,307,256	450,000	-	34,757,256	31,174,899	1,556,602	-	32,731,501	2,025,755

2020

Particulars	COST				AMORTIZATION				Net book value as at 31 Dec 2020
	Balance as at 01 Jan 2020	Addition during the year	Sale/disposal during the year	Balance as at 31 Dec 2020	Balance as at 01 Jan 2020	Amortized during the year	Adjustment during the year	Balance as at 31 Dec 2020	
License	22,199,986	492,890	-	22,692,876	19,467,114	2,624,829	-	22,091,943	600,933
Computer software	11,614,380	-	-	11,614,380	7,852,207	1,230,749	-	9,082,956	2,531,424
Total	33,814,366	492,890	-	34,307,256	27,319,321	3,855,578	-	31,174,899	3,132,357



	<u>2021</u> <u>Taka</u>	<u>2020</u> <u>Taka</u>
8 Capital Work-in-Progress		
Balance as at 1 January	56,636,694	177,641,997
Add: Addition during the year (note 8.1)	96,626,942	218,936,985
	<u>153,263,636</u>	<u>396,578,982</u>
Less: Transfer to property, plant and equipment and investment Property (note 8.2)	135,549,799	339,942,288
Balance as at 31 December	<u>17,713,837</u>	<u>56,636,694</u>
8.1 Addition during the year		
Building	24,938,333	8,013,141
Plant and machinery	61,065,396	210,559,447
Others	10,623,213	364,397
	<u>96,626,942</u>	<u>218,936,985</u>
8.2 Items transferred from capital work in progress to property, plant and equipment		
Building	27,243,865	100,062,037
Plant and machinery	97,667,721	238,863,795
Others	10,638,213	1,016,456
	<u>135,549,799</u>	<u>339,942,288</u>
9 Inventories		
Raw materials	1,330,068,854	606,226,281
Less : Provision for slow moving & obsolete inventories	17,729,507	20,246,533
Less: Write off for obsolete raw materials	-	23,875,000
	<u>1,312,339,347</u>	<u>562,104,748</u>
Stores and consumables spares and packing	896,238,370	899,836,155
Less: Write off for stores and spares	53,019,381	30,826,750
	<u>843,218,989</u>	<u>869,009,405</u>
Finished goods (net of net realizable value adjustment)	584,786,606	441,243,898
Less : Provision for slow moving & obsolete inventories	15,720,612	17,064,161
	<u>569,065,994</u>	<u>424,179,737</u>
Work-in-process	59,359,055	47,290,564
Goods-in-transit	205,812,555	124,405,926
	<u>2,989,795,940</u>	<u>2,026,990,380</u>
10 Trade and other receivables		
Trade receivables (Note 10.1)	1,220,402,229	997,281,663
	<u>1,220,402,229</u>	<u>997,281,663</u>
Accrued interest (Note 10.2)	6,554,976	10,941,100
Accrued rental income	-	570,000
Other receivable	48,844	7,485
	<u>1,227,006,049</u>	<u>1,008,800,248</u>
10.1 Trade receivables		
Receivables from local sales	1,229,557,415	1,006,405,123
Receivables from export sales	-	779,903
	<u>1,229,557,415</u>	<u>1,007,185,026</u>
Less: Provision of impairment loss on trade receivable:		
Unrelated parties	2,581,204	3,031,610
Related parties	6,573,982	6,871,753
	<u>1,220,402,229</u>	<u>997,281,663</u>
10.2 Accrued interest		
Interest accrued on Fixed Deposit Receipt	6,554,976	6,846,046
Interest accrued on Special Notice Deposit	-	4,095,054
	<u>6,554,976</u>	<u>10,941,100</u>



	<u>2021</u> <u>Taka</u>	<u>2020</u> <u>Taka</u>
11 Advance, deposit and prepayments		
Advances:		
Employees	298,000	-
Purchase of land and others	10,017,270	2,369,670
Suppliers against materials and services	68,049,896	33,557,110
	<u>78,365,166</u>	<u>35,926,780</u>
Security and other deposits:		
Titas gas	69,752,450	69,752,450
Mymensingh Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and Supplementary duty (Note-11.1)	2,191,784	7,417,931
Deposited with income tax authority	79,320,962	68,128,195
Deposited with VAT authority	58,361,240	58,361,240
Display center and others	2,372,000	2,449,000
Other deposits	1,494,626	1,494,626
	<u>215,448,062</u>	<u>209,558,442</u>
Prepayments:		
Insurance and others	17,879,771	24,825,876
	<u>311,692,999</u>	<u>270,311,098</u>

11.1 Supplementary duty and VAT

Balance as at 1 January	7,417,931	1,833,191
Add: Treasury deposit for SD & VAT purpose	9,533,102	52,131,108
	<u>16,951,033</u>	<u>53,964,298</u>
Less: SD & VAT on sales	14,759,249	46,546,367
Balance as at 31 December	<u>2,191,784</u>	<u>7,417,931</u>

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

12 Advance income tax

Balance as at 1 January	3,588,659,675	3,434,063,275
Add: Paid during the year	277,128,389	154,596,400
Balance as at 31 December (Note - 12.1)	<u>3,865,788,064</u>	<u>3,588,659,675</u>

12.1 Year wise closing balance

<u>Income year</u>		
Year 2021	255,174,594	-
Year 2020	130,950,084	115,088,258
Year 2019	280,949,748	274,857,779
Year 2018	314,338,282	314,338,282
Year 2017	344,518,556	344,518,556
Year 2016	291,375,845	291,375,845
Year 2015	187,267,285	187,267,285
Year 2014	291,694,002	291,694,002
Year 2013	389,651,054	389,651,054
Year 2012	334,263,453	334,263,453
Year 2011	328,701,317	328,701,317
Year 2010	265,532,626	265,532,626
Year 2009	218,091,876	218,091,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006	23,087,333	23,087,333
	<u>3,865,788,064</u>	<u>3,588,659,675</u>



	2021 Taka	2020 Taka
13 Cash and cash equivalents		
Cash in hand	2,606,103	5,899,358
Cash at banks		
HSBC (current account -001-013432-011, 107580-011, 096015-011, 096007-011 BDT)	-	808,003
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	98,519,046	94,048,347
BRAC Bank Ltd. (current account - 1530201731248001 - BDT)	15,126,914	20,293,811
Citibank N.A. (current account - G0100001200262018 - BDT)	149,989	156,438
Dutch Bangla Bank Ltd. (current account -117-110-12733,117-110-4311,117.110.23474 BDT)	1,628,655	21,955,460
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	4,648,910	11,828,247
Standard Chartered Bank (Margin money account)	16,608,637	3,319,200
United Commercial Bank Ltd. (SND account - 0831301000000164 BDT)	31,825,028	26,109,945
Eastern Bank Ltd. (SND account - 1131350237146 - BDT)	-	116,447,666
Eastern Bank Ltd. (SND account - 1131350237393 WH - BDT)	-	3,291
EXIM Bank (SND account - 01513100031877 - BDT)	-	706,355
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	54,866	55,211
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	141,614,772	192,923,791
Dutch Bangla Bank Ltd. (SND account - 117-120-376 (WH)- BDT)	-	129,548
BRAC Bank Ltd. (SND - 1513101731248001 - BDT)	-	363,694
Prime Bank Ltd. (SND - 12531010022563 - BDT)	13,135,435	7,650,678
Eastern Bank Ltd. (CD account - 1132040363287, 1041060507936 - BDT)	587,252	457,046
Dhaka Bank Ltd (SND - 102.150.274- BDT))	27,682,861	36,019,530
Commercial Bank of Ceylon (CD-2817000776 - BDT.)	5,739	25,000
Dhaka Bank Ltd (CD - 204100000019318- BDT))	1,241,296	137,649
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	60,071,855	128,925,016
Commercial Bank of Ceylon (ERQ-1806012366 - USD.)	4,308,029	-
Meghna Bank Ltd. (SND 1112-13500000004 - BDT)	24,494,840	60,095,754
Midland Bank Ltd. (SND 0006-1070000015, 0006-1060000043 - BDT)	171,763,920	504,195
Eastern Bank Ltd. (SND account - 1041360507944 - BDT)	71,777,074	-
Eastern Bank Ltd. (Margin Money account)	4,681,650	10,426,965
Commercial Bank of Ceylon (Margin Money account)	53,212	-
	689,979,980	733,390,840
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	1,685,806	2,433,214
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,919,501	3,919,501
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,606	153,606
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,599	126,599
	5,885,512	6,632,920
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,848,356	2,606,551
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	1,112,266	2,190,689
SCB (SND - 02-6162940-02- BDT) - 2012	180,227	3,885,208
SCB (SND - 02-6162940-03- BDT) - 2013	337,376	16,951,065
SCB (SND - 02-6162940-04- BDT) - 2014	3,862	5,021,420
SCB (SND - 02-6162940-05- BDT) - 2015	44,581	3,743,396
SCB (SND - 02-6162940-06- BDT) - 2016	11,317	4,222,208
SCB (SND - 02-6162940-07- BDT) - 2017	5,283	1,663,022
SCB (SND - 02-6162940-08- BDT) - 2018	1,925,267	1,933,758
SCB (SND - 02-6162940-09- BDT) - 2019	6,576,189	8,479,278
SCB (SND - 02-6162940-10- BDT) - 2020	3,630,950	-
	16,675,674	50,696,595
Investment in Fixed Deposit Receipt (FDR)		
HSBC	-	11,974,547
SCB	762,080	6,762,080
BRAC Bank Ltd.	50,000,000	250,000,000
Dutch Bangla Bank Ltd.	400,000,000	428,838,500
Eastern Bank Ltd.	505,745,315	150,000,000
Dhaka Bank Ltd.	550,000,000	250,000,000
Commercial bank of Ceylon	55,000,000	55,000,000
	1,561,507,395	1,152,575,127
	2,276,654,664	1,949,194,840



14 Share Capital

Authorised :

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

<u>2021</u>	<u>2020</u>
<u>Taka</u>	<u>Taka</u>
<u>6,000,000,000</u>	<u>6,000,000,000</u>

Issued, subscribed, called and paid up :

427,968,701 ordinary shares of Taka 10/- each

<u>4,279,687,010</u>	<u>4,279,687,010</u>
----------------------	----------------------

Percentage of shareholdings :

	<u>2021</u>		<u>2020</u>	
	%	Taka	%	Taka
RAK Ceramics PJSC, UAE	68.13	2,915,864,310	68.13	2,915,864,310
S.A.K. Ekramuzzaman	3.95	168,958,240	3.95	168,958,240
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	340	0.00	340
Sheikh Omer Bin Saqr Al Qassimi	0.00	340	0.00	340
Sheikh Ahmad Bin Humaid al Qassimi	0.00	340	0.00	340
Hamad Abdulla Al Muttawa	0.00	160	0.00	160
Dr. Khater Massaad	0.00	160	0.00	160
Abdallah Massaad	0.00	160	0.00	160
Manoj Uttamrao Ahire	0.00	160	0.00	160
General Public	27.92	1,194,862,800	27.92	1,194,862,800
	<u>100.00</u>	<u>4,279,687,010</u>	<u>100.00</u>	<u>4,279,687,010</u>

The company was incorporated on 26th of November 1998 with paid up capital of BDT 1,000 and subsequently has issued ordinary shares including bonus shares in several dates i.e. 30 September 2000, 30 October 2005, 15 June 2009, 28 July 2009, 31 January 2010, 24 May 2010, 20 March 2011, 15 April 2012, 10 April 2013, 02 April 2014, 29 March 2017, 18 April 2018 and 09 April 2019.

Classification of shareholders by holding

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

15 Share premium

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

No. of shares	Share premium (per share)	<u>2021</u>	<u>2020</u>
		<u>Taka</u>	<u>Taka</u>
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
		<u>1,473,647,979</u>	<u>1,473,647,979</u>

16 Retained earnings (Reserve and surplus)

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

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



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

	Carrying amount on the date of statement of financial position	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
As at 31 December 2021			
Property, plant and equipment (Excluding land and others)	2,410,027,994	1,750,469,029	659,558,965
Trade receivables	1,226,424,016	1,235,579,202	(9,155,186)
Inventories	2,945,904,572	3,001,580,551	(55,675,979)
Right-of-use assets	13,852,546	-	13,852,546
Lease liability	(9,714,554)	-	(9,714,554)
Net taxable temporary difference			<u>598,865,791</u>
Deferred tax liability (applying applicable tax rate for Individual company)			<u>139,829,250</u>
As at 31 December 2020			
Property, plant and equipment (Excluding land and others)	2,685,260,012	1,871,466,588	813,793,424
Trade receivables	1,008,371,909	1,018,275,272	(9,903,363)
Inventories	1,964,552,190	2,024,804,059	(60,251,869)
Net taxable temporary difference			<u>743,638,192</u>
Deferred tax liability (applying applicable tax rate for individual company)			<u>191,761,301</u>

18 Employees benefits payable

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

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

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

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

19 Borrowings

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

19.1 Borrowings by maturity

At 31 December 2021	< 1 year	1-2 years	2-5 years	Total
Short-term borrowings	430,408,117	-	-	430,408,117
	<u>430,408,117</u>	-	-	<u>430,408,117</u>
At 31 December 2020	< 1 year	1-2 years	2-5 years	Total
Short-term borrowings	119,940,905	-	-	119,940,905
	<u>119,940,905</u>	-	-	<u>119,940,905</u>



19.2 Facilities details (Funded)

Bank	Name of facilities	Limit	Utilisation	Maturity	Repayment	Security - STL	2021 Taka	2020 Taka
SCB	Overdraft	50,000,000	-	Revolving	From company's own source	1) Corporate guarantee,		
	Short term loan	500,000,000	244,842,054	180/360 days from B/L date				
Eastern Bank Ltd.	Overdraft	30,000,000	-	Revolving	From company's own source	2) Hypothecation over stock & book debts on a parri - passu basis with other lenders.		
	Short term loan	425,000,000	185,566,063	180/360 days from B/L date				
Dutch Bangla Bank Ltd.	Overdraft	25,000,000	-	Revolving	From company's own source	3) Demand promissory note.		
	Short term loan	90,000,000	-	180/360 days from B/L date				
Commercial Bank of Ceylon	Overdraft	35,000,000	-	Revolving	From company's own source			
	Short term loan	550,000,000	-	180/360 days from B/L date				

20 Lease liability

Non-current:

Lease liability

Less : Current portion of lease liability

9,714,554	13,796,578
<u>4,809,657</u>	<u>4,505,188</u>
4,904,896	9,291,390

Current:

Current portion of lease liability

<u>4,809,657</u>	<u>4,505,188</u>
------------------	------------------

31 December 2021

Lease liability schedule

Particulars	Balance as on 01 January 2021	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2021
Display center	13,054,447	113,255	5,291,767	1,083,249	4,208,518	8,959,184
Accommodation building	742,131	729,106	783,158	67,291	715,867	755,370
	13,796,578	842,361	6,074,925	1,150,540	4,924,385	9,714,554

31 December 2020

Lease liability schedule

Particulars	Balance as on 01 January 2020	Addition/ (deletion)	Payment	Interest expenses	Decrease in lease liability	Balance as on 31 December 2020
Display center	11,583,808	4,977,901	4,965,967	1,458,705	3,507,262	13,054,447
Accommodation building	1,558,557	614,720	1,531,734	100,588	1,431,146	742,131
Warehouse	25,330,639	(21,594,420)	5,467,635	1,731,416	3,736,219	-
Office building	1,002,871	-	1,045,000	42,128	1,002,871	-
	39,475,875	(16,001,798)	13,010,336	3,332,837	9,677,498	13,796,578

21 Trade and other payables

Trade payables

Payable to local suppliers

Payable to foreign suppliers

Payable to service provider

Payable to C & F agent

185,069,082	127,943,341
306,722,614	199,107,788
68,742,282	45,527,314
<u>49,038,384</u>	<u>34,072,045</u>
609,572,362	406,650,488

Other payables

Tax deducted at source

Tax deducted at source on remuneration (Note-23.1)

Tax deducted at source on Incentive and bonus (Note-23)

VAT deducted at source

VAT and Supplementary duty payable (Note-21.1)

Unclaimed share application

Advance from customer against sales

Security deposit payable

Payable to employees

Payable to customer against claim

Provisional liabilities - material & services

24,500,151	21,601,748
8,807,367	4,312,351
4,603,182	-
10,541,119	10,062,124
117,438,944	139,511,697
20,061,956	20,810,756
9,745,981	9,524,924
2,018,224	3,470,342
1,823,489	2,025,964
13,735,760	-
62,236,279	7,523,078
<u>275,512,452</u>	<u>218,842,984</u>
885,084,814	625,493,472

21.1 VAT and Supplementary duty (SD) payable

Opening Balance

Add: VAT and Supplementary duty on sales

Less: Treasury deposit for SD & VAT purpose

Rebate of Input VAT

Balance as at 31 December

139,511,697	103,722,054
2,324,239,441	1,702,174,335
<u>2,463,751,139</u>	<u>1,805,896,389</u>
1,510,551,448	1,237,856,244
835,760,747	428,528,450
<u>2,346,312,195</u>	<u>1,666,384,694</u>
117,438,944	139,511,697



						2021	2020
						Taka	Taka
22 Unclaimed Dividend Payable						11,764,448	49,576,141
	Year	Dividend declared	TDS on dividend	Net dividend	Dividend distributed till 31 Dec 2021	Fund Transferred to CMSF	Undistributed fund (BDT) as on 31 Dec 2021
	2010	345,110,250	60,198,297	284,911,953	274,257,528	10,654,425	-
	2011	379,621,275	65,382,545	314,238,730	306,565,331	7,673,399	-
	2012	417,583,403	27,344,749	390,238,653	386,535,373	3,703,280	-
	2013	459,341,744	30,693,245	428,648,499	426,108,408	2,540,090	-
	2014	842,126,528	60,654,665	781,471,863	776,464,072	5,007,791	-
	2015	842,126,528	61,659,449	780,467,078	776,773,479	3,693,599	-
	2016	673,701,222	48,745,089	624,956,133	620,752,883	4,203,250	-
	2017	353,693,141	27,276,252	326,416,889	324,757,456	1,659,433	-
	2018	389,062,456	29,888,903	359,173,553	357,224,527	-	1,949,026
	2019	641,953,052	49,029,624	592,923,428	586,341,069	-	6,582,359
	2020	427,968,701	32,747,652	395,221,049	391,987,987	-	3,233,062
		5,772,288,298	493,620,470	5,278,667,828	5,227,768,113	39,135,267	11,764,448
23 Accrued expenses							
	Power and gas					42,359,243	39,137,439
	Staff cost					132,239,271	110,868,915
	Dealer's Incentive and bonus					41,428,638	-
	Audit fees					1,555,000	1,525,000
	Professional charges					1,045,000	445,000
	Interest on loans					2,440,939	875,254
	Telephone					205,976	380,138
	Freight bill					676,640	1,997,523
	Business promotion and advertisement					19,209,107	11,220,000
	Hiring heavy equipment					1,506,239	-
	Managing Director's remuneration (Note 23.1)					26,422,103	10,062,153
	Worker's profit participation and welfare fund (Note 23.2)					55,919,793	22,816,672
	Royalty and technical know-how fees (Note 23.3)					407,974,519	317,433,528
	Others					25,229,974	3,520,214
						758,212,444	520,281,836
23.1 Managing Director's remuneration							
	Balance as at 1 January					10,062,153	35,910,357
	Add: Payable to Managing Director for the year					35,229,470	14,374,504
						45,291,623	50,284,861
	Less: Tax deducted at source during the year					8,807,367	4,312,351
	Less: Paid to Managing Director during the year					10,062,153	35,910,357
	Balance as at 31 December					26,422,103	10,062,153
23.2 Worker's profit participation and welfare fund							
	Balance as at 1 January					22,816,672	52,965,129
	Add: Contribution made to the fund during the year					55,919,793	22,816,672
						78,736,465	75,781,801
	Less: Payment made from the fund during the year					22,816,672	52,965,129
	Balance as at 31 December					55,919,793	22,816,672
23.3 Provision for royalty and technical know-how fees							
	Balance as at 1 January					317,433,528	287,408,635
	Add: Provision made during the year					90,540,991	30,521,994
						407,974,519	317,930,629
	Less: Payment made during the year					-	497,101
	Balance as at 31 December					407,974,519	317,433,528
24 Provision for Income Tax							
	Balance as at 1 January					3,971,266,511	3,834,252,156
	Add: Provision made during the year					300,848,645	137,014,355
	Balance as at 31 December (Note 24.1)					4,272,115,156	3,971,266,511
24.1 Year wise provision for Income Tax							
	Income year						
	Year 2021					300,848,645	-
	Year 2020					137,014,355	137,014,355
	Year 2019					296,420,303	296,420,303
	Year 2018					316,355,666	316,355,666
	Year 2017					346,089,883	346,089,883
	Year 2016					302,798,649	302,798,649
	Year 2015					323,397,728	323,397,728
	Year 2014					377,885,822	377,885,822
	Year 2013					362,336,361	362,336,361
	Year 2012					339,211,366	339,211,366
	Year 2011					326,685,215	326,685,215
	Year 2010					348,965,691	348,965,691
	Year 2009					266,823,984	266,823,984
	Year 2008					147,117,914	147,117,914
	Year 2007					80,163,573	80,163,573
						4,272,115,156	3,971,266,511



	2021	2020
	Taka	Taka
25 Sales		
Gross sales from Ceramics product	9,814,133,937	7,475,155,261
Gross sales from Power generation	430,107,240	345,738,925
Gross sales from Security service	<u>81,589,706</u>	<u>111,196,260</u>
	10,325,830,883	7,932,090,446
Less: Elimination	412,133,652	344,965,855
Supplementary Duty	995,615,214	724,808,552
VAT	1,343,383,475	1,033,562,911
Discount	5,910,710	2,269,354
Commission, incentive and bonus	<u>717,651,147</u>	<u>537,567,101</u>
Net sales	<u>6,851,136,685</u>	<u>5,288,916,673</u>
26 Cost of sales		
Materials consumed:		
Opening Inventory as at 1 January	562,104,748	797,865,060
Add: Purchase during the year	<u>3,365,056,879</u>	<u>1,634,799,086</u>
	3,927,161,627	2,432,664,146
Less: Closing Inventory as at 31 December	<u>1,312,339,347</u>	<u>562,104,748</u>
	2,614,822,280	1,870,559,398
Manufacturing overhead:		
Direct labour (note 26.1)	649,384,487	542,850,770
Direct expenses:		
Power and gas	322,438,008	265,768,407
Repairs and indirect materials (note 26.2)	770,632,074	593,953,665
Depreciation on property, plant & equipment (note 5.2)	416,656,484	393,410,021
Royalty and technical know-how/assistance fees *	90,540,991	30,521,994
Other production overhead (note 26.3)	95,725,214	102,556,968
Provision for slow moving & obsolete inventories (note 9)**	(3,860,575)	119,214
Movement in stock	<u>(138,061,280)</u>	<u>322,472,203</u>
	<u>4,818,277,683</u>	<u>4,122,212,640</u>
26.1 Direct labour		
Salary and wages	422,077,810	362,310,156
Overtime	40,027,676	30,272,103
Bonus	63,647,147	41,497,207
Incentive	375,504	94,545
Temporary labour wages	61,431,115	51,850,892
Staff uniform expenses	848,136	1,676,197
Gratuity	27,209,389	24,872,362
Employer's contribution to provident fund	23,071,166	20,342,150
Leave encashment	7,706,607	7,012,364
Group life insurance	2,820,500	2,536,978
Compensation	169,437	385,816
	<u>649,384,487</u>	<u>542,850,770</u>
26.2 Repairs and indirect materials		
Stores, spares, repair & maintenance	412,961,053	309,980,341
Packing expenses	<u>357,671,021</u>	<u>283,973,324</u>
	<u>770,632,074</u>	<u>593,953,665</u>
26.3 Other production overhead		
Tour and travel expenses	5,081,308	1,196,430
Demurrage	3,348,351	9,731,754
Insurance	23,463,569	27,645,254
Hiring charges and transportation	5,145,760	3,680,026
Write off for obsolete raw materials	-	23,875,000
Write off for stores and spares	53,019,381	30,826,750
Other expenses	<u>5,666,845</u>	<u>5,601,754</u>
	<u>95,725,214</u>	<u>102,556,968</u>

*Royalty has been calculated @8% on business profit as per Finance Act 2020.

**The Group make provision on slow moving inventories (raw material and finished goods) at every year end and the provision upto 31 December 2020 was BDT. 37,310,694. Due to the improvement of ageing of inventories, the provision figure came to BDT. 33,450,119 at 31 December 2021. As a result, company reversed BDT. 3,860,575 in current year.



	2021	2020
	Taka	Taka
	2021	2020
	Taka	Taka
27 Other income		
Dividend income	50	100
Miscellaneous income	-	91,541
Rental income	-	2,700,000
Profit on sale of fixed assets (note 5.3)	-	1,182,046
	50	3,973,687
28 Administrative expenses		
Staff cost (note 28.2)	184,940,010	167,950,696
Annual General Meeting expenses	1,500,500	907,281
Telephone and postage	7,495,489	6,596,109
Office repair and maintenance (note 28.3)	5,293,093	9,477,789
Registration and renewal	2,509,315	12,785,446
Security and guard expenses	268,809	233,976
Electricity, gas and water	6,981,039	7,601,779
Depreciation on property, plant & equipment (note 5.2.1)	29,526,984	36,439,113
Depreciation on investment property (note 5.2.1)	221,918	9,008,663
Depreciation on right of use assets (note 6.1)	714,217	2,260,145
Amortization (note 7)	1,556,602	3,855,577
Legal and professional fees	13,093,065	11,576,354
Vehicle repair and maintenance	11,894,753	10,752,427
Rent, rate and tax	4,444,213	3,376,837
Loss on right of use assets (note 6.2)	-	475,595
Loss on retirement of assets (note 5.3)	3,382,984	-
IT expenses	3,206,443	3,507,401
General Service	5,713,979	9,112,748
Donation	3,487,111	1,918,924
Managing Director's remuneration (note 28.4)	35,229,470	14,374,504
Others	11,784,130	4,935,172
	333,244,125	317,146,536
28.1 Impairment loss on trade receivables		
Unrelated parties	189,138	285,764
Related parties	86,394	391,530
	275,532	677,294
New classification of financial assets shown in note 36.1(b) as per IFRS 9.		
28.2 Staff cost		
Salary and wages	126,714,394	124,470,564
Bonus	18,383,801	12,778,324
Incentive	1,225,194	25,349
Gratuity	7,584,905	7,524,558
Employer's contribution to provident fund	6,894,272	6,810,795
Leave encashment	2,163,674	2,240,943
Group life insurance	784,799	667,104
Canteen and conveyance expenses	11,434,091	6,343,715
Staff uniform expenses	3,184,395	649,666
Travelling expenses	1,686,538	2,381,591
Compensation	1,526,707	2,875,605
Medical expenses	1,305,449	725,554
Accommodation expenses	1,816,103	102,895
Other employee benefit	235,688	354,033
	184,940,010	167,950,696
Accommodation expenses include rent expenses for short term lease for BDT. 156,000 and related government levies wherever applicable. Details of the short term lease is shown in note 35. No low value item exists at the reporting period.		
28.3 Office repair and maintenance		
Repair of office equipment	416,558	2,510,848
Office maintenance	4,876,535	6,966,941
	5,293,093	9,477,789
28.4 Managing Director's remuneration		
Provision made during the year	35,229,470	14,374,504
	35,229,470	14,374,504

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



	2021	2020
	Taka	Taka
	2021	2020
	Taka	Taka
29 Marketing and selling expenses		
Staff cost (note 29.1)	89,858,917	67,695,097
Advertisement	12,294,710	13,582,495
Freight and transportation	300,626,263	267,693,797
Compensation to customers	22,280,195	3,623,491
Business promotion	62,672,470	30,697,584
Depreciation on property, plant & equipment (note 5.2)	5,623,210	5,418,163
Depreciation on right of use assets (note 6.1)	7,458,852	12,209,035
Showroom, office & house rent	1,549,622	850,355
Sample expenses	14,923,161	8,836,769
Tour, travel and others	6,456,607	3,769,974
	523,744,007	414,376,760

29.1 Staff cost

Salary and wages	54,627,697	46,304,544
Bonus	7,607,299	5,115,016
Incentive	10,251,516	2,156,857
Gratuity	3,574,529	3,113,492
Employer's contribution to provident fund	3,154,744	2,608,360
Leave Encashment	1,060,630	930,590
Group life insurance	359,027	356,441
Conveyance and food expenses	9,092,963	7,001,311
Compensation	-	108,486
Staff uniform expenses	130,512	-
	89,858,917	67,695,097

29.2 Employees' contribution to provident fund

Salary and wages under staff cost (note no. 26.1, 28.2 and 29.1) includes employee contribution to provident fund for BDT. 23,071,166, BDT. 6,894,272 and BDT. 3,154,744.

30 Finance Income

Interest on bank account (SND)	8,553,389	10,130,980
Interest on fixed deposits	36,263,820	41,417,779
	44,817,209	51,548,759

31 Finance expenses

Interest expenses against loan	4,553,264	9,990,999
Interest expenses against lease liability	1,150,540	3,332,837
Foreign exchange loss	2,578,334	1,478,740
Bank charges	2,108,185	4,870,682
	10,390,323	19,673,258

32 Contribution to workers' profit participation and welfare fund

Provision made during the year	55,919,793	22,816,672
	55,919,793	22,816,672

33 Current tax

Provision for the year	300,848,645	137,014,355
	300,848,645	137,014,355

34 Reconciliation of effective tax rate

	2021		2020	
	Taka		Taka	
Profit before tax	%	1,154,102,481	%	447,535,959
Current tax expenses	26.07%	300,848,645	30.62%	137,014,355
Deferred tax expenses	-4.50%	(51,932,051)	-0.03%	(131,848)
Total tax expenses	21.57%	248,916,594	30.59%	136,882,507
Expected income tax using applicable tax rate for Individual company	23.32%	269,101,025	28.26%	126,488,522
Tax on non-deductible expenses	2.8%	31,747,620	2.4%	10,525,833
Effective current tax	26.07%	300,848,645	30.62%	137,014,355
Effective deferred tax	-4.50%	(51,932,051)	-0.03%	(131,848)
	21.57%	248,916,594	30.59%	136,882,507

35 Short term lease expenses

Nature of the lease	Lease term	Allocation	Rent Payment	Rent Payment
Rented accommodation	<1 year	Admin	156,000	1,382,450
Rented accommodation	<1 year	Marketing	-	142,500
			156,000	1,524,950



36 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

36.1 Credit risk

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

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

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

a) Exposure to credit risk

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

	USD		Amounts in Taka	
	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020
Trade receivables				
Customer-Local	-	-	1,220,402,229	996,501,760
Customer-Export	-	9,235	-	779,903
	-	9,235	1,220,402,229	997,281,663
Other receivables				
Accrued Interest			6,554,976	10,941,100
Accrued rental Income			-	570,000
Others			49,844	7,485
			6,603,820	11,518,584
Cash equivalents			2,274,048,561	1,943,295,482

b) Impact of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the financial assets as at 31 December 2021.

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impairment loss (Refer note 10.1)
Trade receivable-unrelated	10.1	Loan & receivable	Amortized cost	555,874,855	553,293,651	2,581,204
Trade receivable-related	10.1	Loan & receivable	Amortized cost	673,682,560	667,108,578	6,573,982
Cash and cash equivalents	13	Loan & receivable	Amortized cost	2,274,048,561	2,274,048,561	-

- The above table provides information ECLs till date. Impairment provision upto Dec 2020 was Tk. 9,903,363 and provision made during the year is Tk. 275,532. Out of the provision Tk. 9,903,363 upto Dec 2020, Taka 1,023,708 has been adjusted with trade receivable and provision on Impairment loss.
- Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these receivables was recognised in the current year on transition to IFRS 9.
- Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Impairment over these cash and cash equivalent was recognised in the current year on transition to IFRS 9.

c) Ageing of receivables

The ageing of trade receivables as at 31 December was:

	Amounts in Taka	
	As at 31 Dec 2021	As at 31 Dec 2020
Not past due	1,149,687,410	939,289,385
0-90 days past due	34,881,457	42,546,485
91-180 days past due	27,869,771	7,633,293
181-365 days past due	5,342,346	3,364,944
over 365 days past due	2,621,245	4,447,556
	1,220,402,229	997,281,663

36.2 Liquidity risk

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

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

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

	As at 31 Dec 2021			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	885,084,814	885,084,814	885,084,814	-
Short term borrowing	430,408,117	430,408,117	430,408,117	-
	1,315,492,931	1,315,492,931	1,315,492,931	-
	As at 31 Dec 2020			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	625,493,472	625,493,472	625,493,472	-
Short term borrowing	119,940,905	119,940,905	119,940,905	-
	745,434,377	745,434,377	745,434,377	-



36.3 Market risk

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

a) Currency risk

The Company is exposed to currency risk on certain revenues and purchase of raw material, spare parts, accessories and capital item. Majority of the company's foreign currency purchase are denominated in USD and EURO. All the export proceeds are receipt in USD, 15% of export proceeds are crediting to export retention quota account and rest of the 85% are converted to Taka and crediting to company's current account.

1) Exposure to currency risk

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

	As at 31 Dec 2021				As at 31 Dec 2020			
	AED	GBP	USD	EURO	AED	GBP	USD	EURO
Foreign currency denominated assets								
Receivable from customers-Export	-	-	-	-	-	-	9,235	-
Cash at bank	-	-	105,562	-	-	-	139,238	-
	-	-	105,562	-	-	-	148,473	-
Foreign currency denominated liabilities								
Trade payables	60,550	249,274	2,840,637	322,266	-	198,261	1,387,121	572,772
Short term borrowings	-	-	5,013,490	-	-	-	1,411,900	-
Royalty & Technical Fees	-	-	4,752,178	-	-	-	3,736,710	-
	60,550	249,274	12,606,305	322,266	-	198,261	6,535,731	572,772
Net exposure	(60,550)	(249,274)	(12,500,743)	(322,266)	-	(198,261)	(6,387,258)	(572,772)

The Company has foreign exchange loss of Tk 2,578,334 during the year ended 31 Dec 2021 (31 Dec 2020: Exchange loss Tk 1,478,740).

The following significant exchange rates have been applied:

	Exchange rate as at (Average)	
	31 Dec 2021	31 Dec 2020
	Taka	Taka
AED	23.2942	23.0356
GBP	115.4990	114.6885
USD	85.3500	84.4500
EURO	97.0488	104.0430

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 31 Dec 2021		As at 31 Dec 2020	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
At 31 December				
AED (3 percent movement)	(1,873)	1,764	-	-
GBP (3 percent movement)	(7,710)	7,260	(6,132)	5,775
USD (3 percent movement)	(386,621)	364,099	(197,544)	186,037
EURO (3 percent movement)	(9,967)	9,386	(17,715)	16,683

b) Interest rate risk

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

Interest rate Profile

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

	Carrying amount	
	As at 31 Dec 2021	As at 31 Dec 2020
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	1,561,507,395	1,152,575,127
Cash at banks	712,541,165	790,720,355
Financial liabilities		
Short term borrowing	430,408,117	119,940,905

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

	As at 31 Dec 2021		As at 31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	1,561,507,395	1,561,507,395	1,152,575,127	1,152,575,127
Loans and receivables				
Trade receivables	1,220,402,229	1,220,402,229	997,281,663	997,281,663
Other receivables	6,603,820	6,603,820	11,518,584	11,518,584
Cash equivalents	2,274,048,561	2,274,048,561	1,943,295,482	1,943,295,482
Financial liabilities				
Liabilities carried at amortised costs				
Trade and other payables	885,084,814	885,084,814	625,493,472	625,493,472
Short term borrowing	430,408,117	430,408,117	119,940,905	119,940,905

Interest rates used for determining amortised cost

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

	31 Dec 2021	31 Dec 2020
Investment in FDR (local currency/BDT)	1.50%-5.00%	1.95%-4.50%
Bank overdraft (local currency/BDT)	9%	9%
Short term bank loan (local currency/BDT)	9%	9%
Short term bank loan (foreign currency/USD)	Libor+2.00%-3.50%	Libor+2.75%-3.50%



37 Related party disclosures under IAS-24

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

Name of related party	Relationship	Security/ Guarantee status	Bad debts Status	Period	Purchase of goods/ services	Sale of goods/ services	Outstanding receivables/ Advance	Outstanding payable	Remuneration	Dividend income	Amounts in Taka	
RAK Power Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year Previous year	374,006,296 295,184,786	10,956,522 12,782,609	-	75,592,623 21,115,349	-	20,499,900 40,999,800		
RAK Security & Services Pvt. Ltd	Subsidiary	Unsecured	Nil	Current year Previous year	36,349,893 48,309,891	-	-	5,897,332 11,693,202	-	1,980,000 4,950,000		
RAK Ceramics PJSC, UAE	Parent	Unsecured	Nil	Current year Previous year	9,026,026 7,789,789	-	-	18,643,948 19,247,093	-	-		
Ceramin FZ LLC	Fellow subsidiary	Secured	Nil	Current year Previous year	785,892,515 424,280,078	-	-	65,809,391 16,073,113	-	-		
RAK Ceramics (India) Pvt. Ltd.	Fellow subsidiary	Secured	Nil	Current year Previous year	48,362 585,136	-	-	-	-	-		
RAK Paints Pvt. Ltd.	Other related party	Unsecured	Nil	Current year Previous year	423,872 164,529	-	-	-	-	-		
Kea Printing & Packaging Industries	Other related party	Unsecured	Nil	Current year Previous year	59,455,970 59,354,094	2,700,000	570,000	13,393,261 9,987,018	-	-		
Palli Properties Pte. Ltd	Other related party	Unsecured	Nil	Current year Previous year	11,461,923 10,104,303	-	-	391,680 746,231	-	-		
Sky Bird Travel Agents Pvt. Ltd.	Other related party	Unsecured	Nil	Current year Previous year	1,724,911 381,373	-	-	25,929	-	-		
Global Business Associates Ltd.	Other related party	Unsecured	Nil	Current year Previous year	1,496,233 6,414	-	6,414	-	-	-		
Pelikan Plastic & Packing Pvt. Ltd.	Other related party	Unsecured	Nil	Current year Previous year	58,450,995 11,750,342	-	-	8,299,420 56,532,946	-	-		
Mohammed Trading	Other related party	Secured by Guaranteed Cheque	Nil	Current year Previous year	- -	2,409,828,278	673,567,276	-	-	-		
S.A.K. Ekramuzzaman	Key Management Personnel	Unsecured	Nil	Current year Previous year	2,891,980 2,529,300	-	-	26,422,103 10,062,153	35,229,470 14,374,504	-		
Sadhan Kumar Dey	Key Management Personnel	Unsecured	Nil	Current year Previous year	- -	-	-	-	9,023,824 8,015,370	-		

37.1 "RAK Ceramics (Bangladesh) Limited did not have any tangible assets sale or purchase with its related party amounting to 1% (one percent) or above of the tangible asset for the immediate preceding financial year.

To comply the BSEC notification no. BSEC/CMRRCD/2009-193/2/admin/103 dated February 05, 2020 shareholders of the company in its 22nd Annual General Meeting dated March 31, 2021 approved an agenda to enter into contract for supply of goods and materials to Mohammed Trading (Owner of Mohammed Trading is Managing Director of RAK Ceramics (Bangladesh) Limited) amounting to 1% (One percent) or above of the revenue for the immediate financial year."

37.2 Paid to Directors

During the year, provision was made as MD's remuneration for Taka. 35,229,470.

During the year, Board meeting fees of Taka 300,000 was paid to the board members for attending the Board meetings.



38 Segment reporting

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

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

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

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

2021

	Business Segments				Entity total
	Ceramic & sanitary ware	Power	Security and Services	Inter segment	
	Taka	Taka	Taka	Taka	
Revenue - external customers	6,815,398,857	-	35,737,828	-	6,851,136,685
Revenue - inter segment	-	374,006,296	38,127,356	(412,133,652)	-
Total segment revenue	6,815,398,857	374,006,296	73,865,184	(412,133,652)	6,851,136,685
Cost of sales- external customer	(4,469,707,467)	(294,096,154)	(54,474,061)	-	(4,818,277,683)
Cost of sales- inter segment	(374,006,296)	(12,733,985)	-	386,740,281	-
Total segment cost of sales	(4,843,713,763)	(306,830,139)	(54,474,061)	386,740,281	(4,818,277,683)
Gross profit	1,971,685,094	67,176,157	19,391,123	-	2,032,859,002
Dividend income	22,479,900	20,000	50	(22,499,900)	50
Rental income	10,956,522	-	-	(10,956,522)	-
Financial income	44,346,321	433,270	37,618	-	44,817,209
Financial expenses	(10,043,466)	(321,120)	(25,737)	-	(10,390,323)
Depreciation	(423,400,707)	(28,421,541)	(206,348)	-	(452,028,596)
Other operating expenses	(497,627,800)	17,967,067	(17,844,021)	36,349,893	(461,154,860)
Segment profit before tax	1,118,395,864	56,853,833	1,352,685	-	1,154,102,481
Income tax expense	(280,200,490)	(20,204,964)	(443,191)	-	(300,848,645)
Deferred tax	46,912,243	5,129,307	(109,499)	-	51,932,051
Non -Controlling interest	-	204	0.04	-	204
Profit for the year	-	-	-	-	905,185,683



2020**Business Segments**

	Ceramic & sanitary ware		Power		Security and services		Inter segment		Entity total	
	Taka		Taka		Taka		Taka		Taka	
Revenue - external customers	5,233,144,472		5,457,758		50,314,443		-		5,288,916,673	
Revenue - inter segment	-		295,184,786		49,781,069		(344,965,855)		-	
Total segment revenue	5,233,144,472		300,642,544		100,095,512		(344,965,855)		5,288,916,673	
Cost of sales- external customer	(3,798,847,720)		(240,322,745)		(83,042,175)		-		(4,122,212,640)	
Cost of sales- inter segment	(320,397,758)		(13,563,396)		-		333,961,154		-	
Total segment cost of sales	(4,119,245,478)		(253,886,141)		(83,042,175)		333,961,154		(4,122,212,640)	
Gross profit	1,113,898,995		46,756,403		17,053,337		-		1,166,704,033	
Other income	1,173,543		91,541		8,503				1,273,587	
Dividend income	45,949,800		50,000		100		(45,999,800)		100	
Rental income	15,482,609		-		-		(12,782,609)		2,700,000	
Financial income	49,393,744		2,105,101		49,914		-		51,548,759	
Financial expenses	(18,187,444)		(1,429,694)		(56,119)		-		(19,673,257)	
Depreciation	(429,425,595)		(14,634,411)		(215,954)		-		(444,275,960)	
Other operating expenses	(321,952,205)		5,230,787		(17,116,806)		23,096,919		(310,741,304)	
Segment profit before tax	456,333,445		38,169,727		(277,026)		-		447,535,959	
Income tax expense	(122,316,309)		(14,698,046)		-		-		(137,014,355)	
Deferred tax	(4,531,782)		4,454,486		209,144		-		131,848	
Non -controlling interest	-		121		0.00		-		121	
Profit for the year									310,653,331	



	2021 Taka	2020 Taka
39 Calculation of Earnings per share (EPS)		
Calculation of earnings per share (EPS) is as under:		
(a) Profit attributable to equity holders of the Company	905,185,683	310,653,331
(b) No. of ordinary equity shares	427,968,701	427,968,701
(c) Weighted average no. of equity shares outstanding (Note 39.1)	427,968,701	427,968,701
Earnings per share (EPS) for the year (a÷c)	2.12	0.73
Diluted earnings per share for the year (a÷c)	2.12	0.73

39.1 Weighted average number of ordinary shares

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

	2021	2020
Outstanding shares	427,968,701	427,968,701
	427,968,701	427,968,701

39.2 Diluted earning per share

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

39.3 Reason of deviation of earnings per share:

Due to the revised and responsive business strategy taken by the management, sales is increased by 29.54% from BDT. 5,288.92 mn to BDT. 6,851.14 mn. The company registered improvement of cost of sales due to enhanced control on cost compared to previous year which is resulting in increase of earnings per share from BDT. 0.73 to BDT. 2.12. Number of working days are also more in the year 2021 compare to 2020 because of COVID - 19 impact. Reduction of tax rate by 2.5% as per Finance Act 2021 impacting profit after tax, eventually improving earnings per share.

40 Calculation of Net assets value per share

(a) Net assets value (Note 14, 15 & 16)	7,500,527,768	7,023,310,786
(b) Weighted average no. of equity shares outstanding (Note 39.1)	427,968,701	427,968,701
Net assets value per share (a÷b)	17.53	16.41

41 Calculation of Net operating cash flow per share

(a) Net Cash flows from operating activities (Note 42)	582,857,689	1,228,664,968
(b) Weighted average no. of equity shares outstanding (Note 39.1)	427,968,701	427,968,701
Net operating cash flow per share (a÷b)	1.36	2.87

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

Due to the revised and responsive business strategy taken by the management, sales is increased by 29.54% from BDT. 5,288.92 mn to BDT. 6,851.14 mn. But, cash collection from the customers has not been increased in same proportion due to allowing additional credit term during the pandemic period which is impacting in net operating cash flow inversely. As a result, net operating cash flow per share has been reduced from BDT. 2.87 to BDT. 1.36.



42 Reconciliation of operating cash flow:	<u>2021</u>	<u>2020</u>
	<u>Taka</u>	<u>Taka</u>
Cash flows from operating activities		
Profit before taxation	1,154,102,481	447,535,959
Adjustment for:		
Depreciation	460,201,666	458,745,140
Amortization	1,556,602	3,855,577
Loss on right of use assets	-	475,595
Advance rent adjustment	-	(6,293,495)
Loss on assets retirement	3,382,984	-
Foreign exchange loss	2,578,334	1,478,740
Finance expenses	7,811,989	18,194,518
Finance income	(44,817,209)	(51,548,759)
Other income	(50)	(3,882,147)
	<u>1,584,816,796</u>	<u>868,561,128</u>
Increase/decrease in trade and other receivables	(223,161,925)	(183,813,330)
Increase/decrease in inventories	(962,805,560)	758,639,862
Increase/decrease in trade and other payables	452,583,378	(70,257,266)
Cash generated from operating activities	<u>851,432,689</u>	<u>1,373,130,388</u>
Interest received from bank deposit	8,553,389	10,130,980
Income tax paid	(277,128,389)	(154,596,400)
Net cash (used in)/from operating activities	<u><u>582,857,689</u></u>	<u><u>1,228,664,968</u></u>

43 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 1,130,710,423 (31 Dec 2020: Tk 1,154,183,701). Considering the merits of the cases, it has not been deemed necessary to make provisions for all such disputed claims.

There is also contingent liability in respect of outstanding letters of credit of Tk 424,808,058 (31 Dec 2020: Tk 455,609,557) and letter of guarantee of Tk 139,459,353 (31 Dec 2020: Tk 178,626,844).

The company issued one corporate guarantee value BDT. 70 mn (SCB) in favour of subsidiary company to avail loan from banks. Outstanding loan against the said corporate guarantee are nil at 31 December 2021. Therefore no credit loss allowances is expected.

44 Events after the reporting period

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

The Board of Directors of RAK Ceramics (Bangladesh) Limited, in its meeting held on 02 February 2022, has unanimously recommended cash dividend @ 12.50% of the paid up capital of the Company for the year ended 31 December 2021 equivalent to BDT. 534,960,876.25 to be distributed as cash dividend among shareholders, which is more than 30% of the current year profit. The dividend is subject to final approval by the shareholders at the forthcoming 23rd Annual General Meeting of the Company which will be held on 31 March 2022.

