

**RAK Ceramics (Bangladesh) Ltd.**  
RAK Tower (7th, 8th & 9th Floor)  
Plot 1/A, Jasimuddin Avenue, Sector 3,  
Uttara, Dhaka 1230

**RAK Ceramics (Bangladesh) Limited**

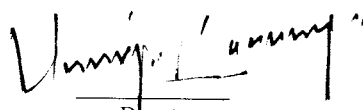
Consolidated financial statements  
for the period ended 30 June 2013

**RAK Ceramics (Bangladesh) Ltd**  
**Consolidated Statement of Financial Position**  
**as at 30 June 2013**

	Notes	30 June 2013 Taka	31 Dec 2012 Taka
<b>Assets</b>			
Property, plant and equipment	4	2,845,058,197	3,000,994,834
Equity-accounted investees	5	110,425,377	99,935,330
Intangible assets	6	109,151,421	112,670,334
Capital work-in-progress	7	28,841,703	30,955,703
Investment in shares of listed companies	8	2,322,235	2,189,065
Loan to associates	9	77,939,561	95,204,185
<b>Total non-current assets</b>		<u>3,173,738,494</u>	<u>3,341,949,451</u>
Inventories	10	1,779,556,615	1,777,888,718
Trade and other receivables	11	538,696,982	621,510,397
Loan to associates	12	22,060,439	4,795,815
Advance, deposit and prepayments	13	319,798,705	217,599,738
Advance income tax	14	1,413,889,944	1,303,890,755
Cash and cash equivalents	15	1,087,806,353	988,298,905
<b>Total current assets</b>		<u>5,161,809,038</u>	<u>4,913,984,328</u>
<b>Total assets</b>		<u>8,335,547,532</u>	<u>8,255,933,779</u>
<b>Equity</b>			
Share capital	16	3,062,278,285	2,783,889,350
Share premium		1,473,647,979	1,473,647,979
Retained earnings		919,418,215	1,293,599,640
<b>Equity attributable to equity holders of the company</b>		<u>5,455,344,479</u>	<u>5,551,136,969</u>
<b>Non-controlling interests</b>		41,554,307	108,824,662
<b>Total equity</b>		<u>5,496,898,786</u>	<u>5,659,961,631</u>
<b>Liabilities</b>			
Borrowings	19	24,041,018	18,567,275
Deferred tax liability	17	121,162,388	121,162,388
<b>Total non-current liabilities</b>		<u>145,203,406</u>	<u>139,729,663</u>
Provision for employees benefits	18	19,802,709	21,856,218
Borrowings	19	427,915,915	389,152,953
Trade and other payables	20	219,582,868	197,523,746
Provision for expenses	21	147,439,928	172,927,231
Provision for royalty and technical know-how fees	22	247,291,778	219,094,868
Provision for income tax	23	1,631,412,142	1,455,687,469
<b>Total current liabilities</b>		<u>2,693,445,340</u>	<u>2,456,242,485</u>
<b>Total equity and liabilities</b>		<u>8,335,547,532</u>	<u>8,255,933,779</u>

*The notes on pages 5 to 37 are an integral part of these financial statements*

  
Head of Finance & Accounts

  
Director

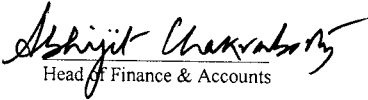
  
Managing Director

Dhaka, Bangladesh  
Dated, 24 July 2013

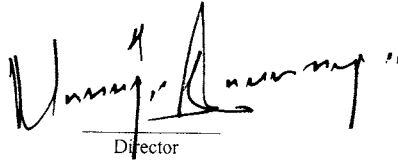
**RAK Ceramics (Bangladesh) Ltd**  
**Consolidated Statement of Comprehensive Income**  
**for the period ended 30 June 2013**

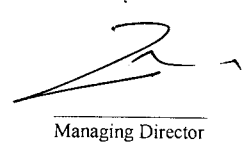
	Notes	Jan to June 13 Taka	Jan to June 12 Taka	April to June 13 Taka	April to June 12 Taka
Sales	24	2,636,266,587	2,374,325,581	1,337,707,760	1,167,909,622
Cost of sales	25	(1,608,752,041)	(1,414,264,808)	(810,363,400)	(692,141,482)
<b>Gross profit</b>		<u>1,027,514,546</u>	<u>960,060,773</u>	<u>527,344,360</u>	<u>475,768,140</u>
Other income	26	6,363,534	4,478,171	5,101,725	2,909,034
Administrative expenses	27	(160,874,029)	(159,488,430)	(92,439,907)	(90,417,775)
Marketing and selling expenses	28	(413,011,567)	(352,592,856)	(222,870,735)	(184,921,197)
		<u>(567,522,062)</u>	<u>(507,603,115)</u>	<u>(310,208,917)</u>	<u>(272,429,938)</u>
<b>Profit from operating activities</b>		<u>459,992,484</u>	<u>452,457,658</u>	<u>217,135,443</u>	<u>203,338,202</u>
Finance income	29	70,212,365	47,077,596	28,326,023	30,458,382
Finance cost	30	(22,511,112)	(21,154,460)	(13,534,749)	(11,496,811)
Net finance income		<u>47,701,253</u>	<u>25,923,136</u>	<u>14,791,274</u>	<u>18,961,571</u>
Share of profit/(loss) of equity-accounted investees	5	(26,259,953)	(43,762,316)	(11,649,960)	(22,415,512)
<b>Profit before contribution to Worker's Profit Participation Fund</b>		<u>481,433,784</u>	<u>434,618,478</u>	<u>220,276,757</u>	<u>199,884,261</u>
Contribution to Worker's Profit Participation Fund		<u>(29,151,053)</u>	<u>(29,398,182)</u>	<u>(14,270,711)</u>	<u>(13,426,075)</u>
<b>Profit before income tax</b>		<u>452,282,731</u>	<u>405,220,296</u>	<u>206,006,046</u>	<u>186,458,186</u>
Income tax expense					
Current tax	31	175,724,673	174,011,821	82,037,536	84,188,356
<b>Profit for the period</b>		<u>276,558,058</u>	<u>231,208,475</u>	<u>123,968,510</u>	<u>102,269,830</u>
<b>Profit attributable to:</b>					
Equity holders of the Company		321,790,913	292,366,804	146,936,215	134,121,788
Non-controlling interest		(45,232,855)	(61,158,329)	(22,967,705)	(31,851,958)
<b>Profit after tax for the period</b>		<u>276,558,058</u>	<u>231,208,475</u>	<u>123,968,510</u>	<u>102,269,830</u>
<b>Basic earnings per share (Per value TK 10)</b>	35	<u>1.05</u>	<u>0.95</u>	<u>0.48</u>	<u>0.44</u>

*The notes on pages 5 to 37 are an integral part of these financial statements*

  
Head of Finance & Accounts

Dhaka, Bangladesh  
Dated, 24 July 2013

  
Director

  
Managing Director

**RAK Ceramics (Bangladesh) Ltd**  
**Consolidated Statement of Changes in Equity**  
**for the period ended 30 June 2013**

	Attributable to owners of the Company				Non-controlling interests Taka	Total equity Taka
	Share capital Taka	Share Premium Taka	Retained earnings Taka	Total Taka		
<b>Balance as at 01 January 2012</b>	2,530,808,500	1,473,647,979	1,318,178,608	5,322,635,087	173,866,834	5,496,501,921
Total comprehensive income for 30 June 2012						
Profit/(loss) for the period	-	-	292,366,804	292,366,804	(61,158,329)	231,208,475
Share money deposit	-	-	-	-	39,500,000	39,500,000
Transactions with the shareholders						
Cash dividend (2011)	-	-	(379,621,275)	(379,621,275)	(17,630,000)	(397,251,275)
Stock dividend (2011)	253,080,850	-	(253,080,850)	-	-	-
<b>Balance as at 30 June 2012</b>	<u>2,783,889,350</u>	<u>1,473,647,979</u>	<u>977,843,287</u>	<u>5,235,380,616</u>	<u>134,578,505</u>	<u>5,369,959,121</u>
<b>Balance as at 01 January 2013</b>	2,783,889,350	1,473,647,979	1,293,599,640	5,551,136,969	108,824,662	5,659,961,631
Total comprehensive income for 30 June 2013						
Profit/(loss) for the period	-	-	321,790,913	321,790,913	(45,232,855)	276,558,058
Share money deposit	-	-	-	-	-	-
Transactions with the shareholders						
Cash dividend (2012)	-	-	(417,583,403)	(417,583,403)	(22,037,500)	(439,620,903)
Stock dividend (2012)	278,388,935	-	(278,388,935)	-	-	-
<b>Balance as at 30 June 2013</b>	<u>3,062,278,285</u>	<u>1,473,647,979</u>	<u>919,418,215</u>	<u>5,455,344,479</u>	<u>41,554,307</u>	<u>5,496,898,786</u>

The notes on pages 5 to 37 are an integral part of these financial statements



**RAK Ceramics (Bangladesh) Ltd**  
**Consolidated Statement of Cash Flows**  
**for the period ended 30 June 2013**

	30 June 2013	30 June 2012
	<u>Taka</u>	<u>Taka</u>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	2,629,052,404	2,305,468,199
Cash payments to suppliers and employees	(1,995,550,582)	(1,897,617,859)
<b>Cash generated from operating activities</b>	<u>633,501,822</u>	<u>407,850,340</u>
Interest received from bank deposit	837,482	3,818,593
Income tax paid	(109,999,189)	(129,755,941)
<b>Net cash from operating activities</b>	<u>524,340,115</u>	<u>281,912,992</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(27,185,524)	(587,824,080)
Sale of property, plant and equipment	3,622,334	3,319,367
Loan to associates	-	(100,000,000)
Investment in associate companies	(36,750,000)	(70,000,000)
(Investment)/disinvestment in shares	(133,170)	605,939
Interest received from FDR	50,080,144	58,206,608
Intangible assets	(1,364,246)	(7,134,164)
Adjustment related to non-controlling interest	(22,037,500)	21,870,000
Dividend received	381,321	376,920
<b>Net cash used in investing activities</b>	<u>(33,386,641)</u>	<u>(680,579,410)</u>
<b>Cash flows from financing activities</b>		
Finance charges	(22,511,112)	(21,154,460)
Avail/(repayment) of term loan	5,473,742	(6,786,185)
Avail/(repayment) of short-term loan	38,762,961	(6,577,336)
Dividend paid	(412,778,023)	(369,088,753)
Unclaimed share application refund	(393,595)	(499,208)
<b>Net cash used in financing activities</b>	<u>(391,446,026)</u>	<u>(404,105,942)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	99,507,448	(802,772,360)
<b>Cash and cash equivalents as at 01 January</b>	988,298,905	1,442,035,679
<b>Cash and cash equivalents as at 30 June</b>	<u>1,087,806,353</u>	<u>639,263,319</u>

*The notes on pages 5 to 37 are an integral part of these financial statements.*

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## **RAK Ceramics (Bangladesh) Limited**

### **Notes to the Consolidated Financial Statements as at and for the period ended 30 June 2013**

#### **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.

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

#### **1.1 Description of subsidiaries**

##### **RAK Pharmaceuticals Pvt. Ltd.**

RAK Pharmaceuticals Pvt. Ltd. was incorporated in Bangladesh under the Companies Act 1994 on 29 June 2005 as a private company limited by shares with an authorised capital of BDT 500 million divided into 5 million ordinary shares of Taka 100 each. Authorised capital of the Company has been increased from Taka 500 million to 1,500 million divided into 150 million ordinary shares of Taka 10 each in the year 2011. The Company has gone into operation from 15 July 2009. The paid up capital stands at Taka 468.54 million as at 30 June 2013. The registered office of the Company is at RAK Tower (10 floor), Plot No.: 1/A, Jasimuddin Avenue, Sector No.: 3, Uttara, Dhaka-1230. The factory is located at Vill.: Faridpur, P.S.: Sreepur, Dist.: Gazipur. The Company owns and operates modern pharmaceutical facility which produces and sells pharmaceutical drugs and medicines including biological and non-biological drugs. 55% shares of RAK Pharmaceuticals Pvt. Ltd's is held by RAK Ceramics (Bangladesh) Limited.

##### **RAK Power Pvt. Ltd.**

RAK Power Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 30 June 2005 as a private company limited by shares with an authorized capital of Taka 1,000,000,000 divided into 10,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 205,000,000 as at 30 June 2013. The Company has gone into operation from 1 May 2009. The registered office of the Company is at House # 5, Road # 1/A Sector # 4, Uttara, Dhaka- 1230. The Power Plant is located at Village : Dhanua, P.S: Sreepur, District: Gazipur. 57% shares of RAK Power Pvt. Ltd. is held by RAK Ceramics (Bangladesh) Limited.

##### **Classic Porcelain Pvt. Limited**

Classic Porcelain Pvt. Limited was incorporated in Bangladesh under the Companies Act 1994 on 19 August 2008 as a private company limited by shares with an authorised 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 10,000,000 as at 30 June 2013. The main objects of the Company is to produce, manufacture, sell and export of 100% export oriented all types of porcelain/ceramic-made, table ware such as bone china, porcelain white ware, crockery, pottery, hand painted wares, mugs, cup and saucer, plates etc. 51% shares of RAK Porcelain Pvt. Limited is held by RAK Ceramics (Bangladesh) Limited.

## **RAK Food & Beverage Pvt. Ltd.**

RAK Food & Beverage Pvt. Ltd. was incorporated in Bangladesh under the Companies Act 1994 on 19 August 2008 as a private company limited by shares with an authorised capital of Taka 200,000,000 divided into 2,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 2,000,000 as at 30 June 2013. The main objects of the Company is to carry on the business and to act for business on Joint Venture basis to manufacture, produce, sell, import and export of all types of foods, food products, bottled drinking water and beverages items in Bangladesh and abroad. 51% shares of RAK Food & Beverage Pvt. Ltd. is held by RAK Ceramics (Bangladesh) Limited.

### **2. Basis of preparation**

#### **2.1 Statement of compliance**

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

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

#### **Authorisation for issue**

These financial statements have been authorised for issue by the Board of Directors of the Company on 24 July 2013.

#### **2.2 Basis of measurement**

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

#### **2.3 Functional and presentational currency**

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

#### **2.4 Use of estimates and judgements**

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

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

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

Note 4	Property, plant & equipment
Note 17	Deferred tax liability
Note 18	Provision for employees benefit
Note 23	Provision for income tax

## **2.5 Reporting period**

The financial period of the Company covers six months from 1 January to 30 June and is followed consistently.

## **2.6 Going concern**

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

## **3 Significant accounting policies**

The accounting policies set out below, which comply with IFRS, have been applied consistently to all periods 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.

#### **Subsidiaries**

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

#### **Loss of control**

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

#### **Investments in associates**

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

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



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

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

#### **Transactions eliminated on consolidation**

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

### **3.2 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 comprehensive income as per Bangladesh Accounting Standard (BAS) 21 "*The Effects of Changes in Foreign Exchange Rates*".

### **3.3 Financial instruments**

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

#### **3.3.1 Non-derivative financial assets**

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

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

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

##### **a) Investment in associates**

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

##### **b) Loans to associates**

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

**c) Trade & other receivables**

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

**d) Cash and cash equivalents**

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

**3.3.2 Non-derivative financial liabilities**

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

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

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

**a) Trade & other payables**

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

**b) Borrowings**

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

**3.4 Share capital**

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

**3.5 Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the property, plant and equipment.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

An asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised as gain or loss in the statement of comprehensive income.

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

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

Category of property, plant and equipment	Rate (%)
Factory building	2.5-5
General building	2.5-20
Head Office building	2.5-5
Plant and machinery	5-10
Mobile plant	10
Electrical installation	10-20
Gas pipeline	10-20
Furniture, fixture and equipment	10
Office equipment	10-33.33
Communication equipment	10-12.5
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 Capital work-in-progress

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

### 3.7 Intangible assets

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

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

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

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

### 3.8 Leased assets

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

### **Lease payments**

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

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

### **3.9 Inventories**

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

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

### **3.10 Impairment**

#### **Non-derivative financial assets**

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

#### **Non-financial assets**

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

#### **Calculation of recoverable amount**

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

#### **Recognition of impairment**

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

#### **Reversal of impairment**

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

### **3.11 Employee benefit schemes**

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

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

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

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

#### **Defined benefit plan**

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

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

### **3.12 Workers' Profit Participation Fund (WPPF)**

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

### **3.13 Provisions**

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

### **3.14 Revenue recognition**

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

### **3.15 Finance income and expenses**

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

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

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

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

### **3.16 Taxation**

Income tax represents current tax only and deferred tax is accounted for end of the year. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

#### **Current tax:**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for a publicly-traded company.

### **3.17 Earning per share**

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

### **3.18 Determination and presentation of operating segment**

Details of product-wise segment reporting as required by BFRS-8 (operating segments).

### **3.19 Contingencies**

#### **Contingent liability**

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

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

#### **Contingent asset**

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

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

### **3.20 Statement of cash flows**

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

### **3.21 Events after the reporting period**

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

### **3.22 Comparatives and reclassification**

Comparative information have been disclosed in respect of 2012 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current period's financial statements.

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

4 Property, Plant and Equipment

30 June 2013

Particulars	C O S T			D E P R E C I A T I O N					Net book value at 30 June 2013	
	Balance at 01 Jan 2013	Additions	Sale/ disposal	Total at 30 June 2013	Rate (%)	Up to 01 Jan 2013	Charged for the period	Adjustment		Total to 30 June 2013
Land	748,720,144	1,507,826	-	750,227,970	-	-	-	-	-	750,227,970
Factory building	689,560,013	-	-	689,560,013	2.5-5	205,071,682	15,561,244	-	220,632,926	468,927,087
Factory office building	71,232,413	6,283,171	-	77,515,584	2.5-20	27,664,440	1,619,360	-	29,283,800	48,231,784
Head office building	171,556,721	-	-	171,556,721	2.5-5	33,827,690	3,411,779	-	37,239,469	134,317,252
Plant and machinery	3,331,136,668	13,301,486	-	3,344,438,154	5-10	1,971,518,873	135,315,117	-	2,106,833,990	1,237,604,164
Mobile plant	89,121,262	186,079	-	89,307,341	10	53,375,158	3,864,955	-	57,240,113	32,067,228
Electrical installation	222,723,445	-	-	222,723,445	10-20	135,370,805	11,089,459	-	146,460,264	76,263,181
Gas pipeline	43,967,827	17,552	-	43,985,379	10-20	36,938,785	2,152,270	-	39,091,055	4,894,324
Furniture and fixtures	52,873,545	1,133,613	-	54,007,158	10	22,618,078	2,578,482	-	25,196,560	28,810,598
Office equipment	33,965,544	802,892	(261,700)	34,506,736	10-33.33	22,124,588	1,989,471	(119,834)	23,994,225	10,512,511
Communication equipment	4,083,829	2,727,738	-	6,811,567	10-12.5	1,996,893	283,196	-	2,280,089	4,531,478
Tools and appliances	7,036,968	-	-	7,036,968	10-20	3,796,782	324,178	-	4,120,960	2,916,008
Vehicles	85,426,287	3,339,167	(5,962,135)	82,803,319	10-20	36,832,262	5,740,355	(5,160,807)	37,411,810	45,391,509
Fire fighting equipments	3,631,012	-	-	3,631,012	20	2,904,808	363,101	-	3,267,909	363,103
Total at 30 June 2013	5,555,035,678	29,299,524	(6,223,835)	5,578,111,367		2,554,040,844	184,292,967	(5,280,641)	2,733,053,170	2,845,058,197

31 Dec 2012

Particulars	C O S T			D E P R E C I A T I O N					Net book value at 31 Dec 2012	
	Balance at 01 Jan 2012	Additions	Sale/ disposal	Total at 31 Dec 2012	Rate (%)	Up to 01 Jan 2012	Charged for the year	Adjustment		Total to 31 Dec 2012
Land	236,618,242	512,101,902	-	748,720,144	-	-	-	-	-	748,720,144
Factory building	664,746,200	24,813,813	-	689,560,013	2.5-5	174,226,272	30,845,410	-	205,071,682	484,488,331
Factory office building	66,191,156	5,041,257	-	71,232,413	2.5-20	24,651,989	3,012,451	-	27,664,440	43,567,973
Head office building	171,556,721	-	-	171,556,721	2.5-5	26,947,584	6,880,106	-	33,827,690	137,729,031
Plant and machinery	3,248,192,833	82,975,835	(32,000)	3,331,136,668	5-10	1,703,604,340	267,919,057	(4,524)	1,971,518,873	1,359,617,795
Mobile plant	89,121,262	-	-	89,121,262	10	45,796,183	7,578,975	-	53,375,158	35,746,104
Electrical installation	222,723,445	-	-	222,723,445	10-20	113,046,179	22,324,626	-	135,370,805	87,352,640
Gas pipeline	42,550,307	1,417,520	-	43,967,827	10-20	32,906,576	4,032,209	-	36,938,785	7,029,042
Furniture and fixtures	50,482,769	2,390,776	-	52,873,545	10	17,579,341	5,038,737	-	22,618,078	30,255,467
Office equipment	32,103,391	2,788,928	(926,775)	33,965,544	10-33.33	17,166,735	5,433,017	(475,165)	22,124,588	11,840,956
Communication equipment	3,441,696	642,133	-	4,083,829	10-12.5	1,637,300	359,593	-	1,996,893	2,086,936
Tools and appliances	7,036,968	-	-	7,036,968	10-20	3,143,061	653,721	-	3,796,782	3,240,186
Vehicles	78,040,597	11,963,610	(4,577,920)	85,426,287	10-20	27,976,331	11,050,658	(2,194,727)	36,832,262	48,594,025
Fire fighting equipments	3,631,012	-	-	3,631,012	20	2,178,606	726,202	-	2,904,808	726,204
Total at 31 December 2012	4,916,436,599	644,135,774	(5,536,695)	5,555,035,678		2,190,860,497	365,854,762	(2,674,416)	2,554,040,844	3,000,994,834



	30 June 2013 <u>Taka</u>	30 June 2012 <u>Taka</u>
<b>4.1 Depreciation charged to</b>		
Cost of goods manufactured (Note 25.1)	168,766,137	165,223,536
Administrative expenses (Note 27)	13,493,541	14,434,598
Marketing & selling overhead (Note 28)	2,033,289	2,025,251
	<u>184,292,967</u>	<u>181,683,385</u>
<b>4.2 Disposal of property, plant and equipment</b>		

**30 June 2013**

Particulars	Original cost	Accumulated depreciation	Book value	Sales/Insurance claim receipt
	Taka	Taka	Taka	Taka
Motor cycle	663,317	310,174	353,143	315,749
Vehicles	5,298,818	4,850,633	448,185	3,234,274
Office equipments	261,700	119,834	141,866	72,311
<b>Total</b>	<b>6,223,835</b>	<b>5,280,641</b>	<b>943,194</b>	<b>3,622,334</b>

**31 December 2012**

Particulars	Original cost	Accumulated depreciation	Book value	Sale/Insurance claim receipt
	Taka	Taka	Taka	Taka
Motor cycles	254,838	91,535	163,303	217,203
Vehicles	4,323,082	2,103,192	2,219,890	3,423,076
Office equipments	958,775	479,689	479,086	479,086
<b>Total</b>	<b>5,536,695</b>	<b>2,674,416</b>	<b>2,862,279</b>	<b>4,119,365</b>

## 5 Equity-accounted investees

Share of net assets :	Ownership	Current assets		Non current assets		Total assets		Current liabilities		Non current liabilities		Total liabilities		Net assets		Share of net assets	
		Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka
<b>30 June 2013</b>																	
RAK Security and Services Pvt. Ltd.	35%	24,748,253	3,777,547	28,525,800	16,818,824	16,818,824	-	16,818,824	11,706,976	4,097,442	11,706,976	11,706,976	4,097,442	11,706,976	4,097,442	11,706,976	4,097,442
RAK Paints Pvt. Ltd.	40%	351,096,730	282,670,186	633,766,916	372,091,184	372,091,184	571,706,738	943,797,922	(310,031,006)	102,737,598	(310,031,006)	(310,031,006)	102,737,598	(310,031,006)	102,737,598	(310,031,006)	102,737,598
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	36,252,278	131,493,503	167,745,781	120,492,302	120,492,302	103,351,793	223,844,095	(56,098,314)	3,590,337	(56,098,314)	(56,098,314)	3,590,337	(56,098,314)	3,590,337	(56,098,314)	3,590,337
Share of net assets is arrived at adding share money deposit of RAK Ceramics (Bangladesh) Limited of TK 226,750,000 and TK. 14,810,000 respectively.																	
<b>31 Dec 2012</b>																	
RAK Security and Services Pvt. Ltd.	35%	19,312,899	3,953,177	23,266,076	12,845,527	12,845,527	-	12,845,527	10,420,549	3,647,192	10,420,549	10,420,549	3,647,192	10,420,549	3,647,192	10,420,549	3,647,192
RAK Paints Pvt. Ltd.	40%	355,975,661	294,588,430	650,564,091	376,052,654	376,052,654	527,689,570	903,742,224	(253,178,133)	88,728,747	(253,178,133)	(253,178,133)	88,728,747	(253,178,133)	88,728,747	(253,178,133)	88,728,747
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	38,018,556	133,555,145	171,573,701	114,512,381	114,512,381	93,314,367	207,826,748	(36,253,047)	7,559,391	(36,253,047)	(36,253,047)	7,559,391	(36,253,047)	7,559,391	(36,253,047)	7,559,391
Share of net assets is arrived at adding share money deposit of RAK Ceramics (Bangladesh) Limited of TK 190,000,000 and TK. 14,810,000 respectively.																	

Share of net profit/(loss) :	Ownership	Repricing date	Nature of investment	Income		Expenses		Tax expenses		Profit or (loss)		Share of profit/(loss)	
				Income	Expenses	Expenses	Profit or (loss)	Profit or (loss)	Share of profit/(loss)				
<b>30 June 2013</b>													
RAK Security and Services Pvt. Ltd.	35%	30 June 2013	Associate	30,292,057	26,633,774	1,371,856	2,286,427	450,249	450,249	450,249	450,249	450,249	450,249
RAK Paints Pvt. Ltd.	40%	30 June 2013	Associate	298,741,468	355,594,340	-	(56,852,872)	(22,741,149)	(22,741,149)	(22,741,149)	(22,741,149)	(22,741,149)	(22,741,149)
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	30 June 2013	Associate	100,745,247	120,590,513	-	(19,845,266)	(3,969,053)	(3,969,053)	(3,969,053)	(3,969,053)	(3,969,053)	(3,969,053)
Share of net profit/(loss) is arrived at adding share money deposit of RAK Ceramics (Bangladesh) Limited of TK 190,000,000 and TK. 14,810,000 respectively.													
<b>30 June 2012</b>													
RAK Security and Services Pvt. Ltd.	35%	30 June 2012	Associate	26,162,485	22,077,127	1,532,009	2,553,349	1,983,461	1,983,461	1,983,461	1,983,461	1,983,461	1,983,461
RAK Paints Pvt. Ltd.	40%	30 June 2012	Associate	265,968,801	366,583,550	-	(100,614,749)	(40,245,900)	(40,245,900)	(40,245,900)	(40,245,900)	(40,245,900)	(40,245,900)
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	30 June 2012	Associate	47,919,705	74,445,591	-	(26,525,886)	(5,499,878)	(5,499,878)	(5,499,878)	(5,499,878)	(5,499,878)	(5,499,878)
Share of net profit/(loss) is arrived at adding share money deposit of RAK Ceramics (Bangladesh) Limited of TK 190,000,000 and TK. 14,810,000 respectively.													

	30 June 2013 Taka	31 Dec 2012 Taka
<b>6 Intangible assets</b>		
Balance as at 1 January	112,670,334	113,928,723
Add: Addition during the period	1,364,246	9,544,681
Less: Amortisation during the period	4,883,159	10,803,070
Balance as at 30 June	<u>109,151,421</u>	<u>112,670,334</u>
<b>7 Capital Work-in-Progress</b>		
Balance as at 1 January	30,955,703	36,578,205
Add: Addition during the period	11,388,271	91,052,972
	<u>42,343,974</u>	<u>127,631,177</u>
Less: Transfer to property, plant & equipment during the period (note 7.1)	13,502,271	96,675,474
	<u>28,841,703</u>	<u>30,955,703</u>

**7.1 Items transferred from capital work in progress to property, plant & equipment**

Facotory building	-	24,210,365
Factory office building	6,283,171	5,041,257
Plant & machinery	4,491,362	67,423,852
Communication equipment	2,727,738	-
	<u>13,502,271</u>	<u>96,675,474</u>

**8 Investment in Shares of listed companies**

Cost price	5,004,427	5,004,427
Less : Unrealised loss	(2,682,192)	(2,815,362)
	<u>2,322,235</u>	<u>2,189,065</u>

**30 June 2013**

Name of companies	No. of Shares	Cost price	Market value at 30 June 2013	Unrealised gain/(loss)
ICB	168	461,696	301,812	(159,884)
BSRM Steel	10,500	1,757,399	840,000	(917,399)
UCBL	13,225	784,114	226,147	(557,967)
Uttara Finance	1,540	194,966	118,734	(76,232)
DESCO	2,587	430,077	232,054	(198,023)
Bay Leasing	3,060	316,932	111,078	(205,854)
Meghna Life Insurance	2,100	560,132	217,560	(342,572)
PLFSL	1,100	150,750	34,512	(116,238)
Suare Pharma	308	56,708	67,760	11,052
One Bank	3,737	142,203	59,045	(83,158)
Prime Bank	4,026	149,450	113,533	(35,917)
<b>Total</b>	<u>42,351</u>	<u>5,004,427</u>	<u>2,322,235</u>	<u>(2,682,192)</u>

**31 December 2012**

Name of companies	No. of Shares	Cost price	Market value at 31 Dec 2012	Unrealised gain/(loss)
ICB	168	461,696	253,386	(208,310)
BSRM Steel	10,000	1,757,399	679,000	(1,078,399)
UCBL	10,225	784,114	312,110	(472,004)
Uttara Finance	1,400	194,966	116,060	(78,906)
DESCO	2,587	430,077	186,523	(243,554)
Bay Leasing	3,060	316,932	108,017	(208,915)
Meghna Life Insurance	2,100	560,132	236,880	(323,252)
PLFSL	1,100	150,750	35,640	(115,110)
Square Pharma	308	56,708	51,929	(4,779)
One Bank	3,250	142,203	74,100	(68,103)
Prime Bank	3,660	149,450	135,420	(14,030)
<b>Total</b>	<u>37,858</u>	<u>5,004,427</u>	<u>2,189,065</u>	<u>(2,815,362)</u>

	<u>30 June 2013</u>	<u>31 Dec 2012</u>
	<u>Taka</u>	<u>Taka</u>
<b>9 Loan to associates</b>		
RAK Paints Pvt. Ltd.	77,939,561	95,204,185
	<u>77,939,561</u>	<u>95,204,185</u>
<b>10 Inventories</b>		
Raw materials	747,212,846	812,949,154
Stores and consumables spares	855,352,777	793,098,612
Finished goods	127,220,824	125,399,406
Work-in-process	35,143,312	34,017,206
Goods-in-transit	14,626,856	12,424,340
	<u>1,779,556,615</u>	<u>1,777,888,718</u>
<b>11 Trade and other receivables</b>		
Trade receivables (Note 11.1)	509,340,996	597,414,601
Claim receivable	2,577,832	5,063,730
Accrued interest (Note 11.2)	26,200,619	17,237,758
Other receivable	577,535	1,794,308
	<u>538,696,982</u>	<u>621,510,397</u>
<b>11.1 Trade receivables</b>		
Receivables from local sales	509,340,996	594,215,356
Receivables from export sales	-	3,199,245
	<u>509,340,996</u>	<u>597,414,601</u>
<b>11.2 Accrued interest</b>		
Interest accrued on FDR	14,931,075	9,326,431
Interest accrued on loan to associates	11,269,544	7,911,327
	<u>26,200,619</u>	<u>17,237,758</u>
<b>12 Loan to associates</b>		
RAK Paints Pvt. Ltd.	<u>22,060,439</u>	<u>4,795,815</u>
<b>13 Advance, deposit and prepayments</b>		
Advances:		
Employees	21,486,983	19,404,749
Land advance & others	25,293,853	28,194,223
Suppliers against material & services	110,609,588	20,799,412
	157,390,424	68,398,384
Security and other deposits:		
Titas gas	19,217,750	19,217,750
Mymensingh Palli Bidyut Samity-2	1,991,090	1,991,090
VAT and supplementary duty (note 13.1)	53,359,436	41,902,497
Deposit with income tax authority	9,705,739	9,705,739
Deposit with VAT authority	8,189,005	8,596,796
Other deposits	2,717,425	3,357,316
	95,180,445	84,771,188
Prepayments:		
House rent	9,841,614	10,625,152
Insurance	38,555,494	33,818,050
Others	18,830,728	19,986,964
	<u>67,227,836</u>	<u>64,430,166</u>
	<u>319,798,705</u>	<u>217,599,738</u>

	<u>30 June 2013</u>	<u>31 Dec 2012</u>
	<u>Taka</u>	<u>Taka</u>
<b>13.1 Supplementary duty &amp; VAT</b>		
Balance as at 1 January	41,902,497	40,883,518
Add: Treasury deposit for SD & VAT purpose	501,825,000	1,066,586,946
Rebate of input VAT	160,968,191	304,745,241
	<u>704,695,688</u>	<u>1,412,215,705</u>
Add: Receivable - SD & VAT	72,252	-
	<u>704,767,940</u>	<u>1,412,215,705</u>
Less: SD & VAT on sales	649,263,994	1,368,054,273
Others payable	2,144,511	2,258,935
	<u>651,408,505</u>	<u>1,370,313,208</u>
Balance as at 30 June	<u>53,359,436</u>	<u>41,902,497</u>
<b>14 Advance Income Tax</b>		
Balance as at 1 January	1,303,890,755	948,002,438
Add: Paid during the period	109,999,189	355,888,317
Balance as at 30 June (notes 14.1 & 14.2)	<u>1,413,889,944</u>	<u>1,303,890,755</u>
<b>14.1 Head wise payment</b>		
Import	380,221,352	341,524,750
Export	661,900	519,050
Supply	620,830	456,387
Interest on bank deposit	44,666,001	39,914,208
Rental income	753,261	753,261
Registration	1,015,700	684,700
Dividend income	13,063,500	7,151,000
Paid in cash	972,887,400	912,887,399
	<u>1,413,889,944</u>	<u>1,303,890,755</u>
<b>14.2 Year wise payment</b>		
<b><u>Income year</u></b>		
Current period	49,999,189	-
Year 2012	322,663,852	262,663,852
Year 2011	330,587,709	330,587,709
Year 2010	263,867,684	263,867,684
Year 2009	117,346,023	117,346,023
Year 2008	86,369,770	86,369,770
Year 2007	124,816,528	124,816,528
Year 2006	95,937,931	95,937,931
Year 2005	3,197,658	3,197,658
Year 2004	1,607,895	1,607,895
Year 2003	1,746,309	1,746,309
Year 2002	879,941	879,941
Year 2001	9,689,804	9,689,804
Year 2000	5,176,302	5,176,302
Year 1999	3,349	3,349
	<u>1,413,889,944</u>	<u>1,303,890,755</u>

	30 June 2013	31 Dec 2012
	Taka	Taka
<b>15 Cash and cash equivalents</b>		
Cash in hand	3,595,139	3,680,020
Cash at banks		
HSBC (current account - 001-013432-011, 001-107580-011, 001-096015-011, 001-096007-011 - BDT)	12,824,150	43,152,289
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	73,819,415	38,928,111
Agrani Bank (current account - 075533005368 - BDT)	1,455	1,455
Citibank N.A. (current account - G0100001200262018 - BDT)	6,815,955	14,278,278
Dutch Bangla Bank Ltd. (current account - 117-110-12733, 117-110-2481, 117.110.23474 - BDT)	76,707,388	13,312,403
HSBC (ERQ account - 001-013432-047 - USD)	8,485,281	8,813,226
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	179,867	184,766
HSBC (margin money - 001-013432-047, 001-107580-011 - BDT)	-	432,044
EXIM Bank (SND account - 01513100031877 - BDT)	508,182	498,889
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330 - BDT)	44,519,389	42,434,784
BRAC Bank (SND - 1513101731248001 - BDT)	334,622	8,274,968
Prime Bank Ltd. (SND - 12531010022563 - BDT)	20,157,450	7,511,422
HSBC (STD - 001-066331-067, 001-107580-067, 001-096015-067 - BDT)	1,893	8,018
Islami Bank Bangladesh Limited (current account- 20502070100405600)	396,337	638,279
Dhaka Bank Limited (current account- 0204100000014484)	190,004	31,670
Premier Bank Ltd. (Current account - 10211100015136- BDT)	9,425	-
Greenland Equity (Margin account - 1202190030388191-BDT)	30,364	30,863
	<u>244,981,177</u>	<u>178,531,465</u>
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,242,870	2,543,384
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,970,275	4,047,070
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,608	153,608
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,593	126,593
	<u>6,493,346</u>	<u>6,870,655</u>
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,326,629	12,171,174
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,225,335	9,785,117
SCB (Current - 02-6162940-02- BDT) - 2012	5,132,027	-
	<u>9,683,991</u>	<u>21,956,291</u>
Investment in Fixed Deposit Receipt (FDR)		
HSBC (FDR - 001-013432-104, 001-013432-105, 001-013432-106, 001-013432-107, 001-107580-101, 001-107580-103, 001-107580-104, & 001-107580-105, 107580-102)	141,306,245	250,956,245
SCB (FDR - 960162940119, 960162940120, 960162940122 & 93767272001)	762,080	210,762,080
Prime Bank Ltd. (FDR - 12541070020645, 12541070020749, 12541030024155, 12541010024581 & 20471070000103)	260,984,375	265,542,149
Dutch Bangla Bank Ltd. (FDR - 117-502-26547, 117-502-26643, 117-50226734, 117-502-26825, 117-502-28606, 117-502-28611, 117-502-28952, 117-502-29031, 117-502-29164, 117-502-29276)	420,000,000	50,000,000
	<u>823,052,700</u>	<u>777,260,474</u>
Total	<u>1,087,806,353</u>	<u>988,298,905</u>

30 June 2013      31 Dec 2012  
Taka                      Taka

## 16 Share Capital

Authorised :

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

6,000,000,000      6,000,000,000

Issued, subscribed, called and paid up :

306,227,828/278,388,935 ordinary shares of Taka 10/- each

3,062,278,285      2,783,889,350  
3,062,278,285      2,783,889,350

Percentage of shareholdings :

	2013		2012	
	%	Taka	%	Taka
RAK Ceramics PSC, UAE	72.41	2,217,363,830	72.41	2,015,785,305
S.A.K. Ekramuzzaman	6.67	204,119,850	6.67	185,563,500
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	260	0.00	242
Sheikh Omer Bin Saqr Al Qassimi	0.00	260	0.00	242
Sheikh Ahmad Bin Humaid al Qassimi	0.00	260	0.00	242
Hamad Abdulla Al Muttawa	0.00	130	0.00	121
Dr. Khater Massaad	0.00	130	0.00	121
Abdallah Massaad	0.00	130	0.00	121
Manoj Uttamrao Ahire	0.00	130	0.00	121
General Public (including EII & employee)	20.93	640,793,305	20.93	582,539,335
	<u>100.00</u>	<u>3,062,278,285</u>	<u>100.00</u>	<u>2,783,889,350</u>

Classification of shareholders by holding

Shareholder's range	Number of shareholders		Number of shares	
	2013	2012	2013	2012
Less than 500 shares	48,351	51,525	10,299,816	11,231,793
501 to 5,000 shares	10,900	8,933	13,538,795	12,470,010
5001 to 10,000 shares	511	449	3,479,768	3,094,240
10,001 to 20,000 shares	182	158	2,489,288	2,175,085
20,001 to 30,000 shares	51	53	1,255,094	1,305,541
30,001 to 40,000 shares	33	29	1,135,569	991,204
40,001 to 50,000 shares	21	19	925,948	849,987
50,001 to 100,000 shares	42	39	2,792,471	2,625,569
100,001 to 1,000,000 shares	36	36	10,325,981	8,823,889
Over 1,000,000 shares	6	6	259,985,098	234,821,617
	<u>60,133</u>	<u>61,247</u>	<u>306,227,828</u>	<u>278,388,935</u>

	30 June 2013	31 Dec 2012
	Taka	Taka
<b>17 Deferred tax liabilities</b>		
Balance as at 1 January	121,162,388	134,641,798
Less : Deferred tax income	-	(13,479,410)
Balance as at 30 June	<u>121,162,388</u>	<u>121,162,388</u>

**18 Provision for employee benefits**

Providend fund	5,183,093	5,372,511
Gratuity fund	14,619,616	16,483,707
	<u>19,802,709</u>	<u>21,856,218</u>

	2013		
	Providend fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	5,372,511	16,483,707	21,856,218
Add: Provision made during the period	18,103,780	8,308,800	26,412,580
	23,476,291	24,792,507	48,268,798
Less: Payments made to fund during the period	18,293,198	10,172,891	28,466,089
Balance as at 30 June	<u>5,183,093</u>	<u>14,619,616</u>	<u>19,802,709</u>

	2012		
	Providend fund	Gratuity fund	Total
	Taka	Taka	Taka
Balances at 1 January	1,618,309	9,738,073	11,356,382
Add: Provision made during the year	32,241,862	13,262,476	45,504,338
	33,860,171	23,000,549	56,860,720
Less: Payments made to fund during the year	28,487,660	6,516,842	35,004,502
Balance as at 31 December	<u>5,372,511</u>	<u>16,483,707</u>	<u>21,856,218</u>

**19 Borrowings**

Non-current:		
Term loan	38,909,104	33,097,082
Current portion of term loan	(14,868,086)	(14,529,807)
	<u>24,041,018</u>	<u>18,567,275</u>
Current:		
Bank overdrafts	153,790,597	115,925,921
Short-term borrowings	259,257,232	258,697,225
Current portion of term loan	14,868,086	14,529,807
	<u>427,915,915</u>	<u>389,152,953</u>

**19.1 Borrowings by maturity**

At 30 June 2013	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	153,790,597	-	-	-	153,790,597
Short-term loans	259,257,232	-	-	-	259,257,232
Term loans and others	14,868,086	8,725,174	15,315,844	-	38,909,104
	<u>427,915,915</u>	<u>8,725,174</u>	<u>15,315,844</u>	<u>-</u>	<u>451,956,933</u>
At 31 December 2012	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	115,925,921	-	-	-	115,925,921
Short-term loans	258,697,225	-	-	-	258,697,225
Term loans and others	14,529,807	9,768,474	8,798,801	-	33,097,082
	<u>389,152,953</u>	<u>9,768,474</u>	<u>8,798,801</u>	<u>-</u>	<u>407,720,228</u>



	<u>30 June 2013</u>	<u>31 Dec 2012</u>
	<u>Taka</u>	<u>Taka</u>
<b>20 Trade and other payables</b>		
<b>Trade payables</b>		
Payable to local suppliers	127,585,666	116,830,904
Payable to foreign suppliers	-	4,216,270
Payable to service provider	22,804,308	8,245,099
Payable to C & F agent	<u>13,367,963</u>	<u>15,053,114</u>
	<u>163,757,937</u>	<u>144,345,387</u>
<b>Other payables</b>		
Tax deducted at source	9,116,769	10,102,325
VAT deducted at source	2,237,861	3,017,518
Dividend Payable	23,767,061	18,961,681
Unclaimed share application	<u>20,703,240</u>	<u>21,096,835</u>
	<u>55,824,931</u>	<u>53,178,359</u>
	<u>219,582,868</u>	<u>197,523,746</u>
<b>21 Provision for expenses</b>		
Power and gas	16,523,718	15,545,144
Staff cost	67,656,909	49,569,322
Audit fees	173,000	601,750
Professional charges	345,900	357,400
Interest on loans	1,385,730	2,154,464
Telephone	309,518	331,918
Managing Director's remuneration (Note 21.1)	19,764,414	36,225,372
Worker's profit participation and welfare fund (Note 21.2)	29,151,053	57,500,590
Doubtful debts	2,562,373	2,562,373
Others	<u>9,567,313</u>	<u>8,078,898</u>
	<u>147,439,928</u>	<u>172,927,231</u>
<b>21.1 Managing Director's remuneration</b>		
Balance as at 1 January	36,225,372	39,811,796
Add: Payable to Managing Director	<u>19,764,414</u>	<u>36,225,372</u>
	<u>55,989,786</u>	<u>76,037,168</u>
Less: Paid to Managing Director	<u>36,225,372</u>	<u>39,811,796</u>
Balance as at 30 June	<u>19,764,414</u>	<u>36,225,372</u>
<b>21.2 Worker's profit participation fund</b>		
Balance as at 1 January	57,500,590	63,193,326
Add: Contribution made to the fund during the period	<u>29,151,053</u>	<u>57,500,590</u>
	<u>86,651,643</u>	<u>120,693,916</u>
Less: Payment made from the fund during the period	<u>57,500,590</u>	<u>63,193,326</u>
Balance as at 30 June	<u>29,151,053</u>	<u>57,500,590</u>

	<u>30 June 2013</u>	<u>31 Dec 2012</u>
	<u>Taka</u>	<u>Taka</u>
<b>22 Provision for royalty and technical know-how fees</b>		
Balance as at 1 January	219,094,868	106,399,330
Add: Provision made during the period	<u>46,641,685</u>	<u>112,695,538</u>
	265,736,553	219,094,868
Less: Payment made during the period (TDS)	10,639,933	-
Less: Release during the period	<u>7,804,842</u>	
Balance as at 30 June	<u><u>247,291,778</u></u>	<u><u>219,094,868</u></u>

Royalty has been calculated @ 8% of Profit before tax.

**23 Provision for Corporate Income Tax**

Balance as at 1 January	1,455,687,469	1,085,466,420
Add: Provision made during the period	<u>175,724,673</u>	<u>370,221,049</u>
Balance as at 30 June (Note 23.1)	<u><u>1,631,412,142</u></u>	<u><u>1,455,687,469</u></u>

**23.1 Provision for Corporate Income Tax**

<u>Income year</u>		
For the period	175,724,673	-
Year 2012	370,221,049	370,221,049
Year 2011	326,685,217	326,685,217
Year 2010	294,058,668	294,058,668
Year 2009	204,028,260	204,028,260
Year 2008	85,378,847	85,378,847
Year 2007	80,163,573	80,163,573
Year 2006	89,730,898	89,730,898
Year 2005	5,242,907	5,242,907
Year 2004	20,925	20,925
Year 2003	45,563	45,563
Year 2002	<u>111,563</u>	<u>111,563</u>
	<u><u>1,631,412,142</u></u>	<u><u>1,455,687,469</u></u>

	Jan to June' 13 Taka	Jan to June' 12 Taka	April to June' 13 Taka	April to June' 12 Taka
<b>24 Sales</b>				
Gross sales (Local)	3,271,025,108	3,106,685,605	1,657,397,331	1,523,373,537
Gross sales (Export)	14,494,592	4,994,428	10,680,962	4,994,428
Total Sales	3,285,519,700	3,111,680,033	1,668,078,293	1,528,367,965
Less: Supplementary Duty VAT	220,809,172 428,443,941	331,090,910 406,263,542	113,510,720 216,859,813	161,311,908 199,146,435
Net sales	<u>2,636,266,587</u>	<u>2,374,325,581</u>	<u>1,337,707,760</u>	<u>1,167,909,622</u>
<b>25 Cost of sales</b>				
Stock of finished goods as at 1 January	125,399,406	116,881,902	130,301,833	96,971,629
Add: Cost of goods manufactured (Note 25.1)	1,610,573,459	1,379,691,902	807,282,391	677,478,849
Cost of finished goods available for sale	1,735,972,865	1,496,573,804	937,584,224	774,450,478
Less: Stock of finished goods as at 30 June	127,220,824	82,308,996	127,220,824	82,308,996
	<u>1,608,752,041</u>	<u>1,414,264,808</u>	<u>810,363,400</u>	<u>692,141,482</u>
<b>25.1 Cost of goods manufactured</b>				
Cost of materials consumed:				
Opening stock	830,323,397	785,262,959	764,165,510	860,201,025
Add: Purchase during the period	831,131,202	841,805,189	447,575,578	412,104,719
	1,661,454,599	1,627,068,148	1,211,741,088	1,272,305,744
Less: Closing stock	760,493,980	933,464,718	760,493,980	933,464,718
	<u>900,960,619</u>	<u>693,603,430</u>	<u>451,247,108</u>	<u>338,841,026</u>
Manufacturing overhead:				
Direct labour (Note 25.1.1)	132,761,659	119,079,740	66,688,816	58,270,647
Direct expenses:				
Power and gas	74,042,081	78,467,357	36,894,021	39,294,608
Repairs and indirect materials (Note 25.1.2)	261,937,199	225,695,856	143,740,056	111,206,628
Rental charges	410,870	410,870	205,435	205,435
Moulds and punches	10,471,642	16,346,373	5,850,547	5,920,186
Depreciation	168,766,137	165,223,536	84,939,382	83,193,692
Royalty and technical know-how/assistance fees	38,836,843	55,313,838	9,675,924	27,009,836
Other production overhead (Note 25.1.3)	23,512,514	24,868,384	11,983,842	12,495,080
	<u>710,738,945</u>	<u>685,405,954</u>	<u>359,978,024</u>	<u>337,596,112</u>
Cost of production	1,611,699,564	1,379,009,384	811,225,132	676,437,138
Difference in work in process:				
Work in process as at 1 January	34,017,206	34,594,847	31,200,569	34,954,040
Work in process as at 30 June	35,143,312	33,912,329	35,143,312	33,912,329
	<u>(1,126,106)</u>	<u>682,518</u>	<u>(3,942,743)</u>	<u>1,041,711</u>
Cost of goods manufactured	<u>1,610,573,459</u>	<u>1,379,691,902</u>	<u>807,282,391</u>	<u>677,478,849</u>

	<u>Jan to June' 13</u>	<u>Jan to June' 12</u>	<u>April to June' 13</u>	<u>April to June' 12</u>
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
<b>25.1.1 Direct Labour</b>				
Salary & Wages	78,925,709	72,466,248	39,316,756	36,082,854
Overtime	6,309,562	5,332,899	3,467,324	2,728,304
Bonus	14,482,886	9,813,730	7,354,184	3,143,803
Incentive	5,273,164	4,726,338	2,774,217	2,451,183
Temporary Labour Wages	9,769,266	7,306,816	5,853,742	3,830,981
Temporary Labour for Production	7,525,114	8,720,039	2,837,342	4,631,077
Gratuity	3,893,849	3,271,748	1,972,828	1,635,862
Employer's Contribution to provident fund	4,263,944	4,113,170	2,032,239	2,045,382
Leave Encashment	49,294	931,136	23,688	465,764
Group Life Insurance	645,844	633,246	332,421	328,337
Medical expenses	62,947	87,743	10,254	72,721
Cleaning Service Factory	1,560,080	1,676,627	713,821	854,378
	<u>132,761,659</u>	<u>119,079,740</u>	<u>66,688,816</u>	<u>58,270,647</u>
<b>25.1.2 Repairs and indirect materials</b>				
Stores, Spares, repair & Maintenance	136,240,818	100,332,142	80,961,523	49,803,202
Packing expenses	125,696,381	125,363,714	62,778,533	61,403,426
	<u>261,937,199</u>	<u>225,695,856</u>	<u>143,740,056</u>	<u>111,206,628</u>
<b>25.1.3 Other production overhead</b>				
Travelling & training expenses	3,025,828	3,076,535	1,441,116	1,627,633
Hotel fare and expenses for technician	1,733,096	2,037,435	969,886	940,404
Demurrage	1,780,172	752,387	1,213,681	253,575
Insurance	9,123,935	10,181,873	4,371,279	4,924,756
Fuel & Maintenance	88,259	282,513	49,261	66,534
Other expenses	7,761,224	8,537,641	3,938,619	4,682,178
	<u>23,512,514</u>	<u>24,868,384</u>	<u>11,983,842</u>	<u>12,495,080</u>
<b>26 Other income</b>				
Dividend income	381,321	376,920	381,321	26,920
Miscellaneous income	3,208,508	3,381,532	1,950,017	2,267,712
Profit on sale of fixed assets	2,773,705	719,719	2,770,387	614,402
	<u>6,363,534</u>	<u>4,478,171</u>	<u>5,101,725</u>	<u>2,909,034</u>
<b>27 Administrative Expenses</b>				
Staff cost (note-27.1)	66,970,662	64,119,816	33,591,320	31,980,944
Annual General Meeting expenses	20,862,113	19,364,080	20,175,608	18,606,881
Telephone, postage and supplies	3,191,408	2,948,714	1,583,009	1,456,449
Office repair and maintenance (note 27.2)	6,261,299	6,462,480	3,159,889	3,502,024
Registration and renewal	554,767	950,178	207,411	647,438
Security and guard expenses	5,088,553	4,154,410	2,777,038	2,195,584
Electricity, gas and water	2,600,937	2,181,185	1,721,057	1,330,956
Depreciation	13,493,541	14,434,598	6,691,826	7,275,810
Amortisation	4,883,159	5,769,380	2,461,696	3,657,765
Legal and professional fees	1,646,621	962,182	845,430	560,454
Vehicle repair and maintenance	4,448,213	4,432,725	1,953,023	2,208,266
Rent, rate and tax	4,644,505	3,988,126	3,552,488	2,477,106
Loss on sale of property, plant and equipment	94,566	-	-	-
Loss on sale of shares	-	605,939	(396,766)	269,189
CSR expenses	2,732,000	5,686,266	900,000	2,520,658
Managing Director's remuneration (note-27.3)	19,764,414	18,520,854	10,389,799	8,458,426
Others	3,637,271	4,907,497	2,827,079	3,269,825
	<u>160,874,029</u>	<u>159,488,430</u>	<u>92,439,907</u>	<u>90,417,775</u>

	<u>Jan to June' 13</u>	<u>Jan to June' 12</u>	<u>April to June' 13</u>	<u>April to June' 12</u>
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
<b>27.1 Staff cost</b>				
Salary & Wages	49,095,461	46,969,217	25,747,036	23,617,676
Bonus	8,382,250	5,081,923	3,730,155	2,383,272
Incentive	2,969,502	3,039,445	1,639,447	1,535,130
Gratuity	1,900,876	1,819,134	876,278	962,821
Employer's Contribution to provident fund	414,133	2,460,499	(827,380)	1,246,702
Leave Encashment	8,202	485,776	4,101	249,348
Group Life Insurance	414,230	353,864	248,588	186,530
Canteen expenses	528,014	457,289	233,637	247,042
Staff welfare expenses	294,931	349,901	127,791	194,163
Hotel, tour, food and air ticket	1,584,644	1,795,086	1,229,599	741,702
Food expenses	762,527	842,675	300,689	439,524
Medical expenses	327,342	379,832	146,664	142,753
Accommodation	242,299	69,961	128,261	29,499
Travelling & conveyance	46,252	15,214	6,454	4,782
	<u>66,970,662</u>	<u>64,119,816</u>	<u>33,591,320</u>	<u>31,980,944</u>
<b>27.2 Office repair &amp; maintenance</b>				
Repairs office equipment	952,420	1,317,075	483,134	570,710
Office maintenance	4,345,062	4,495,738	2,011,852	2,599,192
Rent, rates & taxes	356,262	77,700	256,387	20,300
Others	607,555	571,967	408,516	311,822
	<u>6,261,299</u>	<u>6,462,480</u>	<u>3,159,889</u>	<u>3,502,024</u>
<b>27.3</b>	Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.			
<b>28 Marketing &amp; Selling Expenses</b>				
Staff cost (note-28.1)	86,807,726	66,734,484	42,354,872	35,946,436
Advertisement	2,534,432	704,916	2,447,500	410,208
Freight and transportation	88,503,778	72,579,528	48,575,372	36,639,584
Performance rebates (note-28.2)	100,799,105	110,288,159	49,846,237	54,139,800
Business promotion	90,884,171	78,873,696	48,474,794	44,181,362
Depreciation	2,033,289	2,025,251	1,035,222	1,013,401
Discount	27,083,042	9,226,496	22,667,236	5,177,237
Travel, entertainment and others	14,366,024	12,160,326	7,469,502	7,413,169
	<u>413,011,567</u>	<u>352,592,856</u>	<u>222,870,735</u>	<u>184,921,197</u>
<b>28.1 Staff cost</b>				
Salary & Wages	74,618,426	56,613,248	36,370,240	30,633,825
Overtime	9,570	7,855	3,588	5,357
Bonus	5,547,234	4,767,320	2,784,259	2,723,602
Incentive	811,696	890,076	327,184	298,565
Gratuity	2,514,074	1,985,715	1,239,739	1,070,208
Employer's Contribution to provident fund	2,338,400	1,736,664	1,137,164	842,612
Leave Encashment	-	107,228	-	58,371
Group Life Insurance	463,948	337,501	215,972	172,253
Food expenses	476,377	255,646	254,899	130,595
Medical expenses	28,001	33,231	21,827	11,048
	<u>86,807,726</u>	<u>66,734,484</u>	<u>42,354,872</u>	<u>35,946,436</u>
<b>28.2 Performance rebates</b>				
Compensation	1,622,518	1,741,969	211,917	399,099
Dealers' commission	49,218,901	57,435,417	24,704,607	28,739,933
Breakage commission	49,957,686	51,110,773	24,929,713	25,000,768
	<u>100,799,105</u>	<u>110,288,159</u>	<u>49,846,237</u>	<u>54,139,800</u>

	<u>Jan to June' 13</u> <u>Taka</u>	<u>Jan to June' 12</u> <u>Taka</u>	<u>April to June' 13</u> <u>Taka</u>	<u>April to June' 12</u> <u>Taka</u>
<b>29 Finance income</b>				
Interest on bank account (SND)	837,482	3,818,631	836,716	3,791,152
Interest on associate loan	7,195,040	1,083,334	3,687,922	1,083,334
Interest on FDR	51,847,965	41,835,271	24,658,831	17,916,387
Exchange gain	10,331,878	340,360	(857,446)	7,667,509
	<u>70,212,365</u>	<u>47,077,596</u>	<u>28,326,023</u>	<u>30,458,382</u>
<b>30 Financial cost</b>				
Interest expenses	21,023,971	20,029,052	12,811,407	11,433,350
Bank charges	1,487,141	1,125,408	723,342	63,461
	<u>22,511,112</u>	<u>21,154,460</u>	<u>13,534,749</u>	<u>11,496,811</u>
<b>31 Current tax</b>				
Current period	175,724,673	174,011,821	82,037,536	84,188,356
	<u>175,724,673</u>	<u>174,011,821</u>	<u>82,037,536</u>	<u>84,188,356</u>

## 32 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

### 32.1 Credit risk

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

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

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

#### 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 2012	As at 30 June 2013	As at 31 Dec 2012
Trade receivables			
Customer-Local	-	509,340,996	594,215,356
Customer-Export	40,395	-	3,199,245
	<u>40,395</u>	<u>509,340,996</u>	<u>597,414,601</u>
Other receivables			
Claim Receivable		2,577,832	5,063,730
Accrued Interest		26,200,619	17,237,758
Others		577,535	1,794,308
		<u>29,355,986</u>	<u>24,095,796</u>
Loan to associates			
RAK Paints Pvt. Ltd.		100,000,000	100,000,000
		<u>100,000,000</u>	<u>100,000,000</u>
Cash equivalents		<u>1,084,211,214</u>	<u>984,618,885</u>

#### b) Ageing of receivables

The ageing of trade receivables as at 30 June was:

	Amounts in Taka	
	As at 30 June 2013	As at 31 Dec 2012
Not past due		
0-90 days past due	497,406,177	588,493,761
91-180 days past due	2,920,459	1,069,037
181-365 days past due	1,496,428	387,775
over 365 days past due	7,517,932	7,464,028
	<u>509,340,996</u>	<u>597,414,601</u>

### 32.2 Liquidity risk

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

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

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

	As at 30 June 2013			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	153,790,597	153,790,597	153,790,597	-
Trade and other payables	219,582,868	219,582,868	219,582,868	-
Short term borrowing (foreign)	228,528,820	228,528,820	228,528,820	-
Short term borrowing (local)	30,728,412	30,728,412	30,728,412	-
Term loan	38,909,104	38,909,104	14,868,086	24,041,018
	<u>671,539,801</u>	<u>671,539,801</u>	<u>647,498,784</u>	<u>24,041,018</u>

	As at 31 December 2012			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	115,925,921	115,925,921	115,925,921	-
Trade and other payables	197,523,746	197,523,746	197,523,746	-
Short term borrowing (foreign)	226,107,635	226,107,635	226,107,635	-
Short term borrowing (local)	32,589,590	32,589,590	32,589,590	-
Term loan	33,097,082	33,097,082	14,529,807	18,567,275
	<u>605,243,974</u>	<u>605,243,974</u>	<u>586,676,699</u>	<u>18,567,275</u>

### 32.3 Market risk

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

#### a) Currency risk

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

##### i) Exposure to currency risk

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

	As at 30 June 2013		As at 31 December 2012	
	USD	EUR	USD	EUR
<b>Foreign currency denominated assets</b>				
Receivable from customers-Export	-	-	40,395	-
Cash at bank	112,388	-	113,611	-
	<u>112,388</u>	<u>-</u>	<u>154,006</u>	<u>-</u>



	As at 30 June 2013			As at 31 December 2012	
	USD	EUR	GBP	USD	EUR
<b>Foreign currency denominated liabilities</b>					
Trade payables	4,840	410,867	26,193	64,980	229,485
Short term bank loan	2,926,105	-	-	2,818,981	-
Royalty & Technical Fees	3,166,348	-	-	2,731,856	-
	<u>6,097,293</u>	<u>410,867</u>	<u>26,193</u>	<u>5,615,817</u>	<u>229,485</u>
Net exposure	<u>(5,984,905)</u>	<u>(410,867)</u>	<u>26,193</u>	<u>(5,461,812)</u>	<u>(229,485)</u>

The Company has foreign exchange gain of Tk 10,331,878 during the period ended 30 June 2013 (30 June 2012: Exchange gain Tk 340,360).

The following significant exchange rates have been applied:

	Exchange rate as at	
	30 June 2013	31 Dec 2012
	Taka	Taka
US Dollar	77.6000	79.7000
EURO	100.3882	105.4780
GBP	117.0018	128.4497

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

A strengthening or weakening of the Taka, as indicated below, against the USD and EUR at 30 June would have increased/(decreased) profit or loss by the amounts shown below.

	As at 30 June 2013		As at 31 December 2012	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
<b>At 30 June</b>				
USD (3 percent movement)	(185,100)	174,318	(168,922)	159,082
EUR (3 percent movement)	(12,707)	11,967	7,097	6,684
GBP (3 percent movement)	810	(763)	-	-

## b) Interest rate risk

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

### Profile

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

	Carrying amount	
	As at	As at
	30 June 2013	31 December 2012
	Taka	Taka
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Investment in FDR	823,052,700	777,260,474
Cash at banks	261,158,514	207,358,411
<b>Financial liabilities</b>		
Term loan	38,909,104	33,097,082
Bank overdraft	153,790,597	115,925,921
Short term borrowing (foreign)	228,528,820	226,107,635
Short term borrowing (local)	30,728,412	32,589,590

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 30 June 2013		As at 31 December 2012	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
<b>Financial assets</b>				
<b>Held to maturity assets</b>				
Investment in FDR	823,052,700	823,052,700	777,260,474	777,260,474
<b>Loans and receivables</b>				
Trade receivables	509,340,996	509,340,996	597,414,601	597,414,601
Other receivables	29,355,986	29,355,986	24,095,796	24,095,796
Loan to associates	100,000,000	100,000,000	100,000,000	100,000,000
Cash equivalents	1,084,211,214	1,084,211,214	984,618,885	984,618,885
<b>Financial liabilities</b>				
<b>Liabilities carried at amortised costs</b>				
Term loan	38,909,104	38,909,104	33,097,082	33,097,082
Bank overdraft	153,790,597	153,790,597	115,925,921	115,925,921
Trade and other payables	219,582,868	219,582,868	197,523,746	197,523,746
Short term borrowing (foreign)	228,528,820	228,528,820	226,107,635	226,107,635
Short term borrowing (local)	30,728,412	30,728,412	32,589,590	32,589,590

**Interest rates used for determining amortised cost**

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

	<u>30 June 2013</u>	<u>31 December 2012</u>
Investment in FDR	3.5%-12.50%	3.25%-12.50%
Term loan	12.00%-17.00%	12.00%-16.00%
Bank overdraft	14.25%-15.50%	14.25%-15.50%
Short term bank loan (local currency)	14.50%-15.50%	14.50%-15.50%
Short term bank loan (foreign currency/USD)	Libor 0.4134%	Libor 0.50825%

### 33 Related party disclosures

During the period ended 30 June 2013, Company entered into a number of transactions with related parties in the normal course of business. The names of the related parties, nature of these transactions and amount thereof have been set out below in accordance with the provisions of BAS 24: Related Party Disclosures.

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

	<u>30 June 2013</u>	<u>30 June 2012</u>
	<u>Taka</u>	<u>Taka</u>
<b>Subsidiary companies</b>		
Purchase of goods/services	120,405,097	113,838,268
Interest receivables	200,611,092	121,477,733
Rental Income	2,739,130	2,739,130
Loan	500,000,000	537,589,907
Outstanding payables	20,010,141	19,555,818
Outstanding receivables	2,739,130	15,232,038
<b>Equity-accounted investees</b>		
Purchase of goods/services	23,311,063	21,166,192
Interest receivables	11,269,543	1,083,333
Loan	100,000,000	100,000,000
Outstanding payables	3,692,842	2,757,741
<b>Key management personnel</b>		
Remuneration	29,970,344	26,752,854
Outstanding remuneration payables	20,159,379	19,792,854
<b>Other related parties</b>		
Sales of goods/services	988,706,063	1,056,179,835
Purchase of goods/services	108,202,781	112,587,380
Outstanding payables	25,382,786	17,335,516
Outstanding receivables	400,877,732	441,254,832

### 34 Segment reporting

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

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

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

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

#### All other:

**Classic Porcelain:** 100% export oriented all types of porcelain/ceramic-made, table ware such as bone china, porcelain white ware, crockery, pottery, hand painted wares, mugs, cup and saucer, plates etc.

**Food & Beverage:** Manufactures, produces, sales & export of all types of foods, food products, bottled drinking water and beverages items.

#### 30 June 2013

	Business Segments					
	Ceramic & sanitary ware	Pharmaceuticals	Power	All other	Inter segment	Entity total
	Taka	Taka	Taka	Taka	Taka	Taka
Revenue - external customers	2,385,667,704	232,892,158	17,706,725	-	-	2,636,266,587
Revenue - inter segment	-	-	124,405,430	-	(124,405,430)	-
Total segment revenue	2,385,667,704	232,892,158	142,112,155	-	(124,405,430)	2,636,266,587
Cost of sales- external customer	(1,421,781,753)	(110,958,422)	(76,011,866)	-	-	(1,608,752,041)
Cost of sales- inter segment	(127,144,560)	-	-	-	127,144,560	-
Total segment cost of sales	(1,548,926,313)	(110,958,422)	(76,011,866)	-	127,144,560	(1,608,752,041)
Gross profit	836,741,391	121,933,736	66,100,289	-	-	1,027,514,546
Other income	35,075,335	3,075,338	-	164,491	(31,951,630)	6,363,534
Financial income	109,775,712	638,566	229,680	-	(40,431,593)	70,212,365
Financial expenses	(6,531,580)	(56,126,282)	(283,723)	(1,120)	40,431,593	(22,511,112)
Depreciation	(146,488,264)	(22,646,834)	(15,157,870)	-	-	(184,292,968)
Other operating expenses	(245,551,531)	(185,032,787)	11,841,137	(500)	-	(418,743,681)
Share of profit of equity-accounted investee	-	-	-	-	-	(26,259,953)
Segment profit before tax	583,021,063	(138,158,263)	62,729,513	162,871	-	452,282,731
Income tax expense	(152,201,106)	-	(23,523,567)	-	-	(175,724,673)
Non -Controlling interest	-	(62,171,218)	16,858,557	79,806	-	(45,232,855)
Profit for the period	-	-	-	-	-	321,790,913

**30 June 2012**

	Business Segments					
	Ceramic & sanitary ware Taka	Pharmaceuticals Taka	Power Taka	All other Taka	Inter segment Taka	Entity total Taka
Revenue - external customers	2,212,553,519	144,392,618	17,379,444	-	-	2,374,325,581
Revenue - inter segment	-	-	117,488,736	-	(117,488,736)	-
Total segment revenue	2,212,553,519	144,392,618	134,868,180	-	(117,488,736)	2,374,325,581
Cost of sales- external customer	(1,238,895,598)	(98,443,142)	(76,926,068)	-	-	(1,414,264,808)
Cost of sales- inter segment	(120,227,866)	-	-	-	120,227,866	-
Total segment cost of sales	(1,359,123,464)	(98,443,142)	(76,926,068)	-	120,227,866	(1,414,264,808)
Gross profit	853,430,055	45,949,476	57,942,112	-	-	960,060,773
Other income	26,488,165	4,072,216	-	26,920	(26,109,130)	4,478,171
Financial income	86,818,245	(111,744)	33,075	38	(39,662,018)	47,077,596
Financial expenses	(10,214,472)	(46,888,986)	(3,711,666)	(1,354)	39,662,018	(21,154,460)
Depreciation	(142,875,221)	(23,818,965)	(14,989,199)	-	-	(181,683,385)
Other operating expenses	(225,683,138)	(144,439,918)	10,978,537	(651,564)	-	(359,796,083)
Share of profit of equity-accounted investee	-	-	-	-	-	(43,762,316)
Segment profit before tax	587,963,634	(165,237,921)	50,252,859	(625,960)	-	405,220,296
Income tax expense	(155,166,999)	-	(18,844,822)	-	-	(174,011,821)
Non -Controlling interest	-	(74,357,064)	13,505,456	(306,721)	-	(61,158,329)
Profit for the period	-	-	-	-	-	292,366,804

	<u>30 June 2013</u>	<u>30 June 2012</u>
	Taka	Taka
<b>35 Earnings per share (EPS)</b>		
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders		
Profit attributable to equity holders of the Company	<u>321,790,913</u>	<u>292,366,804</u>
No. of ordinary equity shares	<u>306,227,828</u>	<u>306,227,828</u>
Weighted average no. of equity shares outstanding (Note 35.1)	<u>306,227,828</u>	<u>306,227,828</u>
Earnings per share (EPS) for the period	<u>1.05</u>	<u>0.95</u>

**35.1 Weighted average number of ordinary shares**

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

	<u>30 June 2013</u>	<u>30 June 2012</u>
Outstanding shares	278,388,935	278,388,935
Effect of issue of bonus shares for the year 2012	<u>27,838,893</u>	<u>27,838,893</u>
	<u>306,227,828</u>	<u>306,227,828</u>

**35.2 Diluted earning per share**

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

**36 Contingent liabilities**

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 569,099,204 (30 June 2012: Tk 244,099,667). 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 593,730,173 (30 June 2012: Tk 417,009,217) and letter of guarantee of Tk 41,722,598 (30 June 2012: Tk 39,095,184).

**37 Other disclosures**

**37.1 Changes in policy & estimates**

Changes of royalty policy from 2.5% of net sales to 8% of PBT or 2.5% of net sales whichever is lower effective from 01 January 2012. Excess amount of royalty provision up to 30 June 2012 for BDT. 7,804,842 have been adjusted with current year royalty provision.