

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 September 2014

RAK Ceramics (Bangladesh) Ltd
Consolidated Statement of Financial Position
as at 30 September 2014

	<u>Notes</u>	<u>30 Sep 2014</u> <u>Taka</u>	<u>31 Dec 2013</u> <u>Taka</u>
<u>Assets</u>			
Property, plant and equipment	4	2,594,796,721	2,734,360,116
Equity-accounted investees	5	62,748,110	87,010,905
Intangible assets	6	101,282,953	106,059,779
Capital work-in-progress	7	50,533,256	35,091,397
Loan to associates	8	28,701,662	59,597,389
Total non-current assets		2,838,062,702	3,022,119,586
Inventories	9	1,803,388,526	1,990,139,724
Trade and other receivables	10	569,321,814	560,988,386
Loan to associates	8	39,740,582	35,606,796
Advance, deposit and prepayments	11	286,086,739	231,316,170
Advance income tax	12	2,049,203,419	1,656,003,346
Cash and cash equivalents	13	1,491,937,675	1,493,885,366
Total current assets		6,239,678,755	5,967,939,788
Total assets		9,077,741,457	8,990,059,374
<u>Equity</u>			
Share capital	14	3,368,506,110	3,062,278,290
Share premium		1,473,647,979	1,473,647,979
Retained earnings		939,324,970	1,280,045,607
Equity attributable to equity holders of the company		5,781,479,059	5,815,971,876
Non-controlling interests		(28,819,097)	26,333,826
Total equity		5,752,659,962	5,842,305,702
<u>Liabilities</u>			
Borrowings	17	17,790,897	18,483,567
Deferred tax liability	15	94,326,905	94,326,905
Total non-current liabilities		112,117,802	112,810,472
Employees benefits payable	16	70,724,453	30,621,832
Borrowings	17	426,523,714	463,219,346
Trade and other payables	18	344,662,525	278,661,728
Accrued expenses	19	164,544,117	195,958,680
Provision for royalty and technical know-how fees	20	46,136,189	225,676,743
Provision for income tax	21	2,160,372,695	1,840,804,871
Total current liabilities		3,212,963,693	3,034,943,200
Total equity and liabilities		9,077,741,457	8,990,059,374

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, 19 Oct 2014

RAK Ceramics (Bangladesh) Ltd
Consolidated Statement of Comprehensive Income
for the period ended 30 September 2014

	Notes	Jan to Sep 14 Taka	Jan to Sep 13 Taka	July to Sep 14 Taka	July to Sep 13 Taka
Sales	22	4,165,254,697	3,932,385,924	1,281,496,576	1,296,119,337
Cost of sales	23	(2,468,360,094)	(2,389,953,163)	(762,731,846)	(781,201,121)
Gross profit		1,696,894,603	1,542,432,761	518,764,730	514,918,216
Other income	24	8,322,644	8,145,818	2,970,883	2,010,020
Administrative expenses	25	(224,770,106)	(222,464,408)	(72,590,529)	(61,818,115)
Marketing and selling expenses	26	(781,908,283)	(634,596,048)	(249,134,694)	(221,584,481)
		(998,355,745)	(848,914,638)	(318,754,340)	(281,392,576)
Profit from operating activities		698,538,858	693,518,123	200,010,390	233,525,640
Finance income	27	99,835,553	97,705,963	34,176,534	27,493,598
Finance expenses	28	(32,697,910)	(33,421,520)	(10,968,241)	(10,910,408)
Net finance income		67,137,643	64,284,443	23,208,293	16,583,190
Share of profit/(loss) of equity-accounted investees	5	(24,262,795)	(40,131,284)	(10,074,216)	(13,871,332)
Profit before contribution to Worker's Profit Participation and Welfare Fund		741,413,706	717,671,282	213,144,467	236,237,498
Contribution to Worker's Profit Participation and welfare Fund		(41,593,151)	(42,967,723)	(11,623,373)	(13,816,670)
Profit before income tax		699,820,555	674,703,559	201,521,094	222,420,828
Income tax expense					
Current tax	29	(319,567,824)	(263,304,128)	(83,840,542)	(87,579,455)
Profit for the period		380,252,731	411,399,431	117,680,552	134,841,373
Profit attributable to:					
Equity holders of the Company		424,848,927	480,262,592	127,058,120	158,471,679
Non-controlling interest		(44,596,196)	(68,863,161)	(9,377,568)	(23,630,306)
Profit after tax for the period		380,252,731	411,399,431	117,680,552	134,841,373
Basic earnings per share (Per value TK 10)	33	1.26	1.43	0.38	0.47

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, 19 Oct 2014

RAK Ceramics (Bangladesh) Ltd
Consolidated Statement of Changes in Equity
for the period ended 30 September 2014

	Attributable to owners of the Company				Non-controlling interests Taka	Total equity Taka
	Share capital Taka	Share Premium Taka	Retained earnings Taka	Total Taka		
Balance as at 01 January 2013	2,783,889,350	1,473,647,979	1,293,599,640	5,551,136,969	108,824,662	5,659,961,631
Total comprehensive income for 30 Sep 2013						
Profit/(loss) for the period	-	-	480,262,592	480,262,592	(68,863,161)	411,399,431
Share money deposit	-	-	-	-	23,000,000	23,000,000
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)	-	-	-
Balance as at 30 September 2013	<u>3,062,278,285</u>	<u>1,473,647,979</u>	<u>1,077,889,894</u>	<u>5,613,816,158</u>	<u>40,924,001</u>	<u>5,654,740,159</u>
Balance as at 01 January 2014	3,062,278,290	1,473,647,979	1,280,045,607	5,815,971,876	26,333,826	5,842,305,702
Total comprehensive income for 30 Sep 2014						
Profit/(loss) for the period	-	-	424,848,927	424,848,927	(44,596,196)	380,252,731
Share money deposit	-	-	-	-	15,888,273	15,888,273
Transactions with the shareholders						
Cash dividend (2013)	-	-	(459,341,744)	(459,341,744)	(26,445,000)	(485,786,744)
Stock dividend (2013)	306,227,820	-	(306,227,820)	-	-	-
Balance as at 30 September 2014	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>939,324,970</u>	<u>5,781,479,059</u>	<u>(28,819,097)</u>	<u>5,752,659,962</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 September 2014

	<u>30 Sep 2014</u>	<u>30 Sep 2013</u>
	<u>Taka</u>	<u>Taka</u>
Cash flows from operating activities		
Cash receipts from customers	4,103,376,257	3,981,662,652
Cash payments to suppliers and employees	(3,184,725,129)	(3,118,820,144)
Cash generated from operating activities	<u>918,651,128</u>	<u>862,842,508</u>
Interest received from bank deposit	1,834,159	2,357,122
Income tax paid	(393,200,073)	(273,708,863)
Net cash from operating activities	<u>527,285,214</u>	<u>591,490,767</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(108,396,481)	(60,404,024)
Sale of property, plant and equipment	2,254,489	3,774,808
Loan to associates	26,761,941	-
Investment in associate companies	-	(36,750,000)
(Investment)/disinvestment in shares	-	150,379
Interest received from FDR	88,888,043	89,128,406
Intangible assets	(1,563,431)	(2,271,712)
Adjustment related to non-controlling interest	(10,556,727)	962,500
Dividend received	350,000	394,503
Net cash (used in)/from investing activities	<u>(2,262,166)</u>	<u>(5,015,140)</u>
Cash flows from financing activities		
Finance charges	(32,697,910)	(33,421,520)
Avail/(repayment) of term loan	(692,669)	2,024,968
Avail/(repayment) of short-term loan	(36,695,632)	123,495,583
Dividend paid	(456,692,528)	(413,183,034)
Unclaimed share application refund	(192,000)	(662,395)
Net cash used in financing activities	<u>(526,970,739)</u>	<u>(321,746,398)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(1,947,691)</u>	<u>264,729,229</u>
Cash and cash equivalents as at 01 January	<u>1,493,885,366</u>	<u>988,298,905</u>
Cash and cash equivalents as at 30 September	<u>1,491,937,675</u>	<u>1,253,028,134</u>

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

RAK Ceramics (Bangladesh) Limited

Notes to the Consolidated Financial Statements as at and for the period ended 30 September 2014

1. Reporting entity

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

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 Sep 2014. The registered office of the Company is at RAK Tower (10 floor), Plot No.: 1/A, Jasimuddin Avenue, Sector No.: 3, Uttara, Dhaka-1230. The factory is located at Vill.: Faridpur, P.S.: Sreepur, Dist.: Gazipur. The Company owns and operates modern pharmaceutical facility which produces and sells pharmaceutical drugs and medicines including biological and non-biological drugs. 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 Sep 2014. The Company has gone into operation from 1 May 2009. The registered office of the Company is at House # 5, Road # 1/A Sector # 4, Uttara, Dhaka- 1230. The Power Plant is located at Village : Dhanua, P.S: Sreepur, District: Gazipur. 57% shares of RAK Power Pvt. Ltd. is held by RAK Ceramics (Bangladesh) Limited.

2. Basis of preparation

2.1 Statement of compliance

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

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

Authorisation for issue

These financial statements have been authorised for issue by the Board of Directors of the Company on 19 October 2014.

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 15	Deferred tax liability
Note 16	Employees benefit payable
Note 21	Provision for income tax

2.5 Reporting period

The financial period of the Company covers nine months from 1 January to 30 September 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	10-20
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 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 and Welfare (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 New standards adopted

The following new standards are effective for annual periods beginning from 1 January 2013 and have been applied in preparing these financial statements.

BFRS 12 "Disclosure of Interest in Other Entities"

BFRS 13 "Fair Value Measurement"

3.22 Events after the reporting period

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

3.23 Comparatives and reclassification

Comparative information have been disclosed in respect of 2013 for all numerical information in the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current period's financial statements.

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

30 Sep 2014

Particulars	C O S T				D E P R E C I A T I O N				Net book value at 30 Sep 2014	
	Balance at 01 Jan 2014	Additions	Sale/ disposal	Total at 30 Sep 2014	Rate (%)	Up to 01 Jan 2014	Charged for the period	Adjustment		Total to 30 Sep 2014
Land	770,449,971	14,603,200	-	785,053,171		-	-	-	-	785,053,171
Factory building	689,560,013	3,803,964	-	693,363,977	2.5-5	236,420,275	20,676,956	-	257,097,231	436,266,746
Factory office building	89,065,829	6,414,746	-	95,480,575	2.5-20	31,089,077	3,271,815	-	34,360,892	61,119,683
Head office building	171,556,721	-	-	171,556,721	2.5-5	40,707,796	5,145,943	-	45,853,739	125,702,982
Plant and machinery	3,382,668,788	63,599,625	(207,065)	3,446,061,348	5-10	2,245,101,084	168,037,967	(65,645)	2,413,073,406	1,032,987,942
Mobile plant	89,307,341	-	-	89,307,341	10	60,946,019	5,234,773	-	66,180,792	23,126,549
Electrical installation	222,723,445	-	-	222,723,445	10-20	157,695,430	12,522,479	-	170,217,909	52,505,536
Gas pipeline	43,985,379	-	-	43,985,379	10-20	41,249,893	677,873	-	41,927,766	2,057,613
Furniture and fixtures	56,093,093	883,978	(1,114,500)	55,862,571	10	27,820,761	4,059,866	(522,213)	31,358,414	24,504,157
Office equipment	35,361,179	1,432,424	(86,000)	36,707,603	10-33.33	25,466,689	2,299,359	(44,794)	27,721,254	8,986,349
Communication equipment	6,811,567	445,300	-	7,256,867	10-20	2,661,779	572,760	-	3,234,539	4,022,328
Tools and appliances	7,119,260	331,260	-	7,450,520	10-20	4,452,799	418,519	-	4,871,318	2,579,202
Vehicles	86,404,833	1,440,125	(2,995,453)	84,849,505	10-20	43,135,701	8,291,587	(2,462,246)	48,965,042	35,884,463
Fire fighting equipments	3,631,012	-	-	3,631,012	20	3,631,012	-	-	3,631,012	-
Total at 30 September 2014	5,654,738,431	92,954,622	(4,403,018)	5,743,290,035		2,920,378,315	231,209,897	(3,094,898)	3,148,493,314	2,594,796,721

31 Dec 2013

Particulars	C O S T				D E P R E C I A T I O N				Net book value at 31 Dec 2013	
	Balance at 01 Jan 2013	Additions	Sale/ disposal	Total at 31 Dec 2013	Rate (%)	Up to 01 Jan 2013	Charged for the year	Adjustment		Total to 31 Dec 2013
Land	748,720,144	21,729,827	-	770,449,971		-	-	-	-	770,449,971
Factory building	689,560,013	-	-	689,560,013	2.5-5	205,071,682	31,348,593	-	236,420,275	453,139,738
Factory office building	71,232,413	17,833,416	-	89,065,829	2.5-20	27,664,440	3,424,637	-	31,089,077	57,976,752
Head office building	171,556,721	-	-	171,556,721	2.5-5	33,827,690	6,880,106	-	40,707,796	130,848,925
Plant and machinery	3,331,136,668	51,532,120	-	3,382,668,788	5-10	1,971,518,873	273,582,211	-	2,245,101,084	1,137,567,704
Mobile plant	89,121,262	186,079	-	89,307,341	10	53,375,158	7,570,861	-	60,946,019	28,361,322
Electrical installation	222,723,445	-	-	222,723,445	10-20	135,370,805	22,324,625	-	157,695,430	65,028,015
Gas pipeline	43,967,827	17,552	-	43,985,379	10-20	36,938,785	4,311,108	-	41,249,893	2,735,486
Furniture and fixtures	52,873,545	3,219,548	-	56,093,093	10	22,618,078	5,202,683	-	27,820,761	28,272,332
Office equipment	33,965,544	1,703,135	(307,500)	35,361,179	10-33.33	22,124,588	3,494,811	(152,710)	25,466,689	9,894,490
Communication equipment	4,083,829	2,727,738	-	6,811,567	10-12.5	1,996,893	664,886	-	2,661,779	4,149,788
Tools and appliances	7,036,968	82,292	-	7,119,260	10-20	3,796,782	656,017	-	4,452,799	2,666,461
Vehicles	85,426,287	7,105,647	(6,127,101)	86,404,833	10-20	36,832,262	11,529,825	(5,226,386)	43,135,701	43,269,132
Fire fighting equipments	3,631,012	-	-	3,631,012	20	2,904,808	726,204	-	3,631,012	-
Total at 31 December 2013	5,555,035,678	106,137,354	(6,434,601)	5,654,738,431		2,554,040,844	371,716,567	(5,379,096)	2,920,378,315	2,734,360,116

	<u>30 Sep 2014</u>	<u>30 Sep 2013</u>
	<u>Taka</u>	<u>Taka</u>
4.1 Depreciation charged to		
Cost of goods manufactured (Note 23.1)	207,719,882	254,578,000
Administrative expenses (Note 25)	20,740,445	20,290,288
Marketing & selling expenses (Note 26)	2,749,570	2,954,630
	<u>231,209,897</u>	<u>277,822,918</u>

4.2 Disposal of property, plant and equipment

30 Sep 2014

Particulars	Original cost	Accumulated depreciation	Book value	Sales	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Diesel Generator	207,065	65,645	141,420	40,000	(101,420)
Wooden Plate	1,114,500	523,535	590,965	270,000	(320,965)
CNG Conversion	119,700	39,565	80,135	380,000	299,865
Vehicles	2,875,753	2,424,364	451,389	1,503,576	1,052,187
Office equipments	86,000	41,789	44,211	60,913	16,702
Total	4,403,018	3,094,898	1,308,120	2,254,489	946,369

31 Dec 2013

Particulars	Original cost	Accumulated depreciation	Book value	Sale/Insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor cycles	828,283	375,753	452,530	455,299	2,769
Vehicles	5,298,818	4,850,633	448,185	3,234,274	2,786,089
Office equipments	307,500	152,710	154,790	85,235	(69,555)
Total	6,434,601	5,379,096	1,055,505	3,774,808	2,719,303

5 Equity-accounted investees

Share of net assets :	Ownership	Current assets		Non current assets		Total assets		Current liabilities		Non current liabilities		Total liabilities		Net assets		Share of net assets	
		Taka		Taka		Taka		Taka		Taka		Taka		Taka		Taka	
30 Sep 2014																	
RAK Security and Services Pvt. Ltd.	35%	32,221,991		5,201,367		37,423,358		19,280,529		-		19,280,529		18,142,829		6,349,990	
RAK Paints Pvt. Ltd.*	47%	427,372,460		243,418,995		670,791,455		533,121,033		542,251,612		1,075,372,645		(404,581,190)		56,976,956	
RAK Mosfly (Bangladesh) Pvt. Ltd.*	20%	38,554,894		121,847,731		160,402,625		128,740,844		108,605,959		237,346,803		(76,944,178)		(578,836)	
* Share of net assets is arrived at adding share money deposit of RAK Ceramics (Bangladesh) Limited of TK. 223,250,000 and TK. 14,810,000 respectively.																	

31 Dec 2013

RAK Security and Services Pvt. Ltd.	35%	27,829,104		3,686,947		31,516,051		17,689,675		-		17,689,675		13,826,376		4,839,232	
RAK Paints Pvt. Ltd.*	47%	363,239,232		272,712,697		635,951,929		398,444,981		589,668,848		988,113,829		(352,161,900)		81,614,022	
RAK Mosfly (Bangladesh) Pvt. Ltd.*	20%	36,712,395		128,066,427		164,778,822		118,058,490		117,982,077		236,040,567		(71,261,745)		557,651	
* Share of net assets is arrived at adding share money deposit of RAK Ceramics (Bangladesh) Limited of TK. 223,250,000 and TK. 14,810,000 respectively.																	

Share of net profit/(loss) :

	Ownership	Reprting date	Nature of investment	Income	Expenses	Tax expenses	Profit or (loss)	Share of profit/(loss)
30 Sep 2014								
RAK Security and Services Pvt. Ltd.	35%	30 Sep 2014	Associate	53,124,418	44,945,261	2,862,705	5,316,452	1,510,758
RAK Paints Pvt. Ltd.	47%	30 Sep 2014	Associate	570,387,214	622,806,503	-	(52,419,289)	(24,637,066)
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	30 Sep 2014	Associate	261,476,332	267,158,765	-	(5,682,433)	(1,136,487)
								<u>(24,262,795)</u>
30 Sep 2013								
RAK Security and Services Pvt. Ltd.	35%	30 Sep 2013	Associate	45,730,994	41,154,279	1,716,268	2,860,447	651,156
RAK Paints Pvt. Ltd.	47%	30 Sep 2013	Associate	448,482,528	529,521,236	-	(81,038,708)	(35,178,574)
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	30 Sep 2013	Associate	169,245,677	197,265,010	-	(28,019,333)	(5,603,867)
								<u>(40,131,284)</u>

	<u>30 Sep 2014</u>	<u>31 Dec 2013</u>
	<u>Taka</u>	<u>Taka</u>
6 Intangible assets		
Balance as at 1 January	106,059,779	112,670,334
Add: Addition during the period	1,563,432	2,951,177
Less: Amortisation during the period	6,340,258	9,561,732
Balance as at 30 September	<u>101,282,953</u>	<u>106,059,779</u>
7 Capital Work-in-Progress		
Balance as at 1 January	35,091,397	30,955,703
Add: Addition during the period	109,637,263	64,122,346
	<u>144,728,660</u>	<u>95,078,049</u>
Less: Transfer to property, plant & equipment during the period (note 7.1)	70,893,670	59,175,701
Transfer to stores & spares	23,301,734	-
Less: Discontinued project	-	810,951
	<u>50,533,256</u>	<u>35,091,397</u>
7.1 Items transferred from capital work in progress to property, plant & equipment		
Factory building	3,803,963	-
Factory office building	6,414,746	17,833,416
Plant & machinery	60,674,961	37,158,989
Communication equipment	-	2,347,396
Furniture & fixture	-	1,835,900
	<u>70,893,670</u>	<u>59,175,701</u>
8 Loan to associates		
Non-Current:		
RAK Paints Pvt. Ltd.	28,701,662	59,597,389
	<u>28,701,662</u>	<u>59,597,389</u>
Current:		
RAK Paints Pvt. Ltd.	39,740,582	35,606,796
	<u>39,740,582</u>	<u>35,606,796</u>
9 Inventories		
Raw materials	771,389,986	901,067,829
Stores and consumables spares	863,310,717	801,590,998
Finished goods	117,816,124	237,095,258
Work-in-process	33,861,562	35,412,055
Goods-in-transit	17,010,137	14,973,584
	<u>1,803,388,526</u>	<u>1,990,139,724</u>

	<u>30 Sep 2014</u>	<u>31 Dec 2013</u>
	<u>Taka</u>	<u>Taka</u>
10 Trade and other receivables		
Trade receivables (Note 10.1)	550,438,961	536,206,848
Claim receivable	2,550,256	2,368,635
Accrued interest (Note 10.2)	9,724,650	15,525,368
Accrued rental income	-	190,000
Receivable against disposal of investment	6,120,000	6,120,000
Other receivable	487,947	577,535
	<u>569,321,814</u>	<u>560,988,386</u>
10.1 Trade receivables		
Receivables from local sales	547,445,722	536,206,848
Receivables from export sales	2,993,239	-
	<u>550,438,961</u>	<u>536,206,848</u>
10.2 Accrued interest		
Interest accrued on FDR	9,724,650	15,525,368
	<u>9,724,650</u>	<u>15,525,368</u>
11 Advance, deposit and prepayments		
Advances:		
Employees	11,223,540	16,899,108
Land advance & others	4,949,323	20,986,852
Suppliers against material & services	119,580,331	78,397,462
	135,753,194	116,283,422
Security and other deposits:		
Titas gas	20,215,520	20,215,520
Mymensingh Palli Bidyut Samity-2	1,991,090	1,991,090
VAT and supplementary duty (note 11.1)	60,087,646	33,418,079
Deposit with income tax authority	9,705,739	9,705,739
Deposit with VAT authority	8,265,426	8,228,687
Other deposits	1,417,425	1,700,425
	101,682,846	75,259,540
Prepayments:		
House rent	8,657,769	9,440,076
Insurance	35,571,786	27,081,166
Others	4,421,144	3,251,966
	48,650,699	39,773,208
	<u>286,086,739</u>	<u>231,316,170</u>

	<u>30 Sep 2014</u> Taka	<u>31 Dec 2013</u> Taka
11.1 Supplementary duty & VAT		
Balance as at 1 January	33,418,079	41,902,497
Add: Treasury deposit for SD & VAT purpose	864,250,000	957,595,000
Rebate of input VAT	194,615,079	308,017,080
	<u>1,092,283,158</u>	<u>1,307,514,577</u>
Add: Receivable - SD & VAT	39,435	73,330
	<u>1,092,322,593</u>	<u>1,307,587,907</u>
Less: SD & VAT on sales	1,027,880,896	1,271,248,147
Payable- SD & VAT	1,064,385	2,921,681
Payable- VAT on disposal of raw material	3,289,667	-
	<u>1,032,234,948</u>	<u>1,274,169,828</u>
Balance as at 30 September	<u>60,087,646</u>	<u>33,418,079</u>

12 Advance Income Tax

Balance as at 1 January	1,656,003,346	1,303,890,755
Add: Paid during the period	393,200,073	352,131,008
Less: Adjusted during the period	-	(18,417)
Balance as at 30 September (notes 12.1 & 12.2)	<u>2,049,203,419</u>	<u>1,656,003,346</u>

12.1 Head wise payment

Import	460,935,177	415,459,961
Export	874,750	754,981
Supply	786,504	780,254
Interest on bank deposit	59,730,329	50,546,251
Rental income	1,147,173	1,057,173
Registration	1,526,201	1,210,700
Dividend income	20,144,500	13,063,500
Paid in cash	1,504,058,785	1,173,130,526
	<u>2,049,203,419</u>	<u>1,656,003,346</u>

12.2 Payment for the period

Income year

Current period	174,939,079	-
Year 2013	393,436,910	237,971,641
Year 2012	337,866,431	337,866,431
Year 2011	330,585,731	330,585,731
Year 2010	263,861,908	263,861,908
Year 2009	219,087,873	156,292,148
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>2,049,203,419</u>	<u>1,656,003,346</u>

	<u>30 Sep 2014</u>	<u>31 Dec 2013</u>
	<u>Taka</u>	<u>Taka</u>
13 Cash and cash equivalents		
Cash in hand	4,850,413	3,908,760
Cash at banks		
HSBC (current account -001-013432-011,001-107580-011,001-096015-011, 001-096007-011 - BDT)	106,638,068	17,403,428
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	65,953,231	158,129,932
Agrani Bank (current account - 075533005368 - BDT)	305	305
Citibank N.A. (current account - G0100001200262018 - BDT)	12,827,946	22,603,156
Dutch Bangla Bank Ltd. (current account - 117-110-12733,117-110-2481, 117.110.23474 -BDT)	44,674,961	5,917,265
HSBC (ERQ account - 001-013432-047 - USD)	155,078	984,551
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	542,210	2,134,362
EXIM Bank (SND account - 01513100031877 - BDT)	520,675	514,269
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	199,990	-
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	65,310,451	38,200,856
BRAC Bank (SND - 1513101731248001 - BDT)	342,137	338,895
Prime Bank Ltd. (SND - 12531010022563 - BDT)	33,226,412	26,880,635
HSBC (STD - 001-066331-067, 001-107580-067, 001-096015-067 - BDT)	201,926	1,909
Islami Bank Bangladesh Limited (current account- 20502070100405600)	267,979	1,454,727
Dhaka Bank Limited (current account- 0204100000014484)	3,504	4,079
Premier Bank Ltd. (Current account - 10211100015136- BDT)	7,675	8,250
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	1,658,566	-
	<u>332,531,114</u>	<u>274,576,619</u>
IPO bank account		
Citibank N.A. (RAK-IPD Central Account - G010001200262022 - BDT)	1,624,623	1,804,384
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,951,074	3,951,074
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURD)	153,608	153,608
Citibank N.A. (RAK-IPD-NRB Subscription - G0100001200262034 - GBP)	126,593	126,593
	<u>5,855,898</u>	<u>6,035,659</u>
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,462,351	2,395,744
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,181,968	2,148,624
SCB (Current - 02-6162940-02- BDT) - 2012	3,945,338	4,057,880
SCB (Current - 02-6162940-03- BDT) - 2013	16,848,513	-
	<u>25,438,170</u>	<u>8,602,248</u>
Investment in Fixed Deposit Receipt (FDR)		
HSBC	40,000,000	60,000,000
SCB	762,080	762,080
Prime Bank Ltd.	280,000,000	260,000,000
Dutch Bangla Bank Ltd.	802,500,000	880,000,000
	<u>1,123,262,080</u>	<u>1,200,762,080</u>
Total	<u>1,491,937,675</u>	<u>1,493,885,366</u>

30 Sep 2014 31 Dec 2013
Taka Taka

14 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 :

336,850,611 ordinary shares of Taka 10/- each

3,368,506,110 3,062,278,290
3,368,506,110 3,062,278,290

Percentage of shareholdings :

	2014		2013	
	%	Taka	%	Taka
RAK Ceramics PSC, UAE	72.41	2,439,100,210	72.41	2,217,363,830
S.A.K. Ekramuzzaman	4.81	162,119,850	5.41	165,563,500
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	280	0.00	260
Sheikh Omer Bin Saqr Al Qassimi	0.00	280	0.00	260
Sheikh Ahmad Bin Humaid al Qassimi	0.00	280	0.00	260
Hamad Abdulla Al Muttawa	0.00	140	0.00	130
Dr. Khater Massaad	0.00	140	0.00	130
Abdallah Massaad	0.00	140	0.00	130
Manoj Uttamrao Ahire	0.00	140	0.00	130
General Public (including E11 & employee)	22.78	767,284,650	22.18	679,349,660
	<u>100.00</u>	<u>3,368,506,110</u>	<u>100.00</u>	<u>3,062,278,290</u>

Classification of shareholders by holding

Shareholder's range

	Number of shareholders		Number of shares	
	2014	2013	2014	2013
Less than 500 shares	43,758	46,960	8,997,653	9,717,485
501 to 5,000 shares	10,331	10,381	13,632,795	13,119,635
5001 to 10,000 shares	630	514	4,530,741	3,599,643
10,001 to 20,000 shares	291	186	4,152,300	2,580,341
20,001 to 30,000 shares	94	58	2,288,383	1,432,712
30,001 to 40,000 shares	52	41	1,815,767	1,421,481
40,001 to 50,000 shares	40	15	1,803,194	667,999
50,001 to 100,000 shares	68	45	4,810,871	3,027,601
100,001 to 1,000,000 shares	38	39	10,320,197	9,727,969
Over 1,000,000 shares	9	8	284,498,710	260,932,963
	<u>55,311</u>	<u>58,247</u>	<u>336,850,611</u>	<u>306,227,829</u>

	30 Sep 2014 Taka	31 Dec 2013 Taka
15 Deferred tax liabilities		
Balance as at 1 January	94,326,905	121,162,388
Less : Deferred tax income	-	(26,835,483)
Balance as at 30 September	<u>94,326,905</u>	<u>94,326,905</u>

16 Employees benefits payable		
Providend fund	18,668,916	11,613,439
Gratuity fund	52,055,537	19,008,393
	<u>70,724,453</u>	<u>30,621,832</u>

	2014		
	Providend fund Taka	Gratuity fund Taka	Total Taka
Balance as at 1 January	11,613,439	19,008,393	30,621,832
Add: Provision made during the period	29,311,384	44,120,897	73,432,281
	40,924,823	63,129,290	104,054,113
Less: Payments made to fund during the period	22,255,907	11,073,753	33,329,660
Balance as at 30 September	<u>18,668,916</u>	<u>52,055,537</u>	<u>70,724,453</u>

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

17 Borrowings		
Non-current:		
Term loan	29,859,786	31,177,626
Current portion of term loan	(12,068,889)	(12,694,059)
	<u>17,790,897</u>	<u>18,483,567</u>
Current:		
Bank overdrafts	186,632,410	164,667,668
Short-term borrowings	227,822,415	285,857,619
Current portion of term loan	12,068,889	12,694,059
	<u>426,523,714</u>	<u>463,219,346</u>

17.1 Borrowings by maturity

At 30 September 2014	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	186,632,410	-	-	-	186,632,410
Short-term loans	227,822,415	-	-	-	227,822,415
Term loans and others	12,068,889	11,199,838	6,591,059	-	29,859,786
	<u>426,523,714</u>	<u>11,199,838</u>	<u>6,591,059</u>	<u>-</u>	<u>444,314,611</u>
At 31 December 2013	< 1 year	1-2 years	2-5 years	> 5 years	Total
Bank overdrafts	164,667,668	-	-	-	164,667,668
Short-term loans	285,857,619	-	-	-	285,857,619
Term loans and others	12,694,059	7,762,382	10,721,185	-	31,177,626
	<u>463,219,346</u>	<u>7,762,382</u>	<u>10,721,185</u>	<u>-</u>	<u>481,702,913</u>

	<u>30 Sep 2014</u>	<u>31 Dec 2013</u>
	<u>Taka</u>	<u>Taka</u>
18 Trade and other payables		
Trade payables		
Payable to local suppliers	105,384,742	116,802,654
Payable to foreign suppliers	116,857,174	49,831,597
Payable to service provider	19,194,359	19,949,818
Payable to C & F agent	10,451,856	8,239,445
	<u>251,888,131</u>	<u>194,823,514</u>
Other payables		
Tax deducted at source	9,252,590	15,551,856
VAT deducted at source	2,555,491	3,289,446
Dividend Payable	25,193,225	22,544,009
Unclaimed share application	20,040,839	20,232,839
Advance from customer against sales	14,043,933	11,220,064
Security deposit	276,075	-
Payable against inventory disposal	2,062,423	-
Payable to others	19,349,818	11,000,000
	<u>92,774,394</u>	<u>83,838,214</u>
	<u>344,662,525</u>	<u>278,661,728</u>
19 Accrued expenses		
Power and gas	16,224,569	16,333,169
Staff cost	57,087,100	63,381,491
Audit fees	-	586,250
Professional charges	274,063	418,000
Interest on loans	1,163,337	1,042,997
Telephone	402,442	399,250
Provision for unusable inventory	1,341,933	-
Managing Director's remuneration (Note 19.1)	26,487,260	38,340,648
Worker's profit participation and welfare fund (Note 19.2)	41,593,151	59,111,329
Doubtful debts	3,333,552	3,333,552
Others	16,636,710	13,011,994
	<u>164,544,117</u>	<u>195,958,680</u>
19.1 Managing Director's remuneration		
Balance as at 1 January	38,340,648	36,225,372
Add: Payable to Managing Director	26,487,260	38,340,648
	<u>64,827,908</u>	<u>74,566,020</u>
Less: Paid to Managing Director	38,340,648	36,225,372
Balance as at 30 September	<u>26,487,260</u>	<u>38,340,648</u>
19.2 Worker's profit participation and welfare fund		
Balance as at 1 January	59,111,329	57,500,590
Add: Contribution made to the fund during the period	41,593,151	59,111,329
	<u>100,704,480</u>	<u>116,611,919</u>
Less: Payment made from the fund during the period	59,111,329	57,500,590
Balance as at 30 September	<u>41,593,151</u>	<u>59,111,329</u>

	<u>30 Sep 2014</u>	<u>31 Dec 2013</u>
	<u>Taka</u>	<u>Taka</u>
20 Provision for royalty and technical know-how fees		
Balance as at 1 January	225,676,743	219,094,868
Add: Provision made during the period	<u>62,506,809</u>	<u>90,479,404</u>
	288,183,552	309,574,272
Less: Payment made during the period	154,258,821	-
Less: Vat on royalty deposited for the year 2010	34,734,242	10,639,933
Less: Reversal of excess provision for the year 2012	-	19,461,872
Less: Tax provision on excess royalty paid in the year 2008	23,054,300	31,000,000
Less: Tax provision on excess royalty paid in the year 2009	<u>30,000,000</u>	<u>22,795,724</u>
Balance as at 30 September	<u><u>46,136,189</u></u>	<u><u>225,676,743</u></u>

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

21 Provision for income Tax

Balance as at 1 January	1,840,804,871	1,455,687,469
Add: Provision made during the period	<u>319,567,824</u>	<u>385,132,085</u>
	2,160,372,695	1,840,819,554
Less: Provision release during the period	-	(14,683)
Balance as at 30 September (Note 21.1)	<u><u>2,160,372,695</u></u>	<u><u>1,840,804,871</u></u>

21.1 Provision for income Tax

Income year

Current period	319,567,824	-
Year 2013	385,132,085	385,132,085
Year 2012	370,211,365	370,211,365
Year 2011	326,685,217	326,685,217
Year 2010	294,053,668	294,053,668
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	111,563	111,563
	<u><u>2,160,372,695</u></u>	<u><u>1,840,804,871</u></u>

	<u>Jan to Sep 14</u> Taka	<u>Jan to Sep 13</u> Taka	<u>July to Sep 14</u> Taka	<u>July to Sep 13</u> Taka
22 Sales				
Gross sales (Local)	5,170,733,704	4,874,812,442	1,577,318,322	1,603,787,334
Gross sales (Export)	22,401,889	22,742,662	13,271,087	8,248,070
Total Sales	5,193,135,593	4,897,555,104	1,590,589,409	1,612,035,404
Less: Supplementary Duty	344,354,087	326,158,646	99,846,034	105,349,474
VAT	683,526,809	639,010,534	209,246,799	210,566,593
Net sales	<u>4,165,254,697</u>	<u>3,932,385,924</u>	<u>1,281,496,576</u>	<u>1,296,119,337</u>
23 Cost of sales				
Stock of finished goods as at 1 January	237,095,258	125,399,406	113,895,965	127,220,824
Add: Cost of goods manufactured (Note 23.1)	2,349,080,960	2,429,117,171	766,652,005	818,543,711
Cost of finished goods available for sale	2,586,176,218	2,554,516,577	880,547,970	945,764,535
Less: Stock of finished goods as at 30 September	117,816,124	164,563,414	117,816,124	164,563,414
	<u>2,468,360,094</u>	<u>2,389,953,163</u>	<u>762,731,846</u>	<u>781,201,121</u>
23.1 Cost of goods manufactured				
Cost of materials consumed:				
Opening stock as at 1 January	901,067,829	914,539,781	755,524,922	829,871,617
Add: Purchase during the period	1,158,802,924	1,415,501,115	425,460,214	599,208,660
	2,059,870,753	2,330,040,896	1,180,985,136	1,429,080,277
Less: Closing stock as at 30 September	771,389,986	969,317,740	771,389,986	969,317,740
	<u>1,288,480,767</u>	<u>1,360,723,156</u>	<u>409,595,150</u>	<u>459,762,537</u>
Manufacturing overhead:				
Direct labour (Note 23.1.1)	240,120,743	198,456,960	88,449,248	65,695,301
Direct expenses:				
Power and gas	114,280,878	112,235,959	40,412,859	38,193,878
Repairs and indirect materials (Note 23.1.2)	433,288,378	408,721,565	145,823,511	146,784,366
Rental charges	616,304	616,304	205,434	205,434
Moulds and punches	18,522,422	16,142,336	7,169,446	5,670,694
Depreciation	207,719,882	254,578,000	62,291,679	85,811,863
Royalty and technical know-how/assistance fees (23.1.3)	9,452,509	54,244,574	(434,780)	15,407,731
Other production overhead (Note 23.1.4)	35,048,583	34,803,360	11,449,625	11,290,846
	<u>1,059,049,699</u>	<u>1,079,799,058</u>	<u>355,367,022</u>	<u>369,060,113</u>
Cost of production	<u>2,347,530,466</u>	<u>2,440,522,214</u>	<u>764,962,172</u>	<u>828,822,650</u>
Difference in work in process:				
Work in process as at 1 January	35,412,055	34,017,206	35,551,394	35,143,312
Work in process as at 30 September	33,861,562	45,422,251	33,861,562	45,422,251
	1,550,493	(11,405,045)	1,689,832	(10,278,939)
Cost of goods manufactured	<u>2,349,080,960</u>	<u>2,429,117,171</u>	<u>766,652,005</u>	<u>818,543,711</u>

	<u>Jan to Sep 14</u>	<u>Jan to Sep 13</u>	<u>July to Sep 14</u>	<u>July to Sep 13</u>
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
23.1.1 Direct Labour				
Salary & Wages	132,291,437	118,479,481	44,414,259	39,553,772
Overtime	13,350,387	9,635,604	4,765,046	3,326,042
Bonus	18,322,447	20,004,651	6,007,501	5,521,765
Incentive	5,797,933	8,041,753	1,397,024	2,768,589
Temporary Labour Wages	33,488,366	26,671,264	11,579,728	9,376,884
Gratuity	27,562,758	5,819,185	16,989,237	1,925,336
Employer's Contribution to provident fund	7,400,387	6,495,623	2,561,779	2,231,679
Leave Encashment	-	1,918	-	(47,376)
Group Life Insurance	1,148,277	978,478	366,310	332,634
Medical expenses	30,192	89,079	8,826	26,132
Cleaning Service Factory	728,559	2,239,924	359,538	679,844
	<u>240,120,743</u>	<u>198,456,960</u>	<u>88,449,248</u>	<u>65,695,301</u>
23.1.2 Repairs and indirect materials				
Stores, Spares, repair & Maintenance	254,493,424	216,725,305	90,127,468	80,484,487
Packing expenses	178,794,954	191,996,260	55,696,043	66,299,879
	<u>433,288,378</u>	<u>408,721,565</u>	<u>145,823,511</u>	<u>146,784,366</u>
23.1.3 Royalty and technical know-how/assistance fees				
Royalty and technical know-how/assistance fees	62,506,809	54,244,574	17,249,986	15,407,731
Less : Tax provision on excess royalty paid on year 2008	23,054,300	-	7,684,766	-
Less : Tax provision on excess royalty paid on year 2009	30,000,000	-	10,000,000	-
	<u>9,452,509</u>	<u>54,244,574</u>	<u>(434,780)</u>	<u>15,407,731</u>
23.1.4 Other production overhead				
Travelling & training expenses	3,864,570	4,086,557	1,443,743	1,060,729
Hotel fare and expenses for technician	2,977,135	2,970,880	957,287	1,237,784
Demurrage	4,832,854	3,093,691	269,626	1,313,519
Insurance	12,492,170	13,310,360	4,198,117	4,186,425
Fuel & Maintenance	19,655	144,850	12,940	56,591
Other expenses	10,862,199	11,197,022	4,567,912	3,435,798
	<u>35,048,583</u>	<u>34,803,360</u>	<u>11,449,625</u>	<u>11,290,846</u>
24 Other income				
Dividend income	350,000	394,503	-	13,182
Miscellaneous income	5,226,275	5,032,013	2,204,203	1,956,675
Rental income	1,800,000	-	600,000	-
Profit on sale of fixed assets	946,369	2,719,302	166,680	40,163
	<u>8,322,644</u>	<u>8,145,818</u>	<u>2,970,883</u>	<u>2,010,020</u>
25 Administrative Expenses				
Staff cost (note-25.1)	100,975,174	93,357,887	37,652,247	26,387,225
Annual General Meeting expenses	17,413,721	22,332,379	1,473,841	1,470,266
Telephone, postage and supplies	4,261,799	4,418,715	1,645,000	1,227,307
Office repair and maintenance (note 25.2)	9,302,607	9,981,990	2,726,140	3,720,691
Registration and renewal	694,026	815,088	157,235	260,321
Security and guard expenses	9,025,963	7,743,970	3,100,605	2,655,417
Electricity, gas and water	5,685,243	3,927,949	2,845,813	1,327,012
Depreciation	20,740,445	20,290,288	6,835,538	6,796,747
Amortisation	6,340,258	7,255,881	1,896,813	2,372,722
Legal and professional fees	4,178,368	2,679,088	1,385,723	1,032,467
Vehicle repair and maintenance	6,419,161	6,526,312	2,498,451	2,078,099
Rent, rate and tax	5,805,413	5,755,115	1,351,503	1,110,610
Loss on sale of shares	-	150,379	-	283,549
CSR expenses	2,387,500	3,082,000	927,500	350,000
Managing Director's remuneration (note-25.3)	26,487,260	29,132,116	7,309,681	9,367,702
Others	5,053,168	5,015,251	784,439	1,377,980
	<u>224,770,106</u>	<u>222,464,408</u>	<u>72,590,529</u>	<u>61,818,115</u>

	<u>Jan to Sep 14</u>	<u>Jan to Sep 13</u>	<u>July to Sep 14</u>	<u>July to Sep 13</u>
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
25.1 Staff cost				
Salary & Wages	65,907,274	68,321,572	22,303,694	19,226,111
Bonus	8,134,120	9,625,755	2,740,617	1,243,505
Incentive	4,346,877	4,182,730	1,450,991	1,213,228
Gratuity	12,055,613	2,736,807	7,430,280	835,931
Employer's Contribution to provident fund	3,480,614	1,355,803	1,185,362	941,670
Leave Encashment	-	-	-	(8,202)
Group Life Insurance	491,890	556,367	170,382	142,137
Canteen expenses	716,824	815,312	336,168	287,298
Staff welfare expenses	287,189	396,639	65,847	101,708
Hotel, tour, food and air ticket	3,087,884	2,718,179	739,959	1,133,535
Food expenses	1,999,030	1,796,384	1,094,338	1,033,857
Medical expenses	232,364	484,628	61,406	157,286
Accommodation	137,736	315,380	66,548	73,081
Travelling & conveyance	97,759	52,332	6,655	6,080
	<u>100,975,174</u>	<u>93,357,887</u>	<u>37,652,247</u>	<u>26,387,225</u>
25.2 Office repair & maintenance				
Repairs office equipment	1,736,029	1,613,922	619,982	661,502
Office maintenance	6,845,083	7,071,721	1,858,530	2,726,659
Rent, rates & taxes	260,499	445,082	81,590	88,820
Others	460,996	851,265	166,038	243,710
	<u>9,302,607</u>	<u>9,981,990</u>	<u>2,726,140</u>	<u>3,720,691</u>
25.3	Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.			
26 Marketing & Selling Expenses				
Staff cost (note-26.1)	132,087,236	130,221,883	46,349,884	43,414,157
Advertisement	16,795,832	9,294,492	4,729,889	6,760,060
Freight and transportation	166,095,782	135,361,166	46,670,429	46,857,388
Performance rebates (note-26.2)	181,064,408	149,470,762	50,112,220	48,671,657
Business promotion	121,444,519	131,000,727	46,535,607	40,116,556
Depreciation	2,749,570	2,954,630	837,022	921,341
Discount	137,252,185	52,656,232	46,328,701	25,573,190
Travel, entertainment and others	24,418,751	23,636,156	7,570,942	9,270,132
	<u>781,908,283</u>	<u>634,596,048</u>	<u>249,134,694</u>	<u>221,584,481</u>
26.1 Staff cost				
Salary & Wages	112,442,208	112,957,414	38,562,484	38,338,988
Overtime	19,908	13,795	8,465	4,225
Bonus	8,121,241	7,384,865	3,038,221	1,837,631
Incentive	1,581,902	1,385,923	427,960	574,227
Gratuity	4,502,526	3,376,772	2,423,405	862,698
Employer's Contribution to provident fund	3,418,849	3,631,964	1,365,723	1,293,564
Group Life Insurance	748,224	598,450	57,232	134,502
Food expenses	1,235,101	844,699	466,394	368,322
Medical expenses	17,277	28,001	-	-
	<u>132,087,236</u>	<u>130,221,883</u>	<u>46,349,884</u>	<u>43,414,157</u>
26.2 Performance rebates				
Compensation	27,643,486	1,889,462	5,303,600	266,944
Dealers' commission	74,735,390	72,912,049	20,613,922	23,693,148
Breakage commission	78,685,532	74,669,251	24,194,698	24,711,565
	<u>181,064,408</u>	<u>149,470,762</u>	<u>50,112,220</u>	<u>48,671,657</u>

	<u>Jan to Sep 14</u>	<u>Jan to Sep 13</u>	<u>July to Sep 14</u>	<u>July to Sep 13</u>
	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>	<u>Taka</u>
27 Finance income				
Interest on bank account (SND)	1,834,159	2,357,122	1,039,239	1,519,640
Interest on associate loan	7,205,755	10,806,197	1,449,440	3,611,157
Interest on FDR	75,881,570	77,896,836	20,610,500	26,048,871
Exchange gain/(Loss)	14,914,069	6,645,808	11,077,355	(3,686,070)
	<u>99,835,553</u>	<u>97,705,963</u>	<u>34,176,534</u>	<u>27,493,598</u>
28 Financial expenses				
Interest expenses	31,057,825	31,334,811	10,347,888	10,310,840
Bank charges	1,640,085	2,086,709	620,353	599,568
	<u>32,697,910</u>	<u>33,421,520</u>	<u>10,968,241</u>	<u>10,910,408</u>
29 Current tax				
Current period	326,527,289	263,304,128	90,800,007	87,579,455
Prior year adjustment	(6,959,465)	-	(6,959,465)	-
	<u>319,567,824</u>	<u>263,304,128</u>	<u>83,840,542</u>	<u>87,579,455</u>

30 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

30.1 Credit risk

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

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

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

a) Exposure to credit risk

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

	USD	USD	Amounts in Taka	
	As at 30 Sep 2014	As at 31 Dec 2013	As at 30 Sep 2014	As at 31 Dec 2013
Trade receivables				
Customer-Local	-	-	547,445,722	536,206,848
Customer-Export	38,924	-	2,993,239	-
	<u>38,924</u>	<u>-</u>	<u>550,438,961</u>	<u>536,206,848</u>
Other receivables				
Claim Receivable			2,550,256	2,368,635
Accrued Interest			9,724,650	15,525,368
Accrued rental income			-	190,000
Receivable against disposal of investment			6,120,000	6,120,000
Others			487,947	577,535
			<u>18,882,853</u>	<u>24,781,538</u>
Loan to associates				
RAK Paints Pvt. Ltd.			68,442,244	95,204,185
			<u>68,442,244</u>	<u>95,204,185</u>
Cash equivalents			<u>1,487,087,262</u>	<u>1,489,976,606</u>

b) Ageing of receivables

The ageing of trade receivables as at 30 September was:

	Amounts in Taka	
	As at 30 Sep 2014	As at 31 Dec 2013
Not past due		
0-90 days past due		
91-180 days past due	537,849,546	525,195,961
181-365 days past due	1,912,223	1,952,893
over 365 days past due	2,038,074	3,481,863
	<u>8,639,118</u>	<u>5,576,131</u>
	<u>550,438,961</u>	<u>536,206,848</u>

30.2 Liquidity risk

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

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

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

	As at 30 September 2014			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Bank overdraft	186,632,410	186,632,410	186,632,410	-
Trade and other payables	344,662,525	344,662,525	344,662,525	-
Short term borrowing (foreign)	193,192,162	193,192,162	193,192,162	-
Short term borrowing (local)	34,630,253	34,630,253	34,630,253	-
Term loan	29,859,786	29,859,786	12,068,889	17,790,896
	<u>788,977,136</u>	<u>788,977,136</u>	<u>771,186,239</u>	<u>17,790,896</u>

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

30.3 Market risk

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

a) Currency risk

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

i) Exposure to currency risk

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

	As at 30 September 2014			As at 31 December 2013		
	USD	EURO	GBP	USD	EURO	AED
Foreign currency denominated assets						
Receivable from customers-Export	38,924	-	-	-	-	-
Cash at bank	9,067	-	-	40,400	-	-
	<u>47,991</u>	<u>-</u>	<u>-</u>	<u>40,400</u>	<u>-</u>	<u>-</u>

	As at 30 September 2014			As at 31 December 2013		
	USD	EURO	GBP	USD	EURO	AED
Foreign currency denominated liabilities						
Trade payables	41,192	1,160,176	-	7,056	468,813	33,511
Short term bank loan	1,992,721	383,292	-	3,188,661	59,000	-
Royalty & Technical Fees	592,249	-	-	2,885,892	-	-
	<u>2,626,162</u>	<u>1,543,468</u>	<u>-</u>	<u>6,081,609</u>	<u>527,813</u>	<u>33,511</u>
Net exposure	<u>(2,578,171)</u>	<u>(1,543,468)</u>	<u>-</u>	<u>(6,041,209)</u>	<u>(527,813)</u>	<u>(33,511)</u>

The Company has foreign exchange gain of Tk 14,914,069 during the period ended 30 Sep 2014 (30 Sep 2013: Exchange gain Tk 6,645,808).

The following significant exchange rates have been applied:

	Exchange rate as at	
	30 Sep 2014	31 Dec 2013
	Taka	Taka
US Dollar	77.4000	77.7000
EURO	97.7573	106.9858
AED	21.0764	21.1587

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 30 September 2014		As at 31 December 2013	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
At 30 June				
USD (3 percent movement)	(79,737)	75,092	(186,842)	175,958
EURO (3 percent movement)	(47,736)	44,955	(16,324)	15,373
AED (3 percent movement)	-	-	(1,036)	976

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 30 September 2014	As at 31 December 2013
	Taka	Taka
Fixed rate instruments		
Financial assets		
Investment in FDR	1,123,262,080	1,200,762,080
Cash at banks	363,825,182	289,214,526
Financial liabilities		
Term loan	29,859,786	31,177,626
Bank overdraft	186,632,410	164,667,668
Short term borrowing (foreign)	193,192,162	255,783,541
Short term borrowing (local)	34,630,253	30,074,078

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 September 2014		As at 31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
Financial assets				
Held to maturity assets				
Investment in FDR	1,123,262,080	1,123,262,080	1,200,762,080	1,200,762,080
Loans and receivables				
Trade receivables	550,438,961	550,438,961	536,206,848	536,206,848
Other receivables	18,882,853	18,882,853	24,781,538	24,781,538
Loan to associates	68,442,244	68,442,244	95,204,185	95,204,185
Cash equivalents	1,487,087,262	1,487,087,262	1,489,976,606	1,489,976,606
Financial liabilities				
Liabilities carried at amortised costs				
Term loan	29,859,786	29,859,786	31,177,626	31,177,626
Bank overdraft	186,632,410	186,632,410	164,667,668	164,667,668
Trade and other payables	344,662,525	344,662,525	278,661,728	278,661,728
Short term borrowing (foreign)	193,192,162	193,192,162	255,783,541	255,783,541
Short term borrowing (local)	34,630,253	34,630,253	30,074,078	30,074,078

Interest rates used for determining amortised cost

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

	30 September 2014	31 December 2013
Investment in FDR	6.40%-10.25%	07.25%-11.25%
Term loan	09.00%-13.50%	12.00%-17.00%
Bank overdraft	12%-14%	14.25%-15.50%
Short term bank loan (local currency)	12.00%-13.50%	14.50%-15.50%
Short term bank loan (foreign currency/USD)	Libor 0.3307%	Libor 0.3490%
Short term bank loan (foreign currency/EURO)	Libor 0.1471%	Libor 0.3613%

31 Related party disclosures

During the period ended 30 September 2014, Company entered into a number of transactions with related parties in the normal course of business. The names of the related parties, nature of these transactions and amount thereof have been set out below in accordance with the provisions of BAS 24: Related Party Disclosures.

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

	<u>30 Sep 2014</u>	<u>30 Sep 2013</u>
	<u>Taka</u>	<u>Taka</u>
Subsidiary companies		
Purchase of goods/services	185,066,103	181,056,424
Interest receivables	306,025,955	222,096,499
Rental Income	4,108,696	4,108,696
Loan	500,000,000	500,000,000
Outstanding payables	19,852,514	20,077,392
Outstanding receivables	4,108,696	4,108,696
Equity-accounted investees		
Purchase of goods/services	44,648,501	36,337,614
Interest receivables	-	3,370,231
Loan	68,422,245	100,000,000
Outstanding payables	4,942,515	4,992,956
Key management personnel		
Remuneration	32,798,980	40,616,093
Outstanding remuneration payables	27,017,260	29,527,081
Other related parties		
Sales of goods/services	1,545,547,654	1,478,964,703
Purchase of goods/services	106,507,829	164,934,793
Outstanding payables	10,427,204	26,997,721
Outstanding receivables	394,286,706	405,151,387

32 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.

30 Sep 2014

	Business Segments									
	Ceramic & sanitary ware		Pharmaceuticals		Power		Inter segment		Entity total	
	Taka		Taka		Taka		Taka		Taka	
Revenue - external customers	3,786,957,206		351,312,800		26,984,691		-		4,165,254,697	
Revenue - inter segment	-		-		192,062,165		(192,062,165)		-	
Total segment revenue	3,786,957,206		351,312,800		219,046,856		(192,062,165)		4,165,254,697	
Cost of sales- external customer	(2,207,760,430)		(141,070,196)		(119,529,468)		-		(2,468,360,094)	
Cost of sales- inter segment	(196,170,861)		-		-		196,170,861		-	
Total segment cost of sales	(2,403,931,291)		(141,070,196)		(119,529,468)		196,170,861		(2,468,360,094)	
Gross profit	1,383,025,915		210,242,604		99,517,388		-		1,696,894,603	
Other income	42,107,424		5,378,916		-		(39,163,696)		8,322,644	
Financial income	158,941,559		31,977		2,647,180		(61,785,163)		99,835,553	
Financial expenses	(5,322,780)		(88,877,291)		(283,002)		61,785,163		(32,697,910)	
Depreciation	(184,137,402)		(33,101,176)		(13,971,319)		-		(231,209,897)	
Other operating expenses	(562,751,703)		(262,010,294)		7,700,354		-		(817,061,643)	
Share of profit of equity-accounted investee	-		-		-		-		(24,262,795)	
Segment profit before tax	831,863,013		(168,335,264)		95,610,601		-		699,820,555	
Income tax expense	(296,409,950)		-		(23,157,874)		-		(319,567,824)	
Non -Controlling interest	-		(75,750,869)		31,154,673		-		(44,596,196)	
Profit for the period	-		(75,750,869)		31,154,673		-		424,848,927	

30 Sep 2013

Business Segments

	Business Segments				Inter segment Taka	Entify total Taka
	Ceramic & sanitary ware Taka	Pharmaceuticals Taka	Power Taka	All other Taka		
Revenue - external customers	3,562,144,399	341,605,973	28,635,552	-	-	3,932,385,924
Revenue - inter segment	-	-	187,178,584	-	(187,178,584)	-
Total segment revenue	<u>3,562,144,399</u>	<u>341,605,973</u>	<u>215,814,136</u>	<u>-</u>	<u>(187,178,584)</u>	<u>3,932,385,924</u>
Cost of sales- external customer	(2,112,596,697)	(160,113,262)	(117,243,204)	-	-	(2,389,953,163)
Cost of sales- inter segment	(191,287,280)	-	-	-	191,287,280	-
Total segment cost of sales	<u>(2,303,883,977)</u>	<u>(160,113,262)</u>	<u>(117,243,204)</u>	<u>-</u>	<u>191,287,280</u>	<u>(2,389,953,163)</u>
Gross profit	<u>1,258,260,422</u>	<u>181,492,711</u>	<u>98,570,932</u>	<u>-</u>	<u>-</u>	<u>1,542,432,761</u>
Other income	36,444,901	4,977,610	-	44,503	(33,321,196)	8,145,818
Financial income	158,453,337	702,522	467,065	39	(61,917,000)	97,705,963
Financial expenses	(9,736,369)	(85,302,747)	(298,284)	(1,120)	61,917,000	(33,421,520)
Depreciation	(221,239,857)	(33,892,775)	(22,690,287)	-	-	(277,822,919)
Other operating expenses	(362,827,975)	(276,802,717)	17,580,811	(155,379)	-	(622,205,260)
Share of profit of equity-accounted investee	-	-	-	-	-	(40,131,284)
Segment profit before tax	<u>859,354,459</u>	<u>(208,825,396)</u>	<u>93,630,237</u>	<u>(111,957)</u>	<u>-</u>	<u>674,703,559</u>
Income tax expense	(228,192,789)	-	(35,111,339)	-	-	(263,304,128)
Non -Controlling interest	-	(93,971,428)	25,163,126	(54,859)	-	(68,863,161)
Profit for the period						<u>480,262,592</u>

	<u>30 Sep 2014</u>	<u>30 Sep 2013</u>
	<u>Taka</u>	<u>Taka</u>
33 Earnings per share (EPS)		
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders		
Profit attributable to equity holders of the Company	<u>424,848,927</u>	<u>480,262,592</u>
No. of ordinary equity shares	<u>336,850,611</u>	<u>336,850,611</u>
Weighted average no. of equity shares outstanding (Note 33.1)	<u>336,850,611</u>	<u>336,850,611</u>
Earnings per share (EPS) for the period	<u>1.26</u>	<u>1.43</u>

33.1 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 Sep 2014</u>	<u>30 Sep 2013</u>
Outstanding shares	306,227,829	306,227,829
Effect of issue of bonus shares for the year 2013	<u>30,622,782</u>	<u>30,622,782</u>
	<u>336,850,611</u>	<u>336,850,611</u>

33.2 Diluted earning per share

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

34 Contingent liabilities

There are contingent liabilities on account of unresolved disputed corporate tax assessments and VAT claims by the authority aggregating to Tk 545,769,825 (30 Sep 2013: Tk 825,548,353). 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 557,082,255 (30 Sep 2013: Tk 298,227,806) and letter of guarantee of Tk 38,625,334 (30 Sep 2013: Tk 38,164,522).

35 Other disclosures

35.1 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.