

**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 2016

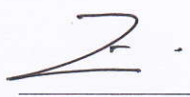
**RAK Ceramics (Bangladesh) Ltd**  
**Consolidated statement of financial position**  
**as at 30 September 2016**

	<u>Notes</u>	<u>30 Sep 2016</u> Taka	<u>31 Dec 2015</u> Taka
<b>Assets</b>			
Property, plant and equipment	4	3,976,312,047	2,311,590,599
Intangible assets	6	9,934,214	6,683,955
Capital work-in-progress	7	56,726,850	1,545,379,710
Trade and other receivables	10	74,025,000	148,050,000
<b>Total non-current assets</b>		<u>4,116,998,111</u>	<u>4,011,704,264</u>
Inventories	9	2,508,085,391	2,239,844,230
Trade and other receivables	10	579,126,728	638,387,373
Loan to disposed subsidiary	8	201,898,000	201,898,000
Advances, deposits and prepayments	11	429,085,307	340,158,392
Advance income tax	12	2,392,572,418	2,219,806,786
Cash and cash equivalents	13	394,171,266	1,101,566,520
<b>Total current assets</b>		<u>6,504,939,110</u>	<u>6,741,661,301</u>
<b>Total assets</b>		<u><u>10,621,937,221</u></u>	<u><u>10,753,365,565</u></u>
<b>Equity</b>			
Share capital	14	3,368,506,110	3,368,506,110
Share premium		1,473,647,979	1,473,647,979
Retained earnings		956,191,586	1,196,443,022
<b>Equity attributable to equity holders of the company</b>		<u>5,798,345,675</u>	<u>6,038,597,111</u>
<b>Non-controlling interests</b>		1,396	1,529
<b>Total equity</b>		<u>5,798,347,071</u>	<u>6,038,598,640</u>
<b>Liabilities</b>			
Borrowings	17	660,639,622	420,624,802
Deferred tax liability	15	115,463,160	75,811,194
<b>Total non-current liabilities</b>		<u>776,102,782</u>	<u>496,435,996</u>
Employees benefits payable	16	32,353,527	26,224,135
Borrowings	17	456,852,479	771,119,369
Trade and other payables	18	533,789,927	640,626,199
Accrued expenses	19	234,856,439	196,618,285
Provision for income tax	20	2,789,634,996	2,583,742,941
<b>Total current liabilities</b>		<u>4,047,487,368</u>	<u>4,218,330,929</u>
<b>Total liabilities</b>		<u>4,823,590,150</u>	<u>4,714,766,925</u>
<b>Total equity and liabilities</b>		<u><u>10,621,937,221</u></u>	<u><u>10,753,365,565</u></u>

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



Chairman



Managing Director



Director



Chief Financial Officer



Company Secretary

Dhaka, Bangladesh  
Dated, 30 Oct 2016

**RAK Ceramics (Bangladesh) Ltd**  
**Consolidated profit or loss and other comprehensive Income**  
**for the period ended 30 September 2016**

	Notes	30 Sep 2016 Taka	30 Sep 2015 Taka	July to Sep 16 Taka	July to Sep 15 Taka
Sales	21	3,965,452,912	3,639,735,682	1,275,595,355	1,117,872,989
Cost of sales	22	(2,321,896,834)	(2,072,287,081)	(747,596,052)	(646,519,634)
<b>Gross profit</b>		<b>1,643,556,078</b>	<b>1,567,448,601</b>	<b>527,999,303</b>	<b>471,353,355</b>
Other income	23	1,815,567	622,953,060	615,317	600,000
Administrative expenses	24	(248,305,080)	(788,348,010)	(76,598,194)	(61,167,947)
Marketing and selling expenses	25	(494,792,546)	(500,932,320)	(159,767,062)	(134,710,516)
		(741,282,059)	(666,327,270)	(235,749,939)	(195,278,463)
<b>Profit from operating activities</b>		<b>902,274,019</b>	<b>901,121,331</b>	<b>292,249,364</b>	<b>276,074,892</b>
Finance income	26	16,523,355	73,644,375	391,687	13,534,008
Finance expenses	27	(29,772,434)	(8,175,228)	(11,311,173)	(2,022,514)
Net finance income		(13,249,079)	65,469,147	(10,919,486)	11,511,494
Share of profit/(loss) of equity-accounted investees	5	-	(21,007,270)	-	(9,844,309)
<b>Profit before contribution to worker's profit participation and welfare fund</b>		<b>889,024,940</b>	<b>945,583,208</b>	<b>281,329,878</b>	<b>277,742,077</b>
Contribution to worker's profit participation and welfare fund	28	(41,605,460)	(20,911,810)	(11,627,083)	(5,131,943)
<b>Profit before income tax</b>		<b>847,419,480</b>	<b>924,671,398</b>	<b>269,702,795</b>	<b>272,610,134</b>
<b>Income tax expense</b>					
Current tax	29	(205,892,055)	(300,634,143)	(62,693,028)	(80,473,358)
Deferred tax	15	(39,651,966)	8,536,167	(8,750,068)	(2,029,458)
		(245,544,021)	(292,097,976)	(71,443,096)	(82,502,816)
<b>Profit for the period</b>		<b>601,875,459</b>	<b>632,573,422</b>	<b>198,259,699</b>	<b>190,107,318</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>601,875,459</b>	<b>632,573,422</b>	<b>198,259,699</b>	<b>190,107,318</b>
<b>Profit attributable to:</b>					
Equity holders of the company		601,875,092	600,243,614	198,259,583	178,639,387
Non-controlling interests		367	32,329,808	116	11,467,931
<b>Profit after tax for the period</b>		<b>601,875,459</b>	<b>632,573,422</b>	<b>198,259,699</b>	<b>190,107,318</b>
<b>Basic earnings per share (Par value TK 10)</b>	33	<b>1.79</b>	<b>1.78</b>	<b>0.59</b>	<b>0.53</b>

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



Chairman



Managing Director



Director



Chief Financial Officer



Company Secretary

Dhaka, Bangladesh  
Dated, 30 Oct 2016

**RAK Ceramics (Bangladesh) Ltd**  
**Consolidated statement of changes in equity**  
**for the period ended 30 September 2016**

	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 2015</b>	3,368,506,110	1,473,647,979	1,077,275,395	5,919,429,484	(58,949,789)	5,860,479,695
Total comprehensive income for 2015	-	-	600,243,614	600,243,614	32,329,808	632,573,422
Profit/(loss) for the period	-	-	(275)	(275)	(499,725)	(500,000)
Prior year adjustment	-	-	-	-	195,261,930	195,261,930
Elimination on disposal of subsidiary	-	-	(842,126,528)	(842,126,528)	(44,075,000)	(886,201,528)
Transactions with the shareholders	-	-	835,392,206	835,392,206	124,067,224	5,801,613,519
Cash dividend (2014)	-	-	-	-	-	-
<b>Balance as at 30 September 2015</b>	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>835,392,206</u>	<u>5,677,546,295</u>	<u>124,067,224</u>	<u>5,801,613,519</u>
<b>Balance as at 01 January 2016</b>	3,368,506,110	1,473,647,979	1,196,443,022	6,038,597,111	1,529	6,038,598,640
Total comprehensive income for 2016	-	-	601,875,092	601,875,092	367	601,875,459
Profit/(loss) for the period	-	-	(842,126,528)	(842,126,528)	(500)	(842,127,028)
Transactions with the shareholders:	-	-	956,191,586	956,191,586	1,396	5,798,347,071
Cash dividend (2014)	-	-	-	-	-	-
<b>Balance as at 30 September 2016</b>	<u>3,368,506,110</u>	<u>1,473,647,979</u>	<u>956,191,586</u>	<u>5,798,345,675</u>	<u>1,396</u>	<u>5,798,347,071</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 2016**

	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>
	<u>Taka</u>	<u>Taka</u>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	3,926,446,012	3,636,427,763
Cash payments to suppliers and employees	<u>(3,142,912,627)</u>	<u>(2,896,729,634)</u>
<b>Cash generated from operating activities</b>	<u>783,533,385</u>	<u>739,698,129</u>
Interest received from bank deposit	2,658,770	5,512,500
Income tax paid	<u>(172,765,632)</u>	<u>(136,288,420)</u>
<b>Net cash (used in)/from operating activities</b>	<u>613,426,524</u>	<u>608,922,209</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(462,143,361)	(1,471,882,755)
Sale of property, plant and equipment	139,500	-
Disposal proceeds of subsidiary and associate	80,367,500	368,257,060
Interest received from FDR	14,905,005	56,765,395
Income from rented depot	1,420,000	1,710,000
Intangible assets	(12,346,418)	(332,704)
Adjustment related to non-controlling interest	-	(44,075,000)
Dividend received	-	350,000
<b>Net cash (used in)/from investing activities</b>	<u>(377,657,773)</u>	<u>(1,089,208,004)</u>
<b>Cash flows from financing activities</b>		
Finance charges	(32,312,473)	(5,141,848)
Avail/(repayment) of term loan	240,014,820	268,485,733
Avail/(repayment) of short-term loan	(314,266,890)	642,624,096
Dividend paid	(838,663,441)	(836,554,133)
Unclaimed share application refund	2,064,480	(518,400)
Loan realized from associate	-	74,271,947
<b>Net cash (used in)/from financing activities</b>	<u>(943,164,005)</u>	<u>143,167,395</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>(707,395,254)</u>	<u>(337,118,400)</u>
<b>Cash and cash equivalents as at 01 January</b>	<u>1,101,566,520</u>	<u>1,475,522,002</u>
<b>Cash and cash equivalents as at 30 September</b>	<u>394,171,266</u>	<u>1,138,403,602</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 2016

#### 1. Reporting entity

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

#### 1.1 Nature of business

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

#### 1.2 Description of subsidiaries

##### RAK 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 of company is Taka 940.04 million. 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. 55% shares of RAK Pharmaceuticals Pvt. Ltd's is held by RAK Ceramics (Bangladesh) Limited has been fully sold off effective from 01 January, 2015.

##### 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 September 2016. The Company has gone into operation from 1 May 2009. The registered office of the Company is at House # 5, Road # 1/A Sector # 4, Uttara, Dhaka- 1230. The Power Plant is located at Village : Dhanua, P.S: Sreepur, District: Gazipur. 57% shares of RAK Power Pvt. Ltd. is held by RAK Ceramics (Bangladesh) Limited.

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

##### RAK Security and Services Pvt. Limited

RAK Security and Services Pvt. Ltd. has been incorporated in Bangladesh under the Companies Act 1994 on 21 December 2006 as a private company limited by shares with an authorized capital of Taka 1,00,000,000 divided into 1,000,000 ordinary shares of Taka 100 each. The paid up capital stands at Taka 1,000,000 as at 30 September 2016. The Company has gone into operation from 1 May 2007. The registered office of the Company is at House # 5, Road # 1/A Sector # 4, Uttara, Dhaka- 1230. 35% shares of RAK Security and Services (Pvt.) Ltd is held by RAK Ceramics (Bangladesh) Limited.

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

## 2. Basis of preparation

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with 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 30 October 2016.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentational currency

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

### 2.4 Use of estimates and judgements

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

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

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

Note 4	Property, plant & equipment
Note 15	Deferred tax liability
Note 16	Employees benefit payable
Note 20	Provision for income tax

### 2.5 Reporting period

The financial period of the Company covers 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 years presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### 3.1 Basis of consolidation

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

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

#### Subsidiaries

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

#### Loss of control

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

#### 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 Financial instruments**

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

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

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

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

#### **Financial assets at fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in the statement of profit or loss and other comprehensive income.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

#### **Held-to-maturity financial assets**

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented by the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

### **Loans and receivables**

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

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

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

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

#### **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.

### **3.2.2 Non-derivative financial liabilities**

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

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

Non-derivative financial liabilities comprise trade & 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.

### **3.3 Share capital**

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

### 3.4 Property, plant and equipment

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

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

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

#### 3.4.1 Depreciation on property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Capital-work-in-progress and land are not depreciated. Depreciation on addition to fixed assets is charged from the day of their acquisition and charging of depreciation on property, plant and equipment ceases from the day on which the deletion thereof takes place. Depreciation continues to be charged on each item of property, plant and equipment until written down value of such fixed asset is reduced to Taka one.

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

Category of property, plant and equipment	Rate (%)
Factory building	2.5-5
General building	2.5-20
Head Office building	2.5-5
Plant and machinery	5-10
Mobile plant	10
Electrical installation	10-20
Gas pipeline	10-20
Furniture, fixture and equipment	10
Office equipment	10-20
Communication equipment	10-20
Tools and appliances	10-20
Vehicles	10-20
Fire fighting equipment	20

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

### 3.5 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.

### 3.6 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.

### 3.7 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.

### 3.8 Inventories

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

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

### 3.9 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.

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

### 3.11 Workers' Profit Participation Fund and Welfare Fund (WPPF)

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

### 3.12 Provisions

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

### 3.13 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".

### 3.14 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.

### 3.15 Foreign currency

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

### 3.16 Taxation

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

#### **Current tax:**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous year. Provisions for corporate income tax is made following the rate applicable for companies as per Finance Act 2014.

#### **Deferred tax:**

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

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

### 3.17 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 year, adjusted for the effect of change in number of shares for bonus issue. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. However, dilution of EPS is not applicable for these financial statements as there was no dilutive potential ordinary shares during the relevant years.

### 3.18 Determination and presentation of operating segment

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

### 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 year in which the recognition criteria of provision have been met.

#### Contingent asset

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

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

### 3.20 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 1987.

### 3.21 Events after the reporting period

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

### 3.22 Comparatives and reclassification

Comparative information have been disclosed in respect of 2015 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.

4 Property, Plant and Equipment

Particulars	C O S T					D E P R E C I A T I O N					Net book value at 30 Sep 2016			
	Balance at 01 Jan 2016	Addition due to acquisition	Additions	Sale/ disposal	Transfer to held for sale	Total at 30 Sep 2016	Rate (%)	Up to 01 Jan 2016	Addition due to acquisition	Charged for the period		Adjustment	Transfer to held for sale	Total to 30 Sep 2016
	Land	790,157,357	-	-	-	-	790,157,357	-	254,767,601	-		-	-	-
Factory building	486,530,770	-	346,683,439	-	-	833,214,209	2.5-5	81,674,994	23,501,610	7,488,475	-	-	278,269,211	
Office building	199,975,554	-	1,499,781,923	-	-	1,699,757,477	2.5-5	81,674,994	7,488,475	205,990,460	-	-	89,163,467	
Plant and machinery	3,525,000,749	-	15,271,975	-	-	3,540,272,724	5-10	2,544,072,048	205,990,460	5,865,181	-	-	2,749,662,508	
Mobile plant	103,009,939	-	183,272,165	-	-	286,282,104	10-20	157,552,492	8,713,326	1,258,615	-	-	80,224,878	
Electrical installation	48,156,891	-	12,662,236	-	-	60,819,127	10-20	43,155,571	44,414,186	12,900,391	-	-	166,265,818	
Gas pipeline	30,958,310	-	1,143,870	-	-	32,102,180	10-20	21,298,483	2,114,397	888,896	-	-	44,314,186	
Furniture and fixtures	95,375,111	-	2,773,066	(49,750)	-	98,098,427	10-20	19,990,457	12,900,391	(12,275)	-	-	32,878,574	
Office equipment	10,153,056	-	825,897	-	-	10,978,953	10-20	4,149,046	606,624	(7,070)	-	-	5,920,991	
Communication equipment	8,739,426	-	3,227,922	-	-	11,967,348	10-20	5,748,154	4,741,086	-	-	-	6,354,778	
Tools and appliances	70,061,529	-	-	(141,919)	-	69,919,610	10-20	33,009,675	-	-	-	-	37,743,691	
Vehicles	3,631,012	-	-	-	-	3,631,012	20	3,631,012	-	-	-	-	3,631,012	
Fire fighting equipments	5,555,499,829	-	1,938,562,811	(191,649)	-	7,493,870,991	-	3,243,909,230	273,669,059	(19,345)	-	-	3,517,538,944	
Total at 30 September 2015	5,555,499,829	-	1,938,562,811	(191,649)	-	7,493,870,991	-	3,243,909,230	273,669,059	(19,345)	-	-	3,517,538,944	

31 Dec 2015

Particulars	C O S T					D E P R E C I A T I O N					Net book value at 31 Dec 2015			
	Balance at 01 Jan 2015	Addition due to acquisition	Additions	Sale/ disposal	Transfer to held for sale	Total at 31 Dec 2015	Rate (%)	Up to 01 Jan 2015	Addition due to acquisition	Charged for the year		Adjustment	Transfer to held for sale	Total to 31 Dec 2015
	Land	763,396,641	7,596,466	19,164,250	-	-	790,157,357	-	232,033,103	-		22,734,498	-	-
Factory building	462,050,577	-	24,500,193	-	-	486,550,770	2.5-5	33,969,010	-	4,184,242	-	-	38,153,252	
Office building	83,568,695	-	12,757,294	-	-	96,325,989	2.5-20	5,182,377	-	193,501,155	-	-	43,521,742	
Head office building	105,647,545	-	383,962,488	-	-	489,610,033	5-10	2,350,570,893	67,868,822	9,042,252	-	-	2,544,072,048	
Plant and machinery	3,141,538,261	-	10,030,322	-	-	3,151,568,583	10-20	148,510,240	6,990,875	1,047,651	-	-	74,859,697	
Mobile plant	92,979,617	-	6,903,457	-	-	99,883,074	10-20	42,107,920	9,042,252	2,656,588	-	-	25,719,673	
Electrical installation	176,368,708	-	4,151,512	-	-	180,520,220	10-20	18,467,420	1,047,651	(28,585)	-	-	4,981,320	
Gas pipeline	43,985,379	-	3,097,824	(59,587)	-	47,023,616	10	18,467,420	203,077	3,208,712	-	-	9,659,827	
Furniture and fixtures	27,395,225	524,848	71,079,726	(268,780)	-	99,730,119	10-20	16,404,913	603,708	(226,876)	-	-	19,990,457	
Office equipment	7,373,533	1,210,380	2,759,503	-	-	11,343,416	10-20	3,426,449	109,996	632,594	-	-	5,983,990	
Communication equipment	7,611,979	156,105	1,007,692	(16,350)	-	8,559,426	10-20	5,015,856	109,996	632,594	-	-	5,748,154	
Tools and appliances	62,904,576	2,389,725	4,767,228	-	-	70,061,529	10-20	25,726,318	995,125	6,288,232	-	-	33,009,675	
Vehicles	3,631,012	-	-	-	-	3,631,012	20	3,631,012	-	-	-	-	3,631,012	
Fire fighting equipments	4,999,805,533	11,857,524	5,141,181,489	(344,717)	-	10,101,659,829	-	2,986,071,284	1,911,906	256,191,573	(265,533)	-	3,243,909,230	
Total at 31 December 2015	4,999,805,533	11,857,524	5,141,181,489	(344,717)	-	10,101,659,829	-	2,986,071,284	1,911,906	256,191,573	(265,533)	-	3,243,909,230	

4 (c) RAK Security and Services PVT. Ltd. (Acquisition Company)

Particulars	C O S T					D E P R E C I A T I O N					Net book value at 31 Dec 2015		
	Balance at 20 Oct 2015	Additions	Sale/ disposal	Transfer to held for sale	Total at 31 Dec 2015	Rate (%)	Up to 31 Dec 2015	Addition due to acquisition	Charged for the period	Adjustment		Transfer to held for sale	Total to 31 Dec 2015
	Land	7,596,466	-	-	-	7,596,466	-	-	-	8,270		(28,585)	-
Furniture and fixtures	524,848	-	(59,587)	-	465,261	10	465,261	203,077	8,270	(28,585)	-	-	182,762
Office equipment	1,210,380	-	(268,780)	-	941,600	10	941,600	603,708	11,216	(226,876)	-	-	388,048
Tools and appliances	156,105	-	(16,350)	-	139,755	20	139,755	109,996	1,312	(10,072)	-	-	101,236
Vehicles	2,389,725	-	-	-	2,389,725	20	2,389,725	995,125	63,882	84,680	-	-	1,059,007
Total at 31 December 2015	11,857,524	-	(344,717)	-	11,512,807	-	11,512,807	1,911,906	84,680	(265,533)	-	-	9,781,754



	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>
	<u>Taka</u>	<u>Taka</u>
<b>4.1 Depreciation charged on the basis of the purpose of use</b>		
Cost of goods manufactured (Note 22)	245,533,042	173,120,913
Administrative expenses (Note 24)	28,136,017	16,358,835
	<u>273,669,059</u>	<u>189,479,748</u>

**4.2 Disposal of property, plant and equipment**

30 Sep 2016

Particulars	Original cost	Accumulated depreciation	Book value	Insurance claim receipt	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Motor vehicle	141,919	7,070	134,849	129,500	(5,349)
Office equipment	49,730	12,275	37,455	10,000	(27,455)
<b>Total</b>	<u>191,649</u>	<u>19,345</u>	<u>172,304</u>	<u>139,500</u>	<u>(32,804)</u>

31 Dec 2015

Particulars	Original cost	Accumulated depreciation	Book value	Sale/Lost	Profit/(loss) on disposal
	Taka	Taka	Taka	Taka	Taka
Furniture & fixture	59,587	28,585	31,002	13,100	(17,902)
Office equipment	400,501	226,876	173,625	145,281	(28,344)
Tools & appliances	16,350	10,072	6,278	300	(5,978)
<b>Total</b>	<u>476,438</u>	<u>265,533</u>	<u>210,905</u>	<u>158,681</u>	<u>(52,224)</u>

5 Equity-accounted investees

Share of net profit/(loss) :	Ownership	Reprising date	Nature of investment	Income	Expenses	Tax expenses	Profit or (loss)	Share of profit/(loss)
<b>30 September 2015</b>								
RAK Security and Services Pvt. Ltd.	35%	30 Sep 2015	Associate	54,620,827	47,813,434	2,382,587	4,424,806	1,198,682
RAK Paints Pvt. Ltd.	47%	30 Sep 2015	Associate	485,702,377	532,230,221	-	(46,527,844)	(21,868,087)
RAK Mosfly (Bangladesh) Pvt. Ltd.	20%	30 Sep 2015	Associate	87,089,723	91,561,460	-	(4,471,737)	(337,865)
								<u>(21,007,270)</u>

	30 Sep 2016	31 Dec 2015
	Taka	Taka
<b>6 Intangible assets</b>		
Balance as at 1 January	6,683,955	4,815,453
Add: Addition during the period	12,346,418	5,673,511
	19,030,373	10,488,964
Less: Amortisation during the period (Note-6.1)	9,096,159	3,805,009
Balance as at 30 September	9,934,214	6,683,955
<b>6.1 Amortisation charged on the basis of the purpose of use</b>		
Administrative expenses (Note - 24)	9,096,159	1,768,632
	9,096,159	1,768,632
<b>7 Capital Work-in-Progress</b>		
Balance as at 1 January	1,545,379,710	289,116,566
Add: Addition during the period	39,127,313	1,767,883,626
	1,584,507,023	2,057,000,192
Less: Transfer to property, plant & equipment during the period (note 7.1)	1,515,546,763	506,960,135
Impairment loss on capital equipment during the period	12,233,410	4,660,347
Balance as at 30 September	56,726,850	1,545,379,710
<b>7.1 Items transferred from capital work in progress to property, plant &amp; equipment</b>		
Facotory building	226,928,852	24,500,193
Factory office building	-	12,757,294
Plant & machinery	1,287,519,884	384,578,817
Mobile plant	-	10,030,322
Electrical installation	-	5,003,457
Gas pipe line	-	3,321,512
Furniture & fixture	-	495,965
Communication equipment	-	1,316,503
Office equipment	-	64,956,072
Others	1,098,027	-
	1,515,546,763	506,960,135
<b>8 Loan to disposed subsidiary</b>		
RAK Pharmaceuticals Pvt. Ltd.	201,898,000	201,898,000
	201,898,000	201,898,000
<b>9 Inventories</b>		
Raw materials	781,666,954	852,533,747
Less : Provision for obsolescence made during the period	(10,409,105)	(4,665,753)
	771,257,849	847,867,994
Stores and consumables spares	1,124,408,335	957,748,655
Finished goods	348,623,584	216,781,132
Work-in-process	114,542,998	37,268,593
Goods-in-transit	149,252,625	180,177,856
	2,508,085,391	2,239,844,230

	30 Sep 2016 Taka	31 Dec 2015 Taka
<b>10 Trade and other receivables</b>		
<b>Non current :</b>		
Receivable against disposal of investment	74,025,000	148,050,000
<b>Current :</b>		
Trade receivables (Note 10.1)	504,042,968	553,947,412
	<u>504,042,968</u>	<u>553,947,412</u>
Accrued interest (Note 10.2)	266,146	3,659,847
Accrued rental income	380,000	-
Receivable against disposal of investment	74,437,614	80,780,114
	<u>579,126,728</u>	<u>638,387,373</u>
<b>10.1 Trade receivables</b>		
Receivables from local sales	502,407,939	553,303,108
Receivables from export sales	1,635,029	644,304
	<u>504,042,968</u>	<u>553,947,412</u>
<b>10.2 Accrued interest</b>		
Interest accrued on FDR	266,146	3,659,847
	<u>266,146</u>	<u>3,659,847</u>
<b>11 Advance, deposit and prepayments</b>		
Advances:		
Employees	2,987,751	18,726
Land advance & others	36,911,871	28,421,141
Suppliers agaisnt material & services	228,479,987	159,240,033
	268,379,609	187,679,900
Security and other deposits:		
Titas gas	20,215,520	20,215,520
Mymenshing Palli Bidyut Samity-2	1,955,000	1,955,000
VAT and supplementary duty (note 11.1)	54,681,188	58,015,290
Deposit with income tax authority	17,185,655	9,705,739
Deposit with VAT authority	7,530,001	7,530,001
Other deposits	1,491,853	1,491,853
	103,059,217	98,913,403
Prepayments:		
House rent	9,737,336	10,715,974
Insurance	47,468,091	42,609,058
Others	441,054	240,057
	57,646,481	53,565,089
	<u>429,085,307</u>	<u>340,158,392</u>

	<u>30 Sep 2016</u>	<u>31 Dec 2015</u>
	Taka	Taka
<b>11.1 Supplementary duty &amp; VAT</b>		
Balance as at 1 January	58,015,290	41,050,431
Add: Treasury deposit for SD & VAT purpose	774,500,000	987,440,000
Rebate of input VAT	204,266,900	298,183,784
	<u>1,036,782,190</u>	<u>1,326,674,215</u>
Add: Receivable - SD & VAT	-	657,660
	<u>1,036,782,190</u>	<u>1,327,331,875</u>
Less: SD & VAT on sales	982,075,817	1,268,899,645
Payable- SD & VAT	25,184	416,940
	<u>982,101,001</u>	<u>1,269,316,585</u>
Balance as at 30 September	<u><u>54,681,188</u></u>	<u><u>58,015,290</u></u>

## 12 Advance Income Tax

Balance as at 1 January	2,219,806,786	2,013,796,131
Add: Paid during the period	172,765,632	191,578,493
Add: Addition due to acquisition of RAK Security	-	14,432,162
Balance as at 30 September (notes 12.1 )	<u><u>2,392,572,418</u></u>	<u><u>2,219,806,786</u></u>

## 12.1 Payment for the year

### Income year

Current period	148,539,292	
Year 2015	175,077,076	150,935,063
Year 2014	295,379,428	295,379,428
Year 2013	392,118,319	392,118,319
Year 2012	336,319,884	336,319,884
Year 2011	328,082,711	327,998,384
Year 2010	265,684,491	265,684,491
Year 2009	218,091,876	218,091,876
Year 2008	85,378,847	85,378,847
Year 2007	124,813,161	124,813,161
Year 2006	23,087,333	23,087,333
	<u><u>2,392,572,418</u></u>	<u><u>2,219,806,786</u></u>

	30 Sep 2016	31 Dec 2015
	<u>Taka</u>	<u>Taka</u>
<b>13 Cash and cash equivalents</b>		
Cash in hand	2,414,817	1,877,620
Cash at banks		
HSBC (current account -001-013432-011,001-107580-011,001-096015-011, 001-096007-011 - BDT)	37,709,298	41,911,217
Standard Chartered Bank (current account - 01-6162940-01, 01-3767272-01 - BDT)	75,792,655	62,681,974
Citibank N.A. (current account - G0100001200262018 - BDT)	10,840,032	11,566,925
Dutch Bangla Bank Ltd. (current account - 117-110-12733,117-110-2481, 117.110.23474 -BDT)	38,678,500	18,647,617
HSBC (ERQ account - 001-013432-047 - USD)	5,397,730	4,595,333
Standard Chartered Bank (ERQ - 42-6162940-01 - USD)	1,043,809	267,806
EXIM Bank (SND account - 01513100031877 - BDT)	113,683	113,239
Standard Chartered Bank (SND account - 02-3767272-01 - BDT)	650,793	400,958
Dutch Bangla Bank Ltd. (SND account - 117-120-589, 117-120-330,117-120.2550 - BDT)	104,064,740	133,216,271
BRAC Bank (SND - 1513101731248001 - BDT)	355,232	354,466
Prime Bank Ltd. (SND - 12531010022563 - BDT)	8,477,154	14,168,711
Commercial Bank of Ceylon (CD-2817000776 - BDT.)	25,000	-
Commercial Bank of Ceylon (SND-2817000777 - BDT.)	15,798,168	7,792,797
	<u>298,946,794</u>	<u>295,717,314</u>
IPO bank account		
Citibank N.A. (RAK-IPO Central Account - G010001200262022 - BDT)	2,453,520	389,032
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262042 - USD)	3,941,472	3,941,472
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262026 - EURO)	153,608	153,608
Citibank N.A. (RAK-IPO-NRB Subscription - G0100001200262034 - GBP)	126,594	126,593
	<u>6,675,194</u>	<u>4,610,705</u>
Dividend bank account		
BRAC Bank (Current - 1510201731248001 - BDT) - 2010	2,628,406	2,636,151
BRAC Bank (Current - 1513201731248001 - BDT) - 2011	2,282,339	2,326,783
SCB (Current - 02-6162940-02- BDT) - 2012	3,887,972	3,893,227
SCB (Current - 02-6162940-03- BDT) - 2013	16,683,039	16,679,336
SCB (Current - 02-6162940-04- BDT) - 2014	5,099,389	5,685,749
SCB (Current - 02-6162940-05- BDT) - 2015	4,116,685	-
	<u>34,697,830</u>	<u>31,221,246</u>
Investment in Fixed Deposit Receipt (FDR)		
HSBC	30,674,551	30,652,345
SCB	762,080	762,080
Prime Bank Ltd.	-	155,000,000
Dutch Bangla Bank Ltd.	20,000,000	581,725,210
	<u>51,436,631</u>	<u>768,139,635</u>
Total	<u>394,171,266</u>	<u>1,101,566,520</u>

#### 14 Share Capital

	<u>30 Sep 2016</u>	<u>31 Dec 2015</u>
	<u>Taka</u>	<u>Taka</u>
Authorised :		
600,000,000 ordinary shares of Taka 10/- each	<u>6,000,000,000</u>	<u>6,000,000,000</u>
Issued, subscribed, called and paid up :		
336,850,611 ordinary shares of Taka 10/- each	<u>3,368,506,110</u>	<u>3,368,506,110</u>

#### Percentage of shareholdings :

	<u>2016</u>		<u>2015</u>	
	%	Taka	%	Taka
RAK Ceramics PSC, UAE	71.67	2,414,100,210	71.67	2,414,100,210
S.A.K. Ekramuzzaman	3.92	132,119,850	4.22	142,119,850
HH Sheikh Saud Bin Saqr Al Qassimi	0.00	280	0.00	280
Sheikh Omer Bin Saqr Al Qassimi	0.00	280	0.00	280
Sheikh Ahmad Bin Humaid al Qassimi	0.00	280	0.00	280
Hamad Abdulla Al Muttawa	0.00	140	0.00	140
Dr. Khater Massaad	0.00	140	0.00	140
Abdallah Massaad	0.00	140	0.00	140
Manoj Uttamrao Ahire	0.00	140	0.00	140
General Public	24.41	822,284,650	24.11	812,284,650
	<u>100.00</u>	<u>3,368,506,110</u>	<u>100.00</u>	<u>3,368,506,110</u>

#### Classification of shareholders by holding

<u>Shareholder's range</u>	<u>Number of shareholders</u>		<u>Number of shares</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Less than 500 shares	28,002	32,023	5,888,095	6,687,947
501 to 5,000 shares	7,798	8,478	10,775,730	11,550,626
5001 to 10,000 shares	572	623	4,228,114	4,591,318
10,001 to 20,000 shares	297	302	4,344,674	4,371,383
20,001 to 30,000 shares	97	110	2,435,234	2,717,968
30,001 to 40,000 shares	43	47	1,533,025	1,695,813
40,001 to 50,000 shares	25	31	1,150,329	1,400,209
50,001 to 100,000 shares	64	77	4,592,541	5,437,755
100,001 to 1,000,000 shares	71	76	21,639,333	21,716,461
Over 1,000,000 shares	11	8	280,263,536	276,681,131
	<u>36,980</u>	<u>41,775</u>	<u>336,850,611</u>	<u>336,850,611</u>

	30 Sep 2016	31 Dec 2015
	Taka	Taka
<b>15 Deferred tax liabilities</b>		
Balance as at 1 January	75,811,194	78,418,185
Less : Deferred tax (income)/expenses	39,651,966	(2,606,991)
Balance as at 30 September	<u>115,463,160</u>	<u>75,811,194</u>

<b>16 Employees benefits payable</b>		
Providend fund	11,053,431	3,292,467
Gratuity fund	21,300,096	22,931,668
	<u>32,353,527</u>	<u>26,224,135</u>

	2016		
	Providend fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	3,292,467	22,931,668	26,224,135
Add: Provision made during the period	34,979,296	24,006,140	58,985,436
	38,271,763	46,937,808	85,209,571
Less: Payments made to fund during the period	27,218,332	25,637,712	52,856,044
Balance as at 30 September	<u>11,053,431</u>	<u>21,300,096</u>	<u>32,353,527</u>

	2015		
	Providend fund	Gratuity fund	Total
	Taka	Taka	Taka
Balance as at 1 January	2,715,018	68,456,325	71,171,343
Add: Provision made during the year	34,825,936	21,384,334	56,210,270
Add: Addition due to acquisition of RAK Security	375,674	1,852,138	2,227,812
	37,916,628	91,692,797	129,609,425
Less: Payments made to fund during the year	34,624,161	68,761,129	103,385,290
Balance as at 31 December	<u>3,292,467</u>	<u>22,931,668</u>	<u>26,224,135</u>

<b>17 Borrowings</b>		
Non-current:		
Term loan	918,197,538	497,742,616
Current portion of term loan	(257,557,916)	(77,117,814)
	<u>660,639,622</u>	<u>420,624,802</u>
Current:		
Short-term borrowings	199,294,563	694,001,555
Current portion of term loan	257,557,916	77,117,814
	456,852,479	771,119,369
Balance as at 30 September	<u>1,117,492,101</u>	<u>1,191,744,171</u>

#### 17.1 Borrowings by maturity

At 30 September 2016	< 1 year	1-2 years	2-5 years	> 5 years	Total
Short-term borrowings	199,294,563	-	-	-	199,294,563
Term loan	257,557,916	259,294,147	401,345,475	-	918,197,538
	<u>456,852,479</u>	<u>259,294,147</u>	<u>401,345,475</u>	<u>-</u>	<u>1,117,492,101</u>
At 31 December 2015	< 1 year	1-2 years	2-5 years	> 5 years	Total
Short-term borrowings	694,001,555	-	-	-	694,001,555
Term loan	77,117,814	124,789,765	295,835,037	-	497,742,616
	<u>771,119,369</u>	<u>124,789,765</u>	<u>295,835,037</u>	<u>-</u>	<u>1,191,744,171</u>



	30 Sep 2016 Taka	31 Dec 2015 Taka
<b>18 Trade and other payables</b>		
<b>Trade payables</b>		
Payable to local suppliers	79,663,002	146,223,649
Payable to foreign suppliers	218,661,045	329,901,031
Payable to service provider	87,964,024	44,247,355
Payable to C & F agent	8,918,983	18,636,933
	<u>395,207,053</u>	<u>539,008,968</u>
<b>Other payables</b>		
Tax deducted at source	10,457,520	18,862,935
VAT deducted at source	5,513,187	9,109,375
Dividend Payable	34,001,359	30,538,272
Unclaimed share application	20,838,116	18,773,636
Advance from customer against sales	1,183,870	22,393,794
Security deposit	1,630,458	1,939,219
GR/IR payable accounts	64,958,363	-
	<u>138,582,873</u>	<u>101,617,231</u>
	<u>533,789,927</u>	<u>640,626,199</u>
<b>19 Accrued expenses</b>		
Power and gas	24,119,015	23,895,998
Staff cost	62,445,914	69,173,773
Audit fees	823,000	846,000
Professional charges	307,813	338,000
Interest on loans	1,495,042	4,035,081
Telephone	188,584	146,882
Provision of exchange rate difference	4,915,057	-
Provision for freight	9,721,095	-
Managing Director's remuneration (Note 19.1)	27,845,288	34,075,485
Worker's profit participation and welfare fund (Note 19.2)	41,605,460	54,064,400
Royalty and technical know-how fees (Note 19.3)	56,860,981	2,399,388
Others	4,529,190	7,643,278
	<u>234,856,439</u>	<u>196,618,285</u>
<b>19.1 Managing Director's remuneration</b>		
Balance as at 1 January	34,075,485	30,682,702
Add: Provision made during the period	27,845,288	34,075,485
Less : Adjustment for prior period	-	(16,850,928)
	<u>61,920,773</u>	<u>47,907,259</u>
Less: Paid to Managing Director	34,075,485	13,831,774
Balance as at 30 September	<u>27,845,288</u>	<u>34,075,485</u>
<b>19.2 Worker's profit participation and welfare fund</b>		
Balance as at 1 January	54,064,400	48,623,250
Add: Contribution made to the fund during the period	41,605,460	54,064,400
Less : Adjustment for prior period	-	(26,758,639)
	<u>95,669,860</u>	<u>75,929,011</u>
Less: Payment made from the fund during the period	54,064,400	21,864,611
Balance as at 30 September	<u>41,605,460</u>	<u>54,064,400</u>

	<u>30 Sep 2016</u>	<u>31 Dec 2015</u>
	<u>Taka</u>	<u>Taka</u>
<b>19.3 Provision for royalty and technical know-how fees</b>		
Balance as at 1 January	2,399,388	38,352,170
Add: Provision made during the period	65,711,593	80,414,124
Add: Adjustment for prior period	-	233,797
	<u>68,110,981</u>	<u>119,000,091</u>
Less: Payment made during the period	-	36,683,680
Less: Tax provision on disallowance of royalty paid for the year 2009	11,250,000	25,000,000
Less: Tax provision on disallowance of royalty paid for the year 2010	-	36,160,532
Less: Tax provision for delay payment of vat on royalty for the year 2010	-	18,756,491
Balance as at 30 September	<u><u>56,860,981</u></u>	<u><u>2,399,388</u></u>

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

## 20 Provision for income Tax

Balance as at 1 January	2,583,742,941	2,182,344,567
Add: Provision made for the period	205,892,055	319,661,270
Add: Provision made for earlier period	-	54,917,023
Add: Adjustment for prior period	-	11,928,337
Add: Addition due to acquisition of RAK Security	-	14,891,744
Balance as at 30 September (Note 20.1)	<u><u>2,789,634,996</u></u>	<u><u>2,583,742,941</u></u>

### 20.1 Provision for income Tax

#### Income year

Current period	205,892,055	
Year 2015	323,397,728	323,397,728
Year 2014	381,571,248	381,571,248
Year 2013	364,979,858	364,979,858
Year 2012	341,267,796	341,267,796
Year 2011	328,376,284	328,376,284
Year 2010	350,044,556	350,044,556
Year 2009	266,823,984	266,823,984
Year 2008	147,117,914	147,117,914
Year 2007	80,163,573	80,163,573
	<u><u>2,789,634,996</u></u>	<u><u>2,583,742,941</u></u>

	Jan to Sep 16 Taka	Jan to Sep 15 Taka	July to Sep 16 Taka	July to Sep 15 Taka
<b>21 Sales</b>				
Gross sales (Local)	4,950,655,261	4,523,074,892	1,599,909,548	1,396,899,299
Gross sales (Export)	14,213,646	25,606,872	3,781,722	2,585,996
Total Sales	4,964,868,907	4,548,681,764	1,603,691,270	1,399,485,295
Less: Supplementary Duty	345,255,260	322,749,919	114,892,275	100,560,745
VAT	654,160,735	586,196,163	213,203,640	181,051,561
Net sales	3,965,452,912	3,639,735,682	1,275,595,355	1,117,872,989
<b>22 Cost of sales</b>				
Materials consumed:				
Opening stock as at 1 January	847,867,994	699,653,297	796,381,994	695,511,689
Add: Purchase during the period	1,011,512,146	1,237,644,307	310,323,789	461,862,416
	1,859,380,140	1,937,297,604	1,106,705,783	1,157,374,105
Less: Closing stock as at 30 September	771,257,849	732,010,829	771,257,849	732,010,829
	1,088,122,291	1,205,286,775	335,447,934	425,363,276
Manufacturing overhead:				
Direct labour (Note 22.1.1)	321,411,847	241,414,524	107,336,376	84,848,531
Direct expenses:				
Power and gas	97,494,184	116,716,257	36,143,545	37,471,986
Repairs and indirect materials (Note 22.1.2)	521,105,237	428,188,777	210,002,803	141,785,918
Rental charges	616,304	616,304	205,434	205,434
Moulds and punches	11,656,980	23,426,636	4,452,139	8,297,701
Depreciation	245,533,042	173,120,913	106,143,202	60,611,123
Royalty and technical know-how/assistance fees (22.1.3)	54,461,593	755,321	14,567,618	(256,905)
Other production overhead (Note 22.1.4)	55,959,578	33,225,413	22,133,238	16,807,260
Movement in stock	(74,464,222)	(150,463,839)	(88,836,236)	(128,614,690)
	2,321,896,834	2,072,287,081	747,596,052	646,519,634

	Jan.to.Sep.16 Taka	Jan.to.Sep.15 Taka	July.to.Sep.16 Taka	July.to.Sep.15 Taka
<b>22.1.1 Direct Labour</b>				
Salary & Wages	182,267,342	139,387,714	63,513,808	46,874,511
Overtime	29,680,030	14,827,516	12,127,711	5,918,226
Bonus	26,006,136	21,653,671	8,610,341	6,999,680
Incentive	412,895	7,398,231	70,217	4,330,308
Temporary Labour Wages	57,122,987	38,868,462	16,735,975	14,277,762
Gratuity	16,879,160	10,184,829	5,196,164	3,567,965
Employer's Contribution to provident fund	8,590,155	8,042,454	957,069	2,519,938
Group Life Insurance	453,142	1,051,647	125,091	360,141
	<u>321,411,847</u>	<u>241,414,524</u>	<u>107,336,376</u>	<u>84,848,531</u>
<b>22.1.2 Repairs and indirect materials</b>				
Stores, Spares, repair & Maintenance	295,194,380	241,287,900	128,063,447	80,534,531
Packing expenses	225,910,857	186,900,877	81,939,356	61,251,387
	<u>521,105,237</u>	<u>428,188,777</u>	<u>210,002,803</u>	<u>141,785,918</u>
<b>22.1.3 Royalty and technical know-how/assistance fees</b>				
Royalty and technical know-how/assistance fees	65,711,593	60,964,113	18,317,618	17,557,291
Add : Adjustment for prior period	-	233,797	-	-
Less : Tax provision on disallowance of royalty paid for the year 2009	11,250,000	19,000,000	3,750,000	4,000,000
Less : Tax provision on disallowance of royalty paid for the year 2010	-	27,375,221	-	9,125,074
Less : Tax provision for delay payment of vat on royalty for the year 2010	-	14,067,368	-	4,689,122
	<u>54,461,593</u>	<u>755,321</u>	<u>14,567,618</u>	<u>(256,905)</u>
<b>22.1.4 Other production overhead</b>				
Hotel fare and expenses for technician	10,881,802	3,374,012	5,458,932	1,620,560
Demurrage	1,031,555	10,300,486	213,821	7,959,995
Insurance	12,061,661	11,090,469	4,200,982	3,730,034
Hiring charges	1,566,652	-	555,002	-
Impairment loss on capital equipment	12,233,410	3,203,988	4,077,803	1,456,358
Provision for obsolescence	10,409,105	3,389,779	3,469,702	1,499,157
Other expenses	7,775,392	1,866,679	4,156,996	541,156
	<u>55,959,578</u>	<u>33,225,413</u>	<u>22,133,238</u>	<u>16,807,260</u>
<b>23 Other income</b>				
Dividend income	250	350,000	-	-
Miscellaneous income	15,317	-	15,317	-
Rental income	1,800,000	1,800,000	600,000	600,000
Gain on disposal of investment against subsidiary	-	600,568,643	-	-
Gain on disposal of investment against associates	-	20,234,417	-	-
	<u>1,815,567</u>	<u>622,953,060</u>	<u>615,317</u>	<u>600,000</u>
<b>24 Administrative Expenses</b>				
Staff cost (note-24.1)	114,549,385	93,206,035	40,283,946	32,533,581
Annual General Meeting expenses	14,036,817	25,488,191	250,409	3,275,647
Telephone and postage	4,418,868	4,590,506	1,004,168	1,360,654
Office repair and maintenance (note 24.2)	4,459,162	6,694,743	1,199,212	2,055,310
Registration and renewal	1,008,793	663,242	294,574	304,929
Security and guard expenses	8,595,129	9,034,891	2,868,880	3,218,035
Electricity, gas and water	5,250,693	4,315,543	2,305,105	1,646,065
Depreciation	28,136,017	16,358,835	9,401,668	5,706,097
Amortisation	9,096,159	1,768,632	3,247,734	478,643
Legal and professional fees	7,053,878	5,870,499	1,158,002	2,778,801
Vehicle repair and maintenance	8,791,498	6,629,098	2,677,418	2,194,299
Rent, rate and tax	4,567,393	6,197,608	876,846	281,480
Loss on sale of property, plant and equipment	32,804	-	27,455	-
Bad debts	357,846	-	(17,250)	-
Write off of loan and interest to subsidiary :				
Current period	-	10,100,916	-	-
Prior period	-	578,548,552	-	-
CSR expenses	2,842,270	1,526,624	275,000	352,500
Managing Director's remuneration (note-24.3)	27,845,288	13,195,347	7,762,091	3,227,170
Technical consultancy & others	7,263,080	4,158,748	2,982,937	1,754,736
	<u>248,305,080</u>	<u>788,348,010</u>	<u>76,598,194</u>	<u>61,167,947</u>

	Jan to Sep 16 Taka	Jan to Sep 15 Taka	July to Sep 16 Taka	July to Sep 15 Taka
<b>24.1 Staff cost</b>				
Salary & Wages	77,711,974	63,262,367	26,804,345	21,386,803
Bonus	11,373,439	8,954,410	3,597,180	2,857,372
Incentive	3,341,198	3,604,651	2,065,365	1,884,810
Gratuity	5,822,886	4,180,789	1,808,609	1,459,034
Employer's Contribution to provident fund	4,441,055	3,380,210	1,587,702	1,057,980
Leave Encashment	178,500	-	178,500	-
Group Life Insurance	186,737	439,938	34,358	148,166
Canteen and conveyance expenses	5,483,207	844,763	1,610,848	199,266
Staff uniform expenses	1,543,352	330,404	1,087,645	86,015
Travelling expenses	2,910,254	3,627,332	1,079,414	621,982
Food expenses	362,667	2,386,597	119,262	1,201,826
Medical expenses	760,136	294,614	138,194	69,910
Accommodation expenses	88,280	183,611	88,280	104,091
Other employee benefit	324,215	1,378,276	76,714	1,378,276
Travelling & conveyance	21,485	338,073	7,530	78,050
	<u>114,549,385</u>	<u>93,206,035</u>	<u>40,283,946</u>	<u>32,533,581</u>
<b>24.2 Office repair &amp; maintenance</b>				
Repairs office equipment	1,176,688	493,852	301,360	152,897
Office maintenance	3,282,473	6,200,891	897,852	1,902,413
	<u>4,459,162</u>	<u>6,694,743</u>	<u>1,199,212</u>	<u>2,055,310</u>
<b>24.3 Managing Director's remuneration</b>				
Provision made during the period	27,845,288	25,833,543	7,762,091	7,439,902
Less : Adjustment for prior period	-	(12,638,196)	-	(4,212,732)
	<u>27,845,288</u>	<u>13,195,347</u>	<u>7,762,091</u>	<u>3,227,170</u>
Managing Director's remuneration represents provision made 3% of net profit before tax of RAK Ceramics (Bangladesh) Ltd.				
<b>25 Marketing &amp; Selling Expenses</b>				
Staff cost (note-25.1)	21,110,795	26,146,419	6,965,866	8,370,037
Advertisement	2,881,958	6,237,711	1,040,827	109,756
Freight and transportation	156,666,814	170,735,275	52,293,243	39,315,555
Performance rebates (note-25.2)	180,103,258	157,827,503	56,953,623	45,864,097
Business promotion	13,792,634	18,770,537	3,955,948	3,769,593
Discount	100,554,680	99,784,661	30,051,238	30,617,469
Travel, entertainment and others	19,682,407	21,430,214	8,506,317	6,664,009
	<u>494,792,546</u>	<u>500,932,320</u>	<u>159,767,062</u>	<u>134,710,516</u>
<b>25.1 Staff cost</b>				
Salary & Wages	15,537,126	18,487,737	5,299,415	6,067,521
Bonus	1,975,596	2,588,223	675,919	847,938
Incentive	566,750	2,333,370	-	557,145
Gratuity	1,175,003	1,330,054	401,701	457,414
Employer's Contribution to provident fund	939,665	1,017,266	320,788	268,394
Group Life Insurance	170,805	132,759	30,970	45,161
Conveyance & food expenses	745,850	257,010	237,073	126,464
	<u>21,110,795</u>	<u>26,146,419</u>	<u>6,965,866</u>	<u>8,370,037</u>
<b>25.2 Performance rebates</b>				
Compensation	2,311,958	16,021,183	121,957	3,370,905
Dealers' commission	70,336,699	66,217,210	23,551,250	19,539,600
Breakage commission	107,454,601	75,589,110	33,280,417	22,953,592
	<u>180,103,258</u>	<u>157,827,503</u>	<u>56,953,623</u>	<u>45,864,097</u>

	Jan to Sep 16 Taka	Jan to Sep 15 Taka	July to Sep 16 Taka	July to Sep 15 Taka
<b>26 Finance income</b>				
Interest on bank account (SND)	2,658,770	5,512,500	80,528	2,715,667
Interest on loan to associate	-	13,210,024	-	818,912
Interest on FDR	11,511,304	50,334,025	(167,929)	15,869,173
Exchange gain	2,353,281	4,587,826	479,088	(5,869,744)
	<u>16,523,355</u>	<u>73,644,375</u>	<u>391,687</u>	<u>13,534,008</u>
<b>27 Financial expenses</b>				
Interest expenses	28,344,665	7,054,130	11,010,256	1,866,040
Bank charges	1,427,769	1,121,098	300,918	156,474
	<u>29,772,434</u>	<u>8,175,228</u>	<u>11,311,173</u>	<u>2,022,514</u>
<b>28 Contribution to Worker's Profit Participation and welfare Fund</b>				
Provision made during the period	41,605,460	40,980,789	11,627,083	11,821,602
Less : Adjustment for prior period	-	(20,068,979)	-	(6,689,660)
	<u>41,605,460</u>	<u>20,911,810</u>	<u>11,627,083</u>	<u>5,131,943</u>
<b>29 Current tax</b>				
Current period	205,892,055	247,263,217	62,693,028	66,659,162
Other tax provision	-	41,442,589	-	13,814,196
Adjustment for prior period	-	11,928,337	-	-
	<u>205,892,055</u>	<u>300,634,143</u>	<u>62,693,028</u>	<u>80,473,358</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		Amounts in Taka	
	As at 30 Sep 2016	As at 31 Dec 2015	As at 30 Sep 2016	As at 31 Dec 2015
Trade receivables				
Customer-Local	-	-	502,407,939	553,303,108
Customer-Export	21,002	8,260	1,635,029	644,304
	<u>21,002</u>	<u>8,260</u>	<u>504,042,968</u>	<u>553,947,412</u>
Other receivables				
Accrued Interest			266,146	3,659,847
Accrued rental income			380,000	-
Receivable against disposal of investment			148,462,614	228,830,114
			<u>149,108,760</u>	<u>232,489,961</u>
Loan to disposed subsidiary				
RAK Pharmaceuticals Pvt. Ltd.			201,898,000	201,898,000
			<u>201,898,000</u>	<u>201,898,000</u>
Cash equivalents			<u>391,756,448</u>	<u>1,099,688,900</u>

##### b) Ageing of receivables

The ageing of trade receivables as at 30 September was:

	Amounts in Taka	
	As at 30 Sep 2016	As at 31 Dec 2015
Not past due		
0-90 days past due	468,233,912	545,496,820
91-180 days past due	28,242,492	2,692,474
181-365 days past due	7,566,564	5,758,118
	<u>504,042,968</u>	<u>553,947,412</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 2016			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	533,789,927	533,789,927	533,789,927	-
Short term borrowing (foreign)	199,294,563	199,294,563	199,294,563	-
Term loan (foreign)	918,197,538	918,197,538	257,557,916	660,639,622
	<u>1,651,282,028</u>	<u>1,651,282,028</u>	<u>990,642,406</u>	<u>660,639,622</u>
	As at 31 December 2015			
	Carrying amount	Contractual cash flows	Within 12 months or less	More than 12 months
	Taka	Taka	Taka	Taka
Trade and other payables	640,626,199	640,626,199	640,626,199	-
Short term borrowing	694,001,555	694,001,555	694,001,555	-
Term loan	497,742,616	497,742,616	77,117,814	420,624,802
	<u>1,832,370,370</u>	<u>1,832,370,370</u>	<u>1,411,745,568</u>	<u>420,624,802</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 2016					As at 31 December 2015		
	AED	GBP	USD	EURO	JPY	USD	EURO	JPY
<b>Foreign currency denominated assets</b>								
Receivable from customers-Export	-	-	21,002	-	-	8,260	-	-
Cash at bank	-	-	82,743	-	-	62,348	-	-
	<u>-</u>	<u>-</u>	<u>103,745</u>	<u>-</u>	<u>-</u>	<u>70,608</u>	<u>-</u>	<u>-</u>



	As at 30 September 2016					As at 31 December 2015		
	AED	GBP	USD	EURO	JPY	USD	EURO	JPY
<b>Foreign currency denominated liabilities</b>								
Trade payables	13,916	17,924	2,142,250	483,385	8,400,000	635,721	1,240,389	-
Short term borrowings	-	-	2,467,130	55,000	-	2,148,305	5,932,170	5,145,000
Term loan	-	-	11,693,856	-	-	6,300,539	-	-
Royalty & Technical Fees	-	-	721,128	-	-	30,372	-	-
	<u>13,916</u>	<u>17,924</u>	<u>17,024,363</u>	<u>538,385</u>	<u>8,400,000</u>	<u>9,114,937</u>	<u>7,172,559</u>	<u>5,145,000</u>
Net exposure	<u>(13,916)</u>	<u>(17,924)</u>	<u>(16,920,619)</u>	<u>(538,385)</u>	<u>(8,400,000)</u>	<u>(9,044,329)</u>	<u>(7,172,559)</u>	<u>(5,145,000)</u>

The Company has foreign exchange gain of Tk 23,53,281 during the period ended 30 September 2016 (30 September 2015: Exchange gain Tk 4,587,826).

The following significant exchange rates have been applied:

	Exchange rate as at	
	30 Sep 2016	31 Dec 2015
	Taka	Taka
AED	21.2851	21.3155
GBP	102.0795	116.3353
USD	78.3500	78.5000
EURO	88.1890	85.8006
JPY	0.7728	0.6518

ii) Foreign exchange rate sensitivity analysis for foreign currency expenditures

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

	As at 30 September 2016		As at 31 December 2015	
	Profit or (loss)		Profit or (loss)	
	Strengthening	Weakening	Strengthening	Weakening
	Taka	Taka	Taka	Taka
<b>At 30 September</b>				
AED (3 percent movement)	(430)	405	-	-
GBP (3 percent movement)	(554)	522	-	-
USD (3 percent movement)	(523,318)	492,834	(279,722)	263,427
EURO (3 percent movement)	(16,651)	15,681	(221,832)	208,909
JPY (3 percent movement)	(259,794)	244,660	(159,124)	149,854

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 September 2016	31 December 2015
	Taka	Taka
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Investment in FDR	51,436,631	768,139,635
Cash at banks	340,319,818	331,549,267
<b>Financial liabilities</b>		
Term loan (Foreign)	918,197,538	497,742,616
Short term borrowing (foreign)	199,294,563	694,001,555

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 2016		As at 31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	Taka	Taka	Taka	Taka
<b>Financial assets</b>				
<b>Held to maturity assets</b>				
Investment in FDR	51,436,631	51,436,631	768,139,635	768,139,635
<b>Loans and receivables</b>				
Trade receivables	504,042,968	504,042,968	553,947,412	553,947,412
Other receivables	149,108,760	149,108,760	232,489,961	232,489,961
Loan to subsidiary and associates	201,898,000	201,898,000	201,898,000	201,898,000
Cash equivalents	391,756,448	391,756,448	1,099,688,900	1,099,688,900
<b>Financial liabilities</b>				
<b>Liabilities carried at amortised costs</b>				
Term loan	918,197,538	918,197,538	497,742,616	497,742,616
Trade and other payables	533,789,927	533,789,927	640,626,199	640,626,199
Short term borrowing (foreign)	199,294,563	199,294,563	694,001,555	694,001,555

**Interest rates used for determining amortised cost**

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

	30 September 2016	31 December 2015
Investment in FDR	1.70%-4%	3.70%-7.00%
Term loan	Libor+3%	Libor+3%
Bank overdraft	12.00%-13.50%	12.00%-13.50%
Short term bank loan (local currency)	12.00%-13.50%	12.00%-13.50%
Short term bank loan (foreign currency/USD)	Libor+(2.75%-3.00%)	Libor+(2.75%-3.00%)

**31** Related party disclosures under IAS-24

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

31.1	Name of related party	Relationship	Period	Purchase of goods/services	Sale of goods/services	Outstanding receivables	Outstanding payable	Remuneration	Loan	Interest receivables
	RAK Pharmaceuticals Pvt. Ltd	Subsidiary	Current period	-	-	201,898,000	-	-	-	-
			Previous period	-	-	-	-	-	-	-
	RAK Power Pvt. Ltd	Subsidiary	Current period	256,187,364	4,108,696	4,108,696	60,665,107	-	-	-
			Previous period	206,767,417	4,108,696	4,108,696	26,342,459	-	-	-
	RAK Security & Services Pvt. Ltd	Subsidiary	Current period	69,457,446	-	-	11,944,479	-	-	-
			Previous period	56,254,551	-	-	6,594,769	-	-	-
	RAK Paints Pvt. Ltd.	Associates	Current period	-	-	-	-	-	-	-
			Previous period	384,113	-	-	59,747	-	28,701,661	-
	RAK Ceramics - UAE	Parent	Current period	26,181,430	-	-	4,731,000	-	-	-
			Previous period	109,347,534	-	-	4,705,900	-	-	-
	Kea Printing & Packaging Industries	Other related party	Current period	72,378,228	-	-	8,457,987	-	-	-
			Previous period	69,277,847	-	-	11,699,007	-	-	-
	Palli Properties Pte. Ltd	Other related party	Current period	14,369,057	-	-	-	-	-	-
			Previous period	7,826,277	-	-	9,190	-	-	-
	Sky Bird Travel Agents Pvt. Ltd.	Other related party	Current period	4,428,226	-	-	-	-	-	-
			Previous period	3,082,223	-	-	57,496	-	-	-
	Green Planet Communications	Other related party	Current period	4,607,659	-	-	-	-	-	-
			Previous period	6,358,025	-	-	852,298	-	-	-
	Global Business Associates Ltd.	Other related party	Current period	-	-	-	-	-	-	-
			Previous period	54,821	-	-	-	-	-	-
	Mohammed Trading	Other related party	Current period	-	1,702,502,739	372,777,901	-	-	-	-
			Previous period	-	1,215,909,984	408,829,649	-	-	-	-
	S.A.K. Ekramuzzaman	Key Management Personnel	Current period	-	-	-	27,845,288	27,845,288	-	-
			Previous period	-	-	-	25,833,543	25,833,543	-	-
	Imitiaz Hussain	Key Management Personnel	Current period	-	-	-	680,520	8,227,200	-	-
			Previous period	-	-	-	636,000	7,629,000	-	-

**31.2** Events after the reporting period

No events, adjusting or non-adjusting, occurred after the date of statement of financial position which require adjustments or disclosures

**31.3** Paid to Directors

During the period, provision was made as MD's remuneration for Taka. 27,845,288

During the period, Board meeting fees of Taka 350,000 was paid to the board members for attending the Board meetings.

### 32 Segment reporting

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

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

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

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

### 30 September 2016

	Business Segments				Entity total Taka	
	Ceramic & sanitary ware Taka	Power Taka	Security and Services Taka	Inter segment Taka		Prior year adjustment Taka
Revenue - external customers	3,900,313,622	23,561,815	41,577,475	-	-	3,965,452,912
Revenue - inter segment	-	256,187,364	70,881,714	(327,069,078)	-	-
Total segment revenue	3,900,313,622	279,749,179	112,459,189	(327,069,078)	-	3,965,452,912
Cost of sales- external customer	(2,069,838,703)	(162,518,807)	(89,539,324)	-	-	(2,321,896,834)
Cost of sales- inter segment	(329,753,506)	(1,424,268)	-	331,177,774	-	-
Total segment cost of sales	(2,399,592,209)	(163,943,075)	(89,539,324)	331,177,774	-	(2,321,896,834)
Gross profit	1,500,721,413	115,806,104	22,919,865	-	-	1,643,556,078
Other income		15,317				15,317
Dividend income	103,489,500	10,000	250	(103,499,500)	-	250
Rental income	5,908,696	-	-	(4,108,696)	-	1,800,000
Financial income	15,045,722	1,452,433	25,200	-	-	16,523,355
Financial expenses	(29,526,399)	(240,055)	(5,980)	-	-	(29,772,434)
Depreciation	(259,865,852)	(13,529,695)	(273,512)	-	-	(273,669,059)
Other operating expenses	(503,663,875)	6,279,291	(13,649,443)	-	-	(511,034,027)
Segment profit before tax	832,109,206	109,793,395	9,016,380	-	-	847,419,479
Income tax expense	(167,749,185)	(34,987,137)	(3,155,733)	-	-	(205,892,055)
Deferred tax	(40,098,875)	446,909	-	-	-	(39,651,966)
Non -Controlling interest	-	-	0.29	-	-	367
Profit for the period						601,875,092

30 September 2015

Business Segments

	Business Segments			Entity total Taka	
	Ceramic & sanitary ware Taka	Pharmaceuticals Taka	Power Taka		Inter segment Taka
Revenue - external customers	3,607,060,662	-	32,675,020	-	3,639,735,682
Revenue - inter segment	-	-	206,767,417	(206,767,417)	-
Total segment revenue	3,607,060,662	-	239,442,437	(206,767,417)	3,639,735,682
Cost of sales- external customer	(1,948,784,492)	-	(123,268,792)	-	(2,072,287,081)
Cost of sales- inter segment	(210,876,113)	-	-	210,876,113	-
Total segment cost of sales	(2,159,660,605)	-	(123,268,792)	210,876,113	(2,072,287,081)
Gross profit	1,447,400,057	-	116,173,645	-	1,567,448,601
Other income	64,683,696	-	-	558,269,364	622,953,060
Financial income	71,101,414	-	2,542,961	-	73,644,375
Financial expenses	(8,075,682)	-	(99,546)	-	(8,175,228)
Depreciation	(176,010,364)	-	(13,469,384)	-	(189,479,748)
Other operating expenses	(579,483,337)	-	4,612,322	-	(1,120,712,392)
Share of profit of equity-accounted investee	-	-	-	-	(21,007,270)
Segment profit before tax	819,615,784	-	109,759,998	-	924,671,400
Income tax expense	(254,599,202)	-	(34,106,604)	-	(300,634,143)
Deferred tax	9,003,962	-	(467,795)	-	8,536,167
Non - Controlling interest	-	-	32,329,808	-	32,329,808
Profit for the period					600,243,614

	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>
	Taka	Taka
<b>33 Earnings per share (EPS)</b>		
Calculation of earnings per share (EPS) is as under:		
Earnings attributable to the ordinary shareholders	601,875,092	600,243,614
Profit attributable to equity holders of the Company	<u>601,875,092</u>	<u>600,243,614</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>1.79</u>	<u>1.78</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 year, adjusted by the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year. The weighted average number of shares is calculated by assuming that the shares have always been in issue. This means that they have been issued at the start of the year presented as the comparative figures.

	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>
Outstanding shares	<u>336,850,611</u>	<u>336,850,611</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 541,950,341 (30 Sep 2015: Tk 653,188,448). 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 286,589,464 (30 Sep 2015: Tk 170,280,046) and letter of guarantee of Tk 38,625,334 (30 Sep 2015: Tk 38,625,334).

#### 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.